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Original Article

Effect of Unrelated Diversification Strategy on Organizational Performance among Star-Rated Hotels in the Kenyan Coast

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ABSTRACT

Despite its growth, potential contribution to the economy and being an integral part of tourism destinations, the performance of the hotel sector has remained susceptible to both domestic and global uncertainties. Most of the studies conducted in developed countries concentrate majorly on manufacturing firms. This creates a gap in developing countries. This study was guided by the following objective: To examine the effect of unrelated diversification strategies on organizational performance among star-rated hotels on the Kenyan coast. An embedded mixed method comprising a descriptive survey and explanatory research design was used. The study was conducted on the Kenyan coast. Stratified random sampling techniques were used to select the hotels, Purposive sampling was used to select Strategic managers and random sampling technique was adopted to select both middle and lower-level managers. Data was collected through a questionnaire and interview schedule. 383 questionnaires were distributed and 29 managers were interviewed. Descriptive statistics and simple linear regression were used to analyze data. Qualitative data was analyzed thematically. 354 questionnaires were dully filled representing a 92.7% return rate while 29 general managers interviewed represented 80.6%. The simple regression model result showed that R-squire = 0.558. This means that 55.8% of performance is explained by conglomerate and collaboration diversification strategies. The result indicated that conglomerate diversification strategies (p-value < 0.0001) and collaboration diversification strategies (p-value = 0.031) are significant predictors of the performance of star-rated hotels on the Kenyan Coast. The null hypothesis was tested and rejected. According to the findings, the study recommends that hotels wishing to increase or retain their financial position and market share and also achieve economy of scale even during business turbulence should employ an unrelated diversification strategy. This will ensure hotels' high performance and sustainability during business distress such as the COVID-19 pandemic or decline in product lifecycle.

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INTRODUCTION

Over the years, hospitality and tourism have been among the fastest-growing industries and have remained significantly important in the growth of the economy of many countries in the world directly contributing to an average of 2.9 trillion US dollars representing 10 percent of the GDP globally (Statista,2020). According to the World Travel and Tourism Council (2020), the industry accounts for 1 in 10 jobs representing 319 million jobs globally. By providing employment and contributing to the improvement of local infrastructure, the industry has become one of the main drivers in the growth of local societies, enhancement of living standards and decrease of crime rates in communities where it conducts business. According to (Chen, 2021), the industry generates substantial direct and indirect revenues for both local and regional economies. For instance, in the United States (US), the hotel industry supports 8.3 million jobs and $ 1.5 trillion of US business. Consequently, hotel operations and guest spending represent the largest impact on the US economy. The hotel industry generates direct capital investment through the construction of new hotels and renovation of existing hotels. This construction and renovation activity supported almost 210,000 direct jobs, such as construction and design jobs (AHLA, 2022). The sector encompasses many subsectors such as lodging, food services, gaming, cruise lines, travel, casinos, entertainment and tourism-related activities.

Regionally, the tourism and hospitality industry is regarded as a key driver of Africa's economic growth. The region recorded a steady growth rate with an increase of 7 percent in 2018, which recorded 67 million international arrivals for Africa on business and leisure as compared to 63 million arrivals in 2017 and 58 million in 2016. The impressive growth has made the region ranked the second fastest-growing tourism and hospitality industry in the world (Jumia Hospitality Report Africa, 2019). The industry contributed to 24.3 million representing 6.7 percent of the total employment in the continent (UNWOTO, 2020). The tourism sector is expected to drive Africa's economic growth following the African Continental Free Trade Agreement, AfCFTA, through its travel and hospitality subsectors. This can be attributed to the progressive contribution of the two sectors to the continent's GDP, from 7.8 per cent in 2016; to 8.1 per cent in 2017 to 8.5 per cent (about $194.2 billion) in 2018).

The hospitality and tourism industry is one of the significant sectors in the Kenyan Economy. It is the second largest foreign exchange earner of up to 1.57 million US dollars contributing over 1.1 million jobs in the country (WTTC,2020). The study carried out by (ILO, 2020) revealed that hotels are one of the fastest growing sectors with a significant multiplier effect on employment and other related industries through Spending by visitors on facilities and activities such as hotels, restaurants, sporting and cultural events, shopping, visitor attractions and business visitors

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at conferences and exhibitions. (Ampofo, 2020; GoK, 2020) Kim, (2012) noted that the hotel sector and other related tourism products have higher contributions to the local economy as compared to other economic activities in developing countries. Hotels are charged with activities linked to the provision of food, drinks and accommodation to travellers who are willing and able to pay the amount charged for the services and who are in a good state to be received as a guest. The sector is considered an economic pillar of any local community as it generates revenue both directly and indirectly through services such as food, drinks, accommodation and event venues. Similarly, the sector stimulates the local economy through the purchase of retail goods and artefacts, locally made items.

The sector realized an acceleration of revenue collection from USD 718 million in 2019 as compared to USD 492 million in 2014 representing a 46% increase (KNBS, 2019). Consequently, the hotel sector growth rate of the GDP increased from -16.7% in 2014 to 16.6% in 2018 (KNBS, 2020). The performance of hotels in Kenya has recorded a steady rise between 2017, 2018 and 2019 with bed occupancy rates of 31.200, 32.500 and 33.800 respectively. According to the United Nations World Tourism Organization's (UNWTO,2018) long-term forecast report, "Towards Tourism Vision 2030", international tourist arrivals worldwide are expected to increase by 3.3 percent per year to reach 1.8 billion by 2030

Despite its growth, potential contribution to the economy and being an integral part of tourism destinations, the performance of the hotel sector has remained susceptible to both domestic and global uncertainties such as Covid 19 pandemic, seasonality, political instability, terrorism and other calamities. This was evident by the performance which dropped drastically in the year 2020 with only 17.800 hotel bed occupancy. The drop was necessitated by the travel ban and dusk-to-dawn curfew directed by the government to minimize the further spread of COVID-19 – 19 which in turn led to a drop in demand for hotels and other tourism-associated products (KNBS, 2022).

The hotel sector was one of the most affected in the world in the year 2020 due to the COVID-19 pandemic following control measures that were put in place by both local and national governments to reduce the spread of the pandemic (Odwori *et al.*, 2022). For instance, both international and national travel bans, lockdowns and social distancing measures led to a decline in hotel bookings and occupancy rates. Hospitality-affiliated businesses also shut down resulting in reduced performance of the entire sector. Understanding turbulence, opportunities and strength posed by the external environment is inevitable for an organization to retain its success in the present competitive and ever-changing business environment (Elali, 2021).

In order to enhance performance, continuity, survival and competitiveness, organizations must capitalize on opportunities and eliminate threats by applying appropriate paths and developing various strategic approaches (Triaa, Gzara & Verjus, 2016). Lei (2019), asserted that diversification is the most achievable avenue to enhance business effectiveness and performance by widely spreading a firm's financial investments. Moreover, Mendoza-Abarca and Gras (2019), termed diversification as a process of internal expansion or acquisition by a company through entry of new activities. Over the years, diversification strategies have been used as a game-changer by most business organizations in enhancing business growth and sustainability (Omaliko and Okpala, 2022). Unrelated diversification or conglomerates have been adopted by corporations for business sustainability. For instance, Atieno and Sangoro (2023) studied the effect of conglomerate diversification on the sustainability of public universities in Kenya. The findings revealed that conglomerate diversification has a significant influence on the sustainability of public universities in Kenya. Tsui-Auch, (2005) and (Konina *et al*, 2021) assert that conglomerate diversification is a corporate strategy where a

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company expands into areas that are distinct from its current operations, both in terms of products or services and market segments. This approach involves venturing into entirely new industries, often unrelated to the company's original business. An unrelated diversification strategy will not only see businesses increase competitiveness, and market share but will also ensure strong growth in the business sector and other areas of the economy (Tien and Ngoc,2019).

Matsasuka (2001) developed a matching model to explain why conglomerate firms exist and noted that when sales decline in an industry it is not optimal for a firm to go out of business. Instead, it should diversify into new lines of business in order to find a good match between its organizational competence and the line of business. If they find a good match they may transit into the new industry and exit their original industry. Wegwu (2020) studied diversification in the food and beverage industry and recommended that the firm should pursue diversification strategies to achieve growth and profitability which are the main measures of business performance considering the nature of the environment and competitiveness in the industry. The hotel sector has consistently remained vulnerable to dynamic and turbulent business environments despite being an integral part of tourism destinations. Due to the rapid drop in tourist visits caused by the COVID-19 outbreak, Kenyan hotels lost revenue of approximately USD 511 million in 2021. Most of the hotels temporarily ceased delivering a service/product, lessened their level of operations, and cut personnel headcount due to poor demand and constraints (World Bank,2020). This caused economic distress and ultimately job loss leading to a high standard of living.

Hospitality being a service industry requires diversification options to survive organizational and environmental forces such as the COVID-19 pandemic, globalization, seasonality, terrorism, stiff global and domestic competition, and new technologies (Baloch *et al.,* 2022). Performance enhancement is crucial for hotels in developing countries that view the global marketplace as a means to provide growth, competitiveness and survival opportunities. Matsasuka (2001) asserts that when sales decline in an industry, it is not optimal for a firm to go out of business. Instead, it should diversify into new lines of business in order to find a good match between its organizational competence and the line of business. Implementing unrelated diversification among hotels is likely to counter the threats associated with an increasingly, dynamic and changing business environment thus enhancing the sustainability level of hotel business by increasing market share among others (Oyefesobi *et al*., 2017). However, the majority of hotels seem to be facing challenges in the implementation of unrelated diversification strategies leading to the struggle for survival in the changing economic landscape, global competition and technological advancement thus poor performance among the hotels. Many studies have been carried out in developed countries with a main focus on manufacturing sectors. However, limited research has been undertaken to address the adoption of unrelated diversification strategies among star-rated hotels on the Kenyan coast. It is against this background that the researcher identified the gap and therefore sought to assess the effect of unrelated diversification strategies on organizational performance among star-rated hotels on the Kenyan coast.

LITERATURE REVIEW

Theoretical Review

This study was anchored on the Resource-based View theory, Dynamic capability theory, and Ansoff theory. Resource Based View (RBV) theory was proposed by Barney (1991). Resource-based view Theory, as outlined by Barney (1991), is a set of theories that propose that firms can create sustainable competitive advantage through a firm's internal resources with distinct features. Such characters should be; valuable, rare, difficult to imitate, and non-substitutable. The main intention of RBV is to answer the question of how organizations gain a sustainable competitive advantage over other organizations in the same

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industry and improve their organizational performance. The resource view supports diversification when the business has extra resources that might be put to better use elsewhere. Therefore, conglomerate diversification is vital to ensure that a firm diversifies its product portfolio into an unrelated area to widen the portfolio and the firm's market and enhance the firm profitability and sustainability (Putri and Pan, 2022).

Dynamic capabilities refer to intentional changes in the products, production processes, size, or markets that a firm serves (Winter, 2003). An organization is dynamic when it is able to integrate, build, and reconfigure its internal and external enterprise-specific capabilities in response to changing circumstances. For example, organizational capacity involves the effective use of existing resources, while dynamic capacity refers to the effective exploration and implementation of new opportunities (Snell & Morris, 2014). The Ansoff Model (19870 evaluates opportunities for companies to increase their revenue accumulation through developing alternative combinations for new markets.

Empirical Literature

Diversification strategy is a technique that is regularly employed to adapt to environmental conditions (Arte and Larimo,2022). Diversification enables businesses to achieve a higher return on investment by pooling resources and spreading capacity (Itami *et al.,* 2019). Unrelated diversification strategies involve a company's activities outside of its industry. According to Lichtenthaler (2005), unrelated diversification strategies involve diversification into any industry and business that promises attractive financial returns, while the pursuit of strategic fit takes a back seat. Unrelated diversification can also lead to superior performance (Cerrato La Rocca & Alessandri, 2023). Delbufalo, Poggesi and Borra (2016) in their findings observed a linear and an inverted U-shaped relationship between product diversification and firm performance. Oyewobi, Windapo and Cattel (2013) claim that linked and unlinked diversification have opposite effects on the financial performance of firms.

Under unrelated diversification, a firm operates in other different businesses with the ultimate goal of spreading business risks beyond its initial mandate (Kinyagu, 2021). Mammen, Alessandri and Weiss, (2021) noted that firms practice unrelated diversification strategies so as to mitigate against risk of failures. For Sun and Govind (2017) unrelated diversification strategies create strengths of the firm such as dynamic capacity and also benefit a firm in having a strong competitive advantage. Harjito *et al.*, (2021) note that through unrelated diversification, performance is improved through improved internal capital efficiency since capital is utilized for business activities related to the core business of the firm. Further, unrelated diversification enhances value creation through two approaches, structuring and internal allocation of the capital market (Adner & Zemsky, 2016).

Zheng and Tsai (2019) conducted a study on the tourism industry of China by utilizing secondary data from 2008 to 2015. The study assessed diversification strategies and firm performance with the size of the board as the moderating variable. The results of the direct relationship between unrelated diversification strategies revealed a negative relationship between firm performance and unrelated diversification strategies. According to Shuhidan *et al.,* (2016), unrelated diversification positively affects the financial performance of a firm in terms of return on investment (ROI). This is because the priorities of the business will link to the goals of the company in terms of value creation; the company seeks to attain growth that is sustainable and strives to reduce possible risks.

Mishra and Akbar (2007) conducted a study among 484 manufacturing companies in India. In their findings, they conclude that unrelated business groups have no impact on a firm financial performance though beneficial. They further note that while advanced economies do not value uncorrelated diversification structures,

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shareholders are indifferent to the performance impact of excessive diversification.

The study also indicates that companies with small businesses are advised to adopt unrelated diversification. Deng *et al.,* (2012) conducted research on unrelated diversification and financial performance of manufacturing firms and revealed a negative relationship between unrelated diversification and financial performance. Consequently, a positive relationship was associated with related diversification and firm performance. The performance of linked diversification is superior to that of specialization and unlinked diversification. In Portugal, Mota *et al.,* (2014) evaluated the effect of unrelated diversification on hotels' financial performance. The focus of the study was on groups of hotels. Through descriptive statistics, the study established that unrelated diversification strategies had no significant effect on hotels' financial performance. Neffke *et al*., (2018) noted that unrelated diversification can be an advantageous strategy when companies face earnings erosion in mature markets. Therefore, the study examined the effect of unrelated diversification strategies on organizational performance among star-rated hotels. Hence, the following null hypothesis was proposed.

> *H_{01} There exists no significant relationship between unrelated diversification strategy and organizational performance.*

METHODOLOGY

The study was carried out in Coastal Kenya. Approximately, Kenyan coastline is 600 km long extending from the Kenya-Tanzania border in the South to the Kenya-Somalia border in the North; between latitudes 1°40'S and 4°25′S and longitudes 41°34′E and 39°17′E. The landward geographical scope of Coastal Kenya is determined by the administrative boundaries of Coastal counties namely: Kwale, Mombasa, Kilifi, Tana River, Lamu and Taita-Taveta counties. It has a water surface area of approximately 230,000 km^2 (GoK, 2018).

Coastal Kenya is endowed with a variety of natural resources and biologically rich ecosystems and landscapes of both national and international importance. These ecosystems include: rangelands, woodlands, terrestrial forests, mangroves, mudflats, coral reefs, beaches, sand dunes, rivers, lakes, wetlands, cultural and natural heritage sites. Coastal Kenya is the hub of the hospitality and tourism business. The Coastal region of Kenya receives 65% of tourists, as reported by KNBS (2019). This research was, however, conducted in three counties namely; Mombasa, Kilifi and Kwale. The sector has been strong in recent years, with arrivals increasing from 814,000 in 1990 to over 2 million in 2007 and revenue increasing from US$864 million (Kshs 56.2 billion) to US$ 1 billion (Kshs 65.4 billion) between 2006 and 2007, representing an 11.6% growth rate. It is estimated that 60% of the revenues generated by the tourist sector in Kenya are due to coastal tourism (UNDP, 2017). Despite its revenue generation, the hotels in the region suffered mostly and their performance reduced drastically during turbulence such as the COVID-19 pandemic.

The study employed a descriptive cross-sectional survey design as it established the correlations between variables without allowing the researcher to control or manipulate any of them. Descriptive research design also ensures an in-depth explanation of a phenomenon (Sieddlecki, 2020). The target population for this study was 42 star-rated hotels which included two to five-star hotels (TRA, 2022) in which three tiers of management were drawn. A total of 383 respondents were targeted. This comprised strategic managers, middle-level managers and operational managers. A stratified random sampling technique was used to select the hotels while a simple random sampling technique was employed to select middle-level and operational managers. Purposive sampling was adopted to select strategic managers since they were key informants to the study. Structured self-administered questionnaires were distributed to gather information from middle-level managers and operational managers while interview schedules were used to collect data from

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the strategic managers as key informants in the study. The questionnaires were formulated into various sections based on the study objectives. The questionnaire captured general information about the respondents such as gender, age, marital status, level of education, terms of employment, current position and work experience. On the other hand, an interview schedule was used to collect data based on the influence of unrelated diversification on performance. The Yamane (1967) formula was applied to find the Sample size for the study.

$$n = \frac{N}{1+Ne^2}$$

N= is the target population

n is the desired sample size and

e is the level of precision (5% for this study).

Thus, $n = \frac{8775}{1+8775(0.05)^2} \cong 383$

Prior to data analysis, data treatment and diagnostic tests were performed to ascertain the eligibility of data for statistical analysis (Kothari, 2004). Data collected using questionnaires was cleaned, coded and then entered into Statistical Package for Social Scientists (SPSS), Version 26.0, for quantitative analysis. Both descriptive and inferential statistics were used to analyze quantitatively. Descriptive statistics included mean, standard deviation, frequencies and percentages. Inferential statistics was used to test the relationship between independent and dependent variables. Inferential statistics was also used in drawing and measuring the reliability of conclusions about the respondents. Qualitative data was analyzed thematically, where interview details and specifics of qualitative data collected were analyzed to generate vital patterns, themes and inter-relationships. Determining the relationship between two or more variables statistically is referred to as regression (Kothari, 2004). Ordinal data were converted to intervals using composite scores before testing and interpreting the relationship between the independent and dependent variables. Multiple regression was used to determine the prediction strength of the statistical model. The R-value in regression analysis indicates a simple correlation, while R2 (square) denotes the value of aggregate change in the adoption of unrelated diversification strategies after conducting the tests. The multiple linear regression results were tabulated in a model summary. F statistics were further used to test the statistical significance of the regression model (goodness of fit). To check how the regression model with diversification strategies could predict organizational performance, an Analysis of Variance (ANOVA) test was performed. A significance test was conducted at a 5% level (Kothari, 2004). The significance of beta values from the coefficients of X variables was (unrelated to diversification strategies) hence taking the following equation form:

$$Y=\beta_0+\beta_1X_1+\mathcal{E} \quad \text{equation 1}$$

Where: Y= Organizational performance (Dependent variable), X_1= Unrelated Diversification strategies (independent variable), β_0= Constant (Model intercept), β_1= Coefficient constants for unrelated diversification strategies= error term

RESULTS AND DISCUSSION

383 questionnaires were distributed during data collection. 354 questionnaires were considered duly filled for final data analysis. 36 interviews were targeted. However, only 29 were successfully conducted representing an interview response rate of (80.6%). This represented (92.7%) and (80.6%) of the response rate for the questionnaires and interviews respectively.

Unrelated Diversification Strategies and Organizational Performance among Star Rated Hotels in the Kenyan Coast.

Respondents indicated the extent to which different unrelated diversification strategies were adopted in star-rated hotels on the Kenyan Coast. The results for these responses are shown in Table 1.

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Table 1: Extent of Adoption of Unrelated Diversification Strategies

	To no extent at all	To a little extent	To some extent	To a large extent	To a very large extent	Mean (std. dev)
Conglomerate Diversification Strategies						
Engaging in a new line of products	19 (5.4%)	32 (9.0%)	58 (16.4%)	105 (29.7%)	140 (39.5%)	3.89 (1.18)
Engaging in a new line of services	24 (6.8%)	28 (7.9%)	67 (18.9%)	119 (33.6%)	116 (32.8%)	3.78 (1.18)
Offering different products	20 (5.6%)	44 (12.4%)	76 (21.5%)	90 (25.4%)	124 (35.0%)	3.72 (1.22)
Offering different services	25 (7.1%)	38 (10.7%)	77 (21.8%)	94 (26.6%)	120 (33.9%)	3.69 (1.24)
Collaborations Diversification Strategies						
Collaborating with other companies	30 (8.5%)	33 (9.3%)	89 (25.1%)	127 (35.9%)	75 (21.2%)	3.52 (1.17)
N=354						

The study considered a summation 'to no extent at all' and 'to a very large extent'. From the findings, the majority of respondents (39.5%) indicated that there is engagement in a new product line to a very large extent (mean = 3.89, std. dev = 1.18). Similarly, the adoption of collaborations with other companies was to a large extent by (57.1%) of the respondents (mean = 3.52, std. dev = 1.17). Responses from the key informants also confirm the presence of unrelated diversification strategies. The majority of the key informants agree on the existence of sporting facilities such as gym services, beach sports and indoor games arena among other sporting activities that are paid for by the clients. For instance, Key Informant S27 while supporting sporting activities stated the following:

> *"The hotel organizes beach sports such as beach volleyball and yacht racing. Sea skiing is also gaining popularity among our clients"*

According to Key Informant S2:

> "*We have opened an indoor arena for indoor games such as table tennis. In addition to that, we have been organizing beach sports which our clients have fully embraced"*

Key Informant S11 added the following:

> "*We have a gift shop and curio shop dealing with aesthetic products and objects with historic and symbolic meaning in the world"*

Table 2: Overall Extent of Adoption of Unrelated Diversification Strategies

Test Item	To no extent at all	To a little extent	To some extent	To a large extent	To a very large extent	Mean (std. dev)
The overall extent of the adoption of conglomerate diversification strategies	4 (1.1%)	43 (12.1%)	75 (21.2%)	101 (28.5)	131 (37.0%)	3.7698 (1.01247)
The overall extent of the adoption of collaboration strategies	30 (8.5%)	33 (9.3%)	89 (25.1%)	127 (35.9%)	75 (21.2%)	3.5198 (1.17138)
The overall extent of adoption of unrelated diversification strategies	7 (2.0%)	44 (12.4%)	92 (26.0%)	122 (34.5%)	89 (25.1%)	3.7198 (0.96294)
N=354						

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From the transformations in Table 2, it can be deduced that (37.0%) and (28.5%) of the respondents were of the opinion that conglomerate diversification strategies have been adopted to a very large extent and to a large extent respectively. The mean is 3.77 (std. dev = 1.01). The transformation also shows that (35.9%) of the respondents were of the opinion that collaboration strategies have been adopted to a large extent. The findings on the overall adoption of unrelated diversification strategies indicate that (34.5%) of the respondents were of the opinion that unrelated diversification strategies have been adopted to a large extent. Respondents were further presented with Likert scale items on the influence of unrelated diversification strategies and asked to indicate their level of agreement/disagreement. The respondent rating was considered for each item. The majority of the respondents (56.2%) are in agreement that the introduction of a new line of products and services that are not related to the existing product increases the daily room occupancy rate (mean = 3.49, std. dev = 1.33).

Significance of the Relationship between Unrelated Diversification Strategies and Performance among Star Rated hotels in the Kenyan coast.

Simple linear regression was utilized to fit a regression model for the relationship between conglomerate and collaboration diversification strategies with the performance of star-rated hotels on the Kenyan Coast. The p-value test is all greater than 0.05. Since all the assumptions were fulfilled, the regression model for the relationship between performance with conglomerate and collaboration diversification strategies was fitted.

Table 3: Model Summary for the Regression between Unrelated Diversification Strategies and Performance of Star-Rated Hotels

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.558	.553	.45303

a. Predictors: (Constant), collaboration, conglomerate

Source: Researcher (2023)

The model summary results in Table 3 show that R-Square=0.558; this means that 55.8% of performance is explained by conglomerate and collaboration diversification strategies. Additionally, R-square and adjusted R-square were almost of the same value implying that the model is properly defined. Consequently, 44.2% of the variation in performance is still unexplained thus adding other independent variables could improve the fit of the model. The influence of unrelated diversification strategies on organizational performance was analyzed using ANOVA as shown in Table 4

Table 4 ANOVA Results for the Regression between Unrelated Diversification Strategies and Performance of Star Rated Hotels

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.437	2	2.219	10.810	.000[b]
	Residual	72.039	351	.205		
	Total	76.476	353			

a. Dependent Variable: Performance

b. Predictors: (Constant), collaboration, conglomerate

Source: Researcher (2024)

The ANOVA result in Table 4 shows that the regression model between unrelated diversification strategy and organization performance of star-rated hotels is highly significant ($F_{2,351}$= 2.219, P- value < 0.0001 which is less than 0.05 level of significance). The result shows P- value<0.0001 indicating that the model is significant and can be used to predict performance. Further, a regression coefficient was developed in order to assess

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various factors of unrelated diversification strategies on organizational performance as shown in Table 5

Table 5: Regression Coefficients for the Regression Model between Unrelated Diversification Strategies and Performance of Star-rated Hotels

	Unstandardized Coefficients		Standardized Coefficients		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1 (Constant)	2.096	.096		21.720	.000
Conglomerate	.108	.029	.235	3.721	.000
Collaboration	.124	.025	.131	2.170	.031

a. Dependent Variable: Overall mean performance

Source: Researcher (2024)

The regression model from Table 5 shows that all the model coefficients are significant indicating that organization performance is significantly influenced by conglomerate diversification strategies (p-value < 0.0001and collaboration diversification strategies (p-value = 0.031) are significant predictors of performance of star-rated hotels in the Kenyan Coast. Based on this result, the null hypothesis stating, "There is no significant relationship between unrelated diversification strategies and performance among star-rated hotels in the Kenyan Coast" was therefore rejected. The regression coefficients are positive indicating that collaboration and conglomerate diversification strategies have a positive effect on the performance of star-rated hotels on the Kenyan Coast. The regression model therefore fitted as follows;

Performance = 2.096 + 0.108 Conglomerate Diversification Strategies + 0.124 Collaboration Diversification Strategies.

Consequently, the result of this study showed the importance of unrelated diversification strategies in the hotel business. Based on the hypothesis test, the result reveals that unrelated diversification strategies have a significant positive effect on performance among star-rated on the Kenyan coast. This implied that hotels that constantly employ unrelated diversification to their products, services or markets are likely to survive dynamic and changing business environments.

The findings are in agreement with Shuhidan *et al.*, (2016) who demonstrated through regression analysis that unrelated diversification positively affects the financial performance of a firm. However, Zheng and Tsai (2019) contradict these findings and demonstrate a negative relationship between unrelated diversification and firm performance. Deng *et al.*, (2012) also contradict the findings of the study by revealing a negative relationship between unrelated diversification and financial performance. According to Lee (2017), unrelated diversification has a negative relationship with performance since the additional costs incurred during diversification exceed its benefits. However, Neffke *et al*., (2018) noted that unrelated diversification might be advantageous especially when a firm has attained optimum levels in its current activities and is facing erosion. The new markets may guarantee new and additional earnings for the firm. The research conducted by Omaliko and Okpala (2022) further showed that conglomerate diversification has a significant positive effect on hotel performance. Gyan (2017) asserts that firms may adopt a conglomerate diversification strategy to appeal to an all-new group of customers.

CONCLUSIONS AND RECOMMENDATIONS

In Kenya, the hotel industry is a key pillar in economic contribution and realization of Vision 2030 of Sustainable Development Goals. Therefore, the hotel industry needs to diversify its products and services to enhance their performance and to remain operational year-round. By implementing an unrelated diversification strategy, the industry will realize

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sales growth and remain competitive and sustainable. In addition, offering unique products through diversification enhances customers' average spending power and the market share of hotel organisations. Hospitality firms gain new market niches by diversifying into businesses that improve the overall performance of a firm. It is important for hospitality firms (hotels) to consistently diversify their products and services through the adoption of unrelated diversification strategies to improve performance. Based on the findings, this study, recommends that it is essential for hotels on the Kenyan coast to adopt an unrelated diversification strategy to achieve economies of scale and retain their market share during uncertainties such as pandemic, seasonality or depletion of product life cycle.

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