EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Strategic Management
Vol. 1: Issue 1: Pg. 42-48: ISSN: XXX-XXXX
Email: info@edinburgjournals.org

Effect of Marketing Diversification Strategy on Supply Chain Performance of Delmonte Kenya

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How to cite this article: Syokau, M. F., & Kimani, J. (2021). Effect of marketing diversification strategy on supply chain performance of Delmonte Kenya. *Journal of Strategic Management, 1*(1), 42-48.

Abstract

The study intended to establish the influence of marketing diversification strategy on supply chain performance, a case of Delmonte Kenya limited. The research design employed in this study was descriptive research design. The target population for this study was 44 management employees of Delmonte. These comprised of top managers, line managers and supervisors who are directly involved in the supply chain process. The study adopted census approach since the population of the study was small. The results revealed that marketing diversification and supply chain performance were positively and significantly related. The study also concluded that the company carries out extensive market diversification and also values partnerships and joint ventures which enhances the competitiveness of the firm. This has been done on regular basis considering extensive marketing research that gives the internal operational departments the necessary knowledge/information on the products needed in the right segments of the market. The study recommends that the management should also consider training and induction of the present and newly recruited staff in order to ensure high quality operations in the company. This will be a big boost to the performance of the company and ensure to maintain and increase the customer base for future of the business.

Keywords: *Marketing diversification strategy, Supply chain performance, Delmonte Kenya limited*

1.0 Introduction

The supply chain has become a very prominent concern for all organizations as they strive for better quality and higher customer satisfaction (Chopra & Meindle, 2001). Due to a realization by most firms that maximizing performance of one department or functions may lead to less than optimal performance for the whole firm, it has become critical for firms to manage the entire network of supply to optimize overall performance and become competitive in the long run. This hence renders the use of systems approach/thinking (Mentzer, DeWitt, Keebler, Min, Nix, Smith & Zacharia, 2001) as well as performance measurement.

Any company's strategic emphasis is increasing sales volumes, boosting market share and cultivating a loyal clientele. Organizations pursue opportunities for geographical market diversification. The natural sequence for geographical diversification is local to regional to national to international. The degree of penetration will however differ from area to area depending on the profit potentials (Thompson & Strickland, 1993). The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company (Machel, 1972).

Supply chain management has been a major component of competitive strategy to enhance organizational productivity and profitability. In recent years, organizational performance measurement and metrics have received much attention from researchers and practitioners. The role of these metrics in the success of an organization cannot be overstated because they affect strategic, tactical and operational planning and control. Performance measurement and metrics have an important role to play in setting objectives, evaluating performance, and determining future courses of actions (Gunasekaran, 2004).

Companies must always be concerned with their competition. Today's marketplace is shifting from individual company performance to supply chain performance: the entire chain's ability to meet end-customer needs through product availability and responsive, on-time delivery. Supply chain performance crosses both functional lines and company boundaries. Functional groups (engineering, R&D, manufacturing, sales and marketing) are all instrumental in designing, building, and selling products most efficiently for the supply chain. Traditional company boundaries are changing as companies discover new ways of working together to achieve the ultimate supply chain goal: the ability to fill customer orders faster and more efficiently than the competition. To achieve that goal, an organisation needs performance measures, or "metrics", for global supply chain performance improvements (Gunasekaran, 2001).

The organization's performance measures must show not only how well the firm is providing for its customers (service metrics) but also how it is handling its business (speed, asset, inventory, and financial metrics). Given the cross-functional nature of many supply chain improvements, a firm's metrics must prevent "organizational silo" behavior which can hinder supply chain performance. The basic objective of supply chain management is to "optimize performance of the chain to add as much value as possible for the least cost possible". In other words, it aims to link all the supply chain agents to jointly cooperate within the firm as a way to maximize productivity in the supply chain and deliver the most benefits to all related parties (Jie, Parton, & Cox, 2007).

1.1 Research Problem

Kenya has been experiencing turbulent times with regard to its organizational performances and this has resulted in declining profits in the manufacturing sector (Mutindi, Namusonge & Obwogi, 2013). Statistics from World Bank show that Kenyan manufacturers of large-scale firms have registered declining profits and stagnation for the last five years (World Bank, 2014). It is estimated that large manufacturing companies have lost 70 per cent of their market share in East Africa largely attributed to operation issues (Republic of Kenya, 2014).

Diversification strategies influence on the organizational performance of the manufacturing firms still remains uncertain (Wagana &Kabare, 2015). Different scholars have conducted studies on marketing diversification strategies and how they influence performance. Doaei, Anuar, and Ismail (2014) conducted a study on corporate diversification and financial performance examining the relationship between product diversification and international diversification among manufacturing in Malaysia. Afza, Slahudin and Nazir (2015) conducted a study in Pakistan with the aim of establishing the relationship between diversification and financial performance. Kariuki (2013) examined the effects of corporate diversification on performance of firms whose shares are trading at the NSE through a descriptive research design. However, there exists scanty literature on the influence of marketing diversification strategies on supply chain performance. Therefore, this study sought to establish the influence of marketing diversification strategy on supply chain performance, a case of Delmonte Kenya limited.

2.0 Literature Review

2.1 Theoretical Review

The signaling theory is applied in explaining the information content of management actions to the market. Whenever an organizational management makes announcements, they send some signals to the market which is used by investors in making their investment decisions (Myers and Majluf, 1984). The investors use the information to predict the implied future performance expected by an organization so that it can guide their investment decisions. It is believed that the management team of an organization possesses superior information on the true value of the firm which the external parties may not access.

Secondly, another signaling theory hypothesis is implied cash flow hypothesis which is anchored on the notion that management team have more knowledge and information about an organization than external investors. It claims that the extent of diversification of firms operations communicates the managements' desire to optimize financial performance. In diversification and financial performance, this theory has been applied to hold that in cases where companies foresee investment projects with positive net present values, they will invest in them thereby, management diversification may signal to the general public of their future better financial performance.

2.2 Empirical Review

Xiaorong (2007) conducted a study in china with the intention of establishing the relationship between corporate diversification and financial performance. The aim of the study was to identify factors that explain firms' diversification. The results indicated no significant relationship between corporate diversification strategies and financial performance. The study was conducted in China portraying contextual gap which needs to be covered by the current study.

Makumbi (2012) conducted a study to determine factors influencing diversification strategies at HACO Industries. A case study research design was employed to achieve this objective. Primary data was collected through an interview guide. Secondary data from catalogues and other publications were also used. A content analysis method was used to analyze this information. The study revealed that market environment, partnerships, alliances and joint ventures are among the factors that have determined diversification strategies at HACO Industries. The leadership led by its chairperson has also played an integral part in determining the diversification strategies. The study revealed that the firm's investment in information systems, sales distribution, marketing and talent development have also shaped diversification strategies. The study indicated conceptual gap as it focused on HACO industries while the current study will focus on food and beverage firm.

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2.3 Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Kothari (2004) defines an independent variable also known as the explanatory variable is the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain. Below is a figurative representation of the variables to be assessed in this study.

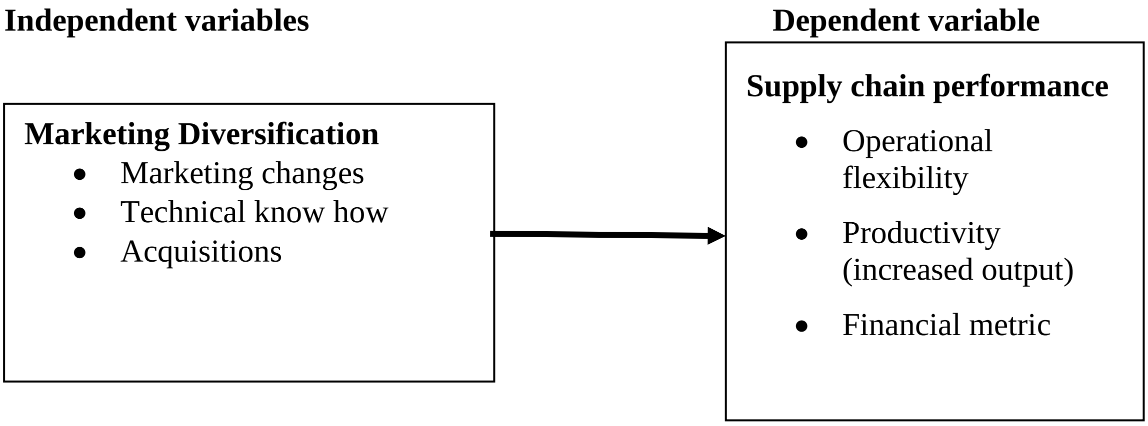

Figure 1: Conceptual Framework

3.0 Research Methodology

The research design employed in this study was descriptive research design. The major purpose of descriptive research design is to describe the state of affairs as it is at the time. The target population for this study was 44 management employees of Delmonte. These comprised of top managers, line managers and supervisors who are directly involved in the supply chain process. The study adopted census approach since the population of the study was small. Therefore, the total number of respondents to be selected was 44. The respondents were purposively selected. The study used primary data. Primary data was collected through the administration of the questionnaires. Descriptive statistics were conducted. Correlation analysis was conducted to determine the relationship between the study variables.

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4.0 Results and Discussion

4.1 Descriptive Statistics

Table 1: Market Diversification

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Standard Deviation
The firm has targets more than one market segment	4.35	13.04	17.39	36.96	28.26	3.72	1.15
The company technologically markets its products and processes over the internet and social media channels	4.35	2.17	15.22	34.78	43.48	4.11	1.04
The firm appreciates the technical know-how in its marketing strategies	6.52	10.87	17.39	41.3	23.91	3.65	1.16
The firm has formed partnerships, alliances and joint ventures	10.87	10.87	8.7	41.3	28.26	3.65	1.3
Average						**3.78**	**1.16**

The results in table 1 revealed that majority of the respondents (65.22%) agreed with the statement that the firm has targets more than one market segment. The results also revealed that majority of the respondents (78.26%) agreed with the statement that the company technologically markets its products and processes over the internet and social media channels. Furthermore, the results reveal that majority of the respondents (65.21%) agreed with the statement that the firm appreciates the technical know-how in its marketing strategies. In addition, the results showed that majority of the respondents (69.56%) agreed with the statement that the firm has formed partnerships, alliances and joint ventures. This implies that the company carries out extensive market diversification and also values partnerships and joint ventures which enhances the competitiveness of the firm. On a five-point scale, the average mean of the responses was 3.78 which mean that majority of the respondents agreed with the statement; however, the answers were varied as shown by a standard deviation of 1.16.

4.2 Correlation Analysis

Table 2: Correlation Results; Marketing diversification and Performance

		Performance	Marketing diversification
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Marketing diversification	Pearson Correlation	.568**	1
	Sig. (2-tailed)	0	

** Correlation is significant at the 0.01 level (2-tailed).

The results in table 2 revealed that marketing diversification and supply chain performance were positively and significantly related (r=0.568, p=0.000).

5.0 Conclusion

The study also concluded that the company carries out extensive market diversification and also values partnerships and joint ventures which enhances the competitiveness of the firm. This has been done on regular basis considering extensive marketing research that gives the internal operational departments the necessary knowledge/information on the products needed in the right segments of the market.

6.0 Recommendations

The study recommends that the management should also consider training and induction of the present and newly recruited staff in order to ensure high quality operations in the company. This will be a big boost to the performance of the company and ensure to maintain and increase the customer base for future of the business.

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