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# **Service Diversification Strategies and Performance of Hospitality Industry in Rwanda: A Case of Centre National d'Education Transformatrice (CENETRA)**

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## **Abstract**

In current competitive, changing business world, with the aim to increase performance firms are constantly struggling to satisfy various needs of customers and maintain a competitive advantage in the market. As a strategic alternative, diversification is used by business organisations targeting to outpace new entrant and or existing firms. The main objective of this study is to examine the influence of service diversification strategy on organisational performance of hospitality industry in Rwanda. From the main objective the researcher derived three concise targets pointing to three types of diversification strategy. The targets were to determine consecutively the influence of concentric, horizontal and conglomerate strategies on the performance of CENETRA Hotel. Findings of this research are useful to hotels and other accommodation establishments owners who intend to gain a competitive advantage, sustain and grow their businesses diversifying their services. The research results will inform the Private Sector Federation (PSF) and Rwanda Development Board (RDB) on priorities to be considered in developing hospitality business sector. Moreover it will broaden research field and the domain of diversification strategies where influence of a variety of services can have on firm's performance. Descriptive design also known as statistical design and analytical design was used by the researcher. This study targeted 54 staff members, 4 management team members CENETRA Hotel and 47 permanent customers at CENETRA. It adopted probability stratified, random and purposive sampling technics. Questionnaires and interviews were used to collect primary information and documentary review was applied to collect secondary data and SPSS version 21 was used for data analysis. Descriptive statistics with the mean, standard deviation, and Pearson's correlation coefficient were utilised and inferential statistics with regression analysis were applied for data interpretation. Findings revealed that concentric diversification strategy is very highly correlated with organisational performance with Pearson's correlation value= 0.935, p value=0.001<0.05. Moreover results uncovered that horizontal diversification strategy is significantly positively correlated organisational performance. A mean of 38% of total respondents strongly agreed, 57% agreed, with presented statements with a correlation coefficient value of 0.929 p=0.004<0.05. Conglomerate

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diversification strategy is positively correlated to organisational performance as quantified by Pearson's correlation coefficient of 0.725  $p=0.002<0.05$ . These statistical figures were supported by four managers answers of interview who affirmed that service diversification strategies has a positive influence on performance of hospitality industries in Rwanda. Thus the research established that service diversification strategy highly influence the performance of hospitality industries in Rwanda. It is recommended to hospitality organisations to diversify their services implementing concentric, horizontal and conglomerate diversification strategies, to PSF and RDB to consider service diversification strategies in policy making in order to strengthen more hospitality industry in Rwanda.

**Key words:** *Service Diversification Strategy, Hospitality, Organizational Performance*

## 1.1 Introduction

With the increasingly fierce competitive environment and the advancement of technology, companies have begun to diversify their operations in order to reduce risks (Le, 2019). Thus, the growing competition, increasing demand for service heterogeneity and dramatic change in needs of customers have attracted the attention of business organizations and investors. According to Udosen (2019) more and more organisations and investors are pushed to implement strategies which allow them to outpace competitors in acquiring and retaining customers through provision of variety, expansion and exploitation of internal resources and capabilities. Furthermore, Udosen informs that in order to capture a wider segment of the market, business organisations adventure in creation of new products or services either through adding related services, or innovating new outside organisational line but related with the existing ones, or creating a service totally unrelated to the current organisational business. Furthermore, in order to maximize profit and growth in today's changing business world organizations are forced to strategize on how to enhance performance.

Hotels and lodges having international products and services standard constructed recently in Rwanda are contributing to the increase of tourists visiting the country. One of Rwanda's achievements was the construction of high quality lodges offering luxury food and services to travelers visiting Rwanda. Such lodges in Rwanda include Bisate Lodge, Wilderness Safari, Nyungwe House and the Mantis Akagera Lodge imply the transformation of Rwanda as an investment destination for high class tourism products and services (Horwath, 2018).

Successfully, Rwanda has managed to boost tourist arrivals but that has not led to a proportional increase in its total receipts from foreign travellers. This situation can be explained by the limited length of tourist stays. Recommendations to strengthen the sector include developing entertainment alternatives and strengthening linkages with recreational, cultural and sporting services (United Nations Conference on Trade and Development UNCTD, 2014). For existing hotels, the rising competition has made it difficult to increase performance. A study done by Udosen (2019) uncovered that diversification strategy at the same time affects organisation performance in a positive way and becomes a strategy which allows business institutions to use its scarce resources to increase their competitiveness in manufacturing industries. Deprived of good client services, realizing accomplishments within hotel business is a difficult assignment for hoteliers. According to Mwende and Wachira (2021) despite having outstanding amenities, customers may avoid the business if diverse services are not provided.

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## 1.2 Statement of the Problem

There are 837 hotels and accommodation establishments in Rwanda of which 172 are licenced and 147 were graded by RDB from 2017 (Licensing status for Accommodations establishments, 2019). During the grading process, RDB ranked these hotels into 5 categories using the “East African Criteria for Standardization of Hotels, Restaurants and other Tourist Accommodation Facilities” established in 2010. During the ranking, a 1-5 star grading system is established to help differentiating the quality of services rendered by establishments to their clientele such as their location, site and environment, architectural design and features, capacity, reception area, information services, hours of service, decor, amenities and accessories and regulation of temperature.

Even though those Hotels and accommodation establishments are licenced and graded, they do not offer a variety of services, and so clients’ needs are not satisfied which reduces their days of stay and or their willingness to pay services. More than that Rwanda is considered an expensive destination, limited international air connectivity (Horwath, 2018). The above threats reduce the number of customers in hotels and accommodation establishment which have been growing in numbers in Rwanda thus increasing competitiveness, distorting their performance and increasing difficulty for survival.

This is the case of CENETRA a 2 stars hotel located in Kigali Town, Gasabo District. There are 111 accommodation establishments in Gasabo District of which 86 accommodation establishments are newly built offering hospitality services as they go through the process of being licenced (Licensing status for Accommodations establishments, 2019). This creates a very high competition in Hotels located in Gasabo District and in Kigali Town in general. Due this high competition CENETRA Hotel, has faced drastic decrease in customer numbers, in profit making, and in competitive advantage for the last five years. Although CENETRA Hotel has used cost leadership strategy to outpace competitors, performance has continued to decrease. The hotel documentary shows that from 2017 to 2021, CENETRA entries reduced from 256,453,168 to 142,307,204 while events hosted there also reduced from 204 to 76, the number of customers accommodated at the hotel reduced from 1823 to 657.

There exists a number of gaps in literature that inform the need for this study wants to uncover the impact of service diversification on organisational performance in hospitality industry in Rwanda with the case of CENETRA Hotel.

## 1.3 Objectives of the Study

Mainly this research wanted to find out influence of service diversification strategies on the organisational performance of hospitality industry in Rwanda with a case of CENETRA Hotel.

### 1.3.1 The specific objectives

- i. To assess influence of concentric diversification strategy on the performance of CENETRA Hotel
- ii. To determine the influence of horizontal diversification strategy on the performance of CENETRA Hotel

- iii. To examine influence of conglomerate diversification strategy on the performance of CENETRA Hotel

#### 1.4 Research Hypotheses

Hypothesis H0<sub>1</sub>, H0<sub>2</sub> and H0<sub>3</sub> were tested in the null form at 0.05% level of significance.

- i. **H0<sub>1</sub>**: Concentric diversification strategy does not have important impact on the performance of CENETRA Hotel
- ii. **H0<sub>2</sub>**: Horizontal diversification strategy does not have considerable influence on the performance of CENETRA Hotel
- iii. **H0<sub>3</sub>**: Conglomerate diversification strategy does not have important influence on the performance of CENETRA Hotel.

#### 2.1 Theoretical Literature

The concept of strategy, diversification strategy together with its three types concentric, horizontal, conglomerate are reviewed. Finally, Organisational performance, service newness and variety are examined.

##### 2.1.1 The concept of strategy

The term strategy was invented by Greeks; it derives from a Greek word *strategos*, which means a general in command of army or the art of the general or plan to destroy enemies through effective use of resource. The concept is endowed with a military connotation. (Mainardes et al, 2014). In this military context, strategy already implies objectives to be achieved and plan of actions to be executed in various circumstances depending on the enemy's behavior.

From the beginning of 21<sup>st</sup> century, strategic management has been used by business organisations as a means to challenge competitors and to outpace them. It allowed translating organisational culture and philosophy showing orientation and choices of a firm. Well known founders of strategic management are Alpfred Chandler, Peter Drucker, Philip Slznick, and Igor. Alfred Chandler introduced a research on the interaction between structure and strategy, Philip initiated what later becomes SWOT analysis, by relating internal factors and external factors of a business organisation. Igor Ansof developed product, market strategies, horizontal and vertical integration and diversification strategy. Peter emphasized the importance of setting objectives for a business organisation (Petrova, 2015).

Today, strategy is considered a very important tool used to outpace competitors and to reach the survival of a business organisation. Its recent conceptualisation has allowed discovering its importance and has increased skills in management and social sciences (Udosen, 2019). Abdulwase et al (2020) defined strategy as an instrument that contains long term orientation and scope of an organisation and plans how the organisation will acquire necessary resources to satisfy the needs of customers and shareholders.

According to the latest research, the term strategy is considered a tool used by companies to seize market opportunities and create value for all participants in a business organisation. It allows doing innovation in a company and raising interest of both buyers and the company. It is an instrument that can generate high performance and profits by raising demands of existing customers and

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creating new markets instead of competing with business organisations for their existing customers in existing industry (Petrova, 2015).

### 2.1.2 The concept of diversification strategy

The word diversity appeared first in the USA in 1950. In 1957, Ansoff published an article in Harvard Business Review, entitled “strategies for diversification. According to (Le (2019, cited in Ansoff, 1957) defined diversifications as business strategy which allows penetrating into new markets using newly invented products with the goal to expand a company to a level where it fosters future growth and more profit. Udosen (2019, as cited in Su & Tsang, 2015) when an institution targets changing its business either by introducing new products or expanding into a new market individually or jointly with another entity diversification is undertaken.

According to Ebrahim (2013), in the latter half of the twentieth century, “Diversity” has become an essential basic for companies’ growth and survival due to the vulnerability of specialized companies to rapid and unexpected changes of the environment. Le (2019) cited by Ansoff, (1957) studied the article published by Ansoff in Harvard review and discovered that Ansoff introduced four directions for growth of a company. The first is to expand in original market; the second is to sell new products in research of the relationship between diversification of the existing market and the performance of the company. Han Le (2019) explains that Ansoff’s third and fourth directions are respectively the choice to sell existing products to new customers and to sell new product to new customers. This way Ansoff presented diversification strategy in the perspective of its relationship with firms’ performance and firms’ products in their categories.

**Figure1: Diversification matrix**

New market	Market penetration	Product Development
	Market Development	Diversification
Existing market	Existing product	New product

**Source: (Udosen, 2019 as cited by Kotler and Armstrong, 2006)**

According to Rustamov and Olimov (2020), a variety of services or products investments when implemented in a business world becomes significantly important in firms and at the same time allows them to manage risks. It becomes also important when it comes to increasing competitiveness in the global business environment. Rustamov and Olimov (2020) continue that a variety of business itself becomes a necessity for businesses to be able to meet the needs of various market segments. This way, the choice of product diversification as strategic alternative in business organisations can be given priority. Han Le (2019) defines diversification as strategic alternative chosen managers or owners of business organisations after a thorough analysis of internal strengths and opportunities. Therefore, internal resources or capabilities of a business organisation are a key factor to be considered in deciding to implement diversification strategy and this choice affects organisational performance.

According to Okasana et al (2019), avoiding risk is one concern and reducing is another one. Diversification strategy is effective in reducing risk not in avoiding it. In this situation, business organisations may run into large risks as the foster to gain more profit focusing on most profitable direction. As explained by Kheng (2017), diversification strategies in understood in three different directions, new products related to existing ones sold to existing customers this is Concentric diversification, new products sold to new customers which is Conglomerate, and implementation of the both called Hybrid diversification strategies.

According to Rustamov and Olimov (2020) there are three types of diversification techniques, concentric diversification; horizontal diversification; and conglomerate diversification. Concentric diversification implies adding similar products or services to the existing business. Horizontal diversification entails providing new and unrelated products or services to existing consumers. Conglomerate diversification requires adding new products or services that are significantly unrelated and with no technological or commercial similarities.

### **2.1.3 Concentric diversification**

Concentric diversification is referred to when a relationship with existing markets and products is created thus resulting in new product or new service (Johnson & Whittington, 2018). A research was conducted by Berger and Ofek (2017) described concentric diversification as an option of an organization to enter into new lines of activity through a process of inward advancement. Innovation or extension of a product or service that serves to extend potential market through existing resources and capabilities is in the line of concentric diversification.

The main purpose of related diversification is to unify energy. Unifying energy for a company leads it to synergy which is explained by the fact when more than one parts of organisation put energy together the capacity their efforts is greater than when effort of each one independently were added together (Udosen, 2018). A study by Mwende and Wachira (2021) concluded that hotels improve and grow when new products and/or services that attract new customers are offered.

### **2.1.4 Horizontal diversification**

Horizontal diversification is a strategic option used by companies to satisfy existing customers offering them new products. This strategy alternative is implemented when the current customers are proposed new and unrelated products at the same time the current channels of distribution are used to distribute the those products to customers. With regard to this strategy, innovated products or services which are in either commercially or technologically unrelated to the current products are added but they might appeal the existing customers (Udosen, 2019). In horizontal strategy, there is growing firm dependence on particular market segments application of the measures in the studies they were selected (Aicher & Colletti, 2017).

### **2.1.5 Conglomerate diversification**

According to Thompson and Strickland (2016), conglomerate diversification happens when a business organisation ventures in a new business which is unrelated to the existing market or business operations. The main target in using conglomerate diversification is to maximise profitability by taking opportunity of organization's competencies though; it is not easy to transmit or influence competencies and reach economies of scope. Nonetheless, large firms set up a plan of

acquiring a business as it signifies the most favorable investment opportunity that is available (Griffin & Pasta, 2017). Of the three, Concentric, Horizontal and conglomerate diversification strategies, conglomerate diversification is the riskiest. Conglomerate diversification requires a business organisation to enter into a new market and offer products or services to new segments. A business organisation spends higher research and development costs and advertising costs. Moreover, in a conglomerate diversification strategy the probability of failure is much greater (Rustamov and Olimov, 2020).

### **2.1.6 Organisational performance**

According to Herman (2013), performance is not self-evident; it demands effort to be translated into the business organisational orientations and daily activities. Performance is connected to an organization's target in terms of its operations, production and efficacy. According to Armstrong (2015) managers are warned on the fact that performance is dynamic process which requires attention when organisations develop their plan of actions to include measurements and evaluation of performance at repetitive intervals during specific period of time.

It is complex to define an organisational performance. Olabisi, Olagbemi and Atere (2013) believed that organisational performance is the ability to generate returns which brings profit in the business. Mackie (cited in Stephen & Edith 2012) linked performance to efficacy with which business organisations reach their set goals. It considers the level at which business organisations analyse needs of their market and satisfies them (Mohd & Norlene, 2012). Oyedijo (2014) concluded that performance is a measure of current outputs or results compared to its expected output. Performance is conceived by business organisations as an association of assets classified into human, physical and capital used to achieve established objectives (Al-Matari 2014). Business organisations being small or large, complex or simple structured aspire for better performance according to (Muya & Wesonga 2012). Performance is a wider factor indicating the value of products delivered to customers and efficacy of services which are delivered (Udosen, 2019).

## **2.2 Empirical Literature**

### **2.2.1 Diversification strategy and organisational performance**

In Belgium and Turkey, Boz, Yigit and Anil (2013) sought to establish the interaction between horizontal diversification and firm performance and established varying degree of diversification as having different effects on organization growth of firms. The results indicated that diversified firms recorded high performance compared to undiversified firms (Mwende & Wachira, 2021). Unrelated diversification especially in a stage of life cycle of large companies is an important strategy in the growth of enterprises. Nevertheless, if top managers intend to use the diversification strategy, first they should do a SWOT analysis. That is the need to weigh their actual strengths and weaknesses, opportunity and threat and then if they decide to adopt conglomerate diversification for the organizations' purposes, they should expand their business area with a clear visibility. This study shows a gap in studying diversification strategies taking differently developed and developing countries.

Mashiri and Sebele (2014) conducted a study in Zimbabwe on how diversification affects the performance of firms with a focus on Conglomerates registered under Food & Beverages Segment

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in Zimbabwe. This study assessed diversification as a business strategy and sought to establish the association between diversification approach and organizational performance. To attain this, the study used Zimbabwean conglomerates in the food and beverages sector.

An established understanding that the relation between diversification strategy and performance is U-shaped was later challenged by a study done by Schommer et al (2019). Over a period of time business organisations implemented conglomerate diversification which lead to harmful performance results due to a belief that through history there has been a certain shape the connection between performance and unrelated diversification strategy. With time more knowledge broadened the choice of diversification strategy alternatives which reduces the number of firms deciding to use conglomerate diversification strategy. Few business organisations which continued to implement conglomerate diversification, the outcome improved considerably. Schommer et al (2019) observed that U-shaped showing the influence of diversification on performance became flat with time.

### **2.2.2 Concentric diversification strategy and organisational performance**

Oksana et al (2019) studied whether diversification can influence entrepreneurial spirit in Ukrain during the period of its integration to Europe. Researchers looked into concentric diversification in the use available resources. The findings of the research uncovered that if Ukrain opts for diversified economy to and a particular corporation solution, its enterprises would achieve desirable results in cooperating with other European firms. The most important option would be optimal use of available resources. This would lead to modernisation of production and attractive investments for European countries. This research dealt with diversification in a situation of integration of Ukrain in Europe. A further study about diversification in business industries with the focus on performance is recommended in developing countries such as Rwanda.

Luqman et al (2013) conducted a research in construction firms in South Africa. The purpose of the research was to determine the relationship between business diversification and the performance of organisational performance in construction industry. The time line of the research was 5 years and qualitative and quantitative data types were collected. The data analysed was from listed large construction firms listed in grade 7 to 9 by the contractor register called Construction Industry Development Board (CIDB). Researchers used a case study and secondary data with interviews to obtain primary data. The construction firm concerned by this study contracted in various classes of work this is called Product Diversification (PD). The study revealed that the profit margin of large construction firms in South Africa 26% evidencing that when construction forms are more diversified their performance increases. A gap regarding a study in hospitality industries and using primary data in Rwanda was to be covered.

Wegwu (2020) conducted a study in Nigeria with the purpose to examine connection between diversification strategies in business organisation and their performance in a competitive business environment. The researcher considered 10 food and beverage firms with targeted population of 177 employees working in those firms. A correlation coefficient and was calculated and was found to be 0.531 while p value was found to be between 0.000 and 0.01. Concentric strategy and business performance were found to be connected. This study was done in Food and beverage industries; it covered product diversification in Nigeria. A further research on diversified services in hospitality industries was not done in Rwanda.

Mwangi (2016) targeted 42 registered commercial banks in Kenya to study the impact of diversification strategies on their performance. The study analysed primary and secondary data collected from a sample size obtained using a census method. A questionnaire was handed over to managerial staff to get direct information from them. Among used product diversification strategies Mobile and internet were established by the researcher. They include adding new features to existing products, rebranding existing products and re-launching them. Independent variables were tested and results indicated that 53.7% shows evidence that, diversification strategies influence performance of Commercial Banks of Kenya. Nonetheless this study was conducted in Banks in Kenya. It shows a gap in research about other geographical locations and industries.

Marangu (2014) did a study off all registered and licenced sugar firms in Kenya. The aim of the study was to examine whether concentric diversification can influence competitiveness of those sugar firms. A questionnaire answers were descriptive statistically and correlational method was to analyse relationship between concentric diversification and competitiveness. With the p value equaling to 0.000, concentric strategies having important influence on competitiveness was evidenced. Between adding new related products to existing ones with competitiveness of a firm there is a positive linear relationship with  $\beta$  equal to 0.269 and p value of 0.001 this means that p value is between 0.001 and 0.05. According to this study a strategy that add new products relating to existing ones results in positive effect on competitiveness of sugar firms evidenced by 54.8% of the sugar firm competitiveness is explained by concentric diversification with R square equal to 0.548. What about a strategy that add new services related existing services in hospitality industries, this a gap to be covered in further researches in Rwanda.

Kinyagu (2021) conducted a research with the purpose to find out the influence of diversification Strategy on financial performance of Kenya National Police Deposit SACCO. The study involved a case study and collection of primary data done using face to face and virtual interviews. The analysis of data was done through content analysis. A tremendous improved was observed in premier loan and mega loan. The ration for premier loan was 5% of the total loan disbursement, Mega loan 38%, FOSA Ultra 2%, normal loan 10% and super loan 20%. Annual loan disbursement has grown at a rate of 158% from Kes 12,026,556,081 in 2016 to Kes 31,057,060,841. This confirmed that loan service diversification improved SACCO performance.

Njeli (2019) conducted a research in Kenya on non-financial firms registered at Nairobi securities exchange firms. The research aimed at assessing the relationship between four strategies and performance of non-financial organisations. Four strategies the researcher worked on were product, geographic, vertical integration and horizontal integration strategies. Different types of data were collected and analysed. These include primary got using a questionnaire, secondary data collected using audit of the companies concerned by the research. Descriptive statistics and correlational methods were used to quantify data for analysis SPSS software. The findings of the study revealed that the four strategies targeted by the study affect positively the performance of non-financial firms registered in Kenya. A figure of 56.3% of regression evidenced the fact that changes in performance of considered firms were attributed to the implementation of the four diversification strategies. The conclusion of the study was diversifying products is important for firms which struggle to improve or maximise their profit. What about diversifying services in hospitality industries, could it improve performance, a gap to be filled in hospitality industries in Rwanda.

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Misago (2014) conducted a study on SME in in Huye District in Rwanda. The research used 140 respondents selected randomly among owners and employees of SME. The research looked into how strategic entrepreneurship influences performance of SME with a case of those operating in Huye District. Findings revealed that there was relationship between studied independent variables of entrepreneurial orientation, strategic orientation, strategic entrepreneurship and dependent variable of performance of SMEs which included sales growth, profitability and net profit. Results showed that the most significant predictor of the SMEs performance were strategic entrepreneurship (Beta= .828, t= 17.206, sign= 0.000), entrepreneurial orientation (Beta= .039, t= .806, sign=.042) whereas strategic orientation (Beta= -.045, t= 1.017, sign=.0311) as a predictor of SMEs growth this was revealed itself weak. Moreover findings show that strategic entrepreneurship is significantly related to performance of SMEs. Meaning, if SMEs owners or managers are strategic entrepreneurs, they will realize greater high levels of performance and this will increase performance by 0.823 times. Other independent variables such as diversification could be examined together with other dependent variables such as performance of hospitality industries in Rwanda.

### **2.2.3 Horizontal diversification and organisational performance**

A study on the relationship between diversification strategy and firm performance in developed and emerging economy contexts with evidence from Italy, Turkey and Netherlands was done by (Onur & Ihsan, 2016). The purpose of the study was to examine the difference between types of diversification strategies and firm's performance making a comparison of Italy, Turkey, and Netherlands. An analysis of data from 166 Dutch business organisations, 265 Italian companies and 128 Turkish businesses was done. The data spread over a period of 5 years (2011-2017) was analysed using performance indicators, ROA and ROS together with and Entropy Index measuring the level at which a business organisation is diversified. Findings showed no ROA and ROS in Italy and Netherlands are not related to total entropy, whereas in Italy p value of 0.05 confirms a relationship between performance indicators and total entropy at a low level. Other performance indicators are to be examined and related to diversification strategies in other geographic areas such as Rwanda.

Udosen (2019) conducted a study in Nigeria. This study population was 33 companies in manufacturing industry. The research period was of 20 years from 1993 to 2018. All performance indicators, return on asset, return on sales, and return on equity were used to test variables of the study. In order to establish variance among those variables a ration analysis was done. The study used ex-post facto research design. He found out that diversified businesses perform better than undiversified businesses in terms of return on asset and return on investment. Business organizations which implement related diversification strategy affect positively the performance considering ROA indicator. Conglomerate and mixture diversified organisations were found positive in Return on Equity with a percentage of 81.7 and a percentage 20.5. Hybrid diversified organisations showed themselves at high risk in Return on Asset with 1,34% in comparison with conglomerate diversification which had higher risk in Return on Equity and Return on Investment. Business organisations which are diversified have larger size with 16.8%. Therefore, diversification strategy allows growth and profitability of business organisations with 20%. A further study to broaden the scope to other organisations was suggested. Other organisations which were not covered by this study include hospitality organisations in Rwanda.

Enrico and Hien (2016) researched diversification strategies and firm performance in Vietnam. Researchers analysed data from the annual enterprise survey conducted by the Vietnam General Statistics Office (GSO) for the empirical analysis. Researchers considered a period during which a reform of 1990s had started having effect (Sakellariou & Fang, 2014). All the existing firms from 2002 to 2010 were part of study population with more than a million observations. The empirical evidence from this research uncovered the effect on profitability that diversification strategy has a curvilinear form. Meaning that diversification strategy increases organisational profit at a certain point then as diversification continues increase there is decline of performance of the business organisation. This study performed an analysis of effect of diversification strategy and organisational performance in Vietnam over a period of 10 years. In Rwanda an analysis needed was to analyse influence of diversification strategy on performance on a short time of period using customer base, competitive advantage and customer satisfaction as performance indicators.

Lugman et al., (2013) conducted a research in construction firms in South Africa. The purpose of the research was to determine the relationship between business diversification and the performance of organisational performance in construction industry. The time line of the research was 5 years and qualitative and quantitative data types were collected. The data analysed was from listed large construction firms listed in grade 7 to 9 by the contractor register called Construction Industry Development Board (CIDB). Researchers used a case study and secondary data with interviews to obtain primary data. The construction firm concerned by this study contracted in various classes of work this is called Product Diversification (PD). They also diversified their work outside their locality, Geographic Diversification (GD). The mean values rate of these two types of Diversification was found to be respectively 0.38 and 0.40. Tested variables generated a correlation whose analysis showed that there is a low positive correlation between GP and PD at 34%. The Profit Margin (PM) was found to 26% giving evidence that when firms are highly diversified their profit margin increases. This study created a need for more investigation on conglomerate diversification in other economic industries different from construction firms.

Mwende and Wachira (2021) used descriptive survey method to study 30 hotels registered with the Ministry of Tourism, Sport and Culture in Kitui in Kenya and all 385 staff members of those hotels were part of the target population. The study established a significant correlation between concentric and conglomerate diversification strategies with hotels growth to evidence that p values were 0.00 and 0.00 respectively. The research found out that related, unrelated and horizontal diversification strategies influence organizational growth in a positive way. This research needed to be extended to other geographic areas such as Rwanda.

Bimenyimana (2018) researched on competitive strategy implementation and organizational performance in Rwanda. The researcher targeted a population of 162 staff including 5 top managers, 10 head of different departments, and 127 employees. The researcher come up with 96 sample size got using simple random sampling technique. The main aim of the study was to examine different factors influencing competitive strategies' execution and its influence on organisational performance. At the end of the study, the value of R evidenced that competitive strategies increase organisational performance when they are well implemented with the values of R equaling to 0.963 and R<sup>2</sup> equaling to 0.927. A gap to study organisational performance relating it to a different strategy such as diversification is to be covered.



## 2.2.4 Conglomerate diversification and organisational performance

In 2016, Onur and Yiğit conducted a study in developing, emerging economy. The research wanted to examine whether different types of diversification strategies can be related to firm performance in different countries. Over a period of five years, this research analysed data to compare 166 firms' performance in Netherlands with 265 in Italy and 128 firms in Turkey (Onur & Yiğit, 2016). Performance indicators return on sales (ROS) and return on asset ROA were used to measure performance of firms in those countries considered by the study. The findings showed that for unrelated diversification or conglomerate in Turkey, values are as evidenced by the figure resulting in a study model between return on sales, dependent variable and conglomerate diversification. Return on sales representing independent variable equaled  $0.068 + 0.134$ . The developed study model showed that a percentage of 13.5 representing performance which is explained by unrelated diversification (Onur & Yiğit, 2016). This study presents gaps in the use of other indicators. The gap was filled using concentric, horizontal and conglomerate strategies. Another gap stated was to do the same research in other countries which was covered in this present study done in Rwanda.

Cao et al, (2021) did a study in China using data from 613 registered business organisations over a period of five years from 2012 to 2016. Researchers were interested in finding out if Symmetric Modeling of Diversification Strategy and Organizational Structure are related to Financial Performance. Using empirical study, different factors such as concentric and conglomerate strategies were put into consideration, together with influencing that relationship such as merged firms, holding business organisations and companies with various divisions in their structure. The study partially confirmed that holding company structure which implements conglomerate strategy creates a symmetric relationship to financial performance which was partially confirmed. This research suggested that further study should be carried out to determine the effect of diversification on organisational performance under different geographic locations, countries and industries such as hospitality industries in Rwanda.

Udosen (2019), conducted a study on both Horizontal, Conglomerate and hybrid strategies in Nigeria. This study population was 33 companies in the manufacturing industry. The research period was of 20 years from 1993 to 2018. All performance indicators, return on asset, return on sales, and return on equity were used to test variables of the study. In order to establish variance among those variables, a ratio analysis was done. The study used ex-post facto research design. He found out that diversified businesses perform better than undiversified businesses in terms of return on asset and return on investment. Business organisations which implement related diversification strategy affect positively the performance when ROA is considered. Conglomerate and mixture diversified organisations were found positive in Return on Equity with a percentage of 81.7 for conglomerate and 20.5 for mixt diversification. Mixture diversified organisations were discovered risky in Return on Asset with 1,34% in comparison with conglomerate diversification which had higher risk in Return on Equity and Return on Investment. Business organisations which are diversified have larger size with 16.8%. Therefore, diversification strategy allows growth and profitability of business organisations with 20%.

Wegwu (2020) conducted a study in Nigeria with the purpose to examine the connection between diversification strategies in business organisation and their performance in a competitive business environment. The researcher considered 10 food and beverage firms with a targeted population of



177 employees working in those firms. A correlation coefficient was calculated and was found to be 0.531 while p value was found to be between 0.000 and 0.01. Unrelated diversification strategy and business performance were found to be connected. A further study was suggested in other industries and other geographic location reason to do it in hospitality industry in Rwanda.

Peninah and Bramwel (2021) gathered data from 35 business organisations registered at NSE for a period of 15 years from 2003 to 2017. The study aimed at searching if corporate diversification is associated with financial performance. The researcher based ideas on market power and resource based view theories. The study established that firm's diversification is positively related to financial performance. The result was supported by a figure found in analysing regression output with  $\beta$  equal to 2.225, p value residing between 0.000 and 0.05. This study suggested further study in other diversification strategies and other countries. This gap was filled by studying conglomerate strategy in hospitality industry in Rwanda.

Bimenyimana (2018) researched on competitive strategy implementation and organizational performance in Rwanda. The researcher targeted a population of 162 staff including 5 top managers, 10 head of different departments, and 127 employees. The researcher came up with 96 sample size got using simple random sampling technique. The main aim of the study was to examine different factors affecting competitive strategies execution and its influence on organisational performance. At the end of the study, the value of R evidenced that competitive strategies increase organisational performance when they are well implemented with the values of R equaling to 0.963 and  $R^2$  equaling to 0.927. By studying competitive strategy and organisational performance, the researcher opened up a gap to examine other strategies and organisational performance. The present study filled this gap by studying diversification strategy and organisational performance.

### 3.0 Methodology

This research adopted a case study which implies an in-depth inquiry of phenomenon within really life context (Yin, 2018). The study targeted 54 staff members of CENETRA Hotel from all departments here to say Front office, housekeeping, food and beverage, 47 royal customers, and 4 members of administration. Yamane's sampling formula was used through stratified sampling to sample 81 respondents. Purposive sampling was also adopted to select 4 senior managers for this study, these managers included the General Manager (GM), Operations Manager (OP), Marketing Manager (MM) and Director of Finance (DF).

Both qualitative and quantitative data collection methods embraced. In the line with qualitative methods, interview was used. Moreover, quantitative method was used to gather information that is easy to summarise, compare and generalise by the use of interviews and close-ended questions. This allowed using statistical measurement such as mean, standard deviation, correlation coefficient. In the line of primary data, a list of both closed-ended and open-ended questions were established and handed directly to respondents to be answered. Secondary data was needed when collecting information to capture past development related to this study. Questionnaire method and interview methods were adopted in this research.

A summary of answers to interview was carefully done relating it to hypothesis set. The Statistical Package for Social Sciences (SPSS 21:0) will allow the quantification of data, by numbering it for endorsement and checking reason.

Statistic measures including mean, standard deviation and frequency distribution were used to quantify data. The collected data was presented using frequency tables for social characteristic demographics while central tendency was used to analyze the data related to the specific objectives

Moreover Pearson's coefficient of correlation  $R = \frac{\sum (X_i - \bar{X})(Y - \bar{Y})}{\sqrt{\sum (X_i - \bar{X}) \sum (Y_i - \bar{y})}}$  was used to determine

the relationship between the independent variables and dependent variable.

Inferential statistics was used to demonstrate which relationship existed between variables concerned by the present study regression method with the equation:

$$Y = c_0 + c_1X_1 + c_2X_2 + c_3X_3 + \varepsilon$$

Whereby:

Y= Performance of hospitality industries

$c_0$  = Constant

$c_1 - c_4$  = coefficients

$X_1$ = Concentric diversification

$X_2$ = Horizontal diversification

$X_3$ = Conglomerate diversification

$\varepsilon$  = Error term

## 4.0 Findings and Discussions

This section discusses the data analysis as well as the interpretation of the findings. The general objective of the study was to find out influence of service diversification strategies on the organisational performance of hospitality industry in Rwanda with a case of CENETRA Hotel.

### 4.1 Descriptive Statistics

The presentation of findings focuses on analysis and interpretation of data in the line with the present study objectives. Consecutively the research showed the results of questions asked about the effect of concentric, horizontal and conglomerate diversification strategies on organizational performance of CENETRA Hotel.

#### 4.1.1 Effect of concentric diversification strategy on organizational performance

The present subsection zeroed in on different questions related to different factors which indicate implementation of concentric diversification strategy by an organization by introduction of new

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services related to existing ones. Such factors include introduction of new services for organizational growth, introduction of new services appealing to customers, new services that satisfy needs of customers, new services and level of competitiveness, new services intriguing change in customers' needs, introduction new services resulting in increase in customer base, and new services allowing enlargement of scope.

**Table 1: The effect of concentric diversification strategy and organizational performance**

Statements	SA	A	D	SD	Mean	Std. Dev
Introducing new services which are related to existing ones leads to growth of CENETRA hotel	38.3	54.3	6.2	1.2	3.29	.64
Introducing new related services which are appealing to customers improves CENETRA Hotel's customer base	35.8	58.0	6.2	0	3.29	.58
New related services enable to reach the unique needs of customers	30.9	65.4	2.5	1.2	3.25	.57
Offering a new related service enhances improvement of competitive advantage	24.7	70.4	3.7	1.2	3.19	.55
New related services introduced brings change in terms of customer needs	34.6	59.3	6.2	0	3.28	.58
CENETRA Hotel's customers have increased as a result of the new related service it offers	48.1	51.9	0	0	3.48	.50
New related services lead to benefit from economies of scope	45.7	50.6	3.7	0	3.42	.57

**Source: Primary data, 2022**

Table 1 displays the effect of concentric diversification strategy on performance organization performance. The research analyzed introduction of new services related to existing ones and the growth of organization. 38.3% strongly agreed that new related services affect positively the growth of organization, 54.3% agreed, whereas 6.2% disagreed and 1.2% strongly disagreed. Introduction of new related services and increase of customer base was examined. 35.8% of respondents strongly agreed and 58% agreed, but 6.2% of respondents disagreed. Effect of new related services and satisfaction of customer needs was assessed. Respondents strongly agreed at a percentage of 30.9, and a percentage of 65.4 agreed, 2.5% disagreed and 1.2% of respondents strongly disagreed. The study analyzed offer of new related services and competitive advantage. 24.7% of respondents strongly agreed, 70.4% agreed whereas 3.7 disagreed and 1.2 strongly disagreed. Effect of new related services on enhancing customer needs was examined. 34.6 % of respondents strongly agreed, 54.3% agreed, 6.2% disagreed. Direct influence of new related services to increase of customers was analyzed. Of respondents, 48.1% strongly agreed, 51.9% agreed. Influence of new related services on economy of scope was examined. 45.7% of respondents strongly agreed, 50.6% agreed whereas 3.7% disagreed.

Considering mean value of respondents in Table 1, a significant number of respondents agreed that new services related to existing ones affect the performance of organization in various ways. The mean value showed that when new service related to current ones are introduced in an organization they enhance its growth. The mean value indicated that respondents agreed with factors indicating the performance of organizations. Such factors analyzed in table 1 are increase in customer base, satisfaction of customer's, change in customer needs resulting in economy of scope and competitiveness of an organization. A high percentage of respondents, according to analysis of table 1, inform managers and strategists that concentric diversification strategy positively affects organizational performance. These findings agree with a research by Marangu (2014) who established that concentric diversification strategy influence positively organizational competitive advantage with R square equal to 0.548 and the mean of 54.8%

#### 4.1.2 The influence of horizontal diversification strategy on organizational performance

This subsection was concerned with analyzing results of questions related to the second objective of this study which was to examine the influence of horizontal diversification strategy on organizational performance. Findings related to indicators of horizontal diversification strategy: Development of new services and organizational growth, introduction of modern technology on performance improvement, influence of new information and communication technology on expansion of organization, service quality and increase in customer base, horizontal diversification and competitiveness was analyzed.

**Table 2: The effect of horizontal diversification on performance**

Statement	SA	A	D	SD	Mean	Std. Dev
Development of new services influences the growth of CENETRA Hotel	35.8	64.2	0	0	3.36	.48
Modern technology improves the performance of CENETRA Hotel	33.3	64.2	2.5	0	3.31	.52
New information, communication technologies enhances expansion of the organization	29.6	67.9	2.5	0	3.27	.50
Increased service quality results from the increased customer base that brings in demand for better services	50.6	46.9	2.5	0	3.48	.55
Horizontal diversification allows organisation to maintain competitiveness	40.7	45.7	11.1	2.5	3.25	.75

**Source: Primary data, 2022**

Table 2 presents results of questions related to effect of horizontal diversification strategy on organisational performance. A percentage of 35.8 strongly agreed, 64.2% and agreed with the statement that development of new services influence organisational growth. 33.3% strongly agreed, 64.2% agreed, 2.5% disagreed with the statement that modern technology improves the performance of organization. 29.6% strongly agreed that new information technology enhances

expansion of the organisation, 67.9 agreed, whereas 2.5% disagreed. 50.6% of respondents strongly agreed, 46.9% agreed, and 2.5% disagreed with the indicator that increased quality results in increased customer base. Of respondents, 40.7% strongly agreed that horizontal diversification allows organisation to maintain competitiveness, 45.7% agreed, but 11.1% disagreed and 2.5 strongly disagreed. Analysis of table 4.5 shows that a high percentage of respondents agreed with statements related with the positive influence of horizontal diversification strategy and organisational performance.

These research results are in the line with a research done by Mwende and Wachira (2021) which revealed that horizontal diversification strategy influence positively hotels' performance with p-value equals to 0.000.

#### **4.1.3 Conglomerate diversification strategy and organisational performance**

In the current subsection the researcher analysed results from the questions addressing the third objective of the study that is to examine the influence of conglomerate diversification strategy on the performance on organisational performance. Statements related to indicators of conglomerate strategy on performance such as introduction of new unrelated services and customer satisfaction, strategic partnership and increase of customers, new segments of customers and improvement of performance, catering only for existing loyal customers and expansion, new services that are technologically or commercially unrelated to current services were introduced to increases competitiveness and comparison between hotels that implement unrelated diversification strategy and those that do not.



**Table 3: Influence of conglomerate diversification strategy and organisational performance**

Statement	SA	A	D	SD	Mean	Std. Dev
Introduction of new unrelated services contributes to customer satisfaction at CENETRA	23.5	69.1	3.7	3.7	3.12	.64
Strategic partnerships contribute to increase of customers at CENETRA	25.9	66.7	4.9	2.5	3.16	.62
Targeting a new segment of customers improves CENETRA performance	50.6	38.3	9.9	1.2	3.38	.72
Catering only for existing loyal customers hinders CENETRA expansion	33.3	58.0	6.2	2.5	3.22	.67
Hotels that engage in unrelated diversification outperforms better than those that do not	27.1	60.5	9.9	2.5	3.12	.68
New services that are technologically or commercially unrelated to current services were introduced to increase competitiveness of CENETRA Hotel	25.9	63.0	8.6	2.5	3.12	.66

**Source: Primary data, 2022**

Table 3 shows that 23.5% of respondents strongly agreed with the statement that introduction of new unrelated services contribute to customer satisfaction, 69.1% agreed, 3.7% disagreed and 3.7% strongly disagreed with the mean value of 3.12 and standard deviation of 0.64. With the effect of partnership and increase in customers, 25.9% strongly agreed, 66.7% agreed, 4.9% disagree and 2.5% strongly disagreed, the mean of 3.16 and the standard deviation of 0.62. A percentage of 50.6% of respondents strongly agreed with the statement that targeting new segments of customers improves performance, 38.3% agreed, 9.9% disagreed and 1.2% strongly disagreed with the mean value of 3.38 and the standard deviation of 0.72. With the statement, catering only for existing loyal customers hinders expansion, 33.3% of respondents strongly agreed, 58% agreed, but 6.2% disagreed and 2.5% strongly disagreed, the mean being 3.12 and the standard deviation 0.67. Another statement was that hotels that engage in unrelated diversification outperforms better than those that do not. With it 27.1% of respondents strongly agreed, 60.5% agreed, 9.9% disagreed, 2.5% strongly disagreed at a mean value of 3.12 and standard deviation of 0.68. To the statement whether new services technologically and commercially unrelated to current ones were introduced to increase competitiveness, 25.9% strongly agreed, 63% agreed, 8.6% disagreed, and 2.5% strongly disagreed, the mean was 3.12 and standard deviation 0.66.

Clearly a higher percentage of respondents either strongly agreed or agreed with statements pointing out the positive effect of conglomerate diversification strategy. Introducing new unrelated services, which can be technologically and/or commercially, targeting new customer segments or existing ones, raise the number of customers, increase their satisfaction and bring in new segments of customers. The present findings are confirmed by a research done by Udosen (2019) which

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uncovered that conglomerate diversification strategy influence positively organisational performance at a mean 87.1%.

**4.1.4 Organisational performance**

The present section displays results from answers asked to respondents related to organisational performance indicators. Indicators to be analysed in Table 4 are increase in numbers of customers, customer satisfaction, high level of competitive advantage and number of events hosted by an organisation.

**Table 4: Indicators of performance**

Statement	SA	A	D	SD	Mean	Std. Dev
Increase in numbers of customers	49.4	49.4	1.2	0	3.48	.53
Customer satisfaction	44.4	50.6	3.7	1.3	3.38	.62
High level of competitive advantage	46.9	50.6	2.5	0	3.44	.54
Increase in number of events hosted	43.2	50.6	4.9	1.2	3.36	.64

**Source: Primary Data, 2022**

Table 4 analyses answers related to indicators of performance. For increase in numbers as indicator of performance, 49.4% of respondents strongly agreed, 49.4% agreed, 1.2% disagreed with homogeneity of 0.53 as standard deviation and the mean of 3.48. With customer satisfaction as indicator for performance, 44.4% strongly agreed, 50.6% agreed whereas 3.7% of respondents disagreed and 1.3% strongly disagreed. 46.9% of respondents strongly agreed with high level of competitive advantage as indicator of performance, 50.6% agreed but 2.5% disagreed, with the mean value 3.44 and the standard deviation of 0.54. The analysis of data displayed in Table 4 shows that a high percentage of respondents strongly agreed and agreed that increase in number of customers, customer satisfaction, high level of competitive advantage and increase in number of events hosted, are indicators for organisational performance.

**4.2 Inferential Statistics**

Inferential statistics such as correlation analysis and regression analysis were used to assess the relationships between the variables.

**4.2.1 Correlation between service diversification strategy and organisational performance**

To examine the relationship between independent variables and dependent variable, the researcher used Pearson’s correlation coefficient. Independent was subdivided into three main categories, concentric diversification strategy, horizontal diversification strategy and conglomerate

diversification strategy. In this section the correlation these variables and the performance of an organisation will be analysed.

**Table 5: Relationship between concentric diversification strategy and performance**

		Concentric Strategy	Performance of Organizational
Concentric Strategy	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	81	
Performance of Organizational	Pearson Correlation	.935**	1
	Sig. (2-tailed)	.000	
	N	81	81

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

**Source: Primary data (2022)**

From the findings, the Pearson's correlation displayed in Table 5 shows that there is a high positive correlation between concentric diversification and organizational performance. Concentric strategy variable has a correlation of 0.935 with organizational performance. Therefore, an organization that implements concentric diversification strategy effectively improves its performance significantly. CENETRA is shown to have improved due to introduction of concentric diversification strategies.

These findings are confirmed by the research done by Mwende and Washira (2021) on hotels in Kitui Kenya, which discovered that concentric diversification strategy is significantly correlated with organizational growth. Another research done by Wegwu (2020) revealed the same positive relationship between concentric diversification strategy and organizational performance with a correlation coefficient of 0.531.

**Table 6: Correlation between horizontal diversification strategy and organization performance**

		Horizontal Strategy	Performance of Organizational
Horizontal Strategy	Pearson	1	
	Correlation		
	Sig. (2-tailed)		
	N	81	
Performance of Organizational	Pearson	.929**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	81	81

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

**Source: Primary data (2022)**

The findings in table 6 indicate that there is a significant correlation between horizontal diversification strategy and organizational performance. As shown, the correlation is 0.929 significant with  $p=0.00 < 0.01$ . Thus, organizations that choose horizontal diversification strategy as a strategic alternative and implement it effectively increase their performance. CENETRA improved performance from the introduction of horizontal diversification strategy. The present findings are in agreement with a research done by Nkobe (2016) which uncovered that horizontal diversification has a positive relationship with organizational performance of banks in Kenya, Kericho town. Mwendu and Wachira (2021) in their study done in hotels in Kitui Kenya found out that horizontal diversification is positively related to hotels' growth.

**Table 7: Correlation between conglomerate diversification strategy and organizational performance**

		Conglomerate strategy	Performance of Organizational
Conglomerate strategy	Pearson	1	
	Correlation		
	Sig. (2-tailed)		
	N	81	
Performance of Organizational	Pearson	.725**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	81	81

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

**Source: Primary data (2022)**

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Table 8 indicates findings about the relationship between conglomerate diversification strategy and organisational performance. Conglomerate diversification strategy is positively correlated to organisational performance as quantified by Pearson’s correlation coefficient of 0.725. Managers and owners who introduce conglomerate diversification strategy can improve performance of their organisation. The findings in table 8 are supported by Wegwu (2020) whose study revealed a positive relationship between conglomerate and performance of organisation at a coefficient of 0.662. As clearly indicated the figure of 0.725 is low is we compare to figures of 0.934 for concentric and performance a figure of 0.929 of horizontal diversification and performance. This decrease of Pearson’s correlation for conglomerate diversification and performance is due to risks that an organisation implementing unrelated services can be confronted to. Implementation of conglomerate diversification can be very risky as stated by Wegwu (2020).

**Table 8: Correlation between diversification strategy and organizational performance**

		Diversification strategy	Performance of Organizational
Diversification strategy	Pearson	1	
	Correlation		
	Sig. (2-tailed)		
Performance of Organizational	N	81	
	Pearson	.930**	1
	Correlation		
	Sig. (2-tailed)	.000	
		N	81

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

**Source: Primary Data(2022)**

The results of data displayed in Table 8 uncovers that Pearson’s correlation coefficient is 0.930 and significant at  $p=0.000<0.01$ . The results indicate that there is high correlation between diversification strategy and organizational performance. Organizations that implement effectively concentric, horizontal and conglomerate diversification strategies improve their performance. This finding is confirmed by many other researchers who studied diversification strategy and organizational performance. A research by Wegwu (2020) confirms a correlation between concentric and conglomerate diversification with organizational performance indicated by correlation coefficients of 0.531 and 0.622 consecutively. Nkobe et al (2016) findings confirms a positive relationship between horizontal and conglomerate diversification strategies with organizational performance revealed by coefficients correlation of 0.852,  $p=0.000<0.01$  and 0.221,  $p=0.000<0.01$  consecutively.

**4.2.2 Regression Analysis**

Regression indicates the effect of independent variable on dependent variable. This section will analyze the effect of service diversification strategy on organizational performance. The model summary, variance and regression coefficients were used for in this study.



**Table 9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945 <sup>a</sup>	.892	.888	.73988

a. Predictors: (Constant), Conglomerate Strategy, Concentric Strategy, Horizontal Strategy  
**Source: Primary data(2022)**

Table 9 analyzing regression revealed ( $R=0.945$ ) which shows a positive relationship between diversification strategy and organizational performance. With correlation coefficient of 0.945, in percentage it becomes 94.5% of relationship between concentric, horizontal, and conglomerate diversification strategies with CENETRA performance. Moreover, regression analysis showed that  $R^2=0.892$  which when put into percentage gives 89.2% of relationship between concentric, horizontal and conglomerate strategies and CENETRA performance.

**Table 10: Analysis of Variance (ANOVA)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	349.849	3	116.616	68.196	.000 <sup>b</sup>
	Residual	42.151	77	1.71		
	Total	392.000	80			

A. Dependent Variable: Performance of Organizational

B. Predictors: (Constant), Conglomerate Strategy, Concentric Strategy, Horizontal Strategy  
 Source: Primary data (2022)

Table 10 indicated that the model revealed 89.2% of the difference in the performance of CENETRA that is (349.849 out of 392.000). Other variables that escaped the model were at 10.8% calculated from (42.151 out of 392.000).

**Table 11: Regression coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.071	.556		1.102	.13
	Concentric Strategy	.335	.101	.551	3.313	.001
	Horizontal Strategy	.252	.144	.291	1.750	.004
	Conglomerate strategy	.093	.033	.147	2.844	.002

a. Dependent Variable: Performance of Organizational

**Source: Primary data (2022)**

Table 11 indicates the results of regression analysis. The performance of CENETRA was determined using a regression equation established deploying a calculated standardised coefficient Beta ( $\beta$ ). T-statistics results showed that the implementation of concentric, horizontal and conglomerate diversification strategies is proportional to performance of CENETRA. Findings pointed out that the performance of CENETRA is influenced by concentric diversification ( $\beta=0.551$ ), horizontal diversification ( $\beta=0.291$ ) and conglomerate diversification ( $\beta=0.147$ ).

Moreover, when concentric diversification changes at a unit, CENATRA performance increases at 0.551. When a unit change happens to horizontal diversification, CENETRA performance raises at 0.291. To a unit change in conglomerate diversification strategy, CENETRA performance increased at 0.147. CENETRA performance regression line is  $Y=0.071+0.551x_1+0.291x_2+0.147x_3$

Table 11 reveals that all p-values are less than 0.05. These results indicate that concentric, horizontal and conglomerate diversification strategies influence positively performance of CENETRA.

### 4.3 Results of Hypothesis testing

Three hypotheses  $H_{01}$ ,  $H_{02}$ ,  $H_{03}$  to be tested during this study were established in relation with study objectives.  $H_{01}$  was concentric diversification strategy does not have important impact on the performance of CENETRA Hotel,  $H_{02}$  horizontal diversification strategy does not have considerable influence on the performance of CENETRA Hotel and  $H_{03}$ , conglomerate diversification strategy does not have important influence on the performance of CENETRA Hotel. This section presents a summary of regression analysis resulting in the test of hypothesis.

**Table 12: Hypothesis testing**

	Beta	P	Decision on $H_0$	$R^2$
<b>HO1.</b> Concentric diversification strategy does not have important impact on the performance of CENETRA Hotel	.551	.001	Rejecte d	
<b>HO2.</b> Horizontal diversification strategy does not have considerable influence on the performance of CENETRA	.291	.004	Rejecte d	
<b>HO3.</b> conglomerate diversification strategy does not have important influence on the performance of CENETRA Hotel	.147	.002	Rejecte d	0.89 2

**Source: Primary data (2022)**

Table 12 summarises regression results for hypotheses tasting. P-values with the  $R^2$  indicate all the three were rejected with  $R^2 = 0.892$ , hypothesis  $H_{01}$  was rejected  $p=0.001$ ,  $H_{02}$  rejected  $p$ -value= 0.04 and the hypotheses was rejected  $P$ -value=0.002. This rejection of null hypotheses results in establishing that concentric diversification strategy has important impact on the performance of CENETRA Hotel, horizontal diversification strategy has considerable influence on the performance of CENETRA and conglomerate diversification strategy has important influence on the performance of CENETRA Hotel. A research by Wegwu (2020) confirms that concentric and conglomerate diversification strategies have influence on organizational

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performance indicated by correlation coefficients of 0.531 and 0.622 consecutively. Nkobe et al (2016) findings confirms a positive relationship between horizontal and conglomerate diversification strategies with organizational performance revealed by coefficients correlation of 0.852,  $p=0.000<0.01$  and 0.221,  $p=0.000<0.01$  consecutively.

## 5.0 Conclusions

The present study aimed at assessing the influence of diversification strategy on organisational performance of hospitality industries in Rwanda a case of CENETRA HOTEL. Three objectives and Hypotheses were established and three indicators of independent variable were identified to guide the researcher throughout this study. After collecting Data, analysing and interpreting results the researcher drew important conclusions.

The study concluded that concentric diversification strategy significantly influence performance of hospitality industries in Rwanda. Service which are related to existing services when introduced in an hospitality organisation increase customer base, improve customer satisfaction and raise competitiveness of a hospitality organisation operating in Rwanda as it observed in CENETRA.

Second, the study resolved that horizontal diversification strategy highly influence performance of hospitality industry in Rwanda. When new services targeting existing customers are introduced in hospitality industry, customers buy more services, there are satisfied and attract new customers from other hospitality organisations increasing that way competitive advantage.

Thirdly, this study concluded that conglomerate diversification strategy influence positively performance of hospitality organisations in Rwanda. Even though unrelated services influence positively performance they have risks so managers need to be attentive to all factors around its implementation in order to allow it positively affect performance.

## 6.0 Recommendations

Though a high percentage of respondents agreed that service diversification strategy is influencing performance of hospitality industry in Rwanda, they are few respondents who disagreed. The researcher recommends CENETRA Hotel managers to further diversify its services in order to influence its customers to buy more, to attract new segments of customers and increase its competitiveness within hospitality industry. Moreover we recommend hotels and lodges owners, who intend to gain a competitive advantage, sustain and grow their businesses to diversifying their services.

The researcher suggests that the Private Sector Federation (PSF) considers service diversification as one of the priorities to be considered in developing hospitality business sector. Furthermore, the researcher recommends Rwanda Development Board (RDB) consider service diversification as one factors in registering and following up the growth of hotels and lodge businesses in Rwanda.

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