

## CORPORATE DIVERSIFICATION STRATEGIES AND DIFFERENTIATION OF FOOD AND BEVERAGES MANUFACTURING FIRMS IN SOUTH-SOUTH NIGERIA

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### ABSTRACT

This study examined the impact of corporate diversification specifically conglomerate and concentric diversification on the differentiation of food and beverages manufacturing firms in South-South, Nigeria. A quantitative research design was employed, and data were collected through structured questionnaire administered to management-level personnel across selected food and beverage firms operating in the region. The study utilized Partial Least Squares Structural Equation Modeling for data analysis due to its effectiveness in handling complex models and its suitability for exploratory studies involving latent constructs. Findings revealed that both conglomerate and concentric diversification positively influence differentiation, but with varying degrees of impact on the individual dimensions. Conglomerate diversification shows a stronger positive relationship with differentiation suggesting that firms leveraging unrelated diversification are better positioned to create synergies that support product development. On the other hand, concentric diversification demonstrated a moderate impact on differentiation but less influence, indicating that related diversification may offer market spread benefits without significantly enhancing required capabilities. This study concludes corporate diversification specifically conglomerate and concentric diversification has a significant impact on differentiation of food and beverages manufacturing companies in South-South, Nigeria. Therefore, the study recommends that food and beverage manufacturing companies in South-South Nigeria should strategically pursue both conglomerate and concentric diversification to enhance their differentiation capabilities.

**Keywords:** Corporate diversification, conglomerate diversification, concentric diversification, differentiation

### INTRODUCTION

In today's volatile and competitive global business environment, firms increasingly adopt corporate diversification strategies to enhance performance, gain competitive advantage, and mitigate risk (Purkayastha, Manolova & Edelman, 2021). Diversification strategies involve a firm's entry into new products or markets beyond its existing operations and are broadly classified into related (concentric) and unrelated (conglomerate) diversification (Gaur, Gaur & Schmid, 2019). These strategies are driven by firms' strategic objectives to create synergies, leverage existing capabilities, and respond to dynamic market demands (Ghosh & Mukherjee, 2023).

Related diversification, particularly concentric diversification, occurs when firms expand into businesses that share technological, operational, or market synergies with the existing business units (Chen, Lin & Michel, 2022). This form of diversification enables firms to exploit shared competencies and resources, thereby fostering innovation and product differentiation. Unrelated or conglomerate diversification, on the other hand, involves expansion into industries or markets that have minimal or no strategic fit with the firm's current operations (Elosge, Homburg & Kuehnl, 2017). Although riskier, conglomerate diversification offers opportunities for financial synergy and resource reallocation to optimize firm-wide performance (Atta, Yahya & Issa, 2021).

Differentiation, as a competitive strategy, refers to a firm's efforts to develop and market unique products or services that provide added value to customers and distinguish them from competitors (Porter, 1985; Venaik, Zhu & Brewer, 2020). This strategic positioning often allows firms to charge premium prices and develop strong brand loyalty. The link between diversification and differentiation lies in the ability of diversified firms to generate unique capabilities and cross-business learning, which in turn fuel differentiated offerings (Hitt, Ireland & Hoskisson, 2023). Diversified firms, particularly those pursuing related diversification, are better positioned to innovate and customize their products, allowing them to stand out in saturated markets (Garg & Eisenhardt, 2022).

Moreover, empirical studies have demonstrated that diversification, especially when strategically aligned with a firm's core competencies, contributes significantly to performance and differentiation (Serrasqueiro, Leitao & Ferreira, 2023). In contrast, poorly executed diversification can lead to dilution of strategic focus and operational inefficiencies (Zhou, Gao & Zhang, 2021). Therefore, the success of corporate diversification in driving differentiation is contingent on the strategic coherence between the firm's internal capabilities and its diversification choices (Lu & Beamish, 2021).

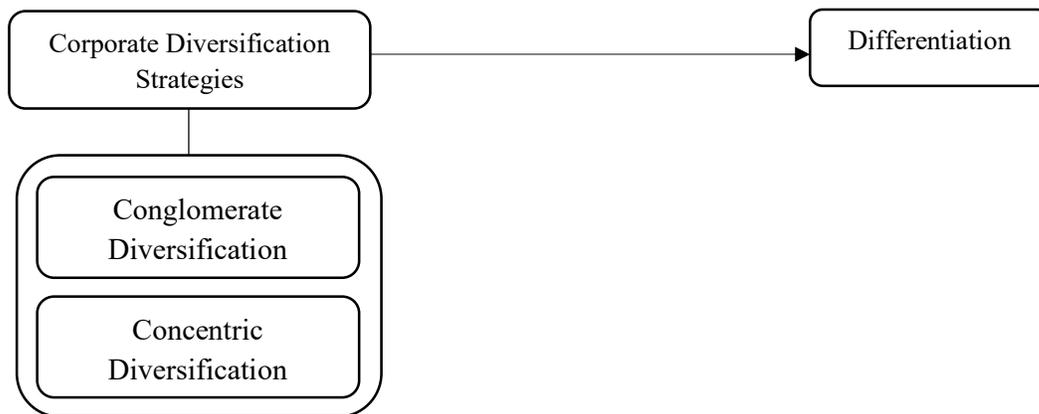
In the context of food and beverages manufacturing firms in emerging markets such as South-South Nigeria, diversification has become a vital strategy for coping with economic uncertainties, inflationary pressures, and evolving consumer preferences (Okonkwo & Chukwuma, 2022). Companies pursuing both conglomerate and concentric diversification have sought to achieve differentiation through product innovation, brand extension, and quality enhancement.

This study aims to explore the relationship between corporate diversification strategies and differentiation in the food and beverage manufacturing sector, with a focus on firms operating in South-South Nigeria. It draws upon contemporary theories and empirical research to evaluate how diversification enhances firms' differentiation capabilities and competitiveness in a dynamic regional economy.

Accordingly, the objectives of the study were as follows:

- i. To examine the nexus between conglomerate diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria.
- ii. To examine the nexus between concentric diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria.

### Research Conceptual Model



**Figure 1:** Corporate diversification strategies and differentiation

**Source:** Desk Research, 2025

### Research Questions

The following Research Questions were examined in the study:

- i. What is the nexus between conglomerate diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria?
- ii. What is the nexus between concentric diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria?

### Research Hypotheses

The following Hypotheses were also examined in the study:

Ho1: There is no significant relationship between conglomerate diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria.

Ho2: There is no significant relationship between concentric diversification and differentiation of food and beverage manufacturing firms in South-South, Nigeria?

## LITERATURE REVIEW

### Theoretical Foundation

#### Dynamic Capability Theory

The Dynamic Capability Theory was introduced and developed by David J. Teece, Gary Pisano, and Amy Shuen in their seminal 1997 work, "Dynamic Capabilities and Strategic Management." They argued that in rapidly changing environments, firms must not only manage their current resource base but also develop new capabilities to adapt and thrive (Teece, Pisano, & Shuen, 1997). Over the years, this theory has been refined and expanded upon by scholars such as Eisenhardt and Dynamic Capability Theory posits that a firm's ability to integrate, build, and reconfigure internal and external competencies is essential for responding to rapidly changing environments. Teece (2007) defines dynamic capabilities as "the firm's ability to sense opportunities and threats, seize opportunities, and maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets." Sensing: Identifying and assessing opportunities and threats in

the external environment. Seizing: Mobilizing resources to capitalize on opportunities and mitigate threats. Transforming: Continuously renewing and reconfiguring resources and capabilities to sustain competitive advantage.

### **Concentric Diversification**

The concept of concentric diversification has been a focal point in strategic management literature, with various scholars offering definitions that emphasize the strategic alignment between new and existing business activities. In the academic landscape, concentric diversification is often defined in terms of its relationship to a firm's core competencies and existing markets. Okegbemiro and Adim (2023) define concentric diversification as a strategy where firms introduce new products or services that are technologically similar to their existing offerings but appeal to new customer segments. They argue that this approach allows firms to leverage their existing technological capabilities while exploring new market opportunities. Their study on food and beverage firms in Lagos State found that such diversification strategies significantly affect profitability, suggesting that firms can enhance performance by expanding into related product lines. Similarly, Aliugo (2024) describes concentric diversification as the expansion into products or services that, while new, share technological or marketing synergies with existing operations. This definition underscores the importance of leveraging existing strengths to mitigate risks associated with entering entirely new markets. In her study on global mobile service providers in Enugu State, Aliugo found a significant positive relationship between concentric diversification strategies and corporate performance, highlighting the efficacy of this approach in the Nigerian telecommunications sector.

Le (2019) defines diversification as a strategic choice for enterprise expansion, emphasizing the importance of aligning new business ventures with the firm's core competencies to enhance performance. This perspective underscores the significance of relatedness in diversification strategies, suggesting that firms should expand into areas where they can leverage their existing strengths. Similarly, a study by Mashiri and Sebele (2014) highlights that concentric diversification involves expanding into products or services that, while new, share technological or marketing synergies with existing operations. This approach allows firms to leverage their existing capabilities while exploring new market opportunities. A study by Eze and Okoye (2023) examined the effect of diversification strategies on the performance of hospitality firms. The research found that concentric diversification strategies, such as introducing new services related to existing offerings, positively impact organizational performance. The authors suggest that by leveraging existing resources and capabilities, hospitality firms can enhance their competitiveness and achieve better performance.

### **Differentiation**

Differentiation is defined in various ways depending on the context in which it is discussed. Porter (1980) in the context of competitive strategy, differentiation is defined as offering unique products or services that are valued by customers. Hill and Jones (2020), noted that differentiation involves creating distinct characteristics that distinguish a company's products or services from those of competitors. Kotler et al. (2021), maintained that differentiation is the process of making a product or service different from others in the market, often through quality, design, or customer service. Teece (2020) sees differentiation is a strategic choice that firms make to achieve competitive advantage, often involving innovation, branding, and quality.

Differentiation has been shown to affect employee job satisfaction positively. Employees working in differentiated organizations often feel proud of contributing to something

distinctive (Chen & Lee, 2021). Differentiation strategies can also enhance employee engagement as workers identify with the company's unique values and goals (Schmidt et al., 2021). Differentiation strategies often lead to the expansion of the target market. By offering a unique product or service, organizations can enter new markets or niches (Han et al., 2021). Firms that differentiate their products tend to invest in continuous innovation, which is a key driver of organizational growth (Miller & Peters, 2022). Employees in differentiated firms often exhibit higher levels of motivation, as they perceive their contributions as part of something more meaningful (Jiang et al., 2020). A differentiating strategy fosters collaboration, as employees work together to create a unique product or service (Smith & Lewis, 2021). Differentiated firms have demonstrated greater resilience to market shifts and disruptions due to their unique positioning (Fisher, 2020). Differentiation helps organizations maintain their position in times of crisis, as customers are less likely to switch to substitutes if the organization offers something unique (Xie & Zhang, 2022).

## Empirical Review

### Corporate Diversification Strategies and Differentiation

Aminu (2019) investigated the effect of diversification strategies on market share and positioning within Nigeria's manufacturing sector. The study found a positive relationship between diversification and market share, indicating that firms adopting diversification strategies achieved better market positions. Notably, companies like the Nigerian Bottling Company Plc and Dangote Group, which diversified their product lines, maintained significant market shares and leadership positions in their respective industries. Similarly, Abuh and Echukwu (2023) examined the impact of product and market diversification on the performance of manufacturing firms, focusing on the Dangote Group. Their findings revealed that diversification strategies led to increased market share and minimized operational risks, thereby enhancing competitive advantage. The study recommended that firms should continuously innovate and diversify to sustain performance and competitiveness.

Fakunle and Aserere (2024) explored the impact of diversification strategies on organizational performance, using Zap Global Enterprise in Ibadan as a case study. The research demonstrated that both product and concentric diversification significantly improved organizational performance, suggesting that diversification is a viable strategy for achieving economies of scale and enhancing financial positions. Abubakar and Mohammad (2019) conducted an empirical study linking product line strategies to competitive advantage in Nigeria's food and beverages industry. The study concluded that effective product line strategies, including diversification, are crucial for achieving competitive advantage. Firms that expanded their product lines were better positioned to meet diverse customer needs, leading to improved market performance.

Product diversification and competitive positioning are two pivotal constructs in strategic management, deeply interlinked in determining a firm's market success. Product diversification refers to a firm's strategy of expanding its product portfolio to include new or varied offerings, aiming to reduce risk and leverage market opportunities (Benito-Osorio *et al.*, 2024). Competitive positioning, on the other hand, is the strategic crafting of a firm's offerings to distinguish them from competitors, aligning with customer needs and preferences to achieve a sustainable advantage (Porter, 1985; updated frameworks in recent studies). Product diversification is classified into two primary forms: related diversification, which leverages existing capabilities in a firm's core business, and unrelated diversification, which ventures into entirely new domains. According to Kotabe and Helsen (2022), related diversification

enhances synergy through resource sharing, while unrelated diversification provides risk hedging in volatile industries.

Competitive positioning, as revisited in recent literature, focuses on achieving differentiation, cost leadership, or niche advantages (Taylor & Francis, 2023). These strategies are influenced significantly by diversification efforts, as product innovation and market expansion directly shape a firm's value proposition (Benito-Osorio et al., 2024). Product diversification allows firms to target broader market segments, creating additional revenue streams and strengthening their competitive stance. A study by Bhatia and Mishra (2022) on consumer goods companies in emerging markets demonstrated that diversification into complementary product categories enhanced market penetration and brand equity, thereby improving competitive positioning. Related diversification enables firms to capitalize on existing resources, such as technology and distribution networks. An empirical study by Zhang et al. (2021) on the technology sector revealed that firms integrating hardware and software solutions achieved economies of scope, significantly improving their market share and cost efficiency.

### **METHODOLOGY**

The population of the study is nine (9) food and beverages companies that are listed in the Nigerian Stock Exchange records with company presence in South-South, Nigeria. corporate strategy/ business development managers, operation/ production managers, and marketing managers from nine (9) food and beverages companies were the target population. The sample size was 27 and the data obtained the administration of questionnaire. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation coefficient. The tests were carried out at a 0.05 significance level with the aid of the statistical packages for social sciences (SPSS) version 25.0.

### **DATA ANALYSIS AND DISCUSSION OF FINDINGS**

**MODEL 1:** The Model 1 covers hypotheses 1 and 2. These hypotheses were the impact of conglomerate diversification on differentiation in food and beverages manufacturing companies in South-South, Nigeria, and also, the impact of concentric diversification on differentiation in food and beverage manufacturing companies in South-South, Nigeria. The measurement model was assessed for reliability and validity.

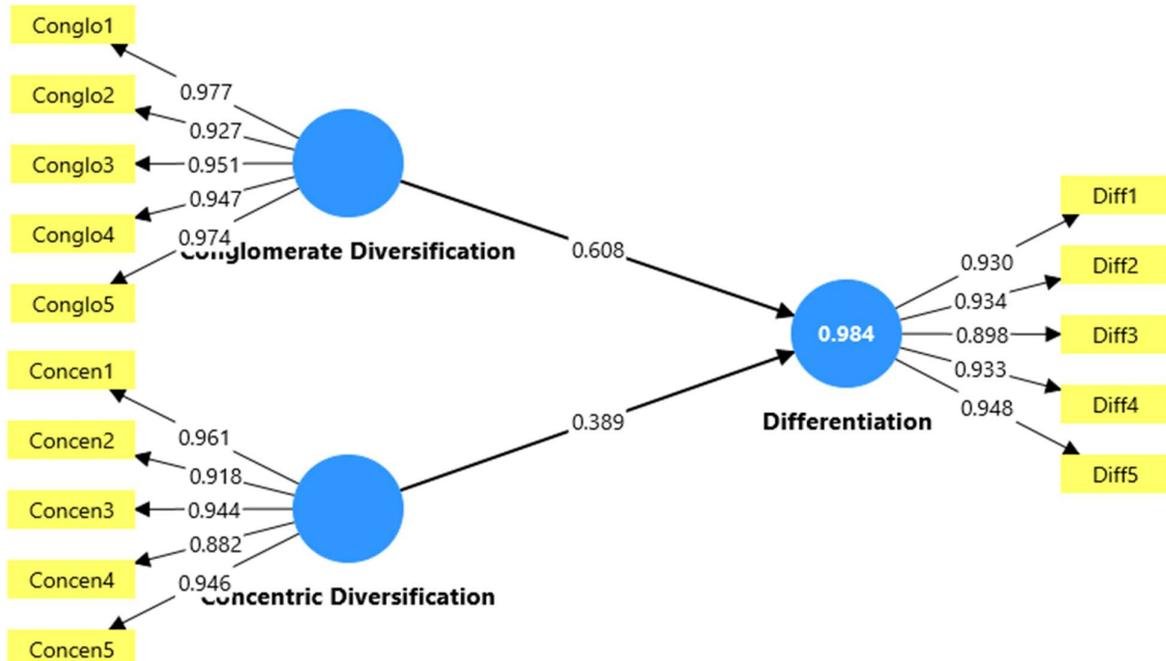


Fig. 2: Model 1 path diagram, SMART PLS software output, 2025

The result for the test on the relationship between the dimensions of corporate diversification strategies and differentiation, reveals that both dimensions (conglomerate diversification and concentric diversification) significantly influence the differentiation behaviour of the food and beverage firms of interest to this research. Results indicate that both dimensions also have a positive impact where conglomerate diversification ( $\beta = 0.608$  and  $P = 0.000$ ) and concentric diversification ( $\beta = 0.389$  and  $P = 0.000$ ) are both revealed to influence the difference position of the organisations, thus demonstrating their roles as predictors of the differentiation outcome of the target organisation. Based on this outcome of the test, the related null hypothetical statements are thus rejected and the findings stated as follows:

- i. There is a significant relationship between conglomerate diversification and differentiation of foods and beverages industry in South-South, Nigeria.
- ii. There is a significant relationship between concentric diversification and differentiation of foods and beverages industry in South-South, Nigeria.

## Discussion of Findings

### Impact of Conglomerate Diversification on Differentiation

The results indicate that conglomerate diversification has a mixed impact on competitive positioning. While firms engaging in this type of diversification were able to achieve some level of differentiation, particularly through extended product lines and market reach, the effects on innovation and branding were less pronounced. This suggests that while entering unrelated industries may provide short-term market advantages or risk reduction, it can dilute core brand values and stretch innovation resources. These findings align with existing literature which argues that conglomerate strategies often suffer from lack of synergy and strategic focus, especially when firms do not have the managerial capacity or organizational structure to support unrelated diversification. In the context of South-South, Nigeria, the challenges are further intensified by infrastructural constraints and limited access to advanced technology and skilled labor.

This study investigates the positive and significant impact of conglomerate diversification on differentiation within food and beverage manufacturing companies in South-South, Nigeria. The findings indicate that conglomerate diversification strategies, particularly related diversification, have enhanced product differentiation, market competitiveness, and organizational performance in the region. Conglomerate diversification involves expanding into new product lines or markets that are distinct from a company's existing operations. In the context of South-South, Nigeria's food and beverages sector, this strategy has led to the development of unique product offerings, catering to diverse consumer preferences and needs. For instance, companies like FoodCo have introduced products such as Sunfresh ice cream and table water, distinguishing themselves in the competitive market. The introduction of these differentiated products has allowed companies to tap into new customer segments, thereby increasing their market share and brand loyalty. This aligns with the findings of Wegwu (2020), who reported a positive and significant relationship between diversification strategies and business performance in the food and beverage industry.

Conglomerate diversification has enabled food and beverages companies in South-South, Nigeria to expand their market reach beyond traditional boundaries. By venturing into new product categories and markets, these companies have mitigated risks associated with market saturation and economic fluctuations. The Dangote Group's expansion into various sectors, including food production, is a prime example of leveraging diversification for market dominance. This market expansion has not only increased revenue streams but also enhanced the competitive positioning of these companies. The ability to offer a diverse range of products has strengthened their brand presence and consumer perception, contributing to sustained growth and profitability. Conglomerate diversification often leads to synergies that improve operational efficiency. Shared resources, technologies, and expertise across different product lines can result in cost savings and streamlined operations. In South-South, Nigeria, companies that have diversified into related food and beverages sectors have reported improved efficiency and reduced operational costs. The research by Salami and Badiru (2021) supports this observation, highlighting that related diversification strategies significantly enhance organizational performance by leveraging core competencies and resources.

Despite the benefits, conglomerate diversification presents challenges such as increased management complexity and potential dilution of brand identity. Companies must carefully evaluate their capabilities and market conditions before pursuing diversification strategies. The study by Oyedijo (2019) emphasizes the importance of aligning diversification efforts with organizational strengths to achieve sustainable growth. The findings suggest that policymakers should encourage diversification strategies within the food and beverages manufacturing sector to foster innovation, enhance competitiveness, and stimulate economic growth. Supportive policies, such as incentives for research and development and access to financing, can facilitate successful diversification initiatives. For practitioners, the study underscores the importance of strategic planning and market analysis in implementing diversification strategies. Companies should invest in understanding consumer trends, technological advancements, and regulatory environments to effectively differentiate their products and achieve long-term success.

Conglomerate diversification has a positive and significant impact on differentiation in food and beverages manufacturing companies in South-South, Nigeria. By adopting diversification strategies, companies have enhanced product offerings, expanded market reach, and improved operational efficiency, thereby strengthening their competitive position in the industry. However, careful consideration of strategic alignment and market dynamics is essential to fully realize the benefits of diversification.

**Impact of Concentric Diversification on Differentiation (Product and Service)**

Concentric diversification, a strategy where firms expand into related product lines that complement their existing offerings, has been recognized for its potential to enhance organizational differentiation. In the context of food and beverage manufacturing companies in South-South Nigeria, this approach is particularly pertinent due to the region's dynamic market and consumer preferences. Concentric diversification enables firms to leverage existing competencies and brand equity while introducing new products that appeal to their current customer base. In the food and beverage industry, this strategy can manifest in the introduction of new flavors, packaging innovations, or complementary product lines. Such initiatives not only broaden the product portfolio but also enhance the firm's competitive positioning by differentiating its offerings in the marketplace.

Studies have highlighted that concentric diversification leads to the development of unique product attributes that distinguish a firm's offerings from competitors. For instance, the introduction of lactose-free milk by CHI Limited exemplifies how diversification can cater to specific consumer needs, thereby enhancing product differentiation and expanding market reach. Empirical evidence indicates that firms employing concentric diversification strategies experience improved competitiveness. A study on sugar firms in Kenya, Wilfred (2013) found a significant positive relationship between concentric diversification and firm competitiveness, with 54.8% of competitiveness explained by diversification efforts. While this study was conducted outside Nigeria, its findings are relevant as they underscore the strategic benefits of related diversification in enhancing market competitiveness. Research focusing on the South-East region of Nigeria has demonstrated that concentric diversification positively affects organizational productivity. The study revealed a significant positive relationship between diversification strategies and productivity, suggesting that firms in the food and beverage sector can achieve higher efficiency and output through related diversification (Ikeh & Uzodinma, 2021).

While concentric diversification can enhance brand recognition, the impact may be moderate, particularly when the new products are closely related to existing offerings. The introduction of new product lines can reinforce brand identity, but the extent of differentiation achieved depends on the uniqueness and market acceptance of the new products. Concentric diversification allows firms to expand into new markets by offering complementary products. However, the success of such expansion is contingent upon factors such as market readiness, consumer preferences, and the firm's ability to adapt its offerings to meet local demands. Therefore, while market expansion is a potential benefit, its impact may vary. Mbah et al. (2020) examined the influence of product differentiation strategies on output in food, beverage, and tobacco manufacturing firms in South-East Nigeria. The study found that differentiation strategies positively affected product output, indicating that firms employing such strategies experienced increased production levels and market presence. Salami and Badiru (2019) conducted a comparative analysis of related and unrelated diversification strategies in Nigerian manufacturing firms. Their findings revealed that related diversification significantly enhanced organizational performance, accounting for approximately 42% of the variance, while unrelated diversification had a negative impact.

## CONCLUSION AND RECOMMENDATION

This study concludes corporate diversification specifically conglomerate and concentric diversification has a significant impact on differentiation of food and beverages manufacturing companies in South-South, Nigeria. This implies that such diversification enables firms to enhance their competitive positioning by offering unique products, accessing new markets, leveraging shared capabilities, and responding more effectively to dynamic consumer preferences.

Therefore, the study recommends that Therefore, the study recommends that food and beverage manufacturing companies in South-South Nigeria should strategically pursue both conglomerate and concentric diversification to enhance their differentiation capabilities. By engaging in conglomerate diversification, firms can tap into unrelated markets, spreading risks and creating additional revenue streams. Concentric diversification, on the other hand, allows firms to leverage their existing capabilities and technologies to introduce new but related products, thereby reinforcing brand identity and meeting evolving customer demands.

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