ORGANIZATIONAL STRATEGIC DIVERSIFICATION WITH CASE STUDIES OF SUCCESSFUL AND UNSUCCESSFUL DIVERSIFICATION

ABSTRACT

To be successful, organizations should operate with a well thought and developed corporate strategy which is implemented through different business unit level strategies all working towards the overall organizational level corporate strategy. Of the various strategic options available, diversification has proved to be a very popular strategy for organizations seeking growth, higher profitability and stability hence a competitive advantage. However researchers continue to find conflicting effects of diversification on performance of diversified organizations. Organizations apply different methods to realize diversification including Greenfield entry, acquisitions, and mergers and partnerships and alliances. The institutional environment of a country whether as developed or developing economy has an important impact on strategic choices of its firms in general and on the spread of diversification strategies in particular with related diversification being more successful in developed and highly competitive economies and unrelated diversification being more popular and successful in developing economies. In as far as acquisitions and greenfield entry is concerned, diversification is more successful if it is done in areas of key competency and capacity while organizations with more financial resources and well established acquisition strategy and experience, are more successful. Innovation through research and development enhances diversification through Greenfield entry. This study also demonstrated that the level of diversification does not necessarily guarantee successful diversification, although a number of scholars advocate for moderate diversification, too much or too little diversification can still fail or succeed. What is important is exercising due diligence and developing key competencies and capacity to execute successful diversification as demonstrated by the success of Cisco and failure of Burns Philp in diversification.

Key words: Corporate strategy, Business unit strategy**,** diversification, Vertical integration, methods of diversification, levels of diversification, Greenfield entry, acquisition, mergers, due diligence.

1.0. LEVELS OF STRATEGY

To be successful consistently, organizations should operate with a well thought and developed organizational level corporate strategy. According to David (2011) large firms have four levels of strategies: corporate, divisional, functional, and operational. For small firms, there are three levels of strategies: company, functional, and operational strategies. David recommends

that all persons responsible for strategic planning at the various organizational levels should ideally participate and understand the strategies at the other organizational levels to facilitate coordination, facilitation, and commitment to plans hence these helps avoid inconsistency, operational inefficiency, and miscommunication with respect to organizational strategy. It is noted that the best way to sustain competitive advantage is to relentlessly and consistently pursue objectives that strengthen an organizations position over competitors (David, 2011). According to Porter (1987), a diversified organization has business unit strategy also called competitive strategies and corporate strategy which is an organization wide strategy.

1.1. Comparison of Corporate Strategy versus Business-Unit-Level Strategy.

1.1.1. Corporate strategy

Corporate strategy is the platform for organizational processes, procedures and operations and generally defines the direction for the organization. The strategy is less specific, conceptual and value oriented. According to Sekulić (2009), corporate strategy is a pattern of decisions by an organization that determine and guide its corporate objectives, generate policies and determine the scope and nature as well as activities of the organization. Corporate strategy should guide business decision and coordinate business level strategies. According to Dyer, Godfrey, Jensen, and Bryce (2016) corporate strategy is concerned with development of stakeholder value and competitive advantages through operations or investments in multiple industries, regions and markets.

1.1.2. Business unit strategy

Business unit strategy deals with actions aimed at delivering the organizational goals as stated at the corporate level strategy. The objective of business unit level strategy is convert higher level strategies into execution or implementation strategies. The development of competitive advantage within a single industry, single market, or single line of business is generally referred to as business unit strategy (Dyer, Godfrey, Jensen, & Bryce, 2016).

2.0.DIVERSIFICATION STRATEGIES

Diversification comes from the word “diverse” which means “different” or “varied” therefore for an organization, it refers to variation or differences in the performed activities of a firm. Salma and Hussain (2018). Therefore diversification entails engaging in different activities by the same organization. Diversification often involves reorganization of an organization to acquire new business activity, product or service through internal growth or acquisition of another business, product or service. This often leads to changes in the organizational structure, operations, management systems and procedures. Corporate diversification involves organizations in distinct business with the objective of adding shareholder or stakeholder value (Cretu, 2012).

2.1. Reasons for Diversification

Organizations diversify for many different reasons and in different ways. Ansoff (1958) identified reasons for diversification as need to compensate for technological obsolesce, need to distribute risks, need to utilize excess capacity, and to reinvest earnings. Iqbal, Hameed, & Qadeer (2012) noted that diversification is a strategy that management uses to get more opportunities from current market and that the main objective of diversification is to spread risks of the business and get higher returns in terms of profits.

Different strategies can be adopted by organizations seeking to diversify their investments and operations. Diversifying strategies employed include acquisition of associates and subsidiaries as outright acquisitions, joint ventures and strategic partnerships, internal growth and expansion (Eukeria & Favourate, 2014)

2.2. Vertical Integration

This refers to expansion **i**nto adjacent markets that are in the same value chain. If the movement in the direction of inputs it is backward integration but is movement is in in the direction marketing, or service then it becomes forward integration. According to David (2011) vertical integration collectively refers to backward, forward and horizontal integration.

2.3. Forward Integration

This seeks ownership and control over distribution or retailers. These strategies include opening and control of retail shops for the firm, opening websites and selling products over the internet and franchising. Franchising is a very effective means of implementing forward integration. In the US over 2000 companies in about 50 industries use franchising (David, 2011).

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David (2011) outlines six guidelines that indicate when forward integration may be an especially effective strategy

i.) If present distributors are expensive, or unreliable, or incapable of meeting the firm's distribution needs or have stronger bargaining power.

ii.) If the availability of quality distributors is so limited as to offer a competitive advantage to those firms that integrate forward.

iii.) If an organization competes in an industry that is consistently growing and is expected to continue with the growth; this is a factor because forward integration reduces ability to diversify if its basic industry falters.

iv.) If an organization has both the resources needed to manage forward intergrading.

v.)Where there is need for stable production; forward integration can increase the

predictability of the demand for its output.

v.) When distributers have higher profit margins indicating that the firm can make some savings by participating in distribution.

2.4. Backward Integration

This is a strategy that seeks to control the suppliers especially where suppliers are unreliable, expensive or they cannot fulfil the organization's needs (David, 2011).

David (2011) outlines seven guidelines for use in determining when backward integration may be an especially effective strategy are:

i.) When an organization's suppliers are expensive, unreliable, or cannot meet the firm's needs for supplies and raw materials.
ii.) When the number of suppliers is small and the number of competitors is large hence high supplier bargaining power.

iii.) If the industry is growing rapidly integrative-type strategies i.e. forward, backward, and horizontal reduce an organization's ability to diversify in a declining industry.
iv.) If the firm has both capital and human resources to manage the new business of supplying its own raw materials.
v.) When there is need to stabilize prices.
vi.) When present supplies have high profit margins, which suggests that the business
vii.) If supplying products or services in the given industry is a worthwhile venture.
viii.) When an organization needs to quickly acquire a needed resource

2.5. Horizontal Integration

This is often referred to as diversification and is expansion or growth into an adjacent, related or unrelated market that is not along a firm's own value chain (Dyer, Godfrey, Jensen, & Bryce (2016). This strategy seeks to control or have increased control over competitors It ca n result into economies of scale and enhanced competencies. Strategies applied include mergers, acquisitions and takeovers among competitors. Merger between direct competitors often leads to increased efficiencies due to elimination of duplicate facilities (David 2011).

David (2011) outlined five guidelines that indicate when horizontal integration may be an especially effective strategy:

i.) When an organization can gain monopolistic features in a market area or region without restrictions.

ii.) If an organization competes in a growing industry hence expected gains are high.

iii.) If it will facilitate increased economies of scale and provide major competitive advantages.

iv.) When an organization has both the capital and human talent needed to successfully handle a bigger organization

v.) If competitors are week of managerial expertise, need for particular resources that the organization possesses

vi.) The competitor should be doing well or has significant potential.

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3.0.LEVELS OF DIVERSIFICATION

According to Dyer, Godfrey, Jensen, and Bryce (2016), Organizations wide range of choices on how to diversify and how go in diversification. The following levels have been identified based on the resultant firm and relationship between the business units after diversification;

3.1.Single Business

This business generates more than 95% of it's the revenues come from a single line of business. Therefore this is low level diversification.

3.2.The Dominant Vertical Business

This business generates 70% to 95% of its revenue from its main line of business with the rest from businesses located in the value chain with backward integration or forward integration

Dominant Business

Such a business earns more than 70% of revenue from its main line of business and the remainder from other lines across different value chains as opposed to dominant vertical business which is from same value chain. Therefore this is low level diversification.

3.3.Related-Constrained Firm

Such a business generates less than 70% of its revenue. Therefore this is moderate diversification, but all businesses share product, tech, or distribution linkages and each business makes up less than 70% of sales revenue

3.4.Related-Linked Diversification

These occurs when the businesses are still related but have less linkages existing between the new and existing business. Therefore this is a case Moderate diversification, with only limited links between businesses and each business makes up less than 70% of sales revenue

3.5. Unrelated Diversified Firm/ Conglomerates

This occurs when the businesses compete in product categories and markets with few, if any, links between them. Therefore this is of High diversification, no attempt to transfer resources or activities between businesses

4.0. HOW TO CREATE ORGANIZATIONAL VALUE AND COMPETITIVE ADVANTAGE THROUGH DIVERSIFICATION STRATEGIES

According to Yigit and Behram (2013), diversification can add organizational value through increased profitability, operational risks reduction, higher or increased market share, increased credit worthiness hence ability to absorb more credit, higher growth rates, extended business life cycle and improved utilization of financial and human capital.

For the conglomerates in the food and beverages sector in Zimbabwe, it was established diversification created market power gains, increased internal efficiencies, shared resources advantages and financial benefits as shown by performance benchmarks like turnover, gross and net profit and market measures share. The relationship depicts the linear model between diversification and performance (Miller, 2006; Eukeria & Favourate, 2014). They concluded that diversification is a competitive strategy which can deliver better performance s to the company if well implemented and aligned to the overall firm's vision and overall strategy.

Dyer, Godfrey, Jensen, and Bryce (2016) noted that firms that compete in few related markets or industries perform better that forms that are focused on a single industry. They

recommended moderate diversification as one that pays off better compared to high level diversification.

4.1.Related-Constrained or Related-Linked Diversification

Related constrained business generates less than 70% of its revenue from its main business line but the businesses share linkages with the main business. In this case resources are stretched but leads to better utilization and efficient and can lead to reduced costs of product offerings. For Related-linked diversification businesses are still related but have less linkages existing between the new and existing business. This means less sharing of resources or infrastructure. Can lead to high costs and low efficiency compared to the related constrained diversification. General Electric is an example of a company with most of the products capitalizing on its knowledge, experience and infrastructure in electrical machines and equipment although the products and business units remain different. This is an example of a related-linked diversification (Dyer, Godfrey, Jensen, & Bryce, 2016).

5.0. REASONS FOR DIVERSIFICATION FAILURE TO ADD VALUE

Dhir (2015) observed that most conglomerates are less profitable than non-conglomerates but conglomerates tend to reduce risk. He cautions that diversification is an important strategic option but has considerable risks, and therefore diversification should only be considered after careful examination. Kenny (2009) noted that when a company fails, changes are more that the cause is diversification and not concentration. He noted that misguided acquisition often arises from overpriced or poorly planned process and that diversified organizations quite often lack expertise to oversee multiple businesses. Failure to carry out due diligence can lead to wrong acquisition e.g. acquiring a business which performs below expectations. Grant (188) remarked that diversification beyond certain level raises costs to a point where performance starts to deteriorate.

In their study on performance of firms upon diversification in Turkey which is a developing economy and Netherlands which is a developed economy, Yigit and Behram (2013) observed that diversification is more successful in Turkey than Netherlands mainly because of the level of institutional developed in the operating environment. So firms in less developed economies tend to be more successful than those in developed economies in diversification. Therefore in a perfect economy, diversification adds less value to firms seeking to diversify their operations. Eukeria and Favourate (2014) reinforced this position by arguing that investors in developed countries can independently diversify their portfolio unlike those in African countries or other developing countries implying that diversification may not be really for the benefit of investors in developed countries while Brealey and Myers (2007) noted that diversification is easier and cheaper for the individual investors than for the organization. Therefore from these findings and recommendations, it is easier and more beneficial for an investor to diversify his or her investments as an individual than companies especially where the market economies are sophisticated as in most developed countries.

Porter (1987) noted that diversification cannot create shareholder value except when the industry has a favorable structure to support returns that exceed the cost of capital. He however

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observed that an industry does not have to be attractive before diversification can be executed. He added that diversification can only build shareholder value when the cost of entry does not consume returns on investment. Porter (1987) recommended that for a business to be better off after acquisition, an organization must add significant competitive advantage to the acquired unit or the new unit should possess great potential for competitive advantage. Therefore diversification won't add value if no real or potential competitive advantage exists.

6.0.TYPES OF DIVERSIFICATION

According to Dyer, Godfrey, Jensen, & Bryce (2016) and David (2011) there are two general types of diversification strategies: related and unrelated. Businesses are said to be related when their value chains possess valuable cross-business strategic fits. Unrelated businesses are have dissimilar value chains are not competitively valuable.

6.1.Related Diversification

This involved businesses that have similar value chains (David, 2011). Related diversification allows affirm to share and transfer success factors across different business leading to higher efficiency benefits in resource allocation and cost advantage. In developed countries, related diversification strategies are associated with profitability benefits and the need for continued survival in extremely competitive business environment makes related diversification strategy prevalent in developed economies like Spain (Campillo, 2016).

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David (2010 proposed the following guidelines for consideration to make related diversification as an effective strategy.

i.) When an organization competes in a no-growth or a slow-growth industry.

ii.) When adding new, but related, products would significantly enhance the sales of current products.

iii.) When new, but related, products could be offered at highly competitive prices.

iv.) When new, but related, products have seasonal sales levels that counterbalance an organization's existing peaks and valleys.

v.) When an organization's products are currently in the declining stage of the products life cycle.

vi.) When an organization has a strong management team.

6.2.Unrelated Diversification

Involves organizations that have dissimilar value chains (David, 2011). Unrelated diversification allows a more substantial and rapid increase in the size of an organization as well as status, independence and overall performance. Unrelated diversification is driven by the desire

to develop a business empire while in developed countries like Spain, unrelated diversification is linked to growth benefits, and more so in short run (Campillo, 2016).

David (2012) provides ten guidelines to use establish when unrelated diversification may be an especially effective strategy are:

i.) When revenues derived from an organization's current products or services would increase significantly by adding the new, unrelated products.

ii.) When an organization competes in a highly competitive and/or a no-growth industry, as indicated by low industry profit margins and returns.

iii.) When an organization's present channels of distribution can be used to market the new products to current customers.

iv.) The new products have countercyclical sales patterns compared to an organization's present products.

v.) When an organization's basic industry is experiencing declining annual sales and profits.

vi.) When an organization has the capital and managerial talent needed to compete successfully in a new industry.

vii.) When an organization should have opportunity to purchase an unrelated business that is an attractive investment opportunity.

viii.) There should exists financial synergy between the acquired and acquiring firm

ix.) If current markets for present products are saturated.

x.) When antitrust action could be charged against an organization that historically has concentrated on a single industry

6.3.Related Vs Unrelated Diversification

Most companies favor related diversification strategies in order to capitalize on synergies as follows:

i.) Transferring competitively valuable expertise, technological know-how, or other capabilities from one business to another.
ii.) Combining the related activities of separate businesses into a single operation to achieve lower costs.
iii.) Exploiting common use of a well-known brand name.
iv.) Cross-business collaboration to create competitively valuable resource strengths

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v.) and capabilities

7.0 METHODS OF DIVERSIFICATION

An organization can adopt the Greenfield entry method or acquisition method purchased (Dyer, Godfrey, Jensen, & Bryce, 2016).

7.1. Greenfield entry

Greenfield entry refers to diversification by opening own operation unlike in acquisition where another company, assets or business are purchased (Dyer, Godfrey, Jensen, & Bryce, 2016).

7.1.1. Factors to Consider while Diversifying through Green field Entry

According to Dyer, Godfrey, Jensen, & Bryce (2016) for diversification to add value in the real world. They suggested the following as factors to consider when considering diversification through Greenfield option;

i) Brands should be well known in the market hence require less advertising
ii) Economies of scale are less important for competitive advantage hence a business can start small from scratch.
iii) The new technology is compatible with existing processes and systems
iv) Customers for the new market are similar to existing ones
v) The rate of entry to the new market does not have to be too fast but rather slow
vi) The required skills, knowledge and capacity should be either existing or is easily acquired.
vii) The distribution channels for the new business ought to be available or are readily accessible by the organization

7.2. Acquisition

Acquisition refers to purchase of another business and is often a preferred mode when a company desires to make quick entry to the market and also when the market favors large scale competitors (David, 2011).

7.2.1. Factors to Consider while Diversifying through Acquisition

. Dyer, Godfrey, Jensen, & Bryce (2016) recommends the following factors to consider while diversifying through acquisition;

i.) It is ideal for brands that are not well known in the market that require huge advertisement and promotion
ii.) Where access to distribution channels is limited, expensive or are limited and use of an already established business offers best access or opportunity.
iii.) Customers for the new venture are different from current customers of the diversifying organization.
iv.) The new technology does not integrate easily with the existing technology hence need to bring in new technology and infrastructure.

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v.) Need for rapid entry into the market to capture opportunities

vi.) Need for economies of scale or learning effect to gain strategic advantage which can be got from an established business.

7.2.2. Due Diligence in Acquisition and Mergers

The primary components of a business acquisition are identification of targeted business, negotiation of price and terms, execution of various documents followed by conduct of due diligence before the purchase is closed. Due diligence targets financial, tax, operations, legal, technical and other aspects of the company. Carrying out due diligence is an important step in the process of business acquisition. Due diligence involves potential buyer of a business investigating the target by gathering and evaluating relevant information about the target organization. This helps the investor to make informed decision as to whether to proceed with acquisition or not. Process of investigating

Several stakeholders are interested in due diligence and they include the buyer, investors, lenders, employees, customers, vendors, attorney and accountants. The objective of due diligence in acquisition is to ensure that all stakeholders make informed decisions (Cochran, Craft & Agri, 2016).

7.2.2.1. Due diligence checklist

A typical due diligence checklist is as follows;

i.) Understand the business and its history.

ii.) Obtain an organizational chart or listing of employees.

iii.) Obtain resumes of management and key employees.

iv.) Obtain data of outstanding stock and its ownership, if the transaction will be structured as a stock purchase.

v.) Prepare a roster of team members, both inside and third party consultants, to include addresses, phone numbers, email addresses, etc.

vi.) Obtain industry statistics to serve as a benchmark for the target company's operations.

vii.) Understand the company's economic prospects, its products and the industry.

viii.) Determine the countries/states in which company is licensed to operate.

7.3. Mergers

A merger is a corporate strategy usually done between two or more companies where by the acquiring firm and the acquired firm stands on a merger agreement (Ogada, Achoki, & Njuguna, 2016). Changes in the operating environment may necessitate merger or one institution takes over another's operations (Fluck and Lynch, 2011). Reasons put forward for mergers and acquisitions are: to gain greater market power, gain access to innovative capabilities thus reducing the risks associated with the development of a new product or service, maximize efficiency through economies of scale and scope and at times, reorganize a firm's competitive

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position (Hitt *et al*., 2009; Vaara, 2012).Revitalize the company by bringing in new knowledge and capacity for survival (Vermeulen *et al* 2011). Many mergers and acquisition are undertaken with the belief that a merged firm may operate more efficiently than two separate firms. A firm can obtain cost reductions in several ways through a merger or an acquisition (Ross *et.al* 2003).

8.0. CASE STUDIES IN DIVERSIFICATION

8.1.Case of Failed Diversification: The Case of Burns Philp of Australia

An Australia-based company, Burns Philp was originally focused on South Pacific Shipping and trading business prior to 1970s. But by early 1980s, the company had grown more complex through diversification. In 1983 the firm had 175 separate enterprises, in areas of travel agencies, hotels and retail hardware stores to cement, mining, film processing, drink-dispensing Machines and others. Burns Philp restructured between 1984 and 1996 to reduce on its diversification by selling some businesses, though acquiring but reducing on line of products. As a result it focused on three products, namely: antibiotics, spices and yeast, with yeast production process giving it a technological advantage over its competitors. However concentrating antibiotics and spices failed. The company bought an Italian antibiotics company, but then then unexpectedly paid about half the acquisition price to build a new antibiotics factory to replace the existing plant because it posed environmental threats. This was a result of failure to conduct proper diligence before buying the business.

Burns Philp failed in spice market under pressure from competitors over supermarket operators to gain the best positions on store shelves. After acquisition the company failed to manage cultural differences in foreign markets especially in Italy leading to administrative chaos at headquarters and contributed to its financial distress. As a result Burns Philp was acquired by Rank Group in 2006.

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8.1.1. Case Analysis

The following observations can be made from the above case of strategic failure in diversification;

i.) The company was highly diversified and wanted to reduce the scope of diversification
ii.) That reduction in the scope of diversification does not necessarily lead to success of more value, the process has to be done carefully
iii.) Diversifying into an area or business you are not competent in my lead to failure, rather diversify into an area one is experienced as has capacity
iv.) Due diligence is necessary to avoid buying a business that is below expectations. The business should be subjected to a thorough scrutiny and evaluation before acquisition.

These case demonstrates that diversification failure came can about as result of failure to take due diligence while acquiring businesses and poor management of new diversified business culturally and financially in particular. Therefore diversifying organizations should carry out diversification carefully and adequately prepare to handle complex managerial and leadership challenges that come with diversification (Kenny, 2009).

8.2.Case Study of Successful Diversification: Cisco

8.2.1. Background of the company

1984, Len Bosack of Stanford University computer department, and his wife, Sandra Lerner, worked with the computer network at the Graduate School of Business at Stanford. The couple wanted to connect the computer networks of their respective departments through a multi-protocol router, a device that allows different networks communicate and share data. They later

decided to commercialize their invention, the AGS router. They chose to Name the company Cisco Systems during a drive over San Francisco's Golden Gate Bridge.

Cisco entered the market just as Apple Computer introduced the Macintosh and the personal computer industry began to grow rapidly. Cisco's initial customers were large corporations with multiple, extensive computer networks. By 1989, the company had only one patent and three products on the market, with 11 employees, and in revenue of $ 27 million. Cisco went public in with revenue of $69 million, and an initial market capitalization of $224 million. The sales grew by 550 percent to $381 million by 199. The company then began to enter new markets for its products and services; Cisco expanded into the market for networked servers and began writing and selling software.

Cisco made its first acquisition 1993, of $94.5 million all-stock deal for Crescendo Communications, a manufacturer of desktop computing workgroup solutions leading to a broadened product line and expanded its resources and capabilities in the emerging market of networked PCs. Over the next three years, Cisco would make a dozen acquisitions, each designed to help the company enter new product and customer segments or to expand and solidify its presence in existing markets. In 1997, Cisco entered the training and education market by opening 64 “network academies” to train high school and college students to design, install, and maintain computer networks.

In 1998 Cisco. The company used combined modes of acquisition and internally developed technology to enter the telephone market and introduced Voice over Internet Protocol (VOIP) communications. The fast-growing company realized revenue of $8.5 billion and saw its market capitalization had risen to $100 billion. Since going public, revenue had grown by about 1,200 percent and its market cap had grown almost 450 percent. The company's acquisition capabilities grew as well, Cisco completed nine acquisitions in 1998 and expanded the training academies to a total of 580 locations. The company entered a new market for its products and services in 1999: the home computer and consumer market. By late 1999, 42 percent of American homes had Internet connections, up from almost none five years earlier.

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In 2000, Cisco bought 23 companies, with market for Internet connectivity and computer networking continuously evolving, Cisco's products enabled that growth and evolution. Research and development efforts resulted in patents and products that established Cisco in wireless network technology, a major growth sector of the industry during the early twenty-first century. On March 27, 2000, Cisco became the world's most valuable company, with a market capitalization of $569 billion With 46 acquisitions completed since 1993, Cisco had developed a clear and consistent process for bringing acquisitions into the Cisco family.

In all its acquisitions, Cisco began with the identification of attractive targets, especially companies with new emerging technologies or those whose products would enhance Cisco's current offerings to customers. The newly acquired company's products would appear in the Cisco catalog—with Cisco part numbers—the day the acquisition closed. This ensured immediate revenue and profit growth from the acquisition. Integration specialists from Cisco worked onsite with the newly acquired company during the first 90 days after the deal closed. These specialists helped the new organization to adapt to and navigate within Cisco's internal systems; they also introduced new members to the Cisco culture. Other integration specialists installed Cisco accounting and purchasing systems

Cisco fell from its perch as America's most valuable company when the Internet stock bubble burst in 2002. That didn't stop the company from pursuing its strategy of acquisition and diversification to maintain and enhance its status as the backbone of the internet. At the end of

the new century's first decade, Cisco held leading market positions in most router and networking categories, including over 30 percent of the market for routers and switchers.8 That year, the company shipped its 30 millionth IP phones to customers around the world. Cisco received 913 patents during 2010. With the December 2010 purchase of Linesider Technologies, makers of network products for cloud computing applications represented to mark Cisco's 145th acquisition. As the second decade of the twenty-first century began, Cisco seemed well positioned to lead in all of its existing markets, and the company would continue to provide the backbone for new, emerging Internet markets (Dyer, Godfrey, Jensen, & Bryce, 2016).

8.2.2. Case Analysis

The following observations can be drawn from this successful case of diversification by Cisco

i.) From the case, it is noted that Cisco Systems is a leading business in technology based products. It uses its intellectual property and brand resources, together with its capability in s innovation and acquisition to develop competitive advantages. Cisco succeeded by acquiring and developing new business.
ii.) Cisco acquired and developed businesses in its core areas or areas which though slightly difference would add significant value to existing businesses.
iii.) With several organizations, Cisco had developed a good strategy for acquisition and absorption of new businesses into its main fold making acquisitions fast, effective and timely. Acquisitions immediately contributed to the main company revenue base.
iv.) Cisco had the financial muscle and organizational capacity to acquire and develop new products.
v.) Cisco heavily invested in research and development as evident by numerous patents and new product developments by the company.

This case of Cisco demonstrates how proper organization, due diligence coupled with financial and organizational capacity can give an organization competive advantage through diversification by modes of acquisition and Greenfield entry modes.

9.0.EFFECT OF DIVERSIFICATION ON PERFORMANCE

Corporate diversification has is an important strategy in the modern business practice. Diversification has an impact on a firm's financial performance, though there is no agreement about the negative, positive or neutral impact of diversification (Patrick, 2012). Due to high chances of failure in developing economies, firms in may be justified to have wider scope of diversification (Khanna and Palepu, 2000; Khanna and Rivkin, 2001; Lins and Servaes, 2002).

Doaei, Anuar, and Ismail (2014) in their study on diversification in Malaysian manufacturing firms found out that product diversification and unrelated diversification does not significantly affect performance. However, related diversification and international diversification have negative impact on financial performance.

Quality of goods and services is another important performance indicator for organizations. According Dawid and Reimann (2005) an increase in diversification compromises the quality of products and services and negatively impacts on innovation.

10.0. CONCLUSION

The main objective of diversification is to spread out risks and get higher profits through development of a stable profitable and larger organization guaranteeing a stable organization Investigations into whether diversification is beneficial or more profitable or not shows mixed results. It was noted that diversification is more successful in an emerging economy than a developed and institutionally organized economy. Related diversification has proved to be more successful in developed economies while unrelated diversification is more successful generally in led developed economies. For diversification to be successful, it must be well planned and executed carefully. Moderate diversification gives better results than single business diversification. Therefore diversifying organizations should avoid too much diversification and single business diversification for better results. Organizations can diversify by means of greenfield entry or acquisitions depending on circumstances and market condition with due diligence being very important in acquisitions to avoid making wrong strategic decisions. Diversification into an area you have key competencies and capacity is more successful and it is recommended that you diversify into businesses that add value to current offerings. Failure to carry out due diligence can lead to diversification failure through making wrong or uninformed choices. The cases of Cisco and Burns Philp demonstrates that diversification of any level, high or low can be successful or fail, what is important is proper execution and having the right capacities and competencies to successfully implement diversification.

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