

IMPACT OF PRODUCT DIVERSIFICATION ON ORGANIZATIONAL PERFORMANCE

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Abstract

Diversification is quite important for this era where cut throat competition exists in the market. It brings various advantages for the business. Many businesses gain competitive advantage with the strategies of diversification. The present research is about product diversification where two strategies i.e. related and unrelated product diversification are discussed and analyzed. Related diversification deals with the similar business portfolio within a multi-business firm and in unrelated diversification, new products which are technologically and commercially unrelated to current products are added in the product portfolio of the business. The actual aim of present study is to investigate the impact of product diversification on firm performance. It is to be confirmed whether which category of product diversification enhances the organizational performance. There are three objectives of this research. The first objective is to explore positive and constructive aspects of diversifying the product portfolio and its consequent factors through reviewing previous studies. The second objective is to conduct empirical analysis related to product diversification and firm performance. The third objective is to investigate the impact of product diversification on the firm's performance. All three objectives are successfully accomplished. For accomplishing the aim and objectives, quantitative analysis is conducted. A questionnaire strategy is adopted where survey is conducted on two organizations which are Pakistani and three multi-national organizations. The said organizations are Fauji Fertilizer Company, Telenor Pakistan, Haier, Nestle and Engro Corporation. The results have proved that related diversification does not significantly influence firm performance. On the other hand, unrelated diversification significantly influences the firm performance, i.e. if the products are manufactured and added in the portfolio that are totally unrelated with the current manufacturing, the performance of the firm is enhanced in positive way. At the end of this research, future research directions and implications for managers are also presented.