The Influence of Diversification on Performance of Bar and Restaurants during Crisis in Nairobi County

Erastus Ngura Odhiambo
Masters of Business Administration,
(Strategic Management),
Mount Kenya University,
Kenya

Dr Jeniffer Wanjiru Muriuki
Lecturer,
School of Business and Economics,
Mount Kenya University,
Kenya

Abstract
Crisis is negative changes in human or environmental affairs, especially when they happen suddenly, with little warning. It comes in different forms including natural disasters, pandemics, system crashes, power outages, sudden policy changes etc. It is not planned and as such mostly leads to instability and disruption of business operations of the affected industries. There is also need to factor in crisis in national policies to help businesses absorb instability associated with disruptions brought by such eventualities. This study sought to ascertain the influence of diversification on performance of bar & restaurants during crisis in Nairobi County.The population understudy was a total of 6,383 licensed bar & restaurant businesses in Nairobi County. Theproject adopted a survey research design and simple random sampling technique toselect a sample that was representative of the whole population. The study targeted 100respondents from a sample of 100 bar & restaurants within Nairobi County. The surveyused both questionnaires and observation as the main methods of data collection.The study also sought to ascertain the influence of diversification on performance of bar & restaurant businesses during crisis in Nairobi County. From the t-test the study found that, in respect to the diversification adoption, the p-value stood at 0.073 which indicated that the diversification adoption did not have statistically significant influence on the performance of bar & restaurant businesses. The researcher concluded that diversification and social media adoption has no significance influence on performance of bar & restaurant businesses, when adopted during crisis.

I. Introduction

Crisis is negative changes in human or environmental affairs, especially when they happen suddenly, with little warning.It comes in different forms including natural disasters, pandemics, system crashes, power outages, sudden policy changes etc. It is not planned and as such mostly leads to instability and disruption of business operations of the affected industries. For some industries, it leads to business boom, making businesses realize unplanned reaps. McKinsey (2021) noted that the e-commerce industry experienced ten (10) year equivalent growth within less than a year of covid-19 crisis. Crisis is significant to business operations and there is need to factor it in the corporate strategies to maintain sustainable competitive advantage.

There is also need to factor in crisis in national policies to help businesses absorb instability associated with disruptions brought by such eventualities. This would help in maintaining a thriving economy as opposed to economic recession. The most recent crisis, which affected the whole world economy, is the Covid-19 pandemic, which has seen some of the world's promising industries plummeting to the ground. Many businesses

have had to close down or collapse because of failure to absorb the disruption caused by this pandemic. Only resilient businesses have had to cope with the disruption.

II. Objectives of Study

To ascertain the influence of diversification on performance of bar & restaurants during crisis in Nairobi County.

III. Research Questions

How has diversification influenced performance of bar & restaurant business during crisis in Nairobi County?

IV. Empirical Literature

Diversification is a corporate strategy for growth either through adding new related or unrelated product or service offerings, expanding into new industries or expanding into new markets. Businesses adopt this strategy to boost their performance. Studies indicate that diversification has been in operation since the industrial age. For instance, study by Palepu (1985) found that businesses which concentrate on related diversification have higher profitability growth than their unrelated diversified counterparts. Theoretical study by Le (2019) also confirmed that American companies adopted diversifications in the 1960s and 1970s. The study however did not find a significant answer to whether diversification strategy can boost business performance and hence survival.

According to Odoyo (2012), fast food restaurants adopted various diversification strategies to boost their survival in the competitive industry. They did this trough menu diversification by introducing new menu items differentiated as new food varieties. They also did this by introducing food delivery services and introducing outside catering services. A related study by Oladimeji &Udosen (2019) in Nigeria also observed thatorganization which practice diversification outperform their undiversified counterparts in terms of profitability and overall business value. It concluded that diversification has a positive effect on performance of businesses.

Another study by Goryushkina et al. (2019) also concluded that diversification is a crucial element in hotel businesses as it boosts their survivalthrough achieving guaranteed margins and general sustainability and in some cases to dominate the market share. It therefore means that diversification can provide businesses, especially in the hotel industry, a significant competitive advantage.

V. Reasearch Methodology

The study adopted a survey design, which is a descriptive research design where the characteristics of the population to be observed are first described then a representative sample is taken for the study.This study sought to examine the strategies used by local bars and restaurant businesses to survive disruptive crisis in Nairobi County, Kenya. Nairobi County is made up of 17 sub counties with bar & restaurants spread across it.The target population werebar & restaurant businesses operating within the boundary of Nairobi County. The data from Nairobi County Government Information Systems indicate that there are 6,383 licensed bar & restaurant businesses (Nairobi County Government, 2021). The study considered dive bars, commonly known as neighborhood bar & restaurants or "locals". The researcher used simple random sampling. Through random sampling, the researcher identified110 licensed bar & restaurant businesses within Nairobi County to participate in the survey as follows:

Table 1: Sample size

No	Sub County	Population	Sample Size		Sample Percentage of population
			For actual study	For Pilot study	
1	Dagoretti North	318	5		1.6%
2	Dagoretti South	382	6		1.6%
3	Embakasi Central	446	7		1.6%
4	Embakasi East	321	5		1.6%
5	Embakasi South	192	3		1.6%
6	Embakasi North	383	6		1.6%
7	Embakasi West	766	12		1.6%
8	Kamukunji	254	4		1.6%
9	Kasarani	190	3		1.6%

10	Kibra	193	3		1.6%
11	Langata	384	6		1.6%
12	Makadara	894	14	10	2.7%
13	Mathare	256	4		1.6%
14	Roysambu	323	5		1.6%
15	Ruaraka	444	7		1.6%
16	Starehe	254	4		1.6%
17	Westlands	383	6		1.6%
	Total	6,383	100	10	1.7%

Source: Author (2022)

The researcher used questionnaire as the main instrument for data collection, where a number of simple questions conforming to the research objectives were constructed. The questionnaire majorly consisted of closed-ended questions and a few open-ended questions to get more insights or information to understand the variables further.The researcher used primary data collection methods to get information from the subjects. The main primary method used was questionnaire administration, where a number of simple questions conforming to the research objectives were formed. The questionnaire majorly consisted of closed-ended questions and a few open-ended questions to get more insights or information to understand the variables further.The relationship between the independent and dependent variables wereanalyzed throughlinear regressions.

VI. Data Analysis

Response rate

The researcher distributed 100 questionnaires to the target population. The questionnaires that were returned were 89 leading t a response rate of 89%. According to (Gathii et al., 2019), a response rate of 80% is determined as being adequate for a study and in minimization of non-response bias. The response rate of 89% having surpassed the minimum response rate of 80% was thus deemed sufficient for the study and was thus utilized for the study. The response rate is represented in theTable 2below.

Table 2: Response Rate

Distributed questionnaires	Returned Questionnaires	Response Rate
100	89	89%

Source: Author (2022)

Demographic data
Business profile

The business profile is important to establish if the characteristic of the business can influence the strategies it adopts in the face of disruptive crises. TheTable 3below shows that only 25% of the businesses surveyed had been in operation for less than 5years, with 75% being in operation for more than 5years. This is a considerable time for the businesses to adopt a survival strategy in times of a crisis. 62% were sole proprietorship type of businesses, 31% partnership while only 7% were companies. This indicates that most strategies adopted in the businesses emanated from individuals decisions as opposed to structured strategy design.

Table 3: Years in Operation

Less than 5	22	24.7
5-10 Years	38	42.7
More than 10 Years	29	32.6
Total	89	100.0

Source: Author (2022)

Number of employees before covid-19 pandemic

The results of the study revealed that 3.7%, 25.8%, 16.9%, and 14.6% of the businesses had below 10 employees, 11-20 employees, 21-30 employees, and 31-40 employees respectively. On the other hand, 2.2%,

4.5%, and 2.2% of the businesses had 41-50 employees, 51-60 employees and above 60 employees respectively. The study thus found that a majority of the businesses had below 10 employees at 33.7% of all the businesses sampled. See Table 4below.

Table 4: Number of staff before covid-19 pandemic

	Frequency	Percentage
Below 10 Employees	30	33.7
11-20 Employees	23	25.8
21-30 Employees	15	16.9
31-40 Employees	13	14.6
41-50 Employees	2	2.2
51-60 Employees	4	4.5
Above 60 Employees	2	2.2
Total	89	100.0

Source: Author (2022)

Capacity before covid-19 pandemic

The capacity before covid-19 was examined. The study results indicated that 84.3%, 12.4%, and 3.3% of the businesses had 1-200, 201-400, and above 400 capacities respectively. The study indicated that a majority of the businesses at 84.3% of the businesses had 1-200 capacity. See Table 5below.

Table 5: Capacity before covid-19 pandemic

	Frequency	Percent
1-200	75	84.3
201-400	11	12.4
Above 400	3	3.3
Total	89	100.0

Source: Author (2022)

Respondents' profile

The Table 6below shows that more than 85% (27% +58%) of the respondents surveyed were either owners or managers of the business, meaning they were part of the top management of the enterprises. Table 7below also shows that 39% of the respondents surveyed had more than 10years experience in running the bar and restaurant businesses, with 48% having between 5-10 years' experience. Only 12% had less than 5 years' experience. Table 8below also shows that 93% of the respondents were aged over 30 years. This analysis indicates thatmost respondents had considerable authority, knowledge and experience to correctly respond to the survey.

Table 6: Position held in business

7. Position	Frequency	Percent	Valid Percent	Cumulative Percent
Manager	52	57.778	58.427	58.427
Owner	24	26.667	26.966	85.393
Supervisor	9	10.000	10.112	95.506
Waiter	4	4.444	4.494	100.000
Missing	1	1.111		
Total	90	100.000		

Source: Author (2022)

Table 7: Years of Experience in business

9. Years of Experience in business	Frequency	Percent	Valid Percent	Cumulative Percent
5 - 10	43	47.778	48.315	48.315
Less than 5	11	12.222	12.360	60.674
More than 10	35	38.889	39.326	100.000
Missing	1	1.111		
Total	90	100.000		

Source: Author (2022)

Table 8: Age of respondents

8. Age in years	Frequency	Percent	Valid Percent	Cumulative Percent
30 - 40	42	46.667	47.191	47.191
Above 40	41	45.556	46.067	93.258
Below 30	6	6.667	6.742	100.000
Missing	1	1.111		
Total	90	100.000		

Source: Author (2022)

Diversification

The respondents were asked the extent to which the adoption of diversification strategy helped to keep the business afloat during covid-19 crisis. The study found that 10.1%, 9.0%, 14.6%, 56.2%, and 10.1% of the respondents indicated Never, Rarely, Sometimes, Often and Always respectively as shown on Table 9below.

Table 9: Extent of diversification adoption

	Freq.	Percent
Never	9	10.1
Rarely	8	9.0
Sometimes	13	14.6
Often	50	56.2
Always	9	10.1
Total	89	100.0

Source: Author (2022)

The respondents were asked how effective diversification to business performance was. The 2.2%, 27.0%, 67.4%, and 3.4% of the respondents noted that the diversification strategy had Negative, No Effect, Positive and Very Positive influence on keeping business afloat during covid-19 crisis respectively, as shown on Table 10below.

Table 10: Effectiveness of diversification adoption

	Frequency	Percent
Negative	2	2.2
No Effect	24	27.0
Positive	60	67.4
Very Positive	3	3.4
Total	89	100.0

Source: Author (2022)

Multiple Linear Regression Analysis

The study carried out a regression analysis to analyse the existing relationship between the independent and dependent variables. From the linear regression tests the results capture were presented in the model summary table. The model summary table was used to help in assessing the variability factor on the influence of independent variables on the shift in the dependent variable. According to (Helmreich, 2016), the correlation coefficient is used to detail the association between the independent variables and dependent variable. The study achieved a correlation coefficient R of 0.392 indicating that there was weak positive correlational association of social media adoption, diversification adoption, and technology & innovation use on performance of bar& restaurant businesses within Nairobi County. (Wheaton & Young, 2020) noted that the adjusted R square is used for detailing the variance of the dependent variable that is attributable to the independent variable. In this context, the adjusted R square that was achieved was 0.124 indicating that 12.4% of the variance in the dependent variable was attributable to the independent variables of social media adoption, diversification and use of technology. This would imply that 87.6% of the variance in the performance of bar & restaurant businesses were due to other factors that were not in the scope of the model.Table 11below shows the model summary table.

Table 11: Regression**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.392[a]	.154	.124	.43616

a. Predictors: (Constant), Social media adoption, Diversification strategy, Use of technology
Source: Author (2022)

The ANOVA was also used to examine the overall goodness of fit of the model. The study found that F (3,85) =5.143, P=0.03 implying that the model was good fit for data since p value was less than 0.05 as shown on Table 12below. The conclusion that the model is good fit for data led to the examination of the t-tests and the regression coefficients.

Table 12: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.935	3	.978	5.143	.003[b]
1	Residual	16.170	85	.190		
	Total	19.106	88			

a. Dependent Variable: performance of bar & restaurant businesses
b. Predictors: (Constant), Social media adoption, Diversification strategy, Use of technology
Source: Author (2022)

Whether the use of technology had statistically significant influence on performance of bars and restaurant businesses was examined using the t-test. The study found that the use of technology had a p-value of 0.007 which is lower than 0.05 leading to the conclusion that use of technology had a statistically significant influence on the performance of bar & restaurant businesses. The study noted that the beta coefficients stood at -0.256 leading to the conclusion that a unit change on the use of technology led to the negative influence on the performance of bar & restaurant businesses to the magnitude of 0.256. The study further found that the in respect to the diversification adoption that the p-value stood at 0.073 which indicated that the diversification strategy did not have statistically significant influence on the performance of bar &restaurant businesses. (Maina, 2021) notes that if a variable lacks statistically significant influence on the dependent variable then the unstandardized beta coefficients are not discussed, which the case in this context is. The study further found that the p-value of the social media adoption stood at 0.131 indicating that the social media adoption did not have a statistically significant influence on the performance of bar & restaurant businesses. The study thus found the social media adoption, and diversification variables not having a statistically significant influence on the performance of bar & restaurant businesses. Only technology & innovation had statistically significant influence on performance of bar & restaurant businesses as shown on Table 13below.

Table 13: Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3.118	.315		9.914	.000
1	Use of technology	-.256	.093	-.315	-2.748	.007
	Diversification strategy	-.126	.070	-.196	-1.816	.073
	Social media adoption	.086	.056	.167	1.524	.131

a. Dependent Variable: Survival of bars and restaurant businesses
Source: Author (2022)

VII. Discussion of the objective results

The study also sought to ascertain the influence of diversification on performance of bar &restaurant businesses during crisis in Nairobi County. From the t-test the study found that, in respect to the diversification adoption, the p-value stood at 0.073 which indicated that the diversification adoption did not have statistically significant influence on the performance of bar &restaurant businesses. (Maina, 2021) notes that if a variable lacks statistically significant influence on the dependent variable then the unstandardized beta coefficients are not discussed, which the case in this context is.

The researcher concluded that diversification and social media adoption has no significance influence on performance of bar & restaurant businesses, when adopted during crisis.

References

[1]. Al-Ansari, Y., Altalib, M., & Sardoh, M. (2013). Technology orientation, innovation and business performance: A study of Dubai SMEs. The International Technology Management Review, 3(1), 1-11.
[2]. Am, J. B., Furstenthal, L., Jorge, F., & Roth, E. (2020). Innovation in a crisis: Why it is more critical than ever. Retrieved June, 17.
[3]. Bartik A, Bertrand M, Cullen Z et al. (2020), Proceedings of the National Academy of Sciences of the United States of America vol. 117 issue 30 (2020) pp: 17656-17666 Published by National Academy of Sciences
[4]. Business Daily (2019, September 17). Business News. Retrieved from, https://www.businessdailyafrica.com/bd/news/board-proposes-limiting-number-of-bars-in-nairobi-to-3-000-2244760 Accessed on 2 September 2021
[5]. Business Daily. (2019, February 14). Tax Collection in Corporates. Retrieved July 12, 2021, from Business Daily. www.businessdaily.co.ke
[6]. Buzzanell, P. M. (2010). Resilience: Talking, resisting, and imagining new normalcies into being. Journal of Communication, 60(1), 1-14.
[7]. Chaneta, I. (2007), Strategic Management Process, Journal of Comprehensive Research, Vol.5, 17-25
[8]. Dhliwayo, R. (2020). Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy.
[9]. European Commission (2009), Occasional Paper: Impact of the current economic and financial crisis on potential output, European Commission
[10]. Fernández-Miguélez, S. M., Díaz-Puche, M., Campos-Soria, J. A., & Galán-Valdivieso, F. (2020). The impact of social media on restaurant corporations' financial performance. Sustainability, 12(4), 1646
[11]. Freeman, I. (2002). "Boogie nights", Leisure Management, Vol. 22 No.5, pp.50.
[12]. Gathii, J. K., Wamukuru, D. K., Karanja, D., Muriithi, W., & Maina, K. (2019). Research Methods, Data Analysis & Defences (Building Competences in Education & Social Sciences Research). (1st ed.). Education and Social Sciences Research Association of Kenya (ESSRAK).
[13]. Gideon, L. (Ed.). (2012). Handbook of survey methodology for the social sciences. New York: Springer.
[14]. Gondwe, G. (2020), "Assessing the impact of COVID-19 on Africa's economic development", Retrieved from: https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2834 Accessed on 19 September 2020.
[15]. Goryushkina, N., Petrova, L., Khudyakova, T., Tchuykova, N., Klimovskikh, N., & Voinova, N. (2019). Diversification and its role in improving hotel industry businesses competitiveness. International Journal of Recent Technology and Engineering, 8(4), 605-609
[16]. Helmreich, J. E. (2016). Regression Modelling Strategies with Applications to Linear Models, Logistic and Ordinal Regression and Survival Analysis. Journal of Statistical Software, 70(2), 1–4.
[17]. Hoang, T. G., Truong, N. T., & Nguyen, T. M. (2021). The survival of hotels during the COVID-19 pandemic: a critical case study in Vietnam. Service Business, 15(2), 209-229.
[18]. Hwang, J., Eves, A., & Stienmetz, J. L. (2021). The Impact of Social Media Use on Consumers' Restaurant Consumption Experiences: A Qualitative Study. Sustainability, 13(12), 6581.
[19]. Kihanya, G. M. (2015). Strategies used by alcoholic drinks Businesses in Nyeri Town Sub-County to cope with Competition in the Liquor Industry in Kenya (Doctoral dissertation).
[20]. KNBS. (2019). Kenya population and housing census volume 1: population by county and sub-county. Government Press, Kenya
[21]. Kothari, C. R., & Gaurav, G. (Ed.). (2019). Research Methodology: Methods and Techniques (4th Ed). New Delhi India: New Age International.
[22]. Lau, A. (2020). New technologies used in COVID-19 for business survival: Insights from the Hotel Sector in China. Information Technology & Tourism, 22(4), 497-504.
[23]. Le, H. (2019). Literature review on diversification strategy, enterprise core competence and enterprise performance. American Journal of Industrial and Business Management, 9(1), 91-108.
[24]. Maina, K. (2021). A Guide to Linear Regression Analysis in Thesis Writing for Social Sciences. African Online School of Applied Research Skills.
[25]. Makungu, T. M. (2011). Marketing strategies used by entertainment spots in small towns in Kenya a case of bars and nightclubs in Voi municipality (Doctoral dissertation, University of Nairobi).
[26]. McKinsey (18th August, 2021). COVID-19: Implications for business. Retrieved from https://www.mckinsey.com/business-functions/risk-and-resilience/our-insights/covid-19-implications-for-business Accessed on 15th September 2021.
[27]. Ministry of Health (2020), Guidelines for Food Business Operators (FBOs) on re-opening of restaurants and eateries during Covid-19 pandemic, Government Press, Nairobi
[28]. Mugenda, O. (2003). & Mugenda A. (2003). Research methods: quantitative and qualitative approaches.
[29]. Mutisya, L. (2017). Strategic Responses and Performance of International Hotels in Nairobi (Doctoral dissertation, University of Nairobi).
[30]. NACADA. (2017). Annual Report for the Office of the National Campaign Against Drug Abuse. Nairobi: Government Printers.
[31]. Nairobi County Government (2021). [Nairobi County Government Management Information Systems] [Unpublished raw data].
[32]. Odoyo, C. O. (2012). Assessment of Growth and Competitive Strategies Adopted In Out-Of-Home Food Outlets: A Case of Fast Food Restaurants in Nairobi (Doctoral dissertation, Daystar University, School of Business and Economics.)
[33]. Oladimeji, M. S., & Udosen, I. (2019). The effect of diversification strategy on organizational performance. Journal of Competitiveness, 11(4), 120.
[34]. Palepu, K. (1985). Diversification strategy, profit performance and the entropy measure. Strategic management journal, 6(3), 239-255.
[35]. Quaife, M., Van Zandvoort, K., Gimma, A., Shah, K. et al. (2020). The impact of COVID-19 control measures on social contacts and transmission in Kenyan informal settlements. BMC medicine, 18(1), 1-11.
[36]. Rodriguez_Anton J, Alonso_Almeida M (2020). COVID-19 impacts and recovery strategies: The case of the hospitality industry in Spain, Sustainability (Switzerland)
[37]. Rogers, E. (2003). Diffusion of Innovations. Fifth edition. Free Press: New York.
[38]. Senge, P. M. (1990). The art and practice of the learning organization.
[39]. Simon, M. (2011). Assumptions, limitations and delimitations.
[40]. Stead, J. G., & Stead, W. E. (2014). Sustainable strategic management. Routledge
[41]. Sutcliffe, K. M. (2003). Organizing for resilience. Positive organizational scholarship: Foundations of a new discipline
[42]. Timilsina, M. (2017). Impacts of social media in restaurant businesses: A case study of restaurants based on Oulu region.

[43]. Waithaka, E. (2017). A Study of Critical Success Factors Affecting Small and Medium Enterprises in Nairobi County: A Case Study of Small and Medium-Sized Enterprises in Nairobi City Central Business District (Doctoral dissertation, United States International University-Africa).

[44]. Wheaton, B., & Young, M. (2020). Understanding Regression Models: Statistics for Longitudinal and Contextual Analysis. SAGE Publications.

[45]. Wheelen, T.L & Hunger J.D (2012). Strategic Management and Business Policy: Toward Global Sustainability (13th ed.), New Jersey, NJ: Prentice Hall, 56

[46]. World Bank (2020). Global Economic Prospects. Pandemic, Recession: The Global Economy in Crisis Washington DC: World Bank Group.

[47]. World Health Organization (2020). Covid-19 Strategy Update: Overcoming Covid-19, Geneva, Switzerland