MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF THE IMPACT OF DIVERSIFICATION ON PROFITABILITY AND GROWTH: A CASE OF FIDELITY LIFE ASSURANCE COMPANY ZIMBABWE (FLAZ)

Prepared By

EPAPHRAS M. CHINYAKUZA R134456V

Supervisor: Mr A NGIRAZI

*This dissertation is submitted in partial fulfillment of the requirements of the **Bachelor of Commerce (Honors) Degree in Accounting** in the Department of Accounting at Midlands State University.*

Gweru: Zimbabwe, 2017

APPROVAL FORM

The undersigned certify that they have supervised the student **Epaphras. M. Chinyakuza's** dissertation entitled, **an assessment on the impact of diversification on profitability and growth: a case of Fidelity Life Assurance Company Zimbabwe** submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree at Midlands State University.

……………………………   …….……………..……………….

   SUPERVISOR   DATE

……………………………   …………………………………

   CHAIRPERSON   DATE

………………………….   …………………………………...

   EXTERNAL EXAMINER   DATE

RELEASE FORM

NAME OF STUDENT: Epaphras. M. Chinyakuza

DISSERTATION TITLE: An assessment on the impact of diversification

on profitability and growth: a case of
Fidelity Life   Assurance   Company
Zimbabwe.

DEGREE TITLE: Bachelor of Commerce Accounting (Honours)
Degree.

YEAR THIS DEGREE GRANTED: 2017

Permission is hereby granted to the midlands state university library to produce single copies of this dissertation and lend or sell such copies for private, scholarly or scientific purpose only.

The author does not reserve other publication rights and the dissertation nor may extensive extracts from it be printed or otherwise reproduced without the author's written permission.

SIGNED: ………………………………………….

PERMANENT ADDRESS: No.   37
Lorraine drive
Bluff hill
Harare

DATE: **……………………..**

DEDICATION

This research is dedicated to my mother, my family and friends.

ACKNOWLEDGEMENTS

I press towards the mark for the prize –Philippians 3:14

To start with, I would like to express my gratitude to the Almighty God for taking me this far in my academic endeavor. I am grateful to my supervisor Mr Ngirazi for the support during challenging times and his valuable guidance, patience and taking it upon him in making sure that my research succeed. I would like to express my appreciation to the department of Accounting and my lecturers for imparting relevant knowledge that enabled me to write this report. I also want to extend my gratitude to FLAZ management for granting me the opportunity to carry out my research project using their entity as a case study. This report would have not been possible without the help and efforts of my work related learning supervisor and workmates at FLAZ, namely Tinashe Chawira, Evans Zhou, Freeman Mhlandhla and Success Manyati. I would also want to thank my family and close friend (Sheillah Pawandiwa) for their unwavering support. I will forever be indebted to them for their love and prayers. I could never have gone this far in my studies without all of them.

LIST OF ACRONYMS

ACRONYM	MEANING
FLAZ	Fidelity Life Assurance Company Zimbabwe
FLIMAS	Fidelity Life Medical Aid Society
IPEC	Insurance Pensions Commission
ZAC	Zimbabwe Actuarial Consultancy
SADC	Southern African Development Committee

ABSTRACT

The study was taken to analyze the impact of diversification on the profitability of Fidelity Life Assurance Company. The study covered the period from 2012 to 2015. The researcher reviewed prevailing literature by several authors to identify the research gap on diversification's impact on profitability of Fidelity Life Assurance Company. The research adopted the case study approach and made use of both primary and secondary data. The target population consisted of Fidelity Life Assurance Company personnel. These included managers, accounts staff and project administrators since these were the ones who were knowledgeable about the area of research. The researcher used random sampling to select the research subjects. Questionnaires and interviews were the key research instruments used to collect data. Questionnaires were delivered in person and appointment date and time was set for the interviews. The collected data was analysed using the Likert scale model and results were presented using pie charts, tables and graphs in a way that allowed rational conclusions to be drawn up. The study revealed that, diversification has a bearing on the company's core operations. Most of the respondents pointed out that, the strategy had a negative effect on the core operations of Fidelity Life Assurance Company. Challenges that arose as a result of diversification were noted. Major challenges attributed to diversification included administrative difficulties, complexity in coordinating activities, biases in the valuation methods, corporate governance and cross-subsidization effect. The study recommended that Fidelity Life Assurance Company should carry out careful planning and meticulous research as the costs of failure are literally irreversible and detrimental to the company.

TABLE OF CONTENTS

LIST OF TABLES

ITEM	DESCRIPTION	PAGE NUMBER
Table 1.1	Financial balances extract for the year ending March 2012-15	3
Table 2.1	Motivations for diversification	14
Table 3.1	Population size	27
Table 4.1	Questionnaire response rate	37
Table 4.2	Interview response rate	38

LIST OF FIGURES

CHAPTER 1

Introduction

1.0 Introduction

This research aims at analysing the effect of diversification on the performance of Fidelity Life Assurance and give proof on how diversification affects the value of the business, where performance is measured by means of information on profitability and market value. In general, as a means of growth, diversification is expected to bring with it higher profitability. This seems to be a different case with Fidelity Life Assurance, as the diversified business profits have been declining therefore affecting the performance of the firm. This section, therefore presents the background of the study, statement of the problem, main research topic, sub research questions and research objectives. In addition, this chapter gives the reader the insight and the foundation of the research. The justification, justification, delimitations, limitations and assumptions of the research will also be brought on.

1.1 Background of the study

According to Mahindru (2007), diversification is referred to as a risk management strategy that brings together a variety of investments within a portfolio. The basis behind this practice is that a portfolio of various endeavours possibly will, on average yield higher returns and pose a lower risk than any individual investment found within a portfolio.

Beyond borders, we have some successful companies that are diversified. In 2014, one of the leading domestic consumer electronics company in Turkey called Vestel Company decided to enlarge its product portfolio with smart phones and tablets. The firm is currently designing, manufacturing and marketing television sets, refrigerators, air conditioners and other domestic appliances. Through its smartphones, Vestel Company became the first domestic smartphone brand in Turkey. Vestel Company engaged in related diversification. According to Akgul, (2015), profitability for Vestel Company decreased to a certain level but increased afterward, and it was depicted as a u-shaped curve that is, in the introduction stage of the product the company will be incurring more cost for example marketing costs but as time goes the firm's profits will start to improve. Park (2012) argued that at the early stage of the research and development and advertising, firms incur costs that overweigh the incomes

therefore, the benefits of the investment reveals in time. Akgul (2015) also highlighted that, an increase in the level of diversification will result in increase in profitability but this view was for the related diversified firms.

In the early 2000, a company called Virgin decided battle with Pepsi and Coca-Cola. Though Virgin's brand was more vibrant in the finance sector, Branson founder of the Virgin Empire, decided to collaborate with Cott Corporation and made cola under the Virgin name and marketed it enormously in New York Times Square. This resulted in many people having questions since most people understood that it was very hard to bring down those two big companies. Although Virgin Cola was priced meaningfully 15%-20% below the two leading brands, there were insufficient clients. Partly, issues related to distribution were to be blamed (www.explorables.com accessed 04/04/17, 03:28). Pepsi and Coca-Cola successfully barred Virgin from getting shelf space in more than half of UK's leading supermarkets. However, Coke increased its advertising budget, thereafter resulting in Virgin Cola failing to make even a single score in the firm's worldwide sales. The brand strived to gain 4% of the market and failed to even make a profit in its home turf, the UK.

It is called for by widespread theory that conclusions on the relationship between diversification and performance have not been proven yet in literature. There are different inferences to the way the two variables are linked and other scholars argue that there are other factors that affect the relationship between diversification and performance. No specific study has however addressed the impact of diversification on profitability and growth of insurance companies in Zimbabwe. This is a knowledge gap that the study seeks to fill. The study seeks to assess the impact of diversification on profitability and growth of the insurance companies in Zimbabwe with Fidelity Life Assurance Company being the company under study. Fidelity diverted from the core business and engaged into other activities for survival and income generation. The core business of the company is the life assurance and pensions business.

Fidelity has a diversified product portfolio in the insurance business. The company was operating well in the past years offering the wide range of products to its clients until 2013 when the management decided to broaden horizons of the business. In that year, the company ventured into property development business, therefore, launching the Fidelity Southview Park project. In this project, Fidelity began to sell residential and commercial stands.

The management was anticipating that the diversification strategy would help in the performance and growth of the firm. However, prior to the launch of the project the firm was realising an increase in the profits. Since the launch of the project in 2013, the performance had to some extent declined and losses incurred as to be indicated by the statistics included. The main business unit (Fidelity Life Assurance) continued to realise growth in the profits whilst the project (Fidelity Southview Park) realised profits in the early stage but in the following years, the profits began to decline. The decline in the returns of the project ended up affecting the profits of the overall business, therefore resulting in losses for Fidelity, (Fidelity Life Assurance Board meeting minutes, March 2014).

Below is a table that shows the performance of the company in terms of profitability. The table depicts the performance of the main business unit and that of the project (Fidelity Southview Park). The projected and actual profits for the two business units as well as consolidated profit for the organization are shown in the table. For analysis purposes, the projected and actual profits for Fidelity Life Assurance are shown from 2012 to 2015 whilst for the project are shown from the year it started, that is 2013 to 2015 (each of the years ending in March). The growth rate of the actual profits is also shown for each year. The growth rate calculated shows the rate at which the actual profit for that year has grown compared to the actual profit for the prior year. The growth rate for the actual profit for two business units as well as consolidated actual have been calculated and are shown in the table.

Table 1.1: Financial Statement Balances Extracts for each year ending March from 2012 to 2015

YEAR	BUSINESS UNIT	BUDGETED PROFIT US$ (000)	ACTUAL PROFIT US$ (000)	GROWTH
2012	Fidelity Life Assurance	$1,170	$1,300	44%
	Fidelity Southview Park	$0	$0	0%
	Total	$1,170	$1,300	44%
2013	Fidelity Life Assurance	$2,860	$3,200	146%
	Fidelity Southview Park	$3,000	$2,400	-
	Total	$5,860	$5,600	146%
2014	Fidelity Life Assurance	$4,960	$5,300	66%
	Fidelity Southview Park	$5,280	$2,200	-8%
	Total	$10,240	$7,500	34%
2015	Fidelity Life Assurance	$5,618	$5,100	-4%
	Fidelity Southview Park	$4,840	($2,000)	-191%
	Total	$10,458	$3,100	-59%

Source: www.Fidelitylife.co.zw/annuaI-reports**, JANUARY 2016**

The general view from Table 1.1 is that, there has been a gradual decrease in the profits recorded by Fidelity over the period under study. The decrease came in since the project was

initiated in 2013. The growth rate of the consolidated actual profit fell from 2013 to 2015 and Fidelity finally recorded a negative growth rate of 59%. The growth rate for the actual profit for the project (Fidelity Southview Park) was zero in 2013 because that was the first actual profit realized for the project. Including that figure in the calculation of growth would give a biased outcome. The decrease in profitability shown in table 1.1 could have been caused by other factors but management thought that it might be significantly be as result of diversification. It seemed like the project was not performing up to the expectations of management since from its introduction in 2013. In spite of investing in marketing and adverting of the project, the firm has been forced to reduce the prices for the residential and commercial stands and also introducing even more relaxed payment plans. After all the efforts, management seems to be failing to identify why the project is continuously incurring losses. Also, extent to which diversification might have affected profitability and growth has not yet been established. The study seeks to assess the impact of diversification on profitability for Fidelity.

It is against this background that the researcher has been prompted to explore the impact of diversification on Fidelity. Also alternative diversification strategies available to Fidelity in order to maximise possible profits and achieve growth.

1.2 Statement of the problem

As noted from the table above, of late the firm has to be failing to achieve the budgeted profits. Since 2013, after the launch of the Fidelity Southview park project, the company has not been performing well especially with the project continuously realising a decrease in the profit. The research attempts to give an analysis of how diversification may be relevant and effective to the corporate world as a business strategy and also identify and analyse diversification strategies available for Fidelity to maximise profits and also achieve maximum growth.

1.3 Main research topic

An investigation on the impact of diversification on profitability and growth.

1.4 Sub research questions

  i. What are the motives behind diversification?

 ii. How proper and applicable is diversification as a corporate strategy?

iii. How have diversified companies been performing?

    iv.   What are the effects of diversification on the core business activities?

1.5 Research objectives

    i.   To establish the motives behind diversification.

    ii.   To examine the applicability of diversification as a corporate strategy.

    iii.   To examine how diversified companies have been performing.

    iv.   To identify the effects of diversification.

1.6 Significance of the study

    a) To the University

The research will make available literature that other researchers can consider valuable.

    b) To The Student

As a University prerequisite the student has conduct this study as a fulfilment of the Accounting Degree Programme. The study is more helpful to the researcher as it advances him with skills which can help in carrying out other researches in future.

    c) To the organization

Recommendations will be made in this study and can be considered for adoption.

1.7 Delimitations of the study

The study is focused on Fidelity Life Assurance Company which is located in Harare .The study covered the period from 2012 to 2015.

1.8 Limitations of the study

The study acknowledges that there were limitations in conducting the research that includes:

    a) Confidentiality

Information on financial performance of the company is regarded as confidential and respondents were unwilling to give out information for confidentiality purposes. The researcher guaranteed the respondents that the information gathered would only be use

for academic purpose and will remain confidential.

    b) Financial resources constrain

The researcher had insufficient money to cater for the research expenses like travelling and stationery. Extra funds were requested from friends and family members to avoid compromising the research quality. The researcher also resorted to

cost cutting methods for example the use of emails and phone calls other than travelling.

c) **Delays in responses**

Respondents to interviews were busy with work schedules which delayed data collection. The researcher had to leave behind the copies of the questionnaires so the respondents would answer during their own free time.

d) **Time of the research**

The researcher did not have more time to conduct the research. The research was done whilst the researcher was in his final academic year therefore it was not conducted in a formal manner because the researcher was also focusing on his modules. However with this challenge of time, the researcher had to make use of his own free time and balance all the work that had to be done. The researcher had long days and also made use of the weekends.

1.9 Assumptions

- Other factors considered to be affecting the performance of the firm will be considered as minor, with decision of business techniques like diversification being thought of as significant determinants of mixed performance results.

- The researcher shall be able to find both historical and current industrial data and information pertaining to the issue at stake.

- During the data collection phase, respondents will be cooperative and financial resources are going to be enough to meet all the costs involved.

- Respondents to questionnaires and other surveys will give truthful and reasonably helpful responses, from their professional knowledge and experience adequate for the researcher to make rational conclusions.

1.10 Definition of terms

1. **Strategy** – a strategy is a direction of an organisation over the long-run, which helps to achieve the preset objectives and gives advantage for the firm through its alignment of resources within a changing environment and to fulfil stakeholder's expectations (Johnson, 2008).

2. **Corporate strategy** – refers to the all-encompassing strategy of the diversified firm. According to Johnson, a corporate level strategy is concerned with the overall purpose and scope of a business and how value will be added to the different parts (business units) of the entity.

3. **Business strategy** – refers to the aggregated strategies of single business firms or a strategic business unit (SBU) in a diversified corporation. It is a document that clearly highlights the direction a firm will pursue and the steps it will take to achieve its objectives (Pearce II, John and Robinson 2004)

4. **Functional strategies** – include individual strategies by a corporation's functional departments including the following as examples; marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply chain strategies and information technology management strategies (Pearce II, John and Robinson 2004).

1.11 Summary

This has been the initial chapter of a research that aims to assess the impact of diversification on profitability and growth. In this first chapter, the writer was outlining the background of the study, statement of the problem, main research topic, sub research questions and the research objectives. In addition, the researcher brought forward the justification, delimitations, limitations and assumptions of the research. The succeeding chapter shall present views and evaluations of other writers on the same issue. Literature review will also be of great importance throughout the analysis.

CHAPTER 2

Literature review

2.0 Introduction

This chapter is organized basing on the research objectives. This chapter seeks to additionally examine and review literature important to the research objectives to give a sound hypothetical framework of the study. Literature of diversification as a corporate technique will be investigated. The chapter will likewise concentrate on theories of diversification, as they are the most relevant to the study and the hypothetical establishments that inform the present study. Likewise, the chapter seeks to uncover the inadequacies and the information crevice the study will cover.

2.1 Theoretical literature review

This study is anchored on the theories namely the agency theory and the market power theory.

2.1.1 The Agency Theory

The agency theory was invented by Harry Markowitz. This hypothesis considers corporate diversification as a result of the separation of ownership and control which gives managers the chance to pursue their own particular goals at the expense of shareholders (Tallman and Li, 2009). While the agency theory anticipates that managers may maintain a diversification strategy irrespective of doing as such, reducing shareholder wealth (Penrose, 2007). The stewardship view presumes that managers are in quest of maximizing organizational performance for the shareholders' welfare (Donaldson & Davis, 2011). The stewardship view in this way anticipates managers to draw diversification decisions in order to enhance a firm's profit and growth prospects. Penrose highlighted that, the ramification of agency theory is that managers can pursue their own particular interests at the expense of shareholders by means of the diversification strategy.

2.1.1a Applicability of the agency theory to the current study

Shareholders expect their wealth to be maximized through the managerial function. However, pursue of private benefits by management might result in the business having an inverse relationship between diversification and profitability. The management is responsible for suggesting, planning and the implementation of the strategy. Amman et al. (2012) have also highlighted that, management tend to be allied to creditors thereby affecting firm risk at the expense of the stockholders.

2.1.2 The Market View Theory

Rooted in industrial economics, the market view stresses the danger of anti-competitive effects of diversification Barney (2011). Barney is the one who developed the market view theory. The scholar noted that, conglomerate companies may practice market power through, for example, cross-subsidization, predatory pricing activities, the exploitation of cost opportunities due to synergy effects and reciprocity in buying and selling among large diversified firms which creates or raises entry barriers to smaller competitors. However, Montgomery (2015) argued that market view theory has over-emphasized what might be termed as collusive power and under-emphasized the roles of particular skills and particular market power that give firms favorable circumstances in individual market settings. Montgomery (2015) exhibited a slightly positive connection between the diversification and corporate performance as a result of the enjoyment of economies of scope instead of market power. In this manner, not all the firms that have dominant market power will seek to diversify.

2.1.2a Applicability of the market view theory to the current study

Diversified companies tend to have advantages that allow them to enjoy their market power and act as monopolies in some industries. This allows these firms to become market leaders in their respective industries. However, as management assumes that they are market leaders they might be relaxed and overlook that there are other factors that affect the relationship between diversification and profitability. This can also affect the profitability of the entity.

2.1.3 Diversification Comprehensively Defined

Chen (2009) noted that diversification as a practice that reduces risk by distributing investments among different financial instruments, industries and other categories. Since the

late 1900s and the early 2000s, the requirement for repositioning drove listed companies in Zimbabwe like Delta and Inscor Africa to embrace diversification as a corporate strategy resulting to the introduction of Zimbabwean conglomerates (Mashiri, 2014). Nowadays, diversification particularly conglomeration has turned into a well-known practice for Zimbabwean firms to improve profitability and growth, with the likes of Econet being the recent culprits acquiring TN Bank.

2.1.3.1 Types of diversification

Literature has recognized two main streams of diversification, in particular concentric (related) diversification and conglomerate (unrelated) diversification. As indicated by Thompson et al. (2008), the core idea is that related businesses have competitively valuable cross business value chain match-ups and unrelated businesses have disparate value chains, containing no intensely valuable cross-business relationships. Thompson et al. added that, the principal distinction between the two types of diversification is that concentric acquisitions offer accentuation to some shared characteristics in business sectors, products or innovation, while conglomerate acquisitions are mainly with respect to profit considerations.

2.1.3.1a Concentric or related diversification

Johnson and Scholes (2008) noted that, related diversification is a strategy beyond current products and markets, yet inside the value system or industry in which the firm operates. The researchers added that, a diversification move is viewed as related if there exists critical fit between an acquired or ventured business segment and the firm's core activities. For example, Uniliver is a diversified company yet majority of its interests are in the fast moving consumer good industry. However, as Nayyar stated concentric diversification is more complicated as it has several sub-classifications with it.

The technology used as part of the business typically does not change, while the marketing arrangement changes to a significant degree. This strategy requires technological similitudes between two business ventures, hence technical knowledge turns out to be an advantage when it comes to concentric diversification strategy. Related diversification includes venturing into businesses whose value chains possess competitively valuable "strategic fits" with the value chain(s) of the present business. A strategic fit exists when the value chains of different businesses shows opportunities for cross-business resource transfer, lower costs through

combining the performance of related value chain activities, cross-business use of potent brand name and cross-business collaboration to build new or stronger competitive empire. According to David (2012), firms take after the following three steps when setting out on related / concentric diversification. These are as per the following;

i. Identify the strengths that are exportable to other businesses or business area by reviewing assets and skills.

ii. Find a business or business area where the distinguished resources can be applied to generate an advantage.

iii. Address usage issues to ensure adaptations of assets and skills to new businesses.

2.1.3.1(i) Vertical integration

This is normally the primary decision for most firms when considering diversification. It involves the firm investing in its production chain activities either forward or reverse integration (Lewellen, 2011). Backward integration alludes to development into activities which are concerned with the inputs into the firm's present business. On account of Fidelity Life Assurance, it can acquire providers of pharmaceutical drugs for Fidelity Life Medical Aid Society (FLIMAS). On the other hand, forward integration looks into the commitment of the organisation in activities involved in the output of the operation. For example, FLIMAS can acquire pharmacies and surgeries for the expansion of its health assurance unit. However, it is important to note that strategies involving vertical integration have one major disadvantage. At any point when a firm invests in concentric diversification and vertically integrates it risks losing profits for the whole organisation, for instance if the demand for specific drugs fall this will affect the whole business unit (Nayyar, 2012).

2.1.3.2 Conglomerate or unrelated diversification

An unrelated diversification strategy rebates the benefits of pursuing cross-business strategic fits and rather, concentrates directly on venturing in sectors that enable the firm to grow its profits. For instance, if a shoe maker ventures into the business of manufacturing clothes, there is no immediate association with the firm's current operations. That can be classified as unrelated diversification. In this case, Fidelity Life Assurance established a property development project (Fidelity Life Southview Park) that is not related to its core activities in any way therefore, this study will focus more on unrelated diversification. Thompson et al.

(2008), noted that the essential impression conglomerate diversification is that any company can be procured on good monetary terms and that has acceptable growth and income potential signifies a decent business opportunity. Nevertheless, if a However, if a mere meaning of un-relatedness was taken, altogether, new competences may never be seen since it usually seems possible to distinguish some level of relatedness in the market or competencies in any development opportunity.

Unrelated diversification is mainly focused with horizontal integration.

2.1.3.2a Horizontal integration

This refers to the acquiring of business that act as compliments to current activities. The risk tangled in this direction of integration is far less what can be found in vertical integration in light of the fact that, the firm can be more unrelated. For instance, in the case of Fidelity Life Assurance if demand for life policies is diminishing, instead of the firm losing income and resources, it can shift the focus to property development which is also viewed as an inventive new field and highly demanded. The major goal of unrelated diversification is to improve the profitability of the organisation through acquisition of other businesses (Mishina et al. 2010). The researcher added that, increasing the growth rate of the firm can also be viewed as an objective of unrelated diversification. Nevertheless, Pitt and Hopkins (2012) pointed that, there are setbacks as a result of unrelated diversification. The major weakness is the rise of administrative expenses and issues associated with handling unrelated diversification (Markides et al. 2009). They noted that, rivalry for resources is another drawback that can make contention inside the firm.

Pitts and Hopkins further pointed out that, the unrelated diversification gives off an impression of being applicable and meaningful in at least two cases;

i.   Firstly, if the parent company can give a distinctive businesses the administrative knowledge and expertise that reinforces the individual business, it will be pragmatic to diversify into various markets that will perhaps expand parent organization's revenues.

ii.   Secondly, unrelated diversification can give an organization the chance to increase the strength of the economy of the various markets and help to create capabilities that can be shared between various markets and products.

The scholars added that, unrelated diversification can be accomplished by use of any of the listed ways below;

a) Using the current basic competences of the firm and escalating from the existing markets into new ones and beginning new lines of production.

b) Penetration of totally new markets. Typically, such a chance can be distinguished subsequently of the main firm's business. For instance, a car dealer can begin providing financial services through the introduction of a car leasing scheme and selling cars through leasing.

c) Developing new know-hows to use new market opportunities.

2.1.4 Motives behind diversification

According to Pitts and Hopkins (2012), observing the finance sector, the primary justification behind pursuing a diversification strategy is to spread risk and create value. In the finance industry, it is important to accrue economies of scale in the short-run and the long-run, for the firm it will spare resources and reduce the chances of doubling efforts. Economies of scale might be achieved as a result of vertical integration into different directions for example forward into surgeries and or backwards into pharmaceutical drug suppliers (Wang, 2011). The researcher added that, economies of scale might also increase the strength of the firm. The organization might control its suppliers that is, if it is involved in their operations either by 100% or partial majority holding. Controlling or owning a pharmaceutical drug production entity possibly will assure timely supply of the drugs.

In addition, insurance companies might decide on diversifying their operations in order to achieve efficiency gains (Oliver, 2010). This is accomplished through the use of the idle resources and competencies. Teece (2014) added that, the need to expand market power through possessing several businesses is also amongst the reasons why firms diversify. Several ventures enables a firm to subsidize another operation line from the surplus income of the other. Teece argued that, this allows a company to have an advantage over other players in the market. In the long-run that might push competitors out of business and may possibly benefit the firm from the increased market share. A further cause for entities to consider the diversification strategy is as a response to market shrinkage. Insurance industry is an unpredictable industry, variations in company positions are very unpredictable. Entities in this industry have to look for different ways or sources to compensate for any misfortune meanwhile or in the future.

Literature indicates that, diversification is a reaction to future declines in form of a risk strategy. As highlighted before, minimizing risk by spreading it over different operations is a typical description for diversification (Lewellen, 2011). Nevertheless, there is an argument by Palich et al. (2015) that, minimizing risk possibly can be accomplished through diversification if it was unrelated. The researchers added that, related diversification can result in a decline in returns of the whole entity if one product or branch is performing badly in related diversification. Another reason for diversifying is to build on current strengths and capabilities is to build on current strengths and capabilities (Jacquemin and Berry, 2009). According to Jacquemin and Berry, this may be achieved through investment and this was accomplished through investment and continued search for new met continued search for new methods and remodeling the old processes. A research by Berger and Ofek (2010) focused on 200 insurance organizations (only in the Southern Africa part) and their basis for selecting diversification as a strategic direction. Results are shown below;

Figure 2.1 Different reasons for Diversification
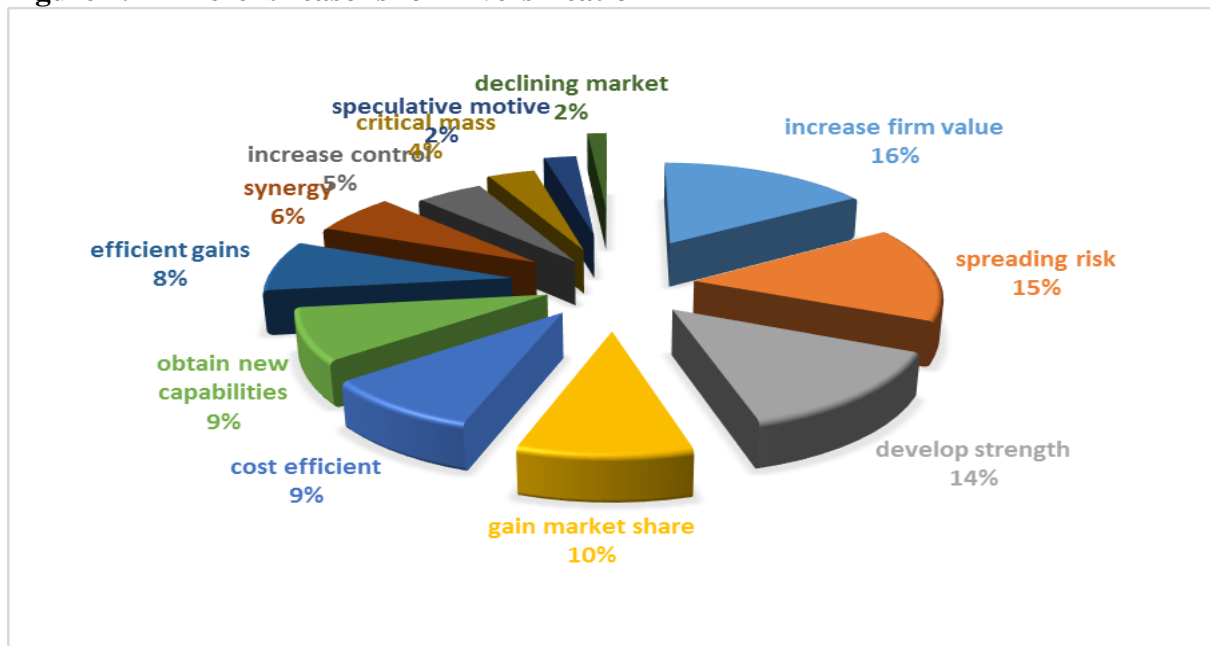
Source: www.strategyformulation24.com (accessed 01/04/2017 19:00)

In the figure above, firms were requested to select any number of reasons why they opted for diversification not just one motive (Berger and Ofek, 2010). Listed in above are the different motives highlighted by the different companies and a chart that shows the percentage of companies that subscribes to that motive.

Another study conducted by Mansi & Reeb (2012), was supported by Edwards (2015) and the researchers noted that, the motivations for diversification are classified either under related (concentric) diversification or under unrelated (conglomerate) diversification as shown in the following table;

Table 2.1 Motivations behind diversification

Unrelated diversification	*Related diversification*
$\rightarrow$ Obtain higher revenues $\rightarrow$ Take advantage of bargain prices $\rightarrow$ Restructuring the organization $\rightarrow$ Reduction of risk by operating In various markets $\rightarrow$ Tax benefits $\rightarrow$ Defend against take overs due to market power	$\rightarrow$ Share and exchange skills and resources thereby exploiting; ❖ Brand name ❖ Marketing skills ❖ Sales and distribution channels ❖ Production skills and techniques $\rightarrow$ Economies of scale

Source: Adapted from Principles of Strategic Management by Edwards (2015)

2.1.5 Diversification in the insurance industry

Dicken (2008) carried out a study to access the applicability of the diversification strategies in the insurance industry. Dicken made an important note about diversification in the insurance industry when he wrote, "it is a supposed logical step from this kind of global strategic orientation to the view that, insurance companies ought not only operate globally in their own core area of expertise but also that they should deliver a complete package of related and unrelated products and or services". Fidelity insurance company's current portfolio of offerings includes, life assurance, unit trusts, fund management, personal pensions, funeral services, health insurance and asset management.

The argument for a strategy of internationally diversifying insurance companies then, is that it permits such a firm to supply an enteric package of services (a one stop shop to customers). Wang (2011) supported the study done by Dicken and noted that, designing and implementation of a firm's diversification strategy is a process and must be done step-wise. Oliver (2010) and Edwards (2015) concurred to the notion brought by Wang then further argued that, the owners and managers choose a set of strategies and also action plans that enables them to be competitive in a particular business or market. The researchers pointed that, when management is formulating the strategy to diversify, there is need for them to

analyze the current situation of the firm, assess if diversification seems to best fit the needs of the firm and making plans to pursue that strategy.

Montgomery (2015) added to Dicken's study that, the two broad stages highlighted in his study might as well be categorized into 6 major phases;

    i.   Describing the company's operations, developing the company's vision and mission statement setting the goals. Review and shedding light on firm's product, its vision, mission and goals marks the beginning of the strategic management procedure. This stage is critical for the assessment of the firm's resources and skills and also analyzing the threats and competitive opportunities in the industry. This sets the stage for critically assessing the organization's resources and capabilities as well as competitive opportunities and threats in the external environment.

    ii.   Analyzing company's internal operating environment to determine its strengths and weaknesses. Given an understanding of the mission statement, values and objectives then analyzing company's resources and capabilities begins. The key objective is to recognize main competences that the firm possess and does extremely well in comparison with other players in the other business that the firm proposes to venture.

    iii.   After an understanding of the strengths and weaknesses, the next stage is an analysis of threats and opportunities in the external environment. These can be found among macro-environmental factors.

    iv.   Generating, evaluating and selecting strategies that emanate from the firm's strengths and adjusting on its weaknesses in order to capitalize on the external opportunities and stand against external threats. A number of strategies have been identified in the literature including Porter's competitive strategies. The major question here is how a firm can best compete for customers in the new venture it intends to establish.

    v.   Implementing and executing the strategies. Regardless of how well formulated a strategy is, there is no strategy that can attain long-term success whilst it had not been rightfully implemented (Berger, 2010). There is need for exercising control and make adjustments in order to satisfy the changing conditions.

    vi.   Evaluating of the strategies and measuring success. The management of the firm must put in place essential systems and procedures for tracking and measuring performance.

In general, application of diversification as a strategy is a process because it involve rational stages that must be attained in order to accomplish the company's mission and goals. Formulation and implementation of a diversification strategy follow a well-designed step by step approach.

2.1.6 Performance of diversified companies

A study by Shleifer and Vishny (2007) revealed that, in the 1990's an upsurge in acquisitions took place and it was the biggest since the turn of the century mergers for monopoly. These researchers further on noted that the thrust for monopoly continued in the past years and the performance of the diversified has been observed by many scholars. Teece (2014) argued that, it is now believed that conglomerate diversification of the 1990's was a wrong move for most companies. The scholar added that, profitability of those firms on average decreased and most of them subsequently divested. Berger (2010) studied 200 acquisitions in different sectors by 30 largely diversified firms in Africa from 1990 - 2005 and discovered that more than a third had divested by 2001. Out of the 74 acquisitions that were concentric, 54 percent had divested. Most scholars argued that, related acquisitions tend to operate and perform better than the conglomerates.

A study by Oliver (2010), compared related diversified firms with less related diversified firms and unrelated diversified firms. The scholar took a sample of 500 firms and argued that the related diversified ones performed well, the less related ones performed better whilst the unrelated diversified firms were placed at the bottom of the list. Another study indicated that fifty related diversifications from 1995-2009 had a relatively higher return on assets compared to the twenty unrelated diversified companies. In another interesting study by, Louis (2012), an evaluation of ten largest mergers in Africa of 2000 was done after ten years. Using the estimated earnings per share in 2010, almost half of those businesses would have been better off without the acquisitions. Additionally, out of the ten entities three acquisitions recorded a return on investment exceeding ten percent compared with the 13.8 percent median for the 10 businesses.

Also to be noted here is that, the degree to which diversification improves performance also depends on whether the nature of diversification is compatible with other sects of the

corporate strategy such as the basic firm's portfolio, control exercised by the parent company but just to mention a few.

2.1.7 Effects of diversification

This sect examines reasons discovered by literature as clarification for diversification discount or premiums. These can be divided into value reducing and value enhancing.

2.1.7.1 Value reducing

The value reducing effects can be categorized into main drivers, which will be discussed in more detail because they are most pronounced in literature.

a) **Risk-reducing**

Berger and Ofek (2009) noted that, firms that are diversified tend to over-invest as compared to the specialized ones. They added that this clearly affected the value of those diversified firms. Mansi & Reeb (2012) argued that, the result of misallocating the investment funds and cross-subsidization of funds has been the reduction in the positive net present value of project. This has also lowered the overall value of the firm. Amman et al. (2012) have also highlighted another effect. The scholars argued that, management tend to be allied to creditors thereby affecting firm risk at the expense of the stockholders. The consequence is that, market value of equity could be lowered as a result of the fact that projects with a positive present value can be overlooked therefore lowering the firms value.

b) **Corporate governance**

Hoechle added that, in such circumstances, good governance is associated minimal firm value obliteration and the opposite is true. The researcher added that, the degree of chief executive officer-ownership had a positive effect on the value of the firm. This because when a chief executive officer owns some stake within the firm, the decisions s/he will take will affect also their stake so they tend to be more cautious in taking possibly value-reducing decisions. The issue of the compensation strategy is also another aspect of the corporate governance policy. Choe et al. (2014) investigated the connection between executive compensation and the valuation effect of diversification. Their study revealed that those companies that tend to depend mostly on long-term executive incentives will benefit more as a result of diversification. In spite of the fact that Choe et al. revealed a premium as an alternative for a discount,

Aggarwal et al. (2013) noted that their conclusions were the same. All the scholars concluded that, short-term executive incentives of diversifying firms had a negative effect on the value of the firm.

c) **Organizational expenses**

Organizational expenses also results in the decline of the value of the firm. Anjos (2010) highlighted that, there are asymmetric restructuring expenses related to spin-offs and acquisitions. Comparing the idea to diversify or to (re)focus, the first notion seems to be more costly. Anjos argued that, these distorted restructuring expenses are the major drivers of the diversification discount. Zahavi and Lavie (2013) added that, diversification initially weakens the performance of a firm as a result of negative transfer effects. They pointed out that, management might fail to recognize all this whilst there are crucial differences across the company's closely related products. All the researchers therefore argued that, diversification is firm value reducing. Zahavi and Lavie however also concluded that, before the diversification experience the firm can mitigate negative transfer effects allowing the planned diversification move less firm reducing.

d) **Agency conflicts**

According to Dennis et al. (2012) argued that, management decision to diversify can be linked to the benefits associated with the diversification strategy. These scholars further on explained that this can have a negative impact on the firm as the expense of the diversification are of a more value in nature that the overall company's benefits therefore leading to agency conflicts. Agency conflicts are commonly known to have a negative impact on the shareholders as they would not enjoy return for their investment as management decision was based on the benefits they will gain unlike the overall company's benefits (Jiraporn et al., 2016).

e) **Biases in the valuation systems**

Most of the literature argues that, there is a sample selection bias with respect to the valuation methodology. Campa and Kedia (2012) argued that the accounting implications that are applied to calculate the diversification discount are biased.

Doukas and Kan (2016) added that the use of book values is also an overlapping issue. The scholars are of the view that, corporate diversification has a tendency of lowering firm's risk when business units correlated cash flows are grouped together.

The scholars further on articulated that low risks firm's increase bondholders' value at the expense of the shareholders' value therefore, lowering the business' value. Mansi & Reeb (2012) noted that the valuation effects has a negative impact on the stockholders relatively to the amount they have invested in the diversified entity.

2.1.7.2 Value increasing

Just like the value reducing effects, these effects can also be classified into major driver and they will be explained in more detail.

a) **Institutional factors**

Fauver et al. (2013) revealed that, values of diversified firms in contrast to their specialized peers is much higher in those countries with less efficient labor and capital markets. This was in line with the argument by Kuppuswamy (2013) that, internal capital allocation was more advantageous in the existence of frictions in the external capital and labor markets. Fauver et al. added that, if the legal and economic environments make it more difficult to contract with other firms it could be more advantageous to merger with related entities within the same industry than for them to operate as stand-alone ones. Those diversified companies may also be able to draw quality employees. Fauver et al. examined the relationship between the value of diversification and capital market development, integration and legal systems. They found a significant premium for diversification in less-advanced capital markets. They argued that, in such markets there is a wide-spread internal capital allocation that outperforms the value reducing effects that result from diversification.

b) **Financial reporting data**

Villalonga (2014) argued that, diversification discount might result from the use of segment data. He found a diversification premium as a result of the use of more fine-grained data. The notion that data possibly can be a driver of the diversification discount was partly shared by Choe et al. In their study, they examined the connection between corporate governance/executive incentives and the value of diversification and they found that, diversified Australian firms are trading at a premium as compared to the stand-alone ones. Choe et al. advocated that, this premium can be partly clarified by sample-selection and different measures of diversification.

2.2 Empirical literature review

According to Yazan (2015), empirical literature review refers to the literature or previous studies which relate to the current study. The scholar added that, literature review is important because it provides meaningful resources and facts. It also gives an overview of the information which is already known on the related topic.

A study was done by Akgul (2015) on product diversification and profitability aimed at examining the effects of diversification on profitability of a firm. The researcher examined Vestel Co. by conducting econometric analysis with panel data gathered from the different departments of the firm. This study analysed a single firm and it was done through the firm's lifetime. Akgul propounded that, with an increase in the level of diversification, profitability also increases in the long run in the case of related diversification. The researcher then concluded that with related diversification, the firm gains profitability and enjoys its intangible assets in the long run.

In another study, Mashiri and Sebele (2015) studied the unrelated diversified companies listed in Zimbabwe. The scholars used interviews to collect primary data and financial statements for the selected companies were used to gather secondary data. A computer package called SPSS was used to analyse the data gathered. The literature revealed three models which are the intermediate model, inverted u model and the linear model. The scholars concluded that, there is a positive linear relationship between firm's performance and diversification. They also noted that there are certain advantages that gives the diversified firms a competitive edge over the focused firms.

On the other empirical side, Qadeer (2012) noted that, all firms perform similarly regardless they are highly, moderately or less diversified. Qadeer looked into the impact of diversification on firm's performance. The researcher used secondary research to gather data. Forty firms were studied and they were selected using the specialization ratio. Those firms that remained in the same category from 2005-2009 were included in the sample. Qadeer concluded that, there was no positive correlation between firm's performance and diversification.

In addition, Sayegh (2010) studied the impact of diversification strategy and he focused on the construction industry only. The SPSS was used for analyzing the data. Only one hundred respondents were considered for the sample population. Five companies were examined ant twenty interviews were conducted. The researcher was motivated to test three suggestions that contributed to the text on the link between diversification and firm's performance. Sayegh concluded that, there were additional factors that determined the success of the diversification to positively influence performance. The scholar noted corporate skills, vertical integration strategies and performance measurement strategies.

In support of the revelations from Sayegh's study, Njuguna (2013) conducted a study on the effects of diversification on the growth of companies listed in the Nairobi securities exchange. The study sought to document the effects of diversification on growth specifically related to the listed companies in Kenya. The researcher concluded that, effects of diversification solely were not significant enough. This meant that, there were other factors that had a greater impact on the growth of companies as opposed to diversification.

According to Meijer (2015) who sought to scrutinise the impact of unrelated diversification on the value of the company, conglomerates traded certainly at a discount as compared to the standalones. The researcher made reference to the 2007-2009 financial crisis and noted that, this period had both positive and negative effects on the firms' value for the conglomerates in those two countries. The scholar concluded that, unrelated diversified firms from both countries had a relatively higher or lower value compared to their standalone counterparts. Meijer noted that, this depended on the method adopted to assess the comparative value of diversified and specialized firms.

A recent study by Akpinar and Yigit (2016) concluded that there is a low-level positive relationship between total entropy and firm's performance. These arguments were based on a study assessing the relationship between diversification strategy and firm performance in developed economies. The scholars used data of 265 companies in Netherlands, 166 firms in Turkey and 128 entities in Italy. Four year data was used (2007-2011).financial performance was measured using return on fixed assets and return on sales and for diversification, the entropy index was used. Basing on the results, there was no relationship between total entropy and performance in all the countries.

Different scholars such as La Rocca and Stagliano (2012) studied the connection between unrelated diversification and performance. The researchers revealed that, unrelated diversification indeed influences the performance of a firm in a positive manner. Also, the estimation techniques adopted were crucial in order to assess if there were endogenic issues in the decision and appraise the active role of diversification on performance. La Rocca and Stagliano concluded that, the rewards of diversification outweigh its costs. In an institutional set-up like the Italian, that is full of friction and in-competencies companies can diversify for financial purposes, to obtain the advantages of the creation of internal capital markets and in order to minimize asymmetric information problems.

Another study was conducted by Adamu (2011) to evaluate the impact of product diversification on financial performance of selected construction firms in Nigeria. Financial statements were used to gather data. Financial statements from seventy construction firms were analysed. The performance of these companies was measured using the profitability ratios. The researcher revealed that, specialized companies performed better than the highly diversified ones with regards to return on total assets and the profit margin. In addition, moderately diversified ones proved to be outperforming the highly diversified firms. Adamu concluded that, between performance and diversification there was a non-linear relationship. He added that, it was not guaranteed that diversification would lead to an improvement in profitability.

Zhou (2007) imputed that, entities in the same industries perhaps may vary in the degree in which they expand into related markets. This is in fact because of various coordination expenses levied by inter-dependencies in their current manufacturing processes. The study focused on the costs of related diversification. Zhou noted that, while concentric diversification offers additional synergetic benefits on the other hand, it creates greater coordination expenses as compared with unrelated diversification. Choe (2014) added that, interdependencies in production processes contribute to both synergies and coordination costs. Zhou tested and found solid support for this theory through the use of a unique dataset of business units in United States of America.

A study by Rodgers (2001) focused on effects of diversification on performance of the entity. Business performance was measured using profitability and for the listed companies, by market value. The research revealed that focused companies proved to be more profitable than the diversified. On the other hand, this connotation is not found in sub-sample regression for quoted companies. This is true both when either profitability or market value is used as a performance indicator. The outcome may show that, quoted firms may be under closer scrutiny competitive pressures that ensure, on average that these companies are at their optimum degree of diversification.

Finally Howard (2004) also recognized the fact that, profitability and diversity were related in a positive manner and up to a certain extent, beyond that point any additional diversification resulted in a decrease in profits. Howard investigated the link between diversification and profitability amongst 504 big companies in Britain. Howard concluded that product diversification did not improve profitability for these firms and also there was little proof that profitability promoted diversification.

2.3 The research gap

Akgul (2015) concluded that, with related diversification the firm gains profitability and enjoys its intangible assets in the long run. On the other hand, La Rocca and Stagliano (2012) argued that, merits of unrelated diversification prevailed over its costs and unrelated diversified firms outperform the related diversified ones. Other scholars such as Mashiri and Sebele (2015) supported that notion and added that, there are certain advantages that gives the diversified firms a competitive edge over the focused firms. However, Qadeer (2012) argued that, all firms perform similarly regardless they are highly, moderately or less diversified. Sayegh (2010) imputed that, there were additional factors that determined the success of the diversification to positively influence performance. The scholar noted corporate skills, vertical integration strategies and performance measurement strategies.

It is called for by prevalent theories that conclusions on diversification are not yet proven (Wang, 2011). Wang highlighted that, many scholars have been tempted to research on the link between diversification and performance. No specific study has however addressed the impact of diversification on profitability and growth of insurance companies in Zimbabwe. This is a knowledge gap that the study seeks to fill.

2.7 Summary

This chapter has covered on the definition of diversification, the key motives for diversification, the effects of diversification, review on the applicability of this strategy and the performance of the diversified companies. The studies above also give us the conclusions of those researches already conducted on the same subject for different companies, industries and countries from different aspects. Chapter 3 presents the research methodology.

CHAPTER 3

Research Methodology

3.0 Introduction

Jameson (2011) defined the various methods used in conducting a research as the breaking down of ways used in a research to gather data into a logical manner. This chapter focuses on the various ways that data can be gathered in a study. This includes the research design, the various individuals targeted to provide reliable and useful information. The chapter also presents on the sampling, sampling methods, sources of data to be gathered and the manner in which data will be analyzed.

3.1 Research Design

According to Copper and Schindler (2009) a research design is an idea and the layout of the manner in which a study will be conducted so as to find supporting evidence to questions that the researcher want to answer. Creswell (2012) agrees to this and noted that this paves the way the researcher will gather her data and even directs the manner the various data will be gathered and analysed. Saunders et al (2012) further on stipulated that a research design can

be in any of the three forms that is a case study, mixed approach and descriptive approach. In this study the research has opted to use the case study approach.

3.1.1 Case Study Approach

This approach is centred on providing a clear detailed analysis of the various components involved in a study that is the real issues under consideration .Jackson (2010) noted that this is meant to provide a clear of view of real life scenarios which cannot be enlightened if the survey approach is adopted. Hale (2014) is of the view that a case study is a detailed study unusual real time events. Body (2014) and Yin (2012) assert that this approach provides an understandable picture of a research scenario in a natural manner.
.

3.1.2 Merits of the Case study approach

Case studies enables a research to gather more detailed data as he or she can collect in depth information through this research model. Bryman (2012) is of the view that this approach is cost effective as it can be conducted by one researcher and the involvement of natural organisation set up is absent in other research models. The scholar further highlighted that case study approach provides more realistic responses as data is gathered from an organisation with a natural organisational set up.

3.1.3 Demerits of the Case Study approach

Creswell (2014) argued that findings from a case study is dependent on one organisation and cannot be used as basis of measurement on other organisation with different setup. Geru (2015) supports this view and went on to argue that case approach is hard to draw up a definite cause and effect conclusions as findings are generally from a single case.

3.1.4 Justification of Case Study approach

Yin (2012) highlighted the attribute of this model enables the researcher to get an insight of different situations of a real time event and enables the study to be easy to conduct. (www.explorable.com accessed 15/03/17 12:37). The researcher used the case study of Fidelity Life Assurance Company to investigate the impact of diversification on profitability and growth.

3.2 Research Population

Kumar (2012), is of the view that a research population is overall number of individual or contents accessible to a researcher to a conduct a study. Shields (2013) noted that a population is a group of people or items with the same attributes which are the research is in need of to conduct her or his research. The target population consist of Fidelity Life Assurance Company personnel. These included managers, accountants, accounts staff and project administrators, since these were the ones who were knowledgeable about the area of research.

3.2.1 Population size

Table 3.1: Population size

Participants	Targeted Population	Accessible Population	Total%
Finance Director	1	1	100%
Finance General Manager	1	1	100%
Finance Manager	1	1	100%
Accountant	4	4	100%
Project Administrators	5	5	100%
Project Site Supervisors	4	4	100%
General Hand Employees	10	10	100%
Total	**26**	**26**	**100%**

Source: Primary source

3.3 Sampling

A sample is a subset of a large population that is a demonstrative part of the population taken (Sukumar, 2014). Martelli and Greener (2015) are of the view that sampling is thereby a method of choosing part of the population and considering the chosen items to be the matter of the study which will represent the whole population.

3.3.1 Census

Hassan (2013) refers to census as periodic information gathered from the entire target population. Census is the analysis of a certain population so as to gather evidence about a certain population in a detailed way (Hellar, 2014). Rani (2012) also supported that, data collection using the census method assures that all items or objects comprising the population are considered for investigation.

3.3.2 Benefits of using census

According to Rani (2012), a census takes into account the all key persons needed in a research hence, increasing the like hood of a positive response rate. Jackson (2009) and Geru (2015) added on to say that data collected from a census is deemed to be reliable and accurate as the researcher has to conduct a detailed research of each object under study.

3.3.3 Limitations of Census

In contrast Muskat (2012) argued that the greatest weakness of census is that data is gathered from each and every member of a population hence, it takes a long of time to gather the information. Rani (2012) also supported this notion and noted that collecting data from the whole population means that every member of the targeted population has to provide information, thereby imposing a response burden on the researcher.

3.3.4 Justification for census data collection

The researcher carried out a census since it provides a clear picture of certain aspects under study. In this case, the use of census helps to obtain reliable results especially in small geographical area. With a target population of twenty-six people, this technique is more accurate compared to sampling because it involves the whole population. Census avoids the sampling risk and ensuring that every member of the population is given an equal opportunity to contribute to the study.

3.4 Sources of Data

Cooper (2014) highlighted that, data is the information presented to the researcher after conducting a research on a certain aspect. Sources of data can be categorised into two forms that is secondary or primary data. To obtain recommendations for this research the researcher will use the two sources of data.

3.4.1 Sources of Primary Data

According to Jackson (2009), primary data is data that the researcher will gather for herself or himself when conducting a research. Muskat (2012) postulates that the source of data is collected first hand by the research for a specific reason and the data is gathered on the researcher targeted population.

3.4.1.1 Benefits of primary data

Primary data is essential to the research as it is directly from the target population thereby being original, relevant and free from manipulation (Hassan, 2013). Geru (2015) articulates that primary data gives the researcher greater control over the research since he/she is allowed to choose the location and sample size of the research.

3.4.1.2 Limitations of primary data

Rani (2012), in contrast, stipulates that, primary data is more expensive than secondary data and it is time consuming and if not conducted properly it will provide false results. Sukumar et al (2014) noted that primary data has a risk of providing inaccurate feedback due to the inherent nature of surveys that is, the respondent might fail to provide true information but will tell what the researcher wants to hear. Greener (2015) also noted that, primary data is raw data and if not processed it is not useful.

3.4.2 Secondary Data

Secondary sources of data include company records, archives and databases which contain both raw and processed data. According to Greener (2015), secondary data constitutes data gathered by other people for specific primary purposes other than that of the current study. Moss (2016) also noted that secondary sources of data consists of information and studies previously made by other academics for their own purposes and the data collected to compliment primary data for the purpose of this research. The researcher made reference to Fidelity Life Assurance annual financial statements and minutes of meetings, journals, books, periodicals and the Fidelity Life website.

3.4.2.1 Merits of Secondary Data

Sukumar et al (2014) asserts that secondary data sources have the advantage that they are convenient and also reduce the research costs since the data will be quickly obtained and at a lower cost. In addition to this, Greener (2015) noted that the use of secondary sources of data enables the study to be conducted on large samples thereby increasing validity and conclusions. Moss (2016) noted that secondary data also provides information that may not be obtained through interviews and questionnaires.

3.4.2.2 Demerits of secondary data

Hellar (2014) argued that, since secondary data was collected for other purposes, it may not apply to a specific problem being investigated and its accuracy may be questionable. As cited by Geru (2015), the disadvantage of secondary data is its lack of control over the quality of data. Geru added that secondary data may be presented or classified in a form that may not be in conjunction with the researcher's needs or may not answer the research questions.

3.5 Research Instruments

Research instruments are devices used to collect data such as questionnaires, test structured interview schedules and checklist (Muskat, 2012). In this study, the researcher used interviews and questionnaires since the two are common basis of primary data.

3.5.1 Questionnaires

Questionnaires can be referred to as a form of a written interview (McLeod, 2014). Sincero (2012) highlighted that, the use of questionnaires is a method of gathering information from respondents about attitudes, knowledge, beliefs and feelings. Sincero added on that, a questionnaire maybe defined as the systematic compilation of questions directly related to a population sample from which relevant information is desired. The researcher prepared a series of questions relating to the research subject and designed the questionnaire in such a manner that many responses would be obtained. The researcher used the likert scale and closed questions in the questionnaires. Specimen questionnaire is attached to the appendix.

3.5.1.1 Merits of using Questionnaires

Hassan (2013) pointed out that, this technique is cheap to administer and it allows better comparisons since all respondents are provided with the same questionnaire at once and information can be gathered from a large population. Hassan added that questionnaires gives respondents anonymity and reconsideration of their responses since they had enough time to go through the questionnaire therefore, reducing bias and error influenced by an interview.

3.5.1.2 Demerits of using Questionnaires

However, Muskat (2012) outlined that development of a good questionnaire requires time and effort, also consideration should be given during the design of a questionnaire of how it will be analysed. Sincero (2012) supports this view and further articulated that,

questionnaires are standardized so it will not be possible to explain any points in the questionnaire that participants might not interpret well.

3.5.1.3 Justification for using Questionnaires

This technique allowed the researcher to have better comparisons since he provided all respondents with the same questionnaire at once and gathered information from a large population. Questionnaires also gave ample time to the respondents to attend to the questionnaire and even reconsider their responses. The respondents answered the questionnaires in the absence of the researcher therefore, it avoided bias and errors that might have been influenced by interviews.

3.5.2 Interviews

According to Muskat (2012), an interview is a conversation with a purpose combined with listening skills at personal interaction, using question framing and gentle probing for elaboration. Blair (2013) described an interview as a purposeful discussion between two or more people. Blair added that, an interview is a verbal communication between the researcher and the participants, aimed at collecting relevant data for the research. The questions which were asked during the interview (by the researcher) were pre-set and this enabled similar questions to be asked to all respondents. Interviewing the right people who were knowledgeable in the research topic gave value to the research and this helped to obtain the participant's views which were valuable and useful to the researcher.

3.5.2.1 Advantages of using interviews

According to Creswell (2014), interviews provide a great deal of flexibility and it allows the use of personal creativity to stimulate managerial staff to reveal more of their attitudes and motives. The scholar also highlighted that interviews also allow probing which facilitates the gaining of information especially on complex and emotional questions. In interviews, less time is consumed as compared to questionnaires thereby allowing more time for data analysis (Geru, 2015). Blair (2013) asserts that, there will also be use of non-verbal communication during interviews such as monitoring the respondent's body language when discussing sensitive topics therefore, complementing the respondents' answers.

3.5.2.2 Disadvantages of using interviews

Maruna (2013) noted that, interviews requires a skilled interviewer as notes are to be noted down quickly and requires a good listener as notes are to be written down and one be ready to follow up immediately to the next question. Sukumar et al (2014) also argued that, conducting an interview is expensive as a researcher has to travel or make phone calls to respondents**.**

3.5.2.3 Justification for using interviews

As Creswell (2014) noted that, interviews provide a great deal of flexibility. This allowed the researcher to use his personal creativity to stimulate staff to explain more on other issues that were related to the interview questions. Interviews consumed less time as compared to questionnaires thereby allowing the researcher to have more time for data analysis. The use of non-verbal communication during interviews also invoked the researcher to monitor the respondent's body language when discussing sensitive topics.

3.6 Types of questions

Since data collect from interviews and questionnaires are the same, questions asked are applicable to both methods. There are two main types of questions that can be used by the researcher in collecting raw data and are described as 'close-ended' and 'open-ended' questions.

3.6.1 Open-Ended Questions

According to Kumar (2012), open ended questions provide respondents with the allowance to freely express themselves as they are not directed to a certain response format and the respondent answers in his or her own word format. Open-ended questions according to Panwarden (2013) are also presented with an allowance for a brief explanation from the respondent.

3.6.1.1 Merits of open ended questions

Open ended question can provide in-depth information when respondents can comfortably express their opinions and are familiar with the language used (Muskat, 2012). Muskat added that open ended questions virtually eliminate the possibility of investigator bias as it permit an unlimited number of possible answers. Hassan (2013) also noted that open ended question

provide respondents with opportunity to express themselves freely as respondents can answer in detail and can qualify and clarify responses.

3.6.1.2 Demerits of open ended questions

However, open-ended questions may collect irrelevant data since some of the questions may be misinterpreted, hence inappropriate answers can be given (Wills, 2014). According to Jerome (2012), open ended type of questions lack statistical confirmation essential to base research conclusions. Jerome went on to highlight that, open ended questions requires a greater amount of respondent time, thought and effort is necessary for producing better results.

3.6.2 Closed Questions

Saunders et al (2012) pointed out that, closed type of questions involve the use of structured questions that allow only responses which fit into classes already decided in advance by the researcher and called nominal data. According to Panwarden (2013), close-ended questions are easily recognised by explicit options from which the respondents have to choose one and are classified as multiple-choice questions or scaled questions.

3.6.2.1 Merits of close ended questions

Saunders et al (2012) asserts that closed questions provide ready-made categories within which respondents reply to the questions asked by researcher thereby ensuring that information required by the researcher is obtained and analysed easily. Closed questions are economical, that is, cost and time efficient and are easier and quicker for respondents to answer (McLeod, 2014).

3.6.2.2 Demerits of close ended questions

On the other hand, Vaus (2014) argued that, information gathered using closed questions lacks depth and variety and contain a greater chance of bias since the researcher may provide response patterns only linked to his/her own interest. In accordance to Kumar (2012), the provision of a ready-made list of responses may hinder some respondents from thinking through the issue before ticking a category.

3.6.3 Likert scale

Kumar (2012) articulates that this viewed as the aggregate responses by respondents that have to be evaluated by the researcher. Vanek, (2012) highlighted that, when responding to questionnaires, the respondents specify their concerns to the subject matter in different levels which can be grouped so as to come up a with a conclusion..

Table 3.2 Likert Scale

Attitude	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Scale	5	4	3	2	1

Source: Heiberger and Robbins (2014:4)

3.6.3.1 Merits of using the Likert Scale

Guerrero (2012) highlighted that, the merits of likert scale is that it is an uncomplicated technique that is used to gather data in different spectrum. Neuman (2013) supports this and noted that this technique is easy to understand as it provides responses in tabular form

3.7.3.2 Demerits of using the Likert Scale

However, Seale et al (2014) pointed out that, the major drawback with this research technique is that respondents usually avoid providing extreme responses and it is difficult for the respondents to distinguish the extent of the response such as strongly disagree and disagree as it might slightly mean the same depending on the individual.

3.7 Data Validity and Reliability

Heffner (2014), considers the two as quantifying instruments that the researcher adopts. . This view is supported by Noble (2015), who suggested that these are units of measure used in assessing the various instruments used by the research to minimise error and bias.

3.7.1 Validity

Heffner (2014) concerns that validity is the extent to which a research instrument is able to gather data as planned. Noble (2015) avers that, validity covers the integrity of the research model adopted by the research in her research. According to Webster (2015), validity reflects the real aspects of the data and the views of the targeted population to the subject under study.

3.7.2 Reliability

The ability of the research method to provide reasonable ideas is referred to as reliability. Noble (2015) and Yazan (2015) asserts reliability is the characteristic of a research model to provide the same results when applied to another similar scenario so as to minimize errors and bias. In this study the researcher applied reliable techniques that were once used by other researchers in the similar research topic.

3.7.3 Justification of reliability and validity

The researcher distributed questionnaires on time and first hand delivery so as to provide respondents with adequate time to answer them. The distribution of questionnaires and conducting of interviews also allowed the researcher to compliment the research findings therefore, ensuring integrity of his research. The questions in the questionnaire were also made relatively short so that the respondents provide responses that are relevant to the study. To ensure validity and reliability, the researcher also had to seek expect opinions to ensure content validity.

3.8 Data collection procedure

In this part, the researcher outlines the steps that were followed in the gathering of information. The main sources of information for the research collected were gathered from Fidelity Life Assurance head office which is situated in Harare. The researcher did his work related learning at this organisation for a year; this has enabled him to have reasonable relationship with the organizations' staff. In addition this helped the researcher to access information from the staff and also the response rate was quick. Questionnaires distributed to the targeted population had to be collected many times as some respondents took long to respond to them as there were busy and appointments were set trough the company receptionist so as to follow the normal procedure. Interviews were administered on a face-to-face basis.

3.9 Data Presentation

After data gathered by the researcher, there was dispensation and arrangement of data into an understandable format. Seale et al (2014) noted that, for data to be meaningful, it has to be logically grouped into categorises and with the aid of pictograms presented to various

readers. The researcher presented the gathered data by using tables, graphs, pie charts, pictures and diagrams. The Microsoft Excel and Power Point assisted the researcher into designing meaningful graphs and pie charts.

3.9.1 Merits of data presentation

According to Wester (2015), these methods are understandable and they enlighten researchers on the manner the variables which were under study seem to behave. Guerrero (2012) is of the view that tables are used in data presentation as they are an efficient tool in displaying the gathered information .Vaus (2012) noted that if data collected from the field can be presented in the form of bar graphs and pie charts, it then become easier to display and interpret data.

3.9.2 Demerits of data presentation

However, Geru (2015) and McLeod (2014) argued that these methods are hard to decode as some abbreviations and codes are not commonly known. This will affect the findings of the researcher as some information is not provided as intended.

3.10 Data Analysis

Data analysis is the process of logically arranging the data gathered into meaningful format which can provide clear answers to the research question Kumar (2012). The researcher arranged the questionnaires uniformly according to the various responses and come up with a conclusion. The researcher used both the descriptive and inferential statistics for the data analysis. A summary of the information gathered was analyzed, noted and results were written down basing on the targeted population of the research.

3.11 Ethical considerations

 A study that is centered on the involvement of the human factor and the impact of the ethical matters that affects them. Research subjects adopted in this study by the researcher ensured that they are not affected in anyway both physically and emotionally by the research (research ethics: A handbook of principles and procedures 2008:4). During the research, the student avoided plagiarism. The researcher gave all citations used throughout the research and accredited all the owners of the ideas used in the research.

The researcher also preserved the anonymity and confidentiality of the research subjects and made sure that they are not exposed by any means.

3.12 Summary

This chapter presented on the research methods adopted by the researcher and discussion of other research techniques, instruments was highlighted. The manner in which data was going to be collected, presented and analysed was also pointed out. The next chapter deals with the presentation and analysis of data collected.

CHAPTER FOUR

Data presentation, analysis and interpretation

4.0 Introduction

This chapter focuses on the presentation and analysis of the field research data gathered at Fidelity Life Assurance by use of interviews, questionnaires and through reviewing secondary data sources. This chapter focuses on addressing research objectives and answering the research questions. Raw data was presented by means of graphs, tables and pie charts for easy understanding.

Primary data

4.1 Response rates

4.1.1 Questionnaire response rate

The researcher administered 26 questionnaires to the respondents all in all. Of those twenty-six, the researcher got feedback from twenty-one respondents, with the remaining five failing.

Table 4.1: Questionnaire response rate

Participants	Desseminated	Responded to	Response rate
Finance Director	1	0	0%
Finance General Manager	1	1	100%
Finance Manager	1	1	100%
Accountant	4	3	75%
Project Administrators	5	4	80%
Project Site supervisors	4	4	100%
General hand employees	10	8	80%
Total	**26**	**21**	**81%**

Source: Primary source

Table 4.1 above shows that, out of the administered twenty-six questionnaires only twenty-on had been responded to and the researcher collected them. The majority of the questionnaires were responded to, the research work progressed and the following data analysis is based on this 81% response rate. This response rate possibly was this successful because of the suitable sampling technique applied and the anonymity that was strongly guaranteed to the respondents. Those participants who failed to respond to the questionnaires clearly explained unavailability of time due to busy schedules. Rubin and Babbie (2009) noted that, 70% is a very good response rate. Therefore, the eighty-one percent response rate attained in the field research qualifies the data to be sufficient and enhances its validity and reliability.

4.1.2 Interview response rate

The researcher had planned to conduct eleven interviews but managed to conduct only nine. The finance general manager, finance manager, 4 accountants and 3 project administrators were interviewed.

Table 4.2: Interview response rate

Participants	Arranged	Conducted	Response rate
Finance Director	1	0	0%
Finance General Manager	1	1	100%
Finance Manager	1	1	100%
Accountant	4	4	100%
Project Administrators	4	3	75%
Total	**11**	**9**	**82%**

Source: Primary source

The management level was considered for the interviews. There was an overall response rate of 82%. The researcher failed to have an interview with the Executive Finance Director and one of the Project Administrators because they had other commitments elsewhere.

4.2 Findings from questionnaires and interviews

Question 1: Background information

i.   **Duration at the firm**

Table 4.3: duration at the firm

| Number of years	0 < 1year	1 < 3years	3 < 5years	5 < 10years	10years <	Total
Respondents	1	3	4	8	5	21
Percentage	5%	14%	19%	38%	24%	100%

Source: Primary Source

Table 4.3 above portrays that, greatest number of respondents (38%) (8/21) have been engaged with Fidelity for five up to ten years. One out of the twenty-one respondents stand at less than one year, while 3/21 stand at one to three years, 4/21 lie at three to five years and 5/21 have been working at Fidelity for more than 10years.

Adopting the explanation of the mode by Kothari (2014), a larger number of the respondents lie between five to ten years. In this case, the responses given are likely to be reliable because most of the respondents experienced the growth and the performance of the entity under study.

ii.   **Highest level of academic qualification**

Figure 4.1: Products and / or services offered by Fidelity
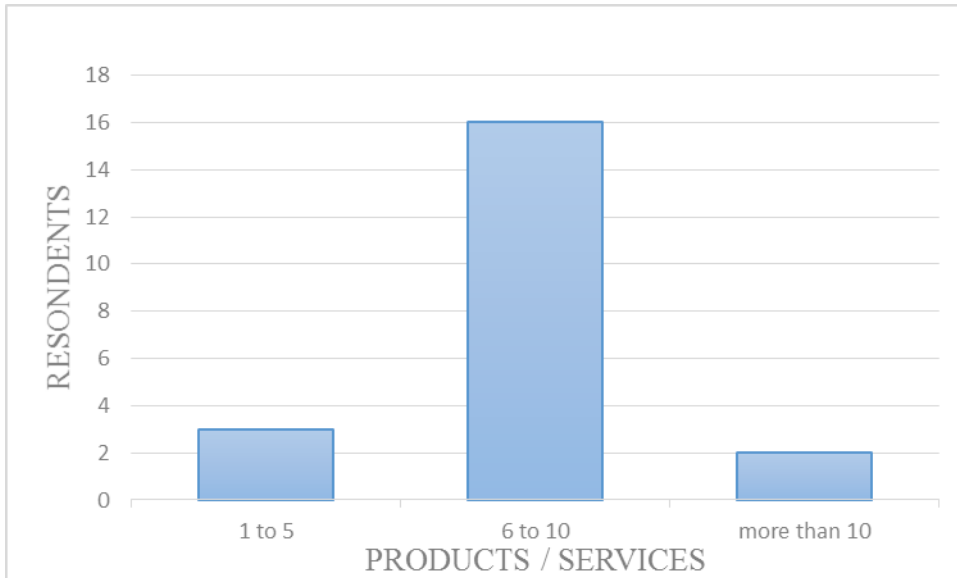
Source: Primary source

Depiction on figure 4.1 shows that, the majority 76% (16/21) thought that Fidelity offers a range of between 6-10 products to its clients; 14% (3/21) believed that it offered between 1-5 products and 10% (2/21) argued for a range of above 10products. The table and the graph highlight a modal response rate is 76% (16/21) and this seems to suggest that on aggregate all the respondents confirmed that Fidelity was a diversified organisation.

Chen (2009) describes diversification as a practice that reduces risk by distributing investments among different products, financial instruments, industries and other categories. This question was meant to establish an insight on Fidelity offering numeral products as part of their diversification strategy.

Question 3: From your opinion, could you say that products and / or services offered by Fidelity are interdependent in terms of income contribution?

Table 4.7: interdependency between products or services

Dependency level	Very	Less	Independent	Total
Respondents	2	14	5	21
Percentage	10%	67%	24%	100%

Source: Primary source

In this question, the researcher attempted to determine the possible synergetic advantages that are brought about by dependency amongst products. The research findings are that, the majority of the products being offered are less inter-dependent in terms of income contribution as shown below.

Figure 4.2: Inter-dependency between products or services
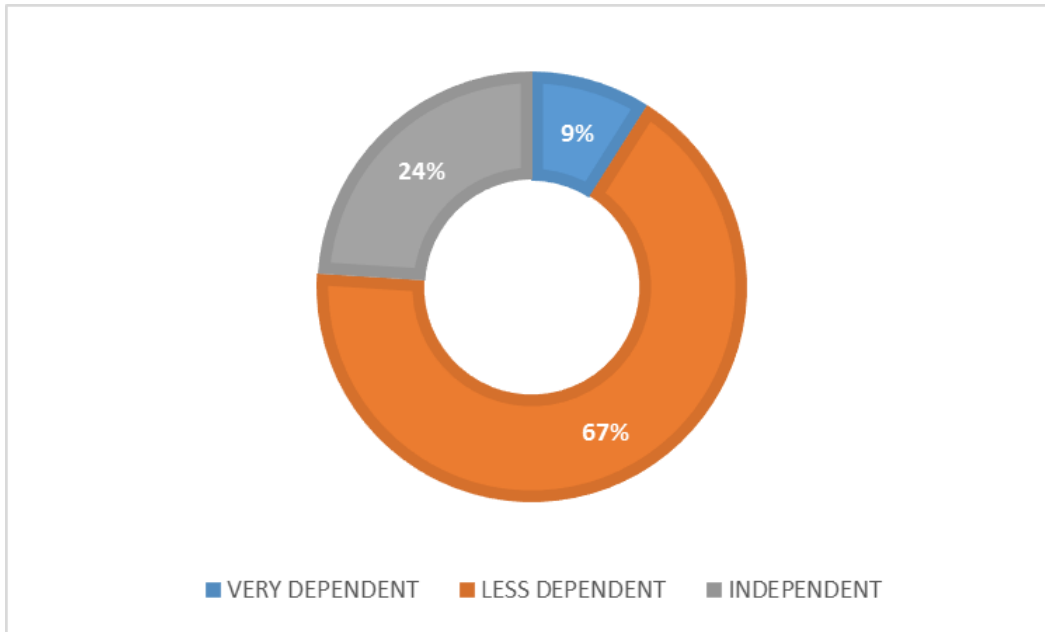
Source: Primary source

From the figure above, the majority 67 percent (14/21) of the respondents pointed out the fact that the company is offering less inter-dependent products/services; 24 (5/21) percent expressed that the company's products and / or services are independent and the minority 9 percent (2/21) argued that the products and / or services are very dependent.

This mean that the services being offered, though may be related, do not depend on each other for revenue generation. The portion of independent products/services is quite significant to be overlooked. Though not making up the majority, the 24 percent of the respondents who believed that the products/services being offered are independent is a significant contribution pointing out to the fact that they believe the company chose to avoid the risk of running dependent business segments by offering independent products. Johnson and Scholes (2008) defined diversification typically as a strategy which takes the organization away from its current markets or products or competences. The scholars also argued that, the extent to which this occurs can be thought of in terms of the relatedness (or un-relatedness) of diversification.

Question 4: Is your entity also involved in business operations other than insurance services?

Table 4.8: Involvement of Fidelity in other business operations

Response	YES	NO	Total
Respondents	16	5	21
Percentage	76%	24%	100%

Source: Primary source

The question was meant to primarily determine whether the respondents had an idea of whether or not their company had gone for the unrelated diversification strategy and the responses are better summarized as follows.

Figure 4.3: Involvement of Fidelity in other business operations
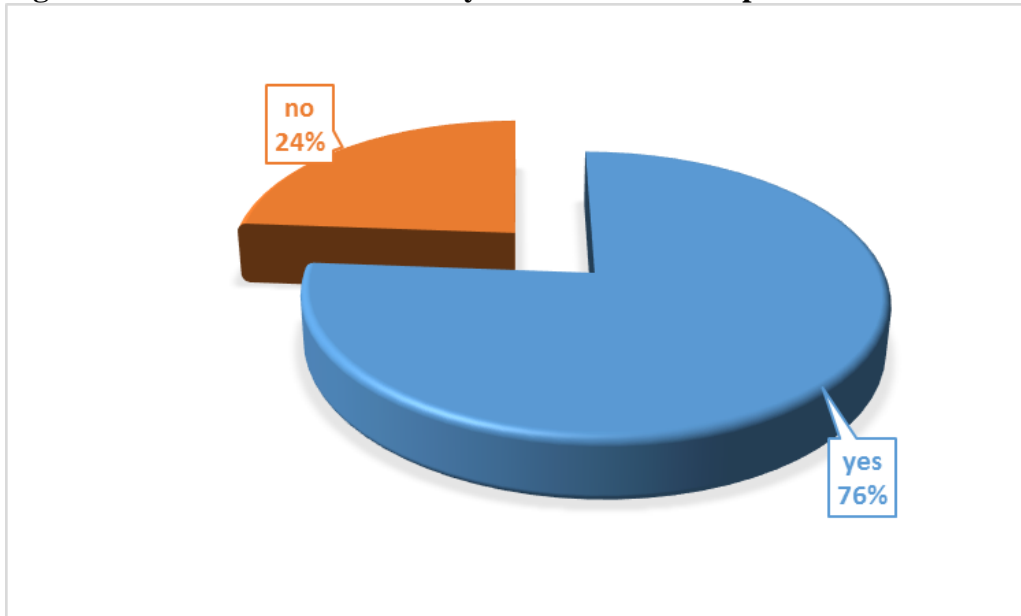
Source: Primary source

Figure 4.3 showed that, sixteen of the total twenty-one respondents (76%) assumed that their company pursued to diversify in unrelated products/services or sectors. On the other side five respondents, represented by the twenty-four denied having knowledge that their company also practiced this type of diversification.

According to Johnson and Scholes (2008), diversification is normally an approach which takes the organisation away from its current markets or product. The view of the sixteen respondents suggested that Fidelity was believed to be moving beyond its current value system or industry. This means moving into new markets and new products by exploiting the current competencies of the entity, for example excess funds.
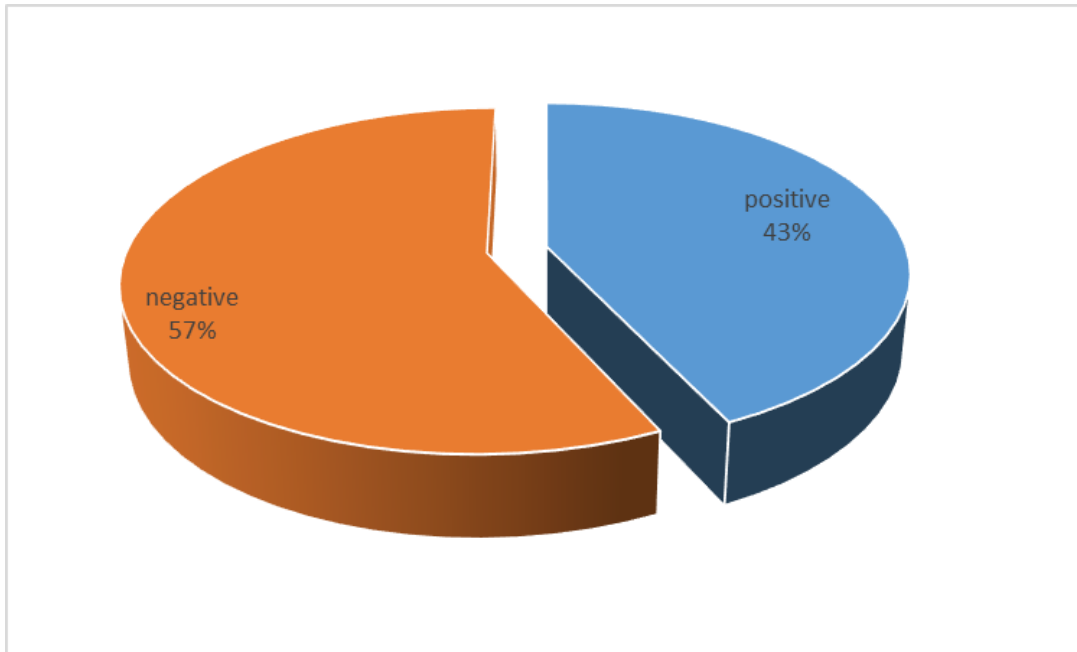
Question 5: If yes, how do you think this affects your core operations?

Table 4.9: Effects of diversification on the core operations

Response	POSITIVE	NEGATIVE	Total
Respondents	12	9	21
Percentage	57%	43%	100%

Source: Primary source

Figure 4.4: Effects of diversification on the core operations

Source: Primary source

The chart above shows that, the respondents almost equally shared both views. With fifty-seven percent (12/21) alleging that unrelated diversification had negative impact on their operations, and an almost equal forty-three percent (9/21) assuming otherwise. These views suggested that though it might have been viewed as a strategy to reduce risk, increase market share and increase market value, diversification might have come along with value discount implications on the operations of the entity.

Studies conducted by Thompson et al. (2008) revealed that, even though it is regarded as a significant component of reaching long-term financial objectives, diversification does not guarantee against loss. Rogers (2009) then concluded that, there are costs and benefits related to diversification, but every business has to equate its needs against what it needs to achieve.

Question 6: Do you agree that the following are the key motives for diversification?

Table 4.10: Motives for diversification.

| Attitude	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
A. To gain market share	10	7	2	1	1	21
Percentage	48%	33%	10%	5%	5%	100%
B. To improve firm's value	7	9	3	2	0	21
Percentage	33%	43%	14%	10%	0%	100%
C. To spread risk	12	4	1	1	3	21
Percentage	57%	19%	5%	5%	14%	100%

Source: Primary source

Please note that respondents were not limited to give one answer in this question

The researcher had a chance to question the views of the respondents towards the motives for diversification and the responses suggested and other motives have been displayed below;

(a) To gain market share

Figure 4.5: the motive to gain market share?
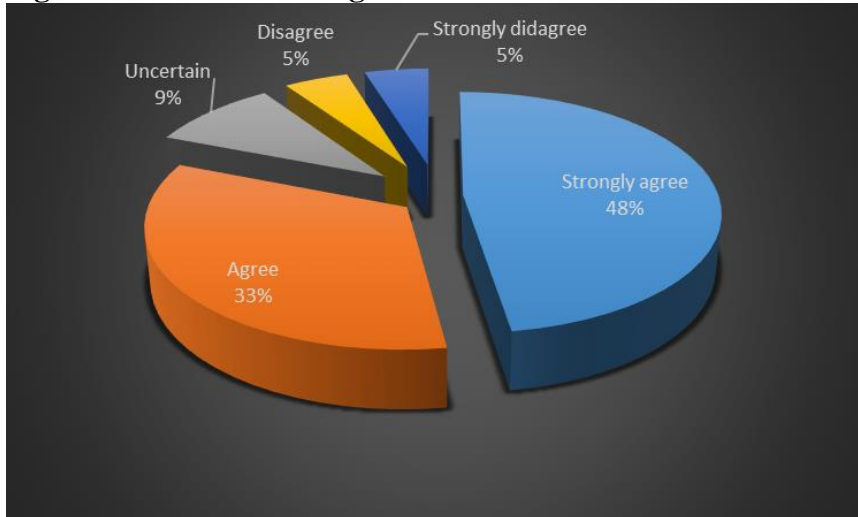
Source: Primary source

The portrayal on figure 4.5 shows that ten out of the twenty-one respondents (48%) strongly agreed; seven out of the twenty-one respondents (33%) agreed; two out of the twenty-one respondents (10%) was uncertain; 5% (1/21) neither strongly disagreed nor believed that one of the key motives for diversification was to gain market share.

On aggregate, 17 (81%) are in agreement, the modal response rate is 81% and this looks like the need to increase market share was among the motives for Fidelity's diversification strategy.

(b) To improve firm's value

Figure 4.6: the motive to improve firm's value?
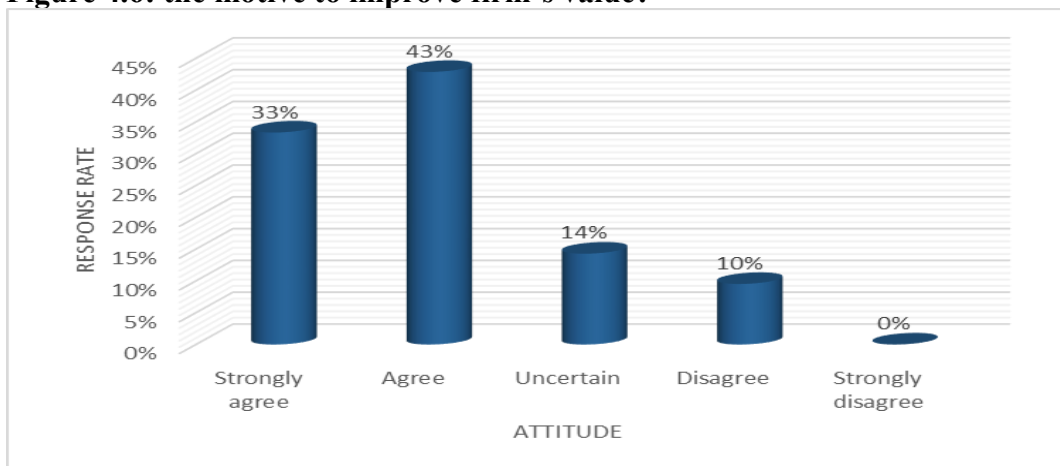
Source: Primary source

Seven out of the twenty-one respondents (33%) strongly agreed; nine out of the twenty-one respondents (43%) agreed; three out of the twenty-one respondents (14%) were uncertain and one respondents (5%) disagreed to this notion. No one strongly disagreed that the affirmed motive was also a key motive for diversification. On aggregate, 16 respondents (76%) are in agreement, the modal response rate is 76%.

(c) To spread the risk
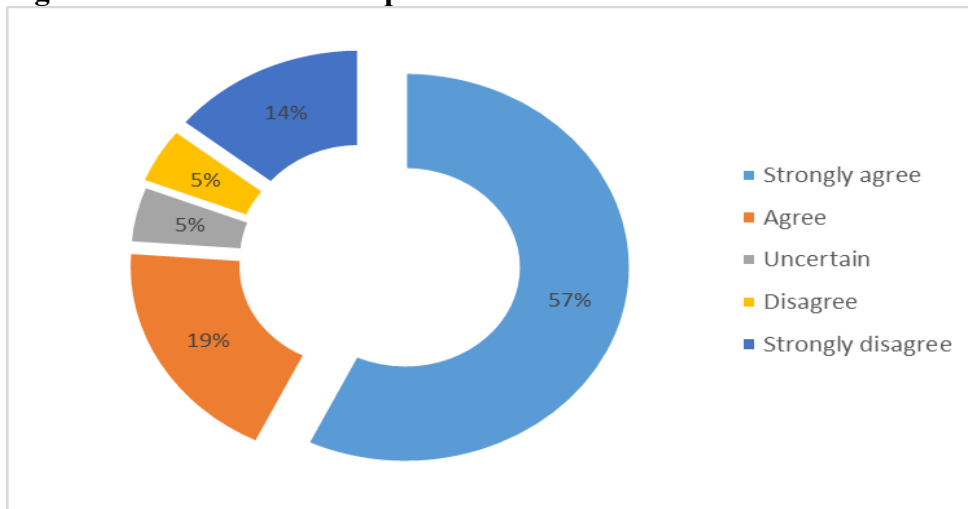
Figure 4.7: the motive to improve firm's value?

Source: Primary source

The chart above shows that, twelve out of the twenty-one respondents (57%) strongly agreed; four out of the twenty-one respondents (19%) agreed; one out of the twenty-one respondents (5%) was uncertain and one respondent (5%) disagreed to this notion. In the extreme contrast, three out of the twenty-one respondents strongly disagreed that the affirmed motive was also a key motive for diversification. This minority portion was not overlooked but their beliefs will be discussed in detail in the succeeding chapter. On aggregate, 16 respondents (76%) are in agreement, the modal response rate is 76%.

Pitts and Hopkins (2012) noted that, firms have a number of reasons why they would choose such a radical approach such as diversification. From all the views discussed in this section, the majority seem to believe that the motives discussed were also key motives for the diversification of Fidelity. The idea advocated for seem to support the notion brought about by a study performed by Berger and Ofek (2010). The scholars came up with a list of the possible motives that could have resulted in the selected 200 African Insurance Companies to diversify. In addition, the majority views seem to be supporting the assertion of another study conducted by Mansi & Reeb (2012). The study was then supported by Edwards (2015) and

the researcher noted that, the motivations for diversification are classified either under related (concentric) diversification or under Unrelated (conglomerate) diversification.

Applicability of diversification and the performance of diversified companies in the insurance industry.

Question 7: How diversified do you think the other businesses in the insurance industry are?

Table 4.11: How diversified are other companies in the industry?

Diversified level	VERY	NOT	AVERAGE	Total
Respondents	4	6	11	21
Percentage	19%	29%	52%	100%

Source: Primary source

This question was asked to initiate industry-wide thinking before moving to such a level of evaluation. All of the twenty-one respondents gave their responses to the question and the results are better summarized and presented in the pie chart below.

Figure 4.8: How diversified are other companies in the insurance industry?
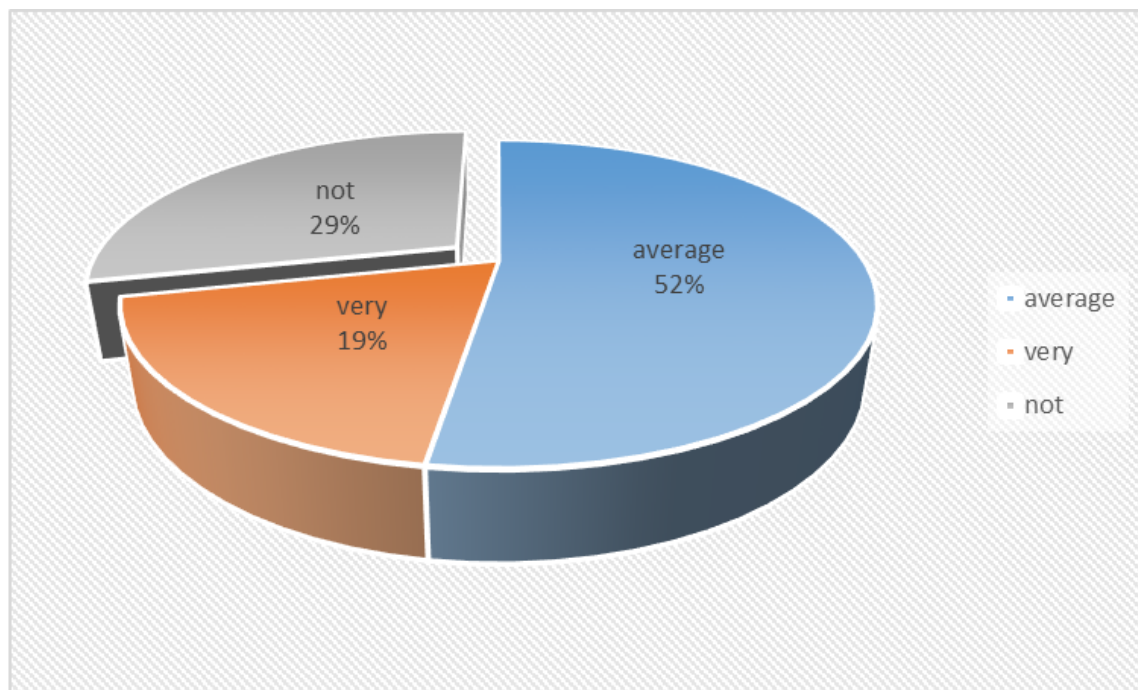
Source: Primary source

An overwhelming fifty-two percent (11/21) of the respondents believed that other entities in the insurance industry are averagely diversified. Nineteen percent (4/12) also supported the notion that there are other companies which are diversified but the pointed out that these companies are very much diversified. Combining them with the fifty-two percent of average

diversification, we come up with a total of fifteen people, seventy-one percent of total respondents, approving that the insurance industry is mainly diversified. Just six (29%) of the respondents held the view that other businesses in the insurance environment are not even diversified. Thus upholding specialization as the dominant strategy in the insurance sector.

From the information shown in figure 4.8, it seems to indicate that diversification is a very common strategy in the insurance sector by them claiming that most of the companies in the industry are diversified. However the arguments raised by the minority were not overlooked as they debated that there are companies like Cell Insurance that are only focusing in the funeral insurance.

Dicken made an important note about diversification in the insurance industry when he wrote, "it is a supposed logical step from this kind of global strategic orientation to the view that, insurance companies ought not only operate globally in their own core area of expertise but also that they should deliver a complete package of related and unrelated products and or services".

The performance of diversified companies in the insurance industry.

Question 8: If diversified, do you think this position give them an advantage over your entity?

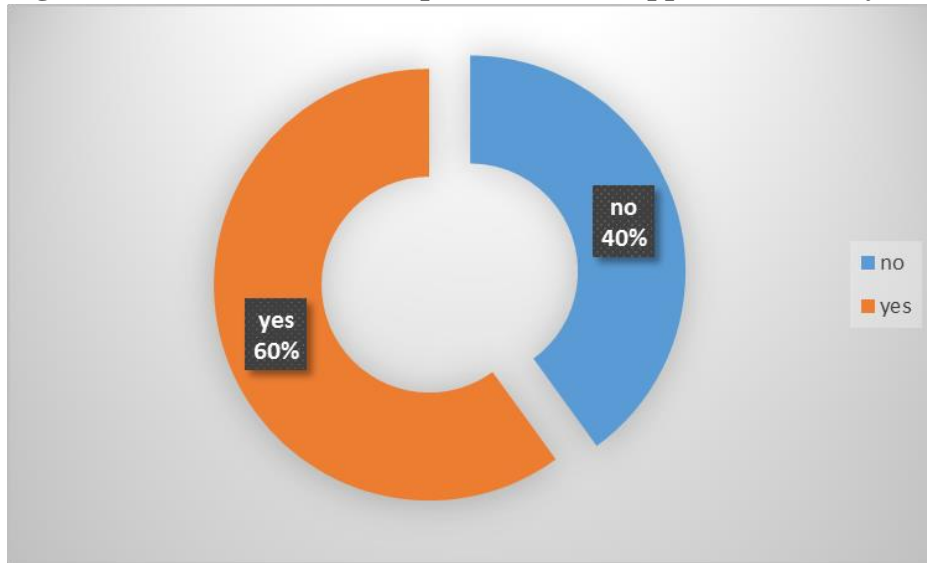**Table 4.12: Do diversified companies have an advantage over your entity?**

Response	YES	NO	Total
Respondents	9	6	15
Percentage	60%	40%	100%

Source: Primary source

A total of fifteen respondents noted that some other companies in the industry are diversified. Their responses regarding this question are presented below.

Figure 4.9: Do diversified companies have an upper hand over your company?

Out of the 71 percent (15/21) that believed that other companies are diversified, sixty percent (9/15) had the view that more diversified companies have an advantage over their company. Forty percent (6/15) however, believed that diversification does not necessarily make any company better than Fidelity. This seems to reflect that a diversification strategy gives a competitive edge in the insurance industry. Wang (2011) argued that, the rationale for diversification, both into new products and new geographical markets, is the same one as of economies of scale and economies of scope.

From the information noted above, the majority arguing that diversified companies tend to perform better this all seems to support the notion raised by Wang (2011). Wang noted that, a strategy of internationally diversified insurance companies enables such a company to offer an enteric package of services (a one stop shop to customers).

Question 9: If not diversified, does this position make them less competitive?

Table 4.13: Are specialized companies less competitive?

Response	YES	NO	Total
Respondents	4	2	6
Percentage	67%	33%	100%

As the contrary of the previous question, the researcher had to determine whether the other section of the respondent share the same views as those that answered the preceding question. This question was answered by six respondents with their responses best summarized in the diagram following.

Figure 4.10: Are specialized companies less competitive?
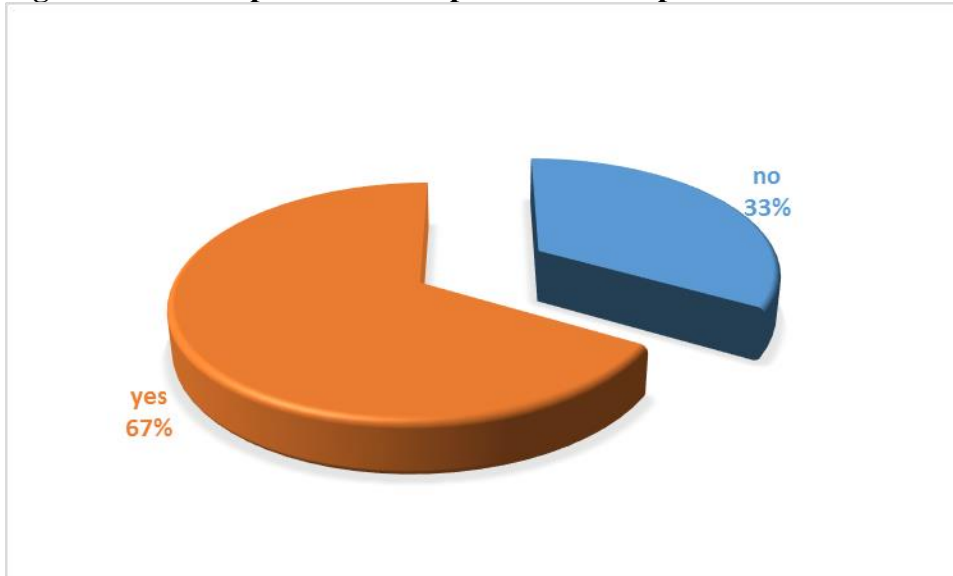
Source: Primary source

A total of six respondents supposed that some other companies in the industry are not-diversified. As shown above in the chart, out of those six, four (67%) alleged that non-diversification is disadvantageous in this insurance industry whereas the remaining two (33%) are on the contrary.

Basing on the research findings highlighted above, it is very much advantageous for firms to be diversified in the insurance industry. As argued by the research findings from the majority of the preceding question, diversified companies seem to perform better than the specialized ones. Supporting the notion brought by Wang (2011), the justification for diversification is the familiar one of economies of scale and economies of scope.

Question 10: In your own opinion, how do you rate the strategy of diversification?

Table 4.14: Rating of the diversification strategy

Strategy rating	VERY GOOD	GOOD	NOT GOOD	Total
Respondents	6	12	3	21
Percentage	29%	57%	14%	100%

Source: Primary source

This question was still assessing the same issue as in the preceding questions. The objective was to thoroughly evaluate the diversification strategy, especially as it is being used by many companies in the insurance industry.

Figure 4.11: Rating of the diversification strategy

Source: Primary source

All respondents reacted to this question, most of them giving different views, some in support of and some against diversification. Six of the twenty-one respondents, representing twenty-nine percent, had the view that diversification is a very good strategy. Of the remaining respondents, a whooping twelve out of the twenty-one, making up fifty-seven percent of the total respondents sample, also approved diversification as a good strategy. This puts the total approval of diversification as a good or better strategy to eighteen of the total respondents, representing eighty-six percent of the respondents. However, there were on the other side fourteen percent of the respondents dismissing diversification as not good. Three of the twenty-one respondents disapproved the strategy of diversification. Care was taken not to dismiss nor override such views simply because they were from the minority of the respondents.

Their views were therefore taken into consideration when drawing conclusions to be noted in the succeeding conclusions chapter. The research by Edwards (2015), pointed out that diversification does not guarantee against loss. The researcher added on to argue that, regardless how diversified your company is, it is impossible to completely eliminate risk.

The effects of diversification on the core business activities.

Question 11: Do you think the offering of a variety of product and / services has been beneficial to Fidelity?
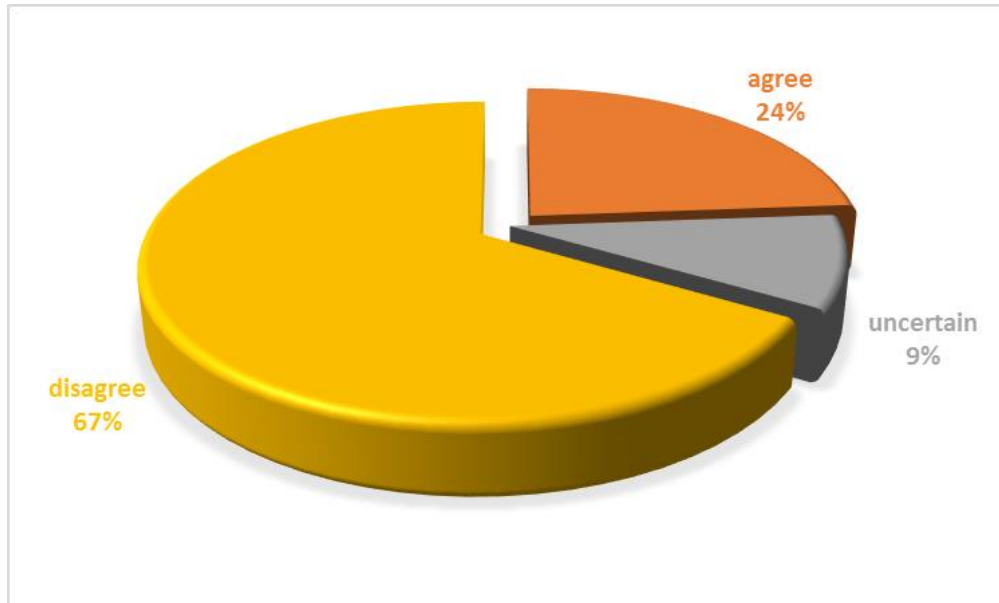
Table 4.15: An evaluation of diversification.

Response	AGREE	DISAGREE	UNCERTAIN	Total
Respondents	5	14	2	21
Percentage	24%	67%	10%	100%

Source: Primary source

All respondents gave their responses to this question and the summary of the responses is provided below.

Figure 4.12: An evaluation of diversification.

Source: Primary source

It is interesting that 14 of the respondents, representing 67% percent of the total population shown in the pie chart, believed the strategy of diversification is not beneficial to Fidelity. Then five out of the twenty-one respondents representing 24% thought that the strategy had been beneficial to the organisation, whilst 10 percent was not even sure if this strategy has been beneficial or not.

It seems like the majority may have every reason to discredit the strategy of diversification as we have witnessed a continual and increasing loss-making by the entity following its diversification into the property development industry. This view by the majority seems to be supported by the notion brought forward by Edwards (2015). Edwards pointed out that, diversification is the most important component of achieving long-term objectives while minimizing risk, however, it should not be misinterpreted that, it does not guarantee against loss.
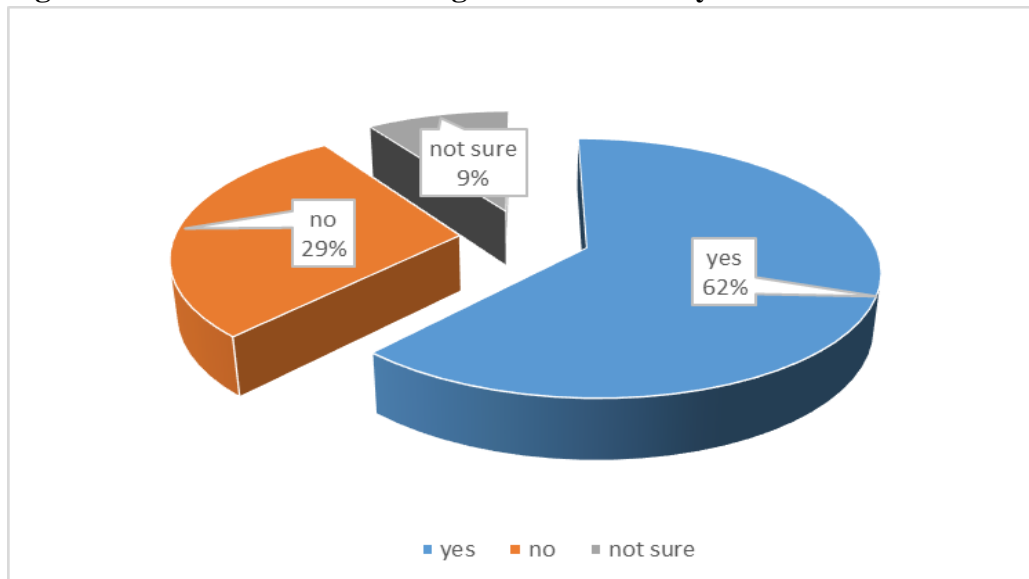
Question 12: Have this issue of offering multiple products affected the managerial functionality of your entity?

Table 4.16: Effects on the managerial functionality.

Response	YES	NO	NOT SURE	Total
Respondents	13	6	2	21
Percentage	62%	29%	10%	100%

Source: Primary source

Figure 4.13: Effects on the managerial functionality.

Source: Primary source

Of the twenty-one responses, a majority of sixty-two percent (13/21) were of the view that diversification affected the operational viability of the entity, with six (29%) respondents on the contrary and the remaining two (9%) were not sure.

In this case, the question wanted to lay down a foundation for the assessment of the operational viability of the diversification strategy and the responses have been abridged in the preceding chart. In an interview, management highlighted that this strategy had an effect on the managerial functionality of the organisation. This is likely to reveal that the firm had serious challenges with the strategy especially on the administration part. As highlighted by Fitzgerald et al (2012) that, there are many benefits and costs related to diversification, but every firm should balance its needs against what is less important. The main benefits of this approach being synergy creation and asset utilization, while major cost disadvantages lie in administrative difficulty and complexities in coordinating activities, this is also supported by the modal response rate.

Question 13: In your opinion, are there any challenges that have arose as a result of the unrelated diversification strategy as implemented by Fidelity, if yes name them?

Table 4.17: Challenges for Fidelity as a result of unrelated diversification.

Attitude	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	5	3	1	0	0	9
Percentage	56%	33%	11%	0%	0%	100%

Source: primary source

Only nine respondents were interviewed as they represented management. Their suggestions concerning the topical question are shown below;

Figure 4.14: Challenges for Fidelity as a result of unrelated diversification.
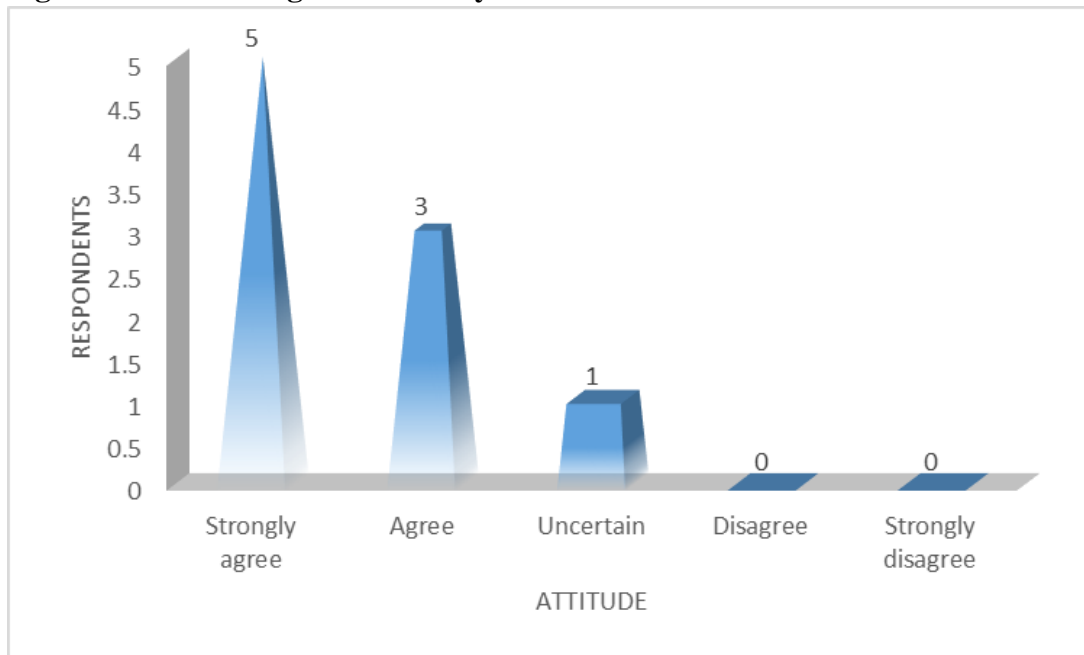
Source: Primary source

Depiction on figure 4.14 shows that five out of the nine respondents (56%) strongly agreed; three out of the nine respondents (33%) agreed; one out of the nine respondents (11%) was uncertain; 0% (0/9) neither strongly disagreed nor disagreed the existence of challenges as a result of diversification.

On aggregate, 8/9 (89%) were in agreement whilst 1/16 (11%) was not sure. The modal response rate was 89%, this indicates that there were challenges as a result of diversification at Fidelity. All the interviewed management believed that were challenges that arose as a result of diversification.

Njuguna, (2013) conducted a study on the effects of diversification on the profitability of companies listed in the Nairobi securities exchange. The study specifically related to the listed companies in Nairobi, Kenya. The research findings showed that there was a relationship between profitability and diversification of companies listed in the NSE. The

researcher concluded that, challenges that arose as a result of diversification were of paramount importance as they could help to assess the effects of diversification on profitability.

4.3 Summary

The chapter presented and analysed research findings that were gathered from the field work by use of questionnaires and interviews. Graphical representations, tables and descriptions were used to explain and analyse data. The following chapter will concentrate on summaries of the major research findings, conclusions drawn from the research and possible recommendations on the problem.

CHAPTER FIVE

Major research findings, conclusions and recommendations

5.0 Introduction

This chapter presents the major research findings, conclusions and possible recommendations on the study. Basing on the research findings and reviewed literature, areas of further study shall also be proposed by the researcher.

5.1 Chapter summaries

Chapter one presented the background of the study, statement of the problem and the research topic as an assessment of the impact of diversification on profitability and growth of Fidelity Life Assurance Company Zimbabwe. In addition it revealed the research questions leading to the research objectives and the significance of the study. Delimitations of the study and limitations of the study were also noted in this chapter.

Chapter two focused on the review of the related literature. The research gap analysis showed that Fitzgerald et al (2012) and Rogers (2009) agreed that, there are a number of benefits and costs related to diversification however, every entity has to balance its needs against what is less important. Many researchers have largely supported the positive impact of related diversification. Sarin (2009) then argued that, although diversification is the most important component of reaching long-term financial goals however, it does not guarantee against loss.

Chapter three displayed the research methodology that was adopted by the researcher. The researcher used the case study approach. This is because this approach focuses on one or few instances of a particular phenomenon with a view of providing an in-depth account of events taking place in that particular instance. The researcher distributed questionnaires, conducted interviews and used secondary data to acquire information. The researcher conducted a census at FLAZ and only management was selected for the interviews.

Chapter four presented and analysed the data gathered. The questionnaire response rate was 81% (21/26) and 82% (9/11) on the interviews. Data was presented through the use of bar graphs, pie charts with corresponding descriptions. The use of the mode and mean were very helpful in analysing the data.

5.2 Major research findings

The study generated the following research findings:

❖ There a number of motives that push firms to diversify. From this study it was found that the key motives that lead Fidelity to diversify were to improve the firm's value, spread the risk and increase market share.

❖ The study revealed that as a corporate strategy, diversification is applicable in the insurance industry. There were also other firms in the industry that had diversified differently (related or unrelated diversification). In addition the researcher discovered that most of the companies in the insurance industry are moderately diversified as believed by the seventy-one percent of the respondents.

❖ From the research findings, most respondents believed that diversification is a good and beneficial strategy. Interviewees highlighted the same view and they described it as a proactive approach. In addition they also pointed out a number of benefits including synergy as a key merit of related diversification and risk spreading as a key merit of unrelated diversification. It was revealed also that, other diversified firms in the insurance industry had an upper-hand over Fidelity as viewed by the respondents. Those firms that are specialized were believed to be less efficient compared to Fidelity. It was noted that unrelated diversified firms tend to perform better than the related diversified ones. This was supported by the competitive advantages that accrue to the unrelated diversified companies.

❖ Another interesting outcome was that, diversification strategies have a bearing on the company's core operations. The majority of the respondents pointing out that the strategy had a negative effect on the core operations of Fidelity. Furthermore, challenges that arose as a result of the diversification strategy were also noted. Major challenges attributed by the diversification strategy are administrative difficulties and complexity in coordinating activities, biases in the valuation methods, corporate governance, agency conflict and cross-subsidization effect.

❖ Fidelity was failing to achieve its financial targets for the past three years since the start of the Southview project. The said controls that were put in place seemed to be failing to contain the costs.

5.3 Conclusion

The research focused on assessing the impact of diversification on the profitability and growth of Fidelity Life Assurance. The research objectives of the study were all tackled translating to the success of the study.

5.4 Recommendations

In light of the research findings, the following recommendations can be made:

❖ Implementation of the diversification strategy requires careful planning and research. It has been established that diversification has both negative and positive effects on the operations of a company. All entities that wish to embark on such a strategy are strongly recommended to carry out careful planning as well as meticulous research as the costs of failure are literally irreversible and detrimental to the company.

❖ Formal risk assessments and control measures should also be put in place to safeguard the implementation of the strategy. For example, the sensitivity analysis will give the management a clear picture of any strategic consequences. This can be done by working closely with the Zimbabwe Actuarial Consultancy (ZAC), a subsidiary of Fidelity.

❖ It is also important that strategic centers in the implementation of the strategy communicate ideas and resolve any paradoxes because sharing resources creates more clashes between departments.

5.4 Suggestions for further study

Basing on the research findings, the study recommends that further studies be conducted assessing performance of the diversified entities in the insurance industry.

5.5 Summary

This chapter outlined a rundown of summaries of all the chapters encompassed in the research. Conclusions on the research problem were also highlighted in this chapter. In addition, recommendations to Fidelity and suggestions on areas for further study were presented

Reference list

Books

Creswell, J.W., 2014. Research design: qualitative, quantitative and mixed method approaches. Second edition. Sage

Denscombe, Martyn, 2014, *The Good Research Guide for small-scale social research projects,* 3rd edition, McGraw Hill Open University Press.

Dickens, Peter 2008, *Global Shift: Reshaping the Global Economic Map in the 21st century,* Sage Publishers, London.

Jauch, Lawrence and Glueck, William 2010, *Business Policy and Strategic Management,* 7th edition, McGraw Hill, Singapore

Johnson, G., Scholes, K., & Whittington. (2008). *Exploring corporate strategy* (8th ed.). New York, NY: Prentice Hall.

Kothari, C.R., 2014. Research methodology, methods and techniques. Second edition. Mumbai: New age international limited publishers.

Pearce II, John, A and Robinson, R Jr 2004, *Strategic Management: Strategy formulation and implementation,* AITBS Publishers and Distributors, India.

Penrose E. 2007. *The Theory of the Growth of the Firm.* Oxford University Press: Oxford

Saunders M, Lewis P and Thornhill A 2012, *Research Methods for Business Students,* Financial Times, Pitman Publishing

Journals

Aggarwal, R., & Sanwick, A. A. (2013). Why do managers diversify their firms? Agency reconsidered. *The Journal of Finance.* http://dx.doi.org/10.1111/1540-6261.00519

Amit R, Wernerfelt B. 2013. WHY DO FIRMS REDUCE BUSINESS RISK? *Academy of Management Journal* 33(3):520-533.

And Market Value in the Property-Liability Industry: Comment", *The Journal of Risk and Insurance,* 64(4), 733-738

Anjos, F., (2010), 'Costly refocusing, the diversification discount, and the pervasiveness of diversified firms', *Journal of Corporate Finance,* Vol. 16, pp. 276-287

Barney, L.D., (2011), "The Relation between Capital Structures, Interest Rate Sensitivity,

Berger PG, Ofek E. 2010. Diversification's effect on firm value. *Journal of Financial Economics* 37(1): 39-65.

Berry, M. (1994). "Strategies in the New Economy". *Journal of Strategic Management, 14, 89-133.*

Campa, J.M. and Kedia, S., (2012), 'Explaining the diversification discount', *Journal of Finance*, Vol. 57 (4), pp. 1731-1762

Chen, J.J. (2009). "The characteristics and current status of China's Construction Industry". *Construction Management and Economics, 16(6), 711-719.*

Choe, C., Dey, T. and Mishra, D., (2014), 'Corporate diversification, executive compensation and firm value: Evidence from Australia', *Australian Journal of Management*, Vol. 39, pp. 395-414

Custodio, C., (2014), 'Mergers and acquisitions accounting and the diversification discount', *The Journal of Finance*, Vol. 69, pp. 219-240

Denis DJ, Denis DK, Sarin A. 2012. Agency Problems, Equity Ownership, and Corporate Diversification. *Journal of Finance* 52(1): 135-160.

Fauver, L., Houston, J. and Naranjo, A., (2013), 'Capital market development, international integration, legal systems, and the value of corporate diversification: A cross-country analysis' *Journal of Financial and Quantitative Analysis*, Vol. 38 (1), pp. 135-157

Fitzgerald, L., Johnston, R., Bringss, S. (2012). "Performance Measurement in Manufacturing Industries". *Academy of Management Science, 37(9), 86-119.*

Glaser, A. and Müller, S., (2010), 'Is the diversification discount caused by the book value bias of debt?' *Journal of Banking and Finance*, Vol. 34, pp. 2307-2317

Hautz, J.H., Mayer, M.C.J. and Stadler, C., (2013), 'Ownership identity and concentration: A study of their joint impact on corporate diversification', *Journal of Management*, Vol. 24, pp. 102-126

Hoechle, D., Schmid, M., Walter, I. and Yermack, D., (2012), 'How much of the diversification discount can be explained by poor corporate governance?' *Journal of Financial Economics*, Vol. 103, pp. 41-60

Hopkins, R. Pitts, S. (2012). "Diversification Strategies in Large Construction Firms". *Journal of Economics and Business, 39(8), 193-205.*

http://dx.doi.org/10.1002/(SICI)1097-0266(200002)21:2<155::AID-SMJ82>3.0.CO;2-2

Jacquemin, A. P., & Berry. G. H. 2014. Entropy measure of diversification and corporate growth. ***Journal of Industrial Economics,*** 27: 359-369.

Jacquemin, A.P., Berry, C.H. (2009). "Entropy Measure of Diversification and Corporate Growth". *Journal of Industrial Economics (27)4: 359-369.*

Jiraporn, P., Kim, Y.S., Davidson, W.N. and Singh, M., (2016), 'Corporate governance, shareholder rights and firm diversification: An empirical analysis', *Journal of Banking & Finance*, Vol. 30, pp. 947-963

John, C. J. Harrison, (2011). "Manufacturing Based Relatedness, Synergy and Coordination". *Strategic Management Journal, 20, 129-145.*

Kuppuswamy, V., & Villalonga, B. (2012). Does diversification create value in the presence of external financing constraints? Evidence from 2007–2009 financial crisis.

Laeven, L. and Levine, R., (2007), 'Is there a diversification discount in financial conglomerates', *Journal of Financial Economics*, Vol. 85, pp. 331-367

Lewellen, W.G. (2011). "A pure Financial Rationale for Conglomerate Mergers". *Journal of Finance 26: 521-537.*

Mansi SA, Reeb DM. 2012. Corporate Diversification: What Gets Discounted? *Journal of Finance* 57(5): 2167-2183.

Markides, C.C and Williamson, P.J 2009, 'Related diversification, core competencies and corporate performance', *Strategic Management Journal. Volume 15 (2005), pp. 149-165*.

Mashiri E & Sebele F, 2014, Diversification as a Corporate Strategy and Its Effect on Firm

Meyer KE, Lieb-Doczy E. (2009). "Post-acquisition restructuring as evolutionary process". *Journal of Management Studies 40(2): 459-482.*

Mishina Y, Pollock TG, Porac JF. (2010). "Are more resources always better for growth? Resource stickiness in market and product expansion". *Strategic Management Journal 25(12): 1179-1197.*

Montgomery, C. (2015). "Corporate Diversification". *Journal of Economic Perspectives, 8, 163-178.*

Nayyar PR. (2012). "On the measurement of corporate diversification strategy: evidence form large U.S. service firms". *Strategic Management Journal 13(3): 219-235.*

Oliver C. (2010). "Sustainable Competitive Advantage: Combining Institutional and Resource – Based Views". *Strategic Management Journal, 18(9), 697-713.*

Palich, L., Cardinal, L., & Miller, C. (2015). Curvilinearity in the diversification—performance linkage, an examination of over three decades of research. *Strategic Management Journal, 21*(3).

Park, K. and Jang, S.,S. (2012). *Effect of Diversification on Firm Performance: Application of the Entropy Measure*, International Journal of Hospitality Management, Vol: 31, pp: 218-228

Performance: A Study of Zimbabwean Listed Conglomerates in the Food and Beverages Sector, 'International Journal of Economics and Finance Park, Vol:6, pp: 1--14

Porter, Michael E 2010, "From Competitive Advantage to Corporate Strategy," *Harvard Business Review,* May-June 2007, pp. 43-59.

Ramanujam, V., Varadarajan, P. (2009). "Research on Corporate Diversification: a Synthesis". *Strategic Management Journal 10(6): 523-551.*

Rudolph, C. and Schwetzler, B., (2014), 'Conglomerates on the rise again? A cross-regional study on the impact of the 2008-2009 financial crisis on the diversification discount', *Journal of Corporate Finance*, Vol. 22, pp. 153-165

Shleifer A, Vishny RW. 2007. Management Entrenchment: The Case of Manager-Specific Investments. *Journal of Financial Economics* 25(1): 123.

Tallman, S., Li, J. (2009). "Effects of International Diversity and Product Diversity on the Performance of Multinational Firms". *Academy of Management Journal 39(1): 179-196.*

Teece DJ. 2014. Profiting from technological innovation: Implications for integration, collaboration, licensing and public policy. *Research Policy* 15(6): 285.

Villalonga, B. (2014). Does diversification cause "the diversification discount?" *Financial Management Journal*.

Zahavi, T. and Lavie, D., (2013), 'Intra-industry diversification and firm performance', *Strategic Management Journal*, Vol. 34, pp. 978-998

Fidelity life assurance Annual Reports. (2011, 2012, 2013, 2014, 2015).

Internet sources

Annum, G., 2015. Research instruments for data collection. (pdf) Available at http://www.campus.educadium.com/newmediart/file.php/1/giilmadstore (accessed 20/03/2017 at 1255hrs)

Haque, M., and. Sampling methods in social research. (pdf) Available at http://www.grmgrlaranya.com (accessed 20/03/2017 at 0855hrs)

http://tutor2u.net/business/strategy/ansoff_matrix.htm

http://www.explorable.com/management/diversification.php

http://www.Fidelitylife.co.zw

http://www.strategyformulation.com/management /diversification-strategy

Johns, R., 2010. Likert items and scales. (pdf) Available at http://www.edb.org (accessed on 20/03/2017 at 1040hrs)

Joppe, M., 2000. The research process. (pdf) Available at http://www.nova.edu (accessed on 23/03/2017 at 1115hrs)

Kajornboon, A.B., 2005. Using interviews as research instruments. (pdf) Available at http://www.culi.chula.ac (accessed on 26/03/2017 at 0855hrs)

Lewin, L., 2014. Are qualifications more important than experience? (online) Available at http://www.linkedin.com (accessed on 24/03/2017 at 0820hrs)

Lombardo, T., 2011. Ethical character development and personal and academic excellence. (pdf) Available at http://www.centerforfutureconsciouness.com (accessed on 28/03/2017 at 1238hrs)

Mckinsey & Company, 2014. Global insurance pools fourth edition: Global insurance industry insights, (pdf) Available at http://www.mckinsey.com (accessed on 27/03/2017 at 1145hrs)

Mugo, F., 2002. Sampling in Research, (pdf) Available at http://www.trochim.human.cornell.edu/tutorial/mugo/tutorial.htm (accessed 25/03/2017 at 1038hrs)

Nissim, D., 2010. Analysis and valuation of insurance companies, (pdf) Available at http://www.gsb.columbia.edu/ceasa (accessed 24/03/2017 at 1315hrs)

Thi, T.U., 2013. Data in a research, (pdf) Available at http://www.kttm.hoasen.edu (accessed 26/03/2017 at 2045hrs)

Wyk, B., 2009. Research design and methods, (pdf) Available at http://www.uwc.ac.za (accessed on 24/03/2017 at 1534hrs)

Zohrabi, M., 2013. Mixed method research: Instruments, validity and reliability. (pdf) Available at http://www.academypublication.com (accessed on 20/03/2017 at 0815hrs)

APPENDICES
APPENDIX 1: COVER LETTER

Midlands State University
P Bag 9055
Gweru

14/09/2016

Fidelity Life Assurance Company Zimbabwe
66 Julius Nyerere way
Harare

Dear Sir/Madam

RE: Request to carry out an academic research in your organisation.

My name is Epaphras Chinyakuza, I am a fourth year student studying a Bachelor of Commerce Accounting Honours degree at the Midlands State University. In partial fulfilment of the requirements of the above stated degree, I am carrying out a research on the **impact of diversification on profitability and growth of Fidelity Life Assurance.** As a result, I am seeking permission to carry out a research at your organisation.

Kindly note that you have my assurance that the data obtained in the research shall be used for academic purposes only. Confidentiality shall be maintained.

Yours sincerely

Epaphras Chinyakuza
R134456V

Dear respondent

My name is Epaphras Chinyakuza. I am a final year student at the Midlands State University,

pursuing a Bachelor of Commerce Accounting Honours degree. I am carrying out a research

on the **impact of diversification on profitability and growth of Fidelity Life Assurance.** It

is a delight to involve you in this research and take heed of your views. Please feel free to

answer the questions below to the best of your ability. Kindly note that the information you

shall supply is only intended for academic purposes and confidentiality shall be upheld.

Instructions

    a. **Do not** write your name on the questionnaire.
    b. Kindly indicate your answer by use of a **tick** in the relevant answer box.
    c. Where applicable, fill in your answer on the **blank space** provided.
    d. If you are not certain about how to respond to any given question please skip the question and go to the next one.

Background Information

    1. Position within the organisation
       Finance Director ☐   Finance General Manager ☐   Finance Manager ☐
       Accountant ☐   Project Administrators ☐   Project Site Supervisor ☐
       General Hand Employee ☐

    2. Duration in entity
       0-1yr ☐ 1-3years ☐ 3-5years ☐ 5-10 years ☐ more than 10 years ☐

    3. State your highest academic or professional Qualifications.

Qualifications	**Diploma**	**1st Degree**	**Masters**	**Others**

Specify (other)

…………………………………………………………………………………………………

4. How many products and / or services does your business entity offer your clients?
   Between 1 and 5 [ ]   between 6 and 10 [ ]   above 10 [ ]

5. From your observation, how independent are these products and/or services in terms of income contribution?

   Very Dependent [ ]

   Less Dependent [ ]

   Independent [ ]

6. Is your entity also involved in business operations other than insurance services?
   Yes [ ]   No [ ]

7. If yes, how do you think this affects your core operations?
   Positively [ ]   Negatively [ ]

8. The following are the key motives for diversification

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. To gain market share					
ii. To improve firm's value					
iii. To spread risk					

Any other drivers (specify)

…………………………………………………………………………………………………

…………………………………………………………………………………………………

………………………………

9. Do you think the offering of variety of products and / or services has been beneficial to your business?

Agree ☐   Uncertain ☐   Disagree ☐

10. In your own opinion, how would you rate the strategy of diversification?

Very good ☐   Good ☐   Not good ☐

11. How diversified do you think the other businesses in the insurance industry are?

Very ☐   Average ☐   Not ☐

12. If diversified, does this position give them an upper hand over your company?

Yes ☐   No ☐

13. If not diversified, does that make them less competitive to your business entity?

Yes ☐   No ☐

14. Have this issue of offering multiple products and/or services affected the managerial functionality of your business?

Yes ☐   No ☐   Not sure ☐

15. Other comments

……
……
……
……
……
……………………………

Thank you for your cooperation

Yours faithfully

Epaphras Chinyakuza

APPENDIX 3: INTERVIEW GUIDE

1. How do you describe your organization's diversification strategy?

2. How effective is your organization's diversification strategy?

3. In your opinion, are there any challenges that have arose as a result of the unrelated diversification strategy as implemented to Fidelity, if possible name them?

4. What do you have to say about the diversification strategies adopted by other insurance companies?

5. How have these diversified insurance companies been performing?