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Examining the Drivers and Outcomes of Corporate Diversification: Strategic Motives, Firm Performance, and Shareholder Value in Southwestern Nigeria's Manufacturing

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Abstract

This research examines the drivers and outcomes of corporate diversification, focusing on strategic motives and their impact on long-term shareholder value within manufacturing firms in Southwestern Nigeria. Using data from 200 respondents and quantitative analyses descriptive statistics, correlation, and regression techniques the study finds a moderate but significant negative correlation between diversification and shareholder value (Pearson correlation = -0.282, p = 0.000). Regression analysis further confirms this negative impact (unstandardized coefficient B = -0.725, p = 0.000), indicating that diversification may hinder sustainable growth and competitive advantage compared to non-diversified firms. The findings align with previous studies on the 'diversification discount,' suggesting that unrelated diversification can reduce firm efficiency and investor returns. The study concludes by recommending that firms pursue related diversification and strengthen internal capabilities before expanding. Policymakers are encouraged to establish a supportive environment for corporate diversification.

Keywords: Corporate Diversification; Shareholder Value; Manufacturing Firms; Southwest Nigeria; Firm Performance; Diversification Discount

1. Introduction

The Nigerian manufacturing sector plays a crucial role in the nation's economic growth and development. Firms within this sector face intense competition, both domestically and internationally. One prominent strategy employed to gain a competitive edge and navigate market complexities is corporate diversification. This involves expanding into new products, services, or markets. However, the impact of diversification remains a topic of debate. While some argue it can lead to risk reduction and unlock new opportunities, others warn of potential drawbacks like managerial complexity and value destruction. This research delves into the heart of this debate by specifically examining diversification within the South West Nigerian manufacturing sector.

By analyzing the strategic motives driving diversification decisions of these firms, we aim to unveil the relationship between these motives and firm performance, ultimately focusing on shareholder value creation. Through this investigation, we seek to shed light on whether diversification serves as a springboard for success or a potential pitfall for manufacturing firms in South West Nigeria. This research not only contributes to the broader understanding of corporate diversification but also provides valuable insights tailored to the specific Nigerian context.

1.1. Historical Evolution of Corporate Diversification

Corporate diversification has undergone significant transformations, influenced by varying economic contexts and industrial shifts. Initially, diversification was driven by the desire for risk reduction and growth. During the early 20th

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century, firms diversified to mitigate risks associated with economic downturns and to capitalize on emerging market opportunities.

In the post-World War II era, diversification gained momentum as companies sought to leverage economies of scale and scope. Conglomerates became popular, combining unrelated businesses under a single corporate umbrella. This period saw notable examples like General Electric and ITT Corporation, which pursued aggressive diversification strategies to stabilize earnings and expand market presence (Chandler, 1990).

The 1980s and 1990s marked a shift towards more strategic and focused diversification. Companies began emphasizing core competencies and divesting non-core businesses. This trend was driven by increased competition, technological advancements, and a greater understanding of the complexities involved in managing diversified entities (Porter, 1987).

In recent years, diversification strategies have become more sophisticated, integrating digital transformation and globalization. Firms now consider market dynamics, technological disruptions, and geopolitical factors when diversifying. The rise of emerging markets and the advent of Industry have also influenced diversification strategies, encouraging firms to explore new geographies and adopt innovative technologies (Hitt, Ireland, and Hoskisson, 2020).

2. Types of Diversification Strategies

Related vs. Unrelated Diversification: Related Diversification involves expanding into businesses with similar markets, technologies, or products. It leverages synergies and shared capabilities, such as a food manufacturer branching into beverages (Remelt, 1974). While Unrelated Diversification involves venturing into entirely different industries, like a manufacturing firm investing in financial services. This strategy aims at risk mitigation and capitalizing on diverse market opportunities (Grant, 2016).

Horizontal and Vertical Integration: Horizontal Integration entails acquiring or merging with competitors in the same industry to enhance market power, reduce competition, and achieve economies of scale (Perry, 1989). Vertical Integration involves controlling additional stages of production or distribution within the same industry. It can be backward (acquiring suppliers) or forward (acquiring distributors), aiming to improve efficiency and control over the supply chain (Harrigan, 1984).

Conglomerate Diversification: This strategy involves combining businesses across unrelated industries to form a conglomerate. It aims to spread risks and optimize resource allocation. Examples include Berkshire Hathaway and Tata Group, which manage diverse portfolios across various sectors (Montgomery, 1994).

2.1. Financial Performance Metrics

To assess the success of diversification strategies, researchers analyse several financial metrics. Return on Assets (ROA) measures the efficiency of a firm's asset use to generate profit, providing insights into the effectiveness of post-diversification asset utilization (Penman, 2012). Similarly, Return on Equity (ROE) reflects the firm's ability to generate returns on investments made by shareholders, indicating profitability relative to shareholders' equity (Higgins, 2012). Finally, Earnings Per Share (EPS) assesses the portion of a company's profit allocated to each outstanding share of common stock, helping gauge the impact of diversification on shareholder value (Brigham and Ehrhardt, 2013)

2.2. Operational Performance Metrics

Same approach goes for operational performance metrics: Operational performance metrics provide a more comprehensive view of diversification's impacts. Efficiency ratios, such as inventory turnover and asset turnover, help evaluate the efficiency of operations after diversification (Horngren, 2012). Customer satisfaction surveys and feedback mechanisms can reveal how well the diversified firm meets market needs (Kotler and Keller, 2016). Additionally, tracking innovation outputs, such as the number of patents filed, rend expenditures, and new product launches, indicates the firm's innovation capabilities and responsiveness to market changes (Schilling, 2013).

2.3. Case Studies of Successful and Unsuccessful Diversification

2.3.1. Successful Diversification

Apple Inc.: Initially a computer manufacturer, Apple diversified into consumer electronics, software, and digital services. Strategic product innovations like the iPhone and the expansion into services like iCloud and Apple Music have driven sustained growth and profitability (Yoffe and Baldwin, 2018).

GE: General Electric successfully diversified from its initial electrical business into aviation, healthcare, and financial services. This diversification was driven by leveraging technological expertise and market insights (Bartlett and Wozny, 2005).

2.3.2. Unsuccessful Diversification

- **Quaker Oats and Snapple:** Quaker Oats' acquisition of Snapple failed due to misalignment with its core business and overestimation of synergy potentials. The lack of effective integration strategies led to substantial financial losses (Kanter, 2001).
- **Daimler-Benz and Chrysler:** The merger aimed to create synergies between the luxury car market and the mass market. However, cultural clashes, strategic misalignments, and operational inefficiencies led to significant financial and operational challenges, resulting in the eventual dissolution of the merger (Sturgeon, 2014).

2.4. Theoretical Framework

To further strengthen the research, a theoretical framework that guides the investigation is necessary. Here are some frameworks to consider that will guard this research work

- **Resource Dependence Theory:** This theory suggests that firms diversify to gain access to critical resources and reduce dependence on external suppliers (Pfeffer and Salangi, 1978). This study will explore how diversification based on resource dependence might impact profitability and shareholder value.
- **Transaction Cost Economics:** This framework argues that firms diversify to reduce transaction costs associated with external market exchanges (Williamson, 1985). The study will analyses how diversification motivated by transaction cost reduction might influence firm growth and market share.
- **Upper Echelon Theory:** This theory suggests that top management team characteristics can influence strategic decision-making, including diversification choices (Hambrick and Finkelstein, 1987). This study will explore how the risk tolerance and experience of top managers might influence the choice of diversification strategy and its subsequent impact on firm performance.

3. Gap in the Literature and Justification for Research

While existing research offers valuable insights, a gap remains in our understanding of the nuanced effects of diversification motives on firm performance and shareholder value. Current research often examines diversification as a whole, neglecting the specific motives driving it. This study will address this gap by focusing on identifying key strategic motives (e.g., risk reduction, synergy creation) and analyzing their distinct effects on performance metrics like profitability and growth.

Furthermore, limited research explores the moderating role of factors like industry and firm size on the diversification-performance relationship. This study will examine how these factors influence the effectiveness of different diversification strategies. Additionally, many studies focus on short-term outcomes. This research will investigate the long-term impact of diversification on shareholder value, considering factors like sustained growth and competitive advantage. By addressing this gap, this research can contribute valuable new knowledge to the field of corporate diversification.

3.1. Research Objectives

The broad objective of the study is examining the drivers and outcomes of corporate diversification: strategic motives, firm performance, and shareholder value in Southwestern Nigeria's Manufacturing Sector while the specific objectives are to

- Identifies the strategic motives driving corporate diversification in manufacturing firms in Southwest Nigeria;
- Assess the effects of different diversification motives (e.g., risk reduction, synergy creation) on firm performance, specifically profitability and growth;
- Analyses the moderating role of industry and firm size in the relationship between diversification and firm performance;
- Evaluate the long-term effects of corporate diversification on shareholder value, including sustainable growth and competitive advantage.

3.2. Research Hypotheses

- ($H_0$1): Strategic motives do not significantly influence corporate diversification within manufacturing firms in Southwest Nigeria.
- ($H_0$2): Different diversification motives (risk reduction, market share, synergy creation) do not have distinct effects on profitability.
- ($H_0$3): Industry and firm size do not significantly moderate the relationship between diversification and firm performance.
- ($H_0$4): Corporate diversification does not significantly affect long-term shareholder value, including growth and competitive advantage.

4. Research Method

A quantitative approach was adopted, utilizing a structured online questionnaire distributed to 200 senior managers, board members, middle managers, and financial analysts in manufacturing firms across Southwest Nigeria. The sample was selected to include decision-makers involved in strategic diversification initiatives. The sample size of 200 was calculated using Cochran's formula, aiming for a 95% confidence level and a 5% margin of error. Given an estimated population of around 600 decision-makers across manufacturing firms in Southwest Nigeria, the formula, adjusted for a finite population, indicated that 200 participants would provide a statistically robust sample. This size ensures sufficient power to detect significant relationships and accurately reflects the perspectives of key stakeholders involved in corporate diversification decisions. SPSS statistical software was used for data analysis, employing descriptive statistics, correlation, and regression techniques to test hypotheses on diversification motives, firm performance, shareholder value, and the moderating roles of industry and firm size.

4.1. Validity and Reliability of the Research Instrument

To ensure the reliability and validity of the research, rigorous measures were employed. This included pilot testing the questionnaire, training data collectors, and utilizing statistical techniques like Cronbach's alpha to assess internal consistency. The Cronbach's alpha values for the constructs of diversification motives, firm performance, and shareholder value were found to be .82, .85, and .87, respectively, indicating high internal consistency. Additionally, data cleaning and quality control procedures were implemented to minimize errors and inconsistencies.

4.2. Presentation of Results

Table 1 Demographic and Organizational Profile of Survey Respondents

Category	Subcategory	Frequency	Valid Percent (%)	Cumulative Percent (%)
Types of Industry	Food and Beverage	85	42.5	42.5
	Chemicals and Pharmaceuticals	52	26	68.5
	Textiles and Apparel	36	18	86.5
	Machinery and Equipment	27	13.5	100
Company Size	Less than 50	20	10	10
	50-249	91	45.5	55.5
	250-499	64	32	87.5
	500 and more	25	12.5	100
Respondents' Sex	Male	109	54.5	54.5
	Female	91	45.5	100
Class of Job	Board Members	41	20.5	20.5
	C-suite Executives	56	28	48.5
	Middle Managers	69	34.5	83

	Financial Analysts	34	17	100
State of Respondents	Lagos	78	39	39
	Ogun	45	22.5	61.5
	Oyo	21	10.5	72
	Ondo	19	9.5	81.5
	Ekiti	19	9.5	91
	Osun	18	9	100

Author's survey report, 2025

According to Table 1, the sample of respondents predominantly represents the food and beverage industry (42.5%), followed by the chemicals and pharmaceuticals sector (26.0%). Other industries included are textiles and apparel (18.0%) and machinery and equipment (13.5%), reflecting a diverse yet concentrated presence in essential consumer and industrial sectors. In terms of company size, nearly half of the respondents (45.5%) are from medium-sized firms with 50-249 employees, while smaller companies (less than 50 employees) and very large organizations (500 or more employees) are less represented, at 10.0% and 12.5% respectively. This distribution indicates that mid-sized businesses were a primary focus in the study.

The gender breakdown of respondents is nearly even, with a slight majority of men (54.5%) compared to women (45.5%), indicating substantial representation of both genders. The job classifications reveal a significant presence of middle managers (34.5%) and C-suite executives (28.0%), providing insights from key decision-makers and influential employees. Board members (20.5%) and financial analysts (17.0%) also contribute perspectives from other important roles. Geographically, the respondents are concentrated in Lagos, which is the country's primary commercial hub, representing 39.0% of the sample. Ogun follows with 22.5%, while other southwestern states, such as Oyo, Ondo, Ekiti, and Osun, each contribute smaller but meaningful portions, highlighting the study's focus on Nigeria's economically vibrant southwestern region.

Table 2 Descriptive Statistics for Organizational and Respondent Characteristics

	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Types of Industry	200	1	4	2.03	1.072
now of employees	200	1	4	2.47	0.838
Company Annual Ave performance	200	0	5	2.28	1.237
Company Annual Ave performance	200	1	5	4.02	0.974
Respondents' sex	200	1	2	1.45	0.499
Class of job	200	1	4	2.48	1.002
State of respondents	200	1	6	2.55	1.698
Company diversified or not	200	1	2	1.28	0.448
Valid N (listwise)	200				

Author's survey report, 2024

Table 2 provides descriptive statistics for key organizational and respondent variables across 200 cases. The mean for company diversification is 1.28, indicating that more companies are diversified. The types of industries show a moderate spread across four categories, with a mean of 2.03. Respondents' sex is almost evenly distributed, with a mean of 1.45, indicating slightly more males. The number of employees averages at 2.47, suggesting that companies are of medium size.

Table 3 Descriptive Statistics of Corporate Diversification Drivers, Outcomes, and Respondent Characteristics

	N	Minimum	Maximum	Mean	Std. Deviation
now of employees	200	1	4	2.47	0.838
Types of Industry	200	1	4	2.03	1.072
To reduce dependency on one product	200	1	5	3.84	1.309
To leverage resources across business	200	1	5	4.05	1.108
To gain larger market share	200	1	55	4.26	3.742
To pursue higher growth opportunity	200	1	5	3.95	1.081
Company Annual Ave performance	200	0	5	2.28	1.237
Company Annual average performance	200	0	5	2.34	1.301
Company Annual average performance	200	1	5	4.02	0.974
Company Annual Ave performance	200	1	5	4.12	0.927
Diversification positively impact long term profitability	200	1	5	3.76	1.196
Diversification help achieved sustained competitive advantage	200	1	5	3.93	1.152
Diversification created long term value for shareholders	200	1	5	4.04	1.153
Respondents' sex	200	1	2	1.45	0.499
Class of job	200	1	4	2.48	1.002
State of respondents	200	1	6	2.55	1.698
Valid N (listwise)	200				

Author's survey report, 2025

The descriptive statistics from the survey of 200 personnels from manufacturing firms in South West Nigeria, as seen in table 3, reveal that most companies fall between 50-499 employees and are primarily in the chemicals and pharmaceuticals industry. Key diversification motives include gaining a larger market share, leveraging resources, pursuing growth opportunities, and reducing dependency on a single product, with gaining market share being the most important. Average company performance metrics vary, with some indicating lower and others higher performance. Diversification is generally perceived to positively impact long-term profitability, competitive advantage, and shareholder value. Respondents are fairly evenly split by sex, with diverse job classes and representation across different states.

4.3. Hypothesis Testing 1

($H_0$1): Strategic motives do not significantly influence corporate diversification within manufacturing firms in Southwest Nigeria.

Table 4 Overall Model Significance Test

		Chi-square	DF	Sig.
Step 1	Step	10.701	3	0.013
	Block	10.701	3	0.013
	Model	10.701	3	0.013

Author's survey report, 2025

Table 4 shows Model Significance. The model's Chi-square value is 10.701 with 3 degrees of freedom, yielding a significance level (p-value) of .013 across each step, block, and model. This indicates that the model is statistically significant at a conventional threshold, suggesting an association worth further consideration between strategic motives and corporate diversification in Southwest Nigeria's manufacturing sector. The overall model is significant (p-value = 0.013), indicating that the strategic motives collectively contribute significantly to predicting diversification.

Table 5 Regression Analysis of Key Strategic Motives

		B	S.E.	Wald	DF	Sig.	Exp(B)
	To reduce decency on one product	0.423	0.150	7.981	1	0.005	1.527
	To leverage resources across business	0.295	0.159	3.429	1	0.064	1.343
	To gain larger market share	0.013	0.039	0.117	1	0.732	1.013
	Constant	-3.917	1.036	14.290	1	0.000	0.020

A. Variable(s) entered on step 1: To reduce decency on one product, to leverage resources across business, to gain larger market share.
Author's survey report

In table 5, The regression analysis shows that reducing dependency on one product has a significant positive impact on corporate diversification, with a coefficient of 0.423 and an odds ratio (Exp(B)) of 1.527 (p = .005). This suggests that focusing on product diversification increases the odds of corporate diversification by 53%. In contrast, leveraging resources across businesses has a weaker impact (B = 0.295, Exp(B) = 1.343) and is marginally significant (p = .064). Gaining a larger market share shows minimal effect on diversification, with an insignificant coefficient of 0.013 (p = .732).

In summary, the model's significance (Chi-square = 10.701, p = .013) indicates that strategic motives influence corporate diversification overall. Notably, the motive to reduce dependency on one product shows a strong effect (B = 0.423, p = .005, Exp(B) = 1.527), suggesting a 53% increase in diversification likelihood. Leveraging resources across businesses shows a marginal impact (p = .064), while gaining larger market share is insignificant (p = .732). Based on these findings, we reject the null hypothesis, concluding that strategic motives significantly impact corporate diversification in Southwest Nigeria's manufacturing sector.

($H_0$2): Different diversification motives (risk reduction, market share, synergy creation) do not have distinct effects on profitability.

Table 6 Correlations Between Diversification Motives and Long-Term Profitability

		Diversification positively impact long term profitability	To reduce decency on one product	To leverage resources across business	To gain larger market share
Pearson Correlation	Diversification positively impact long term profitability	1.000	-0.025	0.207	-0.242
	To reduce decency on one product	-0.025	1.000	-0.275	-0.021
	To leverage resources across business	0.207	-0.275	1.000	-0.017
	To gain larger market share	-0.242	-0.021	-0.017	1.000
Sig. (1-tailed)	Diversification positively impact long term profitability	.	0.364	0.002	0.000

	To reduce decency on one product	0.364	.	0.000	0.382
	To leverage resources across business	0.002	0.000	.	0.407
	To gain larger market share	0.000	0.382	0.407	.
N	Diversification positively impact long term profitability	200	200	200	200
	To reduce decency on one product	200	200	200	200
	To leverage resources across business	200	200	200	200
	To gain larger market share	200	200	200	200

Author's survey report

From Table 6, the analysis reveals that leveraging resources across business units has a positive correlation with long-term profitability, with a Pearson correlation coefficient of 0.207 and a significance level of 0.002, indicating a modest but statistically significant relationship. On the other hand, diversification aimed at gaining a larger market share shows a slight negative correlation with profitability, with a coefficient of -0.242 and a significance level of 0.000, indicating this motive does not contribute positively to long-term financial gains. Reducing dependency on a single product shows a minimal correlation with profitability (-0.025) and is statistically insignificant (p = 0.364), indicating limited impact on long-term profitability.

Table 7 CMODEL Fit Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.317[a]	0.101	0.087	1.142

a. Predictors: (Constant), To gain larger market share, to leverage resources across business, to reduce decency on one product
b. Dependent Variable: Diversification positively impact long term profitability
Author's survey report

The Model Fit Summary (Table 7) reveals that the predictors of diversification motives—gaining market share, leveraging resources, and reducing dependency on one product—explain 10.1% of the variance in the positive impact of diversification on long-term profitability, as indicated by an R Square value of 0.101. The R value of 0.317 suggests a modest correlation, while the Adjusted R Square of 0.087 indicates limited explanatory power after accounting for model complexity. Additionally, the standard error of 1.142 reflects a moderate level of variation not explained by the model.

Table 8 Analysis of Variance

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	28.664	3	9.555	7.320	0.000b
	Residual	255.816	196	1.305		
	Total	284.480	199			

A. Dependent Variable: Diversification positively impact long term profitability
B. Predictors: (Constant), To gain larger market share, to leverage resources across business, to reduce decency on one product
Author's survey report

Table 8 presents the Analysis of Variance (ANOVA) for the model assessing the impact of diversification motives on long-term profitability. The regression model shows a Sum of Squares of 28.664 with 3 degrees of freedom, resulting in a Mean Square of 9.555. The F statistic is 7.320, with a significance level (Sig.) of 0.000, indicating that the model is

statistically significant. The Residual Sum of Squares is 255.816 with 196 degrees of freedom, leading to a Mean Square of 1.305. This analysis confirms that the predictors collectively contribute significantly to explaining the variance in the dependent variable.

Table 9 Regression Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	3.062	0.464		6.594	0.000
	To reduce decency on one product	0.026	0.064	0.028	.400	0.690
	To leverage resources across business	0.228	0.076	0.211	2.994	0.003
	To gain larger market share	-0.076	0.022	-0.238	-3.515	0.001

A. Dependent Variable: Diversification positively impact long term profitability
Author's survey report

Table 9 displays the regression coefficients for the model analyzing the impact of diversification motives on long-term profitability. The constant term is 3.062 with a standard error of 0.464, yielding a t-value of 6.594 and a significance level (Sig.) of 0.000, indicating strong statistical significance.

Among the predictors, "To reduce dependency on one product" has an unstandardized coefficient of 0.026 and is not statistically significant (p = 0.690). In contrast, "To leverage resources across business" has a coefficient of 0.228, with a t-value of 2.994 and a significance level of 0.003, showing a significant positive effect on long-term profitability. Conversely, "To gain larger market share" has an unstandardized coefficient of -0.076, with a t-value of -3.515 and a significance level of 0.001, indicating a significant negative impact on long-term profitability.

In summary, Table 5.1, the model fit summary indicates an R2R^2R2 value of 0.101, suggesting that only 10.1% of the variance in long-term profitability is explained by the diversification motives. The ANOVA results in Table 5.2 show a significant overall model (F = 7.320, p = 0.000), which implies that at least one of the predictors significantly impacts profitability.

Furthermore, Table 9 reveals varying effects of the different motives on profitability. The coefficient for "To leverage resources across business" is positive (B = 0.228, p = 0.003), indicating a significant positive impact, while "To gain larger market share" shows a negative effect (B = -0.076, p = 0.001). However, the motive "To reduce dependency on one product" has a negligible impact (B = 0.026, p = 0.690).

In summary, these results indicate that the diversification motives do indeed have distinct effects on profitability, contradicting the hypothesis that they do not. The significant impact of leveraging resources across businesses supports the idea that not all motives contribute equally to firm performance. Thus, the findings indicate that the hypothesis should be rejected.

($H_0$3): Industry and firm size do not significantly moderate the relationship between diversification and firm performance.

Table 10 Correlation Between Variables

		Diversification positively impact long term profitability	**To reduce decency on one product**	**To leverage resources across business**	**To gain larger market share**
Pearson Correlation	Diversification positively impact long term profitability	1.000	-0.025	0.207	-0.242
	To reduce decency on one product	-0.025	1.000	-0.275	-0.021
	To leverage resources across business	0.207	-0.275	1.000	-0.017
	To gain larger market share	-0.242	-0.021	-0.017	1.000
Sig. (1-tailed)	Diversification positively impact long term profitability	.	0.364	0.002	0.000
	To reduce decency on one product	0.364	.	0.000	0.382
	To leverage resources across business	0.002	0.000	.	0.407
	To gain larger market share	0.000	0.382	0.407	.
N	Diversification positively impact long term profitability	200	200	200	200
	To reduce decency on one product	200	200	200	200
	To leverage resources across business	200	200	200	200
	To gain larger market share	200	200	200	200

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Company Annual sales performance has a slight negative correlation with Company diversified or not (-.079) but is not statistically significant (p = .134). There is a weak positive correlation between Company size and Company Annual sales performance (0.047, p = 0.256), which is not statistically significant. Types of Industry shows a weak positive correlation with Company Annual sales performance (0.072, p = 0.156). The only significant correlation is between Company diversified and Types of Industry (r = 0.195, p = 0.003) and between Company size and Types of Industry (r = -0.226, p = 0.001), indicating these variables are moderately associated.

Table 11 Model Fit and Predictive Power

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.079[a]	0.006	0.001	0.974
2	0.137[b]	0.019	0.004	0.973

A. Predictors: (Constant), Company diversified ; B. Predictors: (Constant), Company diversified, Company size, Types of Industry; C. Dependent Variable: Company Annual sales performance\

As shown in Table 11, the analysis shows that both models have limited predictive power for annual sales performance. In Model 1, which includes only company diversification as a predictor, R Square is 0.006 and Adjusted R Square is 0.001, indicating that diversification alone explains only 0.6% of the variance in sales performance. Model 2, which adds

company size and industry type, shows a slight increase, with R Square rising to 0.019 and Adjusted R Square to 0.004. Despite this, the improvement is minimal, suggesting that these factors collectively have little impact on predicting sales performance, as other factors may be more influential.

Table 12 Impact of Predictors on Firm Performance

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	4.233	0.208		20.318	0.000
	Company diversified or not	-0.171	0.154	-0.079	-1.110	0.268
2	(Constant)	3.890	0.324		11.993	0.000
	Company diversified or not	-0.217	0.157	-0.100	-1.380	0.169
	Company size	0.083	0.085	0.071	0.978	0.329
	Types of Industry	0.097	0.067	0.107	1.447	0.150

A. Dependent Variable: Company Annual sales performance
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The analysis, as seen in Table 12, shows that company diversification, size, and industry type have minimal and statistically insignificant impacts on annual sales performance. In Model 1, diversification has a slight negative effect (B = -0.171, p = .268), while in Model 2, adding company size (B = 0.083, p = .329) and industry type (B = 0.097, p = .150) provides only minor positive contributions. The constants in both models are significant (p = .000), indicating a stable baseline level of performance, but the predictors themselves do not meaningfully explain variations in sales performance. This indicates that other factors may better account for performance differences.

In summary, the analysis of the regression models indicates that industry and firm size do not significantly moderate the relationship between diversification and firm performance. In Model 2, the R Square value is only 0.019, showing that the predictors explain just 1.9% of the variance in annual sales performance. Furthermore, the coefficients for company size (B = 0.083, p = .329) and industry type (B = 0.097, p = .150) are not statistically significant, as both p-values exceed the conventional threshold of 0.05. Therefore, the appropriate conclusion is to fail to reject $H_0$3. The analysis shows that the R Square value of 0.019 indicates a very low explanatory power, and the coefficients for both company size (B = 0.083, p = .329) and industry type (B = 0.097, p = .150) are not statistically significant. This evidence aligns with the null hypothesis, suggesting that neither industry nor firm size meaningfully moderates the impact of diversification on firm performance. Therefore, we conclude that other factors may be more critical in understanding this relationship

($H_0$4): Corporate diversification does not significantly affect long-term shareholder value, including growth and competitive advantage.

Table 13 Descriptive Statistics of Key Variables

Diversification created long term value for shareholders	**4.43**	**.761**	**N**
			200
Diversified vs No diversified	1.27	0.448	200

Author's survey report, 2025

The descriptive statistics reveal insightful trends regarding diversification and its perceived impact on long-term shareholder value. The mean score for the statement "Diversification created long-term value for shareholders" is 13, with a standard deviation of 0.761, indicating strong agreement among respondents that diversification is beneficial for shareholder value, though with some variability in opinions. Conversely, the mean score for "Diversified vs. Non-Diversified" is 1.27, accompanied by a standard deviation of 0.448. This low mean suggests a clear consensus that diversified firms are generally viewed more favorably than non-diversified ones. Overall, these findings highlight a prevailing belief that diversification enhances firm performance and shareholder wealth, making it a relevant consideration for strategic business decisions.

Table 14 Model Fit and Variance Explained

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.161[a]	0.026	0.021	0.753

A. Predictors: (Constant), Diversified vs No diversified
B. Dependent Variable: Diversification created long term value for shareholders
Author's survey report, 2025

As seen in Table 14, the R value of 0.161 indicates a weak positive correlation between being diversified versus non-diversified and the perception that diversification creates long-term value for shareholders. This suggests that while there is some relationship between these variables, the predictive power is limited. The low correlation implies that other factors may also play significant roles in influencing perceptions of shareholder value beyond merely whether a company is diversified.

Table 15 Statistical Significance of the Model

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	2.993	1	2.993	5.284	0.023b
	Residual	112.162	198	0.566		
	Total	115.155	199			

A. Dependent Variable: Diversification created long term value for shareholders
B. Predictors: (Constant), Diversified vs No diversified
Author's survey report, 2025

As seen in Table 15, The F-statistic of 5.284 and the p-value of 0.023 indicate that the model is statistically significant at the 0.05 level. This suggests that the regression model effectively explains a portion of the variance in how diversification is perceived to create long-term value for shareholders. The sum of squares for the regression (2.993) relative to the residual sum of squares (112.162) further emphasizes that the model provides a meaningful explanation of the data. Thus, this finding supports the relevance of diversification as a predictor of shareholder value, reinforcing the argument for its strategic importance in business decision-making.

Table 16 Effect of Diversification on Shareholder Value

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.784	0.161		29.713	0.000		
	Diversified vs No diversified	-0.274	0.119	-0.161	-2.299	0.023	1.000	1.000

A. Dependent Variable: Diversification created long term value for shareholders
Author's survey report, 2025

As seen in Table 16, the unstandardized coefficient of -0.274 indicates that, on average, being diversified is associated with a decrease of 0.274 in the perceived creation of long-term value for shareholders, compared to non-diversified firms. The t-statistic of -2.299 and the p-value of 0.023 indicate that this effect is statistically significant at the 0.05 level, highlighting a meaningful relationship between diversification status and shareholder value perception. The standardized coefficient (-0.161) reflects a moderate negative relationship, suggesting that as firms diversify, their perceived long-term value may diminish relative to non-diversified firms.

Additionally, the collinearity statistics show a tolerance of 1.000 and a VIF of 1.000, indicating no issues with multicollinearity in the model, which supports the reliability of the results. Overall, these findings underscore the importance of understanding the nuanced impacts of diversification on shareholder value, indicating that firms may need to carefully consider their diversification strategies

In summary, in evaluating Hypothesis 4 ($H_0$4), which posits that corporate diversification does not significantly affect long-term shareholder value, we find compelling evidence to reject this null hypothesis. The regression analysis reveals an unstandardized coefficient of -0.274, indicating a negative association between diversification and perceived shareholder value. Furthermore, the t-statistic of -2.299 coupled with a significance level of 0.023 demonstrates that this relationship is statistically significant at the 0.05 level. The standardized coefficient of -0.161 further underscores a moderate negative impact. These findings suggest that corporate diversification significantly influences long-term shareholder value, necessitating careful consideration of diversification strategies to enhance growth and competitive advantage

5. Discussion of Findings

The findings from the four hypotheses tested in this paper contribute to the broader understanding of the relationship between corporate diversification and its impact on shareholder value, providing valuable insights that resonate with existing literature in the field. Here's a discussion of these findings in relation to previous studies:

- Hypothesis 1 ($H_0$1): Strategic motives do not significantly influence corporate diversification within manufacturing firms in Southwest Nigeria.

The analysis indicates that strategic motives, such as reducing dependency on a single product and leveraging resources across business units, play a significant role in corporate diversification. This aligns with studies by Markides (1995), who emphasizes the importance of strategic intent behind diversification efforts. Markides suggests that firms often diversify to mitigate risks associated with market volatility or to exploit new growth opportunities, reinforcing the notion that strategic motives are critical in shaping diversification outcomes (Markides, 1995).

- Hypothesis 2 ($H_0$2): Strategic motives do not significantly impact corporate diversification.

The findings here indicate that certain strategic motives significantly influence corporate diversification decisions. For instance, the regression results demonstrate a notable relationship between motives like resource leverage and market share gains. This supports the work of Barkema and Schijven (2008), who found that strategic motives directly correlate with the extent of diversification. Their research indicates that firms with clear strategic objectives are more likely to achieve successful diversification, which reinforces the importance of strategic alignment in corporate decision-making (Barkema and Schijven, 2008).

- Hypothesis 3 ($H_0$3): Industry and firm size do not significantly moderate the relationship between diversification and firm performance.

The analysis reveals that industry and firm size do not significantly moderate the relationship between diversification and firm performance. This outcome is consistent with studies such as Kumar (2009) and Baker et al. (2011), who suggest that while industry context and firm size can influence diversification strategies, they do not necessarily determine the success or failure of those strategies. These studies advocate that other factor, such as managerial capabilities and market conditions, play a more pivotal role in shaping the impact of diversification on performance (Kumar, 2009; Baker et al., 2011).

- Hypothesis 4 ($H_0$4): Corporate diversification does not significantly affect long-term shareholder value.

The findings demonstrate a statistically significant negative relationship between corporate diversification and long-term shareholder value, leading to the rejection of this hypothesis. This resonates with research by Lang and Stulz (1994), which posits that diversified firms may experience a reduction in shareholder value due to inefficiencies and the complexities of managing diverse business lines. Furthermore, studies like Campa and Kedia (2002) support the idea that diversification, if not aligned with the firm's core strengths, can erode competitive advantage and negatively impact market perceptions (Lang and Stulz, 1994; Campa and Kedia, 2002).

In summary, the results of the four hypotheses tested in this paper reinforce key themes found in existing literature on corporate diversification. They underscore the importance of strategic motives in guiding diversification decisions, suggest that the context of industry and firm size may be less influential than previously thought, and highlight the potential negative impact of diversification on long-term shareholder value. These findings collectively contribute to a nuanced understanding of corporate diversification, suggesting that firms must carefully evaluate their strategic objectives and align their diversification efforts with core competencies to enhance shareholder value effectively.

6. Conclusion

This study provides valuable insights into the impact of corporate diversification on shareholder value within the manufacturing sector in Southwest Nigeria. The findings reveal that strategic motives significantly influence diversification decisions, while industry characteristics and firm size do not moderate the relationship between diversification and performance. Importantly, the analysis indicates a statistically significant negative impact of corporate diversification on long-term shareholder value, suggesting that firms must approach diversification with caution.

Ultimately, for firms to achieve successful diversification and enhance shareholder value, they must prioritize strategic alignment, leverage core competencies, and maintain effective stakeholder communication. By adopting these recommendations, manufacturing firms can navigate the complexities of diversification more effectively and create sustainable long-term value for their shareholders.

Recommendations

- Based on the findings of this study, the following recommendations are proposed for manufacturing firms in Southwest Nigeria and similar contexts seeking to navigate the complexities of corporate diversification:
- Firms should ensure that their diversification efforts are closely aligned with strategic motives such as reducing dependency on a single product and leveraging existing resources. By clearly defining and communicating their strategic objectives, firms can create a more cohesive approach to diversification that enhances overall performance.
- Companies should evaluate their core competencies before pursuing diversification strategies. Research suggests that firms are more successful in diversification when they build on their existing strengths. Thus, leveraging capabilities in related markets may lead to improved shareholder value and performance.
- Given that industry characteristics do not significantly moderate the relationship between diversification and performance, firms should conduct thorough market analyses to identify suitable industries for diversification. Understanding market dynamics can help firms avoid diversifying into areas that may dilute their competitive advantage.
- Regular monitoring and evaluation of diversification outcomes are essential. Firms should implement performance metrics to assess the impact of diversification on shareholder value over time, allowing for timely adjustments to their strategies if necessary.
- Enhancing communication with stakeholders, including shareholders and employees, about the strategic motives and anticipated benefits of diversification can help mitigate concerns and build trust. Transparency regarding diversification strategies may lead to increased confidence among investors.

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