

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Influence of Horizontal Growth Strategy on Performance of Tusker Mattresses Ltd, Nairobi, Kenya

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### **Abstract:**

*Small and medium enterprises sector is progressively acknowledged as leading vehicle for economic growth in equally developed and developing countries. Growth strategies are sturdiest elements to keep businesses thriving in today's technical, fast developing world falling into binary main categorization namely, concentrations and diversifications approaches. The study purpose was to evaluate influence of horizontal growth strategy influence on performance of Small and Micro Enterprises; a case of Tusker Mattresses Ltd Nairobi, Kenya. This study will adopt a mixed methodology and shall adopt a descriptive research design. The study was conducted in Tuskers supermarket in Nairobi. The target populace for this study was 102 including the senior managers and Middle managers at Tuskers supermarket. To collect data, semi-structured questionnaire was used. In this study, Cronbach's Alpha coefficient was used in ascertaining the reliability of instruments. The data was examined by use of Statistical Package for Social Science Version twenty-two. The research will also employ correlation and regression examination to establish effect and relationship among study variables. The correlation study results indicated that all the measures of horizontal growth strategy had statistically significant positive correlation with performance of Tusker Mattresses Ltd Nairobi County and even among themselves. Horizontal growth strategy had explanatory power over performance of Tusker Mattresses ltd Nairobi County because it accounts for 62.4 percent of performance of Tusker Mattresses ltd Nairobi County variation ( $R^2 = .624$ ). This shows that the contribution of horizontal growth strategy to performance of Tusker Mattresses ltd Nairobi County was statistically significant. Based on the results, this study therefore concluded that there was a statistically significant influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi. The management of Tusker Mattresses Ltd Nairobi should make more efforts in employing horizontal growth strategies since this study has found out that horizontal growth strategies to have a significant and positive influence on performance of Tusker Mattresses Ltd Nairobi.*

**Keywords:** Horizontal growth strategy, performance, Kenya

### **1. Introduction**

The Future of Sustainable Finance (2011) states that launching of SMEs in the United States of America was due to the fact that SMEs kindle growth in the economy, the UK have adopted 10,000 SMEs to nurture growth in SMEs and social enterprises. Pushpakumari and Toshimitsu (2009) state that worldwide, SMEs are recognized as the hub for development through revenue, strategy implementation and technological advancement. The level of dependency on SMEs has also increased drastically recently since strategies implemented by each business improve the overall performance in the economy.

In Sri Lanka and Japan SMEs have major starring roles to play in every area of economy? This can be through corporations, staff hire, or international trade earnings. In 2006 Japan registered a total of 4.2 million small and medium enterprises which was 99.7% of all firms employing 78% of total employment. Maryam, Mehrabanfar and Banaitis (2018) in their strategies in coming up with a conceptualization structure for strategic management with reference to energy industry- Tehran state that, the oil industry is the main economic growth tool in Iran since 1901 to date and accounts for the greatest percentage in the GDP. Incorporation of strategies in the oil industry has resulted to tremendous rise of markets thus increased revenue altering incentives of multiple players involved; forecast on future market trends through strategies has created drastic transition from traditional to modern strategic techniques which can be seen from 2013.

In 1985 as a recompense for extensive devotion to his work, Nakuru Mattresses facilitated Kamau started Rongai Self Service shop which was the first of the kind in that town. Old Kamau nurtured an exceptional rapport with initiator of Nakuru Mattresses (today's Nakumatt), engaged in brisk trade, thus enabling old Joram get different goods on credit. These were later reasonably priced, a strategy that would later enhance growth, after a while he gave his first shop to his brother

which converted into the Naivas Supermarket brand a family culture which continued family members who are serious about venturing into trade.

According to Tusker Mattresses Ltd (2018) A decade and a half later, MzeeJoram's sons joined venture and embarked on a motivated expansion strategy through Tusker Mattresses which in turn led to a Nairobi branch, which is today's Tusker Mattresses Ltd. With their father's dream at heart, the Kamau's saw Tusker Mattresses Ltd grow from a wholesale shop to a series of fifty-five branches throughout the nation and seven branches in Uganda with an expanded variety of products. This is despite the Founder passing on in 2002. It has quickly expanded into Eastern African countries like Rwanda, Uganda and Tanzania. Equipped with a humble philosophy, MzeeJoramKamau planted seeds that gave birth to a merchandising giant. His philosophy was that via enterprises, headship and services, commonplace people cannot experience prosperity but they must come together with a common purpose so as to be able to uplift their lives and that of their societies Tusker Mattresses Ltd (2018).

## 2. Literature Review

Mayureshnikam, (2018) in their study marketing strategy of Coca Cola in India targeting developing and industrialized countries states that, ultimate goal of coke is to develop their customer base and enhance their services. While doing Horizontal expansion the competitors counter strategy is vital. PEPSI being Coca Cola's main opponent chose Vertical Expansion thus generating hire sales; Coca-Cola to cover the untapped potential market, Coca-Cola Company implemented its business expansion strategy that is horizontal expansion concept. This strategy dealt with increasing number of Coca-Cola retail outlets by converting non-Coca-Cola outlets to Coca-Cola retail outlets. Hence it has to deal and convince the retailers to keep Coca-Cola products and join the chain. For effective implementation, company need to understand the dimensions in terms of product, price, availability, salesman behavior, promotion and advertisement for retailer satisfaction. If this was known from existing retailers it helps the company to come up with efficient marketing strategies. Hence, the study was carried to understand the retailers' satisfaction towards Coca-Cola products. Companies opt for Horizontal integration as a competitive approach. Horizontal integration is procurement of trade undertakings that are at similar value chain level operating in the same or dissimilar trades. Horizontal growth is growing into mostly related industry or profession that is expansion into adjacent markets this is more of geographical integration and acquiring businesses that are related to the company's current products and services.

## 3. Methodology

The study adopted a descriptive research design since the study shall seek to designate a given characteristic in both qualitative and measurable terms (Kothari, 2011). According to the observation of Kothari (2011) surveys are both economically and efficient which assist in understanding population opinions and attitude of respondents. This research study will aim to establish. Brayman (2012) writes that a study design offers an outline upon which gathering and examination of data is based. Choosing a study design gives a reflection of decisions concerning the importance given to a variety of dimensions of research processes. Study design is more of a blueprint aimed at fulfilling investigation objectives and also an attempt in answering study questions. It is a master strategy stipulating the methodology and techniques for gathering and scrutinizing the data to ensure that collected data is suitable for overcoming the stumbling block.

### 3.1. Target Population

Cooper (2014) noted that Target population is part of the population from which the scholar has the interest in investigating. Babie (2007), states target population is the whole combination of research participants meeting the chosen set of standards in a study. Agreeing to Kothari (2011) a populace component are subjects who include persons, organizations, customer databases and quantity of measureable data on which measurements are being taken. The target populace for this study was 102 including the senior managers and Middle managers at Tusker Mattresses Ltd and is dispersed as revealed in Table 1.

Level of Management	Population Frequency	Percentage
Senior managers	33	33
Middle managers	69	69
Total	102	102

*Table 1: Target Population  
Tusker Mattresses Ltd (2020)*

### 3.2. Sampling Procedures and Techniques

This research used stratified sampling procedure in coming up with its study sample. A stratified sampling is a probability selection method is used in target populace that is not homogenous hence the researcher sub-divides target populace into dissimilar subgroups known as strata and every stratum contain entities that have similar characteristics. Simple randomly sampling is then applied to come up with the final entities subjects proportionately from the dissimilar strata (Kothari, 2011). Stratified sampling procedure was employed in coming up with study participants from amongst the list provided by human resource department so that all stages of management and employees in study.

Vogt, (2012) is of the proposition that stratified sampling is useful when a scholar wants to highpoint specified subcategories inside the populace and will be suitable for study because study objects dissimilar levels of workers in sections of Tusker Mattresses Ltd. This method was most appropriate sampling procedure for this study since it is not

complicated and easily applicable to the populace. Selecting members in the dissimilar study strata were done by the usage of simple random sampling. SRS will be since it offers every populace entity same equivalent chance of being nominated into sample of study and minimizes scholar biases.

### 3.3. Sample Size Determination

Sample is a fraction or a portion of entities drawn from the target populace but having the same attributes as those of the entire populace (Kothari, 2011). A sample on the other hand may refer to some elements drawn from the population that can be representative enough of the population. Since a sample has the same characteristics as those of the populace, then it allows the researcher to study the sample and make generality about populace. Yaya (2014) cites Popoola (2011) studying the entire population can be done only when the population size is small and it covers all the elements in the populace. Therefore, the sample size in this study was consisting of all managers at different levels as shown in Table 2.

Level of Management	Population	Percentage	Sample Size
Senior managers	33	100	33
Middle managers	69	100	69
Total	102	100	102

Table 2: Sample Size  
Source: Researcher (2021)

### 3.4. Data Analysis Techniques and Procedures

The data analysis is the process through which they are taken through categorization, order, manipulation and summarizing them in meaningful reports (Pearson, 2010). The data was taken through cleaning to address the incomplete questionnaires which then followed by coding the data and analysis. The data were examined by the use of SPSS version twenty-two. The research used numerical frequencies and percentages for examination. For Likert queries, study employed usage of means and standard deviation to demonstration strong point and notch in responses difference. Research also employed correlation and regression examination to establish effect and relationship among study variables. Study outcome was obtained through regression tables, graphs and figures. The study variables relationship is expected to trail a regression model which looks like;  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$

Where:

$\beta_0$  = Constant

Y= Performance

$\beta_1, \beta_2, \beta_3$  = Regression coefficients

$X_1$ =Horizontal growth strategy

$X_2$ = Vertical growth strategy

$X_3$ = Diversification growth strategy

$\epsilon$  =error term

## 4. Data Analysis

### 4.1. Background Information

The research respondents were requested to state their background information which included their age, level of education, their work experience and their designation in their organization. The following sub-section presents the background information of the study respondents.

#### 4.1.1. Age of the Respondents

The age of the study participants was evaluated by requiring them to state their age in terms of years and their responses were reported in Table 3.

Number of Years	Frequency	Percentage
18-28 years	3	4.35
29-38 years	23	33.33
39-48 years	32	46.38
49-58 years	8	11.59
Above 59 years	3	4.35
Total	69	100

Table 3: Ages of the Study Participants  
Source: Research Data, 2021

The study results revealed that 46.38 percent of the respondents were aged between 39 and 48 years which was the largest group which was followed by those aged between 29 and 38 years with 33.33 percent. This implies that over 79 percent of the research participants were aged between 29 and 48 years. The research participants who were aged

between 49 and 58 were 11.59 percent while those between 18 and 28 years as well as those above 59 years were both at 4.35 percent.

#### 4.1.2. Level of Education

In an effort to determine the level of education for the research participants, the researcher had requested them to indicate your highest level of education and their responses recorded in the Table 4 below.

	Frequency	Percentage %
Secondary School	33	47.8
College	21	30.43
University	14	20.29
Post-Graduate	1	1.48
Total	69	100

Table 4: Level of Education

Source: Primary Data, 2021

The study results revealed that 47.8 percent of the respondents had attained secondary level of education which was the largest group which was followed by those who had attained college level of education with 30.43 percent. This implies that over 77 percent of the research participants had not attained university education. The research participants who had attained the university level of education were the least at 21.77 percent.

#### 4.1.3. Work Experience

The research participants were requested to specify number of years they had worked in order to be able to determine their work experience and their responses were as designated in Table 5.

	Frequency	Percentage %
Less than 1 year	30	43.47
2-5 years	21	30.44
6-10 years	12	17.39
10-15 years	3	4.35
16 and above	3	4.35
Total	69	100

Table 5: Work Experience

Source: Primary Data, 2021

The study results revealed that 43.47% of the research participants had work experience which was less than one year while 30.44 percent of them had work experience of between two and five and 17.39 of the research participants had work experience which was between six and ten years. 4.35 percent of the research participants had work experience which was between above ten years.

#### 4.2. Descriptive Statistics

Horizontal growth strategy was the first independent variable of the study and was measured using four statements and these statements were run through the descriptive analysis and the results presented in the Table 6.

Descriptive Statistics			
	N	Mean	Std. Deviation
The company has increased the range of additional products	69	4.1923	.63043
Acquisition of a competitive business	69	4.2308	.59914
The company has realized increased profits	69	4.0923	.48038
There are new markets developed	69	4.0615	.77625

Table 6: Horizontal Growth Strategy

Source: Primary Data, 2021

Acquisition of a competitive business statement had recorded the highest mean score of 4.2308 meaning that the company used acquisition of new companies as a strategy to perform better. The statement that the company has increased the range of additional products reported the second highest mean score of 4.1923 with standard deviation of .63043. This had the implication that the research participants were of the opinion that company has increased the range of additional products horizontally. The statements that the company has realized increased profits and there are new markets developed also had high mean score of 4.0923 and 4.0615 respectively.

#### 4.3. Correlation Analysis between Horizontal Growth Strategy and Performance

The first study objective was to determine influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi. The study carried a correlation analysis where all the indicators of horizontal growth strategy (Product expansion and Acquisition, Market expansion) were correlated with performance of Tusker Mattresses Ltd Nairobi and the results exhibited in Table 7.

	Performance	Product Expansion	Acquisition	Market Expansion
Performance	1			
Product expansion	.424*	1		
Acquisitions	.842**	.742*	1	
Market expansion	.726*	.678**	.768*	1

Table 7: Horizontal Growth Strategy and Performance

\*. Correlation Is Significant at the 0.05 Level (2-Tailed)

\*\*. Correlation Is Significant at the 0.01 Level (2-Tailed)

Source: Research Data, 2021

The study results in Table 7, the highest statistically significant positive correlation was reported between acquisition and performance of Tusker Mattresses Ltd Nairobi ( $r = .842$ ,  $p < .01$ ). This was closely followed by association between market expansion and performance of Tusker Mattresses Ltd Nairobi ( $r = .726$ ,  $p < .05$ ). The lowest and positive association was reported between product expansion and performance of Tusker Mattresses Ltd Nairobi ( $r = .424$ ,  $p < .05$ ). All the indicators of horizontal growth strategy (Product expansion and Acquisition, Market expansion) had statistically significant positive correlation among themselves with the highest correlation reported between market expansion and acquisitions.

#### 4.4. Regression Analysis between Horizontal Growth Strategy and Performance

The study objective was to determine influence of horizontal growth strategy (Product expansion and Acquisition, Market expansion) on performance of Tusker Mattresses Ltd Nairobi. The objective was later stated into a research question as follows;

- RQ: Does horizontal growth strategy influence performance of Tusker Mattresses Ltd Nairobi?

The mean score of performance of Tusker Mattresses Ltd Nairobi (dependent variable) were regressed on the aggregate mean score of horizontal growth strategy and the relevant research findings presented in Tables 8, 9 and 10.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.790 <sup>a</sup>	.624	.598	.72732

a. Predictors: (Constant), Horizontal growth strategy

Table 8: Regression Results for Horizontal Growth Strategy and Performance

Source: Research Data, 2021

The regression model summary (Table 8) results demonstrated that horizontal growth strategy had a positive relationship with performance of Tusker Mattresses Ltd Nairobi County ( $R = .790$ ). Horizontal growth strategy had explanatory power over performance of Tusker Mattresses Ltd Nairobi County because it accounts for 62.4 percent of performance of Tusker Mattresses Ltd Nairobi County variation ( $R^2 = .624$ ). This implies that 37.6 percent of change in performance of Tusker Mattresses Ltd Nairobi County can be accounted for by other factors other than horizontal growth strategy ( $1 - .624 = .376$ ). This shows that the contribution of horizontal growth strategy to performance of Tusker Mattresses Ltd Nairobi County was statistically significant. The adjusted R squared value of .598 is a demonstration of how sound the model generalizes prediction. The reduction of about 2.6% ( $.624 - .598 = .026$ ) is an expression that if the model was resulting from the population rather than the sample, then it would account for approximately 2.6 percent less variance in the result.

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.007	1	6.007	21.453	.002 <sup>b</sup>
	Residual	19.044	68	.280		
	Total	25.051	69			

a. Dependent Variable: Performance of Tusker Mattresses Ltd Nairobi

b. Predictors: (Constant), Horizontal growth strategy

Table 9: ANOVA Results for Horizontal Growth Strategy and Performance

Source: Research Data, 2021

The Analysis of variance (ANOVA) outcomes showed that the F-ratio was more than 1 ( $F = 21.453$ ). Based on the outcome of the F - ratio in overall ANOVA was significant; this implies that the prediction capacity of the model contribution of performance of Tusker Mattresses Ltd Nairobi was significant. This means that this model can meaningfully predict the change in performance of Tusker Mattresses Ltd Nairobi. The results showed that the overall influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi was significant in that p-value was  $< .05$  ( $p - \text{value} = .002$ ).

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.166	.439		11.758	.000
	Performance	.365	.108	.690	3.370	.002

a. Dependent Variable: Performance of Tusker Mattresses Ltd Nairobi

Table 10: Coefficients Results for Horizontal Growth Strategy and Performance

Source: Research Data, 2021

The regression coefficients (Table 10) results showed that horizontal growth strategy is an important contributor to coefficient model of performance of Tusker Mattresses Ltd Nairobi County ( $t = 11.758$ ,  $p = .000 < .05$ ). The study coefficients results exposed a statistically significant positive influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi County ( $\beta = .365$ ,  $p\text{-value} = .000$ ). This is a demonstration that horizontal growth strategy had an individual statistically significant and positive influence on performance of Tusker Mattresses Ltd Nairobi County. The influence was found to be significant since p-value was less than .05 ( $p - \text{value} = .002$ ).

This study results agree with Mayureshnikam, (2018) in their study marketing strategy of Coca Cola in India.

The resultant simple regression equation that can be used to predict level of performance of Tusker Mattresses Ltd Nairobi County for a one standard deviation improvement in horizontal growth strategy can be expressed as:  $P = 5.166 + .365HGS + \epsilon$ .

Where:

P = Performance of Tusker Mattresses Ltd Nairobi County

5.166 = y-intercept; constant

.365 = Beta or the slope coefficient

HGS = Horizontal growth strategy

$\epsilon$  = Error term

The unstandardized beta coefficient .365 represents the expected improvement in Performance of Tusker Mattresses Ltd Nairobi County for a unit standard deviation improvement in horizontal growth strategy. This means that, holding other factors constant, one standard deviance improvement in horizontal growth strategy would raise level of Performance of Tusker Mattresses Ltd Nairobi County by a factor of approximately .365.

## 5. Discussion, Conclusion and Recommendation

The correlation study results indicated that all the measures of horizontal growth strategy (Product expansion and Acquisition, Market expansion) had statistically significant positive correlation with performance of Tusker Mattresses Ltd Nairobi County and even among themselves with the highest correlation reported between market expansion and acquisitions. This means that they were moving in the same direction. The regression model summary results demonstrated that horizontal growth strategy had a positive relationship with performance of Tusker Mattresses Ltd Nairobi County ( $R = .790$ ). Horizontal growth strategy had explanatory power over performance of Tusker Mattresses Ltd Nairobi County because it accounts for 62.4 percent of performance of Tusker Mattresses Ltd Nairobi County variation ( $R\text{square} = .624$ ). This had the implication that the contribution of horizontal growth strategy to performance of Tusker Mattresses Ltd Nairobi County was statistically significant.

Horizontal growth is growing into mostly related industry or profession that is expansion into adjacent markets this is more of geographical integration and acquiring businesses that are related to the company's current products and services.

The results showed that there was a statistically significant influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi because the p-value was less than .05. Based on the results, this study therefore concluded that there was a statistically significant influence of horizontal growth strategy on performance of Tusker Mattresses Ltd Nairobi.

This study drew the following recommendations for the purpose of policy formulation, practice and further study based on the study conclusions. Following the recent trend that led to closure of most of the outlets it is suggested that a turnaround strategy adopting the horizontal growth strategy would be of importance.

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