

## EFFECT OF MARKET DEVELOPMENT AND PRODUCT DIVERSIFICATION STRATEGIES ON PERFORMANCE OF MEDIUM ENTERPRISES IN NORTH CENTRAL NIGERIA

ADAMU Garba

*\*Department of Business Administration, Nasarawa State University, Keffi, Nigeria*

**\*Corresponding Author:**

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### Abstract

*This study examined the effects of market development and product diversification strategies on the performance of medium enterprises businesses in North Central Nigeria. The study utilised primary data from a sample of three hundred eighty four (384) respondents from the selected medium enterprises who are managers or proprietors. The collected data were analyzed using multiple linear regression. Using the probability value of regression estimates, the study hypotheses were examined.. The result of the study shows that Market development (MDVP) has a positive impact on the performance of Medium Enterprises (PFRM) in North Central Nigeria, and the effect is statistically significant ( $p < 0.05$ ) and consistent with a priori expectations. Product diversification (PDIV) has a negative effect on the performance of Medium Enterprises (PFRM) in North Central Nigeria and the effect is not statistically significant ( $p > 0.05$ ) and also not in line with a priori expectation. It was concluded that developing new markets and expanding product lines are two of the most prevalent company expansion tactics that organisations employ. It was recommended among others that before embarking on product diversification, thorough market research is essential. This involves analyzing customer needs, preferences, and purchasing behaviors in the target market segments.*

**Keywords:** *Market Development, Performance, Product Diversification, Medium Enterprises, North Central, Nigeria*

## INTRODUCTION

The effect of market development and product diversification strategies on firm performance has been a topic of much research. The general consensus is that diversification can have a positive impact on firm performance, but that the relationship is complex and depends on a number of factors, including the type of diversification, the industry, and the firm's resources and capabilities. Market development strategies involve expanding into new markets, either domestically or internationally. This can be done through geographic expansion, product expansion, or both. Geographic expansion involves selling existing products in new markets. Product expansion involves developing new products for existing markets (Hitt, Ireland & Hoskisson, 2020). Product diversification strategies involve developing new products or services that are unrelated to the firm's current products or services. This can be done through internal development, acquisition, or joint ventures. The relationship between diversification and firm performance is often curvilinear, with an inverted U-shaped curve. This means that there is an optimal level of diversification beyond which performance begins to decline. The optimal level of diversification varies depending on the industry and the firm's resources and capabilities. In general, firms that are diversified across related industries tend to perform better than firms that are diversified across unrelated industries. This is because related diversification can lead to economies of scale, scope, and learning. Firms that have strong resources and capabilities are also more likely to benefit from diversification. This is because they have the resources to manage multiple businesses and the capabilities to exploit synergies between businesses (Varadarajan & Jayachandran, 2019). Evidence suggests that diversification can have a positive impact on firm performance, but that the relationship is complex and depends on a number of factors. Firms that are considering diversification should carefully assess their own resources and capabilities, as well as the competitive environment, before making a decision.

Hofer (2013) opined that performance of medium enterprises is a context-based term for the thing being studied. In the context of organizational financial performance, performance is a way to measure the change in a company's financial state or the financial results that come from choices made by management and carried out by the company's members. Since how these results are seen depends on the situation, the measures used to show success are chosen based on the situation of the companies being looked at. The measures chosen show the results, whether they were good or bad (Robert, 2014). In general, the idea of business success is based on the idea that a firm is the voluntary association of productive assets, such as human, physical, and capital resources, to achieve a shared goal (Barney, 2011). People who give the firm assets will only do so as long as they are happy with the value they get in return compared to other ways they could use the assets. In this study, the success of medium-sized businesses is measured by their sales growth, market shares, customer loyalty, and the number of customers who buy from them. These measures show how well medium-sized businesses in the study area are doing in ways that aren't related to money.

Medium-sized businesses have a more voracious penetration than bigger corporations because their penetration is more persistent. This is one reason why the private sector can hire more people than the government sector. Aga *et al.*, (2015) says that. Medium businesses are many times more common than big ones, and they also hire many more people. Medium-sized businesses are thought to be able to do better because they can hire more people and use more effective strategies. This is because small businesses that do well tend to grow into medium-sized businesses.

### Statement of the Research Problem

The effect of market development and product diversification strategies on firm performance has been a topic of much research in strategic management. The results of these studies have been mixed, with some finding that these strategies can lead to improved performance, while others have found that they can lead to decreased performance. The reason for the mixed results is that the effect of market development and diversification on performance can vary depending on a number of factors, such as the ability to identify and develop new markets, the type of diversification, the industry in which the medium-sized enterprise operates, and the enterprise management capabilities. In general, related diversification is more likely to lead to improved performance than unrelated diversification. This is because related diversification can help to reduce risk, share resources, and leverage core competencies. The objective of this research is to understand the extent to which market development and product diversification strategies affect financial metrics, market share, and overall business performance in a competitive and evolving market environment. The research also seeks to uncover valuable insights that can guide medium-sized businesses in making informed decisions to improve their performance and competitiveness.

### Statement of the Hypotheses

The proposed research hypotheses for the study are:

- H<sub>01</sub>: Market Development strategy has no significant effect on the Performance of Medium Enterprises in North Central Nigeria.
- H<sub>02</sub>: Product diversification strategy has no significant effect on the Performance of Medium Enterprises in North Central Nigeria.

## 2.0 LITERATURE REVIEW

### Conceptual Framework

#### Market Development strategy

Market development is a penetration strategy that identifies and develops new market segments for current products. A market development strategy targets non-buying customers in currently targeted segments. It also targets new customers

in new segments. In other words, market development is also a business strategy whereby a business attempts to find new groups of buyers as potential customers for its existing products and services. In other words, the goal of market development is to expand into untapped markets. These potential customer groups may already be served by competitors or may not be currently marketed to by anyone for the product (Slater & Narver, 2018). A market development strategy entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. Another way is to expand sales through new uses for the product. In market development, penetration is achieved by seeking opportunities by finding a new group of customers for its current product offering. This can be achieved by entering new geographical markets within the country or opening new sales territories within the domestic market.

The organization tries within this strategy to enter new markets in the same current product without modification or change, this is done by entering segments or new markets, so that the company can target new segments, in which the company can achieve the required penetration. The new targeted segment can be a new groups of consumers or new geographically markets (Jain, 2009). The researcher, considers that market development operations may be linked with multiple risk such as: product non acceptance from new market or new market segment, therefore companies need market researches to know the feasibility of such development for the market in particular. And market development processes are often expensive financially, and the use of these strategies in products case is often linked with studying product life cycle, so the company avoids its mature products to reach decline stage. Lambin (2016) indicated that there are many possible ways to activate this strategy, namely: Opening new geographic markets, for example exporting the product to a new country. Find new distribution channels (such as moving from retail sale to use e-commerce and mail orders. Adopt a multi- pricing policies to attract new customers or to find new market segments. While Porter, (2005) reported that application of this strategy needs: Identifying potential customers in the new market (their characteristics, needs, and attitudes). To study and monitor market changes (income level, emergence of new professions). To look for and to study the new distribution outlets. To study the market characteristics either local or international.

Market penetration is the simplest and first option for growth in most of firms Adamu (2023). It is defined as when firms enter market with their existing product and services that was developed to permit businesses to know what percentage of all possible sales was represented by their actual sales. They are already in the market with a present or on hand product. Market Penetration is an attempt to increase firm sales without leaving original product market strategy at the cost of rivals in the market (Ansoff, 1957). The company recuperates business performance by either mounting the quantity of sales to it is on hand customers or by finding fresh customers for at hand products. This means mounting our income by promoting the product, repositioning the product, and so on. However, the product is not changed and we do not look for any new customers. This involves taking your on hand products, and advertising more of them to either your existing customers, or new customers who fit your target market. The right combination of Market Penetration improves the Performance of the Medium Enterprises in North Central, Nigeria.

The firm achieves penetration by developing new products that can serve existing product market Adamu, (2020a). The strategy includes innovation creation that add value to existing product by improving the product features, creating a bundling strategy for instance, producing a tooth brush that can serve customers of a tooth paste or selling a tooth paste and giving tooth brush free to customers Adamu (2020b). Past studies have pointed out that a firms should take an integrated or cross functional approach when pursuing new product development strategies to increase chances of business success. The importance of understanding cross-functional interfaces in the development and implementation of an effective business strategy is well identified in the literature (Day, 2008). Firms that are able to recognize and manage these interfaces effectively gain a sustainable competitive advantage (Porter, 2005).

### **Market Diversification**

Diversification is typically defined as a strategy, which takes the organization away from its current markets or product or competencies (Johnson and Scholes, 2012). Product diversification concerns the scope of industries and markets in which the firm competes and how managers buy, create and sell different products to match skills and strengths with opportunities presented to the firm. It refers to the deployment of resources across lines of products. Rumelt (2011) classified diversification as either related or unrelated. Product relatedness diversification is the extent to which a firm's different lines of products are linked while unrelatedness refers to a lack of direct links between products.

In diversification, penetration is achieved by expanding greater sales value by entering new line of business in the same or related industry. In this strategy, the company tries to increase its sales size through entering new markets with new products that may be related to old products or had no relation with old products. This strategy is the most dangerous one compared with the three previous strategies because company wants to enter new markets with new products without having an experience and complete knowledge of those new markets and products, and therefore companies must have a clear idea based on studies and researches on new markets and products, and to carry out an honest assessment of risks for the sake of right balance between risk and returns, and because it is the most dangerous it can be very rewarding and this is consistent with the rule that says the greater the level of risk the greater the expected revenue is expected (Murray and O'Driscoll, 2006).

Wilson and Gilligan (2013) believes that the diversification strategy is used when profitable and selling opportunities emerge for an organization outside of its current business, such as adding new line of product mix which it deals with, or to increase mix depth by increasing products number in single-line. In this context, Porter (2005) reported that organization obtains added strength in product diversification, which increases its customers number, and reduces the likelihood of marketing risk, and that there are prospects for a rise in marketing costs as a result of the products number, supply resources, their promotional expenses.

The main objective of adopting diversification strategy by economic institution is entering business areas that are different from its products nature that it has now, they allow organization to expand its work and products, if this new area which the organization introduce is associated with current business areas, this diversification is called interconnected diversification, but if this area is not associated with organization current areas, they it follows un-interconnected diversification strategy. In contrast, Economic Foundation may adopt internal diversification strategy by using its internal resources, or through merging with another institution, or purchasing and possession of another institution, so in this caps it has pursued external diversification strategy. It is possible that organization may perform diversification through making horizontal integration or vertical integration; the latter may take the form of front or backward diversification (Ulrike, 2017).

### **Performance of Medium Enterprises**

The performance of medium enterprises refers to the overall effectiveness and success of these businesses in achieving their objectives and goals. It involves evaluating their financial, operational, and strategic performance in relation to their industry and market conditions. Elements and standards of performance should be able to be measured, understood, checked and reachable. SMEs' success is based on their marketing and entrepreneurship skills, their work environment, and the materials and infrastructure they have access to. Hofer (2013) indicated that performance is a context-based term that is related to the thing being studied. In the context of an organization's financial performance, performance is a way to measure the change in the firm's financial state or the financial results that come from choices made by management and carried out by company members. Since how these results are seen depends on the context, the measures used to show success are chosen based on the situations of the firms being looked at. The measures chosen show the results, whether they were good or bad (Robert, 2014).

In general, the idea of firm performance is based on the idea that a firm is the voluntary association of productive assets, such as people, physical, and capital resources, to achieve a shared goal (Barney, 2011). People who give the firm assets will only do so as long as they are happy with the value they get in return compared to other ways they could use the assets. So, the most important part of success is making something of value. As long as the value achieved by using the contributed assets is equal to or greater than the value expected by those who contributed the assets, the assets will continue to be made available to the firm and the firm will continue to exist (Robert, 2014). There are a lot of different ways to measure success. But in this study, sales growth and market share of medium-sized firms were used to measure success. Sales growth is the difference between how much a company makes from sales now and how much it made during a similar time period in the past, when sales were lower. Most of the time, it is given as a number. Sales growth is good for a company's ability to stay in business and make money. Market shares are a product's share of real sales (either in terms of the number of units sold or the amount of money spent) in a certain time period and place. It is the amount of a market (in terms of either units or income) that a certain entity controls.

### **Empirical Review**

Wakwoma (2007) carried out a survey of the product diversification strategies adopted by firms in the banking industry in Kenya. The specific objectives of this study was to establish the extent to which commercial banks have adopted product diversification strategies, determine the benefits of employing such strategies and the challenges faced thereof. The study was based on a descriptive design; the population included all the 44 commercial banks operating in Kenya. A census study was carried out due to a small number of banks. Data was collected by use of semi-structured questionnaire, which was administered through drop, and pick and follow up done through email method. The response rate was 82.5%. Data was analyzed using frequency tables, standard deviation and results presented in tables. The research findings revealed that product diversification is adopted by commercial banks to a large extent. They widely pursued related diversification with relative variation across banks. The main benefits cited for product diversification strategy was increase in profitability, stability of earnings and customer loyalty while the main challenges faced was increased cost of coordination among various new products. It is recommended that banks undertaking diversification should do so in the context of explicit policy regarding what the objectives of such should be in order to minimize pitfalls and increase shareholder value. The shortcoming of this study is that the specific locations where the banks were sampled in Kenya were not disclosed in the work. It will be impossible to sample 44 banks in the whole of Kenya without domiciling the study to a particular location. Also, the study did not indicate the research design used.

Bougherra, Rabeh and Nabila (2010) studied the impact of the diversification strategy on CONDOR firm competitive using regression analysis. The results indicate that the diversification of products has a major impact on the competitiveness of enterprise productivity, ranging from the qualitative difference to the quantitative impact.

Al-Dosari (2010) studied the impact of growth strategy on marketing performance with the insurance companies and the role of the Kuwaiti market orientation as a mediator variable using the Ordinary Least Squares. The results indicate that: There is the presence of a statistically significant effect of the growth strategy (integration, diversification, focus) and market orientation on marketing performance (profitability, market share) for insurance companies operating in the State of Kuwait. The study recommended attention to diversity in providing insurance services by insurance companies of Kuwait.

Muga and Santamaría (2008) examined Market penetration strategies and the Fee-performance relationship: The case of Spanish Money Mutual Funds. This paper has shown that market penetration strategies are common practice during the product introduction stage in the Money Mutual Funds in Spain. During this stage there is no relation between fees and performance because this strategy is optimal. In order to analyse this relationship during the other stages of the product life cycle, funds under three years old were omitted from the analysis. Among the remaining funds, those with the highest fees are found to present a higher gross return than the low-fee funds, although the difference is not statistically significant. Nevertheless, in terms of net returns, low-fee funds are observed to stochastically dominate high-fee funds for any risk-averse investor. These findings hold for any managerial skill level or segmentation by mutual fund family type.

## Theoretical Framework

### Resource-based View Theory (RBT)

The Resource-based view theory was propounded by Birger Wernerfelt in 1984. The RBT of the firm which was first coined by Birger Wernerfelt in 1984 attempts an explanation of the relationship between the firm resources and sustenance of modest advantage of superior firm performance and provides a theoretical ground for the assessment of the firm's specific factors that affect their performance and if any of these factors is lacking the performance of the firm will be affected (Aliyu and Mahmood, 2014). Implicit in the resource-based perspective is the centrality of the venture's capabilities in explaining the firm's performance. Resources have been found to be important antecedents to products and ultimately to performance (Wernerfelt 1984). According to resource-based theorists, firms can achieve sustained competitive advantage from such resources as strategic marketing (Powell, 2012), management skills (Castanis and Helft, 2011), tacit knowledge (Polanyi, 2016), capital, employment of skilled personnel (Wernerfelt 1984) among others.

The resource based theory is considered the most important theory for this study. This is because, for an organization to effectively grow and expand into the various market identified by Ansoff using his categorization of the markets into four (4), the resource-based perspective presents the fact that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm. Hence, the effective use of this resource is important in their quest to expand into the market. The relevance of these theories cannot be overemphasized; it emphasizes the importance of the use of strategies and resources in improving the firm's market share. This includes the quality of human resource, availability of funds and the effectiveness of the strategy adopted such as market penetration strategy, product development and product diversification strategies. Hence, resource-based view theory guides this work.

## 3.0 METHODOLOGY

### Research Design

The study used a survey strategy that is based on the quantitative method. The survey method is a quick, cheap, accurate, and efficient way to find out about a group of people. So, a poll method with a questionnaire as the tool for collecting data is more appropriate for this study. This is because the study involves getting information from the owner-managers of Medium Enterprises in order to find out how market development and product diversification affect the success of Medium Enterprises in North Central, Nigeria.

### Population, Sample and Sampling Techniques

#### Population of the Study

Nine thousand, five hundred eighty six (9,586) Medium Enterprises in the North Central States of Benue, Kwara, Kogi, Nasarawa, Niger, Plateau, and the Federal Capital Territory (FCT) are the focus of the study.

**Table 1: Sample Frame List**

S/No	State	Number of Medium Enterprises	Sample
1.	Benue	1,168	$1168/9586 * 384 = 47$
2.	Federal Capital Territory(FCT)	2,690	$2690/9586 * 384 = 108$
3.	Kwara	226	$226/9586 * 384 = 9$
4.	Kogi	844	$844/9586 * 384 = 34$
5.	Nasarawa	1,120	$1120/9586 * 384 = 45$
6.	Niger	1,358	$1358/9586 * 384 = 54$
7.	Plateau	2,180	$2180/9586 * 384 = 87$
	<b>Total</b>	<b>9,586</b>	<b>384</b>

Source: NBS/SMEDAN survey Report, 2022

### Sample and Sampling Techniques

The sample size for this study was calculated using Taro Yamane's method (1967) to figure out the size of the sample. Taro Yamane's method is mostly for figuring out proportions, and it can only be used when the number of people in the study is known. We use this formula because we are working with a group whose size is known and whose size is fixed. Also, in a finite population, Taro Yamane's formula is used to figure out the right sample size when the original sample size is more than 5% of the population size.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n is the sample size,

1 is constant

N is the population size, and

e is the level precision (sample error) or the tolerable error in judging the population.

For the purpose of this study 5 percent tolerable error was allowed. Therefore, using the above formula we have;

$$\begin{aligned} n &= \frac{9586}{1 + 9586(0.05)^2} \\ &= \frac{9586}{1 + 23.97} \\ &= \frac{9586}{24.97} \\ &= 384 \end{aligned}$$

So, the number of people in the study's group is about 384, which was chosen at random. The number of responders for each State and Federal Capital Territory (FCT) was worked out using Bourley's formula from 1964, which is based on the proportional distribution of people.

The Bowley's formula is:

$$n_h = \frac{N_h}{N}$$

Where;

n<sub>h</sub> = the number of units allocated to each strata.

N<sub>h</sub> = the number of participants in each strata (zone, ward, sector, state and so on)

n = the total sample size,

N = the population size

Applying this formula, we have;

#### **Kwara State**

$$N_h = \frac{226 \times 384}{9586} = 9$$

#### **Kogi State**

$$N_h = \frac{844 \times 384}{9586} = 34$$

#### **Benue State**

$$N_h = \frac{1168 \times 384}{9586} = 47$$

#### **Niger State**

$$N_h = \frac{1358 \times 384}{9586} = 54$$

#### **Federal Capital Territory (FCT)**

$$N_h = \frac{2690 \times 384}{9586} = 108$$

#### **Nasarawa State**

$$N_h = \frac{1120 \times 384}{9586} = 45$$

#### **Plateau State**

$$N_h = \frac{2180 \times 384}{9586} = 87$$

The Questionnaire was distributed randomly to the respondents across the selected states.

For the study, two (2) different random methods were chosen and used in different ways. These are easy and purposeful ways to pick people at random. Purposeful and simple random sampling were used to choose the necessary one geopolitical zone (north central), six (6) states, and the FCT to be studied. The researcher used a simple random picking method to choose the group of people to study for this study. The method gave each person in the target group an equal and independent chance of being chosen for the sample. The researcher picked this method because it is easy to understand and use.

### Methods of Data Collection

Primary and secondary data were used to complete this investigation. Primary data was gathered primarily through the use of questionnaires as the primary tool. First-hand information was gathered through fieldwork in the form of a

closed-ended questionnaire for the primary data, while secondary data came from a review of relevant textbooks, periodicals, lecture notes, newspapers, and online resources.

Two (2) research assistants were briefed on the proper administration of the surveys before they were given to the selected respondents. To reduce the risk of instrument failure, we took extra care to ensure that respondents understood how to fill out each section of the aforementioned questionnaire. This was important to reduce the likelihood of duplicate responses being included in the final tally, which would have rendered the instrument useless. Target respondents were given one of 384 questionnaires that were close-ended and organized. The research utilised a five (5) point Likert scale, where SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, and SD = Strongly Disagree.

## Validation and Reliability of Instrument

### a) Validation of Instrument

Both content validity and construct validity, the two types of validity most commonly used, were taken into account in this research. Construct validity was evaluated using a Factor Analytical tool that took into account Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity (BTS), while content validity was established with the help of my supervisors and other research methodological experts.

**Table 1: Kaiser-Meyer-Olkin and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.945
Approx. Chi-Square	.594
Bartlett's Test of Sphericity	df
	3
Sig.	.028

*Source: Researchers computation using SPSS 26.0*

Kaiser-Meyer-Olkin (KMO) test results for the study's variable items show that sampling is adequate at the 95% confidence level, with a value of 0.945, and a BTS value of 3 degrees of freedom and a significance level of  $p = 0.028$ . In this case, the KMO result is less than the minimum required value of 0.50. As a result, we believe that the sample and data we have collected are sufficient for this investigation.

**Table 2: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.117	37.221	37.221	1.117	37.221	37.221	1.114	37.126	37.126
2	1.089	36.296	73.518	1.089	36.296	73.518	1.092	36.391	73.518
3	.794	26.482	100.000						

Extraction Method: Principal Component Analysis.

*Source: Researchers computation using SPSS 26.0*

The Total Variance Explanation table illustrates how the variance is distributed across the three potential factors. Two factors have eigenvalues (a measure of variance explained) greater than 1.0, a common criterion for usefulness. When the Eigenvalue is less than 1, the factor explains less information than would a singular item. Table 2 demonstrates that Eigenvalues 1.117 and 1.089 exceed 1. First component variance was 37.126 and second component variance was 36.391. Components 1 and 2 of the rotated sum of squared loadings section account for 73.518% of the variance of the study's total variables. This demonstrates that the instrument's construct validity is robust.

**Table 3: Reliability Statistics**

Variables	Cronbach's Alpha
Performance of MEs [PFOM]	0.893
Market Development [MDVP]	0.824
Product Diversification [PDIV]	0.834
Total	<b>0.850</b>

*Source: Author's Computation using SPSS 26.*

Table 3 displays the reliability statistics for individual variables and the instrument's aggregate reliability. According to the results of the study's individual variables, the dependent variable Performance of MEs has a reliability coefficient of 0.89, while the variable Market development has a reliability coefficient of 0.82. Diversification of products has a reliability coefficient of 0.834%. The aggregate value of the Cronbach Alpha coefficient is 0.850. A Cronbach Alpha statistic of 0.70 is deemed sufficient and reliable for social science research. Therefore, the instrument used to collect data for this study exceeds the reliability threshold for Social Science research.

## Sources of Data

Secondary sources (documentary) such as textbooks, journals, dailies, publications, and bulletins are among the data sources for the study. Primary sources of data, such as fieldwork, provided the study with firsthand information. This information was obtained using a structured questionnaire.

## Techniques for Data Analysis and Model Specification

### Model Specification

Given the functional relationship between the study's variables, the implicit and explicit models for this investigation are as shown below:

In this study, the performance of medium enterprises was measured in terms of market share and sales growth, which were rolled into a single concept and incorporated in the questionnaire.

$$\text{PFRM} = f(\text{MDVP}, \text{PDIV}) - - - (1)$$

Where,

PFRM = Performance of Medium Enterprises

MDVP = Market Development

PDIV = Product Diversification

Therefore, the developed explicit form of the model and its specification is outlined below:

$$\text{PFRM} = b_0 + b_1\text{MDVP} + b_2\text{PDIV} + U_t - - - (2)$$

Where  $b_0$  = Constant or Intercept

$b_1, b_2$  = Regression Coefficients

$U_t$  = Error terms

*A priori* expectation is given by

$b_1 > 0, b_2 > 0$

## Methods of Data Analysis

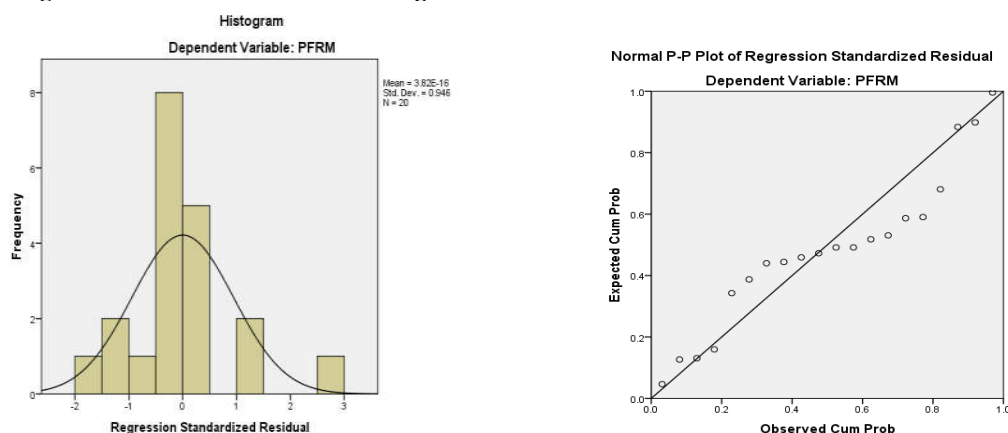
Data on the effect of market development and product diversification on the performance of Medium Enterprises in North Central Nigeria was gathered, coded, and analyzed using SPSS 26.0 for Microsoft Windows. Multiple linear regression and other inferential statistics were used to determine the effect of market development and product diversification on the performance of medium-sized businesses in the study area. The study's hypotheses were tested using the regression estimates' probability values.

## 4.0 RESULTS AND DISCUSSIONS

In this section, the results of the study as analyzed from the field work is presented here. It starts with the presentation of the regression standardized residual and the Normal P-P Plot of standardized regression residuals as shown in figure 1 and 2:

### Performance of Medium Enterprises Model

**Figure 1:** Regression Standardized Residual. **Figure 2:** Normal P-P Plot



**Source:** Author's Computation using SPSS 26.0

Figure 1 shows a histogram of the residuals with a normal curve superimposed. The residuals look close to normal, implying a normal distribution of data. Here is a plot of the residuals versus predicted dependent variable of



Performance of Medium Enterprises. The pattern shown above indicates no problems with the assumption that the residuals are normally distributed at each level of the dependent variable and constant in variance across levels of the dependent variable of PFRM. The normal P-P plots indicates equal dots on opposite sides of the line. This validates the earlier result of normal distribution as reported in figure 1.

**Table 4: Statistical Significance of the model**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.586	2	43.307	4.427	.007 <sup>b</sup>
	Residual	736.214	17	9.783		
	Total	755.800	19			

a. Dependent Variable: PFRM

b. Predictors: (Constant), PDIV, MDVP

*Source: Author's Computation using SPSS 26.0*

The F-ratio in the preceding ANOVA table tests whether the overall regression model fits the data well. The table demonstrates that the independent variable PDIV & MDVP substantially predicts the dependent variable PFRM  $F(2, 17) = 4.427$ ,  $p = .007^b$  (i.e., the regression model fits the data well).

**Table 5: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.980 <sup>a</sup>	.960	.868	6.58078

a. Predictors: (Constant), PDIV, MDVP

b. Dependent Variable: PFRM

*Source: Author's Computation using SPSS 23.0*

The coefficient of determination  $R^2$  for the study is 0.960. This indicates that 96.0% of the variations in the model can be explained by the explanatory variable of the model while 4.0% of the variation can be attributed to unexplained variation captured by the error term.

**Table 6: Regression coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	24.836	8.194		3.031	.008		
1 MDVP	.487	.196	.295	2.485	.028	.992	1.008
PDIV	-.130	.276	-.113	-.470	.644	.992	1.008

a. Dependent Variable: PFRM

*Source: Author's Computation using SPSS 26.0*

Table 6 demonstrates that market development (MDVP) has a positive impact on the performance of Medium Enterprises (PFRM) in North Central Nigeria, and the effect is statistically significant ( $p < 0.05$ ) and consistent with a priori expectations. This indicates that a unit increase in Market development (MDVP) will result in a 29.5% improvement in the performance of Medium Enterprises in North Central Nigeria. The result of hypothesis one using the probability value of the estimate indicates that we reject the null hypothesis, i.e., we accept that market development has a significant positive effect on the performance of Medium Enterprises (PFRM) in North Central Nigeria at the 5% level of significance. This result is consistent with the findings of Muga and Santamara (2008), who analyzed market penetration strategies and the fee-performance relationship: During the product introduction phase of money mutual funds in Spain, market penetration strategies that include market development are a prevalent practise, leading to performance.

The result of the second objectives of the study of the study indicates that product diversification (PDIV) has a negative effect on the performance of Medium Enterprises (PFRM) in North Central Nigeria and the effect is not statistically significant ( $p > 0.05$ ) and also not in line with a priori expectation. This implies that when product diversification (PDIV) is increased by a unit, it will result to a corresponding decrease in the performance of Medium Enterprises in North Central Nigeria by a margin of 11.3%. The result of the hypothesis two using the probability value of the estimate shows that we accept the null hypothesis, that is we accept that at 5% level of significance, product diversification has no significant negative effect on the performance of Medium Enterprises (PFRM) in North Central Nigeria. This finding is contrary to those of Bougherra, Rabeh and Nabila (2010) who studied the impact of the diversification strategy on Condor firm competitiveness using regression analysis and found that product diversification has a positive effect on performance. The positive effect is transmitted through increasing the turnover and increase market share and lower prices by reducing costs. However, the negative effect found in the current study could be as a result of the fact that

diversification is likely to be weaker in firms that operate in industries such as the medium enterprises as they are characterized by high levels of competition. In general, related diversification, which involves entering new markets with products that are related to the firm's existing products, is more likely to lead to improved performance than unrelated diversification, which involves entering new markets with products that are unrelated to the firm's existing products. These could be the factors which contributed to ensuring a negative effect of product diversification on the performance of Medium Enterprises in the study area.

## 5.0 CONCLUSION AND RECOMMENDATION

### Conclusion

The purpose of this study was to investigate the effect that increased product variety and market development have on the success of medium-sized businesses in North Central Nigeria. The findings of the survey make it abundantly clear that developing new markets and expanding their product lines are two of the most prevalent company expansion tactics that organisations employ. The research that was done on the effects of developing new markets and introducing new products indicated that both approaches have the potential to be successful in raising both sales and profitability. However, the success of each tactic is contingent on a variety of circumstances, such as the nature of the company's business, its intended audience, and the nature of the marketplace in which it operates. According to the findings of the research, the performance of medium businesses in the area under investigation is favourably affected by market development in a way that is both significant and favourable. It will have a better chance of being successful in markets where there is an increasing demand for the company's products. The performance of medium firms in North Central Nigeria was negatively impacted as a direct result of product diversification. It has a better chance of being successful in markets where there is a great deal of competition or if the company's already-existing items are getting closer to attaining their full potential.

### Recommendations

Based on the findings from the study, it is recommended that:

- i. Medium enterprises in North Central Nigeria should consider the following factors when evaluating market development opportunities and setting up strategies to use the strategy to enhance business success:
  - a. The size and growth potential of the target market
  - b. The competitive landscape
  - c. The company's resources and capabilities
  - d. The company's risk tolerance
- ii. Before embarking on product diversification, thorough market research is essential. This involves analyzing customer needs, preferences, and purchasing behaviours in the target market segments. Identifying market gaps and opportunities can help companies tailor their product offerings to meet customer demands effectively. A comprehensive understanding of the competitive landscape and industry trends also allows for strategic positioning and differentiation

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