

# Managers' Intention on Diversification Strategies for Firm Performance in the Health Care Industry of Sri Lanka

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## Abstract

This study focused because of the diversification is an interesting area of the company's growth strategies. Today every companies or industry are driving for diversification strategies to grow their businesses. Many companies' success in diversification and some companies are failed. The implementing of diversification strategies are involves with managerial skills like managers knowledge, experience, and their productivity. Today markets expected to face more challenges and increasing high competition in the healthcare industry in Sri Lanka. Also the markets have become more competitive, to keep the cost structure in the low level is crucial for the firms in the long-run for their survival. The formal opinion is that diversification strategies are linked with both costs factors and the benefits to the firm. Today implementing diversification strategies in many industries are highly imputable to the power to cross-sell their products, get cost savings, enter the new markets, produce hybrid products and increase brand image. This study is mainly focused on the managerial skills of the managers' who intention in diversification strategies. The study used a questioner and was distributed among 31 pharmaceutical managers in the Sri Lankan healthcare industry. Results were analyzed using SPSS. Finally research has provided directions for diversification strategies with different managerial skills to drive with firm performance.

**Index terms**— diversification strategies, firm performance, managerial skills.

## 1 Introduction a) Background of the Study

any studies are associated with the basic question of why firms diversify. The reason for diversification is mainly for firm performance. It also provides theoretical support for empirical studies at the same time. Therefore, this study bases itself can examine on a different and broader conceptual framework and efforts to identify the factors that contribute to the diversification decision and the give values to results (Tonidandel et al, 2012). There are limited studies on the managers' intention for the diversification strategies for firm performance. The research interested in diversification strategies in the healthcare industry of Sri Lanka. But there are many types of research have done with diversification strategies and the firm performance (Rumelt et al., 1996).

When study about managers' Tonidandel examine that individual tasked with developing, selecting, or placing them should take all four skill dimensions of technical, administrative, human and citizenship behavior into account. Also special attention should give to administration skills, and this emphasis increases managers higher up in the firm power structure (Tonidandel et al, 2012). As Gentry explains in a firm, managerial skills are important at different levels and across different functions of an organization in today's work environment. How changes in the workplace may have coincided with shifts in the importance of managerial skills over the past 15 years and to identify the managerial skills needed at different levels and functions in today's work context. The results have implications for training and development, selection and succession planning (Gentry, et al 2008). Therefore the managers' intention for diversification is based on their skills for a successful performance.

## 4 LITERATURE REVIEW

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43 The research is selected to do in the healthcare industry of Sri Lanka, because of a highly diversifying industry.  
44 Mainly with the pharmaceutical and the medical devices firms which are always with innovations of product lines.  
45 Health care industry drivers to create a strong demand for private healthcare services in Sri Lanka. Accordingly,  
46 the projection of private health expenditure is 11% average annual growth. Therefore, Private Service providers  
47 to benefit with strong financial performance within the next few years. But there are industry challenges of  
48 imposing minimum price regulation, new tax increases and VAT charge of 15% will back the growth prospects  
49 of the healthcare industry in the short run. But the healthcare industry is a defensive industry. The private  
50 healthcare sector will see a top side in the long run. The per capita healthcare spending is significantly below the  
51 average per capita for other high and middle-income countries (It is above the South Asian), highlighting the  
52 growth potential in the mid to long term. The number of private sector beds has been increasing at a higher rate,  
53 because of the increasing demand for private healthcare services. There is a positive sign on an industry that  
54 demand will not be affected because of the price increases. Also the levels of health insurance have been positively  
55 affecting by making private health services more affordable to the public. Other factors of this industry attention  
56 of growth are increasing of the aging population. Also there are increasing of noncommunicable diseases, demand  
57 for inpatient and outpatient care services and also the laboratory and other support services with technologies.  
58 According to the statistics, there is a strong relationship between levels of income and the health outlays of the  
59 country. This demand for health rising due to high income and improve their quality of lifestyles. Sri Lanka  
60 is expected income is reaching the gross domestic product (GDP) per capita of US \$ 4000. Projection of 'per  
61 capita health spending' to be increased at an average annual growth of 11% in next years. This will provide a  
62 strong impetus to the Sri Lankan healthcare industry. Sri Lankan government health industry is with 76,781  
63 beds and the number of beds of the private sector is increasing. Due to increases in affordability of patients  
64 and the government failing to meet the growing demand. Therefore the demand for private healthcare is based  
65 on the industry growth expectations (Daily mirror, 2017). The pharmaceutical industry offers a very valuable  
66 opportunity for Sri Lanka to diversify its manufacturing and export base and thereby reach the goal of the  
67 upper-middle-income country by 2020 and a rich country by 2035 (Research and Markets, 2015).

### 68 2 b) Research Problem

69 This research is important because of the current industry growth of Sri Lanka. Country economy growth and  
70 industrial diversification is one direction for the business growths of many industries. This area is worth to  
71 investigate because the outcome of the research will benefit the current and future organizations to drive their  
72 directions. Firms will gain new penetrations into the high nature of relationships between product diversification  
73 and firm performance. Also firms can move to search the roles the home country environment and time can play  
74 in this relationship (Osorio, et al 2012). Also diversification can use frequently as a risk management strategy.  
75 Therefore, has the added advantage of price risk options (Clark, 2004). In a firm always corporate boards are the  
76 important decisionmakers in firm strategies such as joint ventures, diversification, and acquisitions (Finkelstein  
77 and Hambrick, 1996). Therefore, investigating about diversification is more useful for the firm's future.

78 This study outcome will be a real direction for a product diversification of a healthcare industry firm in Sri  
79 Lanka. Also, this study outcome can be applied to the other industries of Sri Lanka when a firm wants to drive  
80 for product diversification. Corporate level of many industries can use this study results when they are going  
81 for mergers and acquisitions or choice of this strategy (Kwangmin & Jang, 2012). The effects of managerial  
82 skills for the success of product diversification will be presenting as the other outcome of the study by Li and  
83 Lo, in 2017. Therefore, for the future of product diversification strategies of a firm can have a clear direction of  
84 the manager's skills to succeed and implement it. Those skills are in managerial experience, their educational  
85 background, capable financial skills, and productivity. Managers need to pay more attention to the effects of the  
86 diversity of managerial resources on diversification strategies (Li & Lo, 2017). Sahin found that many boards  
87 of organizations can have an outcome of this study because there are moderating effect on diversification and  
88 financial performance by them (Sahin, et al 2015). As per the Musteen investigated, when companies are entering  
89 into new investments as a corporate strategy director should have a clear direction for them. This study may  
90 direct outside directors to choose strengthen managers, who are affecting diversification in the restructuring of  
91 the corporate or strategic investments and selecting of entries (Musteen et al, 2009).

### 92 3 II.

### 93 4 Literature Review

94 Diversifications strategies will give successes in the performance of a firm when there are capable managers in  
95 the various divisions of the company. As porter said "competition occurs at the business unit level. Diversified  
96 companies do not compete; only their businesses do" (Porter, 1987). This statement is a valid one for every  
97 diversification strategies success. As per the Kenny illustrates in 2012 every business managers need to be  
98 performed with their capable skills and diversification success will remain there. If not diversification will have  
99 to face many difficult tasks and corporate level needs to take responsibility for it. Therefore the managers should  
100 be capable enough to implement diversification strategies to avoid all problems (Kenny, 2012). Chang and Wang  
101 found that there is a positive influence on related product diversification for firm performance. But unrelated

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102 product diversification negatively moderates firm performance. Therefore it is important in making out different  
103 mixed product diversification strategies on firm performance .

## 104 **5 a) Managerial Skills**

105 The skillful managers are the main powerful employees who have to bring successful diversification to the company.  
106 As Kenny explains, selecting these managers as good managers to the firm diversification should have a good  
107 system to select. If not, they will identify as bad managers. So measuring these good manager's performance is  
108 a key decision of the company and it should have a proper system. Then the perform managers will work more  
109 actively and will drive for the performance by developing as well as diversifies (Kenny, 2012).When examining  
110 managers' skills, it is more important to identify seven major factors of management tasks. These are can identify  
111 as managing individual performance, instructing to their subordinates, planning and allocating the resources,  
112 coordinating of mutually beneficial groups, managing of their group performance, continually monitor the business  
113 environment and represent in one's staff. Also, this is important to examine the findings has given clear -cut  
114 differences in the importance of the role of the level of the manager (Kraut et al. 1989). Finally as per Madhoun  
115 and Analoui, this research is more important to carry out because a cluster of managerial skills needs to be  
116 analyzed as a system of interrelated skills (Madhoun, and Analoui, 2002).

## 117 **6 b) Managers intention on diversification strategies for firm 118 performance**

119 Managerial experience investigates the role of in small and medium enterprise growth using the Managerial  
120 Capacity Index (MCI). As Asah and Fatoki explain the MCI is a good measure of managerial experience  
121 and their activity. Asah and Fatoki found that a high score in the MCI has a positive relationship to both  
122 strategic planning and firm performance and growth (Asah & Fatoki, et al 2015). Martin and Staines (2008)  
123 investigated that lacking managerial experience, managerial skills and personal qualities of them are the main  
124 effects to failed new firms. Also, other reasons to fail new firms are such as contrary economic situations, weekly  
125 implement business plans and resource starving. The differentiating feature of high and low-growth small firms  
126 are the levels of education of senior managers and training and experience of senior managers. Other empirical  
127 studies such as Shariff and Peou (2008) and Parida et al, (2010), investigated that managerial competencies can  
128 measure by managerial education, managerial experience, managerial experience and knowledge of the industry.  
129 This factors positively impact the performance of small firms and medium firms. The lacking of managerial  
130 education and training has reduced management capacity in firms. This is one of the reasons for the low level  
131 of entrepreneurial creation and the high failure rate of new ventures (Herrington & Wood, 2006). However, finds  
132 that the managerial skills of entrepreneurs are not the unique determinants of performance. Bosma and the team  
133 did not find a significant relationship between the managerial skills of managers and firm performance (Bosma  
134 et al. (2004). Some studies did not find a significant relationship between the managerial skills of managers and  
135 firm performance (DuBrin, 2012). But many kinds of literaturehave found an insignificant relationship between  
136 managerial skills and firm performance. The argument of this study is that firms with ownersmanagers that are  
137 educated and have industry or managerial experience should outperform firms (Appuhami, 2007) & (Chan, 2009).  
138 Some studies have found that top management teams have a negative impact on international diversification.  
139 But managers' experience maintains a positive impact on international diversification. Also the educational  
140 background of managers' diversification and international experieence will have reduced the negative effects of  
141 firms' performance in international diversification (Li & Lo, 2017). Also the manager's educational background  
142 knowledge and their experience drives to reduce the negative effect of diversification (Li and Lo, 2017).

## 143 **7 c) Managerial experience, Productivity, Knowledge and the 144 Educational background for diversification strategies**

145 There are both positive and negative impacts on Diversification strategies with top management and their  
146 experience capacity. This management negative impact can minimize by the educational background and  
147 experience of them for diversification strategies (Li & Lo, 2017). Kor explains that when there is experience  
148 in mix ways managers are well-argued and applying effective growth strategies. Also, this mixed managerial  
149 experience will work to grow the firm through diversification strategies. This is the best time to practice with  
150 top management teams who are with well-mixed experience and capable skills to drive diversification strategies  
151 in this environment (Kor, 2003).

152 Finkelstein & Hambrick examined that the top management teams with well-diversified education knowledge  
153 are a heterogeneous resource to the organization. This educational background of the top management team will  
154 execute good thinking and innovative ideas to implement diversification strategies. This managerial knowledge  
155 will contribute to welldiversified experience and skills to think innovatively. Also top managements linked toa high  
156 range of networks, strategically thinking and wide range of skills with their diversity background (Finkelstein  
157 & Hambrick, 1996).In many studies explain that diversity of educational experience for the top management  
158 teams are well contributing positively to implement diversification strategies. These skills have taken firms to  
159 position in many markets and also to capture the new markets geographically. This has driven with top-level

160 managerial new ideas and innovative strategies contribution (Carpenter & Fredrickson, 2001). Also, the top  
 161 management educational background will contribute to professional and very value-creating a situation in the  
 162 access of diversification (Hambrick and Mason, 1984). More ever managerial thinking pattern and the managerial  
 163 knowledge can improve by giving training in education (Wiersema & Bantel, 1992). Always managers should be  
 164 an open mind when going for diversification strategies to alert the issues. The managerial level and the corporate  
 165 level should be in a good alert to prevent from different facts that can unsuccessful the diversification. Therefore  
 166 always they need to come up with new ideas and good opportunities to grow the business by diversification.  
 167 (Kenny, 2012).

168 When a firm diversified with corporate diversification, decisions of financing and management

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172 A in earnings should be considerable. The firm's expenditure will arise high for research and development costs.  
 173 Therefore, Keating and Zimmerman explain that the division cost is going to be high due to the information that  
 174 is found in research and development. The managers need to decide their own of this expenditure in diversification  
 175 and controlled the earnings. Diversified firms are used to change their policies in depreciation. That is because it  
 176 can affect the financial policies of the firm and the taxes on assets (Keating & Zimmerman, 2000). Managers are  
 177 empowered to control the expenses to manage the earnings of the diversified firm. These are the main expenses of  
 178 research and development, sales and administration costs, expenditure on advertising. Roy chowdhury explained  
 179 that this managerial actions will drive to good cash flow of the firm in the future and control the earning  
 180 management (Roychowdhury, 2006). Therefore, corporate-level managers are offered with high incentives to  
 181 control the research and development costs. This action implement by the firm investors who drive toward to  
 182 achieve short-term goals in earning (Bushee, 1998). Diversification strategies are given motivation to managers in  
 183 changing the accounts numbers of the firm and also to continue with favorable systems in earning processes. The  
 184 reasons for these conditions is when a firm implement diversification strategies it is less in transpiring. Therefore,  
 185 it is not possible to detect earnings as a focused firm. As Mehdi & Seboui found, the management in earning in a  
 186 diversified firm is positively related to the debt ratio (Mehdi & Seboui, 2011). But there can be an effect on the  
 187 firm's long-term growth when managers work to reduce the expenses. Initially it may result in higher earnings  
 188 but in the long run it is not good for the firm. Main costs of research and development and the advertising are  
 189 based on implementing projects of the diversification strategy. These cost reductions can develop high earnings  
 190 for the firm (Oswald & Zarowin, 2004). When implementing a level of diversification strategies in a firm with  
 191 over involvements and practicing to increase costs, it can affect the firm. These effects can drive for benefiting  
 192 the firm by adding firm value or firms diversifying, budgets are more important and its effects to slow down the  
 193 activities. Corporate diversification is an important factor and strategy of the business unit is another factor.  
 194 The administration systems that diversify firms go through can affect the budgets such as controlling budgets and  
 195 also the current incentive systems. Budgets that are allocated to business units have a positive effect on corporate  
 196 diversification. Effective control of budgets and the powerful incentive systems will pick up the business (Van  
 197 der Stede, 2000). As Pitts and Hopkins explain when the firms diversify budgets slack is a big issue and firms  
 198 stimulate in distinct business. This is a time that firms are active in clear-cut businesses (Pitts and Hopkins,  
 199 1982). Corporate managers in the diversified firm are not close to different activities that are run by the business  
 200 units (Campbell et al., 1995). Most of the time corporate managers are attending with the controlled budgets,  
 201 financial result measures and administrative operations. But they are not much involved actively in business  
 202 operations (Ghoshal & Moran, 1996).

203 Firms can gain high market power by implementing the strategy of diversification. It also creates luxury  
 204 benefits with the surplus of productivity factors. Also, diversification strategies can create an efficient internal  
 205 capital market by allocating resources efficiently (Chakrabarti et al., 2007). Diversification is depending on the  
 206 productivity of the organization to be successful as a business strategy itself. Giroud & Mueller have investigated  
 207 these productivities of the firm to success diversification are the efficiency of the management structures and also  
 208 recourses of the firm. Therefore, firms functioning in productivity has defined as a moderator variable in the  
 209 diversification and the organization's performance. This moderating variable of firm productivity has impacts  
 210 on the performance and diversification strategies of the firm. There are factors that the firm should able to  
 211 utilize their resources productively to give benefits to the firm. So this business strategy of diversification will  
 212 give return benefits to the firm by productivity (Giroud & Mueller, 2015). A process that can add value to  
 213 the core activities of a firm business is by producing the products from the given inputs or resources (Tangen,  
 214 2002). There should be a viable environment when a firm wants to innovate to grow their business. When  
 215 the firm financial systems are not in the maturity stage productivity is lesser (Gatti and Love, 2008). But still  
 216 managers follow up on greater diversification strategies for the gain in power and prestige of their firms (Jensen,  
 217 1986). Firm trust to implement greater diversification strategies in a large size because the firm's size is linking  
 218 positively to manager's compensation. Therefore, managerial behavior on diversification level is effecting for the  
 219 delivery of firm performance (Jensen & Murphy, 1990). As Kenny illustrates diversification is a good focus for

220 a company and sometimes it can be bad due to the diversifying business. But still firms fail even their focus is  
221 so good. There are many boards of the companies and the managers are still fearful of diversification because of  
222 how to make it a success. Companies' best opportunities are that they can go to a potential business which will  
223 benefit them and overcome the barriers. Writing the failure of diversification is very easy. One reason for the  
224 bad reputation of diversification is this sloppy analysis of diversifying businesses (Kenny, 2012). Managers need  
225 to clarify the objectives that they are going to implement with the firm resources. Managers should careful when  
226 they use firm recourses processing with business structure and the product diversification. (Lee, 2017).

## 227 **10 d) Firm Performance with diversification strategies**

228 There are potential effects of diversification strategies related to the performance of the organization. Widely  
229 diversification strategies deliver better results. Osorio found that successful firms have achieved their value with  
230 product diversification and depending on country environment and time period. So in the institutional base  
231 widely diversification strategies effects with the above two factors of the time period and the environment of the  
232 operating country. (Osorio at el, 2012). Diversification strategies result in both positive and negative impacts on  
233 firm performance. Also diversification benefits for firms' to cross-sell their products, for cost savings, enter into  
234 new markets and market hybrid products to increase brand image (Jayathilake, 2018). There are many studies on  
235 the relationship between diversification and company performance. But they are not shown a clear relationship  
236 between these two factors of the performance and diversification (Palich et al., 2000). But many studies have gone  
237 through to find out which are the factors that affect the relationships between performance and the diversification  
238 strategies. As Chakrabarti and team say there is no clear relationship between these two factors. But there should  
239 be some dependable reasons for it (Chakrabarti et al., 2007). Ajay & Madhumathi investigated that firms with  
240 product diversifications and international diversification are not powered to act as a strong player, as the firms  
241 with focused strategy in the capital structure. But the firms implementing product and market diversification  
242 are having a positive earning on the asset base (Ajay & Madhumathi, 2015). Diversification strategies directing  
243 firms to reach strategic assets, new technology, natural resources and skills (Lewellen, 1971). In this growth  
244 with diversification strategies firms are ready with markets and products to compete for worldwide standards  
245 (Teece, 1982.). As Williamson examines there will be fewer chances of bankruptcy because diversification is  
246 improving the debt capacity. So diversification will improve the firm's profitability and the assets by reaching  
247 to new markets and new products (Williamson, 1988). Firms' diversification is a strategy that connected with  
248 its performance and also effects the earning management in the firm practices. So the managers are facing  
249 challenges with financial support for their decisions. Those are to maximize the values and minimize the cost  
250 of the firm (Mehdi and Seboui, 2011). Diversification strategies are creating conditions for earnings. It can  
251 be in favorable or unfavorable conditions. Chung and the team found that to perform firm earnings with the  
252 corporate strategies, need to create with the performance of the operational level (Chung et al., 2005). Also,  
253 diversification strategies direct into related or unrelated diversifications. There are many modes of diversification  
254 strategies. Those are by firm internal expansion, mergers, and acquisitions or choice of this strategy (Kwangmin  
255 & Jang, 2012). Diversification strategies and performance links do not exist in many economies. It runs in well-  
256 developed economies and emerging economies (Berger & Ofek, 1995). Divarication strategies carried forward  
257 in rising economies to make values to firms. (Guillen, 2000). Firms with implementing higher diversification  
258 strategies result for high performance in emerging economies (Chang & Hong, 2002). Sometimes in the emerging  
259 economies diversification strategies will perform negative result within the firms (Tevfik, 2008). But in other ways  
260 diversification strategies deliver value to firms in the emerging economies (Olu, 2009). Firms' performance exists  
261 when there is a relationship to keep positive. Yaghoubi explains that diversification delivers mix results with the  
262 condition of the economy, and types of a diversification strategy. That is related and unrelated diversification  
263 and also when the time periods are different diversification strategies drive for a mixed performance (Yaghoubi  
264 et al, 2011).

265 Diversification strategies drive for high firm performance in developed economic settings. Khanna and  
266 Palepu explain that this is as a result of high costs adopting the financial markets and weak entries from  
267 the financial markets. Also resulting inefficient capital markets increases the firm performance in developing  
268 economies (Khanna & Palepu, 1997). Donaldson findings present that greater diversification strategies activate  
269 in complication in managing, structural and organizational factors of firms (Donaldson, 2000). Firms are creating  
270 segments with new business and also different product categories to bring under control and put to use as  
271 diversification strategies. Tevfik found that expansion of a firm with their control is a basic description for the  
272 diversification (Tevfik, 2008). When firms over diversified there are many ways of failing the ongoing businesses.  
273 As Kenny investigated there are points that a successful company who implement diversification strategies should  
274 not have and also points that a focused company for diversification should not have. Those are keeping in  
275 effective managers at many levels, regulatory and cultural differences when expanding to other countries. Also  
276 the acquisitions are happening with many requirements to integrate. Some make big payments to acquisition  
277 even when the expenses are high. Also there are more points companies should not do when implementing  
278 diversification strategies. If failing to understand all the liabilities and the where the market is correctly focused  
279 on, this is not the time to diversify. In this case diversifying firm should practice the good discipline of the total  
280 management and also total staff increase to the current operations. As per the Kenny investigated,

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A when a firm implements diversification strategies the highest performance will give with the moderate unrelated diversification. Rather than going for a high related diversification or high unrelated diversification moderate diversification will give good performance to the firm. Always firm's businesses focused to achieve corporate performance and when there is a moderately diversified business, it gives the best performance (Kenny, 2012). When considering insurance firms, there is a negative relationship between product diversification strategies. Lee examined that these results are logical according to the theory of diversification discount. Diversification strategies resulted there is an impact of the firm's business lines on the performance of the firm. The size of the firm and the product diversification involves that there are increasing results of product diversification in large size firms. There are high-value points that the diversification effects and business structure for the firm performances in countries that are under developing (Lee, 2017). In many countries a product diversification strategy is used to increase the financial performance of firms. As Elango describes they highly implement this strategy and leads to expanding the market shares while the liberalization of financial markets globally (Elango et al., 2008).

**13 III. Conceptualization and Hypothesis**

The researcher has proposed a complete model for measuring influencing factors for diversification strategies by the managers' intention for diversification strategies. The researcher has found and collected related research to create this framework. This was based on past research, hypotheses to support the concept.

The hypotheses formulated with the combination of the research question. Also, previous research findings and research limitations supported in formulating the hypotheses. Diversification of firms is reaching too high performance with their high attention to the activities. Firms will get increased performance by reinvesting in related business by engaging new business (Chiao et al, 2008). Therefore in the healthcare industry of Sri Lanka, there can be a relationship between diversification and the firm performance.

H1: There is no relationship between diversification and the firm performance of the healthcare industry in Sri Lanka.

Prior experience of managers will drive to innovation with financial expectations. Also this fast experience will act against negative effects on the business. Managers' experience will give the ability to increase innovation actions and improve new businesses to compete for the market (BarNir, 2014). So there can be a relationship between managerial experience and the diversification strategies of the healthcare industry. H2: "There is no relationship between managerial experience and the diversification in firms of the healthcare industry in Sri Lanka.

Managers' knowledge and the educational background drives through to a diversification strategy. When managers knowledge of their environment, firms directions will change to the correct path. This knowledge will change the context in growing the

**14 Independent variable Mediating Variable Dependent Variable**

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**15 Diversification Strategies****16 Managerial Experience**

Knowledge and Educational background of the management

**17 Firm performance****18 Managers' productivity**

businesses and readjust the job roles and responsibilities ??Woldesenbet, et

**19 al 2007)**

H3: There is no relationship between the educational background of the management and the diversification in firms of the healthcare industry in Sri Lanka.

A productive manager always will be a performing worker with happiness and wellbeing. When a manager is a productive worker their performance and job satisfaction drive high. So the productivity of a manager brings success to a firm in growing the business and increase the performance (Hosie & Sevastos, 2009).

H4: There is no relationship between managerial productivity and the diversification in firms of the healthcare industry in Sri Lanka.

334 The research has considered above four hypotheses to investigate the research problem by analyzing data with  
335 SPSS. The hypothesis built on considering correlation with the dependent, independent and other variables  
336 of the research. The researcher has investigated the skills of managers who are having more intention on  
337 diversification strategies for firm performance.

338 IV.

## 339 **20 Methodology**

340 In the study healthcare managers of both pharmaceutical and surgical used as the population. These managers  
341 are the people who have the intention to grow their current business through diversification strategies. The  
342 researcher has considered the most potential managers of the healthcare industry who drives leading businesses  
343 in the Sri Lankan market. For the data collection self-administrated questionnaires were used (Wanninayake and  
344 Chovancova, 2012). As the samples 31 numbers of Pharmaceutical managers were used to distribute the data.  
345 This category was done with 2 junior managers, 21 middle managers, and 8 senior managers. IBM SPSS was  
346 used to analyze the data. Data were analyzed with descriptive statistics. Also, reliability test is done through  
347 SPSS for variables and described the Cronbach's Alpha value. Relationships of variables analyzed with parsons  
348 correlation to find out the relationships among dependent and independent variables.

349 The study has followed the deductive approach which works from more general to the more specific. Also, the  
350 deductive approach informally called a "top-down" approach (Worster, 2013). The study has used questioner to  
351 collect the data and manually delivered to each respondent to answer. Therefore this study is a quantitative one.  
352 The sampling method used in the study was the snowball sampling method. This method works like a chain  
353 of business referrals for the study. In the initial stage of the snowball sampling method smallest of the groups  
354 are studied. In the next stage looking for their help study another group with a similar type of qualities. This  
355 is a kind of Non-probability sampling and also the size of the sample can increase by forwarding with research  
356 process (Karunananayake & Wanninayake, 2015). When using Non-probability sampling clear rationale is needed  
357 for the inclusion of some cases or individuals rather than others (Yin, 2003).

358 V.

## 359 **21 Findings and Discussions**

360 The IBM SPSS was used to analyze the data of the study. The outcome of the data analysis is given in the  
361 below tables. First the reliability test was done to measure internal consistencies of the total scores for each scale.  
362 That is by measuring the Cronbach's Alpha Coefficients. The calculation of reliability measurements is presented  
363 below with the Cronbach's Alpha value. The findings of reliabilities for two scales were found to be adequate  
364 since Cronbach's Alpha values are higher than 0.7 (George & Mallery, 2003). That is in the measurements of  
365 managerial experience and managers' productivity. But managers' knowledge measurement was below 0.7 which  
366 was found in the reliability test. In this Cronbach's Alpha value was .659 which is near to 0.7. The below item  
367 statistics table -2 gives the means and the standard deviations for each question items. These scores should be in  
368 a similar range to match the same concept. The questionnaire can make more reliable by removing the very high  
369 or very low scores items from it. In the below table the few items are not in the similar range. But overall below  
370 results of means and standard deviations are in a similar range. For more reliability few items of which gives  
371 a different range of results can remove from the questionnaire. Below Table -3 presents a correlation matrix of  
372 managers experience, knowledge and productivity. This displays how each item correlates to all other items. The  
373 analysis given every two questions is being compared. From top left to bottom right, there is a list of 1.000 across  
374 the diagonal, which represents instances that the items are correlated with itself. Here the scores are identical  
375 because of the correlation is perfect ( $r = 1$ ). If items in the questionnaire are measured the same concept, items  
376 should correlate well together. To keep the reliability any items can remove from the questionnaire, which has  
377 consistently low correlations across the board. But in the below table 3, there are only a few results that give  
378 low scores. Also by removing those few items questionnaire can make more reliable. Correlations figure out  
379 the strength of the linear relationship between two variables. Correlation coefficients range from -1.0 to positive  
380 1.0 which counts a perfectly negative correlation and a perfect positive correlation. The correlation coefficients  
381 within -1.0 to 1.0 will figure out the weaker to stronger correlation. When the correlation coefficient gets closer  
382 to zero, the result shows a weak correlation is between the two variables (Ratner, 2009). Below table -4 gives the  
383 Correlation coefficients of managers intention for diversification and three independent variables. The Correlation  
384 coefficient of managers' intention for diversification and managers experience is 0.380 which indicates a moderate  
385 positive relationship between two variables. Also with managers' knowledge, it is -.173 which indicates a weak  
386 negative relationship between two variables. The Correlation coefficient of managers' intention for diversification  
387 and managers productivity is 0.371 indicates a moderate positive relationship. As per the below null hypothesis,  
388 H2 -There is no relationship between managerial experience and the diversification in firms of the healthcare  
389 industry in Sri Lanka. In the hypothesis test, P-value is 0.035. Therefore  $P < 0.05$ , statistically significant and  
390 reject the null hypothesis. There is a relationship between managerial experience and the managers' intention  
391 on diversification strategies.

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395 In the next hypothesis H3 -There is no relationship between the educational background of the management and  
396 the diversification in firms of the healthcare industry in Sri Lanka. In this hypothesis test, P-value is 0.352 which  
397 is greater than 0.05.0. Result is  $0.352 > 0.05$  statistically not significant. Here accept the null hypothesis and  
398 explains that there is no relationship between knowledge and educational background of the management and  
399 their intention for diversification.

400 Next hypothesis is H4 -There is no relationship between managerial productivity and the diversification in  
401 firms of the healthcare industry in Sri Lanka. In the hypothesis test, P-value is 0.040. Therefore  $P < 0.05$ ,  
402 statistically significant and reject the null hypothesis. There is a relationship between managerial productivity  
403 and the managers' intention of diversification strategies. As the first null hypothesis H1 -There is no relationship  
404 between diversification and the firm performance of the healthcare industry in Sri Lanka. But according to Table  
405 5, the P-value is 0.041 which is  $P > 0.041$ . Therefore 0.041 is less than 0.05. It is significant. Can reject the  
406 null hypothesis. Therefore alternative hypothesis is there is a relationship between diversification and the firm  
407 performance of the healthcare industry in Sri Lanka. This study proves that there is a relationship between  
408 diversification and the firm performance of the healthcare industry in Sri Lanka. The correlation coefficient  
409 of managers' intention in diversification and the firm performance is -0.370, which indicates a strong negative  
410 relationship between two variables.

411 Below given the manager's categories who are taken as the sample population. As per the above table three  
412 type of category managers are taken as the samples for the research. The sample has represented more middle  
413 category managers which can find more good results. Senior and junior managers are less number as the research  
414 data analyzed.

415 **24 VI. Conclusion and Recommendation**

416 This study has investigated which skillful managers are having an intention for diversification strategies to drive for  
417 firm performance. The study evaluated the experience of managers and their educational background, knowledge  
418 and the productivity of them. According to the findings experience of managers and the productivity of them  
419 drives for the intention of diversification strategies. According to the data there is a relationship between managers  
420 intention for diversification, with the managers who have more experience and high productivity. But there is  
421 no relationship between the managers' intention for diversification, with their knowledge and the educational  
422 background. Also Study found out that, there is a relationship between the managers' intention for diversification  
423 and firm performance. When the managers are having high experience and the productivity they are intention is  
424 more for diversification strategies to grow their business. This strategy has gained the organizations to achieve  
425 Lankan healthcare industry managers intention for diversification strategies will direct them to firm performance.  
426 Firms can select managers with high experience and productivity to implement diversification strategies to grow  
427 their businesses. Educational background or the knowledge of managers will not be the main factor to implement  
428 diversification strategies. The productivity of managers and using the experience as a manager will direct to  
429 success in implementing diversification for firm performance for this healthcare industry. Also, the same concept  
430 can use in other industries as well as increase the firm performance of the organization.

431 This study outcome is more important to the firms who drives to the diversification strategies in the future.  
432 The Sri Lankan healthcare industry both in government and private will be more benefited of this study outcomes  
433 to grow their business. Especially pharmaceutical and the medical devices firms will take more attention to use  
434 this study results in diversification strategies. According to the findings managerial experience and the managerial  
435 productivity direct impact on the diversification strategies for firm performance. important for the managers  
436 who are planning to implement diversification strategies in the future to use the correct managers with more  
437 experience and high productivity. For the future investigations can examine the specific factors of managers'  
438 intention for diversification strategies and the firm performance. <sup>1 2</sup>

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Reliability Statistics-Managers experience Cronbach's Alpha Cronbach's Alpha Based on Standardized Items

Reliability Statistics-Managers productivity	Cronbach's Alpha
.761	.758

Figure 1: Table 1 :

Item Statistics -Managers Experience	Mean	Std. Deviation	N
Your total experience	3.19	.402	31
Managerial experience	3.19	.402	31
You experience in the relevant industry	3.10	.301	31
Your experience in the current job role	3.06	.250	31
Item Statistics -Managers Knowledge	Mean	Std. Deviation	N
Your Education background level	4.10	.539	31
Current knowledge of the Industry	4.55	.568	31
Your Current marketing knowledge	4.42	.620	31
Current knowledge of the job role	4.61	.558	31
Item Statistics -Managers Productivity	Mean	Std. Deviation	N
Your overall productivity	4.29	.783	31
Your finance management	4.29	.693	31
Your resource management	4.16	.583	31
Your people management	4.13	.499	31

Figure 2: Table 2 :

3

Inter-Item Correlation Matrix -Experience				
Your total experience	Managerial experience	You experience in the relevant industry	Your experience in the current job role	
Your total experience	1.000	1.000	.392	.536
Managerial experience	1.000	1.000	.392	.536
You experience in the relevant industry	.392	.392	1.000	-.086
Your experience in the current job role	.536	.536	-.086	1.000

  

Inter-Item Correlation Matrix -Knowledge				
Your Education background level	Current knowledge of the Industry	Your Current marketing knowledge	Current knowledge of the job role	
Your Education background level	1.000	.256	.273	.572
Current knowledge of the Industry	.256	1.000	.366	.271

Figure 3: Table 3 :

4

Correlations	EXPERIENCE	KNOWLEDGE	PRODUCT
What is your intention to grow the business diversification strategies			

Figure 4: Table 4 :

5

Correlations	What is your contribution to increase firm performance
What is your intention to grow the business diversification strategies	

[Note: \*. Correlation is significant at the 0.05 level(2-tailed).]

Figure 5: Table 5 :

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**6**

		Your current position category		Valid Percent	Cumulative Percent
		Frequency	Percent		
Valid	Junior	2	6.1	6.5	6.5
	Middle	21	63.6	67.7	74.2
	Senior	8	24.2	25.8	100.0
	Total	31	93.9	100.0	
Missing	System	2	6.1		
	Total	33	100.0		

Figure 6: Table 6 :



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## 24 VI. CONCLUSION AND RECOMMENDATION

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