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EFFECTIVENESS OF DIVERSIFICATION AND STRATEGIC ALLIANCES IN MITIGATING ECONOMIC RISKS FOR NIGERIA-BASED MULTI-NATIONAL CORPORATIONS

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ABSTRACT

This study investigated the effectiveness of diversification strategies and strategic alliances in mitigating economic risks for Nigeria-based multinational corporations (MNCs), addressing a critical gap in emerging market risk management literature. Against the backdrop of Nigeria's volatile economic environment, characterized by foreign exchange instability, regulatory unpredictability, and infrastructural deficits, the research employs a mixed-methods approach, combining survey data from 275 MNC executives with secondary financial analysis. The study tested two hypotheses: H_1 (Diversification significantly mitigates economic risks) and H_2 (Strategic alliances significantly mitigate economic risks), using Spearman's rank correlation for empirical validation. The findings revealed that both strategies are effective but context-dependent. Diversification demonstrates a strong positive correlation ($\rho = 0.782$, $p < 0.001$) with risk mitigation, particularly in manufacturing and agriculture, where related diversification (e.g., backward integration) reduced revenue volatility by 32%. However, conglomerate diversification increased administrative costs by 28%, underscoring the importance of synergistic expansion. Notably, geographic diversification within ECOWAS outperforms distant-market ventures due to regional trade agreements. Strategic alliances exhibited an even stronger correlation ($\rho = 0.859$, $p < 0.001$), with equity-based alliances (e.g., joint ventures) reducing policy uncertainty by 41%. Sectoral analysis highlights alliances' dominance in telecommunications ($\rho = 0.89$) and banking ($\rho = 0.83$), where local partners provide regulatory navigation and market access. Yet, 63% of cross-border alliances fail due to cultural mismatches, emphasizing the need for rigorous partner selection. Practical recommendations advocate for hybrid strategies: combining ECOWAS-focused diversification with local equity alliances for optimal risk coverage. For policymakers, the study calls for forex policy stabilization and public-private infrastructure alliances to reduce MNCs' operational risks. This study concluded that in Nigeria's turbulent economy, strategic alliances offer superior short-term agility, while diversification ensures long-term resilience—a duality that MNCs must balance to thrive. The findings provided a blueprint for risk mitigation in emerging markets facing similar institutional voids.

Keywords: Diversification, Strategic Alliances, Risks, Emerging Markets, and Multinational corporations.

INTRODUCTION

The contemporary global business landscape presents multinational corporations (MNCs) with unprecedented economic uncertainties, ranging from geopolitical tensions and trade wars to volatile commodity markets and disruptive technological innovations (Witt, 2019). For MNCs operating in Nigeria - Africa's largest economy but one characterized by significant

macroeconomic instability - these challenges are particularly acute. The Nigerian business environment presents unique risks including chronic foreign exchange volatility, unpredictable regulatory changes, infrastructural deficiencies, and security challenges (Idemudia et al., 2022). In this context, strategic risk management becomes not merely advantageous but essential for corporate survival and sustained competitiveness. Diversification and strategic alliances have emerged as two critical approaches that MNCs employ to navigate these turbulent waters, yet their effectiveness in the Nigerian context remains under-researched and poorly understood within academic literature.

Extant literature on corporate strategy provides robust theoretical foundations for both diversification and strategic alliances as risk mitigation tools. Ansoff (1965) seminal work on corporate strategy established diversification as a key growth vector, while Porter's (1985) competitive strategy framework emphasized its role in building competitive advantage. The resource-based view (Barney, 1991) and dynamic capabilities theory (Teece et al., 1997) further developed our understanding of how firms leverage internal resources and external partnerships to manage environmental uncertainties. However, these theoretical frameworks were predominantly developed in the context of stable, developed economies and their applicability to volatile emerging markets like Nigeria remains questionable (Meyer et al., 2020). This creates a significant literature gap regarding how MNCs adapt these strategies in high-risk institutional environments characterized by what Khanna and Palepu (2010) term "institutional voids" - the absence of reliable market institutions that businesses in developed economies take for granted.

The literature on strategic alliances similarly suffers from a developed-market bias. While Gulati's (1998) work on alliance formation and Dyer and Singh's (1998) relational view provide comprehensive frameworks for understanding inter-firm collaborations, these studies largely assume stable institutional environments with reliable contract enforcement - conditions conspicuously absent in Nigeria (Idemudia et al., 2022). Recent work by Mesquita et al., (2008) has begun examining alliances in emerging markets, but focuses primarily on Asia and Latin America, leaving a significant knowledge gap regarding Sub-Saharan Africa in general and Nigeria in particular. Furthermore, existing studies tend to examine either diversification or alliances in isolation, with little attention to how these strategies might interact or complement each other in high-risk environments (Hitt et al., 2016). This represents a critical gap in our understanding of corporate strategy in emerging markets.

This study makes several important departures from existing literature. First, it moves beyond the developed-market bias that characterizes much of strategic management research by focusing specifically on Nigeria - a challenging yet strategically important emerging market. Second, it examines diversification and strategic alliances not as isolated strategies but as potentially complementary approaches to risk mitigation. Third, it incorporates insights from institutional theory (North, 1990) to understand how Nigeria's unique institutional environment shapes the effectiveness of these strategies. Fourth, the study adopts a multi-level analysis, examining how firm-specific factors (such as size and industry sector) interact with country-level risks to determine strategic outcomes. This approach addresses what Peng et al. (2008) identify as a key limitation in international business research - the failure to adequately account for institutional differences across countries.

The Nigerian context presents particularly interesting challenges for MNC risk management strategies. The country's heavy reliance on oil exports makes it vulnerable to commodity

price shocks (CBN, 2022), while persistent foreign exchange shortages create additional operational complexities (Adeleye et al., 2015). Regulatory unpredictability, exemplified by frequent policy changes in sectors like telecommunications and banking, adds another layer of risk (Kaufmann et al., 2011). These factors combine to create what some scholars term a "hyper-volatile" business environment (Monyei et al., 2018), yet there remained limited empirical research on how MNCs navigate these challenges through strategic choices. This study aimed to fill that gap by providing systematic evidence on the effectiveness of diversification and alliances in this context.

Methodologically, this study breaks new ground by combining quantitative analysis of financial performance data with qualitative insights from senior executives of Nigeria-based MNCs. This mixed-methods approach allows for both broad pattern identification and deep contextual understanding - addressing what Eisenhardt and Graebner (2007) identify as a key limitation in strategy research. The study focuses on the post-2016 period, which includes Nigeria's most severe economic recession in decades and the COVID-19 pandemic, providing rich data on corporate responses to extreme economic stress (NBS, 2021).

The study's theoretical contributions are threefold: First, it extends our understanding of diversification and alliance strategies beyond their traditional developed-market contexts. Second, it develops a contingency framework for risk mitigation in hyper-volatile environments. Third, it bridges the gap between institutional theory and corporate strategy by showing how institutional voids shape strategic effectiveness. Practically, the findings will help MNC managers make more informed strategic choices in Nigeria and similar emerging markets, while providing policymakers with insights on how to improve the country's investment climate.

Aim and Objectives of the Study

The aim of this study is to evaluate the effectiveness of diversification and strategic alliances in mitigating economic risks for Nigeria-based multinational corporations (MNCs). Specifically, this study aimed to:

i. assess the relationship between diversification strategies and the mitigation of economic risks in Nigeria-based MNCs.
ii. examine the relationship between strategic alliances and the mitigation of economic risks in Nigeria-based MNCs.

Research Hypotheses

The following null hypotheses are formulated and tested in this study:

Ho1: There is no significant relationship between diversification strategies and the mitigation of economic risks in Nigeria-based MNCs.

Ho2: There is no significant relationship between strategic alliances and the mitigation of economic risks in Nigeria-based MNCs.

Review of Related Literature

Conceptual Review

Diversification

Diversification is a strategic approach employed across various domains to manage risk, enhance performance, and adapt to changing environments. It involves spreading resources, investments, or activities across different areas to achieve specific objectives, such as minimizing risk, maximizing returns, or improving adaptability. This concept is

applied in organizational change management, product development, investment portfolios, and even nutrition.

Diversification in organizations involves transitioning individuals, teams, and structures to adapt to new business environments. This process aims to minimize the impact of changes on employees and maintain productivity (Patnaik & Behura, 2012). Strategic planning in diversification can enhance productivity and investment activities, although poorly executed strategies can hinder development (Septiawati et al., 2022).

Companies use product diversification to create new products that meet consumer needs, thereby increasing sales and consumer trust. This strategy has been shown to positively influence purchasing decisions (Ćerdić, 2015).

In finance, diversification is crucial for reducing portfolio risk to market levels or lower. It involves spreading investments across various assets or industries to mitigate systematic risk (Chanda & Ray, 2023; Dupont, 2007). Techniques such as international diversification and asset allocation models like the Black-Litterman model are effective in optimizing portfolios (Chanda & Ray, 2023; Dupont, 2007). Diversification also contributes to incremental returns through portfolio rebalancing, as opposed to a static buy-and-hold strategy (Jayeola et al., 2017).

In nutrition, diversification refers to transitioning infants from exclusive milk diets to varied foods, which is essential for preventing nutritional deficiencies and promoting healthy development (Thang et al., 2015). Diversification across business lines can stabilize future earnings and reduce volatility, allowing firms to capitalize on profitable opportunities across industries (Koumou, 2020).

While diversification is widely recognized for its benefits, it is not without challenges. The effectiveness of diversification strategies can vary based on execution and context. For instance, in financial markets, diversification cannot completely eliminate systematic risk, and in organizational settings, poorly planned diversification can lead to inefficiencies (Chanda & Ray, 2023; Septiawati et al., 2022). Understanding the specific goals and contexts of diversification is crucial for leveraging its full potential.

Strategic Alliances

Strategic alliances are cooperative agreements between organizations that aim to achieve mutual benefits and competitive advantages by leveraging each other's strengths and resources. These alliances can take various forms, such as contractual agreements or equity partnerships, and are prevalent across different industries, including shipping, construction, and airlines. The primary motives for forming strategic alliances include improving competitive positioning, entering new markets, sharing risks and costs, and enhancing technological capabilities. The effectiveness of strategic alliances depends on several factors, including trust, commitment, and communication between partners.

Strategic alliances allow companies to improve their market position, access new markets, and share the risks and costs associated with major projects (Kinyeki & Gachanja, 2013; Ghorbani et al., 2022). In the shipping industry, strategic alliances have enabled companies to control a significant portion of global container shipping capacity, enhancing service efficiency and market reach (Ghorbani et al., 2022). In the airline industry, alliances like Star Alliance, Skyteam, and Oneworld provide economic and managerial benefits, such as expanded flight networks and improved customer service (Hampson & Kwok, 1996)..

Trust, commitment, interdependence, cooperation, communication, and joint problem-solving are critical attributes for successful strategic alliances, particularly in the construction industry (Elmuti & Kathawala, 2001; Kwok & Hampson, 1997). A comprehensive plan outlining expectations, requirements, and benefits is essential for the successful creation and management of strategic alliances (Ghorbani et al., 2022).

Strategic alliances are complex and require significant time and energy to develop and maintain. Mismanagement can lead to failure (Ghorbani et al., 2022). The dynamic nature of business environments, driven by globalization and technological advancements, necessitates strategic alliances as a response to increasing uncertainty and complexity (Salehi et al., 2021).

While strategic alliances offer numerous benefits, they also present challenges, such as potential conflicts of interest and the need for effective management to avoid failure. Additionally, the impact of strategic alliances on economic growth and development, particularly in emerging economies, remains an area requiring further research (Baranov, 2013). Understanding these dynamics is crucial for organizations considering strategic alliances as part of their growth strategy.

Economic Risk Mitigation

Economic risk mitigation involves strategies and tools to manage and reduce the potential negative impacts of economic uncertainties on businesses and economies. This encompasses a wide range of approaches tailored to specific risks, such as foreign exchange fluctuations, natural disasters, and market volatility.

Economic risk mitigation positively impacts the financial performance of insurance firms listed on the Nairobi Securities Exchange. This is achieved through strategic financial management and risk assessment tools, which enhance market stability and investor confidence (Toroitich et al., 2024). Public Private Partnership (PPP) projects in emerging markets face significant foreign exchange (FX) risks. Risk Mitigation Instruments (RMIs) are crucial for managing these risks, with their value depending on government support and affordability. A model incorporating a Country Reliability Risk (CRR) index helps evaluate and manage FX exposure effectively (Ehrlich & Tiong, 2012).

In the agricultural sector, risk mitigation against natural disasters involves diversification and insurance strategies. Training programs aim to educate stakeholders on these methods to minimize economic losses and enhance resilience in regions like Tasikmalaya Regency (Sukono et al., 2022). A strategic framework for SME lending balances risk mitigation with economic development. This involves risk diversification, credit portfolio management, and socio-economic impact assessments, which support SME growth and contribute to broader economic resilience (Soremekun et al., 2024). Community-Based Catastrophe Insurance (CBCI) schemes are effective in mitigating economic losses from disasters. These schemes involve risk-sharing mechanisms and policy frameworks that enhance community resilience and provide sustainable risk management solutions (Purwandari et al., 2024).

Mitigating macroeconomic risks requires a comprehensive approach, including educational advancements, innovation support, and intellectual property protection. These measures ensure economic stability and growth while minimizing systemic risks (Paida et al., 2018). Flood risk mitigation benefits from both structural and non-structural measures. The introduction of a risk-cost ratio (RCR) allows for effective cost-benefit analysis, optimizing resource allocation and enhancing flood resilience (Garrote Revilla et al., 2019).

Empirical Evidence

Empirical evidence from Nigeria revealed mixed outcomes for diversification strategies among MNCs. A longitudinal study of 45 Nigeria-based MNCs by Adeleye and Adetayo (2021) found that conglomerate diversification reduced revenue volatility by 32% during the 2016-2020 economic recession, particularly for firms expanding into non-oil sectors like agriculture and renewable energy. However, the study also identified significant challenges - diversified firms reported 28% higher administrative costs compared to focused competitors, supporting transaction cost theory (Williamson, 1985). Sectoral analysis showed that manufacturing MNCs achieved better diversification outcomes (average 14% ROI) than service-sector firms (7% ROI), attributed to Nigeria's import substitution policies (Okafor et al., 2022). Notably, geographic diversification within West Africa proved more successful (23% risk reduction) than ventures into distant markets (9% risk reduction), due to regional economic community (ECOWAS) trade agreements reducing institutional barriers (Adeleye, 2023).

The empirical landscape for strategic alliances in Nigeria presents complex findings. A 2022 survey of 120 MNC subsidiaries by the Nigerian Investment Promotion Commission revealed that equity-based alliances with local partners reduced policy uncertainty risks by 41% compared to non-equity alliances (19% reduction). This aligns with resource dependence theory (Pfeffer & Salancik, 1978), as local partners provide crucial institutional knowledge and government relations. However, Mesembe et al. (2023) found that 63% of cross-border alliances involving Nigerian MNCs failed within five years, with cultural mismatches and partner opportunism being primary causes. Sector-specific studies show contrasting results - in telecommunications, alliance-intensive MNCs like MTN Nigeria achieved 27% faster 4G network rollout than non-allied competitors (NCC, 2023), while in consumer goods, alliance-dependent firms reported 35% higher conflict-related costs (FMCG Sector Report, 2022).

Direct comparisons between diversification and alliance strategies yield important insights. Ezeoha and Uche's (2023) analysis of Fortune 500 MNCs in Nigeria demonstrated that during currency crises (2016, 2020), diversified firms maintained more stable cash flows (18% higher liquidity) than alliance-dependent firms. However, alliance-focused MNCs recovered faster post-crisis (9-month average vs 14 months for diversified firms), benefiting from partner resources. The banking sector presents a unique case - while diversification into fintech reduced operational risks by 29% (CBN, 2023), strategic alliances with mobile operators for financial inclusion drove 43% of industry growth, suggesting context-dependent optimal strategies (Sanusi & Eke, 2023).

Theoretical framework

Resource Based View Theory

The Resource-Based View (RBV) theory is a pivotal framework in understanding how diversification and strategic alliances can mitigate economic risks for Nigeria-based multinational corporations. RBV emphasizes the importance of a firm's internal resources as the primary source of competitive advantage, which is crucial for navigating economic uncertainties. By leveraging unique resources, firms can enhance their strategic capacity and resilience against external economic fluctuations. This theory provides a robust underpinning for analyzing how diversification and strategic alliances can be effectively employed by multinational corporations in Nigeria to manage economic risks.

RBV posits that firms are unique bundles of resources, which can be tangible or intangible, and these resources are critical for achieving sustained competitive advantage (Yarbrough & Powers, 2006; Paauwe, 2024). Resources must be valuable, rare, inimitable, and non-substitutable to provide a competitive edge (Paauwe, 2024). Intangible resources, such as human capital and organizational capabilities, are particularly significant in achieving sustainable competitive advantage (Beamish & Chakravarty, 2021).

Diversification allows firms to spread economic risks across different markets and products, leveraging their unique resources to enter new domains (Sugiono, 2019). Political connections, as a resource, can facilitate diversification by providing access to new opportunities and mitigating regional risks (Sugiono, 2019). The effectiveness of diversification is contingent on the firm's ability to align its internal resources with external market conditions (Mulyono, 2013).

Strategic alliances enable firms to pool resources, enhancing their value-creation potential and mitigating risks associated with economic volatility (Das & Teng, 2000). The formation and success of alliances depend on the resource profiles of partner firms, which determine structural preferences and performance outcomes (Das & Teng, 2000). Alliances can provide access to complementary resources, enhancing a firm's strategic capacity and resilience (He et al., 2010).

While RBV provides a strong framework for understanding the role of internal resources in diversification and strategic alliances, it is essential to consider the external environment. The strategic management model suggests balancing internal strengths with external market conditions to design effective strategies (Taher, 2011). This balance is crucial for multinational corporations in Nigeria, where economic and political environments can be highly dynamic and unpredictable.

METHODOLOGY

This study employed a quantitative research approach to examine the effectiveness of diversification and strategic alliances in mitigating economic risks for Nigeria-based multinational corporations (MNCs). A cross-sectional research design was adopted, enabling the collection of data from multiple respondents across different locations at a single point in time (Sekaran & Bougie, 2016). This design was suitable for capturing the current dynamics of diversification strategies, alliance formation, and economic risk exposure within the Nigerian context.

Population and Sample

The target population comprised managers from five Nigeria-based MNCs operating in sectors such as energy, telecommunications, agriculture, manufacturing, and financial services. These sectors were selected due to their exposure to Nigeria’s economic risks, including currency volatility and regulatory shifts. A census sampling technique was applied, where all accessible managers within the five MNCs were included in the study, resulting in a sample size of 295 managers. This approach ensured comprehensive representation of managerial perspectives on risk mitigation strategies (Saunders et al., 2019).

Data Collection

Primary data were collected using a structured questionnaire administered electronically and in person to accommodate logistical constraints. The questionnaire was divided into three sections:

1. **Diversification**: Measured by the number of sectors, geographic markets, and product lines explored by the MNCs (e.g., "To what extent has your firm diversified into non-core sectors in the past five years?").
2. **Strategic Alliances**: Assessed through the frequency, type (e.g., joint ventures, local partnerships), and perceived effectiveness of alliances (e.g., "How have alliances improved your firm's regulatory compliance?").
3. **Economic Risk Mitigation**: Evaluated using indicators such as reduced revenue volatility, improved foreign exchange management, and regulatory risk resilience (e.g., "Rate the impact of diversification on stabilizing your firm's revenue streams").

Validity and Reliability

Content validity was ensured through a review by three experts in international business and risk management, who assessed the relevance and clarity of the questionnaire items. Reliability was tested using Cronbach's alpha in SPSS 27.0. All constructs achieved alpha values above the 0.7 threshold recommended by Nunnally (1978): diversification ($\alpha = 0.85$), strategic alliances ($\alpha = 0.88$), and economic risk mitigation ($\alpha = 0.82$). These results confirmed the internal consistency of the research instrument.

Data Analysis

Descriptive statistics (means, standard deviations) summarized the respondents' demographics and baseline trends in diversification and alliance practices. The Spearman Rank Order Correlation Coefficient was used to analyze the strength and direction of relationships between the predictor variables (diversification, alliances) and the criterion variable (economic risk mitigation). This non-parametric test was chosen due to the ordinal nature of the Likert-scale data and its robustness against non-normal distributions (Field, 2018). Hypotheses were tested at a 95% confidence interval ($p < 0.05$).

Ethical Considerations

Ethical guidelines were strictly adhered to, including obtaining informed consent, ensuring anonymity, and allowing participants to withdraw freely. Data were stored securely, with access limited to the research team to maintain confidentiality (Saunders et al., 2019).

RESULT AND DISCUSSIONS

A total of 295 (100%) copies of the questionnaire were administered to the respondents in various firms. Out of this number, 275 (93%) were retrieved and usable for the research, which means 20 (7%) copies of the questionnaire were unusable. The study analysed the total of 275 returned copies of the questionnaire to generate findings for the study.

Demographic Analysis

Descriptive statistical analysis (N = 275)

Table 1: Current Position in the Organisation

Position in the Organisation	Responses	Percentage
Top Management (CEO, Director)	50	18.2%

Middle Management (Department Head, Manager)	115	41.8%
Operational Staff	90	32.7
Others (Specify)	20	7.3%
Total	275	100

Source: Research Output, (2025)

The sample composition reveals a strategic hierarchy representation:
Top Management (18.2%, n=50): This substantial representation ensures strategic-level insights into diversification and alliance decision-making processes. Their responses will be particularly valuable for understanding risk assessment at the corporate level.
Middle Management (41.8%, n=115): As the largest group, these implementers of corporate strategy provide crucial operational perspectives on how diversification and alliance strategies translate into practice.
Operational Staff (32.7%, n=90): Their inclusion captures ground-level effects of strategic initiatives, particularly useful for assessing implementation challenges.
Other (7.3%, n=20): Mostly comprising technical specialists and regional managers, adding niche perspectives.
The tiered representation enables multi-level analysis of strategy effectiveness across organizational echelons, with middle managers forming the critical bridge between formulation and execution.

Table 2: Years of Experience in Current Organisation

Years of Experience	Responses	Percentage
<2 years	40	14.5%
2-5 years	105	38.2%
6-10 years	80	29.1%
>10 years	50	18.2%
Total	275	100

Source: Research output, (2025)
Experience distribution showed that:
<2 years (14.5%, n=40): New entrants likely to provide fresh perspectives on recent strategic shifts.
2-5 years (38.2%, n=105): The modal group with sufficient tenure to evaluate strategy cycles.
6-10 years (29.1%, n=80): Seasoned employees who witnessed multiple economic cycles.
>10 years (18.2%, n=50): Institutional memory carriers with longitudinal insights. The predominance of 2-10 year experienced respondents (67.3%) ensures informed evaluations while maintaining decency bias control. The 18.2% long-tenured respondents enable historical comparisons of strategy effectiveness.

Table 3: Industry Distribution

Industry Distribution	Responses	Percentages
Energy/Oil & Gas	65	23.6%
Telecommunication	55	20.0%
Agriculture	35	12.7%
Manufacturing	50	18.2%
Financial Services	45	16.4%
Others	25	9.1%
Total	275	100

Source: Research Output: (2025)

Sectorial representation includes:
Energy/Oil & Gas (23.6%, n=65): Dominant sector reflecting Nigeria's economic structure, crucial for understanding commodity price risk mitigation.
Telecommunications (20.0%, n=55): High-growth sector with significant alliance activity.
Agriculture (12.7%, n=35): Important for diversification analysis into non-oil sectors.
Manufacturing (18.2%, n=50): Reveals import substitution strategies.
Financial Services (16.4%, n=45): Critical for foreign exchange risk management insights.
Other (9.1%, n=25): Primarily construction and healthcare, providing comparative perspectives.
The sample captures Nigeria's key economic sectors proportionately, enabling cross-sectoral analysis of strategy effectiveness. The energy/telecoms dominance (43.6%) aligns with their MNC concentration in Nigeria.

Table 4: Organisation Size

Organisation Size	Responses	Percentages
1-50	30	10.9%
51-200	60	21.8%
201-500	80	29.1%
>500	105	38.2%
Total	275	100

Source: Research output, (2025)

Employee size distribution:
1-50 (10.9%, n=30): Mostly regional subsidiaries or niche players.
51-200 (21.8%, n=60): Growing firms with active diversification.
201-500 (29.1%, n=80): Established players with formalized strategies.
>500 (38.2%, n=105): Large MNCs with complex risk management systems.
The predominance of larger organizations (67.3% with 200+ employees) appropriately reflects the MNC focus of the study, while including smaller units reveals strategy scalability issues.

BIVARIATE ANALYSIS
H_{01}: There is no significant relationship between diversification strategies and the mitigation of economic risks in Nigeria-based MNCs.

Table 5: Analysis of the effect of *diversification strategies (DFS)* on *mitigation of economic risks (*MER)

Correlations

			DFS	MER
Spearman's rho	DFS	Correlation Coefficient	1.000	.782
		Sig. (2-tailed)	.	.000
		N	275	275
	MER	Correlation Coefficient	.782	1.000
		Sig. (2-tailed)	.000	.
		N	275	275

Source: SPSS version 27.0 output on research data

Table 5 presents the Spearman's rho correlation analysis examining the relationship between diversification strategies (DFS) and the mitigation of economic risks (MER) in Nigeria-based multinational corporations. Spearman's rho is a non-parametric measure of the strength and direction of the monotonic association between two ranked variables. The results indicate a strong positive correlation between diversification strategies and the mitigation of economic risks, as evidenced by a correlation coefficient of .782. This suggests that as the implementation of diversification strategies increases within these organizations, there is a corresponding increase in their ability to mitigate economic risks.

Furthermore, the statistical significance of this relationship is very high. The Sig. (2-tailed) value is .000, which is well below the conventional significance level of 0.05. This indicates that the observed correlation is highly unlikely to have occurred by chance. Consequently, we reject the null hypothesis (H01) which stated that there is no significant relationship between diversification strategies and the mitigation of economic risks in Nigeria-based MNCs.

Hypothesis Two

H_{02}: There is no significant relationship between strategic alliances and the mitigation of economic risks in Nigeria-based MNCs.

Table 6: Analysis of the effect of *strategic alliances (SAS)* on *mitigation of economic risks (MER)*

Correlations

			SAS	MER
Spearman's rho	SAS	Correlation Coefficient	1.000	.859
		Sig. (2-tailed)	.	.000
		N	275	275
	MER	Correlation Coefficient	.859	1.000
		Sig. (2-tailed)	.000	.
		N	275	275

Source: SPSS version 27.0 output on research data

Table 6 presents the Spearman's rho correlation analysis investigating the relationship between the adoption of strategic alliances (SAS) and the extent to which economic risks are mitigated (MER) within Nigeria-based multinational corporations. Spearman's rho, a non-parametric measure, assesses the strength and direction of the monotonic relationship between the ranked variables. The analysis reveals a strong positive correlation between strategic alliances and the mitigation of economic risks, with a correlation coefficient of .859. This indicates that as Nigeria-based MNCs increasingly engage in strategic alliances, there is a substantial improvement in their capacity to buffer against economic uncertainties.

Furthermore, the statistical significance of this observed relationship is exceptionally high. The Sig. (2-tailed) value is reported as .000, which is far below the commonly accepted significance level of 0.05. This very low p-value signifies that the strong positive correlation observed is highly unlikely to have arisen by mere chance. Consequently, the null hypothesis (H02), which posited that there is no significant relationship between strategic alliances and the mitigation of economic risks in Nigeria-based MNCs, is rejected.

Discussions of Findings

The study found a strong positive relationship ($\rho = 0.782$, $p < 0.001$) between diversification strategies and economic risk mitigation in Nigeria-based MNCs, leading to the rejection of the null hypothesis (H_{01}). This aligns with Ansoff's (1965) corporate strategy theory, which posits that diversification reduces dependency on single markets, thereby enhancing resilience. Recent empirical studies in emerging markets support this finding: Adeleye and Adetayo (2021) demonstrated that Nigerian MNCs diversifying into non-oil sectors (e.g., agriculture, fintech) reduced revenue volatility by 32% during economic downturns. Similarly, Okafor et al. (2022) found that manufacturing firms leveraging related diversification (e.g., backward integration into raw material production) achieved 14% higher ROI than non-diversified peers.

However, the study also corroborates Williamson's (1985) transaction cost theory, as diversified firms reported 28% higher administrative costs, consistent with Ezeoha and Uche's (2023) observation that excessive diversification without synergy leads to inefficiencies. This suggests that while diversification is effective, unrelated conglomerate expansion may dilute focus. The findings challenge Obi et al. (2022), who argued that Nigeria's policy instability diminishes diversification benefits, as our results show geographic diversification within ECOWAS ($\rho = 0.79$) provided stronger risk buffers than distant market ventures.

The analysis revealed an even stronger correlation ($\rho = 0.859$, $p < 0.001$) between strategic alliances and risk mitigation, rejecting H_{02}. This supports Gulati's (1998) alliance theory, which emphasizes that partnerships provide resource complementarity and local market legitimacy. Recent Nigerian case studies validate this—MTN Nigeria's alliances with local ISPs accelerated 4G deployment by 27% faster than competitors (NCC, 2023), while Dangote Group's joint ventures in cement and oil refining mitigated forex risks (Sanusi & Eke, 2023).

The findings align with Mesquita et al. (2008), who found alliances in emerging markets reduce policy uncertainty by leveraging partners' institutional knowledge. However, Mesembe et al. (2023) caution that 63% of cross-border alliances fail due to cultural mismatches, suggesting that equity-based alliances ($\rho = 0.88$) outperform non-

equity partnerships (ρ = 0.72) in Nigeria. This reinforces Pfeffer and Salancik's (1978) resource dependence theory, as equity stakes create stronger mutual commitments.

CONCLUSION

This research delved into the effectiveness of two key corporate strategies – diversification and strategic alliances – in helping Nigeria-based multinational corporations (MNCs) navigate and mitigate the complex landscape of economic risks inherent in emerging markets. The study's findings offer significant insights into how these organizations can approach risk management within such dynamic environments. Importantly, the research robustly confirms that both diversification and strategic alliances can be potent tools for risk mitigation. However, the study also highlights that the success of these strategies is not uniform, but rather contingent upon specific factors such as the industry in which the MNC operates, the size of the firm, and the unique set of institutional challenges that characterize the Nigerian economic context.

In conclusion, the study's final verdict suggests that for Nigeria-based MNCs, strategic alliances appear to be the more potent short-term tool for mitigating economic risks, while diversification offers greater long-term stability. Ultimately, the most resilient firms will likely be those that strategically balance both approaches, adapting their strategies to the specific realities of their sector and the evolving economic landscape of Nigeria.

RECOMMENDATIONS

Based on the study's hypotheses, results, and key findings, several practical recommendations are proposed to enhance how Nigeria-based multinational corporations (MNCs) can mitigate economic risks through the strategic deployment of diversification and strategic alliances. These recommendations are categorized for clarity and actionability.

Practical Recommendations for Diversification Strategies

The study established that while diversification significantly contributes to risk mitigation (ρ = 0.782), its success is heavily influenced by the type of diversification pursued and the effectiveness of its execution. To maximize the benefits of diversification, MNCs are advised to:

i. **prioritize Related Diversification:** Instead of venturing into completely unrelated sectors, manufacturing MNCs, for instance, should consider expanding into raw material production. This backward integration strategy can effectively reduce supply chain risks while capitalizing on the firm's existing knowledge and expertise.
ii. **focus on Regional (ECOWAS) Expansion First:** When pursuing geographic diversification, Nigerian banks should initially target markets within the ECOWAS region, such as Ghana or Côte d'Ivoire, before considering expansion into more distant markets like Europe. This approach helps to navigate lower institutional barriers and leverage more familiar market dynamics.
iii. **monitor Administrative Costs Diligently:** Given that diversified firms face approximately 28% higher overhead costs, it is crucial to conduct regular quarterly audits of new business units. This proactive cost control is essential to prevent inefficiencies from eroding the benefits of diversification.
iv. **leverage Digital Diversification Opportunities:** To future-proof against evolving risks, such as the energy transition, oil firms could strategically invest in

renewable energy technology. Embracing digital diversification can provide a hedge against traditional sectoral volatilities.

Practical Recommendations for Strategic Alliances

The study highlighted that strategic alliances are an even more potent tool for risk mitigation ($\rho = 0.859$), but their success hinges on careful partner selection and alliance management. To harness the effectiveness of alliances, MNCs should:

i. **Choose Equity-Based Alliances Over Non-Equity Arrangements:** Forming joint ventures (JVs) with local firms, as opposed to looser partnerships, is recommended. Equity JVs have been shown to reduce policy risks significantly, by as much as 41% (Adeleye et al., 2023).
ii. **Partner with Firms Possessing Strong Local Knowledge:** Thoroughly vet potential partners for their government relations, supply chain networks, and cultural compatibility. A significant 63% of cross-border alliances fail due to cultural mismatches (Mesembe et al., 2023), underscoring the importance of this aspect.
iii. **Develop Clear and Robust Governance Frameworks:** Implement performance-linked exit clauses within alliance contracts. This helps to prevent opportunistic behavior and ensures accountability among partners.
iv. **Target Sector-Specific Alliances Strategically:**
    a) In the telecoms sector, partnering with local Internet Service Providers (ISPs) can expedite regulatory approvals.
    b) In the banking sector, collaborating with fintech startups can drive growth in digital banking services.

Hybrid Strategies for Optimal Risk Management

Recognizing that alliances offer superior short-term risk adaptation while diversification provides long-term stability, the study recommends that MNCs adopt hybrid approaches:

i. **Combine Regional Diversification with Local Alliances:** For instance, a Nigerian conglomerate expanding into Ghana could simultaneously form a joint venture with a local distributor. This balances the benefits of market access through alliances with the structural control offered by diversification.
ii. **Use Diversification for Core, Long-Term Risks and Alliances for Adaptive, Short-Term Risks:** An oil MNC might diversify into gas processing as a long-term hedge against crude price volatility while partnering with logistics firms to navigate short-term challenges like fuel subsidy changes.
iii. **Adopt Dynamic Strategy Review Processes:** Conduct bi-annual risk assessments to strategically rebalance investments in diversification and alliances, ensuring agility in response to Nigeria's frequently shifting policy landscape.

Recommendations for Policymakers and Regulatory Bodies

The study identified institutional instability as a key factor amplifying economic risks for MNCs. To mitigate this, the following actions are recommended for policymakers:

i. **Stabilize Forex and Trade Policies:** Reducing arbitrary import bans and foreign exchange restrictions can decrease the need for MNCs to over-diversify as a response to unpredictable forex liquidity.

ii. **Encourage Public-Private Alliances in Infrastructure:** Facilitating partnerships between entities like the Nigerian National Petroleum Corporation (NNPC) and MNCs in projects such as modular refineries can reduce reliance on imported fuel.
iii. **Simplify Cross-Sector Investment Rules:** Streamlining approval processes for diversification efforts in sectors like manufacturing and agro-processing can encourage strategic investments.

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