AN INVESTIGATION INTO FACTORS THAT DETERMINE THE OUTCOME OF TURNAROUND STRATEGIES OF FIRMS IN THE DAIRY INDUSTRY: A CASE STUDY OF NEW CO-OPERATIVE CREAMERIES LIMITED.

BY

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DECLARATION

This research project is my original work and has not been presented for any of the study programmes in any university.

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This research project has been submitted for examination with our approval as the University supervisors.

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DEDICATION

This project is dedicated to my wife Ann and son Elvin, both of whom were very supportive throughout the period that I was undertaking this research. May you be inspired to realize your full potentials in life.
ACKNOWLEDGEMENT

I am indebted to my family for the moral and financial support given to me in the entire period that I was undertaking this course. Special thanks to the lecturers in the department of Business administration for the guidance extended to me. In particular, I am grateful to my supervisors Mr. Bett and Mr. Nzulwa for their commitment in the entire process.
ABSTRACT

The general objective of the study is to find out factors that influenced the outcome of turnaround strategies adopted at New KCC. New KCC, one of the industry leaders in dairy industry was faced by a decline situation in the past and it embarked on a turnaround strategy that has been successful considering that the state owned milk processor recovered from a decade of loss making to profitability. As a matter of fact, New KCC made Ksh 500 million profit for the financial year ended June 2008, against Ksh 384 million posted for the previous period. In addition, New KCC weathered post-election violence to record a 30 percent rise in pre-tax profit in the year 2009 besides attaining ISO 22000:2005 certification. The objectives of the study are to examine the role of organizational culture, stakeholder participation and support, human resource training and sensitization, competition and government policy on turnaround strategies applied in New KCC.

Case study approach will be used to get an in depth in-sight into the process of the firm’s turnaround. Both primary and secondary data will be utilised in the study. Primary data will be collected using questionnaires through drop and pick method. Secondary data will be obtained from a review of published materials on the subject of turnaround and from reports documenting the KCC turnaround. Both quantitative and qualitative data will be obtained. The study will rely primarily on quantitative data analysis which will be conducted with the aid of Statistical Packages for Social Sciences (SPSS). Qualitative analysis will be used to supplement the quantitative analysis. Data will be presented in form of tables and pie charts and graphs.
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DEFINITION OF TERMS

Corporate strategy: This is the direction and scope of an organisation over the long term which achieves advantage for the organisation through configuration of resources within changing environments to meet market needs and fulfil stakeholder expectations.

Decline: Refers to a change over time from previously efficient to inefficient organizational functioning.

Organizational performance: Refers to the ability of an organization to meet its goals and achieve its mission.

Stakeholder participation: This refers to engagement or involvement of stakeholders in the turnaround process.

Stakeholders: Refers to those individuals or institutions that stand to gain or lose from the success or failure of an organization.

Turnaround: The capacity for a firm to persevere through an existence threatening performance decline; ending the threat with a combination of strategies, systems, skills, and capabilities; and thereby achieving sustainable performance recovery.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

While the need for developing competitive strategies cannot be over emphasized, strategists agree that grand strategies are critical in the long-term success of the firm. Turnaround strategy falls under the broader umbrella of grand strategies. These strategies provide the basic direction for actions and forms a basis for coordinated efforts directed towards achieving long-term business objectives. Strategy ultimately requires achievement of a fit between the external situation and internal capabilities (Mintzberg et al 2003). The external situation, which constitutes threats and opportunities, includes influences from political, social, economic and technological arenas. On the other hand, internal environment constitutes internal capabilities: included here are strengths, weaknesses, organisation systems, policies, resource capacity and organisation culture (Koigi, 2002).

For any one of a large number of reasons, a firm can find itself with declining profits. Among these reasons are economic recessions, production inefficiencies and innovative break-through by competitors. In many cases, strategic managers believe that such a firm can survive and eventually recover if a concerted effort is made over a period of a few years to fortify its distinctive competencies; a grand strategy referred to as turnaround (Pearce and Robinson, 2005)

A turnaround situation represents absolute and relative-to-industry declining performance of a sufficient magnitude to warrant explicit turnaround actions. A firm is said to be in decline when it experiences a resource loss sufficient to compromise its
viability. Turnaround strategy emphasizes the improvement of operational efficiency and is probably most appropriate when a corporation’s problems are pervasive but not yet critical (Wheelen and Hunger, 2004). Turnaround strategies stand on the belief that the market cycle doesn’t describe an inevitable course of growth followed by decline (Alex Miller, 1998).

According to Wheelen and Hunger (2004), the two basic forms of a turnaround strategy are contraction and consolidation. Contraction in this case refers to the initial effort to quickly “stop bleeding” with a general across-the-board cut back in size and costs. The second phase, consolidation, implements a program to stabilize the now leaner corporation. To streamline the company, plans are developed to reduce unnecessary overhead costs and to make functional activities cost justified. Wheelen and Hunger (2004), further points out that an over emphasis on downsizing and costs coupled with a heavy hand by top management is usually counterproductive and can actually hurt performance. If however, all employees are encouraged to get involved in productivity improvements, the firm is likely to emerge from this retrenchment period to much stronger and better organised company; having improved its competitive position and regaining its ability to expand the business.

In any industry there are many players all of whom are targeting the same customers. With increased intensity of competition, some players in the industry fall by the way side, hence requiring turnaround strategies to put them back on track. Turnaround strategies are needed when a business worth rescuing goes into crisis; the objective is to arrest and reverse the sources of competitive and financial weaknesses as quickly as possible (Thompson and Strickland, 2001). The tactics of turning around a business is to reverse
the normal time horizons of the business. For example instead of looking for a long-term strategy and then afterwards deciding the short term tactics, there is need to implement short term tactics to give the firm a chance of having the long term strategy implemented. In an effort to turn around an ailing firm, the management is charged with the responsibility of formulating a suitable strategy to diagnose factors responsible for the firm’s performance decline. Understanding what is wrong with the business and how serious its strategic problems are, is critical since different diagnosis leads to different turnaround strategies. It should however be noted that not all turnaround cases are a success story. Hambrick and Schecter (1983) studied 260 cases of turnaround and only 56 had managed to recover over a 4-year period. This indicates that turnaround especially in difficult operating environment like mature, competitive businesses is not easy. Some scholars have indicated that the success of a turnaround strategy is dependent upon both internal and external factors. A major concern by scholars and practitioners is an understanding of factors that influence success of turnaround strategies in order to avoid failure that is likely to result into liquidation. Very little scholarship seems to have been done.

Related studies carried out include Situma (2006) on turnaround of KCB with a conclusion that more than one turnaround strategy is required to turnaround an ailing firm. This study was limited in that it concentrated only on the banking sector and didn’t specifically address factors that influence success of a business turnaround. It’s therefore evident that no study has been carried out on the dairy sector and especially so on factors that influence success of a business turnaround.
There has been a marked increase in the number of firms that have been faced with declining profits and some even making huge losses. For instance, East African Portland cement made 489 m loss for a period of six months ended 31st September 2008 (Daily Nation, 28th February 2009, p 25); K-REP bank 472m loss for period ended 31st Dec 2008 (K_REP 2008) while Gulf African bank made 281 m after tax loss for the period ended 31st December 2008 (Daily Nation, 31st March 2009, p 4). Such firms require turnaround strategies to put them back to profitability.

Therefore it is on the basis of challenges facing business turnarounds that the researcher seeks to investigate the factors that influence success of turnaround strategies adopted in turning around firms under decline through a case study of new Kenya Cooperative Creameries Ltd.

1.1.1 Profile of New Kenya Co-operative Creameries Ltd.

For slightly over five years now, New KCC has been at the heart of the country’s dairy sector vibrancy. Currently the firm is controlling 40 percent of the formal milk market. New KCC has contributed immensely to improving the fortunes of dairy farmers over this period. However the firm’s genesis stretches many decades back. KCC, the precursor of New KCC was established during the colonial era in 1925 by the white settlers around Naivasha. KCC operated as a settler’s organisation for many years. According to the New KCC chairman Matu Wamae, Africans were not allowed to handle milk. They could not produce milk for themselves or for their neighbours.

KCC was registered under the cooperative societies’ ordinance in 1931 and started with an initial nominal capital of Ksh 70 million. It collapsed in 1998, a victim of persistent cash flow problems and poor management. After nearly a decade of loss-making, KCC
was sold in 2000 to a group of private investors at a throwaway price of Kshs 447 million, a huge discount from a Sh2 billion valuation. This change of ownership, however, failed to jumpstart the dairy firm. When NARC administration took over the reins in 2003, the government bought KCC 2000 for Sh547 million.

Despite the acrimony that marked the change of hands, KCC has astounded friend and foe by the speed of its turnaround. In the first 18 months the company posted a loss of Sh8 million. In the second 18-month financial year, New KCC made a profit of Ksh 349 million. Then the company reverted back to a 12-month year and the next profits were Ksh. 384 million. In addition, the New KCC weathered post-election violence in the year 2009 to record a 30 percent rise in pre-tax profit. The state-owned milk processor posted a profit of Kshs 500 million in the financial year ended 30th June 2008 against Kshs 384 million posted for the previous trading period.

1.2 Statement of the Problem

The overall research problem addressed in this study is that despite an increase in the number of firms that are registering losses, and the consequent attempts to turnaround these firms, little has been done to study factors that determine the success of turnaround strategies. It should be noted that not all turnaround cases are a success story. Hambrick and Schecter (1983) studied 260 cases of turnaround and only 56 had managed to recover over a 4-year period. This indicates that turnaround especially in difficult operating environment like mature, competitive businesses is not easy.

It’s in this light that this study seeks to document factors that were responsible for successful turnaround of New KCC from the hitherto years of loss making. After nearly a decade of loss-making, KCC was sold in 2000 to a group of private investors at a
throwaway price of KShs 447 million, a huge discount from a KShs 2 billion valuation. This change of ownership, however, failed to jumpstart the dairy firm. When Narc administration took over the reins in 2003, the government bought KCC 2000 for KShs 547 million. Consequently the government appointed a board that took over the control of the company from 1st July 2003. Since its revival, New KCC now controls 40 percent of the dairy market in Kenya leaving its multiple rivals to haggle over the rest.

Related studies carried out include Situma (2006) on turnaround of KCB with a conclusion that more than one turnaround strategy is required to turnaround an ailing firm. This study was limited in that it concentrated only on the banking sector and didn’t specifically address factors that influence the outcome of turnaround strategies adopted by firms under decline. It’s therefore evident that no study has been carried out on the dairy sector and especially so on factors that influence success of turnaround strategies. This study therefore sets out to investigate factors that influenced the success of turnaround strategies adopted at New KCC.

1.3 Objectives of the Study

The study will be guided by the following broad and specific objectives

1.3.1 General objective

The general objective of the study is to investigate factors that influenced the outcome of turnaround strategies adopted at New KCC.

1.3.2 Specific objectives

The specific objectives of the study are:

i. To establish the role of organizational culture on success of turnaround strategies of new KCC
ii. To find out how stakeholder participation and support has affected the turnaround strategies of New KCC

iii. To examine the effect of human resource training and sensitization on turnaround strategies of New KCC

iv. To find out how competition and government policy influenced turnaround strategies applied in New KCC

1.4 Research Questions

The study will seek to answer the following research questions.

i. How has organizational culture contributed to the success of the turnaround strategies employed at New KCC?

ii. How has stakeholder participation and support impacted on turnaround strategies of New KCC?

iii. What was the effect of human resource training and sensitization on turnaround strategies of New KCC?

iv. What was the impact of competition and government policy on turnaround strategies applied in New KCC?

1.5 Significance of the Study

The findings of this study will help the management of New KCC in monitoring the development and success of various turnaround strategies employed.

The study is also useful to the current players in the Dairy industry, as they would borrow ideas from New KCC in an effort to turnaround their businesses in case of decline in performance.
To the various New KCC stakeholders, it goes further to justify why their continued support is required to steer the dairy ahead of its competitors.

The study would also be of great importance to scholars and other researchers since the findings can be used as points of reference and indeed to further research in this area. Finally, failed turnarounds constitute loss of resources. Hence findings from this study will help managers involved in turning around ailing firms to determine well in advance the possibility of successfully turning around their firms.

1.6 Scope and Limitations

The study will have some limitations. First, since the study will be conducted in one organization only, findings may not be generalized to other organizations. This is because each organization faces unique challenges and therefore, as Kaplan and Norton (1996) point out, each strategy is unique. However, there could be some best practices that could be applied by other businesses seeking to turn around.

The second limitation is that since the study is about something that happened in the past, it will be subject to respondent biases. This is mainly because, as Webster, Iannucci and Romney (2002) found out; respondents tend to overrate themselves on positive traits. To overcome this, the researcher will look for any contradictory data among the responses.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of literature related to the study, whose objective is to find out the factors that influenced the outcome of turnaround strategies adopted in New KCC. First the turnaround concept and process is discussed and put into this study's context. Then, literature on factors influencing success or failure of turnaround strategies is presented, including organizational culture, Stakeholder support and participation, human resource training and sensitization, competition and government policy. The chapter then gives the theoretical framework of the study and thereafter the conceptual framework of the study is presented.

2.2 Business Turnaround Concept

Several definitions have been documented by different authors regarding turnaround. Pearce and Robinson (1992) defined a turnaround situation as representing absolute and relative -to- industry declining performance of sufficient magnitude to warrant explicit turnaround actions. This raises questions such as; how much decline is decline? How much recovery is considered recovery and over what period? In an effort to avoid such ambiguities, Khandwalla (2001) suggested a more simplified definition of turnaround as recovery to profitability from a loss situation.

Turnaround is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (scherrer, 2003). A firm is said to be in decline when it experiences a resource loss sufficient to compromise its viability (Cameron et al 1987). Turnaround is considered to have occurred when a firm recovers adequately to
resume normal operations often defined as having survived a threat to survival and regained sustainable profitability (Barker and Duhaime, 1997).

In an event of firm’s performance down turn, the management team must respond swiftly to ensure that the firm goes back to profitability. A faulting firm will most likely continue to decline and may eventually fail if top management team lacks the ability to respond successfully to internal and external factors responsible for the performance downturn (Hambrick, 1992). During decline the top management must make well-informed decisions to speed up a firm’s recovery. Research indicates that when management formulates and implements informed turnaround strategies, their firms can turnaround even when facing declining environmental munificence, increasing environmental dynamism, escalating internal problems or limited slack resources (Pearce and Robinson 1992, Barker and Dahaime 1997).

At any stage of the life cycle, companies that are in weak competitive position may apply turnaround strategies. The questions that the company has to answer are whether it has the resources available to develop a viable business level strategy to compete in the industry and how much that will cost (Hill and Gareth 2001). To achieve a successful turn around, top management team must first stem a firms decline and select an appropriate strategy for recovery (Slatter and Lorette 1999). This often requires increasing a firms efficiency, stabilizing its internal operations and reviewing stakeholder support. The severity of the situation is the governing factor in estimating the speed with which the retrenchment response will be formulated and activated (Pearce and Robinson 2005). Once the top management team has stabilized a firm’s performance it must necessarily address the causes of business decline to effect recovery (Pearce and Robinson 2005)
2.3 The turnaround Process

As seen above turnaround is a process involving various stages. The discussion of the stages focuses on the set of events that each stage involves.

Stage 1: Decline

Decline is the first stage of a turnaround process. Chowdhury (2002) uses two theoretical perspectives to explain the sources of decline. First is the resource dependence (Pfeffer & Salancik, 1978) tradition, which tends to emphasize macro or external factors as causes of decline. According to this perspective, decline can be considered a property of the environment. This decline occurs because an organization is part of a macro-niche inhabited by a population of firms, or part of an industry, that is shrinking or shifting in size or munificence. Because the carrying capacity of the macro-niche is exhausted, all firms belonging to the niche face a depleted resource pool and an intense inter-firm rivalry. The other theoretical perspective that explains decline has been dubbed "r-extinction" by Wilson (1980). Consistent with this perspective, decline is a property of the organization. This decline, alternatively labelled organizational decline, refers to reduction in resources within an organization independent of the changes in the environment. This decline occurs when an organization is operating in a stable or growing macro-niche, but is fraught with self-induced problems.

Both decline types are likely to result in the deterioration of financial performance and level of resources in any organization (Barker & Duhaime, 1997). However, the magnitude and duration of decline are likely to vary, depending on whether this is externally or internally induced.
Stage 2: Response Initiation

Turnaround responses are typically categorized as strategic and operating. Strategic turnarounds focus on changing or adjusting the business the firm is currently engaged in, and consist of major, long-term moves such as diversification, vertical integration, new market share initiatives, and divestment. Operating turnarounds focus on the way the firm currently conducts its business and involves short-run tactics geared toward cost cutting, asset reduction, and revenue generation. The general conclusion from this dichotomy is that turnaround actions must match the cause of a firm’s decline. In other words, if decline stems from structural shifts in markets, the response should be strategic turnaround. If the underlying cause is internal inefficiency, the firm should engage in operating turnaround (Chowdhury, 2002).

Stage 3: Transition

A substantial amount of time has to pass before the results of turnaround strategies show. Despite the critical nature of the transition period, Chowdhury states that most turnaround studies implicitly treat turnaround responses and improved financial results as almost simultaneous events. In other words, this treatment tends to suggest that turnaround actions produce immediate results. In reality though, Chowdhury argues that because this transition constitutes the real black box of the entire process of turnaround, it is temporally separated from both Stage 2 and Stage 4.

Elapsed time: The length of transition for successful turnarounds is important as this choice has implications for the final delineation of turnaround and non-turnaround firms. If the time is too short, selected strategies may not produce any improvements in performance and certain potential candidates for turnaround may be prematurely
categorized as failures. If the time period is too long, the effects of some short-term strategies are likely to be masked by those of long-term strategies deployed later in the transition. Clearly, a variation in transition span could lead to variations in the explanation of the relative effectiveness of certain response types.

Substantive levers: Because implementation encompasses a wide range of approaches from which one can choose one or more depending on the situation, a common set of substantive levers must permeate through these approaches. As Chowdhury’s model suggests, it is the process through which turnaround strategies are implemented, not their content per se, that explains the difference between successful and unsuccessful turnarounds. A host of variables, some of them concrete, some involving power and politics, requires serious consideration in this stage. The management style, governance structure, strategic orientation, industry experience, culture, and leadership qualities of the top managers combine with individual actions, characteristics, and skills of the employees as well as with the tangible and occult properties of the organization during implementation.

Stage 4: Outcome

In the fourth stage, a cut-off point of the performance measures determines whether a turnaround has been accomplished. The measures used to determine outcome-success or failure-are the same as those used to define decline at the first stage of the turnaround process. It is possible to conceive of both success and failure taking place at the same time, in that two measures may portray a contradictory picture of a firm’s situation, at least in the short-term. Therefore, a more balanced view of outcome is only possible through a series of measures that capture different dimensions of performance. Different
measures are likely to give a better reflection of the role and interplay of different incidents that represent the speed and depth of recovery or failure.

2.4 Factors Influencing Success or Failure of Turnaround

Several key elements contribute to a successful business turnaround. The most important is that the business has a sound core that can be saved; this means a salable product or service, a proven market, operating assets and a staff of capable personnel. This is the viable core of the business. Turnaround also requires the leadership of a competent management team, capital for use throughout the process (in the form of new loans, restructured debt, bridge capital, etc.), and the trust and support of the company’s employee’s and stakeholders. The time frame of the turnaround will vary depending on these elements and on the severity of the decline. Naturally, a business that recognizes signals of decline in the early stages can be revitalized more quickly, ridding itself of debt and strengthening its competitive position.

Past studies have suggested numerous factors that are important influences on turnaround including, environmental characteristics, such as industry growth, government regulations, and financial institutions (Gopinath, 1995), and deliberate tactics, such as improving operational efficiency or changing the firm’s competitive strategy (Barker and Duhaime, 1997). One of the earlier studies on corporate turnaround by Schendel and Patton (1976) indicated that downturns in performance were a result of unfavourable environmental shifts combined with organizational inefficiency or inappropriate competitive strategies. The authors maintained that it took an organizational crisis for a firm to seriously address decline. Other researchers have also argued that environmental factors such as industry conditions, government regulations, external stakeholders, such
as financial institutions limit the choices of management to effect turnaround (Hubbard & Kosnik, 1996; Gopinath, 1995). Others have argued that the decline situation itself influences organizational outcomes. For example, in Chowdhury & Lang’s (1993) study, they found that firms experiencing crisis decline situations were more successful in their turnarounds than those experiencing more gradual decline.

Because it deals with the survival of organizations, turnaround is viewed as a performance issue in strategic management. According to Chowdhury (2002), turnaround occurs when a firm perseveres through an existence threatening performance decline; ends the threat with a combination of strategies, systems, skills, and capabilities; and achieves sustainable performance recovery. The obverse of performance recovery is failure and eventual death. This broad definition of turnaround includes, implicitly or explicitly, four key attributes. First, stimuli for turnaround actions stem from a protracted performance decline that the firm has been experiencing. Second, turnaround constitutes a series of activities involving endogenous and exogenous contexts. Third, the activities are undertaken and executed decisively and purposively. Fourth, the combination of the first three attributes typically spans a period of years.

2.4.1 Organization Culture

There is an Old Persian saying that one cannot put newly pressed wine into old skins. The old skins are rigid and crack as the new wine percolates. Both the old and the new are lost. We see this often in business as many organizations are challenged to develop strategies that will allow them to remain viable. Success requires using existing infrastructure and infusing it with New Ideas. When done right the result is more viable than the original. When done without understanding of the full process, however, results
in frustration and often disaster. Before moving ahead with merging organizations or concepts, a thorough and thoughtful evaluation is necessary. Once the evaluation is completed a process that merges individual value with organizational mission is essential. Through this process the culture becomes clear as do the changes necessary to maximize the utilization of the organizational culture as a changing force. Extraneous and externally imposed factors are minimized while internal positive factors are incubated for further development. This is done by identifying specific action steps that are Low Cost, Low Tech, and High Touch (Kotter & Heskett, 2002).

Culture serves as the catalyst for change, creating a high sense of individual worth and collective purpose. Change becomes comfortable and expected and, with a unified leadership team that can provide vision while creating opportunities for personal value, a culture of proactivity blooms. The result is a dynamic and organic organization, changing from within, flexible to internal and external environmental changes, and ready for continued change. The new wine makes the old skin pliable and the richness of this union ensures success (McLean, 2005).

Analyzing organizational culture can occur on many different levels. On the theoretical level, one of the foremost individuals on the study and analyzing organizational culture is Dutch sociologist and writer Geert Hofstede. Hofstede's studies of how corporations and companies function most effectively is compared to how a good company had many comparisons to a successfully run nation, and how the culture of a people had an effect on organizational performance, and vice-versa (Mourier & Smith, 2001).
When analyzing organizational culture, there is the need to figure out what types of managers and workers an organisation has on every level, and: a) what type of organizational culture can maximize their abilities for the larger good of the company, or b) if the workers and supervisors already in place simply do not have the ability to shift to the organizational culture that is best. Analyzing both strengths and weaknesses can help determine where a company is, and what direction it can most effectively head towards (Schein, 2002).

A company with a very strong culture wants to make sure it doesn't go so far that no new ideas are let into the conversation. This would kill innovation. Likewise, in a company with a weak culture, if bureaucracy is a problem, while eliminating the unnecessary layers, your company still has to function. Analyzing organizational culture can be difficult, but it is a process that is well worth undertaking.

When a company is not running to its full potential, there are various reasons that a culture may not be working. The CEO may want to chart an aggressive course looking to be willing to take chances and to exploit every little opportunity, while the mid level managers might be prone to avoiding uncertainty--and thus play it way too safe. The organizational culture can be one of the most important factors in whether a large corporation succeeds or fails, but it is also one of the hardest things to change about a company since by its very definition organizational culture is shared throughout the entire company. This is why success tends to breed success while a sinking company is so hard to turn around, even if huge changes are made at the top (McLean, 2005).
On a practical level, especially with a quick turnaround or shift in culture as the eventual goal, there are a few things to keep in mind. One is feedback. Setting up a system of quick feedback means someone at the top can get a quick, if not instant, response to a program or situation. Sometimes if a bad situation, such as a CEO who tends to over micro-manage, gets removed, then that simple action can provide an instant "feedback," or in that case an instant response to the removal of bad influence. A good leader will be able to ride this early momentum to at least set the base of a new style of organizational culture.

2.4.2 Stakeholder participation and support

A stakeholder refers to a Person, group, or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies. Key stakeholders in a business organization include creditors, customers, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources. Stakeholders have an actual claim, stake, or vested interest in the company and quite often the operation of the business (Gopinath, 1995).

Although stake-holding is usually self-legitimizing (those who judge themselves to be stakeholders are de facto so), all stakeholders are not equal and different stakeholders are entitled to different considerations. For example, a firm's customers are entitled to fair trading practices but they are not entitled to the same consideration as the firm's employees.
In turning around a firm under decline, it’s important that all stakeholders are put into consideration in order to gain their support and participation. The attitude of key stakeholders would greatly influence the outcome of turnaround. If the decline has become clear to outside stakeholders like customers, suppliers and the bank, their continued support is essential. Unfortunately actions they take to protect themselves are likely to make the situation worse for the business. To counter the natural instinct to protect themselves, it is essential that the turnaround leader retains the trust of these stakeholders (Robbins, 2003).

2.4.3 Human resource Training and Sensitization

The turnaround engine is the employees who will drive it forward. The importance of dealing with employee uncertainty through careful and structured communication cannot be overstated. The ‘burning platform’ of a turnaround helps to create a sense of urgency and a common understanding of the change agenda – a shared purpose. The turnaround team leads the development and communication of a vision and aspirations for the business with a clear agenda for change. The agenda itself will not be complete until it is grounded in how the business will compete, achieve advantage and defend its position. This is an ongoing process of analytics, financials and market discovery. Furthermore, the agenda must be actionable, containing details of the approach, the timeline, deliverables and responsibilities. This includes detailed business cases and work plans that will be handed to the line organisation, and a roadmap for execution that includes the basis for individual performance measurement and incentives (Jackson & Pettit, 2008).
We often see the promotion of less experienced managers who are excited by the challenges of a turnaround. Early on, leaders can motivate by finding tangible successes and honestly communicating them to employees. Managers sketch out a roadmap of tasks that need to be accomplished to restore profitability, breaking down the larger task into monthly goals that are reasonable. The key is providing specific expectations and goals for the workforce, establishing reporting guidelines and maintaining consistent communication as the company moves down the restructuring path. Once the organisation is truly focused on results, leaders begin to coach employees to develop personal improvement plans, providing the necessary space and autonomy for people to succeed. As individuals succeed, managers seize those opportunities to recognise and reward, promoting individual and team accountability (Brady, 2003). Tracking and monitoring are, of course, critical to determining how well the workforce is performing.

A good plan requires appropriate measures for tracking and monitoring its implementation. At the highest level, the turnaround teams are held accountable for developing workable solutions. Tracking is the most effective vehicle for measuring the accomplishment of long term projects as well as day-to-day operations of the company. Monitoring progress in these areas allows for reallocation of resources or refinement of the plan when necessary. If turnaround leaders can successfully maintain this cycle of tight communication, measurable goals and highly visible recognition, employee engagement will flourish. Without it, the turnaround will fail. Jackson and Pettit (2008) argue that turnaround plans that encompass these four elements help struggling companies return to winning in the marketplace. Change is never easy, but through strong leadership, a focus
on the core, financial strength, and support of employees, the results are rewarding. It is not a simple process. However, it can and does work for many.

Training and sensitization enables employees to acquire new knowledge and skills so that they can perform their jobs better than before. It provides an opportunity for an employee to acquire job related skills, knowledge and attitudes. In training, learning takes place, and this means acquisition of skills and knowledge, which will lead to a permanent change in behaviour and attitudes. It also includes activities designed to prepare employees to keep pace with the organization as it changes and grows (Armstrong, 2003).

Without the information that comes from customers, competition, employees, vendors, banks and other managers, the business cannot adapt to change because management does not have the information to observe the signals of decline. Information enables the company to act and react – a powerful weapon against business decline. Business failure is a gradual process – it rarely occurs overnight. Usually, in each stage of business decline there are signs that indicate deficiencies or areas of weakness that should be analyzed immediately.

2.4.4 Competition and Government policy

There are many external elements that can affect a business turnaround such as competition and government policy. These are uncontrollable factors: they can favour or hamper the success of turnaround strategies. A change in an external uncontrollable element will be felt by all businesses in an industry, but the impact these changes have on a specific business depends on the strength and stability of the management team.
Competition shapes the turnaround process as the competitors have started eating into the company's market share during its decline. Yet in many cases it is the entire current business model which needs to be questioned following to sinking revenues, profits and cash flows. In other words: the reason of “losing essential business resources” may be that these resources are simply no longer essential resources in consideration of newly emerging, successful business models. The value creation in the industry of key accounts may be moving to new scope or focus, letting current supplier offers appear less valuable than before; new alliances may deliver differing levels of up- or down-stream integration, and populate entire business segments with new players; competition may be intensified by new market entries in line with globalizing markets; revolutionary processes, technology, patents, innovations achieved by competitors, may disrupt important rules of the competitive game (Jackson & Pettit, 2008).

When an organization in decline is striving to turn around, it attracts intense competition from all quarters. Usually, all other players in the industry identify that organization as their biggest threat thus focusing all their marketing, advertising and product development to pull customers away from that single organization (Finkelstein, 2005).

Most economic activity in Kenya is people and firms doing business with each other. The government's role is to facilitate these interactions. Some of this facilitation is through regulation through general laws, like the law of contract, which brings people together to do business. Other regulation involves civil laws which are about outlining people's rights and responsibilities in relation to each other, for example the laws regarding trespass. These laws are enforced through the judicial arm of government, the Kenya court system (Kimuya et al., 2006).
Most regulation is in the form of laws passed by Parliament. These fall into two general classes. Generic regulations cover a wide range of activities, like the Fair Trading Act and the Companies Act, and there are also specific regulations covering individual markets (like regulations of the banking industry). Some specific regulations even cover a single firm, like the Donde Bill, which governs some of the operations of banks (Kimuya et al., 2006)

2.5 Performance Indicators

One of the most widely embraced performance indicators in business turnaround scenarios is the balance scorecard. The BSC approach grew out of a multi-company study group in the early 1990s, sponsored by CEO of The Nolan Norton Institute, David P. Norton, with support from Dr Robert S. Kaplan, the Arthur Lowes Dickinson Professor of Accounting at the Harvard Business School. In essence, by placing metrics around customer processes and employee performance, firms are more likely to successfully implement corporate strategies. The BSC thus helps translate corporate strategy into a set of goals and objectives, with implementation tracked through multiple performance measures. As such, the approach also aids in communication and encourages a more broad-based and far-sighted strategic planning process than supported by the earlier sole focus on ROI and ROA.

Kaplan and Norton (1993) outline an eight-step process to build and implement the balanced scorecard. First there is preparation where managers identify the business unit where a scorecard is appropriate. The business unit should have its own customers, distribution channels, production facilities, and financial performance measures.
Secondly there are first round interviews where key organisational executives and senior managers are interviewed to obtain their input into the organisations strategic objectives and tentative BSC measures. Thirdly there is first round executive workshop where the top management team is brought together to develop the BSC through discussions on the mission and strategy.

Then there is second round interviews where individual interviews are completed to further refine the work completed during the initial workshop phase and seek opinions about issues involved with implementation. These are followed by executive workshop – second round, where top executives and their senior managers and direct reports debate the organisations vision, mission and the tentative scorecard. The BSC is linked to existing plans and initiatives and a start is made on the implementation plan. This is followed by an executive workshop – third round, where the senior executive team meet to finalise the BSC and the implementation plan. The team must agree on the implementation plan including communicating the BSC to employees, integrating the BSC in to the management philosophy, and developing an information system to support the BSC.

There is also implementation step whereby a new team is established to drive the introduction and ensure successful implementation including the implantation of appropriate technology to ensure success. Finally there are periodic reviews need to be monitored and report on success of the BSC.

The BSC approach measures performance from four different perspectives that together encourage managers to look beyond traditional financial measures. The first perspective of performance as per BSC is learning and growth concerned with actions to improve and
create value. In applying the learning and growth perspective, organisations have to identify the organizational infrastructure that would best fit its strategic goals. That said, for successful implementation, while in the other three perspectives managers need to identify where the organization stands currently and where it has to be in the future in order to be successful, this fourth perspective provides the actions on “how to get there”. The learning and growth perspective has three dimensions – people, systems and organizational perspectives –

Secondly there are internal processes concerned with what the firm must excel at. Organisations have to identify the internal processes crucial to their success by thoroughly scanning their internal environment, identifying the competency level and undertaking a “gap analysis”. Those critical processes identified were the ones that added superior value to their existing customers apart from meeting competency requirements and desired financial targets. The procedure of undertaking a rigorous internal analysis and relating it to the BSC is one of the latest trends in the modified BSC compared to traditional performance measures. Kaplan and Norton (1993) suggest that the balanced scorecard should not only consider operations processes, but also innovation processes. By incorporating innovation process measures, the BSC provides managers with a set of tools that can add value in both the short and long term. The BSC approach goes beyond a simple assessment of existing processes by providing a framework for analysis and measurement. The quantitative nature of the framework is its major strength.

Then there is the customer perspective which considers how the firm looks to customers. The customer perspective aims at identifying the customer and market segments in which the organisation competes. The first step is to determine the best measures of the business
unit's performance for these targeted segments and core measures that will describe the successful outcomes of a well-formulated and implemented strategy. According to Kaplan and Norton (1992), core measures include customer satisfaction, retention, new customer acquisition, customer profitability, and market and account share, and building a sustainable customer relationship.

Fourthly, there is the financial perspective which considers how the firm looks to shareholders. Financial measures provide managers with a good picture of the economic consequences of actions already taken. The financial measures commonly used are return on investment (ROI), return on equity (ROE), and operating income. They give a clear picture of the financial performance of the company to ascertain that the implementation of company's strategy and execution are indeed contributing to bottom-line improvement and achieving the desired "goal congruency".

The process of translating strategy into action associated with the BSC involves turning the company's strategic vision into clear and understandable objectives based on the above perspectives. Some companies have moved beyond this early vision for the scorecard, to discover its value as a cornerstone of a new strategic management system with the potential to deliver a firm's strategic objectives (Anthony and Govindarajan, 1998).
Figure 2.1: Theoretical Framework


The figure below gives the theoretical framework adopted by the study.
The study will be based on the Four Stage Model of Turnaround proposed by Chowdhury (2002). The four stages are: decline, response initiation, transition, and outcome. The model is based on the basic tenet of developmentalism; that is, although the external forces, such as competitive dynamics of immediate competitors and/or pressure from key stakeholders, greatly influence how the turnaround outcome unfolds, top management is able to control that influence to a large extent. The model argues that during the first stage, decline starts from firm or industry equilibrium and reaches a lowest point. The lowest point prompts management into corrective actions, which constitute the second stage of the process. The third stage—the period of transition—is by far the most intricate of all the stages. Complex interplay between strategy, structure, culture, technology, and human variables occurs during this stage. The fourth stage shows the outcome of the interactions taking place during the third stage and can be described as either a success or a failure.
2.7 Conceptual Framework

The study aims at finding out factors that influenced the outcome of turnaround strategies adopted in reviving New KCC.

![Conceptual Framework Diagram]

**Organizational Culture**

**Human resource training and sensitization**

**Stakeholder participation and support**

**Competition and Government Policy**

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As shown in the conceptual framework diagram, the success of the turnaround process is dependent on various factors, which are the independent variables of the study. These are organisational culture, stakeholder participation and support, human resource training and sensitization as well as competition and government policy. If these factors are favourable, then the turnaround process becomes successful.

**Figure 2.1: Conceptual Framework**

Source: Researcher (2010)
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research design and methodology. These are the steps taken in data collection, and analysis. The section contains the research instruments which the researcher will incorporate in the study. In addition to that, the sampling design and the data collection procedures are important components of a research and are also contained in this chapter. This section of the study describes the research design, the target population and the sampling method, procedure of data collection and data analysis in general.

3.2 Research Design

A research design is the general plan of how one goes about answering the research questions (Saunders et al., 2007). This study will be a descriptive case study aimed at establishing the factors influencing outcome of turnaround strategies in turning around a firm under decline. A case study is suitable for this research as it involves a complete observation of a social unit (a person, a group or a social institution) emphasizing in depth rather than in- breadth analysis. More so, a case study is important for analyzing information in a systematic way to come up with useful conclusions and recommendations (Mugenda & Mugenda, 1999). According to Gray (2004) the case study method is ideal when a ‘how’ or ‘why’ question is being asked about a contemporary set of events over which the researcher has no control. The descriptive case
study design was effectively used by Situma (2006) in a study of the turnaround strategy adopted at KCB.

3.3 Target Population

The target population for the proposed study will be employees who are involved in strategy formulation and implementation process. Thus the study will focus on senior management and middle level management as they are the ones who are actively involved in the turnaround process and thus have relevant information.

The employees will be drawn from all the functional areas of the New KCC. New KCC has 11 factories and 12 sales depots (www.newkcc.co.ke). Its headquarters is based in Industrial Area. Table 3.1 shows the distribution of the study’s population.

Table 3.1: The Target Population

<table>
<thead>
<tr>
<th>No of Employees in management</th>
<th>Headquarters 67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factories</td>
<td>134</td>
</tr>
<tr>
<td>Sales Depots</td>
<td>110</td>
</tr>
<tr>
<td>Total</td>
<td>311</td>
</tr>
</tbody>
</table>

Source: New KCC Human Resource Department.

New KCC is headed by a CEO. Under the CEO are various heads of departments including Finance, Sales and Marketing, Production, Quality assurance, corporate affairs, Information and communication technology, Research and development and Human
Resources departments. Heads of the departments are known as directors. Based at the headquarters are also several middle level managers and the support staff. Each of the factories is headed by the Factory Manager while each of the Sales depots is headed by a Depot Manager. Under these heads are the supervisors and under the supervisors are the support staffs.

3.3.1 Sample and Sampling Technique

This study will adopt multi stage stratified sampling. In the first stage a sampling frame will be designed. This involves dividing the population into two or more relevant and significant strata based on one or a number of attributes. Dividing the population into a series of relevant strata means that the sample is more likely to be representative (Saunders et al., 2007). The sampling frame will be the employees in various functional areas of the New KCC. As such, three strata will come up: headquarters, factories and sales depots. Then the employees will be categorized as per their job description as shown in table 3.2.
Table 3.2: Population Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Employee Category</th>
<th>Population Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Senior Management</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>44</td>
</tr>
<tr>
<td>Factories</td>
<td>Senior Management</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>101</td>
</tr>
<tr>
<td>Sales Depots</td>
<td>Senior Management</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>74</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>311</td>
</tr>
</tbody>
</table>

Source: New KCC Human Resource Department

In the next stage, proportionate sampling will be employed. Mugenda & Mugenda, (2003), recommends that a sample size of more than 30 or at least 10% is usually appropriate for social sciences. The study will thus take 20% of each of the strata population. The study will have a sample of Sixty four (64) chosen using the frame below which will be a representative sample as it is 20% of the total population.
Table 3.3: Sampling Frame

<table>
<thead>
<tr>
<th>Category</th>
<th>Employee Category</th>
<th>Population (N)</th>
<th>Sample Size 20%N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Senior Management</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>44</td>
<td>9</td>
</tr>
<tr>
<td>Factories</td>
<td>Senior Management</td>
<td>33</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>101</td>
<td>20</td>
</tr>
<tr>
<td>Sales Depots</td>
<td>Senior Management</td>
<td>36</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Middle Level Managers</td>
<td>74</td>
<td>15</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>311</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: Author, 2010

In the final stage the factories and sales depots where the respondents will be drawn from will be selected randomly.

3.4 Data Collection

3.4.1 Data Collection Procedure

This study requires both primary data and the secondary data. For primary data, the researcher will be able to collect first hand information from the organization selected. The researcher will use the questionnaires to collect the primary data from various personnel. To collect this data, the researcher will distribute the questionnaires to the respondents. The primary data will be efficient to the research because it is reliable and accurate.
Secondary data will also be very important in the study. The researcher will collect important information from the library books, annual reports from New KCC, journals and publications from research institutions. Also information from the Ministry of Cooperatives will be incorporated in the final report.

3.5 Data Analysis

The study will rely primarily on quantitative data. Quantitative data will be analyzed using descriptive statistics with the help of the Statistical Packages for Social Sciences (SPSS). This will include percentages, frequencies, mean and standard deviation. Qualitative analysis will be conducted to supplement the quantitative analysis. The qualitative data collected will be analyzed using narrative analysis. This is a systematic qualitative description of the composition of objects or material of study. It involves observation and detailed description of objects, items or things that comprise the study. This analysis is appropriate whenever there is qualitative data and one needs to establish patterns in the different responses. This analysis will enable determination of factors that influenced the outcome of turnaround strategies applied in New KCC.

3.6 Data Presentation

The quantitative data will be presented in form of pie charts, tables and graphs. This will be enhanced by an explanation of the figures. Qualitative data will be presented in narrative form. These data presentation methods will give meanings to the data and also enhance the understandability of the study findings. The final report will be prepared based on these findings.
3.7 Chapter Summary

The chapter describes the methodology that is to be used in carrying out the study. The research design is descriptive case study in nature focusing on New KCC. The population was the senior and middle level managers in the firm. The sample size, the sampling techniques and questionnaire as a primary data collection instrument have all been described. The chapter has also indicated procedure involved in data analysis and presentation.
CHAPTER FOUR

4.0 DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction:

This chapter presents data analysis, interpretation and presentation. Data has been presented in the form of tables and figures. The study targeted 64 respondents from various levels of management in the new KCC. However, 40 questionnaires were returned duly filled. This therefore indicates a response rate of 62.5% which is within Mugenda and Mugenda's (2003) prescription of significant response rate for statistical analysis which they established at a minimal value of 50%. This commendable response rate was made possible after the researcher personally administered the questionnaires and made further visits to remind the respondents to fill-in the questionnaires.

4.2 Background information

The study initially sought to establish the background information of the respondents. This is vital as it would reflect on the reliability of information based on the position held by the respondents, duration of service, and the qualification.

4.2.1 Duration of work

This area of the study sought to determine the duration of working of the respondents at the KCC. The results are as represented by the figure below.
From the figure, the majority of the respondents (55%) indicated that they had worked in the new KCC for a period of 7 years and above. 25% of the respondents indicated that they had worked for 4-6 years while 20% stated that they had worked for a period of 1-3 years.

Majority of the respondent (55%) indicated that they were working with the KCC since inception of turn around, while 45% stated otherwise.

4.2.2 Level of academic qualifications

The study within the background information further sought to identify the respondent’s level of academic qualification. The findings are as represented by figure 4.2
4.3 Effect of Organizational Culture on Turnaround Strategies

Culture serves as the catalyst for change, creating a high sense of individual worth and collective purpose. Change becomes comfortable and expected and, with a unified leadership team that can provide vision while creating opportunities for personal value, a culture of proactivity blooms. (McLean, 2005). The study was hence geared towards identifying the nature of the culture dynamism within the new KCC. The respondents were supposed to indicate on the level of agreement on various statements on organization culture using a key of 1-5 where 1 represented strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The results were computed for mean and standard deviation as shown by table 4.1.
<table>
<thead>
<tr>
<th>Organization culture</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization culture present before the turnaround was sluggish</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>15</td>
<td>20</td>
<td>4.4</td>
<td>0.69</td>
</tr>
<tr>
<td>The culture present before the turnaround contributed to the decline of the company</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>16</td>
<td>20</td>
<td>4.4</td>
<td>0.69</td>
</tr>
<tr>
<td>The new management cultivated and were able to instill a new organization culture</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>17</td>
<td>21</td>
<td>4.5</td>
<td>0.7</td>
</tr>
<tr>
<td>The new organization culture encourages innovation and aggressiveness</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>25</td>
<td>4.6</td>
<td>0.73</td>
</tr>
<tr>
<td>The culture instilled during the turnaround has greatly contributed to the success of turnaround strategies</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>27</td>
<td>4.7</td>
<td>0.73</td>
</tr>
</tbody>
</table>

From the table, the fact that the culture instilled during the turnaround has greatly contributed to the success of turnaround strategies, had a mean score of 4.7 and standard deviation of 0.73, new organization culture encouraging innovation and aggressiveness had a mean score of 4.6 and a
standard deviation of 0.73. The new management cultivated and were able to instill a new organization culture hence a mean score of 4.5 and a standard deviation of 0.7. The culture present before the turnaround contributed to the decline of the company and the organization culture present before the turnaround was sluggish were statements with a mean score of 4.4 each. These findings indicate that the new organization culture instilled during the turnaround had greatly contributed to the success of turnaround strategies, encouraging innovation and aggressiveness and that the new management cultivated and were able to instill a new organization culture in the new KCC.

4.4 Effect of Stakeholder Participation and support on Turnaround Strategies
This area of the study aimed at establishing the respondent’s views on the contribution of the management, employees, distributors, farmers, and the government among other stakeholders towards the success of turnaround strategies applied in reviving New KCC.

4.54.1 Management
Respondents described various contributions made by the stakeholders. In their opinion, top management developed and implemented turnaround strategies that addressed an imminent organizational crisis within KCC. The management became the change agents to reverse organizational decline. The respondents indicated that indeed there was change in management in the KCC hence providing important signals to outside stakeholders like the government and farmers that the firm was separating itself from past failed strategies. The signals increased the willingness of outside stakeholders to support New KCC as it struggled to turnaround.
4.4.2 Employees

Employees constitute the interface between a brand's internal and external environment and can have a powerful impact on how consumers perceive the brand and the organization. The respondents briefly described the effect of employees towards the success of turnaround strategies applied in reviving New KCC. The employees greatly enhanced the effectiveness and operation of the new KCC increasing their awareness of their marketing responsibilities hence increasing the market for the new KCC products. As consistency is a crucial element of effective brand management, employees upheld this crucial role by exhibiting appropriate behaviour or actions when interacting with consumers based on the brand's core values. The employees enhanced customer satisfaction hence promoting customer retention and loyalty.

4.4.3 Distributors

Distributors as viewed by the respondents enhanced delivery of NKCC products to the consumers. In the event of ensuring the success of turnaround strategies applied in reviving New KCC, distributors enhanced quick reaction to market-driven opportunities. They also promoted stability and efficiency of the firm’s operations. The respondents further indicated that the distributors ensured that New KCC was committed in providing quality products, thereby improving product marketability. As indicated by the respondents, distributors bridged the gap between the new KCC and the consumers by creating an environment of confidence and trust.
4.4.4 Government

After the acquisition of KCC, the government according to the respondents, ensured implementation of policies governing the running of the new KCC as a state corporation in terms of identifying the board of trustee that oversaw choosing of the right candidate for the management. The government enhanced better pay to the farmers resulting to increased delivery of milk to the firm in comparison to other competitors in the market. Being a state corporation, the government intensified the fight against corruption targeting the top management of the entire corporation. This provided a conducive environment for the implementation of turn around strategies.

4.4.5 Farmers

The success of the new KCC turn around depended on the ability to produce and satisfy the consumers. The farmers being the main producers, ensured delivery of milk to the new KCC collection points in time thereby facilitating the collection for further processing in time. The respondents also indicated that various farmers came together in form of self help groups thus promoting exploitation of economies of scale in production and delivery of milk to New KCC. More farmers joined the self help groups therefore increasing milk delivery to new KCC.

4.5 Effect of Human Resource Training and Sensitization on Turnaround Strategies

87.5% of the respondents indicated that the training they received on the turn around strategies was taking place within the organization.7.5% of the respondents indicated that
the training took place outside the organization while 5% indicated that the training took place abroad.

Further, on this area majority of the respondents (38 out of 40) stated that Company Supervisors were responsible for training the staff, while only 2 respondents indicated that the trainers were hired.

4.5.1 Areas of employees training

The study sought to enquire the various areas on which the staffs were trained on. The results are as presented in table 4.2.

Table 4.2: Areas of training

<table>
<thead>
<tr>
<th>Areas of training</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>36</td>
<td>90</td>
</tr>
<tr>
<td>Marketing</td>
<td>34</td>
<td>85</td>
</tr>
<tr>
<td>Change</td>
<td>33</td>
<td>82.5</td>
</tr>
<tr>
<td>Customer Service</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>Production</td>
<td>32</td>
<td>80</td>
</tr>
</tbody>
</table>

From the table, it is noted that all the respondents were trained on management, marketing, change, customer service and production as indicated by high percentages of 90, 85, 82.5, 80 and 80 respectively; therefore the findings indicate that emphasis on training in all these areas was important in adoption of turnaround strategies in the new KCC.
Training and sensitization and its effect on turnaround strategies

The study further sought to find out the effects of training on management, marketing, change, customer service and production on the turnaround strategies in the new KCC. The respondents were supposed to indicate the level of agreement on various statements on training and sensitization using a key of 1-5 where 1 represented strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The results were computed for mean and standard deviation as shown by table 4.3.

Table 4.3: Training and sensitization

<table>
<thead>
<tr>
<th>Training and sensitization</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>During its restructuring New KCC invested heavily in training</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>31</td>
<td>4.78</td>
<td>0.75</td>
</tr>
<tr>
<td>There has been adequate information flow during the turnaround process</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>22</td>
<td>4.55</td>
<td>0.71</td>
</tr>
<tr>
<td>Employees were actively involved in setting the agenda during the turnaround process</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>26</td>
<td>4.65</td>
<td>0.73</td>
</tr>
<tr>
<td>Enlightening the employees has greatly contributed to the success of turnaround strategies applied at New KCC</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>27</td>
<td>4.68</td>
<td>0.73</td>
</tr>
</tbody>
</table>

From the table as per the responses, during its restructuring new KCC invested heavily in training hence giving a mean score of 4.78 and a standard deviation of 0.75. New KCC
enlightened the employees thereby greatly contributing to the success of turnaround strategies applied. This had a mean score of 4.68 and a standard deviation of 0.73.

Employees were actively involved in setting the agenda during the turnaround process, and there had been adequate information flow during the turnaround process. These had mean scores of 4.65 and 4.55 respectively. These findings indicate that emphasis on training and enlightening of employees on turn around strategies, in addition to actively involving them in setting the agenda during the turnaround process, encouraged them to own the strategies hence participating fully in implementing them.

4.6 Effect of Competition and Government Policy on Turnaround Strategies

Competition, intensified by new market entries in line with globalizing markets; revolutionary processes, technology, patents, innovations achieved by competitors, may disrupt important rules of the competitive game (Jackson & Pettit, 2008).

Regulation involves civil laws which are about outlining people’s rights and responsibilities in relation to each other, for example the laws regarding trespass. These laws are enforced through the judicial arm of government, the Kenya court system (Kimuya et al., 2006). The study in this area aimed to establish the effect of competition and government policy on turnaround strategies within the new KCC. The respondents were supposed to indicate on the level of agreement on various statements on effects competition and government policy using a key of 1-5 where 1 represented strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The results were computed for mean and standard deviation as shown by table 4.4 below
<table>
<thead>
<tr>
<th>Competition and Government Policy</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>The turnaround has been greatly shaped by the competitors in the dairy industry</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>12</td>
<td>26</td>
<td>4.6</td>
<td>0.72</td>
</tr>
<tr>
<td>Recapturing its former market share has been one of the drivers for success of turnaround</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>31</td>
<td>4.78</td>
<td>0.75</td>
</tr>
<tr>
<td>The firm has been able to recapture its market share</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>12</td>
<td>27</td>
<td>4.65</td>
<td>0.73</td>
</tr>
<tr>
<td>The government has invested greatly in the company</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>30</td>
<td>4.75</td>
<td>0.74</td>
</tr>
<tr>
<td>Political influence has helped the company</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>11</td>
<td>27</td>
<td>4.63</td>
<td>0.73</td>
</tr>
<tr>
<td>Government ensured that the company had exemplary leadership team during turnaround</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td>29</td>
<td>4.73</td>
<td>0.74</td>
</tr>
</tbody>
</table>

From the table, as per the response, the ability of the firm to outdo its competitors hence recapturing its market share had a mean score of 4.78 and standard deviation of 0.75.

Government has invested greatly in the company hence giving a mean score of 4.75 and a standard deviation of 0.74. Other mean score of 4.73, 4.65, 4.63, and 4.60 represent the
fact that the Government ensured that the company had exemplary leadership team during turnaround, the firm has been able to recapture its market share. Political influence helped turn around New KCC, and that turnaround has been greatly shaped by the competitors in the dairy industry respectively. It is noted from these findings that the ability of the firm to outdo its competitors and reclaim its market share contributed greatly in ensuring success of turnaround strategies adopted in reviving New KCC.

4.7 Order of importance of factors that determine the outcome of turnaround strategies in relation to their contribution to success of turnaround strategies adopted in reviving New KCC

The study in this area aimed at identifying the order of importance of organization culture, stakeholders' participation and support, human resource training and sensitization and competition and government policy in relation to their contribution to success of turnaround strategies adopted in reviving New KCC. The respondents were required to state using a key 1-4 where 1 represent little importance, 2-moderate importance, 3-great importance and 4 -very great importance. The mean score and standard deviation were computed in relation to the response.
Table 4.5: Order of importance of factors that influence the outcome of turn around strategies

<table>
<thead>
<tr>
<th></th>
<th>Little Importance</th>
<th>Moderate Importance</th>
<th>Great Importance</th>
<th>Very Great Importance</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Culture</td>
<td>0</td>
<td>1</td>
<td>15</td>
<td>24</td>
<td>3.58</td>
<td>0.565</td>
</tr>
<tr>
<td>HR Training and sensitization</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>26</td>
<td>3.65</td>
<td>0.575</td>
</tr>
<tr>
<td>Stakeholders participation and support</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>25</td>
<td>3.63</td>
<td>0.571</td>
</tr>
<tr>
<td>Competition and government policy</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>27</td>
<td>3.68</td>
<td>0.579</td>
</tr>
</tbody>
</table>

From the table competition and government policy with a mean score of 3.68 and a standard deviation of 0.579 was rated first. HR Training and sensitization was the second with a mean score of 3.65 and a standard deviation of 0.575. Stakeholders’ participation and support was the third with a mean score of 3.63, while Organization Culture was rated at fourth position with a mean score of 3.58. The entire respondents rated the contribution of government in the turnaround process as positive.
CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction:

This chapter discusses the summary of findings as they are presented in chapter four. The objective of the study was to investigate factors that influenced the outcome of turnaround strategies adopted at New KCC and more specifically to establish the role of organizational culture on success of turnaround strategies of new KCC; find out how stakeholder participation and support has affected the turnaround strategies of new KCC; examine the effect of human resource training and sensitization; and find out how competition and government policy influenced turnaround strategies applied in new KCC. Conclusions and recommendation based on the findings and the objectives of the study have also been discussed.

5.2 Demographic findings

The findings on the background information of the respondents based on the duration of service, and qualification, established that majority of the staff had worked in the new KCC for a period of 7 years and above, and that majority had attained university education.

5.3 General Findings

The findings indicated that the new organization culture instilled during the turnaround had greatly contributed to the success of turnaround strategies, encouraging innovation.
and aggressiveness; and the new management cultivated were able to instill a new organization culture in the new KCC.

The findings further indicated that top management developed and implemented turnaround strategies that addressed an imminent organizational crisis within KCC. The management became the change agents to reverse organizational decline.

The study also found out that employees greatly enhanced the effectiveness and operation of the new KCC increasing their awareness of their marketing responsibilities hence increasing the market for the new KCC products. This ensured customer satisfaction and by extension, customer retention and loyalty.

The distributors as the study found, enhanced delivery of the products to the consumers, stability for the new KCC market hence bridged the gap between the new KCC and the consumers.

The study also established that the government ensured implementation of policies governing the running of the new KCC, enhanced better pay to the farmers resulting to increase in delivery of milk to the firm.

Respondents indicated that Farmers contributed to the success of new KCC by ensuring increased milk delivery to the firm.

It emerged from the findings that the training received by the staff on the turn around strategies was taking place within the organization mostly from the supervisors. The staffs were trained on management, marketing, change, customer service and production.

Training, active involvement of employees in setting the agenda during the turnaround
process and enlightening the employees contributed to the success of turnaround strategies applied at New KCC.

The findings indicate that political influence enhanced change of government which invested greatly in the company; ensuring exemplary leadership team during turnaround, hence recapturing its former market share for success of turnaround.

The findings concluded by establishing competition and government policy; and Human resource training and sensitization as the two most important factors in relation to their contribution to success of turnaround strategies adopted in reviving New KCC.

5.4 Conclusion

Based on the findings, the study concludes that the new organization culture instilled during the turnaround, had greatly contributed to the success of turnaround strategies; encouraging innovation and aggressiveness; and that the new management cultivated and were able to instill a new organization culture in new KCC. The management, employees, distributors, farmers, and the government stakeholders contributed towards the success of turnaround strategies applied in reviving New KCC. The study further concludes that training, active involvement of employees in setting the agenda during the turnaround process and enlightening the employees on the need for change contributed to the success of turnaround strategies applied at New KCC. Political influence enhanced change in management hence ensuring exemplary leadership team during turnaround that enabled New KCC to recapture its former market share for success of turnaround. In conclusion competition and government policy; and Human resource training and sensitization, stakeholder support and participation and organization culture are important factors that
contributed significantly in the success of turnaround strategies adopted in reviving New KCC.

5.5 Recommendations

From the findings and the conclusions, the study unearthed the fact that mere putting in place of turnaround strategies doesn’t guarantee a firm of successful turn around. Based on the research objectives, the study recommends that in order to turn around a firm under decline, there is need to ensure that factors that back up turnaround strategies are put into consideration.

The management should ensure that they instill a culture that creates a high sense of individual worth and collective purpose where change becomes comfortable and expected. This would result in a dynamic organization, changing from within, flexible to internal and external environmental changes and ready for continued change.

In turning around a firm under decline, it’s important that the firm ensures stakeholder support and participation in the entire turnaround process. This is because the attitude of key stakeholders would greatly influence the outcome of turn around. To counter the natural instinct of stakeholders to protect themselves in relation to firms decline, its essential that the turn around leader retains the trust of all stakeholders (Robbins, 2003). Bearing in mind that the turn around engine constitutes the employees, the management is charged with the responsibility of dealing with employee uncertainty through careful and structured communication. The turn around team should lead the development and communication of a vision and aspirations for the business with a clear agenda for change. The change agenda should be grounded in how the business will compete, achieve competitive advantage and defend its position in the market. Further more it
should be actionable, containing details of the approach, the time line, deliverables and responsibilities.

Finally, a firm under decline should seek to ensure that strategies put in place seek to outdo other competitors in order to reclaim the initial market share. This is based on the fact that when an organization in decline is striving to turn around it attracts intense competition from all quarters. Usually, all other players in the industry identify that organization as their biggest threat thus focusing all their marketing, advertising and product development to pull customers away from that single organization (Finkelstein, 2005). Government support in terms of regulations and policies that facilitate trade provide a conducive environment for turn around.

5.6 Suggestion for further studies

1. It’s necessary that a similar study is carried out on firms that have turned around in other industries in order to find out factors that influenced success of turnaround strategies that were applied in the said firms.

2. A comparative study can be carried out on factors that influence the outcome of turnaround strategies adopted in reviving firms in different industries
REFERENCES


Moulier, P., Smith, M.E. (2001), Conquering Organizational Change: How to Succeed Where Most Companies Fail, CEP Press, Atlanta, GA.


APPENDICES

Appendix I: Introductory Letter to Respondents

TO WHOM IT MAY CONCERN

RE: FACTORS INFLUENCING THE SUCCESS OF TURNAROUND STRATEGIES

I am a postgraduate student studying at Kenyatta University, currently undertaking a research on the factors influencing the outcome of turnaround strategies adopted in turning around a firm under decline: A case of New KCC.

Your organization is the main focus for the study. The choice is based on your strategic importance in the achievement of development goals in the country. I kindly request your assistance by availing time to respond to the questionnaire. Any documentations, strategic plans, reports or journals that you may have that are relevant to this topic of study may be availed to me at your discretion. Your assistance will be highly appreciated.

The information which will be gathered will purely be used for academic purposes only.

Yours Sincerely,

Mwirigi Martin Silas
Appendix II: The Research Questionnaire

Section A: Background Information

1. What position do you hold at New KCC? .........................................................

2. For how long have you held the position?

   [ ] 1 – 3 years

   [ ] 4 – 6 years

   [ ] 7 years and above

3. Were you working with KCC since inception of turnaround?

   [ ] Yes  [ ] No

   If Yes in item 3 above, what position were you holding then?

   ..........................................................................................................................

4. What are your highest academic qualifications?

   [ ] Diploma  [ ] Bachelors Degree

   [ ] Masters Degree  [ ] PhD

SECTION B: EFFECT OF ORGANIZATIONAL CULTURE ON TURNAROUND STRATEGIES

In relation to your every day experience of the organisation culture, tick the most appropriate response choice to the statements made in the table below;

Where 1=strongly agree; 2=Agree; 3=Neutral; 4=Disagree and 5=strongly disagree.

<table>
<thead>
<tr>
<th>Organization culture</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization culture present before the turnaround was sluggish</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The culture present before the turnaround contributed to the decline of the company.

The new management cultivated and were able to instil a new organization culture.

The new organization culture encourages innovation and aggressiveness.

The culture instilled during the turnaround has greatly contributed to the success of turnaround strategies.

### SECTION C: EFFECT OF STAKEHOLDER PARTICIPATION ON TURNAROUND STRATEGIES

7. Describe briefly the contribution of the following stakeholders towards the success of turnaround strategies applied in reviving New KCC.

**Management:**

**Employees:**

**Distributors:**

**Farmers:**
SECTION D: EFFECT OF HUMAN RESOURCE TRAINING AND SENSITIZATION ON TURNAROUND STRATEGIES

8. Where did the training take place?
   - Within the organization [ ]
   - Abroad [ ]
   - Outside the organisation [ ]
   - Others ________________________________

9. Who were the trainers?
   - Company Supervisors [ ]
   - Hired Trainers [ ]
   - Others ________________________________

10. Which areas were the employees trained on?
    - Management [ ]
    - Production [ ]
    - Marketing [ ]
    - Change [ ]
    - Customer Service [ ]
    - Others ________________________________

11. The following statement relate to training and sensitization and its effect on turnaround strategies. Rate them appropriately
Training and sensitization

During its restructuring New KCC invested heavily in training

There has been adequate information flow during the turnaround process

Employees were actively involved in setting the agenda during the turnaround process

Enlightening the employees has greatly contributed to the success of turnaround strategies applied at New KCC

<table>
<thead>
<tr>
<th>Training and sensitization</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>During its restructuring New KCC invested heavily in training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There has been adequate information flow during the turnaround process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees were actively involved in setting the agenda during the turnaround process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enlightening the employees has greatly contributed to the success of turnaround strategies applied at New KCC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION E: EFFECT OF COMPETITION AND GOVERNMENT POLICY ON TURNAROUND STRATEGIES

12. In relation to competition and government policy, tick the most appropriate response choice to the statement made in the table below;

Where 1=strongly agree; 2=Agree; 3=Neutral; 4=Disagree and 5=strongly disagree.

<table>
<thead>
<tr>
<th>Competition and Government policy</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The turnaround has been greatly shaped by the competitors in the dairy industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recapturing its former market share has been one of the driver for success of turnaround</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm has been able to recapture its market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The government has invested greatly in the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political influence has helped the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Government ensured that the company had exemplary leadership team during turnaround

13. Rank the factors below in the order of their importance in relation to their contribution to success of turnaround strategies adopted in reviving New KCC; using a scale of 1-4.

- Organization Culture [ ]
- HR Training and sensitization [ ]
- Stakeholders' participation & support [ ]
- Competition and government policy [ ]


- Positive [ ]
- Negative [ ]

15. In your opinion, which other factors could have contributed to the success of turnaround strategies applied in reviving New KCC

15. What are your suggestions on the subject of study? ____________________________

________________________________________

Thank you for your time and cooperation
## Appendix III: Work Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coming up with a research topic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Writing chapter one</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Writing chapter two and three</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalizing on the research proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Analysis and Report Writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix IV: Research Budget

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Cost (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Transport Expenses</td>
<td>25,000/=</td>
</tr>
<tr>
<td>2.</td>
<td>Printing and Binding Charges</td>
<td>3,000/=</td>
</tr>
<tr>
<td>3.</td>
<td>Library and Internet Expenses</td>
<td>2,000/=</td>
</tr>
<tr>
<td>4.</td>
<td>Typing and Photocopying Expenses</td>
<td>5,000/=</td>
</tr>
<tr>
<td>5.</td>
<td>Research Assistant</td>
<td>10,000/=</td>
</tr>
<tr>
<td>6.</td>
<td>Sub Total</td>
<td>45,000/=</td>
</tr>
<tr>
<td>7.</td>
<td>Miscellaneous (10 %)</td>
<td>4,500 /=</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td>49,500/=</td>
</tr>
</tbody>
</table>
Appendix V: New KCC Network

New KCC Network

Source: http://www.newkcc.co.ke/network.php