IMPLEMENTATION OF TURNAROUND STRATEGY AT OPPORTUNITY KENYA LIMITED

BY

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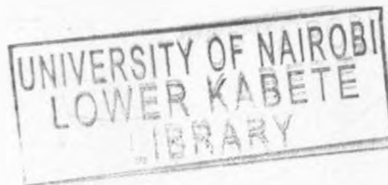
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DECLARATION

This research project study is my original work and has not been presented to any other examination body. No part of this research project should be reproduced without my consent or that of University of Nairobi.

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This research project has been submitted with the approval of the University Nairobi

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DEDICATION

This study is dedicated to my loving family; my dear wife, Daphine Mwendwa, my daughter Patience Kavindye and son Caleb Kyama.

ACKNOWLEDGEMENTS

My Heavenly Father, your abundant grace and provision during the entire period of study has enabled me to come this far. My loving family, I wish to express my sincere appreciation for your great understanding and patience during the many weekends that I was away from home attending classes, your prayers and constant encouragement to soldier on kept me strong.

I appreciate the support and honesty of Opportunity Kenya's management for availing the required information towards this project and for the opportunity to grow my career with them. To my supervisor and moderator, Mr Alex Jaleha and Dr. Vincent Machuki respectively, I am sincerely grateful for timely and spot on guidance that made this research project successful. May God bless you all.

ABSTRACT

This academic research aimed to answer the question: which turnaround strategies did Opportunity Kenya adopt and what challenges did they encounter in implementing them. This research was conducted through a case study where an interview guide with open-ended questions was used to collect in-depth information from the Senior Management at OKL. The research took off by identifying the main causes of business failure in organizations including Opportunity Kenya. The findings were that weak management and governance of institutions, changes in operating environment which leads to intense competition, economic factors such as inflation which leads to high cost of living, poor performance management, weak internal controls, poor spread of risk and turbulence in political environment are among the reasons why businesses fail or go in to decline. From the findings of the study, OKL adopted five key strategies in turning around the situation, these are; strengthening of management and governance (leadership), enhancement of supervision through regional / decentralized offices, refinement of product offering to match changing customer needs, review of business processes to increase efficiency and acquisition of other business in the same field to leverage on deficient areas. Further highlights the critical success factors that make implementation of turnaround strategies easier as; a simultaneous focus on leadership, communication, people management, embracing of good business processes, establishment of other supportive functions and budget allocation for the process. Challenges identified in the strategy implementation process include; resistance to change from stakeholders, failure to meet set milestones within desired time periods, exit of key players such as senior management in the implementation process, lack of inclusiveness and poor buy in due to bad experiences by customers and other stakeholders. From this study, we conclude that a consistent approach in managing change coupled with a clear and consistent communication will provide a very good environment for implementation of turnaround strategies. For implementation of turnaround strategies to be successful, this study concludes that there is need to adopt a combination strategy that does not only stabilize the business but also sets base for future growth and long-term sustainability.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIA	Chief Internal Auditor
COO	Chief Operating Officer
MDSL	Microenterprise Development Services Limited
MFI	Microfinance Institution
OI-WEDCO	Opportunity International Wedco
OKL	Opportunity Kenya Limited
PEV	Post Election Violence
WEDCO	Western Development Company

CHAPTER ONE: INTRODUCTION

1.1 Background

Companies are occasionally faced with declining performance in the course of carrying out their business activities. These circumstances may be manifested in some ways such as; declining market share or loss of customers to competition, declining sales volumes and profits, high staff turnover and increasing operational costs. Such times call for employment of strategies that will effectively counter the declining performance or unfavorable trends if the business is to recover and continue been profitable. Whitney (1987) proffers that company and industry downturns represent an opportunity to make needed changes in a firm. The strategies adopted should help restore the organizations performance to the right track and achieve desired objectives in the long run. Strategy is a company's game plan for winning; it maps out the moves a business must make to outwit the competition, captivate customers and increase long-term shareholder value. Effective strategy inspires and informs the actions of the executive team and mobilizes employees.

Developing an appropriate response to a decline in a firm's performance is one of the most important decisions that managers must make (Palmer, 1999). In such times, decisions on the appropriate strategy are usually made at the corporate-level. Three broad categories of strategies are defined at this level. These are; strategies involving expansion of business operations (growth strategies), decreasing the scope of business operations (retrenchment strategies) or maintaining the status quo (stability strategies).

During the unfavorable circumstances, firms pursue a turnaround strategy by undertaking a temporary reduction in operations in an effort to make the business stronger and more viable in the future. The hope is that going through a temporary belt-tightening will allow the firm to recover and be able to pursue a growth strategy at some future point.

1.1.1 Concept of Strategy

Strategy is all about gaining (or being prepared to gain) a position of advantage over adversaries or best exploiting emerging possibilities. Digman (1997) defines strategic management as a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible. Organizational operations and eventual success is sensitive to its environment. Prevailing economic situations can provide either opportunities or threats to an organization at any one given time. Thus, leaders of organizations should ensure continuous monitoring of their business environments. Where the environment presents opportunities, then all strategies should be crafted to make optimum exploitation for organizational success. When the prevailing conditions pose threats, strategies crafted should be aimed at ensuring successful mitigation and transition from that period to a sustainable future.

Norton (2001) advises that in today's business landscape, it has never been more important to implement solid strategies — the unique and sustainable ways by which organizations create value. He goes on to argue that research reveals that companies have an increasingly difficult time executing the strategies they need to remain competitive. The observation made is that while these strategies and the business issues behind them

are changing constantly, the tools for measuring the effectiveness of these strategies have not kept pace. The resultant effect of this mismatch will be late realization by organizations that they have long lost their competitiveness and are unable to respond to emerging issues in their business environment appropriately. When the situation drags for a longer time, then the level of decline may be too much to deal with through the day to day operational strategies. At this juncture, then a turnaround situation will have come in to play which will call for strategies to prevent further deterioration and while bringing back the business to the desired position.

1.1.2 Turnaround Strategy

Pretorius (2008) defines turnaround as when a venture has recovered from a decline that threatened its existence to resume normal operations and achieve performance acceptable to its stakeholders (constituents), through reorientation of positioning, strategy, structure, control systems and power distribution. He further asserts that turnaround situations are governed by a mix of preconditions that are often described in metaphors or as syndromes, because they are so complex, severe and urgent. The need for turnaround strategies is not new; most business ventures face trouble and decline somewhere in their life cycle.

Hiller (2011) argues that in a fast moving and weak economy, it is not surprising that most organizations are finding themselves in crisis more frequently. The goal of the organization at such times is to identify the nature of the crisis and plan a turnaround or liquidation strategy. The turnaround manager is often struggling with multiple factors

including the company's public image during the analysis of company's current profitability and recovery viability. However; many businesses try to restructure their way out of the crisis deploying many of the same strategies which lead to the current failures thus compounding the problem with time. It takes both professional unemotional analysis and planning for a sustainable recovery to be achieved (Hiller, 2011)

According to Morrow (2004), the nature of the industry environment is likely to be an important factor when considering a firm's turnaround strategy. Past, prevailing and anticipated occurrences in an industry would greatly influence how successful a turnaround process will be. Whereas some surrounding factors would be favorable and catalyze the return to normalcy, others could be unfavorable leading to reduced speed, need for extra resources and delayed or non-optimal achievement of desired results.

Effective turnaround management involves making a series of holistic changes to strategies, structures and practices throughout the organizations (Sharma, 2000). Turnaround strategies such as costs reduction, asset reduction, strategic repositioning, change in management style / leadership and reorganization are commonly embraced to deal with decline in institutions. Their successful implementation is expected to yield favorable results that will lead to organizational growth and shall be reflected in increasing sales, wider market coverage, improved efficiencies and higher profits. Long-term sustainability and existence of the organization that has been turned around remains a key measure of success.

1.1.3 Implementation of Strategy

Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of; people, structure, processes and resources in achieving organizational objectives. Okumus, (2003) notes that the implementation of strategy directly or indirectly relates to all facets of management. This is because the entire management process is geared up according to the needs of the strategy. Research has revealed that the biggest undoing for organizations has not been lack of good or viable strategies but the inability to effectively implement the strategies in order to realize the intended objectives. Miller (2002) reports that Companies fail to implement more than 70% of their new strategic initiatives. The importance of strategy implementation cannot be overemphasized because it is the only way through which desired results can be obtained.

In essence, a strategy is never complete, even as formulation until it gains a commitment of the organization's resources and becomes embodied in organizational activities. This underscores the need for a common understanding, commitment and dedication of all the players within an organization if any strategy is to be implemented successfully. Al-Ghamdi (1998), researched on obstacles to strategy implementation and came up with three conclusions; the management process plays a major role in enforcing the view that strategy formation cannot be separated from strategy implementation, company management has to develop a good information system that will help in obtaining the highest quality of knowledge and company management must ensure that supportive structures are in place to help individuals access easily what they need for facilitating the

implementation process. The key highlight is therefore the need to understand that a strategy that never gets implemented is not worth crafting and that any successful implementation has to be owned across the entire organization. Setting organizational climate that supports the initiatives contained in the strategy is critical to overcoming possible resistance to implementation.

1.1.4 Microfinance Institutions in Kenya

The World Bank defines Microfinance Institutions (MFIs) as institutions that engage in relatively small financial transactions using various methodologies to serve low income households, micro enterprises, small scale farmers, and others who lack access to traditional banking services. It involves the providing of loans and banking services to the low income; small and micro entrepreneurs to help them engage in productive activities, to better organize their financial lives as well as expand their businesses.

Despite the life transforming microfinance services, the World Bank says that the industry is not close to meeting the demand. Kenya's population has tripled over the past 30 years, leading to increasing pressure on natural resources, a widening income gap and rising poverty levels that erode gains in education, health, food security, employment and incomes. In response, Microfinance institutions have committed to building scalable, sustainable and accessible banks throughout the developing world to provide loans, training, savings and insurance products tailored to the specific needs of each region.

The 1999 MSE base line survey found out that micro-financing, a core source of funding for micro and small enterprises contributes about 18% of the county's GDP and employs 2.3 million people (Njoroge, 2011).

Recent developments in the microfinance industry in Kenya have seen several MFI's move to deposit taking as a way of raising funds for onward lending while remaining competitive through provision of savings accounts and payment services. According to the Central Bank of Kenya Bank Supervision Annual Report, there were five licensed Deposit Taking Microfinance Institutions (DTMs), out of which two had commenced operations with nationwide branch network comprising of 37 branches. The DTMs had mobilized deposits worth Ksh. 6.1 billion and had a total loan portfolio value of Ksh. 14.2 billion. The total number of active deposit accounts and loan accounts stood at 1.0 million and 0.6 million, respectively as at end of December 2010. It is envisaged that the presence and prevalence of DTMs will become more pronounced over time as the institutions that transformed from credit only convert the numerous marketing units into full-fledged branches. These developments are moving companies in the industry to compete in arenas that had purely been dominated by mainstream banks. Similarly, the banks are also scaling down and creating microfinance wings to trade in this lower end of the market.

1.1.5 Opportunity Kenya Limited (OKL)

Opportunity Kenya is a local, limited liability microfinance company. It has been in operation since 2006, serving the economically active poor and aiding them to get out of

chronic poverty by transforming their lives. Opportunity International is the majority shareholder (51%) of Opportunity Kenya while WEDCO is the minority shareholder (49%). Opportunity Kenya's board has directors from Opportunity International, WEDCO, Care Canada (an investor in WEDCO) and Cordaid (a Dutch investor). The Company's operations span across 4 provinces reaching out to millions of under served Kenyans with its growing range of products and services (http//opportunity.net/kenya)

The Company is currently serving over 12,000 registered clients with total loan portfolio of 362 Million spread through 11 branches in the four provinces (Opportunity Kenya Management Reports, 2012). Opportunity Kenya Limited plays a pivotal role in the socio-economic development of Kenya; especially by filling in the gap created by the failure of the mainstream banks to develop financial products for the clientele in the low-income bracket. When the company started its operations in Kenya in the year 2006 it acquired majority shares in WEDCO Enterprise Development Ltd and began its operations as OI-WEDCO Ltd (http//opportunity.net/kenya)

Up to the year 2007, the company predominantly operated in Western, Nyanza and Rift Valley but did not have operations in Nairobi. As at February 2008, OI-WEDCO had 8,804 registered clients with a gross outstanding portfolio of Kshs 150 million, (Microfinanza rating Report, 2008). The institution was severely affected by post-election turmoil due to the concentration of its operations in the parts of the country which were affected adversely by the PEV of 2008. Due to the prevailing circumstances, the organization experienced serious default because a sizeable number of the recorded clients were either dormant or at large. Some customers had been displaced, other had

their businesses closed while some just took advantage of the situation and were not servicing their loans as required. This situation forced Opportunity International (the major shareholder) to work on both strategic and operational plans to counter the post-election crisis situation.

The aftermath of the disputed elections was an eye opener to the Company and its shareholders that its risk concentration was high. This informed the decision to spread the business coverage to other parts of the country. The conventional approach used by the Company owners to enter new markets is to buy in whole or majority shares of existing microfinance institutions. To achieve the desired spread of risk which was very critical at that point in time, Opportunity International bought MDSL Sunlink, a microfinance company that was operating in Nairobi. This acquisition effectively led to expansion of outreach to the Nairobi market and eliminated the glaring threat of closing business in Kenya. To avoid a scenario of different business names for the two companies that had been acquired in Kenya, Opportunity International changed its business name from OI-WEDCO to Opportunity Kenya. Apart from the acquisition that took place, the Company also engaged in a myriad of other turnaround strategies that ran through 2008 to 2011. These initiatives were aimed at salvaging the business; ensuring continued relevance in the operational area and getting the business back to a growth path in the long term, (Microfinanza rating report, 2008)

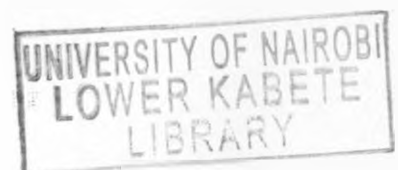
1.2 Research Problem

Turnaround efforts fail, in large part, due to an overemphasis on one phase of the restructuring process, often at the expense of the other: managers are either overzealous in their retrenchment by "cutting to the bone" of the organization, or they become too ambitious with their repositioning and are unable to realize innovations (Latham, 2012). This confirms that turnaround management as well as implementation is not always easy. Organizations in turnaround bids often find themselves falling short of expectations in one area or the other. This could be in the area of desired levels of financial performance (turnover and profitability), expected timelines of recovery as well as budgetary constraints. The implementation of turnaround strategy practices faces challenges just like any other organizational initiative and it's the way this is managed that determines final results. Resistance is always a major problem to be handled when implementing any strategy. This is particularly difficult because the confidence of skeptical as well as fearful players in the internal and external environment of the organization has to be won for them to support the initiative. This is a tricky situation since the parties involved will most likely have contributed in one way or the other to the unfavorable situation that is been corrected or may be casualties as the turnaround strategies get implemented. Recovery processes for organizations in distress has often seen organizations go through receivership, statutory management and in worse cases liquidation.

The financial sector is highly responsive to environmental changes. The effects of the post election violence of 2008, adversely affected this sector due to the slowed economic vibrancy, business interruptions and ensuing relocations. Opportunity Kenya which is in

the microfinance industry was not left out either. Due to overconcentration of its operation in Nyanza, Western and North Rift parts of Kenya which experienced intense business interruptions, the impact was pretty high and there was dire need to turnaround the situation and secure future existence of the organization. A study on how Opportunity Kenya went through its turnaround bid will thus be of great importance.

With the current business environment getting more turbulent and competitive, organizations are getting themselves in distress more often than need hence necessitating recovery and turnaround bids more often. Previous studies on this concept by past scholars indicate interest for further research in the area. Kiarie (2009) studied on strategies adopted by Uchumi Supermarkets Limited under receivership; Matundura (2008) did a study on implementing turnaround strategies at Kenya Revenue Authority while Njoroge (2011) carried out a research at Opportunity Kenya on Application of mergers and acquisitions by Opportunity International in Kenya. In view of the above studies there exists a research gap since the two studies on the concept of turnaround were done in different contexts while the study undertaken within the context of Opportunity Kenya focused on a different concept. Which turnaround strategies did Opportunity Kenya Limited adopt and what challenges did the organization encounter in implementing the strategies?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1.3 Research Objectives

The objectives of this research were to:

i) To identify the turnaround strategies adopted at Opportunity Kenya Limited.

ii) To determine the challenges experienced in implementing the turnaround strategies at Opportunity Kenya Limited.

1.4 Value of Study

This research has added substantial value to the existing framework of concept, theory and practice of turnaround strategies on organizational growth. The top management is able to know the various strategies used in the turnaround process. Secondly, they now know the challenges experienced in the implementation of these strategies. Besides, the study has highlighted the relative effectiveness of the various strategies based on the severity of the decline situation and the prevailing environmental conditions for organizations.

The findings of this study have highlighted critical and effective strategies that other microfinance practitioners can apply in similar or related situations to deal with turnaround. Practitioners benefit from knowing what can cause failure when implementing good strategies. The findings of this study add to the best practices that practitioners in the industry can share across for successful preventive as well as curative interventions.

Further, the government through the central bank of Kenya which passed an act in 2006 to regulate microfinance institutions is able to identify key interventions that are effective in the industry turnarounds. As a regulator, it can reliably approve key persons who have the desirable skills and second them to organizations in distress. Through this knowledge, the government through the central bank is be better placed to formulate and institute appropriate policy guidelines that will help industry players put in place sound operational policies.

Scholars and academicians in this field benefit from the new findings of this study that add to the existing body of knowledge in the industry. The findings also provide ground for further study and research, more so on the relative effectiveness of the various turnaround strategies in different environmental circumstances as well as their impact on organizational growth.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers and scholars who have carried out their research in the study of turnaround strategy. The specific areas covered here include; the concept of strategy, strategy implementation, turnaround strategy, implementation of turnaround strategy and how turnaround strategy impacts on organizational growth.

2.2 Concept of Strategy

Every organization exists to achieve success and the bundle of decisions as well as activities that it chooses to achieve its long-term goals make up its strategy. Every organization has to figure out what it wants to achieve and then how it is going to make it happen, with its products, customers and operations. Mintzberg (1994), introduced the 5P's of strategy. He defined strategy as: a Plan, Ploy, Pattern, Position and Perspective. Going by his definition, strategy is seen as a well intended action or set of actions that are executed in a systematic way to respond to an organizations existing situation in a way that will achieve desired goals. Organizations require strategy in their day to day operations so that they are well guided at all levels i.e. on corporate, business and functional levels. This helps in the proper identification of state of issues, development of appropriate interventions as well as correct assignment of resources to support the implementation of initiatives.

Although alignment of strategic initiatives is a corporate-wide effort, considering strategy in terms of levels is a convenient way to distinguish among the various responsibilities involved in strategy formulation and implementation. A convenient way to classify levels of strategy is to view corporate-level strategy as responsible for market definition, business-level strategy as responsible for market navigation and functional-level strategy as the foundation that supports both of these (Digman, 1997).

According to Digman (1997), corporate-level strategists have a tremendous amount of both latitude and responsibility. The myriad decisions required of these managers can be overwhelming considering the potential consequences of incorrect decisions. One way to deal with this complexity is through categorization; one categorization scheme is to classify corporate-level strategy decisions into three different types, or grand strategies. These grand strategies involve efforts to expand business operations (growth strategies), decrease the scope of business operations (retrenchment strategies) or maintain the status quo (stability strategies).

Retrenchment strategies can be achieved through turnaround, divestment, bankruptcy and liquidation decisions. Turnaround involves undertaking a temporary reduction in operations in an effort to make the business stronger and more viable in the future. The hope is that going through a temporary belt-tightening will allow the firm to pursue a growth strategy at some future point. A divestment decision occurs when a firm elects to sell one or more of the businesses in its corporate portfolio. Bankruptcy involves legal protection against creditors or others allowing the firm to restructure its debt obligations or other payments, typically in a way that temporarily increases cash flow.

Liquidation is the most extreme form of retrenchment and it involves the selling or closing of the entire operation. This is a strategy of last resort and one that most managers work hard to avoid.

2.3 Strategy Implementation

Strategy formulation though critical is only the beginning of a process. Without an executable plan – and the resources needed to implement the plan – even the most innovative strategy is just a piece of paper (Waco, 2004). Crafting of a strategy can be viewed as diagnostic and prescriptive of the issue on the ground. Actual treatment starts only when all the good ideas, solutions and interventions agreed on are put in to action. As important as it may be, implementation of strategy is often dogged with a myriad of issues ranging from inadequate resources, lack of management time, competing priorities as well as delays that render the strategy time barred when executed.

Waco, (2004) identified lack of focus, unfortunate market timing, impatience for results, major competency gaps and misaligned operations to be some of the reasons why good strategies fail. Lack of focus could arise in situations where the organization has not made a clear choice and order of implementing agreed action points. This is likely to lead to a disorganized frenzy of activities that may end up in confusion as activities will lack follow through or any defined order. A delay in the implementation of strategy is a sure way to fail especially in a fast moving and highly competitive business environment. The problems to be addressed today may change so radically both in perspective and magnitude thus rendering the already set strategies ineffective. More so, competitors my

have moved faster altering the whole playing field. Impatience my easily set in especially where the strategy is geared towards reversing an unfavorable trend. The accompanying anxiety compounds lack of focus making the scenario worse. Implementation of strategy often suffers when some shifts need to be made in the way things are done and the people involved lack these skills. Organizations may not be willing spend on new talent or sharpening the skills of existing staff to match the new tasks, the results are often wasted resources and failed objectives. Lack of a strategy and structure fit causes a misalignment that hinders smooth flow of decisions and activities resulting to ineffective implementation of strategy.

Despite the causes of failures discussed above, an antidote to the same will lead to successful implementation of strategy. Sterling, (2003) notes that by understanding the factors that have the greatest impact on a strategy's success, one can respond quickly if they change. He goes further to provide a checklist for successful implementation; alignment of organizational design and capabilities with structure, involvement of managers in the strategy development process, consistent and persistent communication, action planning and budgeting, monitoring and accountability, alignment of information resources with strategy and consideration of potential competitor reactions. Observing this checklist will result to a move in the same direction from the top to the bottom of the organization, common language, appreciation of individual roles in the whole process and a more gainful end of the implementation process.

A turnaround process is often accompanied by a major destabilization from the status quo. This is occasioned by the fact that things will not be working as they should hence the need for a paradigm shift. The immediate call for change makes implementation of a turnaround strategy unique and challenging. An awareness of the need for change is the beginning of the whole change process (Armstrong, 2006). The common turnaround practices of retrenchment or downsizing, reorganization, restructuring among others send instant fear to the staff within an organization and the immediate reaction to the implementation process is fear if not resistance. This makes implementation of turnaround strategy practices an important are to study on in today's business world.

2.4 Turnaround Strategy

Capon (2008) defines turnaround strategies as actions aimed at developing the company's competitive position and market performance by improving the effectiveness of the company's marketing. These strategies include changing prices, re-focusing, rationalizing the product portfolio, new product development, emphasizing advertising and selling. Turnaround strategy is a corporate level strategy which focuses on operational improvement when the state of decline is not severe. Other possible corporate level strategic responses to decline include growth and stability. According to Carnall (2007), turnaround strategies include; developing new corporate strategies, sale of assets, overheads reduction (Cost cutting), improved systems of cost and budgetary control, mergers, outsourcing and productivity improvement programmes such as closing old fashioned facilities, automation, quality improvement and new technology.

Different scholars and researchers have identified different strategies that can be applied for effective organizational turnaround. In view of management's sensitivity to existing environment and context, a strategy that would work out so well in one situation or period of time may be totally inapplicable in another setting. Thus, it is not easy to conclusively list standard turnaround strategies that can be prescribed for every situation. Firms in performance decline may choose a variety of restructuring strategies for recovery, the choice of the turnaround strategy or combination of strategies to use will be determined by the prevailing circumstances and more so the cause(s) of the decline or crisis.

2.5 Implementation of Turnaround Strategy

For purposes of this study, implementation of turnaround strategy practices such as cost reduction, asset reduction, reorganization, strategic repositioning and change in management style will be reviewed further.

2.5.1 Cost Reduction

Cost reduction is the turnaround strategy having the fastest impact on the bottom line. Overhead and direct costs in the primary value chain and support functions are normally reduced to a level that can be borne by the level of sales that will remain after cost cutting. Overhead cost reduction takes place in chunks. Removing more and more chunks eventually means that some business units or product lines cannot be supported anymore, and the sales associated with those fall away too.

Cost reduction often involves retrenchment of employees, especially in turnaround situations where salaries and wages represent a large portion of the cost structure. However, this should be done in a very objective way guided by the skills or competencies that are critical for the core functions that have to be maintained for the organization to keep running. Staff that are multi-skilled and can perform tacks that are cross-functional have to be maintained for maximum production at least cost in the cost reduction process.

2.5.2 Asset Retrenchment

Asset retrenchment is defined as a reduction in assets (long-term and short-term) as a means of mitigating conditions responsible for a financial downturn (Robbins & Pearce, 1992). Specifically, plant closings, layoffs, divestitures (sell-offs, spin-offs and equity carve outs), reductions in property and equipment as well as inventories all fall under the strategy of asset retrenchment.

Working capital reduction is common to any turnaround. However, if the distressed company is too far below breakeven, working capital reduction, revenue enhancement and cost reduction strategies alone will not suffice. In such cases, cutback action takes the form of shrinking into profitability by means of portfolio disinvestment. This involves closure or sale of business units, divisions and outsourcing of value chain activities in order to focus on the remaining profitable or potentially profitable business units or sections of the value chain. Such down scoping represents a kind of strategic repositioning by itself.

2.5.3 Reorganization of Operations

Reorganization always forms part of turnaround management. Reorganization deals with all the people issues in the business. It entails restructuring, re-staffing, re-skilling and turnaround leadership revitalization to yield improved leadership, management, organizational structure, organizational alignment and culture. Reorganization is invariably required to ensure success of the other turnaround strategies such as strategic repositioning, revenue enhancement, cost reduction or asset reduction. Depending on the turnaround situation, reorganization can be limited to leadership alignment and better management systems for planning and control of the company. Often, however, the extent of reorganization required goes as far as changes in top management and in the organizational structure.

Pandit (2004) acknowledges that reorganization comes with renewal as a company pursues long-term actions, which are supposed to end in a successful managerial performance. He further admits that the first step is to analyze the existing structures within the organization. This examination may end with a closure of some divisions, a development of new markets / projects or an expansion in other business areas. Navarro (1998) notes that a renewal may lead to either consequences or benefits within a company; consequences will be experienced when the reorganization process leads to removal of efficient routines or resources. On the other hand benefits will be realized if innovative core competencies are implemented, leading to an increase of knowledge and a stabilization of the company value.

It therefore follows that the reorganization done during turnaround should be well thought out in order to support the recovery process in a more effective manner while preserving any desirable and beneficial aspects of the organization structure.

2.5.4 Strategic repositioning

Meier (2009) looks at the repositioning strategy as an entrepreneurial strategy whose main focus is to generate revenue with new innovations and change in product portfolio and market position. This includes the development of new products, entering new markets, extrapolating alternative sources of revenue and modifying the image or the mission of a company.

Repositioning fundamentally asks for a new choice of Porter's generic strategic options as a focal point. In worst-case scenario it requires the start-up of new ventures, which involves determining the new positioning and where competitive advantage will be sought. So with abundant resources, Porter's matrix is still core, but when there is scarcity of resources, the focus moves towards finding efficiency first (Pretorius, 2008) When properly employed, strategic repositioning yields the most spectacular and sustainable turnaround results.

Strategic repositioning changes the mission and customer value proposition of the distressed company by changing what products are offered to what markets and in which fashion. In doing so it changes the revenue - cost - asset structure of the business, yielding improved profitability and return on capital employed.

It may do so by growing, shrinking or refocusing the business. For the single business unit business, strategic repositioning entails a compete rethink of why it is in business and how it is to achieve a sustainable competitive advantage.

2.5.5 Change in Management Style

According to Watkins (2004), the context of management during turnaround times is different from normal operating environments for the business. Turnaround times are surrounded by challenges such as; reenergizing demoralized employees and other stakeholders, handling time pressure and having a quick and decisive impact as well as going deep enough with painful cuts and difficult personnel choices. The priority at this time is to have these challenges handled fast enough and in the most efficient manner so as to get everyone on board in appreciating the urgency of change.

Bibeault (1982) explains that leadership change can unfold in a number of ways; it can mean either changing management or changing its approach. While management change is not the answer in every turnaround, Murphy (2008) argues that, it nonetheless appears to be justified in many cases and in nearly all those situations that have progressed to the crisis phase. Turnaround scholars and practitioners proffer two reasons for leadership change: either current managers caused the problem (or they are the problem) or they cannot cope with the crisis (Kanter, 2003). Firing existing managers could as well signal the importance of change to internal and external stakeholders especially where they are perceived to be the obstacle for performance or cause of the decline.

A very critical ingredient in turnaround situations is the ability by management to work as a team with a futuristic focus as opposed to pointing fingers at each other for the problems in the organization. Such an attitude can be completely counterproductive and can seriously undermine the possibility of implementing an effective turnaround strategy. Whether the existing managers remain or a change team is brought on board, blame game should never be entertained. Otherwise the turnaround becomes mired in an environment of resentment, fear and confusion. The unity of common focus in the leadership team is what will cause them to rally together all other stakeholders (both internal and external) in supporting the recovery process.

2.6 Turnaround Strategy and Organizational Growth

Latham (2012) research work points to the finding that most managers are either overzealous in retrenchment or overambitious in repositioning when reacting to performance decline in their organization and forget to realize innovations. Ultimately, after the stabilization, the organization has a future to pursue and it will not be advisable to maintain a slim or lean operation, otherwise there is the risk that competitors will soon outgrow it and effectively throw it out of business. Latham (2012) advises that repositioning initiatives such as product / market expansion, innovations and acquisitions should be embraced in order to revitalize the organization and set it for future growth. A turnaround that culminates not only to an organizations comeback but great prospects for future growth is more desirable.

According to Satta (2006), the key indicators of performance in financial institutions which is the focus industry for this study include; financial structure, portfolio quality, efficiency and productivity as well as profitability. Financial structure is the single most important factor in assessing growth potential, earnings capacity and overall financial strength (Richardson, 2002). Portfolio quality is the largest source of risk for any financial institution and the ability to make profits or losses resides in the loan portfolio quality. The portfolio is ideally expected to be the institutions largest asset. Since most MFIs loans are not supported by bankable collateral, the quality of the loan portfolio is absolutely crucial. A good portfolio quality also acts as a source of sustained profits and a base for future growth in the form of repeat business.

Distressed organizations in this industry will this manifest shrinking geographical coverage, poor quality of the loan portfolio, declining financial sustainability (profitability) and high operational costs. Therefore, any winning turnaround strategy practices that have been properly implemented should effectively cause a reversal of these negative trends that the business had been experiencing prior to the intervention. Efficiency and productivity ratios are used to determine how well an MFI streamlines its operations. While productivity ratios reflect the amount of output per unit of input, efficiency ratios take into account the cost of inputs and/or the price of output. Profitability indicators are used to gauge the institutions net income in relation to the structure of its balance sheet. A healthy combination of these after a turnaround will be good measures of how successful the turnaround has been.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used to find answers to the research question. The research methodology will be presented in the following order; research design, data collection method, instruments of data collection and finally the data analysis.

3.2 Research Design

Dooley (2007) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. This research was conducted through a case study because it is a research on one organization. Since this study sought to investigate implementation of turnaround strategies, a case study design was viewed to be the best approach in meeting the research objectives because the data collected was mainly qualitative.

Further, the importance of a case study is emphasized by Kothari (2000) who acknowledges that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. A case study provides a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research.

3.3 Data Collection

For the purpose of this study, the researcher used primary data. An interview guide with open-ended questions was used to collect in-depth information from the top management of Opportunity Kenya comprising of the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Internal Auditor, Accountant and one Regional Manager. The face to face administration of the interview guide led to in-depth discussions and probing of responses in order to get detailed information (Copper, 1998). The interview guide allowed respondents to give further insights into their feelings and as much information as possible without holding back. Employing this approach for interviewing required a basic checklist to be prepared to make sure that all relevant topics were covered. The interviewer is still free to explore, probe and ask questions deemed important for the research. This type of interview approach is useful for eliciting information about specific topics.

3.4 Data Analysis

The data collected was mainly qualitative in nature and was analyzed using content analysis. Content analysis or textual analysis is a methodology in the social sciences for studying the content of communication. Creswell (2003) also defines content analysis as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. Content analysis uses a set of categorization for making valid and replicable inferences from data to their context thus in line with the objectives of this study. The feedback from all respondents was summarized for each focus area as per the interview guide and dominant responses picked up as key findings.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION.

4.1 Introduction

This chapter presents the findings of the study; interpretation and discussion along study objectives. The study findings are presented along the study objectives to establish the turnaround strategies that were adopted and to determine the challenges in the implementation of the chosen strategies as well as the impact the turnaround on organizational growth at OKL. The data was gathered from senior management of Opportunity Kenya using face to face in depth interview which was facilitated by an interview guide with open-ended questions as the research instrument. The interview guide was designed in line with the objectives of the study.

In-depth information was gathered from all the targeted members of the senior management comprising of Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Internal Auditor, Accountant and the one regional manager who represented the Chief Relationship Officer. As per their gender, the interviewees were four males and two females. They have worked with Opportunity, for a period of between three and six years.

4.2 Performance Decline at OKL

Just like most organizations that go through business decline at one point or the other in their life time, the study established that the business decline at Opportunity Kenya was caused by issues in both the macro and micro environment of the business.

Some of the reasons given by the respondents were: turbulence caused by the 2007 general election and the PEV of 2008, weak management and governance, weak internal controls and poor product offering,

4.2.1 Turbulence caused by the 2007 general election and the PEV of 2008

All the respondents cited the unanticipated occurrences surrounding the last general election ass a major cause of business decline at OKL. The events found most of the organizations customers' unprepared leading to loss of business stock, inability to access supplies for business continuity and prolonged periods of business closure due to widespread chaos. Besides the disruption of business operations, some of OKL's customers were displaced for their trading and residential areas making it impossible for them to be able and available to service their loans.

The respondents added that effects went beyond customers and the staff who serve the customers were equally affected. The tribal factor came in where customers from certain communities could not accept to be served by staff from some other communities that were perceived to be enemies at that point in time. This was compounded by lack of ethnic diversity in staffing and some customers with loans were just unreachable until some staff who were ethnically correct could be found to reach out to them. Some of the customers were already at large or loans were in serious default by the time the interventions were sought.

4.2.2 Weak Management and Governance

The CEO and COO observed that the senior management at that time was comprised of mainly bankers who were not well versed with the dynamics of the microfinance industry. This caused the organization to operate with poor growth and outreach strategies which eventually led to poor lending decisions and a poorly performing loan book. Most of the strategies made and adopted would have done pretty well in the banks and not the microfinance industry. One of the key practices mentioned by the respondents was granting of loans without a certain percentage of cash collateral as practiced by Microfinance institutions and community based savings and credit organizations.

The board was mainly comprised of individuals who had spent most of their work life in the NGO sector and not for profit businesses. This affected the strategic choices that were been made and one of them was concentration of the business in Nyanza and Western parts of Kenya where CARE Kenya had its operations. This denied the organization the chance to do business in other parts of the country that had high potential for increased productivity which would support long term sustainability of the organization.

4.2.3 Weak Internal Controls

The CIA, CFO and Accountant cited the widely spread branch network and satellite offices in remote rural areas as a key cause of poor business supervision. This eventually led the granting of loans to proxy clients as the branch managers and loan supervisors were unable to make regular visits to the branches or interior business outlets to do quality checks. The loan officers were left to make most of the recruitment, appraisal and

lending decisions without proper checks and balances. The end result of this was loans that were poorly performing and inability to trace some of the borrowers in the event that an officer left the organization since most of the branch managers and loan supervisors did not know where the groups were based.

The business model used by the organization at that time was prone to manipulation as explained by the CEO. "The model in place allowed each individual member in a group to apply for the loan amount they required after which the loan officer would add up the totals and the company would draw one cheque in the name of the group for onward distribution to the individual members" explained the CEO. This created a loop hole where some officials who were the bank signatories would withdraw the cash and fail to distribute to the members as per individual applications. This created discord among the members who would only repay their loans up to the amount distributed to them and quit silently. This eventually caused disintegration of the groups leading to loss of customers an increase in non-performing loans.

4.2.4 Poor Product Offering.

The COO and Accountant indicated that the product offering by OKL in terms of variety of products, product features was weak for a highly competitive microfinance industry. Whereas other MFI's at that time were already offering Asset financing, IPO loans, and Agricultural loans among others, OKL was predominantly dealing with the traditional business loan. This reduced its ability o effectively compete with others as customers were naturally attracted to the financial institutions that would meet a wide variety of their needs.

4.2.5 Poor spread of risk.

The business of OKL was purely in Nyanza, Western and North Rift parts of Kenya. According to the CIA, this was high risk concentration which dealt the company a big blow as these areas were severely affected by business closures, looting, displacements, riots and burning of business premises. Lack of business in other parts of the country was meant that the company would only count its losses as some customers were genuinely displaced while other took advantage of the prevailing circumstances to abscond their responsibility of paying loans. "The company was eventually forced to write of some loans and withdraw operations in some areas leading to massive shrinkage of its portfolio and loss of working capital as well as anticipated income" lamented the CIA.

4.3 Turnaround Strategy Practices Adopted by OKL to Address the Decline

In order to address the situation created by the factors discussed in 4.3, OKL put in place various interventions in an effort to restore the business to its footing and gain future sustainability. The research found out that the interventions spread from the board level through senior management, business processes and service delivery methodology as discussed below.

4.3.1 Strengthening of Governance and Management

The CEO, COO, Accountant and Regional manager said that changes that took place at the board and senior management level helped to fill in the skill gaps that were in existence. One of the interventions taken to restore the business to normal was acquisition

of an existing MFI this brought in diversity of skills within the management team. Similarly, a reconstitution of the board members brought in better synergies with all this adding up to stronger governance and management for the company.

A new CEO also came on board in June 2009; he brought in wide experience and understanding of microfinance and banking in the East African market. This gave him an upper hand against his predecessor who was also an expatriate but without prior experience of the African market. He had tried hard to get a winning strategy for growing and sustaining OKL's business in Kenya with minimal success. Having come on board shortly after the acquisition of a new business as a survival strategy, he was neutral to all staff and operation issues from the two former organizations and he acted as a reference point for faster integration and focused operations.

4.3.2 Establishment of regional Offices

After been exposed due to lack of proper controls and weak supervision, each of the two former organizations that ceased to exist as separate entities after the acquisition were converted into regions with a regional relationship officer reporting to the head of business department. The regional relationship officers were given the role of directly supervising the branch managers and indirectly supervising the loan officers on the ground to ensure that all operations fall the laid down processes and procedures to avoid falling in o fraud traps as discussed in the 4.3.3 above.

The regional offices represent senior management to the staff and customers while also acting as avenues for customer and staff feedback to senior management. Through this office, senior management is able to keep track of issues taking place in the field / market place and be in a position to strategize on appropriate interventions in a timely manner.

4.3.3 Refinement of Products and Business Processes

The packaging of the loans (main product) prior to the decline period had more features of bank products where customers would access loans without cash collateral as is the practice in conventional microfinance institutions. The cash collateral which is paid prior to accessing of loan by an individual acts as an immediate fall back position in the event of problems in repayment. With no cash collateral in place, the loans were highly exposed and prone to default. According to the CEO, COO and CFO a refinement of the products to include features such as cash collateral improved the level of risk mitigation and ensured that customers borrowed loans that were within their capacity since they were now pegged on the cash collateral that they were able to raise.

The product range was also increased to include school fees and refinancing (boost) loans. The processes were further reviewed and automated to ensure faster processing and disbursement of loans to customers. Embracing technology allowed disbursements through EFT, MPesa and Posta pay which effectively improved the turnaround time of loans by eliminating time spent in the past to write, sign, bank and wait for cheques to mature. This gave OKL a competitive edge over other players in the industry and helped it regain customer loyalty as well as attracting new ones.

4.3.4 Restructuring of Delinquent Loans

The main business for OKL is advancing of loans to customers and any non-performing loan risks loss of the business capital as well as the anticipated interest income which is supposed to cater for operational costs of administering the loans. To avoid these losses, the COO noted that OKL was quick to renegotiate and restructure the delinquent loans which gave the customers a life line by asking for more affordable installments. This way the performance of the loans improved.

4.3.5 Acquisition of another MFI

All respondents identified the acquisition of MDSL Sunlink (an MFI which has operations in Nairobi) by Opportunity International as one strong intervention that helped OKL to continue in business while at the same time consolidating the business in Western and Nyanza which had been adversely affected by PEV. The acquired business had lean management and operational costs, OKL was thus able to leverage on the low cost strategies to keep it entire business operations afloat.

By mere acquisition of a business that was operating in a different geographical area, OKL was able to immediately register presence in new operational areas and at the same time improved its financial bottom line. Other benefits that came in were; increased skill sets, increased customer numbers and loan portfolio. The accountant said "the acquisition of MDSL Sunlink was the best decision that Opportunity International made in ensuring that their business in Kenya survived, otherwise it would be long dead".

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4.4 Success factors in the turnaround Process at OKL.

All respondents agreed that implementation of the turnaround practices at OKL was successful. The factors that were identified to key in making the turnaround process successful included; institution of new leadership and management, team building activities, standardization of operational policies and strategy harmonization, establishment of compliance and audit functions and reduction of operational costs. The contribution of each of these factors in the success of the turnaround is detailed as follows;

4.4.1 Institution of new leadership and management

A new leadership that had a better understanding of the microfinance industry dynamics gave assurance to staff that the business would now be navigated in the right course. The new leadership was more focused on getting the business back on track and future sustainability. They were neutral to the inclinations of both the old organization and the acquired one thus having a upper hand of focusing staff to the core task of getting the business to its footing and move it forward.

4.4.2 Team Building activities

In order to shed off cultures and inclinations to previous ways of doing things in the independent companies which had now become one, the management created opportunities for staff from both divides to come together for joint planning and networking sessions.

Further interventions included exchange programs were staff would work with those that they had not worked together before. These were particularly important to manage the integration after the acquisition.

These forums were also used to communicate the direction that the company was taking and to appraise staff on most of the changes that were taking place in the organization and their role in supporting them urgently and wholly. The management used this to opportunities to also highlight the milestones that had been achieved in order to boost staff morale for them to keep pressing on.

4.4.3 Standardization of operational policies and strategy harmonization

In order to achieve faster integration and smooth flow of business processes, the operational practices of the two organizations were reviewed jointly with selective borrowing of best practices from each side. The acquired organization brought in the organic model of business growth which was less risky and highly controlled as operations were confined to smaller operational areas with intensive growth preferred. This model of growth was adopted for the entire organization and was particularly helpful for the business in Nyanza and Western Kenya which was sparsely spread and had suffered the effects of loose controls.

The standardization got rid of ambiguity and ensured that there was no conflict or creation of unnecessary bottle necks in the flow of work. Staff confidence was boosted as every one was clear on how to go about each process without fear of doing things wrongly. The overall benefit gained was that staff were able to concentrate on their core tasks of bringing in new customers, offering excellent services and ensuring that well performing portfolios are maintained.

4.4.4 Establishment of compliance unit and audit functions

All respondents identified the creation of a compliance unit and strengthening of the audit department as very critical interventions that made the implementation of the chosen turnaround strategies a success. The issue of loose controls and massive fraud by both customers and staff was a real threat to any gains that would have been achieved through implementation of the chosen strategies. It was thus very important to put in place mechanisms that would ensure that the gains made in the recovery process are not lot through frauds or other un procedural practices.

The CIA said, "as a department we carried out numerous investigations across all branches to unearth cases of fraud that had been committed by staff to customers or customers to fellow customers and the organization as well. This send a reassuring message to the customers that the organization was really caring about their welfare and they thus stuck with the organization throughout the turnaround process" The compliance department worked with the branch teams and other departments to help them identify their risk areas and developed self assessment tools for continuous use in appraising their

exposure levels. Through the assurance given by these two units, senior management were able to devote themselves in providing the support required to keep the business moving forward without fear of losses.

4.4.5 Reduction of operational costs

Part of the turnaround strategies involved shrinking of operational coverage from the very remote areas, closure of business outlets in such places and consolidation of all business within the branches in main towns. This effectively reduced operational costs which made the monthly recurrent budgets more bearable as the organization had a lighter load to bear.

The overall effect was an encouragement that improvement on operational sustainability of all the business units was now easy to achieve a expenditures would only be kept to bear minimum for only the essentials. Concentrated growth would ensure that more operating income is achieved hence a move towards profitability. The assurance that improved profitability was been gained made all staff support the turnaround initiatives as their job security would be assured as well as better or improved working terms.

4.5 Challenges experienced in the Implementation of the turnaround strategy at OKL.

The implementation of the chosen strategies was not without various challenges which either slowed the process or caused failure to meet the intended objectives. The challenges faced as discussed by the respondents included; resistance to change,

involuntary exit of senior management, poor image and reputation in operational zones, prolonged transition period, poor constitution of the change management team and temporary decline in business performance. The sources and impact of each of these challenges is discussed further in the following paragraphs.

4.5.1 Resistance to change

One of the turnaround practices adopted was acquisition of another business in Kenya by Opportunity International. This brought together operational cultures of two organizations that had been strongly ingrained and all the respondents cited lack of immediate or wholesome buy in by staff in to the harmonized way of doing business. Harmonization of various operational procedures meant that staff had to let go ways of doing business that they were used to and adopt what the others were doing or use a totally different approach. One pronounced resistance was evidenced by staff using forms with letter heads or logos of their previous organization despite the organization's adoption of a new logo and forms.

According to the regional manager, selective marketing of new products and preference of previously existing products to the new ones was another area where resistance was evidenced. Use of technology as cost cutting measures saw the introduction of electronic funds transfers and Mpesa as methods of loans disbursement. This was not readily accepted by both staff and customers who were initially used to cash disbursements or cheques.

Cash disbursements provided immediate funds to the customer for business while the staff would withhold disbursement of the cheque for new loans to coerce members who had not paid to honor their obligations before it can be disbursed.

4.5.2 Involuntary exit of senior management staff

According to the CEO, staff in key positions such as head of finance and head of business left the organization involuntarily within a short period in to the merger. This effectively slowed down the recovery process before their replacements could be found. Besides the loss in momentum in the recovery process, staff from either side of the previous two organizations felt that they were been witch hunted when a senior manager who previously held a powerful position left the organization. The absence of continuous communication to reassure staff on the direction the organization was taking compounded the problem as indicated by the accountant. With senior staff who were known in the microfinance industry, then all wrong signals on the company's health were been sent to important stakeholders such as competitors, investors, business partners, staff and even customers who had interacted with them in the past.

4.5.3 Poor image and reputation in operational zones

The COO said that the organization had experienced cases of fraud perpetrated by staff and customers in the past which had tainted the image of the organization. Attempts to rebrand and win back the customers were not as successful because of the prior experiences that customers had gone through. Most customers had already shifted to other financial institutions and this resulted to slower growth than anticipated. Part of the

downsizing meant closure of business units or outlets that were not performing. Whereas the organization new exactly what it was doing, the message sent to the customers and market at large was that the company was going under. Going back to the same customers or the surrounding markets and convincing them to carry on business with the company was quite an uphill task as wrong perceptions had already been formed.

4.5.4 Prolonged transition period

The COO and CEO noted that the transition period took longer than expected. This they attributed to lack of an harmonized schedule that could provide specific check points for evaluation of progress. Implementation of harmonized procedures, systems and lending methodologies took longer than expected due to the slow buy in exhibited by the staff. The regional manager further observed that there was an overwhelming host of activities taking place at the same time. These included rescheduling of loans, default follow up, redeployment of staff, replacement of staff who had left, branding activities as well as many meetings by various committees just to ensure that the transition was successful.

4.5.5 Poor constitution of the change management team

Whereas a change management team was put in place to spearhead the recovery process, the CEO indicated that its composition was poorly done. The champions were largely drawn from first line managers whose latitude of decision making was limited. The senior management were thus not the ones interacting with the staff on a one on one had to rely on feedback from the change champions but often found themselves communicating directly to the staff.

The challenge was that the champions would again determine what to communicate to staff and more frequent cases of communication overlap were experienced leaving the staff with unclear direction.

4.5.6 Temporary decline in business performance

The immediate effects of implementing some of the turnaround practices such as cutting back on the operational scope led to reduced productivity and an overall decline in performance. The CEO explained that this sent the wrong signals to staff that had not been through such experiences in the past. The accompanying panic caused some good staff to leave the organization for the competition. Customers in areas where the company had pulled out from also went to competitors in equal breadth. The COO noted that adoption of an organic growth model in a highly competitive microfinance industry limited the organizations growth rate and expansion opportunities.

4.6 Turnaround strategy on organizational growth at OKL

Despite the challenges experienced in the implementation process, the study found out that there was positive impact on the company's overall position and growth as detailed below;

4.6.1 Improvement of staff, customers and investor confidence.

All the respondents noted that the turnaround led to improvement in most of the key performance indicators of the organization leading to increased stakeholder confidence. For instance the CIA, indicated that the acquisition of MDSL Sunlink immediately added

in 3000 customers to the numbers that were starting to go down due to adverse PEV effects. OKL was able to reduce operational costs and losses that were been incurred due to frauds and as such the company started to increase its sustainability ratios. The CFO, COO and Accountant said that the move towards profitability increased the organization's ability top attract funding which provided the much needed capital to lend out to increased customer numbers.

The regional manager and COO explained that the restructuring of loans enabled customers to resume servicing of loans in cases where they would have run away. This also gave the officers and customers reprieve from the stress that they were experiencing in following up non-performing loans. The field staff were able to spent more adequate time in marketing and training of customers which increased the customer numbers and enhanced portfolio quality.

4.6.2 Reduction in operational costs

With the adoption of technology based operational models, the company was able to reduce costs that would previously be incurred in areas such as cheque writing. Time spent by staff in preparing the same, signing them and disseminating them to customers was eliminated and used for other productive activities. The adoption of an organic model of business growth eliminated the costs that were previously spent on transport from the branches to the field offices while funds that would previously be paid to field staff as mileage or fuel consumption were saved as well.

Reduction of mortar and brick field outlets and offices from a high of 35 to only 7 in the Western region reduced recurrent operational costs on rent and office supplies by a great deal. The CEO summarized this as focused growth which increased efficiencies and controls with lesser operational cost.

4.6.3 Improved business practices

The selective borrowing of operational and business practices from the two organizations that came together enabled the organization to blend experiences and learning points that helped OKL operate at a more superior level in the industry. The accountant explained that new leadership brought in new skill sets and helped in the breaking of existing informal alliances within the organization as all staff were required to focus on the organization's core business. The institution of compliance and audit departments ensured that business processes were not adhered to but were also able to meet the needs of the business.

4.6.4 Repositioning in the industry

The joining of two organizations enabled OKL to increase its physical presence in areas that it had not been serving previously. The company's branch network was increased from seven to twelve immediately the acquisition was done. Additionally the relocation of the head office from Kisumu to Nairobi was a big step towards giving OKL a national outlook as opposed to the previous location that made the company to be viewed as a regional microfinance. Rebranding and change of the business name to Opportunity Kenya helped the company to shed off the old images of previous trading names.

4.6.5 Growth of the loan portfolio and number of borrowers

One of the key strategic moves was the acquisition of an already existing microfinance institution by Opportunity International. This immediately brought on board over 3000 active borrowers, a loan of more than 150 Million and a profit and loss statement that was profitable. This served to increase reassurance of staff who were already feeling hat their jobs were hanging in the balance. With this reassurance more aggressive marketing started to take place as staff were convinced that the organization was not about to let go of their hold on the business despite the challenges they had gone through.

4.7 Discussion

The study covered the areas of; turnaround strategies adopted, success factors, challenges in implementation of the strategy and a comparison of the turnaround strategies on organizational growth. The findings of this study agree with other studies in the literature while other findings are seen to largely build on the existing practices. For instance, the turnaround strategy practices as discussed in the literature review include; cost reduction or downsizing which was largely applied by OKL as it closed a number of business outlets to manage costs. Secondly, there was repositioning which was actually achieved through the redefining of products to ensure that the company was able to effectively compete with others in the industry. Thirdly, change in management style as discussed in chapter two was exercised at OKL as the strengthening of the governance and management took place. Reorganization as a turnaround strategy was evident as the two former organizations ceased to exist were now run as regions headed by regional managers instead of been run by CEOs with complete top management structures.

The acquisition of another MFI brought in an element of diversification as the organization was able to do business in new areas and adopt new products or redefined products that it did not have in the past.

The success factors that made the turnaround process successful at OKL included; included new leadership and management, team building activities, establishment of support units, alignment of operational policies with the prevailing business circumstances and reduction of operational costs. These agrees with the checklist provided by Sterling, (2003) in his study that included; alignment of organizational design and capabilities with structure, involvement of managers in the strategy development process, consistent and persistent communication, action planning and budgeting, monitoring and accountability, alignment of information resources with strategy and consideration of potential competitor reactions.

The causes of business decline at OKL was found to be due to both external and internal environment factors and this was manifested in declining business volumes, high staff turnover and high operational costs as discussed in chapter one. Challenges in the implementation of turnaround strategies as identified by Waco, (2004) were evident at OKL in the area of unfortunate market timing and lack of focus as explained by the CEO of OKL. Generally, the findings of this study on the main areas of focus are in agreement with earlier studies and literature as highlighted in the examples listed above.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to establish the turnaround strategy practices adopted by Opportunity Kenya and the challenges experienced in implementing the chosen strategies. The study also looked at the success factors for the implementation of the turnaround as well as the impact of the turnaround on the growth of OKL.

5.2 Summary of Findings

The study findings show that business failures call for turnaround strategies to be put in place to help restore an organization on the performance track. The choice of turnaround strategies and their successful implementation is dependent on the prevailing circumstances in the internal and external environment of an organization as well as the severity of the decline.

The study started by looking at the causes of business failure in organizations including Opportunity Kenya and it found the main causes to be; weak management and governance of institutions, changes in operating environment which leads to intense competition, economic factors such as inflation which leads to high cost of living, poor performance management, weak internal controls, poor spread of risk and turbulence in political environment which is not conducive for all players in the production and business chain. All these factors are a recipe for business failure and can affect firms operating across various industries.

The other area that the study explored was on the turnaround strategy practices that OKL adopted to deal with the decline situation in order to restore normalcy and ensure future survival and existence of the company. The study identified five key interventions that were adopted in turning around the situation, these are; strengthening of management and governance (leadership), enhancement of supervision through regional / decentralized offices, refinement of product offering to match changing customer needs, review of business processes to increase efficiency and acquisition of other business in the same field to leverage on deficient areas.

The study also identified critical success factors that will make implementation of turnaround strategies easier. A simultaneous focus on leadership, communication, people management, embracing of good business processes, establishment of other supportive functions and budget allocation will make strategy implementation less bumpy. Challenges were found to be inevitable in the strategy implementation process and they include; resistance to change from stakeholders as each one is not sure what they will loose or gain, failure to meet set milestones within desired time periods, exit of key players such as senior management in the implementation process, lack of inclusiveness and poor buy in due tainted image from past blunders in serving customers or stakeholders which decrease their confidence levels on the turnaround bid. It is important that the an environment that promotes the critical success factors is created in order to neutralize the adverse effects of implementation challenges for desired turnaround results to be obtained.

5.3 Conclusion

For any turnaround process to be successful, there I need for an organization to identify the causes of decline so as to develop or adopt appropriate and relevant interventions that will address the issues conclusively. Further to this, any organization that is going through a turnaround process should appreciate that there will be challenges in the implementation of turnaround strategies, however, this can be well mitigated if the success factors that support the fast and smooth implementation of strategies are put in place. Whereas not all turnaround processes may bring the desired results in terms of meeting timelines and other deliverables, successful implementation will result in to not only restoration of an organizations business but will also set base for the organization's future growth and sustainability. The indicators of a good future will be; increased staff, customer and other stakeholder's confidence in the organization, increase on customer numbers, improved business processes and efficiencies which ultimately translate to better profitability. The ultimate goal for any organization that is involved in a turnaround should be to get back on its feet fast enough, recover lost ground and reposition itself to effectively compete in both its near and far future.

5.4 Recommendations for Policy and Practice

The following recommendations are offered to Opportunity Kenya and other practitioners for consideration in choosing and implementing successful turnaround strategy practices in future. The recommendations will be on four key areas that the study focused on; choice of turnaround strategies, success factors in their implementation, challenges in strategy implementation and impact of turnaround strategy on organizational growth

When choosing the strategies to adopt in turnaround situations, practitioners involved in turnaround management have to look beyond the generic turnaround practices of retrenchment or cost cutting and address company specific challenges such as people and product offering aspects. Involving a wider range of stakeholders for prior information as opposed to confining the decision on choices to senior management will increase the accuracy of the choices made while accelerating understanding and early buy in when the implementation process begins. There is a learning point form the case of OKL which engaged in downsizing of operational areas but ended up in closing areas that were had high potential and is now paying the cost of making comebacks. The key emphasis is on consultation and joint evaluation of alternatives by the senior management and key stakeholders as opposed to blanket application of known generic strategies. Use of a combination of strategies that would allow for compensation of retrenched businesses in other highly potential areas that can generate quick wins is highly recommended for adoption.

Practitioners in turnaround management should appreciate that working on more of the success factors such as constant and clear communication, consultation of key stakeholders, training of staff and celebration of milestones is critical in mitigating the impact of common challenges of resistance to change failure to meet timelines and budgetary allocations. The way this simple but critical combination of issues is managed makes the whole difference between a failed and a successful turnaround.

It is advisable that practitioners work on a more deliberate schedule with clear milestones at defined timelines so as to provide for meaningful evaluation and timely review of progress and corrective interventions that may be required.

Finally, turnaround managers will learn from this study that the core issue is not to apply all retrenchment strategies that lead to recovery, but should also focus on interventions that will reposition the organization for eventual recovery of lost ground while creating a competitive platform for future existence and excellence. Practitioners need to adopt the blue ocean strategy that focuses on uncontested grounds for future business growth even as they deal with the current context of ensuring that the business comes out of the trough and remains a float.

Policy makers in organizations have a lot to learn from this study to help them develop guidelines and entrench best practices for their organizations that will counter the common causes of business failures. The knowledge from this study is important in the development of business continuity and recovery strategies that should help an organization take less time in managing distress situations which in turn prevents possible losses in the business. This study provides both a preventive and a curative source of information that can guide policy makers in addressing the issues before the decline occurs while also providing interventions in the unlikely event that the business goes down.

5.5 Limitations of the Study

This was the first study on turnaround management at OKL and there was thus no prior information that this study would probably have built on for a more enriching background. The study thus focused on four broad areas; turnaround strategies adopted, success factors, challenges in implementation and impact of the turnaround on organizational growth without going in to each area exhaustively. Secondly, not all respondents were quite clear on concept of turnaround and there were some overlapping responses that confused the critical success factors with the real strategies that were adopted. However, the researcher was able to place this appropriately during the analysis of the information collected. Finally, this was a case study which was company specific and may apply to OKL only. Further, the fact that the researcher is a member of the senior management of the organization and that data was collected using an interview guide may have caused some of the respondents to withhold valuable information. Similarly, the interpretation may have lacked objectivity given the advance institutional knowledge already known to the researcher.

5.6 Suggestions for Further Research

Turnaround bids are intended to help organizations restore their businesses from a declining performance to a normalization status. There is a lot of lost ground during the period when the business is declining or going through the recovery process and the organizations objective still remains to get back to its feet fast enough, recover / compensate lost ground, catch up with competitors and compete effectively. This brings forth a rich area for further research in this field on how turnaround bids can be structured to ensure that they don't only achieve stability for the organization but reposition it for sustainable future growth. An equally important and related area of further research will be on the impact of turnaround strategies on organization growth across an industry.

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APPENDICES:

APPENDIX I: INTERVIEW GUIDE

SECTION A: BACKGROUND INFORMATION

What is your name?

What is your position at Opportunity Kenya?

For how long have you been working for Opportunity Kenya Limited?

SECTION B: TURNAROUND STRATEGY PRACTICES

1. What are the key causes of decline in business performance?

2. Are you aware of any turnaround strategies that businesses experiencing performance decline can adopt? If yes, list them.

3. What were the main causes of business decline at Opportunity Kenya between 2007 and 2008?

4. What strategies did the management of Opportunity Kenya put in place to bring the business back to normal?

SECTION C: IMPELEMENTATION OF TURNAROUND STRATEGY PRACTICES

5. Was the implementation of the strategies successful? If yes, list the factors that made it successful.

6. Did the management of Opportunity Kenya experience any challenges in implementing the strategies. If yes, list them.

7. What impact did the turnaround strategies have on the growth of Opportunity Kenya?

8. If the turnaround process was done all over again, what could you recommend to be done differently?

Thank you for your cooperation.

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

KISUMU CAMPUS

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P.O Box 19134-40123
Kisumu, Kenya

Date: 12th September 2012

TO WHOM IT MAY CONCERN

The bearer of this letter Mr. Boniface Muthusi

REGISTRATION NO: D61/63897/2010

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on **Implementation of Turnaround Strategy at Opportunity Kenya Limited**

He has identified your organization for that purpose. This is to kindly request your assistance to enable ~~her~~ him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

CO-ORDINATOR
12 SEP 2012
SCHOOL OF BUSINESS
KISUMU CAMPUS
UNIVERSITY OF NAIROBI

Sincerely,

MR. ALEX JALEHA
CO ORDINAOTR, SOB KISUMU CAMPUS
Cc File Copy

ISO 9001:2008
The Fountain of Knowledge
Providing leadership in academic excellence

Opportunity
KENYA

MICRO LOANS

20th September 2012

To
Boniface Muthusi,
c/o University of Nairobi,
School of Business,
MBA Programme,
Kisumu Campus
P.O Box 19134-40123,
KISUMU.

Dear Boniface,

RE: APPROVAL TO COLLECT DATA

Further to your request to conduct an academic research project on" ***Implementation of turnaround strategy at Opportunity Kenya Limited***", this is to let you know that your request has been accepted by Opportunity Kenya.

Pursuant to the pre-requisite course work of your Master of Business Administration, you are allcwed to administer the questionnaire to all the member of the senior management team of Opportunity Kenya Ltd.

You are hereby requested to share with us the information collected before it is published, for our own proper records.

Wishing you all the very best in your future endeavors.

Yours faithfully,

Alexander Mbaye
Human Resources Manager

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