THE ROLE OF BOARD CAPITAL ON STRATEGIC TURNAROUND
IN KENYA COMMERCIAL BANK LIMITED

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DECLARATION

This management research project is my original work and has not been presented for examination in any other university.

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This management research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

To my parents, Mr and Mrs. Gitonga, this is the fruition of two years worth of your prayers, support, counsel and endless encouragement. Words will never be enough.
ABSTRACT

Organizations use their boards of directors as vehicles for providing linkages to important external organizations with which they are interdependent. This is because boards of directors provide resources to the firms. Public and private sector performance is currently a significant issue for management practice and policy, and especially the turnaround of those organizations delivering less than acceptable results. Where cognition and leadership capability are absent, organizations fail to self-initiate turnaround. The Kenya Commercial Bank faced a serious of underperformance in some years and this necessitated a turnaround strategy in order to help the company out of financial failure. The objective of this study is to determine the role of board capital on strategic turnaround of Kenya Commercial Bank.

A case study design was used in this study. Data was collected from both primary and secondary sources. The primary data was collected using the interview guide while the secondary data was collected from publicly available data, including annual reports, management discussion and analysis (MD&A) reports, proxy circulars, notices of annual shareholder meetings, press releases, and media articles, including Internet sites. The study performed an in-depth data analysis using content analysis and pattern-identification as the main data analysis methods.

The study found that that board capital measures such as expertise, prestige, knowledge of market and products, as well as professional experience was inherent in the bank’s board of directors. The study concludes therefore that the board capital of the bank was very instrumental in shaping the course of the bank in terms of turning around its dwindling performance at the time. The study recommends that the management of other companies in turnaround processes should emulate the practice used by the Kenya Commercial Bank by having experts in the board with varied professional experiences and knowledge of banking sector if they are to turnaround.
# TABLE OF CONTENTS

DECLARATION .......................................................................................................................... i

ACKNOWLEDGEMENT ............................................................................................................. ii

DEDICATION ........................................................................................................................... iii

ABSTRACT ............................................................................................................................... iv

CHAPTER ONE: INTRODUCTION .................................................................................... 1

1.1 Background of the Study ......................................................................................... 1

1.1.1 Board Capital ....................................................................................................... 1

1.1.2 Strategic Turnaround ......................................................................................... 3

1.1.4 Kenya Commercial Bank ..................................................................................... 3

1.2 Statement of the Problem ..................................................................................... 4

1.3 Objective of the Study ........................................................................................... 6

1.4 Importance of the Study ........................................................................................ 6

CHAPTER TWO: LITERATURE REVIEW ............................................................................. 7

2.1 Board Capital ........................................................................................................... 7

2.2 Strategic Turnaround ............................................................................................ 12

2.2.1 The role of efficiency-oriented strategies in the turnaround process .......... 13

2.2.2 The role of company size in the turnaround process ...................................... 13

2.2.3 The role of senior management turnover in the turnaround process ........... 14

2.2.4 The role of free assets in the turnaround process ........................................... 14

2.2.5 The role of severity of distressed state in the turnaround process ............... 15

2.3 Role of Board Capital on Strategic Turnaround ................................................... 15

CHAPTER THREE: RESEARCH METHODOLOGY ............................................................ 20

3.1 Research Design ................................................................................................... 20

3.2 Data Collection ..................................................................................................... 20

3.3 Data Analysis ........................................................................................................ 20

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS ......................................................... 21

4.1 Introduction ........................................................................................................... 21

4.2 Board Capital ........................................................................................................ 21

4.2.1 Level of Education ............................................................................................. 21

4.2.2 Professional Experience ................................................................................... 21

4.2.3 Knowledge of Products and Markets ............................................................... 22
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The growing interest in studying boards of directors in recent years has been fuelled by the many financial scandals that have rocked the United States and Canada, as well as new governance rules that have impacted board responsibilities. As these regulatory changes were designed to protect shareholder investment, the underlying issue is organizational performance. Some contend that the board contributes to organizational performance by monitoring senior management on behalf of shareholders in order to prevent wrongdoings such as fraud, misrepresentation, and embezzlement. Others argue that the board contributes by providing strategic advice to senior management, again to the benefit of shareholders (Zahra and Pearce, 1989).

Agency theory has been the most dominant approach in examining the effects of boards of directors and managerial share ownership on firm performance. According to this theory, because of information asymmetry, managers tend to behave opportunistically to maximize their own interest at the expense of the shareholders. Jensen and Meckling (1976) provide a framework to mitigate managers’ opportunistic behavior through monitoring and incentive. In large organizations, corporate governance systems, particularly board of directors, are used as a monitoring mechanism to ensure that the assets of the firms are managed efficiently and in the best interest of the shareholders and to mitigate the consumption of perquisite and other non-pecuniary benefits by managers or any other parties (Fama and Jensen, 1983). Jensen and Meckling (1976) propose that share ownership provides incentive for managers to invest in value maximizing activities since they will share the proceeds of the activities. Indeed, they argue that as the share ownership increases, managers’ share of the cost of perquisite consumption increases which will discourage them engage in such opportunistic behavior.

1.1.1 Board Capital

Board capital, a construct recently coined as the composite of the human and social capital of the board of directors, is intended to capture the ability of the board to provide resources to the firm (Hillman and Dalziel, 2003). In its resource provision function, the board provides advice and counsel to the firm on substantial matters such as strategy formulation, access to information outside the firm, preferential access to valuable
resources through personal connections, skills and expertise, and legitimacy (Pfeffer and Salancik, 1978). However, while board capital may be easily understood as the combination of human and social capital of the directors, scholars often note the interdependent nature of human and social capital (Nahapiet and Ghoshal, 1998), and the inability to isolate the effects of one from the other. Board capital is defined as the directors’ capacity to perform their duties (Jermias, 2008). This concept was enlarged by Courtemanche et al., (2010) by identifying four attributes of board members: expertise, experience, specific knowledge of product and supply markets, and prestige. For purposes of this study, these constructs shall be used. Hillman and Dalziel (2003) provide an in-depth description of the role of the board of directors as a resource provider. They present the resources that the board provides to the organization in the form of capital, distinguishing between human and relational capital. Human capital comprises the board’s expertise, experience, knowledge, reputation, and skills. Relational capital is defined as the network of ties that the board creates between the organization and the external environment.

Boards can participate in the strategic process in many ways. For instance, they can review and approve strategic plans drawn up by senior executives in order to protect shareholder interests (Fama and Jensen, 1983), or they can actively contribute to strategy formulation by offering recommendations on executive-developed plans, assessing the underlying strategic hypotheses, and reviewing strategy implementation issues (Pfeffer and Salancik, 1978). Baysinger and Hoskisson (1990) applied a typology of financial versus strategic control and uncovered a significant link between the board of directors and strategy, suggesting that a basic prerequisite for the board to be involved in strategic formulation is to have at least some knowledge about the company’s business operations.

Judge and Zeithaml (1992) investigated institutional approaches and strategic choices to determine the impact of internal environment and board participation in strategic formulation on organizational performance. Their results suggest that boards that are actively involved in the strategic process are associated with better performance, as they bring different perspectives and greater objectivity to strategy development and strategic assessment. Using a contingency approach, Pearce and Zahra (1992) examined the influence of external environment, organizational strategy type, and past organizational performance on board composition, as well as the influence of board composition on
future organizational performance. The results of these two studies underscore the important role of board of directors on strategy. Thus, it would be prudent to establish the influence of board on turnaround strategy in Kenya.

1.1.2 Strategic Turnaround
As the name itself suggests, strategic turnaround choices may force the company to completely change its current way of operations. The choices under this method are: a new way to compete in the existing business; and entering into an altogether new business. Under the first choice, the focus is either on increasing the market share in a given product market framework or in repositioning the product market relationship. The increase in market share can be achieved by improving product quality perception through dealer push or by a consumer pull. Alternatively, entering a new business as a turnaround strategy can be approached through the process of product portfolio management (Suresh, 2010).

Strategic turnaround need arises when the own competitive advantage is shrinking or endangered without room for proper response out of its current business model. Such strategic constraints typically require changes not only in “how” the company is performing but also in the “what” of its business portfolio should be focused on. While there are plenty of possible underlying reasons for strategic turnaround needs, it always implies an essential change. Either essential business resources are lost, or the critical success factors of the current business model itself have become obsolete. In many cases the need for change is triggered by a combination of internal and external disruptive forces (Bachmann, 2009).

1.1.4 Kenya Commercial Bank
The KCB Group is a significant institution in Kenya’s banking and financial sector with an asset base of over KShs 170 billion. The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank’s history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank (KCB, 2010).
Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank (KCB, 2010). In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading. Since then, three branches, namely, Dar es Salaam, Arusha and Mwanza, have been opened. Today, KCB Group has the widest network of outlets comprising of over 145 branches across the region and over 280 Automated Teller Machines (ATM). KCB Bank Group is composed of Kenya Commercial Bank, a Commercial Bank; S&L, a mortgage lender; KCB Tanzania Limited, KCB Sudan Limited and KCB Uganda Limited (KCB, 2010).

The bank came up with an elaborate strategic plan (2007-2011) when Martin Oduor Otieno was in charge of Strategy Development. It was launched just before his appointment as the CEO of the bank. The key areas identified in the strategy revolve around the bank’s infrastructure, quality of customer service and the acquisition of the right skills and creating new organizational structure. Given KCB’s size, with a client base of more than 600,000 customers, maintaining consistency in the provision of quality service across all its branches will be a key plank of the new strategy (The Banking Survey, 2009).

1.2 Statement of the Problem

Organizations use their boards of directors as vehicles for providing linkages to important external organizations with which they are interdependent. This is because boards of directors provide resources to the firms in terms of advice and counsel, legitimacy, channel of communication, and preferential access to resources outside the firms (Hillman et al, 1999). Similarly, Zahra and Pearce (1989) argue that board of directors helps managers through the services provided by the board members in terms of contacts with external environment, representation for enhanced firms’ reputation, and advice to management.

A previous study by Mordaunt and Cornforth (2004) examined the role that boards play in the failure and turnaround of non-profit organizations. The study concluded that boards
do often play an important hands-on role in turnaround, which is different from that described in much of the normative literature. The study reiterated that as well as needing skills, such as leadership, those board members leading the change process need high levels of commitment, emotional resilience and a 'safe place' to formulate plans. A literature search revealed that a study of a similar nature was done by Mmayi (2009) on the role of board of directors in the strategy process but focused on private hospitals in Nairobi and not on KCB or the banking industry in Kenya. Situma (2006) examined how turnaround strategy was adopted by Kenya Commercial Bank. This study did not focus on the role of the board. Even other studies on the turnaround strategy in companies in Kenya (Ngaruiya, 2007; Matundura, 2008; Kiarie, 2009; and Gichuki, 2009) have not tacked the role of board on turnaround strategy.

Public and private sector performance is currently a significant issue for management practice and policy, and especially the turnaround of those organizations delivering less than acceptable results. Empirical findings from a real-time, longitudinal study of poorly performing English local authorities are used by Jas and Skelcher (2005) to develop an initial theory of performance failure and turnaround suited to public organizations. The study argues that the typical performance of public organizations over time is cyclical. Where cognition and leadership capability are absent, organizations fail to self-initiate turnaround. In this situation authoritative external intervention is necessary. The strategies applied are principally concerned with building a leadership capability that engages senior politicians and managers in order to overcome inertia and collective action problems.

The Kenya Commercial Bank faced a serious of underperformance in some years and this necessitated a turnaround strategy in order to help the company out of financial failure. As Anyanzwa (2010) reported 'the bank has come through a successful turnaround strategy that has seen it stop making losses to posting double-digit growth in net profit after posting a net loss of Sh4.1 billion in 2002/03 financial year weighed down by huge chunk of non-performing assets'. The year of turnaround was 2003 when the company started making profits. The KCB board of directors is made of 11 members. This number has remained the same since 2003. Prior to turnaround there were 10 board members. Three of the members are female and there is one executive director. The management structure also changed with the expansion of the bank. As such, a new structure to
accommodate the group management was formed. In 2002, there was only one female board member. Most of the board members joined the organisation from the time of its turnaround in 2003 and must have therefore played a significant role in the strategic turnaround of the bank.

To the best knowledge of the researcher, not much has been done in Kenya to establish the role of board of directors or board capital on strategic turnaround performance. This confirms therefore that there is a gap in literature that the present study seeks to bridge. The study seeks to answer the question: what role does board capital play on strategic turnaround?

1.3 Objective of the Study
The objective of this study is to determine the role of board capital on strategic turnaround of Kenya Commercial Bank.

1.4 Importance of the Study
This study will benefit KCB. This is because the study will show an empirical evidence, for the first time, the role that the board had on its turnaround strategy. As such, the study will offer firsthand information on the importance of board capital on turnaround in a bid to ensure that the company chooses a board that has the right qualifications if it is to strategically compete in the market.

This study will be important to management of various organisations as concerns the important role that board capital plays in strategic orientation and especially turnaround strategy in organisations. The results of the study will show whether strategic turnaround performance of an organisation is influenced by its board of directors.

The study will also be important to researchers and academicians in general as it will add on to the growing body knowledge of board capital and turnaround strategy. Thus, the study will form a basis upon which other studies on board capital and strategy in Kenya will be carried out.
CHAPTER TWO: LITERATURE REVIEW

2.1 Board Capital

Board capital, a construct coined as the composite of the human and social capital of the board of directors, is intended to capture the ability of the board to provide resources to the firm (Hillman and Dalziel, 2003). Chancharat et al., (2008) argued that board capital is the most important corporate governance mechanism as it is most likely to profoundly influence the survival likelihood of a firm that faces adverse economic circumstances. Typically, the board of directors enhances firm value in three ways. Firstly, they monitor the performance of management. Secondly, they advise management regarding crucial strategic decisions. Finally, they provide access to resources at critical junctures to ensure survival (Noncharat et al., 2008).

In its resource provision function, the board provides advice and counsel to the firm on substantial matters such as strategy formulation, access to information outside the firm, preferential access to valuable resources through personal connections, skills and expertise, and legitimacy (Pfeffer and Salancik, 1978). However, while board capital may be easily understood as the combination of human and social capital of the directors, scholars often note the interdependent nature of human and social capital (Coleman, 1988; Nahapiet and Ghoshal, 1998), and the inability to isolate the effects of one from the other.

Recognizing the interdependent nature of the human and social capital of directors, Haynes and Hillman (2010) proposed a model of board capital that isolates the relevant aspects of the human and social capital of the directors with respect to their resource provision function and aggregate these aspects from the individual to the board level. They proposed that the board capital construct is composed of 'breadth' and 'depth.' Board capital breadth is defined as the portfolio of directors' functional, occupational, social, professional experiences and extra-industry ties and captures the heterogeneity of the directors' human and social capital. Board capital depth refers to the embeddedness of directors in the firm's primary industry through interlocking directorships, managerial positions, or occupational experience in the primary industry of the firm, and is the sum of the directors' intra-industry human and social capital.
Boards use their human and social capital to perform their roles of monitoring and resource provision. The board’s resource provision function is based on Pfeffer and Salancik’s (1978) work in resource dependence theory according to which directors are expected to provide advice and counsel, bring legitimacy and access to important constituents outside the firm, serve as channels of communication between the firm and the environment, and aid in strategy formulation. Pfeffer and Salancik (1978) write that when a director is appointed to a board, that director is expected ‘to support the organization’ and ‘will concern himself with its problems, will variably present it to others and will try to aid it’.

Hillman and Dalziel (2003) assert that board capital, or the sum of individual director’s human and social capital, represents the ability of a board to engage in strategic activities. An individual’s expertise, experience, knowledge, reputation, and skills are defined by Becker (1964) and Coleman (1988) as ‘human capital’ whereas an individual’s ‘social capital’ is ‘the sum of the actual and potential resources embedded within, available through, and derived from, the network of relationships possessed by an individual’ (Nahapiet and Ghoshal, 1998). While the initial conceptualization of board capital as the sum of the directors’ human and social capital appears to be appropriate, a closer examination reveals gray areas that warrant additional in-depth inquiry (Haynes and Hillman, 2010).

First, scholars often recognize the interdependent nature of human and social capital (Coleman, 1988; Nahapiet and Ghoshal, 1998) and the difficulty in isolating the effect of one from the other. For example, Mizruchi and Stearns (1994) discuss the benefits of the knowledge, skills, and expertise (i.e., human capital) members of financial institutions can bring to the firm when serving as directors, but also the access to financial capital their connections (i.e., social capital) allow. Geletkanyecz and Hambrick (1997) show that extra-industry ties (social capital) lead to exposure to novel information (human capital). These are but a few examples of the mutual influence that human and social capital have on one another (Coleman, 1988) that render the benefits of a director’s human capital difficult to separate from those of his/her social capital.

Second, many research studies use proxies of the board’s human and/or social capital that limit the understanding of the construct. For example, the inconclusive findings of studies
linking board size and firm level outcomes (Dalton et al., 1999) may be due to size being a gross proxy for board capital. Such studies examine size based on the assumption that ‘the greater the need for external linkage the larger the board should be’ (Pfeffer and Salancik, 1978); yet using size overlooks important nuances in the board’s human and social capital. As an illustration, a hypothetical three-person board composed of Michael Joseph (Safaricom), Martin Oduor-Otieno (KCB), and Titus Naikuni (Kenya Airways) would be deemed ‘small’ and judged inadequate based on size alone. However, examining board capital breadth and depth (Hayne and Hillman, 2010) in lieu of size allows for a more complete view of board capital and is consistent with Boyd’s (1990) conclusion that high performing firms often have fewer, more densely connected directors.

A third concern is that many research studies that do use more specific indicators of board capital often examine only one aspect of board composition. Indicators of human or social capital of directors have separately been linked to strategic outcomes, but never both (Hayne and Hillman, 2010). For example, Goodstein, Gautam, and Boeker (1994) look at ‘human capital’-type heterogeneity while Geletkanyecz and Hambrick (1997) examine heterogeneity of social capital (ties). Instead we capture a wide range of the relevant aspects of board capital with respect to the board’s role in strategic change.

In recent years in most developed countries, corporate boards—particularly public-company boards—have spent a great deal of time focusing on meeting regulatory requirements and other short-term goals. According to McKinsey (2008), directors now want to focus on the long term, including analysis of trends, future scenarios, and global forces. As competition for consumers and talent intensifies worldwide and executives increasingly expect social and political trends to influence the bottom line (McKinsey, 2007) this shift in focus seems timely.

Respondents to the McKinsey (2008) survey said that their boards currently spend most of their time on strategy and execution. Ideally, they would like their boards to spend even more time developing strategies that maximize shareholder value and on helping to manage talent. The report cites that the board wants to spend more time on long-term strategy and less time on short-term matters such as ensuring that quarterly earnings will consistently meet market expectations. The survey found that many directors would also
like to spend more time evaluating a broad range of strategic options and challenging existing strategies. When directors were asked about the amount of time the board does and should spend on various corporate issues, talent management emerged as the one on which directors want the greatest increase in time spent. In considering various talent-management issues, directors indicate that they want to be more strategic with that increased time. For instance, boards currently attach the greatest importance to compensation, but directors say they would like to increase the importance of succession planning and of developing the top team's leadership (McKinsey, 2008).

Similarly, when asked about strategic execution, directors say they would like to give a higher priority to forward-looking issues: 41 percent of the respondents say they want to increase the importance of ensuring that organizational resources are in place to execute strategy; far fewer want to elevate the importance of adjusting strategy based on changing conditions. With regard to governance and compliance, directors want to give a higher priority to ensuring clear communications with investors (41 percent), although they already spend a significant amount of time on this activity. Directors also want to focus more on future rather than current performance. Half of the respondents, for example, say they want to increase the importance of analyzing leading indicators; the same proportion would like to decrease the importance of financial metrics on current performance (McKinsey, 2008).

Demands for increased board vigilance have been mounting over the last ten years. In response, numerous organizations and securities markets worldwide have recommended that boards include a majority of independent directors. Because independent directors are said to have greater detachment and objectivity and are reportedly more likely to question management decisions, many observers have argued that independent directors make superior monitors (Fama and Jensen, 1983). However, findings on the impact of board independence on board performance and corporate performance have been mixed; little or no correlation has been found, raising questions about the merits of board independence and about the true drivers of board performance (Deutsch, 2005).

Some have explained the inconsistency of these findings by emphasizing the potential trade-offs associated with boards that are primarily made up of independent directors who may lack the necessary knowledge and skills to carry out their duties, particularly those
associated with strategy involvement (Lawler and Finegold, 2006). Over the years, there have been a number of changes in how the role of corporate boards is defined (Anderson et al., 2007). Whereas boards used to focus primarily on monitoring management, they are now increasingly expected to assume an advisory role and to participate actively in the strategic process (Adams and Ferreira, 2007). Empirical results suggest that board expertise is positively associated with increased involvement in strategic issues (Pugliese and Wenstop, 2007; Zona and Zattoni, 2007). These studies underline the value of resources, experience and knowledge that both inside and outside directors may have (Hillman et al., 2000). Although insiders contribute firm-specific knowledge and experience that may yield valuable insight, outsiders have access to important stakeholders and resources and may possess both functional knowledge (e.g. accounting, financial, legal or marketing) and general industry knowledge that is relevant to the board’s functions (Ravasi and Zattoni, 2006). In addition, Rindova (1999) has recommended that when directors' expertise is being considered, skills associated with problem solving, communication and teamwork should not be overlooked.

Although these studies have identified board expertise as an important determinant of board performance, some surveys have indicated that the overall level of board expertise is insufficient to carry out current and emerging roles and responsibilities (McKinsey Quarterly, 2008). Consequently, various stakeholders are now emphasizing board processes aimed at developing and improving board expertise. They argue that to ensure strong oversight and relevant input into strategic decisions, companies must ensure that board members have the required skills and knowledge. In particular, three processes have been targeted as essential to building board expertise: education programs; director nominations; and board performance evaluations (Brown, 2007; Dulewicz and Herbert, 2008).

Brown (2007) has found that these processes are positively linked to board capability and that increases in board capability lead to improved board performance. Furthermore, some governance activists and governance rating services have identified specific evaluation criteria for these processes. In addition, many stock exchanges require listed companies to disclose information about these three areas of concern. For example, the New York Stock Exchange (NYSE) requires that its listed companies disclose this information in a mandatory company document called “corporate governance guidelines” (New York Stock Exchange, 2004). These corporate governance guidelines
must be publicly available and should describe the board’s responsibilities, qualifications, rules, and procedures.

2.2 Strategic Turnaround

According to Robins and Pearce (1992) framework, a turnaround situation arises when performance criteria are sufficiently depressed to warrant a turnaround response. A turnaround response consists of activities likely to overcome the firm’s troubles and return it to match or exceed prior performance. The response consists of a retrenchment stage that might comprise ‘restructuring’, ‘downsizing’ and ‘downscoping’, with a particularly strong emphasis on cost and asset reduction required for mitigation of the conditions responsible for the financial downturn (Filatotchev and Toms, 2006). As a firm achieves stability it moves to the second stage of turnaround and engages ‘recovery response’ strategies, which may include new market entries, mergers and acquisitions, new product development, etc (Robbins and Pearce, 1992).

Schendel et al. (1976) were among the first to contend that recovery strategies can be classified into two distinct groups: efficiency-oriented and entrepreneurial-oriented strategies. They argued that if the downturn is primarily due to inefficient operations, then the company should adopt efficiency-oriented recovery strategies such as cost cutting and asset reduction activities. If the corporate strategy is no longer relevant, then the company must make changes so that it is more suited to its current or new market(s); that is, it should adopt entrepreneurial-oriented strategies.

Bibeault (1982), Pearce and Robbins (1993) and Arogyaswamy et al. (1995), however, viewed the turnaround process as consisting of two stages: decline stemming and recovery strategies. The primary objective of decline stemming strategies is to stabilize the company’s financial condition and includes actions such as gathering stakeholder support, eliminating inefficiencies, and stabilizing the company’s internal climate and decision processes. The severity of the distressed state and the resource slack available ultimately determines the extent to which the decline-stemming strategies are applied and succeed. Once the company’s financial position has stabilized, it must decide on its recovery strategy: whether or not it will continue to pursue profitability at its reduced size or implement growth-oriented (entrepreneurial-oriented) strategies.
The extent to which decline stemming strategies are applied, and their success, is influenced by several factors including severity of the distressed state (Pearce and Robbins, 1993; Arogyaswamy et al., 1995), firm size (White, 1989), and free resources available (Arogyaswamy et al., 1995; White, 1989).

2.2.1 The role of efficiency-oriented strategies in the turnaround process
Arogyaswamy and Yasai-Ardekani (1997) investigated the role that cutbacks, efficiency improvements and investment in technology play in the turnaround process. They found that cutbacks and increases in efficiency were important factors for successful turnarounds as these actions improve profitability in the short run and allow the company to release resources that may be used elsewhere. They can also play an important political role in winning back stakeholder support and help raise external resources to fund other strategies.

Hambrick and Schecter (1983), Robbins and Pearce (1992) and Chowdhury and Lang (1996) all found that efficiency-oriented moves, not entrepreneurial initiatives, were associated with successful turnaround. The results revealed that, regardless of the cause of the downturn, turnaround performance was strongly associated with retrenchment. Robbins and Pearce (1992) concluded that, regardless of the cause of the decline, adopting efficiency-oriented recovery strategies is essential for any successful turnaround.

Studies conducted by Casey et al. (1986), Campbell (1996) and Routledge and Gadenne (2000) found the variable "profitability" to be statistically significant in distinguishing bankrupt companies that successfully reorganise from those which liquidate. These four studies all measured profitability in terms of return on total assets. This is a measure of efficiency, and therefore these studies provide support for Arogyaswamy and Yasai-Ardekani (1997), Hambrick and Schecter (1983), Robbins and Pearce (1992) and Chowdhury and Lang (1996) who argue that efficiency-oriented recovery strategies are essential for any successful turnaround.

2.2.2 The role of company size in the turnaround process
Pant (1991) found a statistically significant relationship between turnaround success and size; that is, turnaround companies were generally smaller than failed companies. He suggests that smaller companies may be more successful in enacting a successful
turnaround as they are able to adapt to their changing environment more easily than large companies. However, studies from the bankruptcy literature (LoPucki, 1983; Campbell, 1996) have also found a statistically significant relationship between turnaround and size, but in the opposite direction; that is, successfully reorganized companies were generally larger than liquidated companies. White (1984, 1989) argues that larger companies are better equipped to raise the additional funds necessary to remain viable due to their previous success in raising external capital. Tafler (1983) notes the prevalence of a stock market strategy based on investment in under-performing large companies, as recognition of the perceived importance of firm size to corporate turnaround. A priori, larger firms are likely to have a higher probability of survival, as the potential losses to stakeholders are greater. Also such firms are likely to have a higher profile and therefore more likely to be kept alive.

2.2.3 The role of senior management turnover in the turnaround process

A number of authors (Bibeault, 1982; Slatter, 1984; Linkin, 1985; Castrogiovanni et al., 1992; Arogyaswamy et al., 1995) suggest that changes to the senior management team are an important step towards enacting a successful recovery. Changes to the senior management team are seen as a means of restoring stakeholders’ confidence in the future viability of the organisation, thereby ensuring their continued support. Also, new senior managers are able to offer fresh insights into the causes of decline, and the skills and motivation necessary to bring about organisational change. Thain and Goldthorpe (1989) found that one of the two most significant actions undertaken by recovered companies was to make changes to their senior management team, since in many cases, the incumbent management were unable or unwilling to make the changes necessary to stem the decline.

2.2.4 The role of free assets in the turnaround process

White (1984, 1989) argued that the amount of “free assets” was an important variable in distinguishing between distressed companies that were successfully reorganized and those that were liquidated. They argued that distressed companies with sufficient free assets (i.e. an excess of assets over liabilities, or more specifically of tangible assets over secured loans) are more likely to avoid bankruptcy because it increases their ability to acquire the additional funds necessary to enact a successful turnaround, and it encourages the continued support of existing lenders as sufficient assets are available to repay the loan, if required.
Casey et al. (1986), Campbell (1996) and Routledge and Gadenne (2000) found that the amount of free assets was statistically significant in distinguishing between distressed companies that successfully reorganized and those that were liquidated, thus providing support for White’s model.

2.2.5 The role of severity of distressed state in the turnaround process
The severity of the financial distress influences the ability of the firm to enact a recovery. Hofer (1980) and Robbins and Pearce (1992) argue that severely financially distressed companies need to make aggressive cost and asset reductions in order to survive. However, as Slatter (1984) highlights, the aggressive reduction of costs and assets is no easy task as there is often organizational resistance to such action. Additional “hidden” organizational costs may be incurred (erosion of trust between staff and management, absenteeism, employee turnover, lower quality and service, sabotage) and may well be greater than what is saved from the cuts in costs and assets. The severity of the distressed state will be determined by the components of the measure of distress, which themselves identify the major source(s) of distress; the direction and extent of change in severity may provide further support for the likelihood of turnaround.

2.3 Role of Board Capital on Strategic Turnaround
Golden and Zajac (2001) sought to reconcile the debate on whether boards are typically passive vs. active players in the strategy realm by developing a model that specifies when boards are likely to influence organizational strategy and whether such an influence is likely to impel vs. impede change. The study found that board structure and board demography do play an important role in the extent to which a board is likely to promote strategic change. The findings were also consistent with the argument that to impel strategic change, board members must have sufficient capabilities, experiences, and confidence. These characteristics are most likely to be present among boards with more senior members. The study also found that specific types of expertise or experiences were influential in shaping the orientation of a board toward strategic change. This finding was consistent with the notion that the “mind-set” that business executives have with respect to strategic change may be quite different from those from other walks of life. It also suggests that organizations choosing a business executive for their boards with the expectation of gaining a specific functional area of expertise may also be gaining a more
general business mind-set regarding how that organization should address its organization/environment relationships.

Haynes and Hillman (2010) recently did a study on the effect of board capital and CEO power on strategic change. They developed the construct of board capital, composed of the breadth and depth of directors' human and social capital, and explored how board capital affects strategic change. Building upon resource dependence theory, they submitted that board capital breadth leads to more strategic change, while board capital depth leads to less. They also recognized CEO power as a moderator of these relationships. The hypotheses were tested using a random sample of firms on the S&P 500. The study found support for the effect of board capital on strategic change, and partial support for the moderating effect of CEO power.

A study by Wincent et al., (2010) examined the effects of network board capital (i.e., human capital and relational capital) on total, radical and incremental network innovative performance. Results from a five-year longitudinal study of network boards in 53 strategic networks suggested that a network board's diversity, education level, and interlocking directorates with other such networks affect network innovative performance. The degree of board diversity and interlocking directorates primarily influence incremental innovation, whereas education level influences radical innovation. The study found that a network board's diversity of expertise and education level were important for improving all components of innovative performance (total, radical and incremental) in smaller networks.

Chancharat et al., (2008) investigated the role of board capital on the likelihood of survival for 127 new economy IPO companies that listed on the ASX between 1994 and 2002. The study used survival analysis techniques utilizing the Cox proportional hazards model with three main categories of corporate governance attributes: a) board size, b) board independence and c) ownership concentration. It was noted that the survival time was negatively related to the percentage holdings of the top 20 shareholders. The results also suggested that new economy IPO companies with low leverage and small company size were more likely to survive. However, the results also indicated that board size and board independence do not explain the survival likelihood of new economy IPO firms. These results suggest that corporate governance mechanisms that are designed
specifically to protect minority shareholders and other providers of external capital are of little value during periods of extreme financial duress.

Courtemanche et al., (2010) examined the dynamic interplay between board capital and organizational strategy while accounting for organizational environment and performance. A publicly traded global transportation company (Bombardier) was examined in a ten-year longitudinal case study (1997-2006). The results revealed various links between four dimensions of board capital and changes at three strategic levels: institutional, corporate, and business. Specifically, using board capital, Bombardier adjusted to the changing contingencies of the external environment and restored its performance by adopting appropriate institutional, corporate, and business strategies. The results consolidate and extend the literature on the role of boards of directors. The authors enlarged the concept of board capital by identifying four attributes of board members: expertise, experience, specific knowledge of product and supply markets, and prestige. They also found that the firm’s internal and external environments and economic performance influence the nature of the resources provided by the board of directors. The results shed new light on the dynamic interplay between board capital and strategic levels.

Miller et al., (1998) drew upon three separate studies to examine the impact of executive diversity on comprehensiveness of strategic decision-making and extensiveness of strategic planning. The results suggested that executive diversity inhibits rather than promotes comprehensive examinations of current opportunities and threats, and inhibits rather than promotes extensive long-range planning. In light of the cumulative research showing that firm performance is related to both comprehensiveness and extensiveness, these results provided evidence for an indirect connection between executive diversity and firm performance.

However, in a recent study by Miller and Triana (2009) on board diversity and firm performance, it was suggested that this relationship operates through two mediators: firm reputation and innovation. In a sample of Fortune 500 firms, Miller and Triana (2009) found a positive relationship between board racial diversity and both firm reputation and innovation. They found that reputation and innovation both partially mediate the relationship between board racial diversity and firm performance. In addition, the study found a positive relationship between board gender diversity and innovation.
Johnson et al. (2007) examined board involvement in restructuring. The basic premise of the study was that, due to their oversight role, board members (especially outside directors) become involved in restructuring only when managerial strategy implementation appears to be deficient. Top management team equity stakes were found to be negatively related to board involvement in restructuring, while outside director ownership was found to be positively related. Emphasis on strategic controls by managers was found to be negatively related to board involvement in restructuring. Top management team tenure and top management organizational tenure were negatively related to board involvement. Outsider representation on the board was positively related to board involvement in restructuring, while board tenure was found to be unrelated. Results imply that incentives to monitor (ownership) and emphasis on strategic controls reinforced by higher top management team tenure result in less board involvement in restructuring. However, restructuring may be initiated by outsiders on the board when other governance and control mechanisms fail. This implies a substitution process between governance tactics (ownership vs. board monitoring) and internal controls (managerial vigilance).

In a survey by Stevenson and Radin (2008) on the influence of social capital on board of directors, it was found that ties to others in a network of strong ties among those who meet outside of board meetings were more important predictors of social influence than human capital or ties across boards. These ties within the board represent the social capital of members in the form of prior relationships with other directors, ties to others on the board, and membership in cliques within the board's network of ties. These results support a social capital perspective on influence that emphasizes relationships with others on the board as important factors in the social dynamics of board decision-making. Kirchmaier and Kollo (2007) studied the role of prestige and social networks in the selection of outside directors, and the subsequent effect on firm value. Both prestige and social networks may act as barriers to good corporate governance, as merit based candidates might be disadvantaged when compared to candidates with a similar social background to the incumbent board. The authors used the distinctive British tradition of awarding Lords and Sirs titles to distinguished individuals as a proxy for prestige of outside directors, and by combining these with a uniquely detailed database of UK directors, their identities and social networks, they found evidence of self-selection
amongst outside directors that hold the same title. Contrary to popular suspicion, appointments of prestigious outside directors had no effect on firm value, with the exception of appointments to very large boards, where prestige of outside directors helps to break group think. The study found that titled directors were more likely to hold more directorships, and retire later from their positions. In addition to prestige, a director's professional qualifications and higher education were positively related to the number of directorships they held. The study found no evidence that a shared social network or prestige of outside directors was contrary to shareholder interests.

Marie-Josee (2008) noted that although board expertise has been identified as an important determinant of board performance, some surveys are still reporting that the overall level of board expertise is insufficient to carry out current and emerging roles. Consequently, companies must ensure that board members have the required skills and knowledge. Thus, Marie-Josee (2008) aimed to examine three board processes aimed at developing and improving board expertise. Based on disclosures in the corporate governance guidelines of 100 leading US companies, the study focused on three board processes, i.e. director nominations, orientation and education programs, and board performance evaluations. The study found that that most companies in the sample were in compliance with stock exchange requirements and provided information on director nominations, orientation and education programs and board performance evaluations. All too often, however, the companies disclosed generic, non-specific information; this provides little reassurance that the proper processes are in place to promote companies’ long-term interests.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study design was used in this study. According to Yin (2003), when a study is exploratory and descriptive in nature, a case study design is usually the appropriate one. Given the exploratory and descriptive nature of the research question, the unpredictable direction of the relationship, a case study research method was prudent for the study. Further, given that strategies shift over time, a longitudinal approach would be prudent (Pettigrew, 1990). Since the study was carrying out over the time from 1999 to 2010, a longitudinal approach was prudent. Thus, the research design used in this study is referred to as a longitudinal case study of the Kenya Commercial Bank as it was a combination of case study (KCB) and longitudinal in nature (given the time frame to be covered).

3.2 Data Collection

Data was collected from both primary and secondary sources. The primary data was collected using the interview guide. The Company Secretary was interviewed. The secondary data was collected from publicly available data, including annual reports, management discussion and analysis (MD&A) reports, proxy circulars, notices of annual shareholder meetings, press releases, and media articles, including Internet sites.

3.3 Data Analysis

The study performed an in-depth data analysis using content analysis and pattern-identification as the main data analysis methods. According to Yin (2003), this combination enables data triangulation and a deeper analysis through additional details. Furthermore, corroborating the collected data with other sources improves data validity. The analysis covered the period from 1999-2010.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The interviews were conducted in the month of September 2010 with the respondents from Kenya Commercial Bank. Some of the information was also gathered from the Annual Reports of the bank. The chapter is organised as follows. First, the board capital is shown. This is followed by a presentation on the influence of board capital on strategic turnaround.

4.2 Board Capital

The Kenya Commercial Bank has 11 board members. Out of these, 3 members or 27.3% are female and the rest are male. The board of directors is elected during an Annual General Meeting where vacant positions are filled in. The board positions fall vacant when a board member dies, resigns, or upon expiry of his/her term. The various board capital dimensions explicit in the board of directors of the bank are explained below.

4.2.1 Level of Education

The expertise was measured using the levels of education of each of the board members. In terms of their levels of education, 8 members have at least a bachelor’s degree, 4 members have master’s degree while 1 member had a PhD. These were degrees in economics, finance, business management, marketing, tourism management, engineering, and law.

By their levels of education, it is worth noting that all the board members were experts in various fields. Most of the board members were experts in finance, banking and economics. These are related fields to the core function of the bank. With lawyers and engineers as board members, the expertise of the board stretches to other fields. This is important for the bank as knowledge from other fields can be helpful in informing the strategic choices of the bank. Thus, the lawyers are important in bringing in the legal implication of the choices undertaken by the bank.

4.2.2 Professional Experience

The professional experiences were measured using the current or former experiences of the board members. It was noted that 3 of them were bankers, 3 were economists, 1 was a
marketer, 1 was an advocate and another 1 member was an engineer. One other member was a director in several other organisations. Most of these members had prior experience of being board members in other organisations in different industries. Some were members of other boards and others were professors or lecturers in public universities. These professional experiences were important as a human capital for the board.

4.2.3 Knowledge of Products and Markets

This dimension was measured by the place of residence of the board members (whether outside the country or not) as well as using their participation in international trade committees. The results revealed that most of them had worked and resided in other countries other than Kenya. But all of them were presently residing in the country. Given that the main market served by the bank was local, it suffices to assume that the members are knowledgeable about the supply market.

The results also revealed that their expertise in banking, marketing, finance, economics and general business knowledge was reason enough to assume that they grasp the products offered by the bank. With some members having worked in the banking sector, the board was fully equipped as concerns the knowledge of members on the products of the bank.

4.2.4 Honorary Titles

Prestige as a board capital dimension was measured using whether any member had an honorary degree. From the documents on board members found in the annual report of 2009, it was noted one member, the Chief Executive Officer (CEO), had an honorary doctorate degree in Business Leadership from the KCA University. This was conferred to him in 2009 to reward him of his contribution to business leadership in Kenya. The same member also has a national award. He was awarded the Chief of the Order of the Burning Spear (CBS) for his distinguished service to the nation by His Excellency, the President of the Republic of Kenya.

Thus, it was noted that the board capital measures dimensions such as expertise, professional experience, specific knowledge of products and supply markets, and prestige were present in the existing board of directors. These are summarized in Table 1.
Table 1: Board capital dimensions

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<thead>
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<th>Measure</th>
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<tr>
<td>Expertise</td>
<td>Educational background</td>
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<tr>
<td>Professional experience</td>
<td>Current and former experience</td>
</tr>
<tr>
<td>Specific knowledge of product and supply markets</td>
<td>Place of residence and participation on international trade committees</td>
</tr>
<tr>
<td>Prestige</td>
<td>Honorary titles</td>
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4.3 Influence of Board Capital on Strategic Turnaround

It was noted that the board played a significant role in the turnaround process. Board efforts were specifically geared towards the lenders, suppliers, customers, employees, and shareholders. Ensuing is a discussion on the role the board of directors of KCB played as regards these stakeholders.

4.3.1 Influence of Board on Lenders

During the troubling times in the bank, the management’s relationships with its lenders was strained to the point that lender fatigue set in—lender confidence in a company’s financial projections and its management team’s capabilities had been damaged to the point that trust in the turnaround was destroyed. The board of directors’ involvement thus improved lender confidence, which greatly increased the company’s chances for a successful turnaround. Directors also participated in the turnaround process by attending key lender meetings not only to show their support for the company but also to be helpful in re-establishing credibility with lenders by demonstrating that they understood the turnaround program.

The bank has attracted foreign investors due to good liquidity and conservative lending practices. Lenders have increasingly been putting their money into relatively risk-free government securities over the past five years. KCB, the largest bank in Kenya by assets, has attracted interest in the second half after a rights issue induced fall in its shares. Analysts said its shares now offer a discount on the bank’s valuation. The bank managed to raise Kshs. 12.4 billion against a target amount of Kshs. 15 billion. The bank was content with performance since it had previously indicated that its target was a 50 per cent or Kshs. 7.5 billion.
4.3.2 Influence of Board on Suppliers

Of all of the relationships with which KCB dealt with, those with suppliers were usually the most impaired. For instance, some of the suppliers had threatened to stop dealing with the bank unless their dues were paid in full. It took the board of directors’ intervention to make them change their mind. The board of directors’ involvement with key suppliers was beneficial, especially because the bank had broken some payment promises and suppliers threatened to shut down the bank’s supply of raw materials and new merchandise. Simply by the board of directors meeting with them to discuss the company’s plans for turning the business around, directors improved and restored confidence among the key vendors.

The bank renowned for its diversity and growth in the region works with partner agencies and suppliers to ensure timely execution of promotional projects and campaigns with the aim of achieving the business and brand objectives; coordinate partner agencies and supplier product activations for the products effectively within set timelines track and analyze assigned product performance through sales numbers and values.

In addition, the board works closely with regional sales teams and branches to ensure sales support at different marketing activations and events as well as provide sales teams with any required support during their own activities. Liaison with procurement to ensure correct specification and ordering of merchandise and suppliers sourcing in accordance to budget and business needs while maximizing savings through effective negotiations with service providers is also key.

4.3.3 Influence of Board on Customers

The customers of the bank are the depositors. They include the individual account holders and business accounts in the bank. During the period when the bank was recording huge loses, customers were worried about the safety of their deposits. Some of the customers had to close their accounts for fear of the unknown while others were contemplating doing so. Thus, during these times, customer relationships were affected by the dwindling performance of the bank.

The board of directors had to come in to restore the customer confidence in the bank when turnaround began. For instance, the directors communicated with the customers
through the media and through face-to-face calls. The board communicated with the customers about the vision of the bank and the commitment to turnaround the fortunes of the bank. This delivered strong messages about confidence in the bank’s future and the importance of the customers to the business. Such meetings reduced the potential for losing the customers. In fact, some who had shunned the bank came back with the reassurance of the board of directors.

With 213 branches in the region, the bank was able to grow its customer base to well over one million which would result to higher income in the future.

4.3.4 Influence of Board on Employees

It was the feeling of the board of directors at the turnaround time that employees would be instrumental in shaping the course of the bank. The board of directors noted that most firms leave employees when troubled and are often left in the dark about the status of the business. This may result from poor communications by senior management, but more often than not, management mistakenly believes it cannot discuss the turnaround game plan with employees while it is still wrestling with unresolved issues and difficult decisions.

The board of directors noted that by failing to provide status updates to the employees, they risked losing key employees who would be needed to execute the turnaround. Thus, the board showed support by attending departmental and bank-wide status meetings with key employees in order to improve employee confidence in the bank. The board met with employees to discuss their fears and to reassure them that the best times were still ahead. The board of directors asked the employees to stay put and help the bank in turning around. This helped a lot.

4.3.5 Influence of Board on Shareholders

The shareholders of the bank were the most worried lot at the time the performance of the bank was not encouraging. With the realization that their fortunes might go to waste, some liquidated their shares while many were contemplating doing so. The board of directors had to come in. The board recognized that the key shareholders who were not part of bank management or the board of directors needed special handling.
The board of directors scheduled meetings with shareholders in order to reassure them to stay with the bank and discussed the future of the bank with them. Thus, communication between the board members and these shareholders was enhanced. The idea of communicating with outside shareholders raised directors’ concerns about potential liability. Improving shareholder understanding and support for the bank’s turnaround program was the primary objective of the directors.

This saw the share price grow from Kshs. 17.30 to Kshs. 24 within a 52 week range. The turnover is currently at Kshs. 28.72. the bank reported a pre-tax profit of Ksh. 1.4 billion in 1999 and on 31 March 2010, the bank was off to a good start and recorded 10% pre-tax profit growth to Kshs. 1.9 billion.

4.3.6 Influence of Board on Product Innovation
The study noted from the interviews that the interviewees were of the opinion that to a large extent, the board of directors had influenced product innovation in the bank. For instance, customers now can bank through their mobile phones as the company has the mobile banking service. This has enhanced efficiency of transactions as well as lessened time used by customers in the banking hall as queues have gone down. The company also has loan products for houses and also for laptops in conjunction with Safaricom Limited.

These innovations were a major input from the board of directors, most of whom had vast experience in the banking industry. They made suggestions to the management to come up with products that would be attractive in the market. Their input has seen the bank churn out very competitive products in the process. The discussion between the board of directors and other partners such as mobile phone companies has seen it enter into very fruitful partnerships. For instance, the bank recently partnered with Orange to provide loans for laptops. This increases the company’s revenues through more lending.

4.3.7 Influence of Board on Strategic Direction
The interviewee was of the opinion that to a very large extent, they had influenced the company’s mission and vision statements. The company records showed that the bank’s mission had changed over time. The bank’s strategic direction is indicated by the vision and mission statements. These had changed over time.
For instance, in 2008, the vision of the bank was “to be the best bank in the region”. Its mission statement read “To consistently deliver quality financial products and services in the interests of all our stakeholders through best business practice in the dynamic markets in which we operate”. The bank's current vision is “to be the preferred financial solutions provider in Africa with a global reach” while its mission currently reads “To grow our existing business whilst building the platform to be the preferred financial solutions provider in Africa with global reach”.

4.3.8 Influence of Board on Differentiation and Diversification

Further, it was noted that the interviewee was of the opinion that the board was to a large extent influential in business differentiation, product diversification, and the entire turnaround process. This is because the board of directors had increased its number of meetings in order to discuss the course of the bank and through these meetings, recommendations to differentiate the products more and to diversify its portfolio were made to the management and a time limit given to accomplish them.

The board is well versed with the various accounts of the bank which are as profitable as the S&L mortgage account arising from the merger of the bank with S&L, to Islamic banking services that it renders to its Muslim clientele. The board is also conversant with the bank charges and lending rates to minimize various types of fraud ranging from securities, mortgage and health insurance theft, opening false accounts or devising new schemes to defraud the bank.

As at the time of this study, the bank had differentiated its products into business products, and individual products. The bank caters for various classes of customers ranging from children to adults. The bank has also diversified into other countries such as Uganda, Tanzania, Sudan, and Rwanda. It also acquired a mortgage firm, S&L, which is now its division to cater for clients looking to finance homes.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of research findings, conclusions made from the findings, recommendations, and suggestions for further research.

5.2 Summary of Findings
The study found that in terms of expertise, all the board members were experts in various fields. Most of the board members were experts in finance, banking and economics. With lawyers and engineers as board members, the expertise of the board stretches to other fields. The study also noted that in the board was diverse in terms of the professions, ranging from bankers, economists, a marketer, an advocate and an engineer. One other member was a director in several other organisations. Most of them had worked and resided in other countries other than Kenya but all of them were presently residing in the country. They were therefore knowledgeable about the supply market.

The study found that the board members had a good grasp of the products. This is due to their expertise in banking, marketing, finance, economics and general business knowledge. Some members had worked in the banking sector before. In terms of board members’ prestige, the study revealed that the Chief Executive Officer (CEO), had an honorary doctorate degree in Business Leadership from the KCA University and was also a Chief of the Order of the Burning Spear (CBS).

The study found that the board played a significant role in the turnaround process. Board efforts were specifically geared towards the lenders, suppliers, customers, employees, and shareholders. The study found that to a large extent, the board of directors had influenced product innovation in the bank. The study revealed that to a very large extent, they had influenced the company’s mission and vision statements. This is because the bank’s mission and vision statements had changed over time. The study found that the board was to a large extent influential in business differentiation, product diversification and the entire turnaround process.
5.3 Conclusions
The study sought to determine the role of board capital on strategic turnaround of Kenya Commercial Bank. It was noted that board capital measures such as expertise, prestige, knowledge of market and products, as well as professional experience was inherent in the bank's board of directors. Their education levels were high, they had vast professional experience in related and other fields, some had prestigious awards and their knowledge on the supply market as well as the products offered by the bank was commendable.

The study concludes therefore that the board capital of the bank was very instrumental in shaping the course of the bank in terms of turning around its dwindling performance at the time. The new board members that came in had the mission of turning around the fortunes of the bank. With their experience, they were able to convince the suppliers, customers, employees, lenders, and shareholders to stay put throughout the tough times. The study also concludes that the efforts of the board were very fundamental in shaping the strategic direction of the bank through change of company vision and mission statements. They were also instrumental in product innovation and differentiation efforts of the bank.

5.3 Recommendations
The findings of this study leads to the researcher to make the following recommendations for policy and practice:

The management of other companies in turnaround processes should emulate the practice used by the Kenya Commercial Bank by having experts in the board with varied professional experiences and knowledge of banking sector if they are to turnaround.

There is need for the bank to incorporate into the board members with international experience. This is because the current bank's strategy has shifted from focusing on the local market to the regional market. It will therefore need the strategic insight of those with vast knowledge in international business operations to streamline the course of the bank for now as they expand into the regional markets.
5.4 Suggestions for further research

The current research was a case study of KCB. This restricts generalization of conclusions. More research needs to be done with large samples of firms by replicating this study in order to establish whether the same conclusions can hold.
REFERENCES


Appendix 1: Interview Guide

1. How many board members does the bank have?
2. How are they elected?
3. What are their levels of education?
4. What are their professional experiences?
5. Are they knowledgeable about the bank products and market?
6. Do the board members have any honorary titles? Which ones?
7. What strategic roles has the board played in the turnaround process?
8. To what extent do you think they have influenced the product innovation in the bank?
   - Very large extent |
   - Large extent |
   - Moderate extent |
   - Low extent |
   - Very low extent |

9. To what extent do you think they have influenced company's mission and vision statements?
   - Very large extent |
   - Large extent |
   - Moderate extent |
   - Low extent |
   - Very low extent |

10. To what extent do you think they have influenced the business differentiation?
    - Very large extent |
    - Large extent |
    - Moderate extent |
    - Low extent |
    - Very low extent |

11. To what extent do you think they have influenced product diversification?
12. To what extent do you think they have influenced the turnaround process?

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