CHALLENGES OF IMPLEMENTATION OF TURNAROUND STRATEGIES AT TELKOM KENYA LIMITED

BY

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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 research management project has been submitted for examination with my approval as a University Supervisor.

Signed.. .... Date.

DR JOHN YABS

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Dedication

This work is dedicated to my family, my beloved Niece Edith, my daughter Jepkosgei and my departed mother who ensured that I acquired the correct values and Education that has brought me this far. Also to my brothers, sisters and cousins especially Monicah Kiptoo and her family, Consolata Chepkonga and her Family, Pascaline Cherono and her family for their continued support, prayers and encouragement during the entire period of my MBA Programme .Last but not least to my beloved Uncle Peter Sawe and Family for their unwavering support both in prayers and encouragement during the entire period of my MBA course.

I love you all

God bless you all

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Abstract

The objective of the study was to determine the turnaround strategies adopted at Telkom Kenya and the challenges the company faced during the implementation process. It also established the causes of business decline at the company and steps in mitigating the above challenges of implementing the turnaround strategies. A case study approach was used to have an in-depth on the challenges of implementing the turnaround strategies. Primary and secondary data were used. The respondents were drawn from the top level management who are involved on corporate strategic management issues. Interview guide was used to collect primary data from the respondents.

The results of the study indicated that there were several causes of business decline both internal and external. The causes of business decline range from stiff competition, system vandalism, poor management and leaderships, obsolete network infrastructure, and slam in the global economy. Also the research findings indicated that Telkom Kenya implemented both efficiency and corporate strategies in addressing the causes of business. Retrenchment of the bloated staff stabalised the cash flow problem. The change in management and the board of directors indeed steered the company towards the right direction. Outsourcing of noncore services enabled the company to concentrate on the company's core competencies and deliver to its customers.

The study also found out that the company faced several challenges in the implementation of the turnaround strategies. The organization structure was a multilayered which didn't allow for efficiency service delivery. The management reconfigured the organizational structure to support the turnaround strategies. The employee's attitude and culture weren't in tandem with the management intentions and thus slowed the implementation of the turnaround. The management

indeed made a lot of staff awareness and frequent open communication to realign their attitude and culture to the new strategies.

Slam in the Global recession was also one of the challenges and continued access network vandalism. The management engaged the service of security operatives to patrol along the Key access Network to curb vandalism. The rate of technological change in this industry, the study found to be very rapid and the management indeed made a lot of efforts to upgrade the company's network systems. The study recommends the company should source for additional finances from the shareholders to mitigate most of the above challenges and sustain the implementation of the turnaround strategies.

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Abbreviations

CCK	Communication Commission of Kenya
CDMA	Code Division Multiple Access
CEO	Chief Executive Officer
EASSY	Eastern Africa Submarine Cable System
ICT	Information Communication Technology
KPTC	Kenya Post and Telecommunication Ltd
LLO	Local Loop Operators
PCK	Postal Corporation of Kenya
TEAMS	The East Africa Marine System
TKL	Telkom Kenya Limited
VSAT	Very Small Aperture Terminal
USO	Universal Service Obligation

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Businesses today are confronted with unique challenges caused by rapidly changing financial and market conditions. The rapid growth conditions businesses experienced during the 1990s have been replaced with financial and market uncertainty. The business model of the 1990s aren't applicable which can lead a business into rapid decline if its management doesn't understand the signals of the business decline .To survive in today's business environment a company's management team must be able to react to changes in the internal and external environment. This is an important first step in the management of turnaround process. But each turnaround situation demands a different strategy supported by specific practices. These practices are chosen based on their applicability to the specific market (environmental) conditions.

Telecommunication industry in Kenya is still growing but highly regulated by the government. There are few players in the industry but the competition is very high. Telkom Kenya is a key player in this industry it provides unique services to its clients. It is the oldest operator in the industry. After the privatization Telkom Kenya limited competitiveness was undermined by several factors and similar trend was also witnessed in the market. Ultimately the company made unprecedented losses for several years and the management took the first step to implement a Turnaround strategy.

1.1.1 Strategy implementation

Strategy is management's action plan for running the business and conducting operations. It is a unifying pattern of decision that defines the organization and purpose; positioning of organization in the environment so as the organization gains competitive advantage. Strategy definitions reflect the cognizance of the turbulent external environment, as postulated by (Johnson and Scholes,2004). Strategic responses involve changes in a firm's strategic behavior to assure success in the transforming future environment (Ansoff,1987). Change in the external environment, dictates that an organization redraws its strategy, and realigns itself accordingly for survival, growth, or takes opportunity of emerging synergy. Organizations today are seen as less and less stable and enduring institutions and more as work in progress subject to continuing and continuous change (Bumes, 2004). Corporate strategy has been described as an organization's 'sense of purpose' (Ansoff, 1965). However, it has been challenged that purpose without developing respective plans or actions to put the purpose is not strategy.

Strategy formulation has always been an integral component of strategic management research. Particularly noteworthy in this area are the theoretical and empirical works from (Mintzberg 1994b; Mintzberg and Waters 1985; Mintzberg and McHugh 1985). Crafting and executing a good strategy are the heart and soul of managing a business enterprise. Today, the interest in strategy formulation and implementation has taken a centre stage as result of recent corporate governance scandals and breakdowns of formerly reputable firms, inconsistencies between intended and realized strategies have become more closely scrutinized (Schmidt and Brauer.2006.).

In strategic management process, after formulating, implementing is the most important and critical stage. Implementing strategy is the connecting loop between formulating and control. In fact what integrates strategies is successful implementation of them. Strategy implementing is a process in which all planning and budgeting activities, policies and procedures follows the defined strategy. It may involve some changes in organization's culture, structure and managerial system or even a wide general change in all these mentioned fields. It is sometimes referred to as "operational planning" covers all daily decisions about allocating resources. Strategic planning and implementing could be considered as two sides of a coin. It is the responsibility of the entire management and the support staff to participate in this critical stage of strategic management process.

In a reduced corporate profitability, particularly during periods of general economic contraction, leads to a series of dysfunctional consequences, which include shrinking resources, poor morale, skeptical stakeholders, conflict, turnover, and time constraints (Lohrke and Bedeian, 1998; Hambrick and D'Aveni, 1988). Corporate responses range from denial of the problem, reliance on stringent internal controls, reduction of scale and scope of operations, to the dissolution of the organization (Schendel and Patton, 1976). This is the moment when board is required to provide strategic leadership to save the company from failure by implementing the turnaround strategies and replacing the firm's top management.

If we believe strategy is a choice, then creating opportunities for employees to participate effectively, is the basic challenge of managers and should not to be under the other duties coverage. They also help to overcome resistance to strategic change (Pearce and Robinson, 2003).Strategy implementation is critical to the success and survival of any company especially in a turbulent environment. It is also critical in the execution of turnaround strategies for firms which are sick. The key to successful implementation is to unite the total organization behind the strategy and to see that every relevant activity and administrative task is done in a manner that tightly matches the requirements for first rate strategy execution. Along with the enthusiasm and strategic commitment the management must develop concerted effort to create a series of strategy supportive "fits".

From the discussion above the challenging part of strategy management is the strategy implementation which is the critical part of every successful strategy, including turnaround strategies. Implementing a turnaround strategy determines which company is likely to be either liquidated, realize short term gains before succumbing to bankruptcy in the long run and realize long term gains- growth and thus road to profitability. Implementing a strategy is tougher and time consuming visa viz when formulating a strategy. This so because all strategies are action oriented, people involved, systems management activities involved and variety of managerial activities which makes it a complex affair.

1.1.2 Challenges of Turnaround strategy Implementation

A corporate turnaround may be defined simply as the recovery of a firm's economic performance following an existence-threatening decline. The decline may occur over several years although there are situations when extraordinary events occurring over a shorter period of time and can place a firm in peril. A successful recovery, in its most subdued form, may involve mere survival with economic performance only just acceptable to the firm's various stakeholders. On the other hand, in its most positive form, the recovery may lead to the firm achieving sustainable, superior competitive positions in its chosen areas of activity.

It's also defined as a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival. Porter's generic strategy matrix, has dominated corporate competitive strategy for so many years. According to this model, a company can choose how it wants to compete, based on the match between its type of competitive advantage and the market target pursued, as the key determinants of choice (Akan, Allen, Helms and Sprall ,2006, p. 43). Porter's model functions on the assumption that the company is operating "normally" (profiting from demand for its product) in a competitive environment. But when the company faces trouble such as a turnaround situation, it is not enough to choose from low cost, differentiation or focus as the strategy; the company needs an additional guidelines.

Leaders must now interpret for themselves the complexities of the turnaround situation, as the generic strategies alone do not meet the need. Under some conditions, turnaround may not be feasible. In other settings, the organization may lack the capabilities or resources to implement appropriate turnaround strategies correctly. Even if implemented correctly, in a feasible setting, organizational outcomes of a turnaround strategies still depend on emergent factors (e.g., competitor actions), which can prevent or delay any turnaround. Finally, turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support (Arogaswamy, Barker, & Yasai-Ardekani, 1995).

The turnaround strategies literature has embraced stage based models that differentiate between strategies focused on organizational stabilization and strategies focused on implementing substantial organizational changes. The top management develops and implements turnaround strategies that address an imminent organizational crisis. Top managers become the change agents to reverse organizational decline. Hofer (1980) claims that there is an almost universal need to change the current top management in a turnaround situation. Research finds that incumbent managers are less motivated to engage in turnaround strategies (Ford, 1985; Ford & Baucus, 1987)—especially if they are strongly committed to the firm's current strategy or attribute decline to external causes only (Barker & Barr, 2002; D'Aveni & MacMillan, 1990).

In addition, changes of the top-management team can provide important signals to outside stakeholders (lenders and creditors) that the firm is separating itself from past failed strategies. Such signals can increase the willingness of outside stakeholders to support the struggling organization (Bemabeo, 2002). Frequently, struggling firms discover that they lack the expertise to address some of their problems. Although firms tend to be very knowledgeable about their current operations, they often lack the required broader knowledge and capabilities to initiate and guide organizational changes (Finklin, 1985). One way to gain quick access to needed expertise is by drawing on external sources, such as external appointments or management consultants (Astrachan &Astrachan,1996; Levinson, 1996). These external sources of expertise may either provide needed know-how directly or support organizational learning processes (Hargadon & Sutton, 1997).

1.1.3 Telecommunication industry in Kenya

Globally, Information and Communication Technologies (ICTs) have proved to be a key driver of socioeconomic progress and development, enhancing productivity and therefore economic growth, reducing poverty and improving living standards in many ways. The diffusion of mobile telephony in the last decade has had a strong social and economic impact. The technology has proven instrumental in raising prosperity and reducing poverty in developing countries (Global Information Technology Report, 2008/09). It has worked to reduce the digital and economic divide existing between high and low-income countries (Global Competitiveness Report, 2008/09). This has been driven by: acceptance of the technology in the developing world; an infrastructure that is fairly easy to deploy, a market that is generally open to new entrants; and the decreasing costs of mobile handsets and communication services.

The growth and expansion in telecommunications industry in Kenya has completely transformed commercial and individual communication, opening up untapped areas within the economy. This is not only in the direct use of telecommunications, but also in enabling and enhancing the availability of other products. Currently, there are four licensed mobile operators namely Zain, Kenya (Bharti Airtel),Safaricom Limited, Essar Telecom, and Telkom Kenya (which is also the sole national fixed network operator),(CCK 2009).The development of the sector is set to improve as a result of technological convergence and implementation of a unified licensing framework. The sector registered 17.4 million subscribers up from 12.9 million subscribers in June 2008(CCK). Competition in the sector also spurred product and service innovations, especially in the mobile sub-sector, with the operators coming up with competitive tariffs.

Telkom Kenya Limited (TKL) and the other two operational Local Loop Operators (LLOs) - EM Communications (Popote Wireless) and Flashcom-offer fixed network services. While Telkom Kenya offers services using both copper and Code Division Multiple Access (CDMA), the LLOs are basically providing their services using CDMA. The total fixed line (including wireless) subscribers increased to 696,501 in June 2009 up from 527,064 by the end of June 2008. Out of these, fixed wireless amounted to 448,529 subscribers, accounting for 85 percent (CCK 2009).There is a lot of competition both local and at the global stage. The technology has also led to introduction of innovative, competitive and customized products such as mobile banking and mobile money transfer services. Internet has become part of the basic infrastructure in many countries and one of the key foundations of the knowledge economy. It expands the range of connectivity options across the world and is one of the key indicators used to measure a country's competitiveness.

A number of developments in recent past both at policy and industry level which will bring a fundamental paradigm shift in future growth and competition in this sector. With the landing of three undersea telecommunications cables at the coast of Mombasa Seacom , The East African Marine System (TEAMS) and the Eastern Africa Submarine Cable System (EASSy) creates an important opportunity for the all telephone operators in Kenya to develop affordable broadband access to the internet for all. The sector is expected to optimize its contribution to the development of the Kenyan economy as a whole by ensuring the availability of efficient, reliable and affordable telecommunication services throughout the country. Finally this will have an impact on product and service differentiation in the industry thus serious market competition.

1.1.4 Telkom Kenya Limited

The year 1999 saw an unprecedented change of the face of the telecommunications sector in Kenya. The enactment of the Kenya Communications Act of 1998 saw Telkom Kenya Limited (TKL) come to existence and replace Kenya Posts and Telecommunications Corporations Act (Cap 411) of the laws of Kenya. This change gave in the separation of the then Kenya Posts and Telecommunication Corporation (KPTC) monopoly into three separate legal entities namely:- Telkom Kenya Limited (TKL), Postal Corporation of Kenya (PCK) and Communications Commission of Kenya (CCK) which became the sectors regulatory authority. Telkom Kenya Limited (TKL) was established as a public telecommunications operator and incorporated in Companies Act as a wholly owned Government enterprise (Parastatal).

Consequently on 15th July, 1999 Telkom Kenya was issued with licenses by Communications Commission of Kenya (C.C.K) to provide out some key services to the subscribers and other key users. These areas were Long distance telecommunications services, International telecommunications, Local telecommunications services, Internet gateway services (Jambonet), Very Small Aperture Terminals (VSAT), data communication services and value added services to its customers. The monopoly of Telkom Kenya Limited (TKL) was protected with the granting of 5 year exclusivity period in provision of telecommunications services specifically on fixed telephony and the international gate way. This was also due to the Universal service Obligation (USO). The period ended June, 2004.

The exclusive monopoly period granted to Telkom Kenya Limited expired in June 2004; the industry was privatized by bringing other players. Finally, privatization and competition in telecommunication industry has resulted into enormous growth of entry and expansion of capacity. There is enormous competition in long-distance calls through internet. This has resulted to big rates reductions in the last three years. The above benefits have been coupled with more innovation and more development in new services which match international standards. The increased level of competition in the telecommunication industry both on voice and Data eroded Telkom Kenya Limited competitive advantage in the market. The company has met stiff competition from the mobile telephony market namely market leader Safaricom, Bharti Airtel Kenya and Essar, trading as yu.

The inability of Telkom Kenya limited to meet the expectation of all stakeholders in 2006 the board of directors and the management in conjunction with the government of Kenya restructured the operation of Telkom Kenya limited. The retrenchment saw a sizeable number of staff exit. The management and the board of directors took a faster step to rationalize the payroll cost and have a lean structure which ultimately saw the government invited bidders to bid for 51% of equity shareholding in Telkom Kenya limited in 2007. A consortium of investors led by France Telecom was awarded the tender by offering the highest bid price of Kshs 26billion. The remaining 49% is held by the government of Kenya. To strengthen its competitiveness the new management and board of directors brought in the required expertise expected to turnaround the company to profitability for eventual listing at the Nairobi stock exchange.

The current board of directors and the management team crafted turnaround strategies aimed at saving the company from further bleeding financially by reducing wastages in the short term and enable the company to create conditions for sustainable profitable growth in the longer term. The implementation of the turnaround strategies by the current management have reversed previous downward trend in revenues and the company is moving back towards profitability. In order to strengthen the company's competitiveness the management upgraded its network for both fixed and fixed plus telephony to increase its efficiency. Also the company launched an aggressive rebranding of its products sustain current streak of competitiveness in the market. Further to enhance its competitiveness Telkom Kenya limited entered into mobile telephony by launching its brand Orange mobile in 2008 and also acquired 3G license this year .Ultimately the company has cracked the code and therefore positioning itself to provide uniquely integrated array of services and solutions in fixed telephony, mobile and broadband to drive the company to the next level of sustainable growth in profitability.

1.2 The Research problem

A study by Slatter (1984) on 2,100 public quoted firms in United Kingdom for the period of 1961 - 76 defined a turnaround situation as "a firm whose 'real' profit before tax declined for three or more successive years". Slatter's definition provides a good guide and indicates sufficient time to warrant a company undertaking a turnaround. To achieve a successful turnaround, management team must stabilize the firm's performance position by having proper diagnostic and adopting appropriate recovery strategies.

Telkom, Kenya Limited (TKL) was established as a public telecommunications operator under the Companies Act. Kenya liberalized its telecommunications sector in 2000. Telkom Kenya limited was granted exclusive monopoly for 5 years on landline operations in Kenya, but during the monopoly period it lost a significant part of its business. Most of the clients swapped fixed-lines phones for mobiles from other providers and this exacerbated the competitive pressure on the company's performance. This and other factors eroded the company's performance and effectively by the end of the monopoly period Telkom Kenya Limited was technically on the verge of bankruptcy and its business prospects were bleak. To restore its credibility on 16th, Nov. 2007 the government of Kenya awarded a 51% equity shareholding to France Telcom has a strategy partner to Telkom Kenya limited. The management implemented speedy turnaround strategies in 2008. The company's financial report for the year ended December 2009 indicates a tremendous improvement visa viz previous periods.

Several studies have been carried on Telkom Kenya limited by a number of scholars (Kandie,2007; ,Kinanu 2008;Chebet 2008; and Maijan,2009).Most of these studies centered on strategic responses to competitive environment, management of change and use of balance score card in strategy formulation and implementation but not on implementation of turnaround strategies. But similar studies have been carried in Kenya on implementation of turnaround strategies by several scholars but in different context Situma,(2006) did a study on the Turnaround strategy adopted at Kenya Commercial Banks , Ngaruiya, (2007) focused on the implementation of a Turnaround strategy at Marison Engineering Limited, Matundura, (2008) studied Implementing Turnaround strategy at Kenya Revenue Authority and Kiarie (2009)did a study on the Turnaround strategies adopted by Uchumi Supermarket Limited under receivership.

Management is sensitive to the context in which it is practiced because of environmental and organizational factors. Thus if any of the above factors changes then it may lead to variation in the practice between organizations. The above studies were based on different industries and contexts hence their findings cannot be fairly generalized to represent Telkom Kenya limited. However these studies focused mainly on the implementation on Turnaround strategy. This study therefore seeks to identify the challenges of the implementation of Turnaround strategies at Telkom Kenya Limited. This study seeks to fill in the knowledge gap by seeking answers to the following research questions: What turnaround strategies have been implemented by Telkom Kenya limited? What were the challenges that Telkom Kenya Limited encountered during the implementation of the turnaround strategies?

1.3 Research objectives

The objectives of the study were to;

(i) Identify the turnaround strategies implemented by Telkom Kenya Limited

(ii) Identify the challenges they encountered during the implementation of turnaround strategies.

1.4 Value of the study

This study will be of great importance to the other Telecommunication operators in Kenya especially during this era of globalization.

It will also be of importance to the management of Telkom Kenya Limited as it will help them to enhance the recovery stage of the company and reposition itself.

The study will make all stakeholders of Telkom Kenya to have a reason to support the company and be part of the group driving the company to its rightful position in the Telecommunication industry.

It will also be useful to scholars and other researchers who will find the findings from this study useful as they can have a point of reference and indeed lead to further research in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic practices are the actions that management undertakes to achieve its chosen strategy. Such practices, taken individually or in combination, should bring about the desired outcome of the strategy. The implementation of turnaround strategies starts the moment the management recognizes the need to reverse the adverse effects of environmental pressures or internal weaknesses. Unless corrected, the severity of decline worsens to the point of financial distress where the firm is unable to satisfy its monetary obligations.

2.2 Turnaround strategies

The concept of organizational turnaround can simply be defined as that a "sick" company goes through in order to attain sustainable recovery (Heany, 1989). Also it can be simply defined as the actions taken to bring about a recovery in performance in a failing organization (Pandit, 2000). In practice, it usually consists of a collection of concerted or co-ordinated activities which may include the replacement of key individuals in the organization's management and leadership, immediate attention to major operational problems seeking short-term solutions, and the longer term, but often radical, redesign or re-profiling of the organization and its business.

Implementing turnaround strategies by business experiencing threatening decline is to stabilize the decline and reverse the sources of competitive weaknesses (Thompson and Strickland, 1998) Organizational decline represents substantial resource losses over time (Cameron, Whetten,& Kim, 1987) and can be either a gradual process or a sudden, unexpected disruption (Tushman &Anderson, 1986). Substantial organizational decline leads to a crisis where the survival of the firm is threatened. Managers tend to attribute performance decline to external factors beyond their control, such as competition. Empirical studies, however, show that very few business failures are the result of outside factors only (Boyle & Desai, 1991). Instead, organizational failure is frequently linked to internal problems like failures to update products, invest in core competencies, and control cost (Baum, 1989; Hedberg, Nystrom, & Starbuck, 1976; Starbuck, Greve, & Hedberg, 1978).

Most managers and management researchers view organizational decline as reversible (Chowdhury & Lang, 1993; Porter, 1985). Specific turnaround strategies have been proposed to enhance a firm's chances of persevering through an existence-threatening performance decline, ending the threat, and achieving sustainable performance recovery (Chowdhury, 2002). Schendel et al. (1976) considered the of cause of the turnaround situation and the selection of appropriate turnaround strategies. They used the strategic- operating contingency to distinguish between downturns that resulted from poor strategy and downturns that resulted from poor operations or poor implementation of an otherwise sound strategy. They found that while a substantial proportion of declines were due to 'efficiency[1] reasons, turnarounds were more frequently associated with 'strategic' moves. They concluded that the different diagnosis led to different turnaround strategies.

Hofer (1980) also considered the severity of the turnaround situation and the selection of appropriate turnaround strategies. He conceptualized the link between severity of the downturn and the degree of cost and asset reductions that a firm should include in its recovery plan. He referred to asset and cost reduction activities as operating turnaround strategies, adopting the term from (Schendel, et al.1976). Hofer perceived a direct relationship between the severity of the firm's financial downturn and the need for drastic cost and asset reductions. In a departure from (Schendel et al.1976), Hambrick and Schecter offered a strong endorsement of efficiency turnaround strategies. They concluded that successful turnarounds were often a result of efficiency moves rather than of product-market changes or of market share increases.

According to Robbins and Pearce (1992) "regardless of the cause or severity of the turnaround situation or the long-term competitive strategy used to combat the situation, the most expeditious road to turnaround begins with a sustained retrenchment response". Slatter (1984) who also concluded that "there are two distinct phases to turnaround: retrenchment and recovery.". Retrenchment 'entails deliberate reductions in costs, assets, products, product lines, and overhead' of the firm as it begins its turnaround effort (Pearce and Robbins, 1993: 614). Managers refer to this as 'stop ping the bleeding' (Bibeault,1982).Pearce and Robinson (2003) advocated for entrepreneurial strategies especially where the cause of the firms decline is due to external factors.

Ultimately the key to the achievement of turnaround is for firms to meet financial or competitive adversity with carefully considered and thoughtfully measured cost reductions while preparing to undertake appropriate asset reconfigurations (Pearce and Robbins, 1993). Successful turnaround is defined as the reversal of a firm's pattern of performance decline (Schendel, Patton, and Riggs, 1976). Adapting a new organization structure to improve the alignment of employees with corporate objectives, to avoid overly complex structures and the replication of organizational units and to better match market demands may be another important initiative to turn a firm around. Although by its very nature as a soft factor hard to measure, one may assume that a sound organizational structure with according processes contributes notably to employee motivation and may thus realize formerly idle efficiency potential.

If the financial resources at hand are sufficient and the threat of bankruptcy has been stemmed, for growth strategies a viable option is the acquisition of a strategically fitting firm (van Frederikslust, Leermakers, Soedito,and Van Dalen,2003)).This strategy is ideal especially for firms in mature markets or with weaknesses in research and development. Also other growth strategies which can be used apart from acquisition are by forming strategic alliances, setting up joint ventures or completing a merger with a competitor and Divestments of divisional lines of business and subsidiaries. Innovation and Growth strategy is meant to increase investments of functional areas to enhance the company's sales volume. In fact, a company having a resource capability can penetrate new market using this strategy.

Thus, the new investment in marketing, inventory control, production, research and development and so on is the key factor to stimulate the consumer demand and produce a new product and service to satisfy them, respectively. Holfer(1980,cited in Lohrke and Bedeian,1998)found that keeping innovation at high levels helps turnaround declining companies in the time of crisis period, however, Hambrick and Schecter(1983)reported that innovation is unsuccessful in turning around the company where market shares are relatively fixed such as the case in slow growth or mature markets .

Hoffman (1989) defined the repositioning strategies as one strategy that should be pursued in the growth stage of declining companies. In fact, this kind of strategy can be implemented successful in the dynamic and growing environment in which there are many business chances for the company to benefit. In some research (Schendel et al. 1976), increasing a product or geographic diversification to market was associated with successful turnaround. Given the preconditions associated with distress, the company has little choice but to pursue a forced repositioning strategy. Because the repositioning is forced, the company is under pressure to change direction quickly (finding an alternative value proposition), which means less time for extensive research about new products/services and market testing and therefore more chance of pursuing non-starters. The firm is on the back foot and focuses on "stop the bleeding" actions.

Positioning refers to the relationship between a company and its competitors with respect to the market (Easton, Burrel, Rothschild, and Sherman, 1993) and, according to Greiner and Bhambri(1989) it's "an attempt to gain competitive advantage which is a continuous theme in company turnarounds". Despite the findings of Hooley et al. (1992) on the impact of generic marketing strategies on company performance, and the work of Goldston (1992) on the role of marketing in turning around fast moving consumer goods companies, there has been little emphasis on the development and implementation of marketing strategies in the turnaround literature. But Market intelligence facilitates decision making for the successful turnarounds in companies product, promotion and distribution areas as well as in the location of lucrative strategic alliances.

2.3 The turnaround situation

Crisis represents a very difficult period for a company. Krystek (1987) defines company crisis as an unwanted and unplanned process of a limited duration and susceptivity with an ambivalent way out, terminated by the non-achievement of its dominant goals. Simultaneously, it may lead to a company's collapse. Turnaround strategies are likely to vary in effectiveness depending on the company's circumstances (Hofer, 1980).Thus, a consideration of critical contingencies is required to encounter the business decline before determining any further turnaround process. Lohrke and Bedeian(1998),"suggested three contingencies"(environmental factors operating within a firms' general and task environments, severity of a firm's decline, and nature of a firms top management group).

Generally many companies are concerned with the impact of environmental factors when planning for their business mission and strategic plan in the market(Hrebeniak and joyce,1985).Some researchers in turnaround studies found that the effects of industry growth rate as well as industry life cycle stage on a company's performance have shown to influence a company's turnaround success (Hofer, 1980; Hambrick and Schecter, 1983;Pant, 1986) .Lohrke and Bedeian (1998) found that an appropriateness of specific turnaround investment strategies can be directly related to industry resource availability and the growth rate e.g., environmental munificence. Castrogiovanni (1991) define munificence as the extent of an environments resource availability and capacity to support growth. This will determine which resources are reallocated to increase investments in functional areas (e.g., in marketing, research and development) in any effort to enhance sales and, thus, market share and profitability. It also has a direct bearing in determining which resources are reallocated by either reducing investment in functional areas by disposing of the inefficient assets.

Pearce and Robbins (1993) found that "decline severity is important because it is associated with the degree to which a company's survival is threatened in a turnaround process". A company facing a low severity situations of declining sales may still have enough resources to increase investment in some business functions(such as marketing, research and development)to increase the company's sales volume in the market. Zammuto and Cameron (1985) cited that "the company with a low severity situation may also implement a strategy which focuses on the investment in new product lines or services to diversity into new market niches or industries which are believed to provide a better off profit for the company". On the other hand, the company facing a high severity may need more drastic turnaround action such as downsizing employees, reducing inventory and any operation that did not increase customer value, (Lohrke and Bedeian,1998).

The top management is the group who determine the company's operation, goods and services to produce, markets to penetrate. As a result, top management are playing important role in leading a troubled company to a successful turnaround. Hambrick (1987) found that the interaction between the nature of a company's top management group and the company's strategy may influence the company's performance during the time of business decline. According to Govindaraian (1989), the top management with the experience in functional areas of technical production are likely to perform effectively on the decreasing investment in some business functions to reduce costs. Similarly, the top management having dominant backgrounds in functional areas of marketing has a high tendency to implement effectively the higher investment for promoting and increasing the sales volume of the company's goods and services.

Resource-based literature suggests that internal resources define durable competitive advantage. For declining firms, a key question is which resources stand out as enabling a firm to overcome its performance declines? The turnaround literature suggests that there are several firm characteristics that enhance a firm's ability to deal with decline. Under the auspices of resource based theory, buffering characteristics enable a firm time to respond appropriately to decline and provide it with capabilities and resources to achieve a successful turnaround .For example, the size of the organization can be seen as a firm characteristic that affects the eventual turnaround result (Singh and Lumsden, 1990; Haveman, 1993). Large firms are more insulated (Hannan and Freeman, 1984) and possess the stability to overcome adverse economic situations because of broader institutional systems (Haveman, 1992).

Zajac and Kraatz (1993) and Haveman (1993) found that larger organizations tend to respond better to declining performance and turbulent environments, respectively. Large firms have greater resources and more options for initiating turnaround strategies, such as the divestment of underperforming assets, reduction of salary expenses or the closing of ineffective operations. Firms with immediately available (or unavailable) resources at the time of the turnaround attempt would be less (or more) constrained in their ability to initiate appropriate remedial measures (Hambrick and D'Aveni, 1988; Barker and Mone, 1998). It has been suggested that the presence of slack resources, such as cash, inventory, or access to credit, can provide a firm with the cushion necessary to implement a recovery strategy (Barker and Duhaime, 1997). Mainly slack resources help a firm absorb the effects of performance downturns or variability and provide a base of resources to take effective actions.

2.4 Turnaround Process

The turnaround process is that amalgam of managerial skills, systems, and procedures used; the value systems and individual character traits exhibited; and the actions taken during the turnaround event to achieve a recovery. The turnaround process is a multifaceted process of organizational learning. Many people throughout the company leam to do things in a new, usually less costly, way. The owners or directors of a company that is experiencing a financial crisis hire a turnaround manager as either CEO or a consultant during a financial crisis. If there is a profitable core business, the turnaround manager initiates corrective measures and guides the firm through the crisis. Otherwise, the company is liquidated.

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), firm size (White, 1989), and free resources available (Arogyaswamy et al,, 1995; White, 1989).

The traditional perspective in strategic management, while allowing for outside influences, assumes that the board/top management of the enterprise is in complete control of the strategic decisions of the enterprise. Yet, in a turnaround situation, we see the power of outside influences extending to what amounts to intervention in the decision-making process. For example, the management of Eastman Kodak Co., after poor performance of its historically successful film business for several years, made a belated move to digital initiatives including printers, and imaging as part of its tumaround.However, a group of investors, doubting Kodak's ability to compete in the digital market, and wanting to protect the dividend which was being held back to fund the new initiatives, is pressing the board to roll back plans as well as considering a shake-up of management (Zuckerman and Bandler 2003).

The histories of major corporate decline or failure (Carpenter and Feloni 1989; Marsh 1985) detailed the role of the external stakeholders in the strategic decision-making of the company. Freeman (1984) built on this perspective when he allowed that there are times when stakeholders must participate in the decision making process of the firm. Thus, the role of the exchange partner expands from one of being a trigger, to that of being an external influence on the turnaround strategy of the firm. The turnaround process for successful firms consists of overlapping stages. The first stage, known as retrenchment, seeks to stabilize declining performance through reductions in costs and fixed assets. Although retrenchment is often considered to be a short-term strategy, it may be continued as the dominant turnaround strategy when it not only stabilizes but also reverses decline.

In most case descriptions of turnaround, the retrenchment phase gradually yields to a second stage of the turnaround process, known as recovery, wherein systematic investments are made to stimulate financial improvement. Bibeault's (1982) conceptualization provided a clear illustration of such a multistage turnaround process. In his view, the primary objectives for the economically troubled firm are survival and achievement of a positive cash flow. The advanced stage of the turnaround process shifts toward objectives of growth and development, and growth in market share. The means employed for achieving these objectives are acquisitions, new products, new markets, and increased market penetration.

In contrast, Chowdhury developed s a four-stage process model of corporate turnaround (decline, response initiation, transition, out come) which he argues to be capable of "unfolding the dynamics and interplay of the nature, sequence, and duration of incidents and events from the onset of decline to the ultimate reversal of performance (Chowdhury (2002), p.263)."Although the choice of turnaround actions forms the basis for recovery, how they are implemented is critical to success, too: "Adoption of turnaround strategies itself is no guarantee of recovery. For a strategy to be effective, it may have to be carried out swiftly, intensively and competently (Sudarsanam and Lai (2001), p. 187)." Hence, that implementation skills play a critical role in any turnaround process may go without need of proof.

2.5 Managing the Turnaround Process

Change management, according to Hayes (2007, p.30), "is about modifying or transforming organizations in order to maintain or improve their effectiveness". This deliberate, conscious use of strategies is a characteristic of change management. Whatever particular form change takes and whatever objectives it seeks to achieve, organizations cannot expect to achieve success unless those responsible for managing it understand the different approaches on offer and can match them to their circumstances and preferences(Bumes,2000, p.257).According to(Burnes 2005 ,p.85,) he adds that managing change is becoming harder and more important:

> Managing and changing organizations appears to be getting more rather than less difficult, and more rather than less important. Given the rapidly changing environment in which organizations operate, there is little doubt that the ability to manage change successfully needs to be a core competence for organizations.

The organizational management point of view has an emphasis on the motivational human resource related aspects; the entrepreneurial management point of view put emphasis on the strategic and market aspects. There are many important contributions by researchers to a better comprehension of global management of companies and organizations. Some authors establish a close connection between leadership and management, even though they are separate concepts. According to Bennis and Nanus (1985) to manage means "to cause, to direct, to take responsibilities, to lead; and leading means to influence, to guide, to give orientation". In that sense, managers are people that know what to do; and leaders are people who know what needs to be done. On the other hand, Etzioni (1989),considered that, in order to be successful, organizations need to combine a strong leadership with a strong management.

The management of employees' behavior—i.e. their motivations and satisfactions at work—is also a crucial aspect for the success of turnarounds. The critical and major challenge in managing change in organizations especially during periods of financial turbulent is on leading the change (Kotter, 1996).According to Daft (1999), leadership is defined as "the influence between leaders and followers that both have shared purpose/value and desires to change." The leader is the leading architects of change, "carriers" of the predominant turnaround idea. They have to win the company employees for the change and their vision of the desired state of the company. They may not succeed in implementing a change with just a narrow circle of collaborators or on their own, without having the support of the majority of employees. They need to possess and employ their personal mastery

Crises represent, for both the crisis leader and the entire top management team, an opportunity for self-fulfilment, it is a challenge to demonstrate or test one's own skills in overcoming barriers that is why leading change management team is rather challenging responsibility. Only a self-motivated leader, who is aware of his skills, in the positive sense of the word, can motivate others. Kopcaj (2000) wrote that "one can never achieve long-term external success unless successful inside". The leader has to be able to pass his energy, sober optimism and faith in success on others. His competencies include the competency to convince all other qualified and devoted employees willing to support him to join the crisis team and take part in the activities aimed at leading the company out of the crisis. The leader's radiating internal self-confidence together with his abilities and informal authority are transmitted to others and the employees who are worried about their future gain more confidence, feel inspired and motivated to act.

Leaders contribute value to the development of a clear vision and inspire followers towards the vision and stimulate strong motivation for followers to change (Lievens, Geit & Coetsier, 1997). Bums (1978) classifies leadership types into mainly transformational leadership style and transactional leadership style. Transformational leaders can be seen as leaders among peers (Dubinsky, Yammarino, & Jolson, 1995). These leaders are often future oriented with long term views on problems and opportunities (Bass, 1990; in Dubinsky et al. 1995). These leaders are very considerate and aware of needs and problems of subordinates which make it easier for them to motivate employees to work towards an organizational goal while still fulfilling individual interests (Dubinsky al. 1995). Transformational leaders inspire followers to match their personal interest with company goals (John, 2002). Due to this character, followers slowly tresend into leader's style (Bass, 1990, p.53; in Gardiner, 2006). Implementing Turnaround strategies in organization isn't easy and thus transformational leaders are expected to manage the process.

On the other hand transaction leaders differentiate from followers by having a strong vision and mission (Dubinsky et al. 1995). They motivate employees' pride, trust, faith and enthusiasm which encourage them to believe in the vision (Dubinsky et al. 1995). In order to manage change effectively the leader responsible for the change process must integrate both task and relation oriented approach. People at the lower management levels usually react better to change, because they often know how bad a situation was and want to help improving that situation. Maheshwari and Ahlstrom (2004) in their Indian case study stressed the importance of leadership, the management of multiple stakeholders and legitimacy building as key issues in the turnaround process.

2.6 Challenges of strategy implementation

Strategy implementation is a difficult task in practice than strategy formulation. The key challenges to strategy implementation include unfeasibility of the strategy, weak management role, lack of communication, lacking commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, unexpected obstacles, competing activities, delayed schedule, uncontrollable environmental factors, and negligence of daily business,(Beer & Eisenstat 2000).

It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many (soft, hard and mixed) factors that challenge the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control. It is clear that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Chimhanzi (2004) suggests that cross-unit working relationships have a key role to play in the successful implementation of marketing decisions. Implementation effectiveness is affected negatively by conflict and positively by communication and specifically, interpersonal, not written.

Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Govindarajan, 1989). Here, quality refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position. Top management refers to senior-level leaders including (CEO, CFO, and COO etc.) and senior-level managers. Communication also plays an important role in strategy implementation. Peng and Litteljohn (2001) show that effective communication is a key requirement for effective strategy implementation. Strategy implementation efforts may fail if the strategy does not enjoy support and commitment by the majority of employees and middle management. This may be the case if they were not consulted during the development phase (Heracleous, 2000).

Communication is treated as a premise to realize commitment and consensus. Rapert, Velliquette & Garretson (2002) found that the viability of frequent vertical communication is a means by which strategic consensus may be enhanced. When vertical communication is frequent, strategic consensus is enhanced and organizational strategy implementation is sustained. Organizational structure is the s most important challenge to strategy implementation. Drazin and Howard (1984) see a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies (Noble, 1999b). They point out that changes in the competitive environment require adjustments to the organizational structure. If a firm lags in making this realignment, is may exhibit poor performance and be at a serious competitive disadvantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the procedures that were followed in answering the research questions and the stages that were followed in completing the study. It includes the research design, the target population, sampling design, data collection instruments, data collection procedures and data analysis.

3.2 Research Design

The research design used in this study was a case study design because the unit of analysis was one organization. It involved an in-depth investigation of the challenges of implementation of turnaround strategies at Telkom Kenya limited after the expiry of the exclusive monopoly period. Young (1960) indentified a case study as a very powerful form of qualitative analysis that involves a careful and complete observation of social units. He defined these social units as an examination of specific phenomenon such as an event or institution. Other recent studies in Kenya (Situma, 2006, Ngaruiya, 2007 and Matundura, 2008) successfully used similar research design.

3.3 Data Collection

The researcher used both primary and secondary data. The primary data was collected by the researcher using an interview guide consisting of open ended questions. Desk analysis of the secondary data was also used to supplement the primary data. The respondents were Chief Executive Officer, Deputy Chief Executive officers, Head of Marketing and, Head of Human Resource, and Chief Finance officer. These senior level managers of the company were selected because they are involved in strategy management issues. Turnaround strategies like any other corporate strategies- these level of managers are more versed with the strategies implemented by the company and thus are better placed to respond to the issues raised for the purpose of this study.

3.4 Data Analysis

The data collected were mainly qualitative in nature and therefore content analysis was used to analysis it. The reasons why this method is ideal for the data analysis is that, it does not restrict the respondents on answers and also has the potential of generating detailed information on the challenges of implementation of turnaround strategies at Telkom Kenya Limited. This descriptive analytical have been used in recent similar studies Kenya including (Situma, 2006 and Kiarie, 2009).

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings of the case study on the challenges of the implementation of turnaround strategies at Telkom Kenya. The chapter focuses on the causes of business decline in performances, turnaround strategies implemented to stem the business decline and turnaround the company, finally the challenges encountered by the company when implementing these turnaround strategies.

4.2 Respondents profile

The respondents in this case were the Chief Executive Officer, Deputy Chief Executive Officer, Head of Marketing, Head of Human Resource and Chief Finance Officer. These senior level management were selected because of their vast knowledge on operational and strategic management issues of the company. All the respondents are based at the company's Headquarters- Telkom Plaza Nairobi. The results of the interview were then analyzed and presented below.

4.3 Cause of business decline

The respondents were asked several questions on what they can attribute to as the major causes of decline in business performance of TKL and whether there were any noticeable signals in business deterioration. From their responses and analysis, the study found that the causes of business decline in performance were attributed to several factors both internal and external. The liberalization of telecommunications industry in Kenya contributed a great deal to the company's decline in the business performance. The impact of liberalization of the Telecommunication industry got Telkom Kenya limited unprepared and thus posed a lot of serious threat to the performance and survival of the company. The post liberalization period saw a paradigm shift in he market structure that created the opening up of the telecoms industry in Kenya. The licensing >f GSM and local loop operators immediately captured up to 86% of voice segment customers aid therefore meant a loss of revenue for the company to a tune of over 60% of its revenues, •ccasioning a decline in Average Revenues Per User (APRUs).

[Tie Slow pace to adapt to the right technologies in building its capabilities was also identified to >e one of the factors which contributed to poor performance of TKL. The rate of technological ;hange in the telecommunication industry was also found by the study to be very agile, and ailure by TKL to align the company's process in line with the industry dynamism undermined it efficiency in serving its customers. Ultimately dissatisfied TKL clients shifted to other :ompetitors and this means loss of opportunities to competitors. This ultimately had a direct mpact on the company's bottom line and this weakened the company's ability to position itself or strategic business takeoff.

rhe study also found out that the company had a bloated an unskilled workforce with low morale *hich inhibited TKL in discharging its mandate. The wage bill was taking a sizeable part of the operational expenditure of the company with no corresponding revenue generated. A larger lumber of the employees were incompetent and lack the necessary skills to drive the company Dut of the woods instead most of the participated unprofessionally. Customer complaints to management regarding inefficiency provision of services were the order of the day at TKL. Most customers were dissatisfied and frustrated and finally they had no option but look for a better option. All these were identified to have contributed the business decline of TKL.

Attitude and culture change pervade across all department was also not in tandem with the current market expectation. Each department was operating independently without regard on teamwork with other departments. This perpetuated empire building within department at the expense of providing the needed products and service to customers. Departmental conflicts was the order of the day at TKL and this made customers to shift loyalty to competitors due to un an attended customer needs. The operations of the company reflected a leisure faire kind of attitude which was out of tune in the 21st, Centaury and this was also some extent contributed to the poor performance of the company.

The study also found out that the Organizational structure that was in place was multilayer and this presented bureaucratic tendencies, procedures and processes that lacked quick decisions to allow efficient delivery of services. Every decision was supposedly to go through all the levels both downward and upward which takes a long time. Poor management and leadership also were cited as factor that made things worse in the performance of the company. The management failed to align the company operations to the turbulent environment and this aggravated the business decline. Managers posted to head key department were not competent and lacked the needed skills to provide leaderships.

The study also found out that there was lack of investment on ageing network infrastructure due to dwindling resource as a result of high operational expenses. The access network required a huge investment upgrade to facilitate value added service to customers. Most of the systems were analogy and this inhibited the growth of data service. The future of telecommunication industry globally is not in voice but rests on data service. Due its ageing network infrastructure TKL wasn't able to provide efficient service to its customers and this undermined the performance of the company. Data market was found to the most lucrative segment of telecommunication industry were most competitors are investing heavily to capture that market and sustain it. But with obsolete network infrastructure combined with limited resources for investment on the obsolete network TKL performance drifted.

High rate of vandalism on the access network and poor maintenance contributed poor quality of business services to customer who subsequently moved to other telecommunication operators. Frequent service disruption by vandalism disengaged most clients and this means loss of revenue to TKL and ultimately with frequent service disruption frustrates customers and eventually shifts to competitors. Restoring vandalized systems require enormous both capital and human resources which to TKL management argue that it is too expensive to manage. This was identified to be the most cause of business decline

4.4 Turnaround Strategies

The respondents were asked what turnaround strategies where adopted by TKL in addressing the poor performance. From the responses given the study found that, TKL was under increasing pressure from its stakeholders to cut costs, raise revenues, improve operational efficiency and expand service delivery. The company was also expected to compete well and sustain its eroded market share and become an integrated operator of choice in Kenya. The company crafted and implemented several turnaround strategies in addressing the above challenges with three main objectives; to stabilize the financial position, recovery and build capacity to sustain the growth.

To stabilize its financial position the study found the entire board of directors was replaced with new board of directors to provide the missing link regarding company's direction to recovery. The new board terminated the service of CEO and the new CEO was posted from the Head Office (France Telecom). The new CEO and management restructured the company's operations with staff rationalization where large populations of TKL staff were retrenched through Voluntary Early Retirement and Redundancy. The retrenchment saw a huge saving on the wage bill which allowed the company to reinvest to increase its efficiency. Noncore fixed asset such as land and buildings and Motor vehicles were also disposed off to generate the needed cash and also to reduce other operational overheads such as insurance.

The company as part of its turnaround strategy negotiated with its creditors both loan providers and suppliers to restructure their debt. The Suppliers agreed to receive payment for their current delivery of goods and services after 60days credit period. The old credit owed to suppliers was also restructured and this allowed the company to service its obligation in time. The long term loan the company owed several financial institution was also restructured to allow the company stabilize its cash flow.

To develop competencies of the workforce to support the move that the management have designed to turnaround the company the study found that more qualified staff with the right skills were employed through competitive employment opportunities. More staff from head office with vast skills and expertise to drive the strategies also were posted to reinforce the newly employed staff. Also an elaborate staff were training was developed to equip the staff with the required business skills which was facilitated by the Head office. The company improved as well the terms and conditions of service of staff to boost their morale and enhance their welfare by offering competitive remuneration based on agreed set targets.

Sales and marketing department was restructured to position the company to respond to the needs of the customers which saw the creation of customer cares centers in several towns, front office operations and massive re-branding by use of orange brand name. The orange brand provided the required differentiation of the company's products and services to meet the customer needs. To maximize on its brand name and sales revenues the company partnered with several dealers to strengthen its distribution channels of its Products. Several regional sales offices were opened to support the other distributional channels and all of them were assigned with specific sales targets which they have to strive to achieve.

The management upgraded and modernized the company's archaic access network which saw increased efficiency in the delivery of quality service especially the fixed line. The upgraded and modernization of the network systems saw the deployment of efficiency systems in the delivery of service to customers and the development of value added services. This indeed strengthened the product and service differentiation strategy that the company was pursuing through its new brand name orange. To increase its market share the company implemented product development strategy by entering into mobile market telephony. This provided the required variety of services and products to new and existing customers in the industry especially the broad band customers.

Out-sourcing of noncore services was also implemented by the company especially in the access network such as power plant. Call centre service, Security services and messengerial service and other non core service were also outsourced. This turnaround strategy not only enabled the company to re-focus on the core business units and developing distinctive competency in repositioning the company in the volatile telecommunication sector market a lot of savings was also accrued in terms of operational overheads. This strategy enhanced the cost cutting measures by the company without undermining its other operations.

The company also re-engineered its operational processes including procurement and Information and Technology Networks to respond to the changing business environment. These enabled the company to offer quick efficiency service than before. Through the ADSL, fixed access network growth saw the deployment of integrated systems from technical and technology-oriented based systems to service-oriented systems. The integrated systems enabled the company also to develop common solutions programs to reinforce the synergies between on both the fixed and mobile networks through a convergent information technology Network. To fast track its Infrastructure development the company also adopted and deployed new technologies that allow services to be provided efficiently and at low cost.

4.5 The challenges of implementing turnaround strategy

Despite the concerted efforts by TKL management to the successful implementation of turnaround strategies it was actually flawed with many challenges .The company had an archaic access network system which was poking down its services delivery. The access infrastructure was obsolete to the extent that it didn't allow the deployment of value added service to customers. The all network infrastructure required a total overhaul for the company to compete favourably in the telecommunication industry and required a huge capital expenditure. To manage this challenge the company invested heavily on system upgrade and modernization which supported the deployment of wireless technology and the introduction of broadband services using the EVDO technologies.

Stiff Competition from the already existing operators posed the greatest challenge in the implementation process of the TKL turnaround strategies especially on voice. One of the operators had already entrenched itself and captured 80% of the voice markets alone; hence the remaining 20% of the voice market was shared among the rest of the other players in the telecommunication industry. With one dominant player commanding the largest size of the market means the turnaround strategies developed by TKL were also having implementation hiccups. To manage this challenge the company did a lot of innovation and massive advertisement to woo back and retain the existing customers from the other competitors through several sales promotion and superior services offering.

The telecommunication industry globally is very dynamic and thus players in this industry must move in the same pace. The rate at which the rapid and fast technological advancements in the telecommunications indeed slowed down the pace of implementing the turnaround strategies by the company. The rapid change affected the interface between the newly procured network access equipment with the already existing TKL access network equipments, at some point rendering some facilities redundant.

The retrenchment process which was implemented by the company to halt the downward trend in performance through the voluntary early retirement took a considerable management time in managing the process. Also the retrenchment saw some experienced and qualified staff exited company and this affected negatively the implementation of the turnaround strategies. The deployment of new staff to take up the new positions left vacant by the retrenched staff also was taking too long because of the learning period of newly recruited staff. Several short induction courses were introduced to manage this challenge both locally and abroad.

Resistance from staff towards some new policies which were adopted by the company in turning around the company including performance targets and performance contracting was also one of the big challenges. Most staff were not comfortable with such like policies because they thought signing performance contracting based on set performance will affect their employment in the event that they don't achieve the set targets. The staff felt insecure and always marginalized, which resulted in constant frictions between top management and the employees. The management however had to do a lot of awareness and maintain very effective and efficient communications process, where employees were frequently informed on the status of the company operation on any changes and developments within the company.

Employee attitudes and culture was also cited to be one of the challenges the company experienced during the period. There was spillover effect from parastatal mindset, culture and attitude of employees especially the old staff which hindered the execution of the turnaround strategies. These groups were not connecting well with the current brand of Telkom-Orange instead they stack with their old ways. This challenge was managed through several social forums developed by orange group such as the orange stars. For any employee to join this group there were clear procedures and rules one has to meet.

The world economic recession experienced during the period was big challenge to the implementation of the turnaround strategies. This challenge affected the investment portfolios of the company. The modernization of the network system suffered a lot because of the slam in world economy. The acquisition of the network equipments strained the company both in purchasing it and repayment of loan taken to finance it. Also the purchasing power of TKL customers was eroded which was a direct impact on its average revenue per user (ARPUs).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings of the study in relation to the research objectives. The study seeks to determine the turnaround strategies implemented by Telkom Kenya Ltd and the challenges they faced in the implementation of these turnaround strategies. It also seeks to present the summary of the findings, discussion, conclusions and recommendations in relation to the objectives of the study and suggestion for further research.

5.2 Discussion

The study covered causes of business decline, implementation of turnaround strategies and lastly the challenges of implementing the turnaround strategies at Telkom Kenya limited. This discussion will revolve around these three areas.

5.2.1 Causes of business decline

The study established that several factors both internal and external that indeed contributed to poor business performance at Telkom Kenya Ltd. The liberalization of telecommunication industry saw a paradigm shift in the market structure that created the opening up of the telecommunication industry in Kenya. Stiff competition was cited as the major cause of business decline at Telkom Kenya which accelerated by the advent of liberalization. The slow pace in adapting to the right technologies in building capabilities was also identified to be one of the factors which contributed to poor performance. The competitive advantage was very weak visa vice other competitors. The company had bloated workforce who were incompetent and lack the necessary skills to drive the company out of the woods.

The company's network system was mostly analogy and this didn't support value added services in line with the current customer sophistication. To upgrade and modernize network required a huge capital investment and posed a big challenge. The organizational culture and attitude perpetuated empire building within departments at the expense of building synergies and this negated the principle of teamwork in the company. Multilayered organizational structure presented bureaucratic tendencies, procedures and processes that hampered quick decisions to allow efficient delivery of services. High rate of vandalism on the access network disengaged most clients and this means loss of revenue and high maintenance cost to TKL and ultimately frustration on the part of customers. Poor management and leadership of the company contributed to the near bankruptcy of the company .The management failed to align the company to the environment.

5.2.2 Implementation of Turnaround strategies

The study found out that several turnaround strategies were implemented by the company to stem the business decline and drive the company to profitability. New board of directors with diverse skills and experiences both locally and internationally was inaugurated by the shareholders. The board of directors hired a new Chief Executive officer and management team with the right skills and experiences most of them were posted from head office to manage the change. The new CEO and management rationalized the operations of the company by restructuring human resource which saw a large number of employees exit the company under voluntary early retirement. Reason for the restructuring was to have a lean staff with required skills and hire competent staff on need basis. The management objective of this strategy was to reduce costs and overheads as the company begins to enhance the recovery strategies.

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The management restructured the company's debt portfolio by negotiating with respective creditors on the best way to services the debt as one of the turnaround strategies. The suppliers agreed to restructure their receivables to the interest of both parties and similar to the long term loan providers. Sales and Marketing department was restructured to maximize on the new orange brand by stimulating the consumer demand and developing products and services to satisfy them. They also negotiated for a structured partnership with the company's dealers and distributors.

The study also established that the company used the orange brand to up scale the product and service differentiation strategy as part of its turnaround strategies. The company also implemented product development strategies as part of its turnaround strategies by entering into the mobile telephony market and this provided an array of products and services initially missing in company's business portfolio. The findings from the respondents indeed agree that the company implemented successful strategies however they also agree that it had its own share of challenges.

5.2.3 Challenges of the implementation of turnaround strategies

The study established that the company indeed encountered several hiccups in the implementation of the turnaround strategies. Obsolete network infrastructure hindered the deployment of value added services to customers and this posed a huge challenge in the implementation of the turnaround strategies. Coupled with obsolete infrastructure and liberalized telecommunication industry the company wasn't able to compete competitively and this undermined the company's efforts in turning around the company.

The study indicated that the rate of change in technology in the telecommunication industry is very high. This affected the implementation of the turnaround strategies by the company. The rapid change in the technology affected the interface between the TKL network systems and other operators and at some point rendered some equipment redundant. The retrenchment process indeed had a negative impact on the company, competent and experience employees left the company through voluntary early retirement. Lost skills were had to replace immediately because the retrenched staff experience span many years and this retarded the implementation of the turnaround strategies.

Resistance emanating from the staff especially those who were not comfortable with the new policies the management instituted complicated issues further. A lot of resistance on performance contracting and setting of individual targets was the biggest impediment to the implementation of the turnaround strategies. The employees resisted these policies because they felt in secured on the intention of management .But the management managed this challenge through staff awareness and an open door policy to demystify the employees' perception on the management intentions.

Spillover effects from the old to the new Telkom Kenya manifested itself in the employees' attitude and culture especially those who remained after the exit of the other staff through retrenchments. This group of staff still believed in status quo and thus slowed down the implementation of the strategies. Culture and attitude change policies was introduced by the management to un breeze the culture and attitude and align them to the corporate strategy such as the orange stars.

5.3 Conclusion

From the study it can be concluded that both external and internal factors contributed to the business decline. To stem the downward trend the company implemented a successful turnaround strategies .The turnaround strategies implemented by the management manifested themselves in the form of retrenchments, disposals of noncore assets, product and service differentiation, product development and outsourcing of noncore business units. The benefits of the full realization of the implementation of the turnaround strategies were hampered by several factors ranging from rapid technological change, global economic recession, employees attitudes and culture, external competition, multilayered organization structure and lack of financial resources. The management indeed made spirit efforts to mitigate these challenges.

5.4 Recommendations

The findings of the study indicate that the challenges encountered by the company during the implementation of the turnaround strategies negate the full benefits derived from those strategies. It's therefore recommended that the management of Telkom Kenya should source for more financial resources from the two shareholders to finance the modernization of the network infrastructure to allow the deployment of value added services and create competitive advantage. The Organization should also strengthen its open door policy and allow all staff to get full disclosure of all policies the management deem appropriate for the sustainability of the strategies implemented. This will reduce staff resistance thus motivate them to support the management endeavours in turning around the company. The organization structure should be aligned to the strategies for it to respond effectively and efficiently to the needs of all stakeholders both internal and external.

5.5 Limitation of the study

For completeness and better understanding of the implication of the research findings, it is important that the limitation of this study be underscored here. The study was carried within a period of three months and due to time and resource constraints, the study confined itself to the challenges of implementing turnaround strategies at Telkom Kenya. The formulation and evaluation of the same wasn't included in the study. Lastly the study focused on one organization and the findings of the study can't be generalized.

5.6 Suggestion for further research

This study was a case study focusing specifically on Telkom Kenya Limited; the findings cannot in any way be generalized to other companies which have had similar problems. A cross sectional study on organizations that implemented turnaround strategies to establish the comparative causes of business decline, turnaround strategies and challenges in implementing the turnaround strategies. It is only then that the research findings can be generalized.

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Appendix 1: Interview Guide

SECTION A: GENERAL INFORMATION

Position held in the company

Department

Number of years with the company

SECTION B: CAUSES OF DECLINE

1) What can you attribute to the decline in performance?
2) What signals did you notice that the business is deteriorating?
3) What management structures did the company have during the period?
4) How would you describe the leadership and management styles during the period?
5) How would you describe the organization's culture during the period?
6) How would you describe the relationships between the management and the entire employees during period?
7) What was the composition of shareholding during the period?
8) What was the immediate impact of the financial distress during the period?
9) Describe the strategies, if any, implemented by the company before 2008.

SECTION C: TURNAROUND STRATEGIES IMPLEMENTED AT TKL

1) What turnaround strategies have been implemented by the TKL?
2) How has the company implemented these strategies?
3) At what level/point were the other cadres of employees involved in the turnaround strategies?
4) How did the Employees perceive the turnaround strategies?
5) What as the response of the stakeholders to the turnaround?

6) What is the perceived relationship between the size of the company and the turnaround strategies?

7) What financial implications has the turnaround had on the company?

8) What is the current perception on organizational culture?

9) Describe the relationship between the current Board of Directors and the management?

10) Describe the relationship between the current management and the other staff?

11) What are the company's strengths and weakness currently?

12) What is the perception of the company in the market presently?

13) What is the competitive position of the company currently?

14) How would describe the company's internal process presently?

15) How would you describe the future of Telkom Kenya limited?

16) Describe the strategies Telkom Kenya limited is implementing for the future performance?

17) What indicators can you attribute to the success of the Turnaround strategies?

SECTION **D: CHALLENGES OF IMPLEMENTING TURNAROUND STRATGY**

1) What challenges did the company encounter when implementing the turnaround strategies?

2) How were these challenges resolved?

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DATE vO

TO WHOM IT MAY CONCERN

The bearer of this letter 3cSwv>H ^^^OL WAfA^fVH

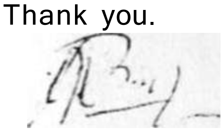
Registration No:

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request

Thank you.



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