

**IMPLEMENTATION OF TURNAROUND STRATEGIES AT KENYA
BROADCASTING CORPORATION**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

NOVEMBER 2013

DECLARATION

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

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ACKNOWLEDGEMENTS

I would like to sincerely acknowledge the contributions of the following persons who enabled me undertake and successfully complete this study. First and Foremost to Almighty God who has blessed me with a sound mind and has been my strength and inspiration.

Special thanks also go to my supervisor Prof. Aosa for his patience, continuous guidance and encouragement. I will forever be grateful for your invaluable advice, direction and support. My sincere gratitude goes also to the management of KBC especially the Technical department for allowing me to undertake the research and taking time out of their busy schedules to have an interview with me.

A Special gratitude and appreciation goes to my parents whose sincere interest and encouragement have been a source of inspiration to me throughout the years. Finally to my husband, Isaac, son Ethan and daughter Erica, for your continued love, support and sacrifice, it made all the difference. Your efforts were never in vain. May the Almighty God greatly bless all of you.

ABBREVIATION AND ACRONYM

BD	Business Development
CEO	Chief Executive Officer
CCK	Communications Commissions of Kenya
CSR	Corporate Social Responsibility
GOK	Government of Kenya
HR	Human Resource
KBC	Kenya Broadcasting Corporation
KTN	Kenya Television Network
NTV	Nation Television
TV	Television
SWOT	Strength, Weakness, Opportunities and Threats

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ABSTRACT

Kenya Broadcasting Corporation is a state owned corporation established in 1995 as a semiautonomous government agency with the overall objective to inform, educate and entertain the public. In recent years, the Kenya Broadcasting Corporation has faced daunting challenges in terms bad corporate image, poor service delivery, poor perception, outdated internal systems of processes, a bloated workforce, inability to attract and maintain a professional workforce, political interference, low staff morale and poor use of information and communication technology as well as inability to meet stakeholders expectations. It was for these reasons that KBC undertook turnaround strategies to entrench changes in its strategic objectives and operations and in order to meet the increasing demands of its stakeholders. It is due to the pressure of change exerted by both the external and internal environment that led to the board of KBC and its top management to embark on a turnaround programme whose primary objective was to modernize and integrate the operations of KBC in line with international best practices and to achieve its vision of “being a world class broadcaster in the world respected for professionalism, integrity and fairness”. The research project set out to find out the implementation of the turnaround strategies by the management of KBC. The research project had two objectives. The first objective was to identify the turnaround strategies that were used by KBC. The second objective was to identify how the turnaround strategies were implemented in KBC. A comprehensive review of literature, both local and international was done. Strategy and in particular turnaround strategies as presented by various authors was analyzed. Various kinds of turnaround strategies were identified and in particular which strategies are applicable in what circumstances. A case study design was selected. Primary data was collected through an interview guide while the secondary data was obtained from KBC’s financial statement and corporate plans were also analyzed. The data collected was mainly qualitative in nature hence content analysis was the best method of analysis as it does not limit the respondents on answers and has the potential of generating more detailed information. The respondents gave similar views based on the strategies employed with some strategies having had a high positive impact on the respondents indicating high levels of efficiency whereas others did not have significant impact indicating low levels of effectiveness. The respondents also gave insights as to what areas need to be addressed to make KBC more effective in meeting their needs and expectations. From the study it was found that the turnaround strategies employed by KBC were highly ineffective in meeting organizational goals due to challenges that were encountered in their implementation and other areas also need to be further addressed in order to make the organization more efficient and effective in their delivery of service. The study also encountered limitations on the fewer respondents which created the likelihood of being biased as well as not enough primary data. The study also identified areas for further research which are “moderating effects of government assistance and turnaround strategies”, “The Adaptation and Implementation of Private Sector Management Paradigms to the Public Sector” “The challenges faced by public corporations during strategy implementation” and “The impact of changes in the external environment on media firms in Kenya.”

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The fundamental importance of strategic management is that the world keeps changing. Strategy implementation is a series of actions aimed at putting a selected strategy at work by planning how the chosen strategy can be put into effect and managing the changes required. Organizations have come up with credible strategies which have failed to see the light of the day due to poor implementation. Turnaround is defined as a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment or loss of market share. These issues result from sudden changes in demands from the external marketplace, be it competitors, suppliers or customers (Scholes, 2002). The overall goal of turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability.

Our focus on strategic reorientations during sharp turnarounds in performance sits within the broader literature of strategic change. A significant theoretical contribution to our understanding of how organization's change was provided by Tushman and Romanelli's (1985) description of punctuated equilibrium. This theory suggests that relatively long periods of incremental change or evolutionary convergence are occasionally punctuated by revolutionary change, reorientations or frame breaking forces should the levels of stability between strategy, structure and processes be high. Moreover in their reference to archetype theory, Greenwood and Hinings (1993) explain how a company's archetype,

defined as a set of structures and systems that reflects a single interpretive scheme, can be altered to a new form once subjected to strategic or radical change.

Kenya Broadcasting Corporation is a state owned corporation that has a rich history dating back to 1928 when the first Radio Broadcasting Service was launched. With two TV channels, three national and 17 vernacular/regional radio services. Even with this rich history, extensive infrastructure throughout the country and Government connections as a Parastatal in the Ministry of Information and Broadcasting and the National Broadcaster, KBC has come under intense competition from new commercial entrants in both radio and TV broadcasting which have been launched since the Government deregulated and liberalized the electronic media industry in 1989.

1.1.1 Turnaround Strategy

Turnaround is defined as a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment or loss of market share. These issues result from sudden changes in demands from the external marketplace, be it competitors, suppliers or customers (Johnson and Scholes 2002). The overall goal of turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. Turnaround strategy is described in terms of how the turnaround strategy components of managing, stabilizing, funding and fixing an underperforming or distressed company are applied over the natural stages of a turnaround (Johnson and Scholes 2002).

In order to achieve its objectives a turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics (Walshe, 2004). Turnaround management does not only apply to distressed companies' it in fact can help in any situation where direction, strategy or a general change of the ways of working needs to be implemented. Therefore turnaround management is closely related to change management, transformation management and post-merger-integration management (Boyne, 2009).

A **turnaround strategy** requires a drastic intervention and / or a series of carefully planned **project management processes** to prevent an organization from failure to reach its objectives. When developing **turnaround strategies**, it is critical to do a comprehensive analysis of the root causes for non-performance. However, to obtain true objectivity, this kind of investigation is best performed by an external party. Turnaround management is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround management hence involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing (Boyne, 2009). Once analysis is completed, a long term strategic plan and restructuring plan are created. Once approved, turnaround professionals begin to implement the plan, continually reviewing its progress and make changes to the plan as needed to ensure the company returns to solvency.

1.1.2 Strategy Implementation

Strategy implementation is a process that includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. It is seen largely as an internal administrative activity. Strategy Implementation entails working through others, organizing, motivating, culture building and creating strong links between strategy and how the organization operates. It also entails a process of converting the formulated strategies into viable operations that will yield the organization's targeted results. Particularly, strategy implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing.

Strategic change is difficult, complex, and expensive to implement. There are barriers and resistance to change in every organization. Creating a dynamic strategic vision, supported from the top to the bottom, requires a holistic perspective and integrated participation at all levels. Strategic goals should be designed by the CEO and senior leadership team, and then approved in the boardroom. At the highest level, strategic goals are developed to create significant, sustainable, and scalable increases in shareholder value. These goals are then cascaded down into the business units and departments to define supporting initiatives at every level for implementation.

1.1.3 The Broadcasting Industry in Kenya

According to the Communication Commission of Kenya (CCK, 2010) report, changes in government, politics, the economy and society have opened up big markets with huge potential for growth and expansion in the Kenyan broadcasting industry. Regional markets have evolved into significant market segments because of the value and the ability to address specific customer needs and aspirations. The markets have experienced changing market needs, wants and preferences. Similarly, the customer's have become enlightened and are exposed to many choices hence will no longer accept delays, variations in product performance and sloppy services. This implies that markets have to be constantly monitored so as to undertake reviews on performance of the organization in the market (CCK, 2010)

Market barriers have fallen as a result of new legislation and this has opened the market to intense competition from the new entrants. Media policies are progressively being transformed from "cultural" to "industrial" (treating media as an engine of technological and economic growth). Broadcasting is gradually being redefined from a "service" to a "business". The industry has also seen the emergence of international broadcasting conglomerates and multimedia and interactive services which have under their control the whole of the means of production and communication of images, sound and text. They have introduced a commercial dynamic influenced solely by profits (KBC, 2007).

At the local scene competition is intense especially from KTN, Nation Media, Kiss FM, Citizen, and other regional FM stations. The competition has widened to the mass market that had been enjoyed by KBC media. These commercial broadcasters concentrate on mass-appeal and imported programming. The consequence of this is that while KBC seeks to retain its public mandate, viewers in increasing numbers are opting for the more entertaining commercial channels. There are many potential entrants, as licensing of the new entrants is still going on. Profit trends are on the decline due to increased number of entrants into the sector and the depressed economy.

The broadcasting sector is experiencing rapid innovations, which require capacity to handle novelty and rapid changes in style. The new multimedia and interactive services will constitute the major means of communication in future decades. Viewers will no longer be passive consumers of programmes. Their consumption will be completely free and individualized. It will no longer be a matter of having access to a wider selection of programmes, but of putting together a particular programme from a stream of specialized programmes, as with pay-per-view services. The new information and communications technologies and the convergence of the telecommunications and broadcasting sectors with computing has radically changed radio listening and television viewing, offering audiences a wide range of possibilities. Multimedia and interactive services have also enhanced access to a wider range of programmes and opportunities, leading jointly to an improvement in the quality of television from the technical standpoint, and, above all, to an increase in the number of providers able to invest in new information networks and to

offer users new services. This will radically alter the world of broadcasting and also the balances previously established between the public and the private sector.

1.1.4 Kenya Broadcasting Corporation

Kenya Broadcasting Corporation is a state owned corporation that has a rich history dating back to 1928 when the first Radio Broadcasting Service was launched. With one TV channel, three national and 17 vernacular/regional radio services, KBC is currently the largest electronic media organization in the East and Central African Region. Even with this rich history, extensive infrastructure throughout the country and Government connections as a parastatal in the Ministry of Information and Broadcasting as the National Broadcaster, KBC has come under intense competition from new commercial entrants in both radio and TV broadcasting which have been launched since the Government deregulated and liberalized the electronic media industry in 1989.

The financial position of the Corporation has declined drastically due to loss of revenue and audiences to these more modern and efficient private competitors. The financial support from the Government has been inadequate making the current financial position of the Corporation unsustainable. There is urgent need for KBC to reverse this poor performance and restore the Corporation to a stable position of attracting and retaining audiences and generating sufficient incomes to finance the operations on a continuous basis. The organization is faced with a need to be prepared to shed off the traditional public service culture, become more commercial, improve on technology, focus on customers and confront competition more effectively.

The Vision of the corporation is to be “A world class broadcaster”. Similarly, the Mission is: “To transmit high quality, informative, educative and entertaining broadcasts in public interest”.

In order to move to the desired direction, the strategic objectives of the corporation derived from its strategic plan are to achieve 20% in business growth and 15% in profitability annually, to achieve a market leadership position in the broadcasting industry, to develop and retain a lean productive workforce, and to embrace and invest in state of the art technology. Other objectives include extending coverage throughout the country to develop new innovative products in line with changing consumer needs and emerging technological advancements and to enhance the corporation’s capability to carry out its work.

In the 1980s, with the accelerated implementation of market-based economic reforms in Kenya, the Government deregulated and liberalized electronic media. The monopoly that KBC historically enjoyed in broadcasting ended. New entrants quickly moved into the industry providing radio and television broadcasting services. The result of this development was drastic and saw KBC rapidly lose market share to the new competitors. As a result of these changes, revenues plummeted and KBC indebtedness rose sharply. The new competitors were mainly commercially oriented, lean, and efficient and utilize modern technology. This is in sharp contrast to KBC that is stuck with old broadcast

equipment, a large workforce and a bureaucratic culture. KBC has to respond to the new developments in the industry.

1.2 Research Problem

Delicate and sensitive issues are involved in strategy implementation, such as resource mobilization, restructuring, cultural changes, technological changes, process changes, policy and leadership changes. The changes can be adaptive (calling for installation of known practices), innovative (introducing practices that are new to adopting or radically innovative (introducing practices new to all organizations in the same business or industry) (Byars, Rue and Zahra, 1996). Organizational decay is a slow, long-term deterioration of the firm's operations caused by its inability to change and adapt to its external environment. It is a function of environmental adversity (external opportunities and threats) and internal adversity (organizational negative aspects). Due to these adversities organizations are forced to apply turnaround strategies to return their levels of profitability, market share and cash flows to acceptable levels.

Since the liberization of the Media industry in Kenya, market barriers have fallen creating intense competition from the new entrants. The broadcasting sector is experiencing rapid innovations which require media firms to constantly reinvent themselves so as to stay relevant in the market. KBC rapidly lost market share to new competitors such as KTN, Citizen and NTV resulting in decreased audience and revenues.

Kenya Broadcasting Corporation embarked on implementing various strategies, according to its 2007 – 2012 strategic plans, in response to the entrance of new competitors. These strategies were geared towards turning the fortunes of the organization around and repositioning itself in the changing environment. However, the impact of these strategies and their effectiveness in bringing the desired turnaround is a subject that needs to be reviewed.

Smith and Graves (2005) conducted a study to produce useful predictors of corporate turnaround using the information contained within companies' annual reports. Francis and Desai (2005) also conducted a study, testing the ability of situational variables, manageable pre-decline resources and specific responses to decline, to classify performance outcomes (turnaround versus non-turnaround) in declining firms. According to the authors there are many unanswered questions about what characteristics differentiate successful organisational turnaround from failure. Most of the determinants identified by Francis and Desai (2005) and Smith and Graves (2005) are similar except that Smith and Graves (2005) included the role of senior management turnover in the turnaround process. Francis and Desai (2005), Smith and Graves (2005), Hofer (1980), Pearce and Robbins (1993) and Scherrer (2003)), all found that the severity of the financial distress significantly affects the outcome of the turnaround.

Media firms are operating under increasing competitive environment that puts them under pressure to continually reinvent themselves by becoming innovative and developing new strategies to remain relevant in the market. In pursuit of its mandate to

provide information and educate the public, KBC has embraced strategic practices which have not been without challenges. Various studies have been done on turnaround strategies but according to the authors there are many unanswered questions about what characteristics differentiate successful organisational turnaround from failure. What kind of turnaround strategies were employed by KBC?

1.3 Research Objectives

This study has two objectives. These are:

- i. To establish the turnaround strategies employed by KBC.
- ii. To establish how turnaround strategies were implemented in KBC.

1.4 Value of the Study

This research provided an understanding of the implementation of turnaround strategies in Kenyan public corporations using the case of KBC. It showed the depth of understanding and practice of turnaround strategy in KBC and how the implementation of the turnaround strategy in the organization dealt with the emerging strategic issues. This is vital for future reference and contributes to the available body of knowledge.

The research also provided valuable insight to the management and staff of KBC on turnaround strategy. It helped in the formulation of the relevant policies and also helped to identify solutions to some of the challenges faced in strategy implementation in the organization. It also helped in addressing emerging issues for future turnaround strategy implementation.

The research did provide valuable information on the intricacies of turnaround strategy in public corporations. Other corporations can use the findings as reference points in their turnaround strategy implementation processes and find out how best to implement the strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the concept of strategies and how these strategies in turn lead to the development of turnaround theory and philosophy and the subsequent modelling of turnaround processes.

The most salient steps and processes for turnaround are highlighted in this chapter. This chapter will dwell more on the turnaround process and the determination of the true value of a business in decline or distress situation is of the utmost importance. This chapter will also look at some of the major challenges that hinder a corporation from successfully turning around to become financially healthy.

2.2 Theoretical Foundation

The characterization and need for organizational changes that are distinctly radical and strategic in nature have been well documented in the literature. Mintzberg (1978), for example, refers to strategic change as a set of activities influenced by environmental changes that affect an organizations culture, technology, structure and product-market focus. Hayes and Upton (1998) allude that sound strategy formulation and implementation will not only help a company to meet the challenges of competition but it can also enable a company to defend or attack competitors successfully and hence survive and prosper in the current dynamic and turbulent environment.

A significant theoretical contribution to our understanding of how organization's change was provided by Tushman and Romanelli's (1985) description of punctuated equilibrium. This theory suggests that relatively long periods of incremental change or evolutionary convergence is occasionally punctuated by revolutionary change, reorientations or frame breaking forces should the levels of stability between strategy, structure and processes are high. Researchers have also investigated the sources through which firms gain competitive advantage as it relates to areas such as innovation, new product launches, diversification, acquisitions, the influence of top management teams and managerial cognition (Camerer 1991). Although there has been significant progress made in developing frameworks that explain the variables in success at any given point, our understanding of the dynamic courses of action through which firms gain greater market position is not well developed (Porter, 1991).

Though useful these studies did not focus on the likelihood of performance success arising from specific turnaround strategies. This study is important for a more complete picture of the content of corporate turnaround. The increasing importance of non-cooperative behaviour among firms competing in an industry has resulted in the emergence of a new development in industrial organization economics that utilizes game theory or a mathematical tool through which to analyze the strategic actions of firms (Seth and Thomas, 1994).

Game theory is the study of rational behaviour in situations involving the interdependence of outcomes. (Neumann and Morgenstern 1944; Camerer,1991). Game theory regards strategy as the art of outdoing an adversary with the assumption that the adversary has the same intent. This is done through rules indicating which action to take at each instant of the game depending on past actions of other players. Firms that survive are those having strategies suited to their industry environments. Shaprio (1989) used game theoretic reasoning to identify certain decisions made by successful firms in concentrated industries. These include investments in physical capital, investments in intangible assets, strategic control of information, network competition and others. Shapiro (1989), posted that these dimensions of strategic behaviour determine the evolution of state dependent variables or performance outcomes.

2.3 Causes of Business Decline

Early and eminent contributors to the field of turnaround argued that downturns came about as a result of unfavourable environmental shifts combined with organizational inefficiency or inappropriate competitive strategies (Schendel and Patton, 1976). This view that the roots of firm decline and possible failure can be traced to industry contraction or firm specific problems received significant support in the broader management literature (Whetten, 1987; Cameron, Sutton, and Whetten, 1988; Hambrick and D'Aveni, 1988; McKinley, 1993). In clarifying this categorization further Wilson (1980) described two forms of decline, namely 'k-type' and 'r-type'. The former stems from industry decline, when organizations have exhausted their environmental resources or other organizations have begun competing for limited resources. Typical contributors

to such forms of decline include severe market share erosion (Starbuck, Greve and Hedberg, 1978); a shrinking market (Harigan, 1980); and shrinking financial resources (Cameron, 1983). The latter is more internally induced and occurs when a company does not fulfil its potential and becomes uncompetitive due to strategic misalignment with its environment. Altman's (1983, p.40) statement that "the overwhelming cause of individual firm failures is some type of managerial incompetence" is consistent with this form of decline. Moreover, Nystrom and Starbuck (1984) explain how strategic misalignment can see a company falling out of sync with its environment, often as a result of top management decisions to undertake ill-advised expansion, or their failure to update product lines, overcome functional weaknesses and curtail operating expenses.

2.4 Implementation of Turnaround Strategy

Different scholars have over time attempted to explain the concept of turnaround strategy. Boyne, (2009) points out that turnaround strategy is described in terms of how the turnaround strategy components of managing, stabilizing, funding and fixing an underperforming or distressed company are applied over the natural stages of a turnaround. The overall goal of turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics. Barker, (1997) defined turnaround as a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower

return on investment or loss of market share. These issues result from sudden changes in demands from the external marketplace, be it competitors, suppliers or customers.

Turnaround management is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround Management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created (Boyne, 2009) When developing **turnaround strategies**, it is critical to do a comprehensive analysis of the root causes for non-performance. However, to obtain true objectivity, this kind of investigation is best performed by an external party.

Hofer (2002, 19), states that most organisations face a major decline in performance at some time in their existence. The response to such situations is almost always a major effort to “turn the company around.” The key questions that must be answered in all cases are: “Are turnaround efforts worthwhile?” Can they be successful?” and “What type of turnaround strategy has the best prospects for success?” It is the opinion of Hofer (2002,20) that what is needed most in a turnaround situation is some clear-cut strategy for guiding all organisational actions so that scarce resources are not used in unproductive ways. These strategies must be based on information gathered through the assessment of the current operating and strategic health of the organisation. According to Kaplan and Norton (1996, 12), it is very clear that relying only on financial measures to evaluate the success or failure of an organisation is inadequate and short sighted. Financial measures

alone tell the story of past events and ignore investment in long-term capabilities and customer relationships that proves to be critical for success.

2.5 Repositioning an Organization

The purpose of turnaround strategy is to reposition an organization from a point of underperformance or failure to achieve its objectives to a point of performance (Ngaruiya, 2010). Boyne, (2009) identified five stages of repositioning an organization. These included the evaluation and assessment stage; the acute needs stage, the restructuring stage, the stabilization stage and the revitalization stage. The first stage is delineated as onset of decline. Factors that cause this circumstance are new innovations by competitors or a downturn in demand, which leads to a loss of market share and revenue. But also stable companies may find themselves in this stage, because of maladministration or the production of goods that are not interesting for customers. In public organizations are external shocks, like political or economical, reasons that could cause a destabilization of a performance. Changes in legislation can also cause delineation among public organization. Sometimes an onset of decline can be temporary and through a corrective action and recovery been fixed.

In empirical studies a performance of turnaround is measured through financial success indicators. These measures ignore other performance indicators such as impact on environment, welfare of staff, and corporate social responsibility. The organizational leaders need to decide, if a strategy change should happen or the current strategy be kept, which could lead on the other hand to a company takeover or an insolvency. In the public

sector performances are characterized by multiple aims that are political contested and constructed. Nevertheless, often different criteria of performances are used by different stakeholders and even if its use results in the same criteria, it is likely that different weights apply to them. So if a public organization is situated in a turnaround situation, it is subject to the dimensions of a performance (e.g. equity, efficiency, effectiveness) as well as its approach of their relative importance. This political point of view suggests that a miscarriage in a public service may happen when key stakeholders are dissatisfied by a performance and therefore the existence of an organization might be unclear. In the public sector success and failure is judged by the higher bodies that bestow financial, legal, or other different resources on service providers.

In choosing the appropriate turnaround strategy for an organization it is important to secure the involvement of all stakeholders (Kimutai, 2010) Different risk-averse groups, like suppliers, customers or staff may be against a change or are skeptical about the implementation of the strategy. These circumstances could result in a blockade of the realization. In the public sector it is difficult to find a recoverable strategy, which therefore could lead to a permanent failure. The case may also be that though a recovery plan is technically feasible, it might not be political executable.

The outcomes of the turnaround strategies can result in three different ways. First of all a terminal decline may occur. This is possible for situations, where a bad strategy was chosen or a good strategy might have been implemented poorly. Another conceivable outcome is a continued failure. Here is the restructuring plan failed, but dominant

members within the company and the environment still believe that a repositioning is possible. If that's the case, they need to restart at stage four and look for a new strategy. If an outcome of the new strategy turns out to be good, the turnaround is called successful. This is achieved, when its appropriate benchmark reaches the level of commercial success, like it was the case before the onset of decline.

2.6 Repositioning Techniques

There are different techniques that can be applied to cause a repositioning. The four main techniques are known as retrenchment, repositioning, replacement and renewal (Walshe, 2004).

The Retrenchment strategy of the turnaround management describes wide-ranging short-term actions, to reduce financial losses, to stabilize the company and to work against the problems, that caused the poor performance. The essential content of the retrenchment strategy is therefore to reduce scope and the size of a business. This can be done by selling assets, abandoning difficult markets, stopping unprofitable production lines, downsizing and outsourcing. These procedures are used to generate resources, with the intention to utilize those for more productive activities, and prevent financial losses. Retrenchment is therefore all about an efficient orientation and a refocus on the core business. Despite that many companies are inhibited to perform cutbacks, some of them manage to overcome the resistance. As a result they are able get a better market position in spite of the reductions they made and increase productivity and efficiency. Most

practitioners even mention, that a successful turnaround without a planned retrenchment is rarely feasible (Walshe, 2004).

The Repositioning strategy, also known as entrepreneurial strategy, its main focus is to generate revenue with new innovations and change in product portfolio and market position. This includes the development of new products, entering new markets, extrapolating alternative sources of revenue and modifying the image or the mission of a company (Boyne and Meier 2009).

According to Thompson (1993) turnaround strategies involve the adoption of a new strategic position for a product or service, and typically lead on from retrenchment. Resources are reallocated from one strategic thrust to another; particularly significant here is the reallocation of managerial talent which can lead to an input of fresh ideas. Revenue-generating strategies, such as product modification, advertising or lower prices designed to generate sales, are often involved; and in addition products and services may well be re-focused into niches which are thought to be most lucrative or defensible.

Replacement is a strategy, where top managers or the Chief Executive Officer (CEO) are replaced by new ones. This turnaround strategy is used, because it is theorized that new managers bring recovery and a strategic change, as a result of their different experience and backgrounds from their previous work (Barker and Duhaime 1997). It is also indispensable to be aware, that new CEO's can cause problems, which are obstructive to achieve a turnaround. For an example, if they change effective organized routines or

introduce new administrative overheads and guidelines (Boyne and Meier 2009). Replacement is especially qualified for situations with opinionated CEO's, who are not able to think impartial about certain problems. Instead they rely on their past experience for running the business or belittle the situation as short-termed. The established leaders fail therefore to recognize that a change in the business strategy is necessary to keep the company viable (Castrogiovanni, Baliga and Kudwell 1992).

With a renewal, a company pursues long-term actions which are supposed to end in a successful managerial performance. The first step here is to analyze the existing structures within the organization. This examination may end with a closure of some divisions, a development of new markets/ projects or an expansion in other business areas. (Walshe 2004).

According to Ruiz (1998) a renewal may also lead to consequences within a company, like the removal of efficient routines or resources. On the other hand, are innovative core competencies implemented, which conclude in an increase of knowledge and a stabilization of the company value.

2.7 Public Sector Turnaround

The performance of public organizations has become a more salient issue as the popularity of accountability policies grows. Though organizations are often defined as underperforming, little is known about the effectiveness of various strategies commonly recommended for agency turnaround. Public sector reform continues be the center of

debate among policymakers, the mass public, and academic scholars. Organizations are increasingly pushed to be more transparent, efficient, and productive in accordance with unclear and often-changing policies at the government level. Public organizations are repeatedly described as outdated and overly wasteful compared to their private counterparts, and internal processes are often found to blame for underperformance over threats in the external environment (Goodsell 1994, Rainey and Bozeman 2000).

Few studies, however, have focused on the ability of underperforming organizations to improve performance in response to demands for increased accountability. These organizations may face additional internal and external challenges that are likely to make turnaround challenging in both the short term, as required by many new policies focused on performance, and in the long term as these organizations focus on trying to maintain some level of stability during times of environmental uncertainty. Whether these failing organizations are able to manage uncertainty and use internal levers to achieve performance gains above and beyond challenges outside of the control of the organization is an ongoing puzzle that may influence the overall success of accountability policies created by policymakers.

The majority of research on organizational turnaround has been produced by scholars of management in private sector firms (Chowdhury 2002, Hambrick 1985, Hofer 1980). This body of literature states that some primer for decline occurs through changes in the external environment and/or the internal organization of the firm. Once an executive decides to address this decline, the response can be classified as either strategic or

operational in nature. Strategic responses are associated with shifts in the environment and consist of redefining market strategies (i.e. identifying new markets or terminating unprofitable products). Operating responses, on the other hand, are linked to internal causes for failure and may consist of hiring new management or staff members, a change in organizational culture, or redefining internal business practices. Whether these strategies lead to turnaround is most often measured by changes in monetary profits in private firms (Arogyaswamy et al. 1995, Cameron et al. 1988, Mellahi and Wilkinson, 2004). This may be assessed through short term and long term outcomes or may be examined to determine if change is permanent or cyclical (Chowdhury 2002).

For private firms, the failure of these response strategies to revitalize the firm is likely to lead to closure, as the market remains competitive with adequate substitute goods and services. First, how to measure the performance of public corporations is often unclear. Public organizations are frequently tasked with a number of goals, all of which differ from profit, and how these goals compare to each other is determined by the perspective of the stakeholder group. An organization may perform exceptionally well for one performance goal while failing to meet another, and capturing this in a measure of overall performance is conceptually and methodologically difficult. The presence of multiple goals further challenges performance funding and pay-for-performance initiatives targeted at improving public corporations with a broad brush. Second, public organizations identified as underperforming have less flexibility and fewer turnaround options. Public organizations are often required government to carry out certain functions that cannot be redefined by the organization even if they are unable to fulfill the mandate

well (Boyne 2006). Third, public organizations often do not compete in a market similar to that experienced by private firms. Instead, they may exist as a monopoly good or service where there are no comparable substitute services (Meier and Bohte 2003).

We may more commonly observe cases of persistently failing organizations, where agencies persist with little retribution despite low levels of performance (Paton and Mordaunt 2004, Rutherford 2012). As public organizations across a number of policy domains have faced greater scrutiny from policymakers seeking to expand accountability and transparency, public management scholars have gradually incorporated organizational turnaround into discussion of the drivers of performance differences among organizations as well as performance change within organizations (Jas and Skelcher 2005; Boyne 2003, 2006; Beerli 2009). As these agencies often do not compete and lack clear substitutes, it is less costly to seek to turnaround the organization than to terminate it and start a new organization (this would include costs of infrastructure, training, etc.). Boyne (2003, 2006), after reviewing turnaround literature for private firms, has identified three primary strategies public underperforming public organizations may implement to improve performance—retrenchment, repositioning, and reorganization. While retrenchment, repositioning, and reorganization are all possible turnaround strategies, public organizations often face constraints on their ability to adopt retrenchment and repositioning strategies. Under retrenchment, an organization seeks to reduce the scope of the organization, either by reducing its size or services (Robbins and Pearce 1992, Barker and Mone 1994).

By eliminating services that are inefficient, ineffective, or lack high demand, organizations can concentrate resources on their core mission. This has been most recently utilized through the decisions by public managers to contract out secondary services to third party providers. While this may be a useful strategy, retrenchment is often limited for public organizations. Many are unable to discontinue services even if they are underperforming, and aiming to increase efficiency may lead to a number of unintended consequences for minority groups. When organizations are able to respond to underperformance by contracting out, they may or may not save resources, and they must still monitor performance of both their employees and the organizations with which they contract (Harrison and Stanbury 1990, Sclar 2000).

For public organizations, strategies of repositioning and retrenchment may oftentimes overlap. While one organization may cut certain services to free resources for core needs, a similar organization may add these same services in an attempt to appease current stakeholders or attract additional clients. In a broad sense, this relates to open systems theories of organizations, by which agencies use signals from the surrounding environment to correct for any malfunctions in an effort to maintain stability (Katz and Kahn 1978). Organizations that fail to adapt through these dynamics in a setting with some level of market competition may not survive or may become a persistently failing organization. Thus, adapting to internal or external changes through altering the number of goods and services provided by the organization should help to improve performance. However, if used inefficiently, this type of strategy could have a negative effect on the organization. If a failing organization expands its operations in an attempt to increase

demand or prestige when it needs to retract its services, the organization may experience more stress and instability such that performance will continue to decline. Similarly, if the organization contracts its services when it would be more beneficial to expand services in order to meet legislative or constituent demands, it may also continue to be identified as a persistently failing organization. For services to be added or ended, managers must often negotiate with political principals and clientele, which may detract attention from the core mission of the organization (Walshe 2004).

Because many public managers are unable to significantly alter their organization's services, the most common strategy in failing organizations is reorganization, or changes to internal management personnel and strategies (Boyne 2006). While this often includes the replacement of the upper level managers, it may also include redefining organizational culture, updating strategic goals, and retraining front-line employees. New executives may be a symbol that the organization is committed to change (Boyne 2003) and/or a necessary means to introduce new ideas and drastic changes from a new perspective. Thus, reorganization may be more common due to the limits of the other strategies in public agencies, or it may be tied to political signals that are associated with reorganization for stakeholder groups. Studies show that managerial tenure is significantly affected by financial indicators of organizational performance. When performance declines or does not meet expectations of stakeholders or board members, executives may be replaced in efforts to revitalize the company as well as to protect the reputation of the firm (Boyne 2010).

Similar studies related to public organizations, though few in number, assume that a change in management occurs when a manager is inefficient or ineffective, and a new manager is perceived to have the ability to revitalize or “transform” the organization to increase performance (Hill 2005, Wright and Pandey 2010). For example, Boyne and Dahya (2002), in describing managerial succession through the elements of means, motives, and opportunities, argue that a new executive may be able to see the environment in a new or fresh way that may allow them to better understand how to improve organizational performance. Thus, we might expect that underperforming organizations that receive new managers will experience turnaround. However, we may also expect that new managers may not increase performance but, instead, may challenge the stability of the organization.

Following the discussion of managerial resources in the O’Toole and Meier (1999) model of public management, Hill (2005) argues that an organization will take time to adapt to a new manager which may cause instability and a decline in performance. New managers face a learning curve to build knowledge of internal norms, external networks, and what needs exist for organizational buffering (Juenke 2005). Where an internal hire may have some familiarity with the organization, the effects of change and instability may be especially large if the new manager is an external hire. Thus, we might expect that introducing a new manager to an underperforming organization will further decrease performance. Short term effects may dissipate over time, but even these immediate declines may have high stakes consequences for organizations already failing to meet performance expectations.

2.8 Stages of Undertaking an Organizational Turnaround Plan

Turnaround management is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created.

Scherrer (2003) identified five stages of undertaking an organizational turnaround plan. These are, the evaluation and assessment stage, the acute needs stage, the restructuring stage, the stabilization stage and the revitalization stage.

The first stage is delineated as onset of decline. Factors that cause this circumstance are new innovations by competitors or a downturn in demand, which leads to a loss of market share and revenue. But also stable companies may find themselves in this stage, because of maladministration or the production of goods that are not interesting for customers. In public organisations are external shocks, like political or economical, reasons that could cause a destabilization of a performance. Sometimes an onset of decline can be temporary and through a corrective action and recovery been fixed (Jas and Skelcher 2005).

The reposition situation is the point in the process, where the minimally accepted performance is long-lasting below its limits. In empirical studies a performance of turnaround is measured through financial success indicators These measures ignore other performance indicators such as impact on environment, welfare of staff, and corporate social responsibility. The organizational leaders need to decide, if a strategy change

should happen or the current strategy be kept, which could lead on the other hand to a company takeover or an insolvency.

According to Boyne (2006), public sector performances are characterized by multiple aims that are political contested and constructed. Nevertheless, are different criteria of performances used by different stakeholders and even if its use results in the same criteria, it is likely that different weights apply to them. So if a public organization is situated in a turnaround situation, it is subject to the dimensions of a performance (e.g. equity, efficiency, effectiveness) as well as its approach of their relative importance. This political point of view suggests that a miscarriage in a public service may happen when key stakeholders are ongoing dissatisfied by a performance and therefore the existence of an organisation might be unclear. In the public sector success and failure is judged by the higher bodies that bestow financial, legal, or other different resources on service providers.

If decision maker choose to take a new course, because of the realization that actions are required to prevent an ongoing decline, they need at first to search for new strategies (McKiernan, 2003). Question that need to be asked here are, if the search for a reposition strategy should be participative and decentralized or secretive and centralized or intuitive and incremental or analytic and rational. Here, the selection must be made quickly, since a second turnaround may not be possible after a new or existing poor performance. This means, that a compressed strategy process is necessary and therefore an extensive participation and analysis may be precluded. The same applies to the public sector,

because the public authorities are highly visible and politically under pressure to rapidly implement a recovery plan.

If the fifth stage reached, the selection of a new strategy has been made by the company. Especially researcher typically concentrates on this one of the reposition process. Most of them focus on the structure and its impact on the performance of the strategy that was implemented (Robbins and Pearce, 1992). It is even stated by the scientist, that a commercial success is again possible after a failing of the company. But different risk-averse groups, like suppliers, customers or staff may be against a change or are sceptical about the implementation of the strategy. These circumstances could result in a blockade of the realization. Also the conclusion is conceivable, that no escape strategy is found, as a result that some targets can't be achieved. In the public sector it is difficult to find a recoverable strategy, which therefore could lead to a permanent failure. The case may also be that though a recovery plan is technically feasible, it might not be political executable.

The implication of the new strategy ensues in the following sixth stage. It is a necessary determinant of organizational success and has to be a fundamental element of a valid turnaround model. Nevertheless, it is important to note, that no empirical study sets a certain turnaround strategy.

According to McKiernan (2003), the outcomes of the turnaround strategies can result in three different ways. First of all a terminal decline may occur. This is possible for

situations, where a bad strategy was chosen or a good strategy might have been implemented poorly. Another conceivable outcome is a continued failure. Here is the restructuring plan failed, but dominant members within the company and the environment still believe that a repositioning is possible. If that's the case, they need to restart at stage four and look for a new strategy. Does an outcome of the new strategy turns out to be good, a turnaround is called successful. This is achieved, when its appropriate benchmark reaches the level of commercial success, like it was the case before the onset of decline. This is commonly measured in a timeframe between two and four year (Schendel, Patton, and Riggs 1976).

2.9 Key Factors of a Successful Turnaround Process

The general proposition advanced here is that a successful business turnaround involves improving the company's position as a low-cost provider of increasingly differentiated products and the products and services, along with the nurturing of an appropriate turnaround organization which is competent, possesses industry-oriented technical expertise, and employs a general sense of fair play in dealing with employees, creditors, suppliers, shareholders, and customers. Successful turnarounds involve this very special form of leadership. According to Zimmerman (1991) is that successful turnarounds are a function of three principal factors:

A strategy that focuses primarily on improving the firm's effectiveness as a low-cost operator. Low-cost operation implies the design of products for manufacturability, the

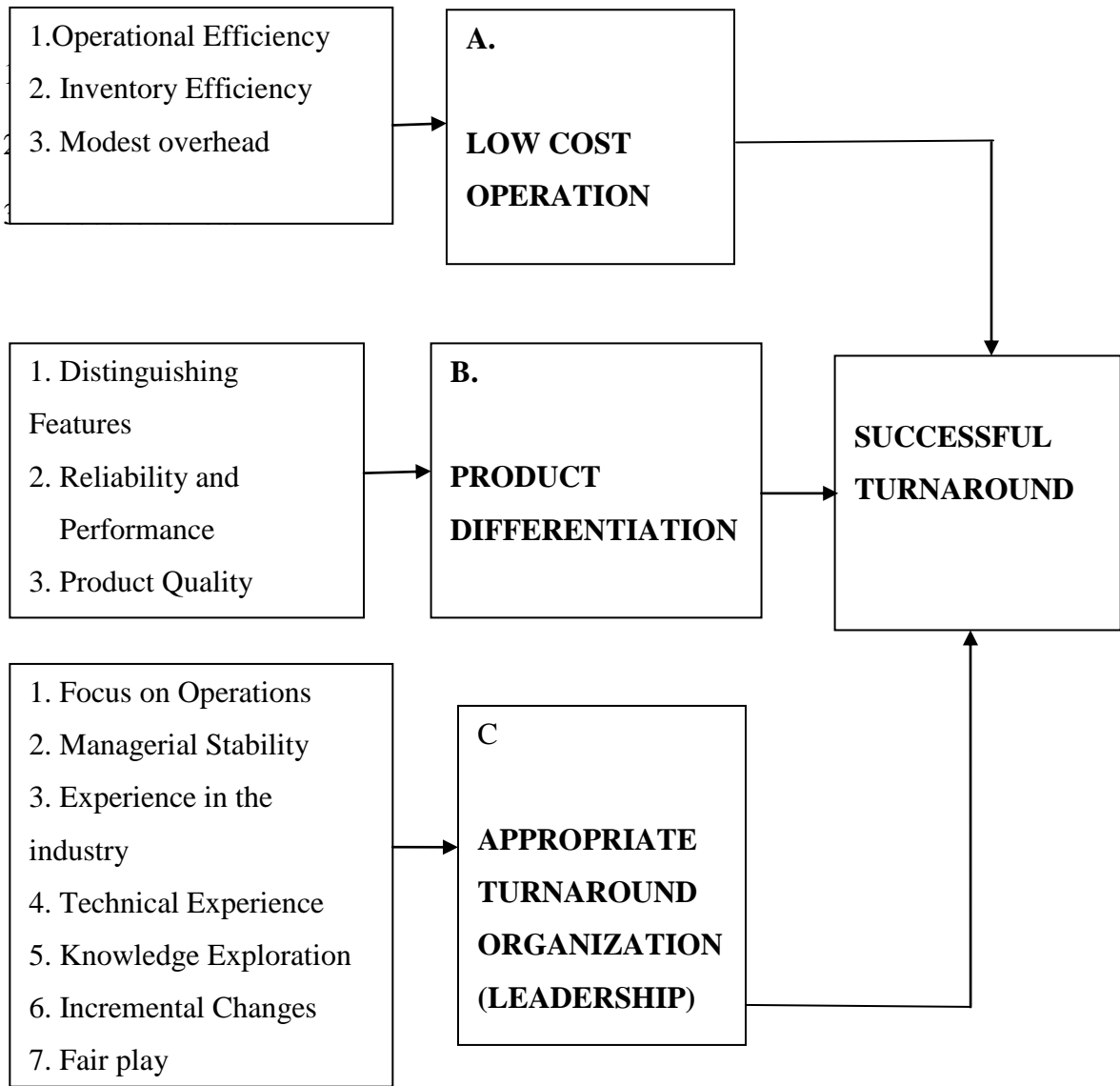
attainment of high rates of manufacturing and inventory efficiency, and the containment of overhead costs to below industry levels.

A strategy that focuses at a later stage on improving the firm's effectiveness as a provider of increasingly differentiated products. Producing differentiated products implies products with distinguishing features, high reliability, and significant performance, exceptional product quality, and the development of long-term continuity with the markets being served so that product differentiation can be recognized by potential buyers.

According to Zimmerman (1991), leadership involves turnaround agents who have significant experience in the industry being served and in some technical function such as manufacturing or engineering, and have a major propensity to focus on operational issues such as manufacturing, product development, and sales. Successful turnaround agents tend to have longer term associations with the company and make incremental changes based on information which is appropriate to the decisions being made.

Successful turnaround agents enjoy generally favorable personal reputations and employ a sense of fair play in dealing with employees, creditors, suppliers, and customers, and focus intensely on the important operational questions that are pertinent to the business the firm is in at the time.

Figure 1-1 Framework of a Successful Turnaround Process



Source: Adapted from Zimmerman, Frederick M.1991. Managing a Successful Turnaround. Long Range Planning, 22(3).

Many successful turnaround processes possess all the sub elements for a particular major factor such as low cost operation or product differentiation, but some employ different combinations of sub elements to achieve turnaround success. It must be emphasized that even the best executed turnarounds are seldom effective in every respect. Similarly,

unsuccessful turnarounds rarely fail in every respect. Turnarounds are a mixture of hundreds of partially developed successes and failures with the successful firms being more thorough and consistent.

2.10 Challenges in Implementing Turnaround Strategies

Like any other process in strategic management, the implementation of turnaround strategies is faced with various challenges. One prime challenge is environmental turbulence and uncertainty. A changing and unpredictable environment will demand varied responses from organizations (Johnson and Scholes 2002). Such responses may negatively affect the implementation of the desired turnaround strategy of the affected organizations. Organizational culture and its influence also challenge the successful implementation of turnaround strategies in any organization. Organizational culture is the basic assumptions and beliefs that are shared by members of an organization that operate unconsciously and define in a basic taken-for-granted fashion an organizations view of it and its environment (Johnson and Scholes 2002). Strategies can be seen as the outcome of the collective taken-for-granted assumptions and routines of organizations. It is therefore important to recognize the significance of organizational culture in implementing turn around strategies.

Government influence also challenges the implementation of turnaround strategies in that it may impose a certain strategy, which may not be the choice of the management and as such interfere with the strategy that the organization was pursuing initially. Government regulations, taxation policies, foreign trade regulations, social welfare policies and

expectations will play a role in an organizations choice of strategy (Johnson and Scholes 2002). Resources available to an organization underpin the strategic capability of an organization since it is resources that are deployed into the various stages of turnaround strategy implementation. Inadequate resources may hinder sound strategy implementation in any organization or may limit the choices of strategy available to it.

Resistance to change also impacts negatively to turn around strategy implementation. Change aimed at making improvement in the organization is at the heart of strategic management. Every strategy developed by senior managers is aimed at strengthening and enhancing organization's performance as well as sustaining and nourishing its very existence. To overcome the resistance, education and effective communication, which, involves the explanation of the reasons for and means of strategic change can play a key role (Johnson and Scholes 2002).

Stakeholder's expectations and interests also challenge turnaround strategy implementation. Stakeholders are those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn; the organization depends (Johnson and Scholes, 2002). The strategy development of an organization is affected by the values and expectations of those who have power in and around the organization. In implementing turnaround strategy therefore, it is important to understand the expectations of different stakeholders in detail and the extent to which they are likely to influence an organizations purposes, objectives and strategies (Kimutai, 2010)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The aim of this chapter is then to document the process that will be used during the data collection. For the research planning to be systematic and effective, a suitable research design will be determined which in turn will ensure that the proper data collection and data analytical methods for this study are used.

3.2 Research Design

This study was carried out using the case study method which is an appropriate research method for this type of study. It is commonly used when the study involves a single organization with unique characteristics. 'Case study is an ideal methodology when a holistic, in-depth investigation is needed' (Feagin, Orum, and Sjoberg, 1991, p.4).

The researcher examined the data for the period from 2007 to 2012. This time period captures the downward trend in KBC'S financial performance. The researcher studied the strategies followed by KBC in the light of the public sector organisational turnaround framework. The study also examined whether there was adequate evidence to support that a particular strategy was followed by KBC and whether it yielded desired effect to facilitate the turnaround.

3.3 Data Collection

The personal interview method was used for primary data collection. The interviews targeted the Chief Executive and senior managers because they are in a position to give information regarding the corporation.

The secondary source of data was collected through the review of the organization's strategic plans, internal memos and minutes of meetings called to discuss strategy implementation in the organization.

3.4 Data Analysis

The data, after collection, was processed, summarized and verified in accordance with the objectives of the study. The nature of data that was collected was mainly qualitative, hence content analysis was used to analyze the data. This method was preferred on the basis that subjecting the collected data to content analysis allows the researcher to learn about underlying attitudes, biases or repeating themes.

The data analysis sought to establish the turnaround strategies employed by KBC, to identify the key components of the turnaround strategies implemented by KBC and to establish the challenges faced in the implementation of the turnaround strategies. After all interviews were fully completed, they were checked and verified to ensure consistency, exhaustiveness and completeness in the information expected.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter outlines the analysis of data retrieved from the interview sessions with the staff of Kenya Broadcasting Corporation. Owing to the nature of study, that is, qualitative research, the analysis of data was composed of critiquing the responses of the interviewees. Basically this chapter put the results of the study as portrayed by the interviewees. In the first section, it provides comment on the overall feasibility study. Thereafter, there is quotation of the data with minimal alterations to enhance meaning and avoiding linguistic and grammatical errors.

4.2 Overall Observation

It is very encouraging that the researcher realised 70% turn out of the respondents. This implied that ten out of the fifteen respondents targeted in the study gave in to contribute towards achieving the objectives of the study. The following departments and authorities responded well including: The (Chief Executive Officer) CEO, human resource department, advertising department, business development, corporate affairs, Finance and administration, Marketing, newsroom, radio department, technical department and television programmes department.

The CEO who has been in operation for 3 years informed the researcher that the KBC was still operating on act revised in 1990. The CEO categorically mentioned that KBC cannot compete effectively under the guidance of the current Act. He mentioned that the

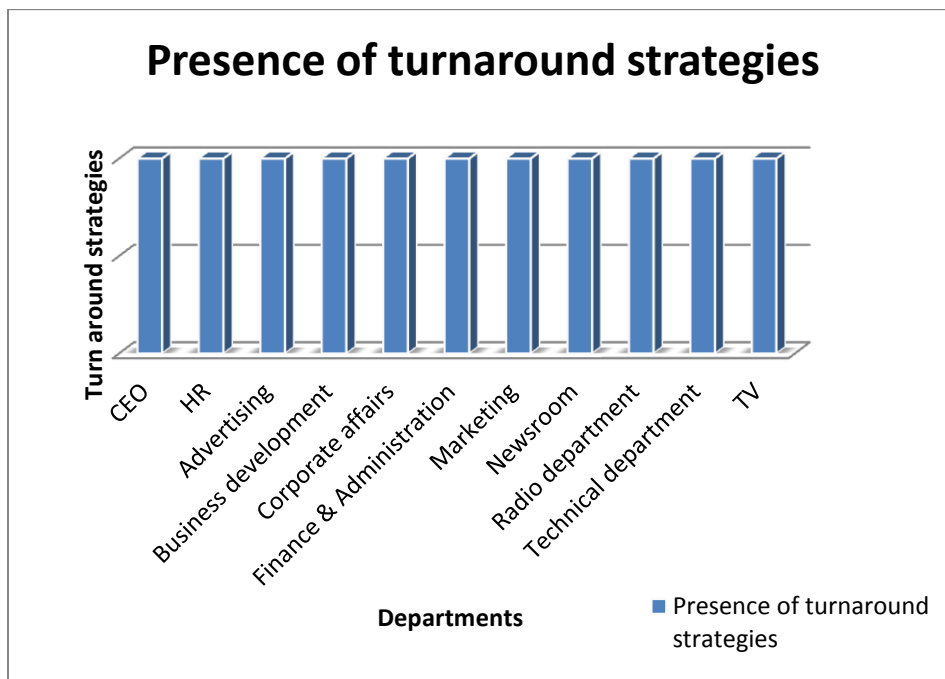
policy and regulation needed to be reviewed so as to reposition the corporation to conduct business in a commercial manner and its focus would be on profit making. The CEO also suggested that, on the next platform of policy and legal framework, the corporation should be operational on dual business lines namely; commercial broadcasting and public broadcasting.

A glance at how the Turnaround strategies were constituted, it was clear that the developers of these strategies were composed of board of directors, the CEO, and senior managers. The interview with the CEO also revealed that there were key components the management considered while forming these strategies. These key issues that defined the form of strategies included; the company size, the stakeholders expectations and support, the CEOs and seniors management's capability and commitment to the process, and available funding and resources

4.3 Turnaround Strategies Employed by KBC

From the review of literature, turnaround strategies are defined as a rapid change of corporate strategies that is needed to deal with issues such as falling profitability, lower return on investment or loss of market share (Johnson and Scholes 2002). The aftermath of the feasibility study indicated that most of the departments in Kenya Broadcasting Corporation had turn around strategies (figure 4.3). A blue bar under each department or category indicated the presence of turnaround strategies. Remarkably, all the departments identified or sampled in the study had the turnaround strategies.

Figure 4.3-: Turn around strategies.



Source: Interviews

These turn around strategies were sourced from question eight of the interview questions that required the respondents to list any strategies that were being implemented in their department. It is worth mentioning that different departments had different strategies owing to the diverse nature or form of the respective departments' activities and processes. Consequently they are grouped in similar categories to come with whole strategies that drive the mission of the corporation. Some of the strategies that were implemented are:

Diversifying of funding sources by the corporation through utilizing all the avenues it has to acquire the necessary funds to run its activities. The corporation as depicted by the individual departments is not able to run efficiently thanks to lack of funds. As a matter

of fact, the Business Development confirmed that it was handing all the digital revenue streams (mobile and online) and providing a new medium where people can access their content in a cheaper and convenient way. The corporation is fighting to alienate long lived impact of bureaucracy that is dragging the approval of funds and projects. This aspect has been brought clearly out by the long procurement procedures that most departments complained of. Most respondents claimed that the long procurement process hinders their competitiveness in the market due to longer turnaround time in delivery of services. The corporation has prequalified different suppliers in different categories to ensure that procurement process is shortened.

At the time of study, the operational management of KBC asserted it suffers a huge wage bill that cannot be endured. The efforts therefore were focused on having technique to realise a sustainable wage bill. The departments that issued this complaint included; the Human Resource department and the Finance & Administration. The implementation of developing a lean organization structure was indicated by efforts of the Human Resource department which is invested in restructuring the taskforce to realise a lean wage bill.

KBC, as a government parastatal is lagging behind in the technology it uses to administer its operations. As depicted by the information from the respective department, most of them had either obsolete equipment or out-dated technology. Categorically, the radio department was fighting to Establishing a modern production studio while the technical department was training its staff to meet the current technology and trends. The corporation as a whole is advocating for the expansion of network coverage, automation

of broad cast and office systems. In that regard, the various departments are liaising to realise an effective IT structure to suit the need of the organization. KBC is also spearheading the digital migration under their subsidiary Signet. This has opened up another avenue for KBC to make generate more revenues and has enabled them to expand into new territories.

From the last century, viewers and audience of KBC radio stations perceive this corporation as being a government mouthpiece. Most of the department also openly admitted that the corporation was old in the way it handled its operations and the nature of its products. They pointed an unrelenting finger towards the government for being slow or reluctant at approving proposals & funding, advocating for operation under the act of 1990 and denying the management the liberty of administering their professional strategies to spearhead change. This has greatly damaged the image of the corporation and the perception the viewers initially had of a prestigious TV station. This was one aspect that the corporation is planning to deal with to restore the faith and loyalty of its customers. The Corporate Affairs department in particular was managing the implementation of Corporate Social Responsibility programmes (CSR) in an effort to build the corporate image. It also participated in coordinating internal and external communication through availing monthly newsletter to the staff and producing a quarterly magazine. As if that is not enough, it established an effective customer care unit.

The marketing department in their bid to gain competitive advantage launched various community radios and repositioned others to increase their market share through ratings. In facilitating the achievement of the turnaround strategies, effective communication of the concerned parties is always mandatory. This study took into consideration the aspects of communication the different departments of KBC used in realising their goals. This was depicted by questions 4 and 5 of the interview sheets. From the data retrieved from the study, it is sufficient to conclude that nearly all the department of KBC have modes of communication to facilitate the achievement of the turn-around strategies. It is also important to note that they nearly use the same modes of communication which were mainly internal memos and publications, staff meetings and emails.

4.4 Implementation of Strategies

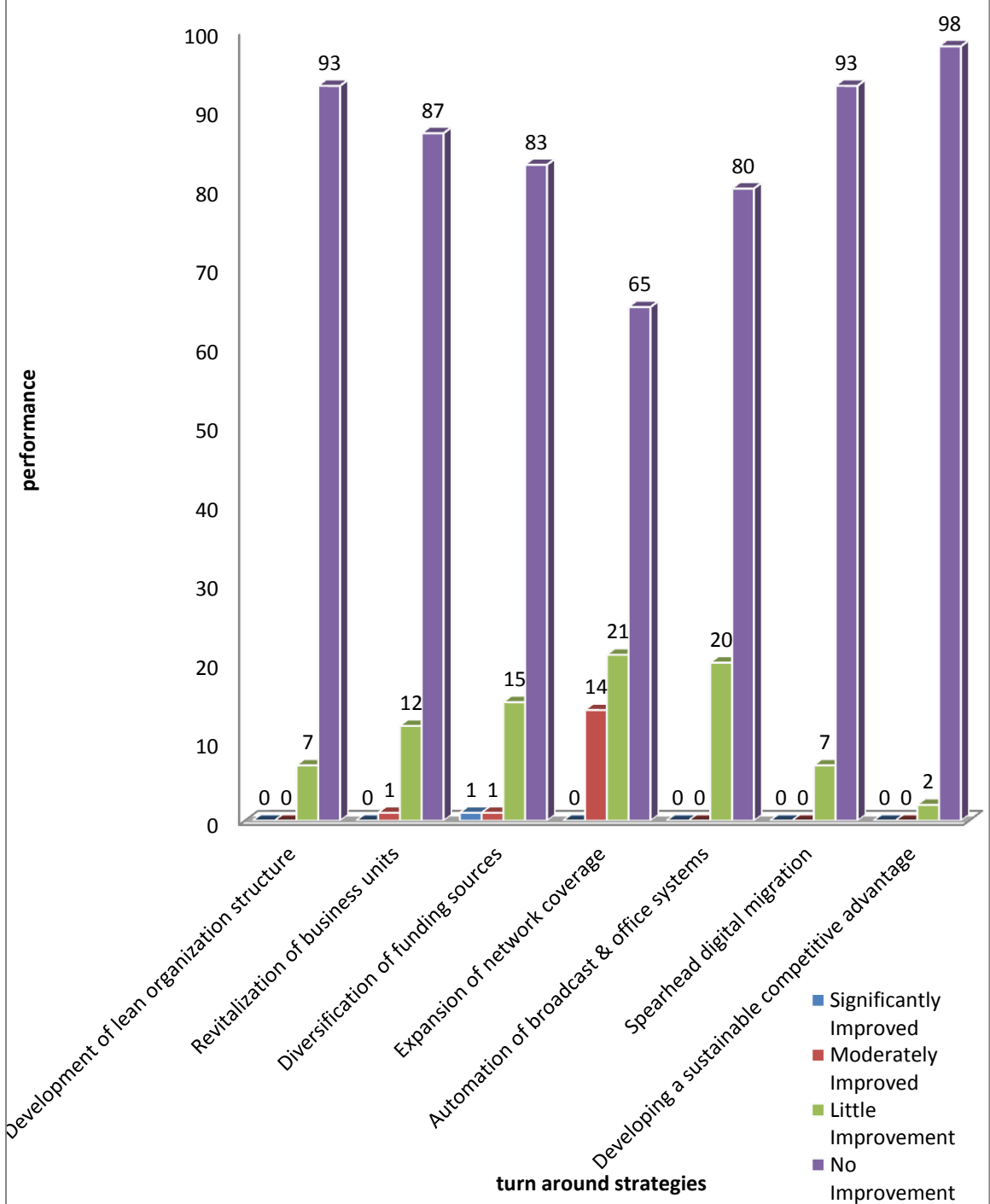
The management of KBC implemented the above strategies through the following activities: They have written to government to support the corporation through advertising with them as well as funding the public side of the corporation. This was done to ensure that the government funds their public aspect of their operations to enable them to continue with their public mandate as the public broadcaster. KBC also are partnering with private commercial institutions to utilize their assets to raise financing for the turnaround processes.

A different sub department under technical was set up to spearhead the process of migrating from analogue to digital which is relied on to improve their transmissions for both TV and radio. This will level the media playing field by ensuring good quality signal and huge network coverage. Digital transmitters were also purchased so as to improve the general service delivery.

To develop a lean structure KBC is fighting to restructure its workforce through voluntary retrenchment or performance based retrenchment. Such a workforce is targeted to have the right skills, attitude, and culture and will be competitively remunerated. A team building session was also arranged to foster team building and to build synergy across departments as well as institute a cultural change.

The performance of the turnaround strategies being in the various departments was also evaluated. It is important to mention that there is little or insignificant improvement in the strategies. Generally, the insignificant improvement is represented by over 80% of the performance rankings.

Figure 4.4 Improvement by the Turn around strategies



Source: Interviews

4.5 Discussion

Turnaround strategies can broadly be summarized as a two-stage, sometimes overlapping process of retrenchment and renewal (Schendel and Patton., 1976; Robbins and Pearce, 1992; Walshe 2004). This renewal process as explained by Walshe (2004) analyzes the structures within an organization and part of this analysis can end up with closure of some divisions, a development of new markets/projects or an expansion in other business areas.

The strategic trends that were noted during this research enabled the researcher to identify four common observations from the two strategic reorientations outlined above- profit maximization, quality of service, focused leadership, , staff development and communication, creating competitive advantage and expansion of network. Significantly, these six components, which together demonstrate how a strategic reorientation can be implemented in the media industry, strongly resonate with the two recovery strategies detailed in the broader turnaround literature.

A focus on profit maximization is the foundation of reorientation during periods of attempted performance recovery. Public broadcasters are generally funded by their governments but KBC does not act like a typical broadcaster and is motivated by generating as much profit as possible for its operations. KBC is involved in reducing its operation cost by reducing its huge wage bill to a sustainable level as well as investing heavily in automating its processes which should ensure cost efficiencies in the long term. The results of this study support the studies done by Francis and Desai (2005), Smith

and Graves (2005) Hofer (1980), Pearce and Robbins (1993) and Scherrer (2003) which shows that severity of the financial distress of a company significantly affect the outcome of the turnaround. Due to KBC being heavily indebted due to the Japanese loan, it has been unsuccessful in gaining profitability.

KBC is committed to high service standards and tries to place reliability and quality as central to their brand's identity. This is particularly evident in the special attention that KBC is now giving its clients, (Strategic Plan 2012). Again this particular finding resonates with Zimmerman's (1989) suggestion that companies at this point in the turnaround should avoid abrupt change in market position, and to instead focus on product quality, reliability and differentiation (Zimmerman, 1989).

Effective leadership plays a key role in achieving successful reorientations during a strategic turnaround (e.g. Barker and Duhaime 1997; Smith and Graves (2005). The literature on turnaround has suggested that change in management is a precondition to a turnaround as new personnel at the top will get better support from stakeholders, will have a different view on the position of the business and will provide new leadership for the employees (Chan 1993). For KBC however, the knowledge, expertise and information held by the incumbent CEO as the chief executive officer of the organization plays a critical role in the execution of the strategies. Replacing the CEO therefore may not be beneficial to the long-term survival of the firm and it may actually worsen the situation. The management team adopted clear vision statements that helped define and embed their strategic objectives right across the company. The management team of KBC were also noted for excellent communication and people skills. This is not ivory tower

leadership conducted from a distance and in a very hierarchical fashion, as has often been the case in public corporations.

Investment in staff development and management employee relations underpins repositioning. KBC invested in improving relations with their staff and in providing comprehensive training for employees in technical skills, customer service and change management, especially revised corporate culture and strategic aims.

Zimmerman 1989 suggests that firms should not abruptly change their market position but should gain competitive advantage by differentiating their product. During this research it was noted that KBC's marketing department had embarked on an aggressive market differentiations strategy by launching various community radios and repositioning others to increase their market share through ratings. The results of this research support the game theory of outdoing competition with the assumption that your competitor has the same intention. The results also agree with Shapiro's (1989) reasoning whereby KBC identified strategies that had been used by successful firms in the same industry and implemented them.

According to Walshe (2004), businesses can turnaround by expanding into other market or projects. Signet which is a subsidiary of KBC distributes signals and provides digital platform for other media firms. This is a new avenue for KBC to generate revenue especially as the world goes digital in 2015. According to Pearce and Robbins' (1993) model, recovery in the form of entrepreneurial reconfigurations is required when the

decline has primarily come about through external happenings. Given how deregulation, the liberalization of the media industry, and other such exterior forces (e.g. (Wilson, 1980; Harigan, 1980; Cameron, 1983; Hambrick and D'Aveni, 1988) were a principal factor in the subsequent challenges encountered by the case study, it is somewhat unsurprising that strategic changes were necessary as part of KBC'S turnaround.

The latter component is significant in that they strongly resonate with literature on repositioning and strategic change. Finkelstein, Harvey and Lawton (2007) describe strategic repositioning as the process by which companies deploy an integrated strategy system to break from their current underperforming position and deliver accelerated growth. This finding, and indeed the process of expanding the network, is consistent with Dodourva's (2003) explanation of how Vodafone repositioned through product and service extension and geographical expansion to become one of the world's leading mobile telecommunications providers. Furthermore, these reorientation components are consistent with Turner's (2003) warning that companies should not reposition so as to develop an overly narrow or rigid core business that is discontinuous with their key capabilities. Instead, and in drawing a distinction between the core business and those core activities that can act as a sustained platform for growth, Turner calls for strategic flexibility that would enable companies to adapt and ensure they have the capabilities to extend their reach into adjacent new businesses, segments and opportunities. Interestingly, in the turnaround literature Hoffman (1989) also encourages the utilization of a repositioning strategy for times of growth and recovery.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Following the analysis of data from the KBC departments through the departmental heads, various turn around strategies were identified and the corresponding challenges. These have been discussed in this chapter and conclusions reached at. Moreover, the researcher has also made recommendations to the various stakeholders following his understanding of the study and the facts exhibited in the process.

5.2 Summary

The contemporary society is characterised by high level of competition and the “monopoly” most of the firms enjoyed initially are completely phased off. The firms that cannot compete favourably realise low profits, get liquidated, and merged into stronger competitor or fail completely. It is in this regard that the concept of turn-around strategy is highly embraced by focused firms and corporations. KBC a government parastatal dealing in TV and radio broad casting is one of the victims of poor performance and soiled image. These can inferred from the challenges raised in the interview process (section 4.6 of chapter 4). The corporation is trying to reverse this through turn around strategies that were being implemented in the various departments (section 4.2 of chapter 4). In spite of the different department giving strategies that are directed towards their respective sections, the strategies were identified to have a similarity or commonness. This indicated the corporation as a whole was suffering key problems in its operations.

These problems at a glance are issues that are unique to KBC as the public broadcaster and some challenges are possibly affecting other public corporations.

In the implementation of the strategies, the contribution of the individual departments was highly recognised and that the lack of synergy between departments had derailed their initial efforts. The departments collaborated through staff meetings, seminars, email, phone calls, & internal memos and with the public through advertisement. The fact that the corporation set up turn around strategies did not lower the chances of surfacing challenges. Indeed, there were challenges that were affecting the implementation of the turnaround strategies as were outlined in section 4.6 of the chapter most importantly, KBC greatly depends on the government as its major stakeholder for the alleviation of the challenges. The government can achieve this by revising the operational act of 1990, directing significant funds and support to the corporation.

5.3 Conclusion

KBC is currently in a situation of financial distress and needs to be “turned around” or its very survival is in jeopardy. The above findings show that KBC has been unable to successfully implement an effective turnaround strategy. Along the way KBC has acquired a lot of baggage that is hindering the implementation of the strategies and needs to be shed off. This study believes that the struggle to survive through a turnaround strategy starts with the knowledge of failure and the causes of failure.

It is envisaged that the government will step in to fund a major overhaul that is required in this corporation for it to regain its position as the number one broadcaster and to fully maximize on its full potential. For the turnaround strategies to be successful, status quo must change by injecting new and vibrant workforce and it should be swift, prompt, and decisive to negate the spill over effect such neglect could cause.

5.4 Recommendations

The Corporation faces the problem of inadequate funds and has been losing business to competition. As a result, its revenues have been dwindling. The Corporation's costs have been escalating due to a bloated workforce and high maintenance costs. These factors together with heavy indebtedness means that the Corporation needs to take drastic measures to mobilize funds through generation of revenue and solicit Government and Donor funds.

KBC has made effort to digitize and automate its operations but a lot still needs to be done in this area though there has been a problem of funding. The Corporation's library is a huge resource that needs to be digitized. There is also need to improve the signal quality in areas where it is has been poor. In the next turnaround attempt, the Corporation should focus on full automation and digitization in order to stay ahead of competition.

The Corporation faced and still faces stiff competition from private broadcasters. The Private Competitors are commercially oriented and are in a position to make large profits as opposed to KBC whose mandate requires it to venture into all places in the country including those that are not commercially viable. The Competitors are also able to attract

and retain qualified presenters and hence capture a large audience. KBC needs to separate its commercial operations from its public mandate to enable it to compete effectively. The public operations should be fully funded by the government.

The Kenya Broadcasting Act has been the source of numerous challenges at KBC over the years. The law makes KBC the state broadcaster and not the public broadcaster as expected. It gives KBC the mandate to operate both radio and TV stations across the country. KBC has been facing serious political, administrative and financial constraints because of the weak and inadequate legal framework under which it was established. The law is inadequate to guide KBC in a liberalized market. Section 21 of the Act empowers KBC to act as a licensing authority and to levy fees on owners and dealers in radio and TV sets to finance its operations. However, the Minister of Information and communication revoked this provision in June 2003. This move undermined the financial viability of KBC, especially since the corporation had to compete for advertising revenue in a liberalized market. KBC also lacks independence from government interference. The Act needs to be repealed and reformed to address these weaknesses.

KBC failed to establish a budget for implementation of the turnaround process. Effective planning requires that all strategies and activities are fully funded and that there will be no deficit budgeting/financing during the planned period. Hybrid interventions that combine internal competencies and outsourcing may need to be considered—particularly in respect of specific activities or general process re-engineering. In order to attain financial sustainability, which is one of the objectives during the turnaround process, it is

therefore imperative during the next strategic plan, to identify alternative sources of revenue to reduce dependency on one revenue line, streamline the collection of and accounting for revenue and lobby for enhanced long-term funding from the GOK, partners, and communities. This will be complemented by structural changes that will ensure that resources are allocated to areas and operations that generate revenue.

5.5 Limitations of the study

Despite gathering a rich and diverse range of qualitative data, the study's findings would have benefited from more primary data .As regards to the interview approach, there is, again, no doubt, that advantages were met with disadvantages. The scope of the questionnaire was limited to fifteen respondents and the possibility of interviewee and respondent bias, despite precautions taken, cannot be ignored. Finally, and considering reliance on secondary sources, the research was further limited by the availability of literature and the information contained therein.

5.6 Suggestions for Further Research

The study recommends that further research could be done on “moderating effects of government assistance and turnaround strategies”, “The Adaptation and Implementation of Private Sector Management Paradigms to the Public Sector” “The challenges faced by public corporations during strategy implementation” and “The impact of changes in the external environment on media firms in Kenya.”

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APPENDICES

APPENDIX I (A): CEO INTERVIEW GUIDE

NB: The information in this questionnaire will be treated confidentially and will **NOT** be used for any other purpose other than academic.

(Chief Executive Officer – KBC)

1. For how long have you been the CEO of KBC?

0 – 2 Years 2 – 5 Years Over 5 years'

2. How would you describe your business environment?

3. Who is involved in the development of turnaround strategies in your organization?

4. What would you consider as key components during turnaround strategy development process? Please indicate the rate in the space provided.

5. How is strategy communicated in your organization?

6. How would you rate your turnaround strategy implementation process success?

7. Briefly explain the challenges faced during implementation of strategy as experienced in your organization?

8. Briefly explain the impact of these challenges to your turnaround strategy implementation process.

APPENDIX I (B): TO BE FILLED BY THE MANAGEMENT OF KBC

NB: The information in this questionnaire will be treated confidentially and will **NOT** be used for any other purpose other than academic.

(Senior Manager's interview guide)

1. Which department / Division do you head? -----

2. Do you have departmental turn around strategies?

Yes No

3. If yes, briefly explain their implementation in the spaces below.

4. Is the strategic direction of your department communicated to the rest of the departments and employees?

Yes No

5. If yes which form of communication is used?

6. Are there key strategic issues that your department has to deal with?

Yes No

7. If yes, briefly highlight them in the spaces provided.

8. To what extent does your departmental turnaround strategy development address the strategic issues of the organization?

9. What are the key challenges faced during the implementation of turnaround strategy as experienced in your department?

10. Briefly explain the impact of these challenges to your strategy implementation process

11. Briefly comment on your role and opinion on the overall organizations turnaround strategy implementation process