TURNAROUND STRATEGIES ADOPTED BY KENYA PLANTERS COOPERATIVE UNION IN KENYA

BY

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2014
DECLARATION

This research project is my original work and has not been submitted for examination in any other University

Signature: ......................... ...... Date........................................

WAMBUI JANET NJERI
D61/79116/2012

This research project has been submitted for examination with my approval as University supervisor

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DEDICATION

This research study is dedicated to my entire family and friends for their time throughout the MBA program and especially during this research project.
ACKNOWLEDGEMENTS

The completion of this project was not easy. It was not created by the author alone, but relied on the cooperative assistance of many unseen hands. First and foremost I owe special thanks to God Almighty for seeing me through. I sincerely acknowledge my supervisor Dr. Kitiabi Reginah Kiti and moderator Professor Martin Ogutu of the School of Business, University of Nairobi for their enabling support and guidance, never ending patience, good eye and sharp mind.

I would also like to acknowledge the encouragement from all my colleagues and my MBA classmates, friends and family whose remarkable devotion and dedication throughout the project work was incredible. May God bless the work of their hands!
ABSTRACT

Turnaround strategies involve components of managing, stabilizing, funding and fixing an underperforming or distressed company. The overall goal of turnaround strategy is to return a distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. Kenya planters’ cooperative union is one of the companies whose operation was compromised by bad governance, unscheduled reforms and strict control of initial processing and milling of coffee. The main objectives of the study were to identify the turnaround strategies adopted by Kenya Planters Cooperative Union for turnaround and to establish the challenges faced by KPCU when implementing the turnaround strategies. The best theory that addressed the impetus of the study was the theory of leadership. This study adopted a case study research design given that the unit of analysis is based on one organization that is Kenya Planters Cooperative Union (KPCU). Employees in managerial position working at Kenya Planters Cooperative Union were the targeted interviewees. Primary data was used in the study. This was carried out by use of an interview guide and results obtained were analysed qualitatively. The study found that cutback strategies and restructuring through replacement of board of the company were among various turnaround strategies adopted by KPCU in order to revive the organization. The challenges faced were inadequate/ineffective leadership, lack of efficiency in operations, low automation levels, lack of a clear strategy, inadequate capital and resistance from the employees as people wanted to stick to the old practices. The study recommends that in order to deal with the challenges faced by KPCU in the implementation of the turnaround strategy, companies should not let external groups and institutions interfere with their operation and in the case of addressing the challenges faced, they should have alternatives and hire employees with right competences.
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## ABBREVIATION AND ACRONYMS

<table>
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<tr>
<th>KPCU</th>
<th>Kenya Planters Co-operative Union</th>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>KCC</td>
<td>Kenya Cooperative Creameries</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Kenya Planters Cooperative Union is one of the companies whose operation was compromised by bad governance, unscheduled reforms and strict control of initial processing and milling of coffee. Additionally, the pressure by the donors to reform the sector, led the government put an end to KPCU’s monopoly on coffee milling. However, few years later, the company’s performance started declining as a result of bad debts and governance. In year 2012, the company, through appropriate turnaround strategies, slowly started picking up its pieces and went back in full operation since then (Mbataru, 2005).

The concept of strategy is defined by Capon (2008) as a long term plan, drawn up by organizational leaders in order to meet the organizations’ objectives. According to Capon (2008) as cited from Mintzberg, strategy can be a plan, a ploy that is a way of removing competitors. For example, a grocery chain might threaten to expand a store, to avoid a competitor moving into the same area. Mintzberg further describes strategy as a position which involves how a company positions itself in the marketplace.

Turnaround strategies involve components of managing, stabilizing, funding and fixing an underperforming or distressed company. The overall goal of turnaround strategy is to return a distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. It is important to understand the processes of organizational turnaround and to identify strategies that are likely to lead to better results (Boyne, 2006). Restructuring a firm in financial distress presents a multi-stage balancing act and there will be divergent interests, including shareholder-
creditor conflicts, creditor–creditor conflicts, management-stakeholder conflicts and individual-organizational conflicts (Bernstein, 2006).

The impetus of this study is built under the theory of strategic leadership. This theory is applicable to the study as for turnaround strategies to be successfully implemented there needs to be transformational leadership in order to overhaul the order of doing business. Other theories such as the resource based theory and the competitive theory are also highlighted. These theories explain how a firm’s resources are necessary for a company whose performance is declining. The resources facilitate the adoption turnaround strategies in order for declining firms to gain a competitive advantage in the market, thus the competitive theory.

According to Smith and Graves (2005) research on turnaround strategies has considered a number of factors that influence the likelihood of recovery from an external perspective and internal perspective. Rasheed (2005), states that the competitive environment and maturity of the industry determine the choices and the effectiveness of turnaround strategies to be implemented by firms experiencing decline in performance. The internal perspective, such as the severity of the financial deterioration and management failure, appears to be a dominant contributing factor to a turnaround strategy formulation and the likelihood of a successful recovery (Rasheed, 2005).

### 1.1.1 Turnaround Strategies

Turnaround strategies are classified by Boyne (2006) into the 3Rs: Retrenchment, Repositioning, and Reorganization strategies. Walshe et al. (2004) suggested a slightly different version of the turnaround strategies: retrenchment, renewal, and replacement. Since Boyne’s suggestion is usually cited in other publications, the
retrenchment, repositioning, and reorganization are the ‘3Rs’ which simplify the classification of turnaround strategies into sets of actions.

Table 1.1 provided below shows the theoretical framework of the causes of decline in a company and some of the turnaround strategies likely to be adopted. From the Table, the causes of decline include; Economic upheaval, competition, management weaknesses, financial control weaknesses, major project failure, cost structure and poor acquisition. The table further gave a highlight of some of the turnaround strategies which include; management strategy, cutback strategy, growth and restructuring strategies. Sulaiman, Ali and Ganto (2005) argued that the relationship between the cause of decline and turnaround strategies are significantly related. According to Furrer, Pandian and Thomas (2007), the firm’s decline is the result of managers’ failure to maintain the alignment of a firm’s strategy, structure and objectives with an evolving and changing environment. Organizational decline represents substantial resource losses over time and can be either a gradual process or a sudden, unexpected disruption.

Literature of corporate turnaround have shown that certain strategies such as retrenchment, cost reduction or downsizing were among popular strategies adopted by these troubled firms. One of the reasons that these strategies were widely adopted by ailing business was perhaps better explained by survival-based theory. This theory argued that in order to survive, organizations had to deploy strategies that should be focused on running very efficient operation. Tan and See (2004) identified two main strategies taken in a declining Asian manufacturing industry: offensive strategic reorientation and defensive strategic shift. The researchers found that firms adopting defensive strategic shift attributed decline to uncontrollable factors, are under greater severity of decline, have a lower level of slack and are smaller in size.
Table 1.1: Theoretical Framework of Turnaround Strategies

<table>
<thead>
<tr>
<th>CAUSES OF DECLINE</th>
<th>TURNAROUND STRATEGIES</th>
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<tr>
<td>• Economic upheaval</td>
<td>• Management strategy</td>
</tr>
<tr>
<td>• Competition</td>
<td>• Cutback strategy</td>
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<tr>
<td>• Management weaknesses</td>
<td>• Growth strategy</td>
</tr>
<tr>
<td>• Financial control weaknesses</td>
<td>• Restructuring strategy</td>
</tr>
<tr>
<td>• Major project failure</td>
<td></td>
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<tr>
<td>• Cost structure</td>
<td></td>
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<td>• Poor acquisition</td>
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Source; (Sulaiman, Ali & Ganto, 2005, 17-19)

1.1.2 Coffee Sector in Kenya

Coffee is among the most valuable traded commodity in Kenya which demonstrates the importance of coffee commodity to the Kenyan economy and its relationship to the developed metropolitan countries of the West. Coffee was and still is one of the most regulated commodities in Kenya with heavy state involvement, especially during the colonial years and the early period of Kenyan independence (Ponte, 2001).

The dependence on coffee export revenues for Kenya represents an important contributor to the national income and employment in addition to other primary commodities that the majority of Kenya produces. As a result of the importance of coffee to the economy the government has often treated coffee as a strategic commodity in using political control to exercise its influence mainly over coffee revenue and coffee growing land. These controls were often exercised under the guise
of laws and policies, purportedly to maintain the quality of coffee and to increase export revenues (Ponte, 2001).

According to Mbataru (2004), the annual coffee production in Kenya fell from 150,000 to 50,000 tons between years 1985 and 1999. This fall, both in prices and quantity affected the livelihoods of people who depended on the industry. Owino (2000) states that the major problems that face most coffee industries in Kenya are as a result of structural changes, the decline in the volumes of coffee production, prices fluctuation, topographical and quality of factories. In reaction to the challenges facing the industry, the government had the Coffee Board of Kenya take up the regulatory role to assist curb some challenges. However, the regulatory capacity of the Coffee Board of Kenya introduced the conflict of interest due to the duality of its marketing and regulatory roles (Omondi, 2004).

1.1.3 Kenya Planters Cooperative Union

The KPCU is a farmer wholly owned institution, whose membership comprises of over 700,000 small scale farmers represented by over 300 co-operatives and about 2,000 estate farmers owning small, medium and large-scale farms. Farmers' representatives drawn from both the coffee co-operative societies and plantations therefore constitute the KPCU Board. Out of the 15 members of the KPCU Board, 9 represent the Co-operatives while 6 represent Estate farmers (Mbataru, 2005).

Colonial coffee plantation owners around Thika region (40 Kilometers North of Nairobi) founded the KPCU in 1934. They intended to have an organization through which they could negotiate their interests. It had begun however a corrective tool for buying inputs. After independence, the government turned it into a grand coalition of all cooperative societies in the agricultural sector. Through the union, the government
could reach the grass-roots through the primary societies linked to KPCU. In theory the national body (KPCU) was officially a small-scale producer organization. In practice its board members were mainly big plantation owners especially from Kiambu and Nyeri districts (Mbataru, 2005).

While it had over the years held together the farmers in a strategy based on strict control of the initial processing and milling of coffee, it too compromised and decayed at the institutional level at the time of the crisis so that the reforms simply sidelined the body. This generated the actual conflict because the purpose of the unscheduled reforms was to end the monopoly enjoyed by KPCU. Bad governance was the major problem in the sectoral bodies like the KPCU. Unable to take control of KPCU, and under great pressure by donors to reform the sector, the government put an end to KPCU’s monopoly on coffee milling (Mbataru, 2005).

1.2 Research Problem

According to Cater and Schwab (2008), under some conditions, turnarounds may not be feasible and the organization may lack the capabilities or resources to implement an appropriate turnaround strategy correctly. In a feasible setting, organizational outcomes of a turnaround still depend on emergent factors such as competitors’ actions which can prevent or delay any turnaround strategy (Cater & Schwab, 2008). Turnaround strategy is an important tool to arrest and reverse the sources of competitive and financial weakness of an organization as quickly as possible. A company could be transformed into a learning organization while adopting turnaround strategy so that they could increase its operation efficiency and develop a competitive advantage (Byone, 2006).
A study carried out by Hofer (2002), states that most organizations face a major decline in performance at some time in their existence. Smith and Graves (2005) used secondary data from companies’ annual reports when he was conducting a study to produce useful predictors of corporate turnaround. Muringi (2012) analyzed the causes of business decline at Uchumi Supermarkets and the competitive advantages employed to revive the Uchumi Supermarkets. The researcher found that Uchumi Supermarket adopted five competitive advantage strategies which included, rebranding, customer service, recapitalization, sales management and cost maximization. Mbogo (2012) sought to find out what turnaround strategies are taken by companies that faced financial distress. The survey found out that employee layoff was the most preferred course of action being carried out by the companies.

Much of the discussed literature provides turnaround strategies of diverse institutions with none focusing on a case similar to that of Kenya Planters Cooperative Union (KPCU). Another identified study used secondary data to arrive at the findings of performance of a company with a view of coming up with useful predictors of corporate turnaround strategies. Kenya Planters Cooperative Union is a union-based organization that was on the verge of collapsing, but made use of turnaround strategies, to get back to its significant position in the market. There lacked a similar study done within the scope of a union-based organization, thus creating a gap, which is addressed by the current study. What turnaround strategies were adopted by KPCU to come back?
1.3 Research Objectives

The study sought to achieve the following objectives;

- To identify the turnaround strategies adopted by Kenya Planters Cooperative Union for turnaround.
- To establish the challenges faced by KPCU when implementing the turnaround strategies.

1.4 Value of Study

The study provides recommendation to policy, practice and academia.

The policy makers and the government are hoped to benefit from the study through the identification of the reasons as to why companies fail in the first place. The government should evaluate the presence of infrastructure which in many instances, contributes to the decline in business performance; for instance, facilities such as electricity, roads and infrastructure. The dearth of these facilities may inhibit effective operation of companies, especially those whose work requires a round clock operation. Regulators and other professional bodies can also use the findings as a reference for policy guidelines on the manager’s or leadership qualities as a prerequisite prior to employment in managerial positions.

The KPCU management will benefit from the study for purposes of re-evaluating the effectiveness of the turnaround strategies adopted before. They will use the findings of the study to examine their leadership style and put emphasis on transformational leadership for successful achievement of strategies in place. Other companies may find this study helpful as they will borrow some of the turnaround strategies to improve their own initiative of reviving businesses/ corporates. The study will also provide a comprehensive understanding of the markets, customers and business environment which is significant to other businesses stakeholders.
Turnaround strategy is a very interesting and diverse area of discussion and research for academicians and researchers, thus the study will contribute by providing additional literature on turnaround strategies on the once fallen companies. The identified gaps arising from the current study will also be a base for further analysis or future research.
CHAPTER TWO: LITERATURE VIEW

2.1 Introduction

This chapter reviews theories, general and empirical literature that informs the study.

2.2 Theoretical Foundations of the Study

A theoretical foundation can be defined as a study or explanation that is based on ideas or opinions of a scholar. Theories can also be defined as a set of ideas or principles whose intention is to explain a situation or an event.

The focus of this study is on turnaround strategies. The theories that underline this current study are; strategic leadership, resource based theory and competitive theory. These theories are important to this study in that they help identify what information is needed to design an effective turnaround strategy and provide insight on how well to design it so it is successful.

Resource Based Theory

The resource based theory was developed by Wernerfelt (1984) as a basis for the competitive advantage for a firm which lies in the application of material and immaterial resources. Competitive theory developed by Porter (1985) is derived from features that allow an organization to outdo its competitors, such as superior market position, competence or resources (Newbert, 2008).

The Resource Based Theory argues that firms should possess resources which will enable them to achieve competitive advantage and long term performance (Frawley & Fahy, 2006). Resources such as adequate finance and competent human resource are crucial for the effectiveness of turnaround strategies (Wade & Hulland, 2004). This theory is applicable to the study as it explains how resources at a firm’s
disposal are a critical factor to consider when planning on the best turnaround strategies. However, the theory dwells much on the abundance and deficiencies and does not give direction for strategy or execution of plans which is not the focus of this study, the focus of this study is turnaround strategies.

**Competitive Theory**

The competitive theory as argued out by Fahy (2000) and Ma (1999) states that the attainment of a sustainable competitive advantage position can be expected to lead to superior performance. This superior performance is usually measured in conventional terms such as market-share and profitability. Turnaround strategies is very important for companies wishing to get back to the same position, thus, this theory supports the concept of this study as it argues that competitive advantage position is important for companies to achieve superior performance. However, this theory is not the focus of this study of turnaround strategies as the competitive advantage of a firm does not necessarily equate to superior performance. Further, there are also other possibilities that a firm can gain superior performance without attaining and/or sustaining competitive advantage position (Ma, 1999).

**Strategic leadership Theory**

The theory that best underscores this study of turnaround strategies and which is the focus of this study, is the Strategic leadership theory due to its appropriateness and its applicability to the study. According to Boal and Hooijberg (2001), strategic leadership focuses on the people who have overall responsibility for the organization and includes not only the head of the organization but also members of the top management team.
The theory of strategic leadership in Buuren (2008) journal, finds its roots from the evolution of management theory by Fredrick Taylor in years 1856 to 1915. The management theory since, has been developed by other scholars such as Greenleaf (1904-1990), Max Weber (1864-1920), Henri Fayol (1925), which later saw the innovation of strategic leadership theory by Boal and Hooijberg (2001) with its focus on the executives or high ranked managers. The essence of strategic leadership involves the capacity to learn, the capacity to change and managerial wisdom (Boal & Hooijberg, 2001).

Activities associated with strategic leadership include making strategic decisions, creating and communicating vision of the future, developing key competences and capabilities, developing organizational structures, processes and controls; sustaining effective organizational cultures and infusing ethical value systems into the organization (Hunt, 1991; Ireland & Hitt, 1999). Strategic leaders with cognitive complexity would have a higher absorptive capacity than leaders with less cognitive complexity. To the extent that these leaders also have a clear vision of where they want their organization to go the absorptive capacity will have a greater focus. That is, strategic leaders look at the changes in the environment of their organization and then examine those changes in the context of their vision (Boal & Hooijberg, 2001).

This theory highlights the functions of a leader and how they manage crisis and maintain proper organizational structures, processes and culture for success. This theory is most applicable to the study as for turnaround strategies to be successfully implemented there needs to be transformational leadership in order to overhaul the order of doing business. The nature of leadership practice introduced in a company, determines the strategic alignment, resources organization and coordination within the organization for realization of performance measures and targets.
2.3 General and Empirical Studies

This section reviews literature from prior scholars regarding the turnaround strategies from local and international setting.

Turnaround Strategies

According to Slatter, Lovett and Barlow (2006) firms that need to be turned around typically suffer from one or more of the following; Cash flow problems (inability of the firm to meet its cash flow requirements); Excessive gearing (firms with too much debt); Inappropriate debt structure (firms with debt to equity ratios that do not match the firms’ cash flows), and balance sheet insolvency (which means the liabilities of a firm exceeds its liabilities). According to Smith and Graves (2005), research on turnaround strategies has considered a number of factors that influence the likelihood of recovery from an external perspective and internal perspective. Rasheed (2005), states that the competitive environment and maturity of the industry influences the choices and the effectiveness of the turnaround strategies implemented by firms in financial distress. The internal perspective, such as the severity of the financial deterioration and management failure, appears to be a dominant contributing factor to a turnaround strategy formulation and the likelihood of a successful recovery

Muringi (2012) analyzed the strategic positioning as a basis of building sustainable competitive advantage in Uchumi supermarkets in Kenya. The objective of the study was to establish how Uchumi Supermarkets have used strategic positioning to gain sustainable competitive advantage in the retail chain industry in Kenya. The focus of the study was therefore on the causes of business decline at the supermarkets chain and the competitive advantages employed to revive the Uchumi Supermarkets. The
analysis of the findings thus focused on the strategies used by the company to gain and sustain strategic advantage among its competitors.

First, the company adopted five competitive advantage strategies including, rebranding, customer service, recapitalization, sales management and cost maximization. Finally, the supermarket chains have developed its strategic plan which is aimed at sustaining the obtained strategic advantage for the next five years by adopting a number of major business decisions.

Tan and See (2004) identified two main strategies taken in a declining Asian manufacturing industry: offensive strategic reorientation and defensive strategic shift. They found that firms adopting defensive strategic shift attributed decline to uncontrollable factors, are under greater severity of decline, have a lower level of slack and are smaller in size. Manimala (2011) examined strategies used in successful turnaround. The study highlighted the following strategies for successful cases: employee engagement, cost management, customer-refocusing, lean management, operational efficiency, corporate restructuring and image building. The only one strategy which was less used was customer-refocusing, which was originally stated as refocusing on core businesses.

Mbogo (2012) sought to find out what turnaround strategies are taken by companies that faced financial distress. According to the researcher, the financially distressed companies generally take actions that are aimed at reducing costs for instance; employee lay off, asset sales and dividend cuts or take actions that are aimed at increasing revenue generation for example; asset acquisitions in order to improve efficiency. In severe cases of financial distress a company may opt or be forced into liquidation through bankruptcy proceedings. The researcher measured performance of
the companies was established by conducting the Z score analysis on each of the companies. The Z score analysis identified 8 companies having been financially distressed at one point or another during the period of the study. The survey found out that employee layoff was the most preferred course of action being carried out by the companies. Asset restructuring was the second most preferred turnaround strategy. Debt restructuring and top management change was the least preferred turnaround strategies each one of them being taken by one company each. The study also found out that, in the year of distress the restructuring strategies are more intensified and are carried out less intensively in the subsequent years after distress.

Tengku and Khairal (2011) analyzed the corporate turnaround strategies and business performance on manufacturing companies in Malaysia. This study examined seven strategy-related factors and two non-strategy contextual factors in light of their influence towards business performance in the context of corporate turnaround. The data was collected from 124 private manufacturing companies in North Sumatera, Indonesia. This research found that debt restructuring; changes in market entry and operating-asset reduction strategy contribute significantly towards business performance of turnaround companies. The study also found that company size and government assistance do moderate the relationship between strategy-related factors and business performance.

Ogwobo (2012) study sought to bring out clearly the strategies employed by Kwale Sugar Company Limited to revamp back to life after having collapsed for a very long period of time. The study applied a case study since it was a research on one organization targeting senior managers as the respondents. The study used both primary and secondary data. Primary data was collected using interview guide as data instrument whereas secondary data was collected from the organization brochures,
available documents and the web. From the findings of the study, some of the many strategies employed by the company to revamp back to business included financial restructuring, reorganization, strategic repositioning, modernization and asset reduction. The findings also indicated that execution of the turnaround strategy faces immense complexities, pressure of limited time, information and resources, as well as uncertainty about the future which have to be addressed.

Kizito (2013) examined the influence of corporate governance and turnaround strategies on the performance of Uchumi supermarkets limited. Primary data was collected using an interview guide and contently analyzed. The study established that corporate governance practices influences the success of turnaround strategies in a distressed firm in a number of ways which may include; the top management teams must be able to formulate and implement requisite strategies needed to turnaround a declining organizational performance. It was also found out that the length of managers and directors’ tenure influences their ability to scan environment and tendencies to process information during recovery. Higher levels educational among managers and directors relate to greater cognitive ability and information processing capacity.

**Challenges in Implementation of Turnaround Strategies**

Kiveu (2013) examined the challenges of implementation of turnaround strategy at the new Kenya cooperative creameries. The researcher conducted individual in-depth interviews that were guided by unstructured and open ended questions for the key informants. The data was analyzed using content analysis technique because it was qualitative in nature. Data was summarized and presented under thematic areas in response to the objectives. The study found out that the New KCC management
adopted a number of strategies in order to turnaround the institution. These strategies included; rehabilitation of machines and requisite infrastructure, operationalization of the institution, establishment of a management structure, provision of funds by the government, recruitment of new staff, cost saving/cost management measures. The study concluded that challenges faced in the implementation of turnaround strategy at new KCC were ineffective leadership, frequent breakdown of the machinery, cash flow problems, negative culture/resistance to change, limited funds to undertake adequate marketing, poor planning especially on milk processing.

Maishanu (2006) examined the causes of bank failures and different turnaround strategies to ailing banks in Nigeria. Since the banking industry is the engine growth of any economy, failure in banks should not be allowed due to contagious nature of bank failures. This paper concludes that since turnaround strategy involves the reallocation of resources, the most commonly reallocated resource in the implementation of a turnaround strategy is management and therefore gives credence to the recent action of the Central Bank of Nigeria. The researcher found that the struggle to survive through a turnaround strategy starts with the knowledge of failure and the causes of failure. Although failure is common with all organizations whether big or small, manufacturing or service industries etc., the concept of failure or ‘insolvency’ slightly differs in banking industry because of its contagious nature.

Balgobin and Pandit (2001) and Walshe (2004) examined the causes of organizational behaviors. The researchers found that operational inefficiency, past managerial mistakes, inertia leading to poor adaptability, erosion of competitiveness, non-availability of resources, poor diversification, poor control systems, and cost slippage were causes of organizational poor performance. It is ironic that, even though management has direct control over all these functions, more than 80 percent of
business failures arise due to management’s inefficiency to control the internal functions of business (Scherrer 2003).

According to Mishra and Mishra (1994), the downsizing, strategy commonly adopted by troubled organizations in the early 1980s was mainly an effort to reduce the number of employees in order to stay competitive. That trend continued into the 1990s with firms attempting to cut costs through staff-reduction to remain competitive in the global marketplace (Cameron et al., 1991). However, in the context of successful turnarounds, Manimala (2000) observed that for a more effective and long-lasting employee management, strategies ought to be based on employee engagement and culture building.

Orori (2011) carried out a study on the challenges that Kenya Meat Commission faced while implementation of their turnaround strategies. The informants were the Managing Commissioner, Finance Manager, Production Manager, Sales and Marketing Manager, Livestock Manager, Human Resources and Administration Manager, Engineering Manager, and the Procurement Manager. The main challenges faced in the implementation of turnaround strategy at KMC were ineffective leadership, frequent breakdowns of the machinery, cash flow problems, negative culture/resistance to change, limited funds to undertake adequate marketing, loss of export markets, poor planning especially on livestock off take programmes, slow adoption to changing technology, non-involvement of stakeholders and lack of budget linkage to specific strategic priority.
2.4 Summary of Research Gaps

The literature on turnaround strategies has grown tremendously over the past years. However, many questions remain unanswered in regards to the concept of corporate turnaround strategies. There are many conflicting results on the existing literature and as well as empirical gaps, especially in respect to the turnaround research in developing countries, which are not deeply explored.

There is not yet enough evidence that identifies the most effective interventions for turnaround strategies adopted by Kenya Planters Cooperative Union. Companies in different countries and in various districts in Kenya have employed different models of turnaround strategies. For instance, a study by; Tengku and Khairal (2011) looked at business turnaround strategies in Malaysia companies, Ogwobo (2012) who studied turnaround strategies adopted by Kwale Sugar Company, Kizito (2013) who focused on strategies employed by Uchumi supermarkets and Tan and See (2004) whose main area of focus on strategies taken in a declining Asian manufacturing industry. Given that many companies have different turnaround strategies, it is important to clearly analyze the strategies employed by KPCU Company which once collapsing but managed to revamp the down fall, in order to allow an agenda to determine whether or not certain strategic models outperform others in a particular context. Table 2.1 in Appendix I provides a detailed summary of gaps from the existing literature discussed in the study.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. Specifically, the chapter identified the research design, the data collection method and data analysis.

3.2 Research Design

According to Copper and Schindler (2006) a research design can be defined as the outline for the collection, measurement and analysis of the data. It is a plan and structure used to obtain answers to research questions. This study adopted a case study research design given that the unit of analysis is based on one organization that is Kenya Planters Cooperative Union (KPCU). According to Upagande and Shende (2012), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. The design was considered suitable as it allows an in-depth study of the turnaround strategies adopted by the union. It involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

Employees in managerial position working at Kenya Planters Cooperative Union were the targeted interviewees. Those to be included were 10 managers who are in the capacity of a CEO, the operations manager, four audit seniors, the company secretary, the human resource manager, finance manager and the procurement manager. The study carried out a census given the manageable number of respondents within the unit of study. The said employees were considered in possession of the required information that best informs the objectives of the study.
3.3 **Data Collection**

Primary data was used in the study. This was carried out by use of an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. They vary from highly scripted to relatively loose and help to know what to ask about and in what sequence. An in-depth interview allows more interaction between interviewer and interviewee. Interview guide was be appropriate for this study as it provides more qualitative information, more depth, more representation, more efficiency, more statistics and more value. The questions in the interview guide were formed around the objectives of the study.

The respondents who were to be interviewed were the management team of KPCU Kenya who spearhead implementation of strategies. These included the top 10 managers who was consist of the CEO, the operations manager, four audit seniors, the company secretary, human resource manager, finance manager and the procurement manager. The interview guide was self-administered through face to face interviews. Permission from the organization was sought and consent from individual managers was requested through a formal introduction letter.

3.4 **Data Analysis**

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. Content analysis was used to make analysis of the qualitative data. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). Analysis of data collected was then compared with the theoretical approaches and documentations cited in the literature review.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of data gathered from the study. The analysis and findings are aligned to the specific objectives addressed.

4.1.1 Response Rate

Initially the interview guide was to be carried out to 10 respondents. The accessible respondents for the survey were six (6) which is equivalent to 60% successful response rate. In research statistics, a response rate of more than 50% is considered adequate (Mugenda&Mugenda, 2003). Additionally Holbrook, Krosnick&Pfent (2007) support that surveys with response rates lower than 50% are less accurate. The accessible respondents excluded the CEO, two audit seniors and the union’s secretary. This was as a result of their unavailability during the data collection period.

4.2 Characteristics of Respondents

This section presents the basic characteristics of the respondents. Majority of the respondents were found to have been in the union during the turnaround period. These results indicate that the response received were from experienced people who witnessed the eventualities of the union when it was almost collapsing and when it revived back again to operation, thus accurate responses received. Figure 4.1 below shows that 4 respondents were present throughout the years when the union was almost collapsing and during its turnaround.
The respondents were also asked to indicate the number of years that they had worked for KPCU. From the results, four of the respondents had worked for the union for over 10 years, while 2 had an experience of 5 to 10 years.

Figure 4.2: Length of Service at KPCU

Research findings (2014)

4.3 Turnaround Strategies for Kenya Planters Cooperative Union

This section presents the results on the causes of decline in KPCU, the strategies towards revival of the union, motivation for the turnaround and the role played by management in ensuring the turnaround was a success.
4.3.1 Causes of Decline in Kenya Planters Cooperative Union

Initially the research aimed to understand the main causes of decline for KPCU prior looking at the strategies the union adopted for turnaround. The respondents identified that the main causes of the decline was as a result of structural adjustment policies such as the liberalization of the coffee subsector which introduced new coffee and marketing agents to compete with the union.

Five respondents gave responses on the causes of decline at KPCU. It was found that the decline was as a result of commitment to sunken investment, lack of performance-reward linkage of the union’s management and lack of financial support of the government. Leadership, board functioning, internal management and external changes accounted to the decline of KPCU.

The research further isolated the best responses on the causes of decline in KPCU and two best responses are presented below in reported speech;

Response 1

“Poor management was found to be the key problem. In Kenya, most agricultural extension services are overseen by the government through tiers of the farmers’ cooperatives. Most of the primary agricultural cooperatives rely heavily on state officials to work with farmers. The challenge is that the state controls the prices for the agricultural products; coffee, tea, pyrethrum which are the country’s major exports”.

Response 2

“Corporate managers commit genuine mistakes for their own subjective reasons that lead to decline”.

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Further, the human resource manager reported that the major challenges faced were the lack of autonomy in staffing of the organization. These were brought out by political interference within and without the organization especially on recruitment and selection, restructuring which were feared to lead to ineffective leadership, lack of competencies and also inadequate funding.

4.3.2 Turnaround Strategies Adopted

The major strategies adopted by KCPU according to the respondents are discussed herein. One major contributor to Kenya Planters Cooperative union problems was as a result of mismanagement and political interference which led to the union’s near collapse. As a result restructuring on the managerial level was mandatory. The restructuring strategy as highlighted by the respondents involved a restructure of the board of directors of the union. It found that new nine-member board were elected and they were to use performance improvement tools like strategic planning, customer service charter and performance contracting which so far has seen to improve marketing efforts of the union.

One of the respondents indicated that the cutback strategies for the turnaround were effective as a plan was out to settle the union’s debt. As a result the union was placed under receivership by Deloitte. The best response received from this statement was;

“During one of the union’s annual general meetings, farmers endorsed a plan to have an out-of-court settlement with KCB which will see the union get out of receivership so that it can resume business. It was fortunate that the two firms, KCB and KPCU negotiated the amount to be paid back and the bank waived the interest.”

According to the responses received, it was found that the strategies that were put in place guaranteed the successful management of the turnaround strategy. They
included; provision of funds to manage their debts, recruitment of skilled staff, capacity building and also putting in place legal framework in the organization. Other strategies put in place that ensured success was the replacement of the entire board of KPCU, drawing of a functional strategic plan and assurance of consistency on quality operations.

In order to cope with the challenge of competent staffing, the human resources department undertook better planning and optimum use of the available personnel, encouraged officers to develop their skills and competencies through training and also reviewing of the organization structure, encouraged team work, open door policy, frequent meetings and conducting of motivational talks. However, this could not be addressed at once because of the financial implication, thus it is still under progress.

The findings of this study support those of Manimala (2010) who found that successful turnaround strategies include; employee engagement, cost management, operational efficiency and corporate restructuring. Another study by Mbogo (2012), Tengku and Khairal (2011) who found out that debt restructuring was a good strategy for companies facing financial distress.

Further the findings of the study on restructuring and cost reduction as strategies that worked best for KPCU support those of Ogwobo (2012) who found that Kwale Sugar Company revamped back to life as a result of adoption of strategic reorganization, modernization and cost reduction strategies.

**Effectiveness of Strategies Adopted**

Restructuring strategies used in KPCU did not involve downsizing or workers lay off but involved changing the board members who were majorly the leaders of the
union who were seen capable of making positive changes to the organization. The effectiveness of this strategy as found out from the study was that the growth of the union realized as the union tried to recover from losses. Initially, the union experienced lack of team work, working in a suspicious environment where there was no transparency in the operations. Currently, after turnaround, the relationship between management and other employees is open and focused. A sense of team spirit, ownership and optimism prevails.

The government coming in as a rescue for the union was also another form of organizational restructuring where internal costs incurred by the organization was settled by the government. Another form of restructuring that was effective for KPCU was the restructuring that involved breaking the union into smaller independent units whereby the autonomy given to cooperatives within the local areas closer to the farmers. This presented KPCU to be the mother cooperative of all smaller cooperative in the country. The advantage of this was to increase flexibility and productivity. Further organization restructuring was done to reduce the costs of operation, costs involved in recruitment.

4.3.3 Motivation for Turnaround Strategies and Role of Managers

The main motivation towards the implementation of the turnaround strategies was mainly attributed to the desire of having a union that was represent all farmers in Kenya without fail. Another motivation was that the management did not want to be seen as failures and incompetent in running of a firm.

Managers in KPCU played various roles in seeing the turnaround strategies to be implemented are successful. The managers came up with ideas on the cutback and organizational restructuring strategies that would help KPCU in its turnaround efforts.
According to the interview results, majority of the managers organized and attended meetings with the government for purposes of pushing for funds to settle their debts in other financial institutions which was successful enough as the government allocated a sufficient budget that would cater for the same.

Further, the government as the guarantor of KPCU agreed to sign with financial institutions to advance further funding to the union for purposes of facilitating its implementation of operation back to place. It was also noted that external stakeholders, such as the farmers, other cooperative societies supported the revival of the union after realizing the commitment of the government for its turnaround.

### 4.4 Challenges faced in Implementation of Turnaround Strategies

This section presents the challenges that the management KPCU faced during the implementation of turnaround strategies.

Major challenges faced according to the respondents included the following;

Responses received from the management at KPCU indicated that politics of the national government in Kenya resulted in skewed and often bizarre changes in the turnaround strategies. Another challenge highlighted was that of inefficient leadership which saw the lack of professionalism and creativity in running of the organization. The following are some of the best sampled responses;

Response 1

“The turnaround strategies were found to have some financial implication on the union. The financial resources of the firm were weaker during the union’s survival period prior to actual bankruptcy. During the verge of collapsing the union was in so much debt thus crippling most of its strategy implementation aimed at reviving the
operation of the union. However, the government came in and provided funds which were used to clear most of its long term debts.”

Response 2

“The government ownership interfered with the operations of the unions, as much as it helped the union to seek financial support from different agencies, the government creates difficulties for survival thus the union could not enter into technical collaboration. Political interference in the management of the union severely curtailed the operations of the union. Sound management policies were done away with in favour of politically correct decisions

Response 3

“Employees carried a perception of job security, making them volatile during the implementation of strategies which they perceived would cause disruptive changes in their operation or retrenchment. Most managers in the union were not committed to the union as there was no linkage between reward and performance for employees”

These results support those of Kiveu (2013) who cited the challenges of implementation of turnaround strategies in Kenya Cooperative Creameries as to include; inefficiency in the leadership structure, lack of cash flow management, and negative culture among employees in the company and their resistance to change.

The study of Balgobin and Pandit (2001) and Walshe (2004) examined the causes of organizational failure and stated that non availability of resources, poor control systems as a result of poor leadership. Further Manimala (2000) observed that lack of effectiveness in the management of employee-employer relationship and lack of
culture building in an organization are some of the major challenges that affect the implementation of strategies.

4.5 Discussions of Findings in relation to the Theory of Leadership

It was found that the major cause of KPCU decline was as a result of poor leadership. The theory of leadership emphasizes on the importance of leaders taking initiative in strategic decisions, creating and communicating vision of future. The theory also emphasizes that poor leadership may derail companies in development and capabilities of dealing with uncertainties in future.

As discussed in the findings, this was the case of KPCU, the union lacked competent leaders thus there was no clear organizational structures, processes and controls thus sustaining the organization was curtailed. Due to the poor leadership, the management wasn’t able to implement turnaround strategies and there were no strategic alignments being introduced in the union for it to post better results and therefore its eventual decline was eminent.
CHAPTER FIVE: SUMMARY, CONCLUSIONS and RECOMMENDATIONS

5.1 Introduction
This chapter presents the discussion of the findings, conclusions and recommendations derived from the study. The study aimed to establish the turnaround strategies by Kenya Planters Cooperative Union. The presentation of the findings is done according to the objectives of the study.

5.2 Summary of Findings
The major findings of the study are as follows:

One of the objectives of the study was to establish the turn-around strategies adopted by KPCU. The study found that cutback strategies, restructuring through replacement of board of the union, were various turnaround strategies adopted by KPCU in order to revive the organization.

The managers played the role in ensuring success of KPCU through drawing of a strategic plan, ensured consistency on quality, encouraging openness in the organization and preparation of a new and better organizational strategy.

It was found that the turnaround strategy has been successful. This was because the operations were fully streamlined, viability had been realized, the union escaped privatization and the board appointed had set up a strategic plan which has been operational up until now.

The general challenges faced by the organization in the implementation of the turnaround strategy were inadequate/ineffective leadership, delay in receiving of funds as the union had so many debts that could not be settled in time.
The study also found out that Kenya Planters Cooperative Union adopted broad strategies such as operationalization of the institution through drawing up of a management structure and manning levels in line with the business and functions of the corporation and provision of funds by the government for the settlement of the huge debts and also accessing more finances for revival. Turnaround strategies of KPCU have been effective as it has stabilized the financial conditions of the firms through cost cutting and asset reducing activities. Human Resources Management and administration turnaround strategies adopted in order to support the turnaround strategy at KPCU included; recruitment selection and placement board members and other technical staff, capacity building and sourcing/provision of funds to support the Human Resources Management programmes.

The challenges faced by the finance department in the implementation of these strategies were lack of efficiency in operations, low automation levels, lack of a clear strategy, inadequate capital, resistance from the employees as people wanted to stick. The challenges faced by them Human Resources Management and Administration included interference especially on recruitment and selection by politicians, restructuring challenges, ineffective leadership, lack of competencies, inadequate funding for capacity building and inadequate manpower.

5.3 Conclusions

On the basis of the above findings, the following conclusions can be drawn:

Turnaround strategies used to revive KPCU included; drawing up of a management structure and manning levels in line with the business and functions of the corporation, provision of the funds by the government for the settlement of debts and establishment of an understanding with financial institutions.
Additionally, recruitment of new staff with the right competences, cost cutting/cost management measures, debt management and new strategic prerequisite infrastructure, operationalization of the firm in a way that is aligned to the union’s activities, objectives and vision were also some of turnaround strategies adopted.

The study also concludes that a number of challenges were faced during the implementation of turnaround strategy at KPCU. They included; ineffective leadership, employees resistance to change, lack of budget connection to specific strategic priority, limited funds to undertake adequate staffing, poor planning and non-involvement of stakeholders in the planning process.

The study also concludes that the strategy used in the union was staffing the organization with the right competencies. The union’s internal processes included policies, procedures, recruitment and selection system, and putting in place Human Resources Management policies. The only challenge was that the government could interfere so much with the hiring process thus inhibiting the placement of the right skills for various roles in the organization. It was also concluded that the motivation to turnaround KPCU aimed at helping farmers with financial and technical support which was to be achieved through strong leadership and customer service.

5.4 Recommendations

This study therefore recommends that in order to deal with the challenges faced by KPCU in the implementation of the turnaround strategy, the government should provide financial support to the union and also minimize its exercise of power especially when it comes to recruitment and placement of right competences.

Turn around strategies that involve the change of the operationalization of the union through; restructuring of policies, strategic plan should be well understood and
supported by the commission, management and the employees. It is also recommended that the proposed strategies for turnaround should be closely monitored to ensure that all are implemented and that an evaluation is also done to ensure the effectiveness of the strategies.

Additionally, having alternatives in place could also work best as it presents as an immediate course of action in case the original strategy fails. The study also recommends that the management leaders in the union should encourage team building and positive culture to ensure success of the organization.

5.5 Limitations of the study

Within the context of research proposals, the term limitation denotes the limiting conditions or restrictive weaknesses (Mugenda&Mugenda, 2003). In this study, the limitations included:

The research was limited by non-cooperating respondents as a result of lack of trust with the intention of the research. Unwillingness of the respondents to reveal information as it is on the ground would have led to poor quality of data which would have failed to address the study’s objectives. To counteract this, the researcher assured respondents of confidentiality of any information given. The researcher further assured the respondents that the study was for an academic endeavor and for policy formulating purposes and would not be traced back to them.

In addition, this research was carried out in one unit that is KPCU; there may be other issues which might potentially affect generalization of the findings. However the research design and instruments used were objective.

Other limitations included the following:

1. Insufficient time to adequately interview a larger number of respondents.
2. The use of only qualitative method without support of quantitative approach did not allow for triangulation

3. The researcher had limited research experience

4. This study focuses on one case. A number of cases may need to be looked at for one to confidently conclude that the current findings and conclusions hold true in all situations.

5.6 Areas of Further Reading

Turnaround strategies is a field that has been investigated widely in organizations that at the verge of collapsing but were revived back. However, the challenges involved during the implementation are not well emphasized. Thus, another study covering the same should be done. Another replica study can be done in the same field with a focus on companies such as BlueShield insurance company, Eveready Company, Kenya Airways among other companies whose performance were weakening.
REFERENCES


APPENDICES

Appendix I: Table Illustrating Summary of Research Gaps

Table 2.1 below provides a detailed summary of research gaps.

Table 2.1: Summary of Research Gaps

<table>
<thead>
<tr>
<th>Study</th>
<th>Focus</th>
<th>Findings</th>
<th>Research Gaps</th>
<th>Focus of the Proposed Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tengku and Khairal (2011)</td>
<td>Corporate turnaround strategies and business performance on manufacturing companies in Malaysia</td>
<td>Debt restructuring, changes in market entry and operating-asset reduction strategy contribute significantly towards business performance of turnaround companies</td>
<td>The study looked at business turnaround strategy in Malaysia companies. Thus its findings could not be assumed to be the same of current study</td>
<td>The current study was focusing on one unit of analysis, that is the KPCU to establish its specific turnaround strategies</td>
</tr>
<tr>
<td>Ogwobo (2012)</td>
<td>Strategies employed by Kwale Sugar Company to revamp back to life</td>
<td>Strategies employed by the company included financial restructuring, reorganization, strategic repositioning, modernization and asset reduction. Challenges facing turnaround strategy are; complexities, pressure of limited time,</td>
<td>The gap herein, is the same as above that is a different scope than that of the current study used to test for turnaround strategies</td>
<td>Current research was focusing on a different industry, and a union to be specific</td>
</tr>
<tr>
<td><strong>Kizito (2013)</strong></td>
<td><strong>Influence of corporate governance and turnaround strategies on performance of Uchumi supermarkets</strong></td>
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<tr>
<td>Corporate governance practices influence the success of turnaround strategies by: ability of top management teams to formulate and implement requisite strategies, experience level of length of managers, competence levels among managers.</td>
<td>Uchumi supermarkets the unit analysis in the research thus its findings could not be assumed to be the same in all other institutions. Again, the study only focused on the determinants of successful turnaround strategies.</td>
<td>The current study is examining a union’s turnaround strategy, which in this case is KPCU. Further current study was look at the turnaround strategies already adopted and success achieved as well as its significance.</td>
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<tr>
<th><strong>Kiveu (2013)</strong></th>
<th><strong>Challenges of implementation of turnaround strategy at the new Kenya cooperative creameries.</strong></th>
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<tbody>
<tr>
<td>Study found out that the New KCC management adopted a number of strategies; rehabilitation of machines and requisite infrastructure, management restructuring, provision of funds by the government. challenges faced in the implementation of turnaround strategy at New KCC were ineffective leadership, frequent breakdown of the machinery, cash flow problems, resistance to change, limited funds to undertake adequate marketing, poor planning.</td>
<td>The focus of study in a different company and a manufacturing one to be specific, thus the strategies used to revamp the business to life cannot be the same with that of a union-company.</td>
</tr>
<tr>
<td>Author</td>
<td>Title</td>
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<td>-------------</td>
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<tr>
<td>Muringi (2012)</td>
<td>Competitive Advantage Strategies in Uchumi Supermarkets, Kenya</td>
</tr>
<tr>
<td>Tan and See (2004)</td>
<td>Strategies taken in a declining Asian manufacturing industry</td>
</tr>
<tr>
<td>Mbogo (2012)</td>
<td>Turnaround strategies taken by companies that faced financial distress in Kenya</td>
</tr>
<tr>
<td>Maishanu (2006)</td>
<td>Causes of bank failures and different strategies to turn ailing banks around in Nigeria</td>
</tr>
<tr>
<td>Reference</td>
<td>Focus</td>
</tr>
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</tr>
<tr>
<td>Manimala (2011)</td>
<td>Examined strategies used in successful turnaround and compared them with those of the failed ones</td>
</tr>
<tr>
<td>Balgobin &amp; Pandit (2001) and Walshe (2004)</td>
<td>Causes of organizational behaviours.</td>
</tr>
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</table>
Appendix II: Interview Guide

- Were you present during the period of the collapse of KPCU? __________

- How many years have worked for the union? ________________

- To what extent were management strategies effective for turnaround of Kenya Planters Cooperative Union?

- What were the main causes of the decline?

- What financial implications has the turnaround had on the union?

- To what extent were restructuring strategies effective for turnaround of Kenya Planters Cooperative Union?

- How effective were cutback strategies for the turnaround of Kenya Planters Cooperative Union?

- What was your role in the union turnaround?

- What was the motivation for the turnaround strategy?

- What recommendations can you provide for any company that is looking forward to adopt turnaround strategies for survival?

- What challenges did KPCU face when implementing the turnaround strategies?

Thank you for your time!