CHALLENGES OF THE IMPLEMENTATION OF TURNAROUND STRATEGY AND COMPETITIVE ADVANTAGE OF UCHUMI SUPERMARKETS LIMITED IN KENYA

BY

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DECLARATION

I, the undersigned declare that this Research Project is my original work and has not been submitted to any other University.

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This project has been submitted with the approval of the university supervisor.

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DEDICATION

This work is dedicated to my dear mother, Jane who departed during its preparation

ABBREVIATIONS AND ACRONYMS

CEO	:	Chief Executive Officer
COO	:	Chief Operation Officer
GDP	:	Gross Domestic Product
GOK	:	Government of Kenya
IMF	:	International Monetary Fund
ISIC	:	International Standard Industrial Classification
KCB	:	Kenya Commercial Bank
PTA	:	Preferential Trade Area
ROI	:	Return on Investment
SRM	:	Specialized Receiver Manager

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The objective of the study was to determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi Supermarkets in Kenya. It explored the concept of turn around strategies, the competitive advantage and challenges bound to be experienced in implementation of turnaround strategy. This was a case study where interview guide was used to collect data from respondents. The respondents for this exercise were drawn from the heads of departments of Uchumi supermarkets. This was informed by the fact that they are the ones involved in strategic decisions. Secondary data to supplement the interview guide result was obtained from management. The study established that the retail chain had a well formulated strategic plan and excellent implementation program for its entire departments. The study also established that the business is heavily affected by competition ensuring from the liberalized economy, it is also suffering from large expansion programs it did several years back which were not based on business growth. Lack of innovative plans coupled with slow response to the modern dynamics in retail business was also established. The business is also suffering from inadequate funding and bad reputation. Internally, the business is suffering from demotivated staffs that are not sure of their future. The study recommends that the business should do work study and quantifying the output of each employee and eventually put all staff on renewal contract. The business should also consider the possibilities of renting out shelves to suppliers and outsource non-core activities. It also recommends that the stakeholders should review the objective and purpose for which this establishment was formed to justify its viability in the current dispensation.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Rapidly changing financial and market conditions have brought unique challenges to businesses, including those which were flourishing in 1990's. Modern business operation methods require management to be thoroughly familiar with signals of business performance decline to quickly offer correction to ensure that the company's long-term position does not suffer irreparable damage. Survival in today's business environment therefore requires that the management team to quickly react to changes in internal as well as external environment. This will mark the beginning of turnaround process. These processes must be specific to the turnaround situations but derive support from specific practices. The applicability of these practices however depends on prevailing environmental conditions and the firms' competitive advantage

The resource based view theory advocate for analysis of network of resources of a firm in understanding a company's strategic potential, as better place to start with as opposed to starting from external environment (Kotter, 1996). Effectiveness of market entry strategy management practices in rapidly changing environment requires competent human resource and financial capability (Wade & Hulland, 2004). According to Pearce and Robbins (1993), reduction of cost and assets of a declining business produces a positive result during the retrenchment phase. Previous studies show that improper use of debt financing has always resulted in business failure. However, Arnold (2005) recommends that debt is the cheapest source of finance for businesses in financial distress but attribute the problem experienced to interest payment which is not commensurate to business performance. This theory is thus relevant to the study because it explains how resources owned by a firm are important when it comes to implementing business strategies.

In management literature, research in turnaround strategies has received special attention (e.g., Barker & Duhaime, 1997; Hofer, 1980; Lohrke & Bedeian, 1998; Schendel, Patton, & Riggs, 1976). However, the empirical findings in turnaround strategies have not been arranged in orderly system because despite all the conceptual and accumulated studies that has been done, they have not been integrated to obtain a clear link (Nystrom & Starbuck, 1984; Pearce & Robbins, 1993).

A lot of reported recent business failures have necessitated thorough research on their financial distress. The inducement of this study derives its support from the fact that there are no convincing findings on the most appropriate theory to address the imminent financial distress of a business establishments. The study intended to investigate how change in management, Debt restructuring, management restructuring and corporate restructuring as pillars of strategic business turnaround factors affected the performance of Uchumi supermarkets Limited.

Uchumi supermarkets are among businesses which have had severe cases of financial distress in Kenya. Others are Nakumatt supermarkets, Telkom Kenya, EAPI among others. These firms handled the business decline in different ways such as disposing off some assets, limiting capital spending, issuing bond, bargaining on debts with banks and creditors and substituting some liabilities for equity. Uchumi supermarkets ltd, a Kenyan public company in retail business has been experiencing the performance decline despite all the effort employed by the government to revive it. In Strategic management it is believed that if competitive advantage and capabilities of such kind of businesses are increased, they can survive and eventually recover (Pearce II and Robinson Jr, 2002). Turnarounds are type of strategies required in cases where firms worth rescuing go into crisis when they are experiencing drastic performance decline, (Thompson and Strickland, 2003). This study explored the challenges experienced from the resource based approach, in implementations of turnaround strategies and competitive advantage of this retail chain.

1.1.1 Concept of Turnaround Strategy

Strategy is carefully thought out course by the management for running business and conducting its operations, Thompson et al (2010). Ingredients of successful business strategies revolve around having clear goals that are simple, consistent and long term. There must be a focus on direction with a clear understanding of how to manoeuvre into a position of advantage. It is also important to have a profound understanding of the competitive environment you are operating in and objective appraisal of resources available and indeed capitalize on your competitive advantage. A firm therefore must develop new competences, either by combinations of resources which already exist or by developing new ones. The process forms the integral component of strategic management because customers' needs change over time.

Continuos assessment of the extent to which its competences are contributing is necessary. A firm's competitive advantage can only be enhanced if the opportunities are recognized as they appear but with clear direction and necessary flexibility of their exploitation. What integrates strategies is their successful implementation. Most struggling businesses will often discover when it is too late that they lack internal expertise. Though firms may be equipped with a lot of knowledge about its operations, they are often incapacitated in terms harnessing and indeed exploiting the knowledge and capabilities to promote and implement new organisational programs (Finklin, 1985). Seeking external expertise and retrenchment are the most common approach by most businesses to provide and lead the turnaround processes.

A change in top management is almost inevitable for a successful turnaround strategy. Johnson et al, (2005) explains the reason for demanding these changes is because the stakeholders may attribute the problems experienced to have emanated from the old management team's omission or commission and therefore they cannot offer any appreciable meaningful change. The changes in management may range from introduction of a new chairman or CEO, marketing, sales, finance or even the board for credibility and objectivity purposes.

1.1.2 Implementation of Turnaround Strategy

Turnaround strategies are a series of activities with long term implication acting as directive and actions plans for reversal of performance of firm which was in decline. Indeed it is a financial improvement of a company from a long period of financial distress. Researcher and most managers believe that any organisational decline is reversible. (Chowdhury & Lang, 1993; Porter, 1995). Some particular strategies have been advanced in the study of turnaround strategies to assist firms keep up with problems experienced during the period when businesses are facing severe decline, to help them recover (Chowdhury, 2002). Efforts employed by a company during turnaround must incorporate management changes and develop and implement problem solving strategy. The company must acknowledge that there is a problem and identify it. Turnaround is a holistic process, from understanding internal as well as turbulent external environment (Johnson and Scholes,2004), to developing strategy, to getting that strategy implemented, to understanding future performance and whether or not this is acceptable.

A firm that is experiencing financial challenges may be exposed to various turnaround options but selecting the best option will depend on its appropriateness or the expected outcome or both. Beside supporting the strategic planning process and developing strategy, the CEO must both manage today and be the architect of change for tomorrow. They must both be inductive and deductive; intuitive and analytical; incremental and revolutionary. The role played by the chief executive is crucial in any successful turnaround, Khandwalla, (2001). They progressively simulate strategic reasoning throughout the business, giving desired effect on their private time and effort by working through people, systems and processes. In drafting a corporate turnaround strategy, a calculated, methodical approach is required and this begins by analysing the problem and scrutinizing financial reports to ascertain why the company is not executing its plans. Problem must be identified at this stage. A strategic direction to improve overall performance should then be developed and changes incorporated into the company's strategic plan.

Specific tactics to achieve the goal must then be developed once the strategy is established and transformed to specific productivity improvements. In turnaround process, dissemination of the business plan through communication to the entire staff is necessary before implementation so that they can understand the importance of their individual contribution to improvement of company stability. A key consideration in product or market expansion is determined by whether synergy within the company business environment can be created (Aaker 1998).

1.1.3 Competitive Advantage

Competitive advantage in a business comes as a result of implementing unique value creating strategies not being carried out by other competitors in the same commercial enterprise. It is important for a firm to identify its capabilities and competences that cannot easily be imitated by its' competitors. These competences govern the long term dynamics and firms' potential since they are continuous strategic investments. In an organisation, core competencies are considered to be a collection of learning activities which mostly link various production skills and integrate multiple streams of technology, Prahalad and Hamel (1990). This explains why an entrant with new and unrelated businesses succeeds if it possesses these skills in its different product lines in a field where there are several strong competitors.

The resource-based view theory emphasize the fact that firms gain and sustain competitive advantage by deploying valuable resources and capabilities that are inelastic in supply (Barney, 1986). Any research undertaken on business performance amidst competition will consider resources and capabilities as its competitive potential which will deserve study. Business processes must therefore be considered as dependent variable in the research and therefore their effectiveness needs to be adopted. Porter (1991) argued that the importance of resources and their value can only be realized if activities and business processes are performed using them.

Understanding sources of sustained competitive advantage of firms has become a major area of research in the field of strategic management (Porter, 1985). Since 1960's a single organisation framework has been used to structure much of this research (Ansoff, 1965). It suggests that firms needs to implement strategies that will harness their internal capabilities by exploiting them but at the same time responding to environmental threat and opportunities. They should neutralize threats from outside and avoid internal weaknesses. Most research on sustained competitive advantage have focussed on either, by isolating a firms opportunities and threats (Porter, 1980, 1985).

1.1.4 Challenges of the Implementation of Turnaround Strategy and Competitive Advantage

One way to gain quick access to needed expertise is by drawing on external sources, such as external appointments or management consultants (Astrachan &Astrachan, 1996; Levinson, 1996). These external sources of expertise may either provide needed know-how directly or support organizational learning processes (Hargadon & Sutton, 1997). The challenge posed by employing the services of external experts is to integrate the new thinking with existing management processes. At the initial stage, strategy adopted will have to balance out the retention of the top management or replace them since research finds that incumbent managers are less motivated to engage in turnaround strategies (Ford, 1985; Ford & Baucus, 1987). But then we should also consider that top managers become the change agents to reverse organization decline.

Turnaround strategist who offers a complete package as the organisational leader with entrepreneurial instincts, hands on experience with interviewing and negotiation skill is likely to attract high fee structure, incentives and other performance that may not be commensurate with the business performance, this needs to be taken in to consideration to avoid a situation where of trading one set of problems for another.

Even if the current expenditure of refinancing failed businesses and servicing their debts are carried out, the cost of servicing the debts will inevitably be a major drag on the future economic growth and this might contribute immensely to turnaround strategies developed. Therefore the resources injected in to these failed firms must be adequate and appropriate for complete and correct implementation of turnaround strategies. Turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholders support (Arogaswamy, Barker & Yasai-Ardekani, 1995).

In business strategy formulation there will be deliberate effort by the stakeholders to have all activities coordinated and implemented in strategic planning but financial control department will always offer little cooperation as they avoid being reactive. In strategic planning, primary targets with medium to long term time horizon will be considered for implementation but there is bound to be frustration because financial estimates demands that annual targets for ROI and other monetary variables monitored monthly or on other pre-set period. This implies that normal business operation procedures may be interfered with and this could pose some challenges in control systems. Perhaps this can be overcome by creating an alternative temporary structure dedicated to crisis management (LG Electronics 2008) but this beside its financial implication will come with other complications of coordination.

When battling for survival many of the conventional indicators such as earning per share loose relevance. Standard indicators of solvency- debt/equity, excess of assets over liabilities, current ratio- take second place to indicators of liquidity such as cash reserves and free cash flow. It is essential to have contingency plan when operating in a situation where cash flow is not guaranteed. This will entail considering if the suppliers will lengthen payment interval, what nonbank sources of credit are available and which assets can be traded off.

The notion that business enterprise is a social establishment which must identify itself with the goals and objectives of society, has been approved by several leading management scholars, including Peter Drucker, Charles Hardy and Summatra Ghoshal. This means that when values and orientation of society are transforming, so must the strategies and observable activities of companies. Seeking to embrace the concerns of society presents the challenge of identifying what in a society are characterized by diversity and rapid change.

The economic crisis may likely constrain management time horizons for already struggling business. Depending on the extent of downturn, firms are likely to focus more of their energies on surviving the present. The danger, however is that companies may undermine their future competitiveness in their effort to retrench to secure survival for example by cutting back investments in assets and people. In making investment plans to prepare for the next turnaround, major challenge will be to safeguard the core business capabilities and managing a downturn at the same time. Organisations today are seen as less and less stable and enduring institutions and more as work in progress subject to continuing and continuous change, (Blumes, 2004).

1.1.5 Supermarkets Chains in Kenya

Supermarkets are retail trade defined by the ISIC as the res-ale (sale without transformation) of new and used goods to the general public for personal or household consumption or utilization. Supermarket chains in Kenya stock food, drinks, clothes, furniture, fitness equipment, cutlery, crockery and stationery. Some chains have in-store bakeries for fresh snacks and bread while others house drugs stores, butcheries and mobile phones stores.

There has been a rapid increase of a number of supermarkets in Kenya. Proliferation of these large retail stores has brought with it more brands, better quality, affordable prices and a variety of services to customers as well as competition. The supermarkets have responded by upgrading their operations to meet the growing demands of the market. In the year 2006, the focus of Kenya`s development blueprint however shifted to a long term highly ambitious Vision 2030 programs in which the wholesale and retail trade sector was projected as moving towards a formal sector that is efficient, multi-tiered diversified in product range and innovation, (GOK, 2013).

The major supermarkets chains in Kenya include Nakumatt, Uchumi, Tuskys and Naivas whose outlets are concentrated on major towns such as Nairobi, Mombasa, Nakuru, Kisumu and Eldoret. Choppies, a leading retailer in Botswana has since acquired Ukwala supermarkets in Kenya. French giant retailer, Carrefour opened its doors in leafy Karen suburb of Nairobi recently. Its main target is the middle class families. Walmart through Massmart, its South African subsidiary opened a branch at the Garden City Mall in Nairobi also targeting the growing wealthy class of shoppers.

1.1.6 Uchumi Supermarkets Ltd

Uchumi Supermarkets Ltd. is a Kenyan retail business company dealing in supermarkets operation. It was established in 1976 and in 2006, Uchumi was placed under receivership over some Kshs. 2.2 billion ($ 22 million) it owed to suppliers, KCB and PTA banks. This was caused by poor internal control systems and unnecessary business expansion activities. What followed was suspension of its shares from trading at the Kenyan bourse after it closed its branches leading to a loss of Kshs. 1.2 billion ($ 12 million) in 2005. In an effort to revive it, the government injected in it Kshs. 675 million ($ 6.7 million).

Operations at Uchumi commenced on 15th July 2006 under SRM on temporary basis following an agreement between the suppliers, debenture holders and the government of Kenya. Indeed the agreement resulted in some appreciable improvement that by the end of 2008 financial year, it made a profit of Kshs. 106 million against Kshs. 275 million losses the previous year. This meant that Kshs. 356 million was made in the first turnaround. On 31st May 2011, the company was listed again in the Nairobi Securities Exchange but this was after the lending banks lifted the receivership order. Suppliers agreed to convert their debts into shares and the government agreed to facilitate the bailout, Uchumi recovered.

The turnaround proved to have been temporary though, after showing success and even paying dividend in the year 2013. By the end of 2014, Uchumi was struggling to stay afloat and insolvency was imminent. This was found to have resulted from stiff competition in the retail business coupled with apathy on its rights issue and it thus led to delay in payment to suppliers and a higher growth of its debt portfolio. Management even failed to account for the money which to used for refurbishment.

In June 2015, the board sent the CEO and the chief finance officer packing for "gross misconduct and gross negligence. In august the same year, Uchumi supermarkets hired Dr. Julius Kipng'etich who was the chief operating officer of Equity bank as its CEO. He is credited with turning around the KWS, a state corporation during his leadership there and that heavily influenced the board's choice.

1.2 Research Problem

The rough business terrain accompanied by other environmental uncertainties has made the subject of turnaround strategy to receive significant attention from scholars in different areas of strategic management. It has also been a major concern of business practitioners in organisations which believes in utilizing any available resources besides exploiting its competitive advantage to recover. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the country's economy at large (Naser, and Moktar, 2004). Hofer (1986) observed and concluded that business decline or poor performance at one time visits even most successful firms in their operation history.

Several studies have been carried on implementation of turnaround Strategies by several scholars but in different context, Situma,(2006) did a study on the Turnaround strategy adopted at KCB, Ngaruiya(2007) focused on the Implementation of a Turnaround strategy at Morison Engineering Limited, Cater and Schwab, (2008) studied Turnaround strategies in established small firms and Kiarie, (2009) did a study on the Turnaround strategies adopted by Uchumi Supermarket Limited under receivership. However these studies focused mainly on the implementation on Turnaround strategy but they all had case study as their research design. This is also a case study but it has analysed challenges experienced in implementation of turnaround strategy in relation to the retail chain's resources and capabilities as its competitive advantage.

According to Vision 2030, the medium term goal of Wholesale and retail trade is to inject additional Kshs. 50 billion in GDP and increase formal market (supermarkets) share from 5 to 30 per cent (GOK, 2013). It is therefore imperative that the sector possesses the requisite capabilities to be able to deliver. This can only happen when individual medium and large Supermarkets are involved as stakeholders.

In the retail sector they grow individually but their growth contributes to that of the entire market. According to Pearce and Robinson (1997), focus should be on key success factors that identify the performance areas that are of great importance in implementation of the company's strategies and must therefore receive continuous attention from the management. However, this does not seem to happen and the major retail chains in Kenya are all experiencing financial decline.

It is evidently clear that performance of Uchumi supermarket had not improved despite implementation of turnaround strategies. The motivation of this study was derived from the argument that there is no conclusive agreement on the most appropriate turnaround strategies on the cases which have been document on this retail chain. This in essence meant that there was knowledge gap that required comprehensive research to be conducted, including other factors on why this business is declining in performance. In filling the gaps identified, this study answers the research question: What were the unique challenges encountered in the implementation of turnaround strategy and competitive advantage at Uchumi supermarkets limited in Kenya?

1.3 Research Objectives

The objective of the study was to;

Determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi Supermarkets in Kenya.

1.4 Value of the Study

The study is important in analysing extend of effectiveness of the intervention of the government and other stakeholders in implementation of the recovery plan of Uchumi supermarkets. It is threfore of help to policy makers to formulate policies which promote growth of retail businesses. Any prior research done on Uchumi Supermarket has been improved by developing a provable grounded model that outlines how the challenges of implementation of turnaround strategies are affected by specific identifiable important contingency factors. Focussing on the turnaround strategies has brought up essential point from which development of more understandable theoretical framework of turnaround strategies for retail business can commence.

The findings can also assist Uchumi as a business to establish factors which hinders its performance in the course of implementation of its turnaround strategies and this can be used to justify their request for relevant resources. This study has provided a contribution to the scholarly dialogue concerning supermarkets operational challenges that are unique to Kenyan environment. Researchers who may in future want to enhance or improve their argument may benefit in the findings of this study.

Evidently, business performance decline is no longer a unique experience. What is important is mitigating factors employed and at what stage to have the turnaround. This study derived its motivation from the arguments that there are no exhaustive findings on which appropriate strategies to adopt in order to revive businesses in financial distress and in case they are there, their successful implementation form a big challenge. This study has also concentrated on important resourses of Uchumi supermarkets Ltd and their capabilities as its competitive advantage. These are organisation's contingencies which are critical and influential in recovery strategies taking in to consideration the prevailing external factors influencing the recovery strategies as challenges in their implementation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Beside strategy, there are other non-strategy factors which influence performance of turnaround in companies, or somewhat influence strategy performance relationship of turnaround companies (Hofer, et al 2000). Research indicates that when management formulates and implement informed turnaround strategies, their firms can turnaround even when facing declining environment munificence, increasing environment dynamism, escalating internal problems or limited slack resources (Pearce and Robinson 2005, Barker and Dahaime 2004).

In some cases, the external environmental factors may be focussed on, as opposed to internal but what is important is to consider how appropriate, innovate and effective they are to assist in recovery phase of the turnaround process. The biggest task a firm may be faced with is how much resources are at its disposal to enable it develop a viable business strategy to enable it participate competitively in an industry and their cost effectiveness. To achieve a successful turnaround, top management team must first arrest a firm's decline and select most suitable strategy for recovery (Slatter, 2004). This requires stabilizing internal operations and making them more efficient.

This chapter provides a framework for discussion on revival of a declining business. It explores the concept of resource base theory in its theoretical foundation with respect to the study and explicitly analyses implementation of turnaround strategy in organisations. Empirical review of prior studies is covered in section three. Studies on debt restructuring, management restructuring, corporate restructuring, and change management are comprehensively analysed to identify the knowledge gaps in implementing turnaround strategies. It ends with a paragraph which is a brief summary of the chapter.

2.2 Theoretical Foundation

A business whose profitability is greater than average profitability of other competitors operating in the same industry and competing for the same customers can be said to have competitive advantage over its rivals (Hill and Jones, 2012). This study was guided by resource based theory in the analysis of the strategies adopted to achieve competitive advantage of an organisation.

The theory stipulates that what make a firm to have superior performance which are long term in nature are the resources that are in its possession. Managing these resources is likely to involve: Clear strategic direction which will come from the externally sourced management consultant, multiple style of change management, debt restructuring among others. Skills possessed by top management and even inventory capacity are of no use if they are not focused on activities and processes of the firm. And there is relatively little research that identifies such specifics or how they can be managed, Priem and Buttler (2001). So that we can concentrate only on important and necessary details, it is important to identify and isolate driving factors which in this study were considered as those that offer challenge to implementation of turnaround strategy to improve profitability of ailing retail chain.

Differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics (Crooks, 2008). Resource analysis enables one to understand the potential of a company to create a competitive advantage as opposed to valuing its assets. Once information on the company's tangible resources is available, the task ahead will be how to improve their values. This involve finding out what opportunities exist for economizing on their use which will lead to low overheads and also the possibilities for employing existing assets profitably. Finally it is important to identify, appraise and deploy firms existing human resource and capabilities so that the business remains with lean and possibly versatile staff.

Barney (1991) developed a theory based on assumptions that firms competing within a particular industry are heterogeneous in terms of resources they possess and that they are not movable across firms. Resources such as adequate finance and competent human resources are crucial for the effectiveness of market entry strategy management practices in a rapidly changing environment (Wade & Hulland, 2004).

Successful business improvement programs which lead to competitive advantage and therefore improve profitability can be influenced by availability of enough financial resource coupled with human resource equipped with requisite skill. This theory was also relevant to the study as it gave lead on how resources at a firm's disposal can be harnessed to achieve a competitive advantage.

2.3 Implementation of Turnaround Strategy in Organisations

The Turnaround Implementation is a process that begins by first categorizing whether the cause is as a result of external or internal factors leading to a firm's performance decline. The nature of turnaround to be exercised will therefore depend on the industry in question and the magnitude of the performance decline exhibited. Noble (1999) looks at strategy implementation from a people perspective and argues that implementation is a multi-faceted, complex process defined as the communication, interpretation, adoption and enactment of strategic plans. Business turnaround process is accomplished through a two stages.

The initial stage focuses on attainment of positive cash flow as primary objective for survival. This involves immediate action that will result in arresting financial haemorrhage and consequently give a clear activity plan to improve operations. These are basic retrenchment activities which include downsizing the workforce beside liquidation and even divestment if possible. Retrenchment strategies are also associated with cost cutting activities that include asset reduction but capitalizing on revenue generating ventures. It must be emphasized that revenue generation strategy entails increased capacity utilization and also increased productivity through human resource with requisite skill. Successful retrenchment process should be a precursor to second stage of turnaround as it acts a base from which the process will be launched. (Robbins and Pearce, 1992) found that the severity of turnaround situation was the best indicator of the type and extent of retrenchment needed. Many firms that have achieved a reversal of financial or competitive decline inevitably refer to the presence of retrenchment as the precursor or preclude to the implementation of a successful recovery strategy (Bibeault, 1982; Finkin, 1985; Goodman, 1982; Hall, 1980).

The second phase involves a return-to -growth or recovery stage (Bilbeault, 1982; Goodman, 1982). The turnaround process now moves from retrenchment towards business development and growth of market share in achieving business objectives, several activities including marketing, new product development, acquisitions and even rebranding are carried out. The importance of the second stage in the turnaround situation is underscored by the fact that primary causes of the turnaround situation have been associated with this phase of the turnaround process- the recovery response (Hofer, 1980; Schendel et al.1976).

Revenue driven reorganisation of business assets are turnaround strategies that have been used on reviving firms that faced performance decline as a result of external factors. On the contrary, firms whose decline resulted from internal factors, the achievement of the turnaround has mostly been attributed to recovery responses that were inclined towards efficient maintenance strategies. Success of a recovery process is measured by economic indicators that show that a firm has regained its status as it were before the downturn. Hofer (1980) conceptualized a link between severity of the downturn and the degree of cost and asset reduction that a firm should include in its recovery response.

2.4 Empirical Studies and Knowledge gaps

According to Ooghe and Prijcker (2008), inappropriate management qualities and skills are a threat to firm's survival and are therefore often linked to failure. Management incompetence is the predominant cause of the failure in organizations. Kotler (2000) observed that organizational success factors arise from the core competences that an organization develops and nurture over time and are source of competitive advantage. Studies done by muchira (2013) on change management by Uchumi supermarkets ltd in Kenya found that success of these firms depend on key success factor which involve effective implementation of change strategy and this can only be carried out by external consultant. A study by (Kiarie, 2009) examined the turnaround strategies adopted by Uchumi supermarkets Ltd: Under receivership, found that the change in top management had a significant performance improvement in the business. But she explains that her study was carried out with the help of predetermined questions which would have limited the respondents from freely expressing their views. The study was carried out within a short time and with limited resources. This constrained the scope as well as the depth of the research.

Debt restructuring may be the first area to begin the turnaround process of a business highly indebted. Negotiation with creditors and other parties may be the best solutions for company which is not in a position to honour its financial obligation. This is an out of court strategy that a firm can employ to avoid legal proceedings. Studies done by Azman S and Muthalid U (2003) on the effect of debt restructuring scheme on the firms' capital structures and performance of Malaysian firms found that the scheme did not greatly improve the companies' capital structures.

It however made substantial improvements in companies' financial performances. For Uchumi supermarkets Limited, any sign of improvement of financial performance would be the beginning of the turnaround process. Negotiation with creditors on payment mode, floating new shares for the public for new subscription and changing debt to equity would act as major ingredients to debt restructuring strategy assuming all other factors including sales improve.

Management restructuring involves retrenchment and devising new method of operation which includes employing the services of versatile staff. A study by (Kimutai, 2010) on the challenges of implementation of turnaround strategies at Telkom Kenya Limited found that retrenchment process indeed did not produce a positive outcome, competent and experience employees left the company through voluntary early retirement. Lost skills therefore retarded the implementation of the turnaround strategies. But empirical studies offer mixed results. Many firms that eventually reversed financial or performance decline consider retrenchment as inevitable and act as a prerequisite or prelude to the implementation of a successful recovery strategy, (Bibeault, 1982; Finkin, 1985). Generally, cost retrenchment will aid in retaining remaining firm's resources. But (Robbins and Pearce, 1992) presented a model of turnaround based on evidence that business turnaround characteristically involved a multi-stage process in which retrenchment could serve as either a grand or operating strategy. Palliam and Shalhoub (2002) stated how workforce reduction plays an important role in the alignment and pursuit of strategies of corporations. Thus, they acknowledged the integrative role of downsizing and its relation to strategic planning and goal making as a methodological restructuring process.

Corporate restructuring involves cost cutting in capital expenditure and control of financial expenses. In retail business, it also includes closing loosing branches and strategic opening of new ones and centralizing some common activities. There is a strong relationship between corporate restructuring and long term profitability in a firm. Corporate restructuring if well executed will yield positive results which may include increase in market shares and appreciable cost reduction. Sudarsanam and Lai (2001) refer to operating asset reduction strategies as those that involve business unit level sales, closures, integration of surplus fixed assets such as plant and equipment and reduction in short term assets such as inventory and debtors.

The danger in cutting cost to secure survival and indeed cutting back investments will eventually undermine a firm's future competitiveness. Indeed the resource based view theory advocates for use of the firm's resources to achieve competitive advantage that lead to superior long term performance. Related Studies done by Situma (2006), Kiarie (2009), and Machira (2013) found out that several turnaround strategies are required for an ailing firm. The studies were however limited in that they did not address the factors that influence the outcome of turnaround in corporate restructuring. A research gap emanates from lack of determination of the effect of cost reduction in capital expenditure on turnaround strategies

The success of the revival of the retail chain will be determined by how the resources and capabilities of this business are harnessed to improve profitability and its competitive advantage. However the external factors such as competition may pose a challenge to the implementation of turnaround strategies envisaged. Adequate resources for any turnaround process may be necessary and this could affect completion of all the planned activities. Economic factors should be considered a constant for all businesses in a competing industry, as it may pose a challenge to a firm which was in financial distress but is on revival state. It is now clear that most of the studies concentrated on bailing out of failing enterprises with no specific study on capitalizing on the firm's competitive advantage to improve performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is explicit on the methodology used to conduct the study. It specifies the research design, data collection method and how analysis of the data was done. It indicates the general pattern for organising the procedure for the empirical study together with the method of obtaining reliable data for research. It also identifies the respondents and the type of data collected. Case study approach method which allows the researcher to recognize the connection to the phenomena under investigation was used in this study.

The method of collecting information was through personal interview carried out in a structured way. The interview involved a set of predetermined questions structured in a prescribed procedure laid down. This method had an advantage in that the interviewer had control of the respondents and one on one discussion was held. Supplementary information about the respondent's personal characteristics, feelings and perception were also collected and this proved to be of great value especially when it came to interpretion of results obtained.

In data collection, the schedule of interview were either filled by the researcher or the interviewee and the interpretation of questions where necessary were made. Content analysis which is the method used for analysing the contents of documentary materials availed to the interviewer, supplemented the primary data obtained in the interview. Analysis, of the contents of research articles that have been published in this area of study were also reviewed.

3.2 Research Design

According to Saunders et al, (2007), research design is a scheme that specifies how to respond to research questions. This study used case study design because the unit of analysis is one organisation. It is the most appropriate since it is powerful for intensive investigation of a particular unit or situation (Kothari, 2008).The case study enabled the researcher to conduct an in-depth investigation of challenges experienced in implementation of turnaround strategy and competitive advantage at Uchumi supermarkets in Kenya.

Even though it may not give a complete answer, case study will always give some indications and allow further elaboration and hypothesis creation on a subject. This is qualitative research method which involved content analysis where issues emerging from the key open ended questions were be clustered into thematic areas after which interpretation and conclusion was made. This evaluation had the advantage of getting general and necessary information available to the insiders including nonfinancial. Approaches based only on financial measures are often limited to “creative” accounting practices, orientation on the past and inaccurate accounting information (Agenti, 1976) .

This study confined itself to Uchumi supermarkets Headquaters in Nairobi, as it is where you would find the senior managers. The respondents were only drawn from senior management staff because the study involve only decision makers though the actual implementation will have to be cascaded down. Other recent studies in Kenya (Situma 2006, Ngaruiya, 2007 and Matundura 2008) successfully used similar research design.

3.3 Data Collection

The purpose of this case study design was to collect in depth information through respondent on turnaround strategies adopted at Uchumi supermarket Limited to improve its performance. Face to face interview was to be done with the CEO but through delegated authority, it was carried out with the heads of departments who proved to be very useful in availing the primary data for the study. Seconday data was obtained from the company records, journals and magazines, including relevants financial reports.

Data collection methods for primary data comprised interview guided by the objectives of the study. It consisted of open ended questions which assisted the reasearcher obtain information about the opinion, perceptions, views attitude and even feeling of the respondents. Respondents who comprised of management staff interviewed proved to have had good background of the retail chain. Primary data is data observed or collected directly from first-hand experience (Davies, 2002). This data collection method proved to be suitable because the researcher had personal contact with the respodents and was assured of accuracy and completeness of the data collected. It was also economical and was done within a short limited time frame.

Secondary data was obtained from firm records, reports, publications (magazines and books). Analysis of the data was done and used to supplement the primary data. The research thus followed established data collection practice with the aim to contribute to the studies that have been carried out in retail business research that are facing operation challenges to advance theory based on case studies.

3.4 Data Analysis

Data analysis is a process of gathering, modelling and transformation of data with the goal of highlighting useful information, suggesting conclusions and supporting decision making, (Ader, 2008). The data collected may be edited to ensure that it is accurate and consistent with other facts gathered. The raw form may look unrecognizable and nearly meaningless without processing, but it may also be in a form that some can interpret (Davies, 2002). Data collected was mainly qualitative in nature and therefore it was necessary to do content analysis.

The method is preferred for data analysis because it does not restrict the respondent on answers. This method can be used to persuade or even manipulate the respondent to provide classified information on challenges of implementation of turnaround strategies and competitive advantage at Uchumi supermarkets Ltd. Frequently mentioned words were noted and utilized. This is with assumption that words that are of greatest concern will always be mentioned most often..

Use of this method in data analysis can also be justified in that some challenges experienced may be difficult to quantify from empirical studies which have been done. Sets of dominant ideas and group of thoughts and phrases that constituted several responses werel also analysed. They were further developed into the model of study for turnaround strategy. Finally the result and findings obtained together with the recommendation will be shared with top management.

CHAPTER FOUR: DATA ANALYSIS, RESULT AND DISCUSSION

4.1 Introduction

This study intended to determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi supermarkets in Kenya. This chapter therefore focuses in strategies employed in Change management, debt restructuring, management restructuring and corporate restructuring. It finalizes by analysing the challenges encountered in implementation of these strategies.

The researcher obtained the primary data by administration of interview guide in carrying out a study at Uchumi supermarkets headquarters, targeting the CEO as the main respondent. The respondents, through delegated authority of the CEO were the most senior staff involved in decision making in the business comprising of head of Finance, Corporate Sales, Marketing, Logistics, Information technology, Human resource and Business Development. The researcher managed to interview all except the head of Human resource. The response rate was therefore 83% which according to Kothari, (2003), Babbie, (2004) is above the acceptable limit for analysis.

This chapter presents the finding of the study as well as the analysis of the primary and secondary data obtained. The secondary data was extracted from the journals, magazines and general information of prior research findings on the business operations. The findings were interpreted to obtain meaningful information and together with the data collected, integrated to assist the researcher to answer the research question and come up with appropriate conclusion.

4.2 Turnaround Strategies

Although the retailer has sold parcels of land including the building which used to house Ngong road branch and also the lang'ata branch, closed stores, sacked 2,230 workers and received a shs 500 million loan from treasury in their turnaround program, the hole is still very deep. Initially, management were grappling with shs 1billion as the amount the retail chain owes suppliers according to their books. But recent revealations put a figure of Shs 3.5 billion owed to suppliers and a further 2.5 billion to the banks which predicts a bumpy journey in its recovery plan with turnaround strategies put in place.

Employees were of the opinion that there wil be no miracle from the CEO and his group to reverse the downturn of this business. Treasury has also yet to decide whether the retailer deserves additional Shs 1 billion. The CEO, however believes that if they can raise shs 1billion from the Government and atleast Shs 3.5 billion from potential investors, then all their strategies will be effected. Several matters also emerged that employess have not been receiving their salaries in good time. This had nessesitated the management, union officials and other stakehoders to peg salaries on daily sales for some time.

Despite all in the public domain, there is light at the end of the tunnel according to the management of Uchumi supermarkets. The researcher obtained a very optimistic picture that recapitalisation of the retail chain was imminent. This capitalization will allow the business to restock their outlets and redevelop their customer base. There is however delay from the government in effecting this but management is already laying out new strategies for the business. This assurance therefore give impetus to the researcher to look at the specific areas of the study which are directly involved in turnaround strategies at Uchumi supermarkets ltd.

The respondents were asked questions on management change and their honest opinion on how this has impacted on business operations. From their responses, it was not very clear whether change in management made any significant change in their operation. They however attributed their performance decline to have resulted from historical and mostly external factors. Their unanimous view was the competition and liberalization of the retail business in Kenya. The management change was also pointed out to have brought with it a new way of doing things which are positive attributes to the business operation.

The most recent appointment was of former Nakumatt chief marketing officer, Mr. Dixon Andrews who joined Uchumi supermarkets as the new chief operating officer. Dixon joined Uchumi at a time when it is transitioning through a series of financial challenges which have led to stock outs in several branches across the country as well as late payment of staff salaries.

Dixon is a retail veteran with over thirty years' experience and has been credited with developing some of Tesco leading initiatives over the last twenty years. Employment of Dixon is a strategic decision which is intended to help Uchumi to get back to its feet. The effect of change resulting from joining of Andrew Dixon as chief operating officer is yet to be felt. Though change management has been credited by Uchumi to made some significant operational improvement, Dixons' magic is yet to make impact in this environment which also claims to depend on bail out. Dixon however left Nakumatt at a time when the retail chain was facing financial problems which has led to closure of a number of branches across the country but this could be an attribute which Uchumi might benefit from if lessons learnt at Nakumatt could be utilized to save this retail chain or possibly reduced it downturn speed.

Management change resulted in more versatile staff who exhibited high level of competence. It was clear that the remuneration of the retained staff after retrenchment at this retail chain was not commensurate with the business performance. This therefore meant that there is no motivation for doing anything extra-ordinary apart from normal routine work. The board of directors were found to be very competent group with very clear understanding of the direction the business is supposed to go but with limited option unless more funding is injected in the business. After involving external consultants and the current CEO, any new employee is sourced competitively by open advertisement or head hunting and this has brought with it very competent staff . The biggest challenge is retaining this calibre of staff at the market rate when the business is on the performance decline. The current business position has also taken toll on several human resource development courses such that trainings and other short programmes have to be suspended.

The management change seems to be work in progress at Uchumi supermarkets as some employees are not in their areas of specialization though there is a program to achieve this. There is no award scheme for the employees in this retail chain but there is a plan to have one in the event that business shows some signs of improvements. All the respondents agreed that the retail chain does not advocate for working overtime since all their operations are carried out within normal business operating hours. This clearly means that there are no un-serviced orders and it also signifies low activities. Also out-sourcing non core activities may improve the operations by relieving staff more duties.

Respondent pointed out several areas where the business has done some cost cutting activities. There has not been expenditure on capital projects for some years and it might not be captured in their budget in their near future. Uchumi apparently has outsourced very few activities and this is an area which they will want to work on in the near future. Several branches which have not been exhibiting appreciable improvement have also been closed in their effort to fulfil corporate restructuring programs.

The business has however tried to centralize its common activities and the branches are not operating as strategic business unit. Most operational work are done at the headquarters with branches left to sell and collect cash. These branches have however been performing poorly. Most of the branches which were identified to be extreme liabilities with no sign of improvement envisaged, have been closed. For a long time, there has not been any plan of opening new branches. There are new entrants in the retail business who see opportunities and open new branches as strategic undertaking but Uchumi does not consider this in their business plan. The retail chain prefers to concentrate on the few and reducing number of branches to maintain or improve book balance. The respondents stated categorically that there has not been any negotiation with any other businesses on possibility of acquisition. Perhaps this is informed by the fact that it is government parastatal and this can only be discussed in other forums beside parliament. It can also be explained from the fact that any serious investor will only inject fund and acquire a business whose prospects are promising.

According to the new chief operating officer the priority in Uchumi's business plan is to restock its outlets upon receipt of fresh capital in a bid to reclaim the retail chain's brand. He also believes that recapitalization of the business will help him motivate his employees who have on several occasion had their salaries delayed for months. Uchumi which is itself loss-making and struggling to stay afloat will now be relying on the new chief operating officer's expertise to help turn around its business as management chases a shs. 3.5 billion capital injection from an unnamed investor. Though tribulations of Uchumi have been in public domain for some time, all the respondents confirmed that the business has not agreed with any creditor on the payment mode. They however pointed out to the fact that considerable effort has been put to have this in place.

The journals and other information obtained as secondary data paints a picture of having had some kind of payment agreement with suppliers some years back but the retail chain defaulted. On how the business is handling the out of stock situation, the respondents indicated that this is an area where a lot of negotiations are being carried out and no appreciable result has been obtained. The suppliers seem to be reluctant.

As much as the shareholder would have liked to float shares, there is no plan in the near future to do so unless the business shows signs of recovery at least as far as the general public is concerned. Uchumi has however disposed some physical asset such as the building at ngong road branch to pay some debts. Plans are underway to sell their land at kasarani area and this they hope will help reduce the debt to an appreciable figure. They have also suspended any form of employment but to re-organise most activities to be done by the available staff.

Arrangement to change debt to equity would be everyone's expectation but according to all the respondents, this is work in progress. This gives an impression of a major challenge and possibility of shareholders frustration in carrying out this exercise. On negotiation with banks on low interest rate, there has been some effort but so far no bank has offered lower rate and with the capping of the interest rate, this can only be done through the intervention of the government.

The last time retrenchment was done at Uchumi supermarkets Ltd was in the year 2015. This left the business with lean staff. Re-organisation was done with the retained staff and each department is praising the kind of support which has been given by human resources department to ensure smooth running of operations. There are challenges which have been experienced as a result of having fewer staff especially in the lower cadre. But there is balancing act in offering the right remuneration for the retained staff amidst business performance decline. What is not clear though, is why the sales data collected by the researcher show a decline after the retrenchment exercise. In terms of bottomline, the business did not record any improvement and one may be tempted ask what really informend the retrenchment if the predicted outcome was contrary.

The uncertainties in business have seen some staff leaving for other ventures. This should be a problem to any firm which factors human resource in its recovery plan. There has been some deliberate effort to retain the existing staff but the prevailing circumstances make it difficult. However, all the Uchumi staffs have been involved in turnaround processes the business is carrying out and each individual effort is felt by the respective line managers.

4.3 Competitive Advantage of Uchumi Supermarkets

Every industry has areas in which every firm in that industry must be aware of and concentrate all its energy on so us to compete effectively and succeed in that industry. They are its competive advantage and are its success factors. Uchumi as business has identified these but whether they build their strategies around them is food for thought. They were elaborated into key success factors by Rockart (1982). These are specific skills which for Uchumi, they are able to source. Infact it had the leeway during the initial stages of the turnaround to source any talent. This they did until recently when they employed the services of Mr. Dixon the chief operation manager. The retail chain had the advantage of having financiers including treasury unlike any other profit oriented establishment. The general goodwill from the government in a major advantage in this business. Uchumi therefore has advantage from its resources and capabilities.

The focus of this study is upon two resources: human and capability of the firm. This emphasis is justified by the assumption that, knowledge accounts for the greater part of value added. Recruitment of turnaround strategies brought with it fresh knowledge to integrate with the existing knowledge which resulted from retaining high calibre staff after retrenchment to act as competitive advantage in the retail chain. This in essence improved the capability of the firm. Advances in knowledge tend to be associated with increased specialization. The production of value comes up through transformation of inputs into required output through the combination. Uchumi, therefore was endowed with this as competitive advantage. through integration of the CEO and his team to perform a productive task is making the turnaround task. Infact the turnaround managers had all resources at their disposal including determining their salaries and incentives for the group and was not pegged on their performance.

The competitive advantage the retail chain had could enable it take advantage of the best technology and best marketing programs. It means that they were generally operating at low cost. The challenge is: Has the retail chain taken these advantage in its turnaround strategy? Another question would also be why a business with turnaround strategy rely fully in funding to operate.

4.4 Challenges in Implementing Turnaround Strategies at Uchumi

Turnaround strategy is the process by which a business with inadequate performance is analysed and changed to achieve desired results. Because it tend to arrest and reverse the source of competitive and financial weakness of an organisation, it cannot miss challenges when all this is done amidst limited resources and for Uchumi, it is funding. There are challenges in effective service delivery, skilled workers, goodwill and cooperation from government and stakeholders expectations. Although the solution tends to be simple in concept, the restructuring and turnaround plan is more complex in execution. The researcher sought to assess and explore Uchumi supermarket and found the following as the challenges experienced in implementing turnaround strategies. In this section, the researcher intends to answer the objective of the study which is to determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi Supermarkets in Kenya.

4.4.1 Operational Challenges

All the concerted effort by the government to have successful implementation of turnaround strategies at Uchumi supermarkets have been dogged by several challenges. Integrating old ways of doing business with modern strategic business thinking was not very easy at Uchumi and this informed the employment of services of change management staff. Retrenchment followed but performance improvement was not experienced. Analysis of business performance before and after change management, does not show appreciable change as it cannot be looked at in isolation. Perhaps gradual change of top management holding other factors constant could have made a clear distinction. Stiff competition from other retail chains pose the greatest challenge to implentation of turnaround strategies especially from the fact that some had a stock of all household requirements making them one stop shop for all what any shopper would need.

For some time Nakumatt supermarket acted like a dominant player and this affected the turnaround strategies which had been put in place by Uchumi. It required a lot of innovation to circumvent the hurdles the retail chain was experiencing unless funds were injected in good time to enable it respond immediately to competition. Analysis of the secondary data also showed low financing in advertisements and very few innovative ideas but a lot of copying and duplication of what other supermarkets were doing.

In corporate restructuring, the business has not only embarked on cost cutting activities but has put a stop to capital expenditure. This is proving to be counterproductive in that it seems to be undermining their future competitiveness and in essence it means that there is no prospect of growth. The major challenge will be to safeguard the core business capabilities and managing a downturn at the same time. All the respondents confirmed that the business has not been keen in outsourcing most of its activities. This is a major challenges as is was not clear why performance declining venture such as Uchumi would hold on to non-core activities such as cleaning and distribution. From the discussion on insurance and other overhead with the finance department it was evidently clear that outsourcing non-core activities would create an impact on implementation of turnaround strategy and that there was room for improvement.

Uchumi has been closing loosing branches but when the question was asked by researcher if new branches are strategically opened, the respondents were unanimous that there was no plan to open one in the near future. Though closing of branches have been portrayed as a strategic decision, there is no significance reduction in any overhead in Uchumi’s books. The question of negotiating with other businesses on possibility of acquisition got a response that this was not in plan. This is a challenge as it brings out a fact that the scrutiny done on the books of Uchumi by any prospective investor might be reflecting a business which cannot be rescued. Implementation of turnaround strategy at Uchumi supermarkets faced some hurdles when it came to debt restructuring. Question on whether the business has agreed with creditors on the payment mode received a positive response but it is a matter which must be renegotiated. The retail chain never honoured its obligation in previous similar arrangement and it may be very difficult for creditors to trust them.

The current situation is such that the creditors need their cash as soon as possible irrespective of schedule of payment developed by the retail chain. There is a concerted effort by the management to convince suppliers to make prompt deliveries in order to avoid the out of stock situation but this has not worked. The suppliers have lost trust in this supermarket and cannot be convinced in getting their dues in good time. The retail chain also faces another challenge of getting customers who could use them as one stop shop with all the household requirement, they would rather go a place where they will get everything. Price of items is also not competitive and this is an area where as a government parastatal some taxation element could be worked on in form of relief as competitive advantage of the business.

When asked if the business has floated new shares to public they said it has not and may not do so in the near future. This is because the public is aware of the challenges the supermarket is facing and to them, there is no light at the end of the tunnel. To the public, this is bottomless pit not worth investing in. On the disposal of some assets to pay some debts, the interviewees mentioned Ngong hyper and Kasarani land. The challenge is that the debt burden will be reduced but if there is no performance improvement, and thus by extension growth, then it's assets will just dwindle and soon the business will have nothing but just debts.

Question was asked on what activities the business has embarked on to mitigate debt burden. This was a general one to capture all what the interviewees had and so could be deliberated on openly. It portrayed a business which has exhausted all avenues and with no hope. There was nothing new from all the respondents. Effort to change debt to equity is work in progress albeit long and overdue. A major challenge to this retail chain is not being successful to negotiate with lending banks on low interest rates. This can be attributed to the fact that bank could be seeing Uchumi as risky business which even competitive interest rate might not bail out. They could also be looking at intricate details in their books which don't look promising.

In management restructuring, questions on the outcome of retrenchment carried out by management received positive response. The wage bill was reduced but from our discussion this was only for lower cadre but for management staff the wage bill went up. The challenge was employment of highly qualified senior staff whose remuneration was commensurate with their qualification.

Perhaps the other question one may ask is why dig one hole to fill another if the outcome is not leaning towards progress. However, the business is now operating with lean skilled staff. Though there in enough support for staff from human resource department and operations are pegged on the retained lot, there is turnover among the middle cadre because remuneration is moderate given the prevailing business performance. The lower cadre is composed of unskilled staff that is there to stay, low pay but can be dispensed with, or replaced easily. The two groups are involved in implementation of all business operations. The challenge is to motivate this group and award them when the morale and performance is at its lowest. Question that was asked on the salary and any award scheme had a general response that if the performance of the firm improves, this needs to be considered otherwise it does not feature in future business plans.

Financial distress is a major concern to the stakeholders of Uchumi supermarkets Ltd. It is also a concern to others who have interest in this retail chain and any other public company in Kenya. From the data analysis, discussion and interpretation of the results obtained, it can be seen that several factors come in to play when the operations of these set-ups are given intricate analysis. The study establishes that successful recovery of a company is not a function of one strategy but a combination or various factors. It also establishes that although the solution tend to be simple in concept, the restructuring and turnaround plans are more complex in execution.

4.4.1 Performance Challenges

Performance challenges focuses on the output at the retail chain. However precise and exhaustive strategic plans may be, if at the end of it the business is not able to meet its financial obligation as and when they fall due, then they all amount to nothing. Sales at all Uchumi outlets for the last two years are deteriorating. The Table 4.1 shows very worrying trend for a business which has turnaround managers. One of the major reason for the poor performance could be out of stock situation occasioned by suppliers holding back their good for non-payment of what has already been supplied. Another reason could be competition but whatever the case the percentage drop in all the outlets is out of range in the bracket of a business worth financing. Steady percentage drop is what should be used to justify the winding up of the branches if not the whole business especially if it is exhibited every year.

Table 4.1 : Sales for june 2016 compared to same month in 2015

BRANCH	SALES JUNE 2015 (Shs' million)	SALES JUNE 2016 (Shs' million)	% drop in Sales
Sarit Centre	130.1	42.7	67.38
Ngong Hyper	91.6	30.4	66.81
Mombasa road	85.0	30.4	64.24
Lang'ata	73.9	22.7	69.28
Rongai	33.9	10.6	67.85
Meru	27.8	7.0	74.52
Jogoo road	24.3	8.3	65.84
Eldoret	20.8	12.2	42.72
Juja	20.8	7.7	62.98
Kisumu	19.1	6.2	67.54
	526.87	178.	66.18

Source: Research Data

Several strategic activities could be going on at Uchumi but all boils down to their bottom line. The bottom line may also be impressive and show improvement especially if comparison is done with those of preceding period. Sales comparison of two recent consecutive years for Uchumi apparently produced a very discouraging trend. Figures obtained from the management as secondary data have been tabulated as shown in table 4.1 above, to give a summary or a snapshot on performance decline of this business in terms of sales. Clearly sales in all the outlets are deteriorating and a projection or interpolation will predict an irretrievable fall. Figure 4.1 above shows comparison of sales from the highest to the lowest outlets sales turnovers of Uchumi which are respectively Sarit center and Kisumu branches.

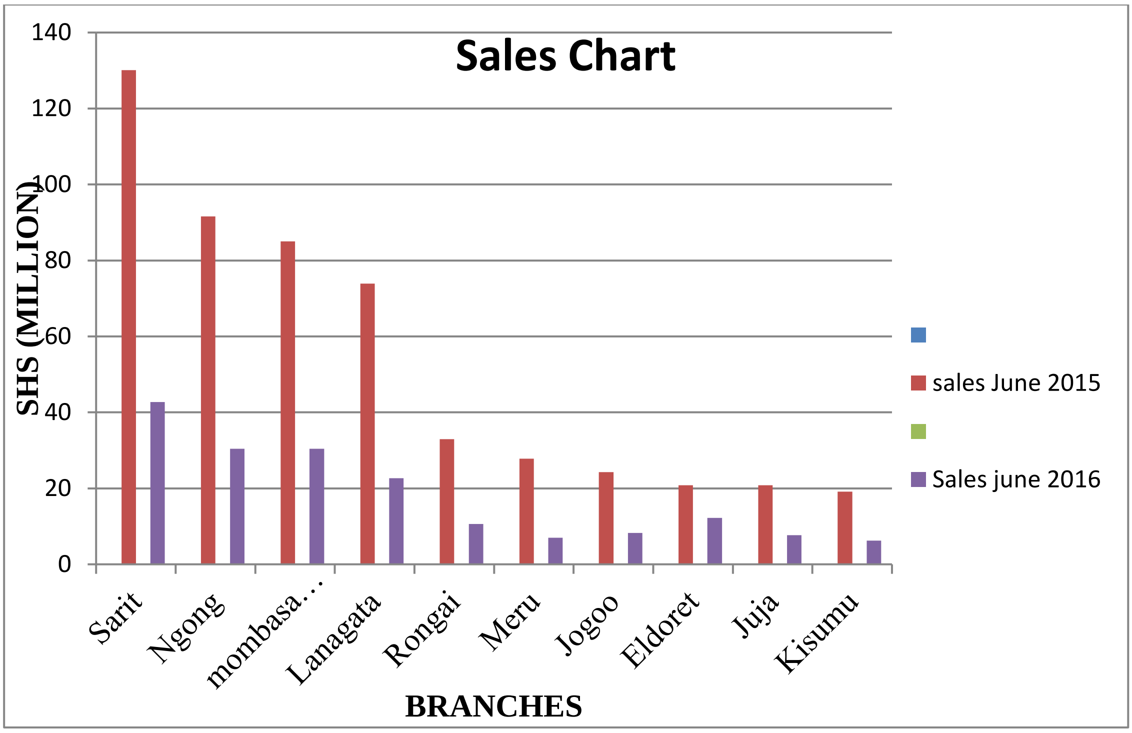

Figure 4.1: Sales for June 2016 compared to same month in 2015

Despite all these, the struggling retail chain is close to inking a deal that will boost its cash flow by shs 3.5billion after protracted talks with a strategic investor. Though the investor was not disclosed awaiting approval of the biggest shareholders – the government and Jamii bora Bank, the sales trend is not promising that in the event these establishments makes a close scrutiny of these, they might want to hold back their funds. Perhaps this is could be the reason the prospective financiers have reduced to two from three last year.

Treasury was also in the process of disbursing an additional Shs1.3 billion to the troubled retailer but the process was suspended pending an audit of expenditure of retail chain from fund issued to it before. It is also not clear how the additional funds will be used given that Uchumi is planning to spend Shs 600 million to pay creditors in Uganda and Tanzania where it closed shop in year 2015, it also owes local suppliers Shs 3.6 billion with another Shs 2.5 billion debt held by banks through charged assets. Finally, the biggest question would be that even if funded, how the retail chain will fulfil its turnaround plan now that the business is derailed by dwindling sales. The fact that even after Uchumi sold off its Ngong Hyper outlet for Shs 1.4 billion no appreciable improvement was recorded in their book interms of improvement may not be encouraging for a prospective investor.

The investor would need full disclosure in business. Uchumi sold the Lang'ata branch but used this to charge to United Bank of Africa (UBA) under a shs 250 million short term facility to pay supplier. This proved to be one of the most interesting transaction as it potrayed a firm reducing its assets base and improving its liability with suppliers and a lender to result in something that resemble auctioning of its property.

The retailer is currently claiming to have received interesting offers for its Kasarani property. Sale of Kasarani land might not happen soon and this cannot be used as source of funding for its bailout. It has been in public domain that there are some legal issues concerning this land. The researcher comfirmed that legal issue was the reason for the delay and because it was confidential information, cannot be used in this study owing to the disclaimer which was attached to it.

4.5 Discussion of the Result

According to the results obtained for this research, it can be proved that the successful turnaround of a company does not depends on one a particular strategy but a combination of several. This research found that they revolve around four restructuring pillars namely; debt restructuring, corporate restructuring, change management and management restructuring. Uchumi just like any retail chain plays a very important role in economy as a channel for distribution of manufactured goods. With good management, this distribution can avail affordable product for household requirements. Besides providing an avenue for tax, it also offers employment. It is therefore a public concern that Uchumi would be in financial quagmire to an extent that it cannot even afford to break even. According to Glen, (2005), this is a situation a firm meet its creditors obligation with difficulties. Uchumi is therefore in a worse situation because it cannot meet this obligation under all circumstances.

The respondents appreciated that the business at Uchumi was in dire straits but still attributed it to the world economic situation resulting from liberalized market. It is true that the structure of financial system in a country play a big role because the risk of the business experiencing financial decline is not because of matters specific to that industry but to the entire country. Recovery for companies that had previously been mismanaged followed by financial decline is determined by improvement in industry economic condition, (Whitaker, 1999). This actually is the case with Uchumi where its distress is factor of the condition of retail business in Kenya.

Nakumatt which used to boast of having every item needed is also on its Knees. However, studies shows that these kind of firms can still be rescued depending on the turnaround strategy put in place, (Marvasti, 2000), but this research findings is proving otherwise. It can be concluded that establishing a successful turnaround strategy is a tall order for a business whose fundamental recovery tool revolves around funds which even if availed, there are no plans of refunding.

The respondents were asked questions on management change and their honest opinion how this has impacted on business operations. Apparently all respondents were of the opinion that this cannot be looked at in isolation. This in essence means that they could not attribute any change or improvement to management change but studies done by muchira (2013) on change management by Uchumi supermarkets ltd in Kenya found that success of these firms depend on key success factor which involve effective implementation of change strategy and this can only be carried out by external consultant. Indeed Uchumi employed the services of external consultants but it seems the evaluation in year 2017 gives different report. Perhaps the current findings reflect the right position since the retail chain has not shown any sign of improvement.

But study by (Kiarie, 2009) examined the turnaround strategies adopted by Uchumi supermarkets Ltd: Under receivership, found that the change in top management had a significant performance improvement in the business. The respondents were however categorical that the performance decline resulted from mostly external factors beyond their control. Their unanimous view was the competition and liberalization of the retail business in Kenya had a toll in their business. The researcher was of the view that even with the new entrants in the retail business, Uchumi could have done better. There could have been some laxity in the management of this business. Marketing department should have involved some intelligence surveillance in the initial stage and predict the outcome and consequenses. They could also have involved well organised response strategy to fight the competition. The management change was however pointed out to have brought with it a new way of doing things which are positive attributes to the business operation.

The most recent appointment was of former Nakumatt chief marketing officer, Mr. Dixon Andrews who joined Uchumi supermarkets as the new chief operating officer. Though Dixon joined Uchumi at a time when it is transitioning through a series of financial challenges which have led to stock outs in several branches across the country as well as late payment of staff salaries, the business will benefit from his knowledge in retail business. According to shilpa, (2009), knowledge is what achieves competitive advantage and organisational competence creation. Dixon is a retail veteran with over thirty years' experience and has been credited with developing some of Tesco leading initiatives over the last twenty years. Employment of Dixon is therefore a strategic decision which is intended to help Uchumi to get back to its feet.

So far there is nothing significant according to the respondents, that they can identify with Andrew Dixon as chief operating officer but in case there will be any, time will tell. Uchumi also depend on bail out so far that Dixon, however smart he may be, might not offer any magic in this establishment. Also intergration of Dixon's ideas with the already formulated strategic plans by the board he found in place might pose a challenge which might take time before the stakeholders become aware. Processes and bureaucratic tape as a parastatal may also interfere with the magic the new COO might think of unleashing. According to Loving & Nordhaung, (2010), competence creation depends more and more on processes or business strategies development at operational level. The fact that the COO left Nakutatt at a time when the retail chain was facing financial problems which has led to closure of a number of branches across the country could be viewed in two dimensions: an attribute which Uchumi might benefit from if lessons learnt at Nakumatt could be utilized to save this retail chain or possibly reduce it downturn speed. It could also bring some questions on why poach someone coming from a failing business to another one. If he had some magic, couldn't he have used it at Nakumatt?

The respondents claimed that after the retrenchment carried out by the board of Uchumi in the year 2015, they remained with few competent staff that is so versatile that they have combined several activities at reasonable pay. The researcher asked what has changed the attitude of the same workers to offer meaningful change in Uchumi. This is confirmed by studies done by Burns and Dewhurst (1996), which found that managers of this kind of set-ups are just satisfied in staying in what is considered as comfort zones.

The managers fail to create a framework for the future that includes effective plans. Though management change resulted in a lean staff who exhibited high level of competence according to the respondent when asked if there are benefits after retrenchment, it was clear that the remuneration of the retained staff was not commensurate with the business performance. This therefore meant that there is no motivation for doing anything extra-ordinary. Under these circumstances, therefore, productivity must be low. This confirms the findings of studies done by Miner, (1993) which found that demotivated employees have very low productivity. More emphasis comes from studies done by Bird, (1989) which found that motivation exploit opportunities beside creating goals and giving freedom.

However, when asked how demotivated the staff is given that they are experts but the pay they get is not commensurate with their qualification, they agreed that this could happen but for Uchumi they understand the situation and would also not expect the business reward them when the performance is clearly poor. Their argument is that they would rather implement their strategies and get compensated later if the business shows appreciable improvement. This is a valid argument according to Southern and West, (2002) who found that motivation is not all about money but all the same, an important factor.

Question asked on cost cutting received unanimous response and they even went to the extent of pointing out several areas where the business has done so. Of course this was expected answer from an establishment in turnaround process especially after bad experience. This resonates well with Zimmerman, (1989), who found that cost cutting as a very successful strategy for a recovering business in his study on managing successful turnaround. Indeed records at Uchumi showed that for the last 10 years, there has not been a budget for expenditure on capital projects. This however does not signify growth because capital expenditure may still be carried out in the course of cutting cost. actually corporate restructuring if well executed, has positive effect on long term profitability of a company. Uchumi apparently has outsourced very few activities and this is an area which they will want to work on in the near future. Several branches which have not been exhibiting appreciable improvement have also been closed in their effort to fulfil corporate restructuring program.

These activities, from an observers view is not in line with their strategy to cut cost and grow at the same time because the information given shows a projection of growth to be including opening new branches and acquiring more assets once the fund is released from the treasury. Their action is however supported by the findings of Sudarsanam and Lai (2001) who advocates for asset reduction as strategy especially in closing of business units and reduction in short term asset such as inventory and debtors. This study also got support from Hawawini, (2007) who added that firms with large investments face higher probability of financial distress. Case of Uchumi may not apply the findings as it depends on other environmental factors.

The findings of the data from Uchumi show lack of innovative and progressive ideas in this establishment. This is supported by Protor, (2001) who found that innovative approach is necessary to establish a competitive advantage at a time corporate restructuring is being carried out. In considering retail chain business, it is important to consider the kind of goods sold by the firm and the purpose for which the establishment like Uchumi was started. It was to comprise a bigger percentage of locally manufactured goods. The argument would therefore be whether the customers need these goods. The performance of Uchumi among other issues, will be determined by what it sells and how high its debt ratio is, and these would determine if it is susceptible to financial distress.

The business has however tried to centralize its common activities and the branches are not operating as strategic business unit. Most operational work is done at the headquarters with branches left to sell and collect cash. These branches have however been performing poorly. Most of these branches identified to be extremely a liability with no sign of improvement envisaged, have been closed. For a long time, there has not been any plan of opening new branches. Uchumi as a business seems not to be doing well in market research, they need to find out the requirements or needs of customers in each area before closing the branches and customize. This seem to corroborate finding of studies done by Acur and Englst,(2006), who found that success in an industry depends on the mode of strategic behaviour which in essence are in tandem with the level of turbulence and things unique to that environment and so must develop resources to go with that mode.

There are new entrants in the retail business who see opportunities and open new branches as strategic undertaking but Uchumi does not consider this in their business plan. The retail chain prefers to concentrate on the few and reducing number of branches to maintain or improve book balance The respondents stated categorically that there has not been any negotiation with any other businesses on possibility of acquisition. Perhaps this is informed by the fact that it is a government parastatal and this can only be discussed in other forums beside parliament. It can also be explained from the fact that any serious investor will only inject fund and acquire a business whose prospects are promising. Respondents were of the opinion that Uchumi is looking at several opportunities in their strategic recovery plan outside the scope of our study. There are other non-strategy factors that determine and also influence most turnaround processes and are not strategy in them, (Hofer. et al 2000). This was in response to the questions on the possibility of acquisition

According to the new chief operating officer the priority in Uchumi's business plan is to restock its outlets upon receipt of fresh capital in a bid to reclaim the retail chain's brand. He also believes that recapitalization of the business will help him motivate his employees who have on several occasion had their salaries delayed for months. This is contrary to studies by Pearce and Robinson, (2004). It found that a successful turnaround requires that top management arrest the firm's decline then select the most appropriate strategy for recovery. Uchumi which is itself loss-making and struggling to stay afloat will now be relying on the new chief operating officer's expertise to help turn around its business as management chases a shs. 3.5 billion Capital injection from an unnamed investor.

But this study does not approve of any improvement from the funding the retail chain is anticipating. This is because issuing of new capital comes with high cost which is why internal funding is normally preferred. Uchumi, however cannot raise internal funds which again adds to its distress. They may want to look at the debt which is actually between new capital and internal financing. But this again may not be their immediate solution. Firms prefer retained earnings as internal financing the debt but go for equity as a last resort, (Zoppa and Mcmahon, 2002).

When question was asked if there was any arrangement with creditors on the mode of payment by the management of Uchumi, the response was not any that they know. This was coming up on the background that Uchumi's troubles are in public domain and this would've been among strategic turnaround ingredients. They however pointed out to the fact that considerable effort has been put to have this in place. The journal and information obtained as secondary data paints a picture of having had this kind of agreement some years back but the retail chain defaulted. This therefore confirms the finding of the study done by Azman and Muthalid, (2003) on the effect of debt restructuring scheme on the firm's capital structures and performance of Malaysians firms where they found that the scheme did not greatly improve the capital structure, but did improve their financial performance. However that previous arrangement might not have been strategic in this negotiation format and it may work for Uchumi this time round if turnaround group incorporate it as one of the pillars of turnaround plan. On how the business is handling the out of stock situation, the respondents indicated that this is an area where a lot of negotiations are being carried out and no appreciable result has been obtained.

The suppliers seem to be reluctant. All the recovery plans of Uchumi are pegged on funding. They have borrowed from banks but they are still not in a position to pay. They have failed to pay creditors and bond holders. This is contrary to Arnold, (2005) which advocates for debts as the cheapest way for financing a company. As much as the shareholder would have liked to float shares, there is no plan in the near future to do so unless the business shows signs of recovery at least as far as the general public is concerned.

Uchumi has however disposed some physical asset such as the building at Ngong road branch to pay some debts. There are plans to sell their land at Kasarani area and this they hope will help reduce the debt to an appreciable figure. They have also suspended any form of employment but to re-organise most activities. Pearce and Robinson (2008) concluded that aggressive cost and asset reduction must be done for a company in financial distress Arrangement to change debt to equity, according to all the respondents, is work in progress. They are negotiating with banks on low interest rate but the capping of the interest rate has frustrated it unless government intervenes.

The last time retrenchment was done at Uchumi supermarkets Ltd was in the year 2015. This left the business with lean staff. This action is supported by several theories. It is a planned strategized and deliberate action to change and move an organisation against prevailing environmental challenges to achieve a particular goal (Johnson and Scholes, 2003). Indeed this action is believed to have been necessary for the purpose of re-organisation and therefore improvement in operations. Apparently the respondents agreed that it could have been done better. This is because several activites have been combined such that some feel that they are overworked. This could not be confirmed in the study unless all the information on work load could have been availed.

Re-organisation was done with the retained staff and each department is praising the kind of support which has been done by human resources department to ensure smooth running of operations. This therefore means that human resource has done all within its capability with the little resources available. This is in support of studies done by Anao, (2009), who recommended that business which have retrenched need to give support to the retained staff for future productive environment. There are challenges which have been experienced as a result of having fewer staff especially in the lower cadre. But there is balancing act in offering the right remuneration for the retained staff amidst business performance decline.

What is not clear though is why the sales data collected by the researcher show a decline after the retrenchment exercise. This again disapproves finding of Johnson and Scholes, (2003) that retrenchment gives positive results In terms of bottom-line, the business did not record any improvement and one may ask what really informed this retrenchment if the predicted outcome was contrary. The uncertainties in business have seen some staff leaving for other ventures. This is a problem to any firm which factors human resource in its recovery plan. However, there has been some deliberate effort to retain the existing staff but the prevailing circumstances make it difficult. All the Uchumi staffs have been involved in turnaround processes the business is carrying out and each individual effort is felt by the respective line managers.

Much as the respondents claimed that all is well, Uchumi is struggling to pay its employees' salaries and this does not portray a business which has already gone through retrenchment process. The retrenchment as was confirmed by the respondents left the business with a lean competent staff which in essence should have been its competitive advantage. This disapproves Kotter. (2000) who observed that the success of a firm arises from its competitive advantage which comes as core competence developed by the organisation and are success factors.

Clearly, there is no proof that Change management made any significant change at Uchumi supermarkets. The data availed on performance in the years 2015 and 2016 shows a steady decline of the business. In fact all the areas regarded as the pillars in implementation of turnaround strategy namely: Change management, Debt restructuring, corporate restructuring and management restructuring come out as failures and they cannot be isolated and distinctively implemented as everything was depending on funding to pursue prescribed strategic turnaround plans. This therefore confirms the findings of the study done by Balogun and Hailey, (2009) whose observation was that about 70% corporate changes fail.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This last chapter of the study covers the summary of the findings in relation to research objective. The study seeks to determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi Supermarkets in Kenya. It present some limitations to the challenges of the study and suggest areas of further research after making conclusion and recommendation.

Uchumi recovery plan has been a roller coaster. Initially when the performance decline was experienced, an interim management team tried putting combination of turnaround strategies to rescue this business from total collapse. That time the strategies included cost management, sales revenue maximization, recapitalization and general business restructuring. Despite all these Uchumi has not recovered though it indicated some signs of recovery but for a very short period of time. With that background, it is clear that more exploration was needed to determine the challenges encountered.

The study was based at Uchumi supermarkets in Kenya Ltd headquarters. It specifically targeted the CEO as the issues at hand involved strategic decision and their implementation could only be cascaded from that office. Through delegated authority, questions were answered by heads of departments as interviewees. This group of respondents proved to be even more beneficial for the study because of their varied and individual perception in their areas of operations. The conclusion of the findings obtained are consolidated in this section in a summary form but explicitly highlighted to give focus on challenges met in turnaround process. The overriding reason of the study was to determine the challenges of the implementation of turnaround strategy and competitive advantage of Uchumi Supermarkets in Kenya. To accomplish this objective, it was necessary to conduct an interview at the headquarters and specifically target the decision makers. An interview guide developed was structured such that the areas of study were classified as Management Change, Corporate restructuring, Debt restructuring, and management restructuring to make it easier to gather the relevant information.

This therefore acted as a model which had potential of encompassing total business operations and indeed it enabled easier interaction with interviewees and together with secondary data obtained, the relevant research data was collected. The interview guide were distributed from the CEO's office where they first landed and this informed the attention and cooperation which was given to the interview. Initially the interview guide was to be used to gather information from the CEO as the main decision maker as this was involving strategic management and this can mainly be from this office then cascaded to the next lower level managers who happens to be the head of departments for Uchumi Supermarkets Ltd.

5.2 Summary

The respondents had one on one interaction with the researcher and this created room for discussion on confidential information which formed the secondary data for this study. The respondents who were heads of departments and were asked to specify their areas of specialization and give their honest opinion as the information was highly confidential and meant only for study. The interview guide therefore acted as a well-developed instrument to collect required data for the research problem.

This chapter therefore, reports the conclusion and recommendation that resulted from this study. The study established that the retail chain has a well formulated strategic plan and excellent implementation program for its entire departments. The study also established that the business is heavily affected by competition ensuring from the liberalized economy, it is also suffering from large expansion programs it did several years back which were not based on business growth. Lack of innovative plans coupled with slow response to the modern dynamics in retail business was also established. The business is also suffering from inadequate funding and bad reputation. Internally, the business is suffering from demotivated staffs that are not sure of their future.

Indeed, the situation at Uchumi is also very confusing. Uchumi board had reported that the strategic investor had insisted that they will only put pen to paper upon securing written assurance from the government that the shareholder loan will be disbursed in full. For sometime the understanding was that loan would only be disbursed subject to production by Uchumi management and board of a restructuring and turnaround plan acceptable to the treasury.

Information gathered for the purpose of this study states that when the Uchumi management presented the plan to the treasury recently, they not only introduced other conditions but also insisted on the documents being channelled to them through the Ministry of trade and Industrialization before they cloud release the money. Commonsense dictates that the ministry also issue its conditions and possibly bargain for its stake in the business. But questions asked by the researcher on how peoductive the meetings the board has been having with government official was received answers which calls for more study on this establishment. It was revealed that the meeting seems to be an everyday business. The question came about because despite the retail change declining in performance, the management and indeed the board meets everyday and only make technical appearances in the office for normal office duties. The meetings have heavy financial implications beside the allowances.

A close analysis of the operations interms of sales output, shows a business in a very fast decline. Data obtained from secondary source on sales in year 2015 and 2016 shows a dying business. Though year 2014 and 2013 performed better, the information was not adequate to make conclusive comparison but generally it still gave an indication of business which is not improving by all means. Information could not be availed to the researcher on corresponding supply during these periods but conclusion could be made given that the activities of Uchumi have been in public domain that out-of stock situation could have been the major reason.

From the finding based on the terms of reference for the study, it came out clearly that management change, debt restructuring, Management restructuring and corporate restructuring as turnaround strategies faced several challenges. Studies found that these strategies are being implemented in bits because funding is not coming in good time to enable complete accomplishment of the tasks as planned. It therefore becomes difficult in the study to isolate each area and analyse the effectiveness of the strategies and therefore the result. Change management included retrenchment as the biggest undertaking but there is nothing to show in terms of improved working environment and better output. If anything, Uchumi is still struggling to pay its retained employees. In debt restructuring, Uchumi has not managed to get reduced interest rates on the debts. Their situation has been made worse by the capping of the interest rates by Central bank of Kenya. All negotiations with creditors have stalled and suppliers have halted supply unless on cash basis.

In management change which involves engagement of consultant and later head hunted managers for the turnaround process has not made any significant change to the business according to the study. Instead Uchumi is struggling to pay the managers who initially were on performance based bonus programs. It was not clear what other programs they have been put on now that the business is in decline, but salaries do not reflect the output. Corporate restructuring done also is not spared. Uchumi has cut down several activities to reduce cost and even sold some of their land, building and still in the process of selling some more land and even closed poorly performing branches but there is no sign of improvement and nothing to show as output from all these activities

5.3 Conclusion

The management change was very effective at Uchumi supermarkets. The business sourced very competent staff by all means including head hunting . All the staff are involved in turnaround strategies developed for the business but with uncertainties of the future of this business, it might not be possible to retain them. The study also established that there is a high turnover of staff in the middle cadre. Implementation of turnaround strategy for a firm such as Uchumi requires some stability in staff movement which can only be assured by remuneration commensurate with the qualification of the retained staff. The challenge is how you pay the staff handsomely if the business is in performance decline. Though the heads of department were of the idea that their remuneration is pegged on the market rates, it is not clear how this is measured or compared.

Because of the mentioned reasons, there is no motivation for the employees and the business paints a picture of staff who are just involved in routine work, nothing extra-ordinary. Business plan had however been developed for this business and it is only implementation work that is required. It was not very easy to establish if the frequency of meeting of board of directors of this business produces any result though they have heavy financial implication. The business plan and implementation programs have however been formulated just awaiting funding. In corporate restructuring, there is no capital expenditure budget in this business and this has been the case for some time. It can only be concluded that in future, the retail chain will not be having any physical asset in their book. This could work as a good strategy provided that the disposal of the current assets is improving business performance.

The business might be better off paying rent in all their outlets. Uchumi supermarkets also has several operational activities which they may be better off outsourcing so that they concentrate on their core-business. During the interview, it never came out clearly why the business is holding on into cleaning, transportation and other auxiliary staff in their books. Uchumi has apparently closed several branches which have not been exhibiting appreciable improvement in their effort to fulfil corporate restructuring programme. This seems to be a positive reaction but in looking at each branch as a strategic business unit, this does not show improvement. In fact, opening new branches signifies growth as we see with new market entrants. Also, no investor has approached Uchumi on possibility of acquisition. It can therefore be concluded that this business might not have any potential of growth.

Debt restructuring is an area expected to be very active element in this business. Creditors had previously agreed on payment mode but the defaulting rate was just too high. The study found that Uchumi could not stick to the schedule of payment developed because they could not synchronise the remittance of funds from treasury and payment of creditors. It can be concluded that creditors might not in any way engage themselves in any arrangement as the result will definitely not be favourable. This can also explain why the suppliers may not assist in alleviating the out of stock situation.

From the secondary data obtained, it was understood that the treasury has raised some issues with the ownership structure of post turnaround Uchumi. But this is a concern because the turnaround strategy seems to be premised on the assumption that Uchumi will have to take up more loans. This is for instance, under the funding plan, KCB is supposed to extend to Uchumi bridging loans amounting to Shs 800 million. Otherwise one would ask why bail out a company in financial stress by saddling it with more debts. Also, how much stake will the strategic investor have for the capital injection of Shs 3.5 billion? It is understandable from the information obtained on business performance that shareholders may not consider floating shares of the retail chain to the public. The tribulations of this business are so much in the public domain that the shares may not fetch any value. Efforts to dispose of its physical assets are just meant to reduce debt burden.

Suspension of employment might be a good strategy but can be challenged by the fact that staff turnover is high and coupled with any other natural attrition, re-organisation of the retained staff and consolidating activities might be a challenge to demoralized staff. Changing debt to equity is an area Uchumi supermarkets would want to consider. The respondents were categorical that this is an idea which is considered as work in progress but it can be concluded that they might be experiencing some difficulties in carrying out this exercise. There must be potential to grow for any bank or any creditor to do this. Efforts seem to have been made to creditors to change debt to equity but it might not have been convincing. Similar problems seems be experienced in negotiating with banks on low interest rate.

Challenges have been encountered in management restructuring and this was demonstrated when retrenchment was done in year 2015. Though the intension was to retain lean versatile staff, the business ended up with few skilled staff but the wage bill went up. Perhaps it became expensive to remunerate skilled staff. The business is however efficient as far as human resource and service delivery is concerned though some departments feel overworked. The business may in future look at the intricate details on reason for high middle cadre staff turnover and consider reward programs for the lower cardre group by evaluating their output ,that is if it survives.

Lastly, it is better to revisit the recovery plan of this business and pose the following question: Is the retail chain likely to be revived anytime soon? The answer cannot be in the affirmative but time will tell. When you follow closely what has been going on, the distinct impression you get is that neither the government nor the Uchumi management and board – and not even the strategic investor touted as having committed to pump ShS 3.5 billion into the retail chain is treating the matter with any sense of urgency. Of the Shs 1.8 billion that the government promised to give in shareholders loan, only Shs 500 million has been disbursed. The balance, which was to be disbursed to the company several months ago is yet to come through.

5.4 Recommendations and Implication of the Study

The findings of the study indicate that there exist a lot of challenges in implementation of turnaround strategy and competitive advantage at Uchumi supermarkets limited and the following recommendations are made: A work study needs to be carried out to measure the output of all positions in the business and look at possibility of having everyone work on renewable contract basis and introduce an award scheme for exemplary performance. Uchumi carried out retrenchment but study seems not to have been done on the content of the work employees had and even after that, re-organisation was necessary to put the remaining staff in their areas of specialization and work measruremnt done.

It is important to operate each branch as a strategic business unit with supplies specific to the needs of the prospective customers in each specific area. Also to look at possibility of renting shelves to suppliers and confine the management of the retail chain to cash collection of the items sold and remitting to the supplier after making necessary deductions. The concept of hiring out the selves removes a lot of liabilities from Uchumi management and transfer to the supplier or manufacturer. This is because it will be for the benefit of the manufacture or supplier to have the goods sold since payment will only be made after sales. The question of owing suppliers will therefore not arise. Uchumi needs to consider outsourcing of non-core activities to clean their books. It is advisable to employ the services of firms in distribution, cleaning etc.

What Uchumi needs is a comprehensive bailout plan as exceptional times calls for exceptional measures. Before giving Uchumi away as is it likely, it should be valued by an independent reporting accountant as a going concern. Government should kick in equity to allow it acquire majorty control. It should be followed by throwing out the management and the board and bring in an international group to run the chain under management contract. A clear terms of reference should be put in place for the new management with constant and regular review programs on the achievements and actions. Monitoring and evaluation should be done on weekly or monthly basis depending on appropriate time agreed to have substantial output with the aim of arresting any abnormal occurences.

The third step would be to ease liquidity for the company by doing a bond then on-lend to the supermarket chain and make it possible for the company to borrow at a risk free rate. After about three years or there about, government can then commence selling its stake progressively to below majority. Lastly, this is the time the stakeholders should review and establish if this business is fulfilling the purpose for which it was formed. It should be reviewed with specific terms of reference which must capture its viability in the current dispensation of liberalized economy. With the entrance of other internationally reknowned retail chain such as Carrefour, proper customers behaviour should be incoporated and a clear understanding of what their needs are in the business plan.There could be a possibility of factors such as quality goods and different options offered by the competition given that liberalization allows for importation of virtually everything.

In the event that Uchumi is to continue operating, then it needs some subsidy from government in which case it should be considered a market where Kenyans obtain cheaper quality goods. Clearly, Uchumi is a national brand and it used to be a selling outlet for more than 80 percent of locally manufactured goods. The challenge would be if Kenyan or customers in general want to purchase the locally manufacture goods as opposed to the imported ones. It should not be allowed to be on its deathbed. Since the government is the largest single shareholder in this retail chain, taxpayers money is at risk if it collapses. Indeed, the retail chain’s impeding implosion is bound to inflict widespread financial distress.

5.5 Limitation of the Study

It is necessary that the limitation of this study to be highlighted for better understanding and completeness of the research findings. First and foremost, the study was carried out within a very short period of time worsened by the long time it took to access the head of departments due to their tight schedules. Communication formalities coupled with business protocols at the headquarters also contributed to some delay in reaching the source of information in good time. The study was confined to challenges of implementation of turnaround strategies and competitive advantage at Uchumi supermarkets Ltd but not from formulation and evaluation stage.

This exercise would have been complete if the study could have been widened for the researcher to integrate information of findings on the three stages to get clear results on turnaround strategy at the supermarket. Incase the study was to include formulation and evaluation the biggest limitation in getting all the information from an establishment which does not have a success story would pose a very big problem when it come to obtaining the research data from the same management which has failed to deliver.

The study also focussed on one organisation and the findings cannot therefore be generalized and replicated to other businesses in similar operational circumstances as it was only unique to the context. Nakumatt supermarkets, an even bigger selling outlets for manufactures in Kenya is also in deep financial doldrums. Perhaps future reseachers should find what ails these businesses. This being a case study also limited the research in terms of exploring the intricate operational details including access to classified information in accounts and logistics areas. This would have enabled the researcher to use different instruments to evaluate the business performance and make informed analysis and improved conclusion result.

5.6 Suggestions for Further Research

Future research on businesses facing challenges in implementation of turnaround strategies should widen the scope to include strategy formulation. This will help the researcher understand the perception of those involved in the formulation with respect to the problem at hand, it will also enable them understand the process. Finally, evaluation done by the researcher will result in valid and reasonable recommendation.

Studies should also be done on other supermarkets especially now that local similar businesses such as Nakumatt which are private and were for some times doing well are currently facing closure. There could be something which is peculiar with retail chain operation in Kenya. Comparison of these businesses may help the researchers to look at the challenges and identify common features and differences for study. Future researchers should also factor in the interferences of the external environment other than competition in these operations. A lot of studies have focussed on operational issues and competition but neglected government’s hand in these set-ups.

This study has concentrated on the challenges of implementation of turnaround strategies at Uchumi supermarkets in Kenya. More study should be done on what caused the decline, focussing specifically at the time it started to break even or there about. This will help to identify factors which cause performance decline in public companies in general. Comparison of findings on successful turnaround strategies on other public sectors with those of the retail chain should be done in future to identify the gaps in strategy implementation.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

MBA RESEARCH INTERVIEW GUIDE ON CHALLENGES OF IMPLEMENTATION OF TURNAROUND STRATEGY AND COMPETITIVE ADVANTAGE AT UCHUMI SUPERMARKETS LIMITED IN KENYA

Kindly answer all questions. **All responses are confidential.**

GENERAL INFORMATION

1. Position held in the Business:____
2. Department ______ ____
3. How many year worked in the company______________________________

CHALLENGES IN STRATEGY IMPLENTATION AND COMPETITIVE ADVANTAGE

MANAGEMENT CHANGE

1. Has the business improved by engaging the services of external consultants?

   ----
2. How competent in your opinion is the management staff?

   ----
3. Do you think that the salary being earned by management staff is commensurate to the business performance?

   ----
4. In your opinion, are board of directors resourseful?

   ----
5. Are the staff sourced competitively?

   ----
6. Are employees in their area of specialization?

   ----

7. Is there an award scheme for employees and is it reasonable?

   ----

8. Do employees work normal hours and get compensated when they work overtime?

CORPORATE RESTRUCTURING

1. What cost cutting activities are being undertaken by the business?

   ----

2. Has the business put control on capital expenditure?

   ----

3. Are non- core business activities outsourced,if yes and which ones?

   ----

4. Has the business been closing loosing branches?

   ----

5. Have common activities been centralized in operations?

   ----

6. Does each branch operate independently as strategic business Unit?

   ----

7. Are new branches strategically opened?

   ----

8. Is there negotiation with other businesses on possibility of acquisition?

DEBT RESTRUCTURING

1. Has the business agreed with creditors on payment mode?

   ----

2. How is the business handling the out of stock situations, is there any arrangenent with the suppliers on this?

   ----

3. Has the business successfully floated new shares to public?

   ----

4. What physical assets have the business disposed to pay some debts?

   ----

5. What activities has the business embarked on to mitigate the debt burden?

   ----

6. Has the business made some arrangement to change the debts to Equity?

   ----

7. Has there been successfully negotiation with the lending banks on low interest rates?

MANAGEMENT RESTRUCTURING

1. Has there been any retrenchment and if so did it improve financial performance?

   ----

2. In your opinion, is the business operating with lean skilled staff?

   ----

3. Is there good support from Human resources on the retained staffs?

   ----

4. Is the business more efficiency in its operation with the retained staff?

   ----

5. Are the retained staffs now well remunerated?

   ----

6. Is the business experiencing low staff turnover?

   ----

7. In your opinion, has the business done enough for its staff under the prevailing circumstances?

   ----

8. Have all the staff been involved in turnaround process of the business?

THANK YOU FOR YOUR RESPONSES

APPENDIX II: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 17/10/2017

TO WHOM IT MAY CONCERN

The bearer of this letter JOSEPH OTIENO OYUGI

Registration No. D61/68055/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
17 OCT 2017
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS