

**CHALLENGES OF IMPLEMENTATION OF TURNAROUND STRATEGY AT THE
KENYA MEAT COMMISSION**

**BY
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the award of the Degree of Master of Business Administration (MBA) School of
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DECLARATION

This is to declare that this research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination purposes.

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I declare that this research project has been submitted for examination with my approval as the student supervisor.

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DEDICATION

This Project is dedicated to my family, my Mum Mary, my wife Agnes, my daughter Teresa and my son Brian for their patience, encouragement, understanding and support throughout my study.

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The road to the completion of this course has been challenging but exciting and inspiring. I was able to walk through this two years journey with the help of people who were very close to me that encouraged me and gave me useful guidance when it was required. The successful completion is attributable to my effort which was complimented by others who committed their time, expertise, resources and dedication. The following persons deserve special recognition.

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ABSTRACT

During the 21st century, organizations will continue to experience discontinuous and abrupt change. Every organization will be required to reinvent its strategy continuously, year after year and make right angle turns quite often (Hemel, 2002). Since change has become a constant, successful organizations will need to implement change continuously and this will require development of organizational change competencies. Successful organizations will be those that implement turnaround strategies successfully. The Kenya Meat Commission (KMC) is one of these institutions that is yet to effectively manage challenges facing the implementation of its turnaround strategy. The firm has failed to take off since its revival in June 2006 and has continued to depend on government grants and loans. In spite of the Government of Kenya investing Ksh, 1.9 billion in the restructuring efforts, KMC's performance has been below par (making losses amounting to Ksh313m and Ksh224m in 2007 and 2008 respectively and it has been operating at less than half its optimum capacity. This study therefore sought to document the turnaround strategy at KMC and also to determine the challenges faced in implementation of the turnaround strategy. The study adopted a case study research design. The case study was chosen because it gave an in-depth investigation of the key information on the implementation of turnaround strategy at KMC. The informants were the Managing Commissioner, Finance Manager, Production Manager, Sales and Marketing Manager, Livestock Manager, Human Resources and Administration Manager, Engineering Manager, and the Procurement Manager. The researcher conducted individual in-depth interviews (IDIS) that were guided by unstructured and open ended questions for the key informants. The data was analyzed using content analysis technique because it was qualitative in nature. Data was summarized and presented under thematic areas in response to the objectives. The study found out that the KMC Management adopted a number of strategies in order to turnaround the institution. These strategies included; rehabilitation of machines and requisite infrastructure , operationalization of the institution, drawing up of a management structure and manning levels in line with the business and functions of the corporation, provision of funds by the government for the purchase of livestock, recruitment of new staff, cost saving/cost management measures, opening new markets, expanding sales of the company, appropriate costing of products, debt management and reschedulement, implementation of result based financing programme , preparation of a new strategic plan that is aligned to the company's activities, objectives and vision 2030.

The main challenges faced in the implementation of turnaround strategy at KMC were ineffective leadership, frequent breakdowns of the machinery, cash flow problems, negative culture/resistance to change, limited funds to undertake adequate marketing, lose of export markets, poor planning especially on livestock off take programmes, slow adoption to changing technology, non-involvement of stakeholders and lack of budget linkage to specific strategic priority.

DEFINATION OF OPEARTIONAL TERMS AND KEY WORDS

Challenges; Prevailing, new or emerging circumstances that threaten the existence and sustainability of firm/ business entity.

Effectiveness; Appropriate ways of managing new and emerging situations.

Kenya Meat Commission; It is a public institution created by an Act of Parliament to promote the country's meat industry through purchase and slaughter of livestock products in the local and export markets.

Leadership; The ability to influence a group of people towards the achievement of organizational goals

Strategic Change; planned Long term organizational transformation.

Strategy Implementation; Is a way in which a company creates the organizational arrangement that allows it to pursue its strategy successfully.

Turn around process; Stages of implementing a successful transformation.

Turnaround strategy; Set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations currently operate in a dynamic and constantly changing and increasingly competitive environment. The changes are as a result of environmental factors which include economic fluctuations, development of new products and technology, social change or war, globalization as well as new customer demands. Consequently, both private and public institutions need to be flexible and innovative in the way they deal with the unfamiliar business situations they often encounter to enable them meet the challenge of competition and the changing and sophisticated needs of customers. In order to cope with these changes, strategic management has taken the centre stage in organizations that intend to succeed in the turbulent business environment.

Burns (2000) defines strategic management as the process of managing changes to adapt to changed strategy. It aims at coping with both the environment in which the organization operates with the inherent constraints, challenges and threats which it faces. This approach ensures that the organization and its environment remain in harmony, by creating conditions for growth and prosperity. The strategic management process is composed of three stages; strategy analysis, strategy formulation and strategy implementation. It is through these processes that a company's strategy is crafted, implemented and executed.

Although it is recognized that developing a strategy for an organization is important, the success of the implementation of such strategy is dependent on effective strategic change management. Strategy implementation is therefore the critical part of every successful strategy including a turnaround strategy (Pearce and Robinson, 2004). However, implementation of most turnaround strategies has on the whole yielded unsatisfactory results. Kottler (1996) asserts that in the majority of turnarounds, the results have been disappointing and the carnage has been appalling with wasted resources and burned out, scared, or frustrated employees.

1.1.1 Challenges of Strategy Implementation

More than ever before, companies are facing rapid change on all fronts. These include: global competition, economic uncertainty, environmental issues, technological change, a capricious consumer and even the effects of terrorist acts. This fundamental struggle with change, particularly in an overleveraged company has the potential to create a crisis environment which is rife with operational and financial problems. When a crisis does develop, custodial management becomes ill equipped to deal with the high stakes challenges that have been created. These challenges include threats from varying stakeholders, cash shortages, imperfect information and the loss of major customers. A carousel of chaos is created which can quickly become a vortex destroying a company which could have been restored to profitability Burns, (2000)

Strategy implementation can pose a number of challenges which arise from sources that are internal and external to the organization. The particular challenges that will face strategy implementation will depend on the type of strategy, type of organization and prevailing circumstances, failure to work out the strategy by ensuring that operational plans and tactics are developed and implemented, inability to match strategy to the institutions of the organization which include, structure, leadership, culture, support systems, processes and policies. Implementation of strategy does not automatically follow strategy formulation. There is always some resistance, which occurs whenever there is a departure from historical behavior, culture and power structure. It is therefore a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change. Lack of adequate resources namely funds, machinery /equipment, human capacity, skills and experience. Here, adoption of proper or appropriate policies can be quite useful. Equally important is the adoption of an effective control system during strategy implementation

Other factors that influence /affect implementation of strategies are forces such as economic, social cultural and political-legal technological and ecological. This challenge could be compounded by industry forces especially from powerful buyers, powerful supplies and stiff rivalry from competitors. The operating environment also does exert pressures which arise from stakeholders, creditors, suppliers, customers, government shareholders and the local community.

1.1.2 Turnaround Strategy

The last 30 years have seen corporate transformations become wide phenomenon due to changes brought about by globalization of markets and competition. Globalization is in turn driven by a broad and powerful set of forces originating from technological and geographical changes (Kottler, 1996). Globalization of the economy has increased the opportunities and risks that individuals and organizations have to contend with daily. In the globalized economy and in the age of discontinuity, successful corporations will need to successfully turn around/ transform themselves as regularly and as nimbly as change does.

The term “ corporate turnaround” is often used to describe, relatively similar circumstances involving change in business organization. Organizational changes can be viewed as running from a continuum starting from a small scale incremental change, to large scale transformational change Burns, (2004). A turnaround is therefore a transformational change which is experiencing declining performance or is likely to do so in the near future. Left on its own, without recovery efforts, the organization is likely to experience further decline which may eventually lead to bankruptcy. The recovery efforts that rescue the organization from “ cycle of decline” are part and parcel of implementation of a turnaround strategy Kanter, (2004).

Therefore, a turnaround strategy is a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm’s survival Chowdhury, (2002). It is also a combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability. Firstly the strategy has the primary objective of stabilizing the financial conditions of the firm through cost cutting and asset reducing activities (Pearce and Robinson, 2004). Secondly the strategy endeavours to rebuild the firm’s core competencies which are required to help it regain competitive advantage, the source of its growth and profitability. Most turnaround strategies respond to the factors in the industry environment and factors in the operating environment. They also adopt a mixture of two models of strategy; the competitive forces model and the resource based model. However, the success of any turnaround strategy depends on its implementation; on how it aligns customer needs with organizational vision and organizational capability (Coulsion, 2004).

A turnaround strategy can further be defined as sustainable positive change in the performance of a business to obtain the desired results. It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherrer, 2003). A turnaround is considered to have occurred when the firm recovers adequately to resume normal operations, often defined as having survived a threat to survival and gained sustainable profitability (Barker and Duhaime, 1997). Kottler, (1996), concluded that successful transformational changes are the consequence of two important patterns; useful change had to be associated with multistep process that create power and motivation sufficient to overwhelm all the sources of inertia and the process is never employed effectively unless it is driven by high quality leadership not just excellent management. Thompson and Strickland (1993) viewed the strategy implementing task as the most complicated and time consuming part of strategic management.

1.1.3 Kenya Meat Commission

The Kenya Meat Commission was established in 1950 by an Act of Parliament, Cap 363 of the Laws of Kenya, to promote the country's meat industry through purchase and slaughter of livestock products in the local and export markets. At the height of its operations, KMC's products and brands were household names in the East African, Middle East and European markets. It had holding grounds that guaranteed consistent and sustained quality and quantities of livestock. This ensured the maintenance of structured stock management and movement system countrywide. In recognition of the value of its human resources, the commission had an elaborate staff welfare infrastructure which included over 800 residential houses, a primary school among other facilities.

Financial records indicated that the company realized huge profits during its first twenty years of operation as a result of concentrating on export. To consolidate on this, KMC embarked on a major modernization programme which unfortunately did not bear fruit as world market prices of beef collapsed. With KMC having spent all its reserves on expansion, it was faced with working capital crisis made worse by a large expense base. The liberalization of the meat industry, the large turnover of management, losses occasioned by KMC's buyer of last resort status and loss of the EU markets due to outbreak of foot and mouth disease effectively sealed KMC's fate. Obsolescence of the

factory's machinery and equipment, mismanagement and the poor status of the buildings, made KMC to be closed down in 1992.

Due to its contribution to the development of Livestock industry and alleviation of poverty especially in Arid and Semi arid Areas, the government deemed it necessary to make arrangements for the reopening of KMC. In the financial year 2003/2004 the Government provided ksh 247million to then Ministry of Livestock and Fisheries development to pay off unsecured creditors to pave way for the re-opening of KMC. Consequently, a sum of Ksh107m was paid to unsecured creditors through the Ministry. In 2004, the Ministry of finance gave a further ksh 500m in form of additional equity for the immediate repairs of the plant and as an initial facility for financing operations. It therefore began rehabilitating the factory and its branches at Kibarani, Mombasa, Landies road Nairobi, after 15years of disuse and activating the machinery. The factory was eventually reopened on June 26, 2006

In spite of the Government of Kenya investing Ksh, 1.9 billion in the restructuring efforts, KMC's performance has been below par (making losses amounting to ksh313m and ksh224m in 2007 and 2008 respectively) and it has been operating at less than half its optimum capacity. It will actually take longer to meet its objectives of being viable and profitable within a period of three years for the privatization process to commence. The firm has in essence not been able to successfully manage its change process. The changes in the business environment had made it imperative for the firm just like all other competitive enterprises to adopt new ways of doing business-to restructure, innovate and compete on a plain playing ground which unfortunately was unable to cope with.

1.2 Statement of the Problem

During the 21st century, organizations will continue to experience discontinuous and abrupt change. Every organization will be required to reinvent its strategy continuously year after year and make right angle turns quite often (Hemel, 2002). Since change has become a constant, successful organizations will need to implement change continuously and this will require development of organizational change competencies. Successful organizations will be those that implement turnaround strategies successfully.

The Kenya Meat Commission (KMC) is one of these institutions that is yet to effectively manage challenges facing the implementation of its turnaround strategy. The firm has failed to take off since its revival in June 2006 and has continued to depend on government grants and loans. In spite of the Government of Kenya investing Ksh, 1.9 billion in the restructuring efforts, KMC's performance has been below par (making losses amounting to ksh313m and ksh224m in 2007 and 2008 respectively) and it has been operating at less than half its optimum capacity.

A number of studies have been conducted on strategic change management and turn around strategies in Kenyan companies, Gekonge (1999), Bwibo (2000), Mbogo (2003), Rukunga (2003), Situma, (2006) and Ngaruiya, (2007). These studies focused on strategic change management challenges and key factors influencing change in Kenyan companies including non Governmental organizations and successful management of turnaround strategies especially in KCB and Unga group limited. However, none has been conducted from the meat industry and particularly on the challenges facing implementation of a turnaround strategy in a public enterprise. This indicates that a gap exists that needs to be filled. The Kenya Meat Commission is therefore an ideal choice considering that it has been unable to cope with its turbulent environment. Therefore, there was a need to undertake a study at KMC to establish the challenges facing the implementation of its turnaround strategy. Therefore the research sought to answer the following question: What challenges did KMC face in the implementation of the turnaround strategy?

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to determine the challenges faced in the implementation of turnaround strategy at KMC

1.3.2 Specific Objectives

- i. To establish the turnaround strategies adopted by KMC for success
- ii. To examine the challenges faced by KMC in the implementation of turnaround strategies
- iii. To determine ways to address challenges faced in the implementation of turnaround strategies

1.4 Research Questions?

The study sought to answer the following research questions:-

- i. What were the turnaround strategies adopted by KMC for success?
- ii. What are the challenges faced by KMC in the implementation of turnaround strategies?
- iii. Which are the ways to address challenges faced in the implementation of turnaround strategies?

1.5 Significance of the Study

In order to remain relevant and competitive in a turbulent environment, organizations have to effectively manage their change processes. The study will therefore enable the KMC Commissioners and management to develop better understanding of turnaround dynamics. It will also avail information that will help the firm to successfully implement a turnaround strategy.

The study will also enhance the capacity of Public corporation managers to improve their systems, procedures and structures. This will result in effective management of transformational strategies. The government will find the information from the study important since it will understand the challenges facing the implementation of the turnaround strategy at the KMC and assist the commission address these challenges in order to make the firm a viable and competitive entity. The research will equally help policy makers in making better decisions especially on effective change management.

Information from the research will be of interest to industry players/stakeholders by enabling them understand their role and contribution in the transformation of declining organizations. It will also serve as a justification for their continued support that will be required to steer KMC a head of competition

It is hoped that other researchers and scholars will use the study as a basis for further research that will add value to the growing body of knowledge on turnaround strategies in Kenyan organizations. It will particularly be useful to those interested in researching transformational change in the public sector which has actually not attracted much academic attention.

1.6 Scope of the Study

The study investigated the implementation of turnaround strategy at KMC which is situated at Athi River District. It specifically focused on the implemented strategies and challenges faced during the three year period (June, 2006 and June 2009).

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the major issues relating to turnaround strategy. The chapter will review literature on strategy implementation, the concept of turnaround strategy, causes of organizational decline, the turnaround process, challenges of strategy implementation, unfavourable internal / external environment factors and internationalization.

2.2 Strategy Implementation

Organizations today operate in a dynamic and constantly changing and increasingly competitive environment. Globally, organizations and society at large are in a period of rapid and unprecedented change where traditions and certainties no longer hold true, and new ones are yet to emerge. The changes are as a result of environmental factors which include economic fluctuations, development of new products and technology, social change or war, globalization as well as new customer demands. The change phenomenon has become prevalent and increasingly unpredictable especially on, magnitude, speed, form and impact.

Strategic management is the process of managing changes to adopt to changed strategy and it aims at coping with both the environment in which the organization operates and constraints, challenges and threats it faces thus ensuring that the organization and its environment remain in harmony, creating conditions for growth and prosperity (Burns, 2000). The strategic management process is composed of three stages; strategy analysis, strategy formulation and strategy implementation. It is through these processes that a company's strategy is crafted, implemented and executed.

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation (Bateman& Zeithaml, 1993, David, 1997).

Strategy implementation is therefore the critical part of every successful strategy including a turnaround strategy.

The implementation of a turnaround strategy determines which company will shortly end up in bankruptcy, which company will realize short-term wins but fail to win the battle for long-term survival, and which company will regain financial health and realize long term profitable growth' execution is the tough, difficult, daily grind of making sure the machine moves forward meter by meter, kilometer by kilometer, milestone by milestone, (Gerstner, 2003).

According to Jones & Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore, must consider issues central to its implementation which include, matching organizational structure to strategy, linking performance to incentives/sanctions, creating a supportive organizational culture among other issues (David, 1997).

Successful strategy implementation depends on a large part on how a firm is organized. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective. It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce & Robinson, 2007). Organizational structure on its own is not sufficient to ensure successful implementation of a strategy, effective leadership is required. Bateman and Zeithaml (1993) define a leader as one who influences others to attain goals. Leaders have a vision and they move people and organizations in directions they otherwise would not go. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction and purpose for the organization (Thompson, 1997). Leadership is the key to effective strategy implementation. Top management goodwill and ownership to drive the process is also critical to effective implementation of strategy.

2.3 The Concept of Turnaround Strategy

Most managers and management researchers view organizational decline as reversible (Chowdhury and Lang, 1993; Porter, 1985). Specific turnaround strategies have been proposed to enhance a firm's chances of persevering through an existing/threatening performance decline, ending the threat, and achieving sustainable performance recovery. Turnaround strategy has been defined in many different ways. One, turnaround is defined as the recovery from decline in performance, decline being relative to benchmark like GNP growth or previous performance of the organization. The definition raises more questions than answers such as how much decline is decline, how much recovery is recovered and over what period, where decline and recovery are against industry performance, what constitutes industry especially for a diversified firm? To avoid such ambiguities, Khadwel (2001) suggests a more simplified definition which defined turnaround as the recovery to profitability from a loss situation.

Chowdhury (2002) defines turnaround strategies as a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival. Turnaround strategies have received systematic research attention in the management literature (, Barker and Duhamel, 1997; Hofer, 1980; Lohrke& Bedeian, 1998; Schendel, Patton, and Riggs, 1976); however, the accumulated empirical and conceptual studies have resulted in a rather fragmented understanding and in some important areas the empirical findings have remained ambiguous—especially with regard to firm recovery (Nystrom and Starbuck, 1984; Pearce & Robbins, 1993). Under some conditions, turnaround may not be feasible in other settings; the organization may lack the capabilities or resources to implement an appropriate turnaround strategy correctly. Even if implemented correctly, in a feasible setting, organizational outcomes of a turnaround strategy still depend on emergent factors (such as, competitor actions), which can prevent or delay any turnaround.

A turnaround strategy is also a combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability.

Firstly the strategy has the primary objective of stabilizing the financial conditions of the firm through cost cutting and asset reducing activities (Pearce and Robinson, 2004). Secondly the strategy endeavours to rebuild the firm's core competencies which are required to help it regain competitive advantage, the source of its growth and profitability.

Most turnaround strategies respond to the factors in the industry environment and factors in the operating environment. They also adopt a mixture of two models of strategy; the competitive forces model and the resource based model. However, the success of any turnaround strategy depends on its implementation; on how it aligns customer needs with organizational vision and organizational capability (Thomas, 2004). A turnaround strategy is considered as sustainable positive change in the performance of a business to obtain the desired results. It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results Scherrer, (2003). A turnaround occurs when the firm recovers adequately to resume normal operations, often defined as having survived a threat to survival and gained sustainable profitability (Barker and Duhaime, 1997)

The term "corporate turnaround" is used interchangeably in the business press and business literature. They are often used to describe, relatively dissimilar circumstances involving change in business organization. Organizational changes can be viewed as running from a continuum starting from a small scale incremental change, to large scale transformational change Burns, (2004). A turnaround is therefore a transformational change which is experiencing declining performance or is likely to do so in the near future. Left on its own, without recovery efforts, the organization is likely to experience further decline which may eventually lead to bankruptcy. A firm may be said to be in decline when it experiences a resource loss sufficient to compromise its viability (Cameron et al, 1987). It is also a situation in which a company has experienced a period of declining profit, high costs or inability to meet its financial obligations. Following the decline, the firm's top management team (TMT) must respond an effort to ensure its recovery. A faltering firm will most likely continue to decline and eventually fail if its management team lack the ability to respond successfully to internal and external factors.

To achieve a successful turnaround, a management team must first stem a firm's decline and select an appropriate strategy for recovery (Slatter and Lovett, 1999). This often requires increasing a firm's efficiency, stabilizing its internal operations and renewing stakeholder support in doing so, the range of viable decisions available for TMT depends to a large extent on the severity of the firm's decline. Once the management team has stabilized a firm's performance, it must necessary address the causes of business decline to affect recovery (Pearce and Robinson, 1993). Elsewhere, turnaround is also seen as a sustainable positive change in the performance of a business to obtain the desired results. It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherer 2003). Turnaround strategies are important tools for organizational change initiatives.

2.4 Causes of Organizational Decline

Cameron et al (1987) assert that the decline can either be gradual process or a sudden unexpected disruption (Tushman and Anderson, 1986). Substantial organizational decline leads to a crisis where the survival of the firm is threatened. Managers tend to attribute performance decline and any resulting organizational crises to external factors beyond their control, such as competition. Empirical studies, however, show that very few businesses failures are the result of outside factors only (Boyle and Desai, 1991). Instead, organizational failure is frequently linked to internal problems like failures to update products, invest in core competencies, and control cost (Baum, 1989 Hedberg, Nystrom, and Starbuck, 1976; Starbuck, Greve, & Hedberg, 1978).

Miller and Miller (2005), Cyert and March (1963), Leviathan and March (1993), identified overconfidence and straying from a successful business formula as the main causes for organizational decline. Business may decline as a result of internal and external factors. Internal factors include poor management, incompetence, and neglect of core business and in efficient numbers of good managers. Hoffer (1980) identified a number of management defects commonly found in declining firms, lack of strong middle management and failure to provide orderly management of succession by departing managers, an inept top management may result in a firm's strategy being misaligned with its task environment whether or not the environment has changed.

Strategic misalignment may result in the management team's failure to update product lines, overcome functional weaknesses and curtail operating expenses or ill-advised expansion, over expansion is associated with empire building strategies of an autocratic CEO that often involves expansion and extension diversification. Diversification is good strategy but over diversification may result in loss of control and the inability to cope with recessionary conditions and more so overexpansion tend to be associated with debt financing inadequate and financial controls. Failure to assign profit responsibility to key decision makers for financial consequences of these actions can encourage middle managers to employ excess staff and spend resources beyond what is necessary for maximum efficiency, high costs are also to blame-Inadequate financial control will lead to high costs. The most common cause of high costs situation is low labour productivity union practices, unforeseen and unforeseeable demand shifts due to changes in technology, economic, political and social cultural norms. This may result in opening up new market opportunities for new products and this threatens the existence of many established enterprises, finally, environmental influence and uncontrollable political, legal, cultural, social competition economical and technological

2.5 Turnaround Process

After a study of many turnaround processes, Kottler (1996) concluded that successful transformational changes are the consequence of two important patterns; useful change had to be associated with multistep process that create power and motivation sufficient to overwhelm all the sources of inertia and the process is never employed effectively unless it is driven by high quality leadership not just excellent management. Kottler (1996) identified an 8 stage process towards this endeavour, establishing a sense of urgency, creating the guiding coalition developing a vision and strategy, communicating the change vision, empowering a broad base of people to take action, generating short term wins, consolidating gains, and Producing even more change and institutionalizing new approaches in culture. Lovet et al (1999), however recognizes the following seven stages;-

Firstly, crisis stabilization where the aim is to regain control over the deteriorating position is likely to be short-term focus on cost reduction and these typically involve increasing revenue and reducing costs. These are good management measures except the speed that makes the difference- studies have indicated that the most successful turnaround strategies focus more on reducing direct operational costs and on productivity gains, whereas less

effective approaches pay more attention to the reduction overheads. However, too often turnarounds are seen as no more than cost cutting exercise when in fact a wider alignment between causes of decline and solutions is important. Secondly, the management changes which is usually required especially at the top level. This includes the introduction of the new chairman, a Chief Executive as well as changes in the board, especially in marketing sales and finance for three main reasons, because the old management may well be the ones that were in charge when the problems developed and be seen as the cause of the problem by key stakeholders, because it may be necessary to bring in management experience of turnaround management and since the new management is likely to be sourced from outside the existing organization, they may bring in quite different approaches to the way the organization has operated in the past.

Thirdly, gaining stakeholder support, it is likely that, as decline has occurred, there has been less and less good quality information to key stakeholders. In a turnaround situation, it is vital that key stakeholders perhaps the bank or shareholder groups, as well as employees are kept clearly informed of the situation as it is and improvements as they are being made. It is also likely that a clear assessment of the power of different stakeholder groups will become vitally important in managing a turnaround. Fourthly, clarifying the target market(s) central to the turnaround success is ensuring clarity on the target market segments most likely to generate cash and grow profits and focusing revenue generating activities on those key market segments. Indeed, it might be that a reason for the demise of the organization is because it had this wrong in the first place. Consequently the turnaround strategy, while involving cost cutting, may require the business to conceptualize and reorient itself to the market. There is also evidence that successful turnaround strategies involve getting much closer to customers and improving the flow of marketing information, especially to senior levels of management.

Fifthly, is clarifying the target is also likely to provide the opportunity to discontinue products and services that are either not targeted on those markets, eating up management time for little return or not making sufficient financial contribution. There may also be no opportunities to outsource such peripheral areas of activity. Finally is the financial repositioning and prioritization of critical improvement areas. The financial structure of the

Organization may need to be changed. This typically involves changing the existing capital structure, raising additional finance or renegotiating agreements with creditors, especially banks. It requires the ability of management to prioritize those things that give quick and significant improvements. A more general comment about successful turnaround strategies, as distinct from less successful ones, that focus on action tends on getting the existing business right rather than looking for new opportunities in quite different markets or new business that managers may not understand (Arogaswamy et al., 1995; Barker and Mone, 1994; Lohrke, Bedeian, and Palmer, 2004, concur with Lovet and Kottler on a two stage based model- stabilization and implementation of substantial organizational change.

2.6 Challenges of Strategy Implementation

More than ever before, companies are facing rapid change on all fronts. These include: global competition, economic uncertainty, environmental issues, technological change, a capricious consumer and even the effects of terrorist acts. This fundamental struggle with change, particularly in an overleveraged company has the potential to create a crisis environment which is rife with operational and financial problems. A crisis situation does develop, when a custodial management is ill equipped to deal with the high stakes challenges that have been created. These challenges include threats from varying stakeholders, cash shortages, imperfect information and the loss of major customers. A carousel of chaos is created which can quickly become a vortex destroying a company

Turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support (Arogaswamy, Barker, & Yasai-Ardekani, 1995), firms face unique challenges when implementing turnaround strategies. They arise from sources that are internal and external and include;-

2.6.1 Inability to Match Strategy to the Institutions of the Organization

Failure to work out the strategy by ensuring that the organization's daily activities, work efforts and resources are directed as much as possible towards the implementation of strategy which involves developing operational plans and tactics through which the otherwise abstract strategy will be implemented. These plans and tactics are developed at operational or functional level of strategic management. It is actually the inability to match

strategy to the institutions of the organization which include, structure, leadership, culture, support systems, processes and policies.

2.6.2 Resistance to Change and in Effective Leadership

Implementation of strategy does not automatically follow strategy formulation. There is always some resistance, which occurs whenever there is a departure from historical behavior, culture and power structure. It is therefore a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change.

Kottler (1996) cites a culture of complacency from an inept leadership as the main reason that necessitates many turnaround situations. He states that a typical 20th century organization has not operated well in a rapidly changing environment because of lack of leadership. Firms in turnaround tend to be over “managed and under led” have a shortage of leaders who are able to create the badly needed change. Managers who resist change develop a strong arrogant culture and fail to acknowledge the value of customers and stakeholders. More importantly, they fail to acknowledge the value of leadership and tend to stifle initiative and innovation.

2.6.3 Inadequate Resources

Lack of adequate resources namely funds, machinery /equipment, human capacity, skills and experience. Here, adoption of proper or appropriate policies can be quite useful. Equally important is the adoption of an effective control system during strategy implementation. Turn around strategies often fail to succeed due to lack of commensurate logistical and financial back up.

2.6.4 Macro Environmental Forces

These forces include economic, social cultural and political-legal technological and ecological. Thorough understanding of these forces and good planning can help alleviate this problem. This challenge could be compounded by industry forces especially from powerful buyers, powerful supplies and stiff rivalry from competitors. The operating environment also does exert pressures which arise from stakeholders, creditors, suppliers, customers, government shareholders and the local community.

2.6.5 Strategic Drift

Strategies progressively fail to address the strategic position of the organization and performance deteriorates. History suggests that most organizations run into difficulties because of failure to acknowledge and address strategic drift. Strategic drift is a situation where strategies progressively fail to address the strategic position of the organization. Firms go through long periods of relative continuity during which established strategy remains largely unchanged or changes incrementally. This can go on for considerable periods of time in some organizations. This is then followed by a flux if it is not well managed and the flux sets in which strategies fail but not in a very clear direction. There may then be transformational change fundamental change in which there is change in strategic direction.

There are usually strong forces at work that are likely to push firms into a strategic drift. Incremental strategic change is a natural outcome of the influence of organizational culture, individual and collective experience, political processes and prior decisions. However, if changes in an organization's environment are at a greater rate than that rate of incremental strategic change, the organizations will get out of line with its environment.

There is another danger that organizations become merely reactive to their environment and fail to question or challenge what is happening around them or to innovate to create new opportunities. This means that strategy development processes in organizations need to encourage people to have the capacity and willingness to challenge and change their core assumptions and ways of doing things. Internationalization affects size of the market and range of competitors, relations with potential partners' overseas and organizational activities across national boundaries.

2.6.6 Failure to adapt to Modern Information Communication Technologies

The speed at which data can be analyzed and communications enacted has been transformed through the development of cheap and powerful information and communication technologies (ICT). Although most managers would accept that this is likely to impact on their own organizations they are left with considerable uncertainty about the direction and speed of those changes. In order to reduce this uncertainty

managers first need to assess the impact on their current and future position. This includes understanding how the business environment is changed by this development.

2.6.7 Inability to Acquire and Manage Knowledge

Organizations must be able to integrate knowledge from inside and around the organization to develop and deliver new products or service features. In a fast moving world constant improvement and change become essential to survival and success. So the ability to manage learning is vital .Innovation is essential which is the ability to change the 'rules of the game', ability to do business in new ways, the willingness to challenge the status quo in the industry or market and an awareness of how the organization's competencies can be stretched to create new opportunities .The need to see and act strategically against any short term horizon, the prevailing culture which encourages the transfer of knowledge and the management and interaction of people. Anything less than this approach creates a major challenge to strategy implementation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the research methodology of the study. It also gave the specific procedures that were followed in undertaking the study. The research design, sampling design, sampling methods and procedures, data collection procedures/ instruments and data analysis were described in this chapter.

3.2. Research Design

The research design was a case study that helped focus on the implementation of turnaround strategy at KMC. It involved in-depth investigation of the firm's turnaround strategy. The case study was chosen because it gave an in-depth investigation of the key information on the implementation of turnaround strategy at KMC. The approach was an interpretive mode of inquiry which undertook an in-depth investigation of the outcome of decisions and actions taken by the commissioners, management and employees of KMC during the study period. The case study approach has been widely used to investigate individual and group interaction behavior and attitudes in different organizations and contexts and it is particularly suitable for the kind of study at hand. Many other studies that adopted a similar research design include: Situma (2006), Magee (2003); Gerstner (2003); and Ngaruiya (2007).

3.3 Sampling Design

The target population for this study were senior employees of Kenya meat commission. The researcher used purposive sampling to select 10 informants drawn from the top level management because they were mainly the ones who deal with strategy implementation. The informants were the Managing Commissioner, Chief Finance Officer, Production Manager, Sales and Marketing Manager, Livestock Manager, Quality Controller, Human Resources and Administration Manager, Engineering Manager, Procurement Manager.

3.4 Data Collection

Qualitative approach was adopted in the collection of primary data. Data was collected from 10 informants drawn from the top and middle level management because they were mainly the ones who deal with strategy implementation. The informants were the Managing Commissioner, Chief Finance Officer, Production Manager, Sales and Marketing Manager, Livestock Manager, Quality Controller, Human Resources and

Administration Manager, Engineering Manager, Procurement Manager. The researcher conducted individual in-depth interviews (IDIS) that were guided by unstructured and open ended questions for the key informants. Secondary data was also used to supplement the primary data. This was achieved through desk analysis of available company records.

3.5 Data Collection Procedure

The study collected primary data. The data was collected using an interview guide. The in-depth interviews (IDIS) were guided by unstructured and open ended questions for the key informants.

3.6 Data analysis

The data was analyzed using content analysis largely because it was qualitative in nature. Data was summarized and presented under thematic areas in response to the objectives.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data findings of the study, the analysis and interpretation thereof. The data was gathered through interview guide and analyzed using content analysis. The study interviewed all the targeted senior managers (10), which constitutes 100% response rate. The commendable response rate was achieved after the researcher made frantic efforts at booking appointments with the managing commissioner and senior managers despite their tight schedules.

4.2 General Information

According to the findings, KMC was started as a private entity by the British (colonialists) in 1937. It changed to government/public organization around 1950 to serve the pastoral areas. It was established as a strategic venture to buy livestock from the livestock farmers who kept about 80-100 livestock in the country. The animals that were bought during drought could be fattened, processed and then exported. During that period, there were properly developed stock routes and holding grounds reserved for this purpose and a well established infrastructure, which included railway transport.

From the study, the major contributing factors that led to the collapse of KMC in 1992 were political interference, mismanagement, bad leadership, loss of foreign market especially European Union EU, lack of focus, grabbing of holding grounds, and also the interventions to save the company were not timely. According to the results of the study from livestock and procurement department, the collapse of KMC in 1992 was as a result of ineffective leadership, mismanagement of the organization, over grading of animals for personal gain (corruption), political interference for example tenders for the supply of livestock going to politically correct people and poor state of machinery.

In 2006, KMC was revived due to its strategic importance especially to livestock keepers from the Arid and semi Arid Lands ASAL whose main stay is livestock. KMC is also the buyer of last resort. The institution finally plays a pivotal role in the livestock sector which also contributes 42-45% of the agricultural input.

The informant suggested that they would attribute the success of KMC to the huge processing potential capacity of slaughtering 1000 big stock (for example bulls) and 1200 small stock (goats) per day, best canning lines which are of its own kind in East and

Central Africa, the machines' long shelf life of 5 years and the government's livestock off take programme. The company also currently has very skilled staff who embrace teamwork.

The firm's success was further attributed to openness in the organization, supportive board, preparation of a strategic plan, undertaking of a functional analysis, current reliable local and export market especially to the Middle East (the company having a 40% of total earnings from exports while 60% of the earnings coming from the local market) and also participation of both local and international exhibitions.

4.3 Current Status of KMC

According to the response from the finance and administration manager on the current financial status of the organization, revenue was mainly generated from domestic sales exports earnings and remission from rents. He further said that the current ratios for earnings from exports to domestic sales stand at 60:40 but there is a deliberate strategy to reverse the situation. The firm had not yet evened out its expenditure and revenue; operations were below installed capacity at 30%. This was because the firm had just emerged from receivership in the year (1996-2003). The respondent therefore viewed the 2006-2009 period as the trial phase of the company where losses stood at Kshs. 26m per month. The situation was actually improving since the losses were on a downward trend.

The informant was also asked to compare the current company's status to the one that prevailed in 2006/2007. It was reported that the revenue and sales were much lower then. There was low degree of effectiveness, no systems in place, costs were higher and production was not demand based. Currently, the firm was market driven and there was better management.

According to the production, sales and marketing managers, the current turnover of the company as compared to 2006 was Kshs 50m, while the turn over for 2006-2007 was Kshs. 30-40m monthly. Currently, KMC was selling 240 big stock worth of carcass per week and 900 goats on a daily basis. The study also established that the state of the current machinery in KMC was good. This was because money had been injected by the government (Ksh98 million) for purchase of new machinery and replacement of the old ones and currently there was about 90% efficiency level.

The study found out that the establishment of KMC currently stood at 300 workers. The relationship between management and commissioners since 2006 was also described as , not good, suspicious, intimidating, fearful, and not cooperative. There was also lack of teamwork. However, the current relationship between management and other employees was open and focused. A sense of team spirit, ownership and optimism prevails. From the findings, the company's internal processes included policies, procedures, recruitment and selection system, and putting in place Human Resources Management HRM manual/policy for career progression.

4.4 Strategies Adopted By KMC

According to the findings, the strategies that were adopted by KMC in a bid to revive the organization were rehabilitation of machines and requisite infrastructure, operationalization of the institution, drawing up of a management structure and manning levels in line with the business and functions of the corporation, provision of funds by the government for the purchase of livestock and recruitment of new staff.

These strategies were however neither understood nor supported by the commission, management and employees. This was due to the fact that there was no coordinated effort, no teamwork, people were not talking to each other, lack of a communication strategy (poor information flow), poor leadership, lack of equipments to ensure efficient operations in the firm and rampant theft.

According to the findings, financial strategies adopted by the finance and administration department in relation to the turnaround in the organization were cost saving/cost management measures, opening up of new markets, expanding company sales, appropriate costing of products, debt management and reschedulement, result based financing, preparation of a new strategic plan that is aligned to the company's objectives, activities and vision 2030.

According to the study, the strategies that the production, sales and marketing department adopted in relation to the turnaround in the organization were aggressive marketing, overhaul of sales management team, seeking for bulk customers, contract slaughter, tender quotation export/agent, diversification in relation to buying of products and value addition, venturing into tailor-made products, opening new KMC products outlets for example in

landies road, franchisement and turning to the middle east and inland Africa in its marketing.

The strategies adopted by the human resource and administration department in order to support the turnaround strategy at KMC were recruitment; selection, restructuring, placement of staff, capacity building, improved systems and provision of funds to support the programmes. The study also established that the internal processes in the department partially supported the new strategy as they were inadequate. Therefore, they would not achieve the turnaround as envisaged.

From the findings, the role played by the livestock and procurement department in the implementation of the turnaround strategy was facilitation of all procurement activities which included machinery in order to enable the institution run smoothly as planned without any hitches so as to generate profits. The strategies that the department adopted in relation to the turnaround included implementation of the procurement Act (strict adherence), publicity and sensitization of the new Act, streamlining of relevant procurement systems to be aligned to procurement strategy in order to achieve value for money.

The study required the informant (engineering manager) to state the strategies that the engineering department put in place during the turnaround process. The respondents suggested that they maintained the entire engineering infrastructure, ensured that the equipments were operational and properly serviced which included painting, improvement of slaughter capacity to 1000 animals per day with 24 hour run which was just 30% utilized in 2006. They also reported that originally there was no market establishment before the corned beef started to be exported, currently there were fresh cuts to major supermarkets and also all machines were running except a few. The study also sought to establish whether the state of the current machinery did support the turnaround strategy. The informant reported that the machines did support the turnaround strategy partially but full support would be realized when all the rehabilitations are done especially the compression and refrigeration which will take a period of 2 years. The Engineer however reported that a lot of products were currently kept in the refrigeration system because they had not been sold due to the recent government off take programme and inadequate market for the products. The machines had been replenished, while others were on standby especially the killing lines and conveyors, volumes were still low, 600 large stocks are

done per week, instead of daily. It was also reported that canning of large quantities was being done.

According to the study, the programs that were put in place to guarantee successful management of the turnaround strategy included; rehabilitation of machines through buying new ones, provision of funds to buy livestock, recruitment of skilled staff, capacity building and also putting in place legal framework in the organization . Other programmes currently put in place to ensure success of KMC replacement of the entire board of commissioners, drawing of current strategic plan, ensured consistency on quality, vigorous marketing, opening new market outlets for example at Nakumat, Uchumi and Tuskys supermarkets, encouraging openness in the organization, supportive board, support from the permanent secretary and the minister, improved exports to 70% level and increased participation in local and international exhibitions.

The study also found that the turnaround strategy had not been successful. This was because the machines had not been fully rehabilitated, operations were not fully streamlined, viability had not been realized, the company was far from being ready for privatization, Kshs. 40-50m loss was being made monthly although it had reduced to Kshs. 26m by December 2009. However, the Managing commissioner was optimistic that KMC will break even by June 2010.

4.5 Challenges Faced By KMC in the Implementation Strategies

The study also established that there were challenges faced in the implementation of the turnaround strategy. These challenges included; frequent breakdowns of the machinery, cash flow problems because the firm could not pay the suppliers promptly, resistance to change as employees wanted to maintain their status quo, limited funds to do adequate marketing and stringent export market requirements (elimination of all livestock diseases from the country before any exports could be accepted in the EU market), poor planning, death of livestock, non-involvement of stakeholders in the planning process and Post election violence in Nairobi which disrupted the supply of livestock and lowered the demand of the meat products. This situation was further aggravated by the subsequent high inflation which increased the cost of operation thus further eroding profit margins of the commission.

The challenges faced by the finance department in the implementation of these strategies included taking long time to improve on efficiency in operations, low automation levels, lack of a clear strategy, old machinery, inadequate capital, resistance from the employees as employees wanted to stick to the old ways and also KMC Act was ambiguous as the company was supposed to regulate other abortours but still the government did it (no proper regulatory body since KMC is supposed to operate as a commercial entity). Other challenges were misuse/misallocation of funds - the then Managing Commissioner misallocated Kshs. 295,000,000 (two hundred and ninety five million) meant for rehabilitation and operations of Kenya Meat Commission machinery and weak financial controls.

The former managing commissioner further failed to put in place sound financial management systems which resulted to an estimated expenditure of Kshs. 300 million that could not be properly account for. The institution was also overstaffed by about 345 workers. It had 657 employees instead of the required 312. Budgeting was also not geared to specific strategic priority. From the findings, the challenges faced by sale and marketing department in the implementation of these strategies were inadequate financing, delayed payment to suppliers, lack of adequate deliveries such as tracks, pricing problems as the costs were very high, inefficiency in the organization and slow adoption to changing technology.

The challenges faced by the human resource department in the implementation of these strategies were political interference especially on recruitment and selection, restructuring, ineffective leadership, lack of competencies and also inadequate funding. It was also reported that the former Managing Commissioner handled most of administrative work and little delegation was done and therefore he single handedly ran the administrative duties and sometimes issued verbal instructions to junior staff without the knowledge of Departmental Heads. This created discontent and low morale amongst Heads of Departments who felt undermined by this action, also the former Managing Commissioner made numerous external trips outside the country without the prior approval of the Board and at times giving false itinerary. Another challenge was a culture of negativity, accountability and teamwork were discouraged, initiative and transparency reprimanded. Ideas were only tolerated if they came from the Chief Executive Officer CEO and any display of confidence met with disapproval from an intolerable leadership. Employees lost

interest in quality work and in serving customers. A culture of blame, denial disrespect and helplessness set in. Employees and their managers lost their sense of integrity and trust. Self interest and self aggrandizement were tolerated. Managers and employees started faking sales, cheating and perpetuating fraud. Widespread corruption was practiced and also abetted by the then MC.

The study also found that the challenges faced in the adoption of the turnaround strategies were political interference especially on tendering process and awarding of the same, restructuring, inadequate funding, unsteady supply of livestock, high purchase price, competitive market, ICT systems not being in place. Other challenges were the sources of some of the livestock was very far for instance Kuria and Mandera districts which resulted to high transport costs, inadequate manpower and lack of awareness on the procurement Act.

The challenges faced by the department in the implementation of the turnaround strategy were that spare parts were sourced from abroad which was very expensive and also caused delays in delivery(It takes 6 months to finalize the procurement), inadequate funding for the purchase of machinery and for capacity building and inadequate manpower.

4.6 Ways to Address Challenges Faced In the Implementation of Strategies

In order to address these challenges, the informant reported that the capital especially the machinery were refurbished by the government, government supported the capacity building program, a forum was created where staff could openly share issues of growing the institution, there was teamwork in the organization, streamlining of financial management systems and procedures and also a sense of collective responsibility was instilled in the organization.

The informant also commented that the turnaround was currently on track unlike before, because there was an elaborate plan to turn the organization into the profitability path. The organization had adopted a holistic approach, input from every department was guaranteed and there was an improvement on rent-residential cash flow. He was also confident that the original plan of breaking even could be realized by June 2010 and it was hoped that by 2011 the firm would generate profits.

The department addressed these challenges by having an agreement with financial institutions like banks, overhauling of old machinery, improved operations through the purchase of a forklift, having right people in the right places and also by going automation to increase efficiency. The informant further commented that market development was key to the success of the turnaround strategy at KMC.

In order to cope with these challenges, the human resources department undertook better planning and optimum use of the available personnel, encouraged officers to develop their skills and competencies through training and also reviewing of the organization structure, encouraged team work, open door policy, frequent meetings and conducting of motivational talks. Some challenges could however not be addressed in time which finally slowed down the turnaround process.

In order to address these challenges, the livestock and procurement department undertook procurements within the budget, paid the suppliers at the market rates; price survey was undertaken, streamlining of the procurement procedures and adherence of the same, enhanced involvement and participation of major stakeholders and also by better planning.

The informants further commented that the 2009 livestock off take programme went hay wire due to lack of planning at the ministry level and lack of involvement at the initial levels. The exercise took the KMC by surprise. There was inadequate preparation hence the fiasco that was witnessed. They also suggested that there was confidence that the new Managing Director MD will turn things around and the future of KMC was bright.

4.7 Recommendation

The informant was also requested to make recommendations on how to improve the implementation of a turnaround strategy at KMC. It was suggested that openness in the company should be encouraged; there should be a supportive board, capacity building, purchase of new equipments and setting up of modern abattoirs, and automation of processes, vigorous marketing of products both locally and externally and more value added services. Other recommendations included offering efficient services to customers, franchisement / contracting of abattoirs and also getting into agreement with banks to be paying the suppliers and then the banks to be paid later (this would ensure prompt payment of suppliers)

It was also reported that considering its strategic position, strategies currently put in place and goodwill from Government and Ministry's leadership-Minister and Permanent Secretary, KMC had excellent future. This position was also reinforced by the prevailing positive attitude from all stakeholders, employees, supportive board and also better reorientation of management.

According to the study, the challenges that KMC is currently facing partly emanate from the government's failure to accord required priority and resources to livestock sector that commensurate with its contribution to Gross Domestic Product GDP, Therefore, low investment in terms of funding continues to prevail, frequent breakdowns of machinery and cash flow problems. It was also realized that suppliers could not be paid in time, resistance to change as employees wanted to maintain their status quo, limited funds to do undertake adequate marketing, EU marketing requirement too stringent especially on disease control which was not in their docket,, poor planning which leads to the death livestock especially during the 2009 off take programme, non involvement of stakeholders.

The informant in the engineering department was also requested to suggest on how the current status of machinery in the institution could be maintained and improved. It was recommended that there should be good planning, provision of funds by the government and loans from banks, increased sales, adherence to procurement procedures, all machines needed to be revamped and concentration of effort on manageable capacities was important unlike the current where capacity for 1200 is being revamped instead of half.

The informant further commented that the targeted volumes were not yet achieved, volumes necessary to achieve targets must be attained which is expected to be at the end of this year. He reported that the export market was picking up well as eight tones of beef is currently being exported to the Middle East daily. The Engineering Manager was optimistic that KMC has bright.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of findings, provides conclusions and recommendations of the study. This is based on the objectives of the study- To establish the turnaround strategies adopted by KMC for success, to examine the challenges faced by KMC in the implementation of turnaround strategies and to determine ways to address challenges faced in the implementation of turnaround strategies.

5.2 Discussions

From the findings, it was established that there were various turnaround strategies adopted by different departments in KMC in order to revive the organization. There were also a number of challenges which were faced during the implementation process.

5.2.1 Implemented Strategies

Broad strategies that were adopted by KMC in a bid to revive the organization were rehabilitation of machines through buying new ones to ensure effective and efficient operations, operationalization of the institution, drawing up of a management structure and manning levels in line with the business and functions of the corporation and, provision of funds by the government for the purchase of livestock and also recruitment of new staff. The programs that were implemented to guarantee successful management of the turnaround strategy included; rehabilitation of machines through buying new ones, provision of funds to buy livestock, recruitment of skilled staff, capacity building and also putting legal framework in the organization in place. Other programmes currently put in place to ensure success of KMC are replacement of the entire board of commissioners, drawing of current strategic plan, ensured consistency on quality, vigorous marketing, opening new market outlets for example in Nakumat and Tuskys supermarkets, encouraging openness in the organization, having a supportive board, preparation of a new and better organizational strategy enlisting the support of the permanent secretary and the minister, improved exports to 70% level and increased participation in local and international exhibitions. This was in line with the view of most managers and management researchers who view organizational decline as reversible (Chowdhury and Lang, 1993; Porter, 1985). Specific turnaround strategies have been proposed to enhance a firm's chances of persevering through an existing/threatening performance decline, ending

the threat, and achieving sustainable performance recovery. Chowdhury (2002) defines turnaround strategies as a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival.

Financial strategies adopted in relation to the turnaround in the organization were cost saving/cost management, opening new markets and modern abbotours, and expanding sales of the company, appropriate costing of products, debt management and reschedulement, new strategic plan that is aligned to company's activities, objectives and vision 2030 and implementation of strict financial management controls. Turnaround strategies have the primary objective of stabilizing the financial conditions of the firm through cost cutting and asset reducing activities (Pearce and Robinson, 2004).

Production, sales and marketing strategies included aggressive marketing, overhaul of sales management, seeking for bulk customers, tender quotation expert, diversification in relation to buying of products and value addition, venturing into tailor-made products, opening new KMC products outlets for example in landies road, franchisement and turning to the middle east and inland Africa in its marketing and increased sales volumes.

Human Resources Management and administration turnaround strategies adopted in order to support the turnaround strategy at KMC included; recruitment selection and placement of staff, capacity building, restructuring and sourcing / provision of funds to support the Human Resources Management programmes.

Procurement strategies that were put in place were implementation of the 2006 procurement Act, publicity and sensitization on the new Act, streamlining of the relevant procurement systems and adhering to it, alignment of procurement activities to the strategy in order to achieve value for money, strict adherence to the procurement Act

The engineering division maintained the entire engineering infrastructure, ensured that the equipments were operational and properly serviced which includes painting, improvement of capacity to 1000 animals per day with 24 hour run which was just 30% utilized in 2006, originally there was no market establishment before the corned beef started to be exported and currently there are fresh cuts to major supermarkets and also all machines are running except a few. To achieve a successful turnaround, a management team must first stem a firm's decline and select an appropriate strategy for recovery (Slatter and Lovett, 1999). This often requires increasing a firm's efficiency, stabilizing its internal operations and

renewing stakeholder support in doing so, the range of viable decisions available for TMT depends to a large extent on the severity of the firm's decline. Once the management team has stabilized a firm's performance, it must necessary address the causes of business decline to affect recovery (Pearce and Robinson, 1993).

5.2.2 Challenges Faced

The general challenges faced by the organization in the implementation of the turnaround strategy were inadequate/ineffective leadership, frequent breakdowns of the machinery, cash flow problems since debts could not be settled in time, resistance to change as employees wanted to maintain their status quo, limited funds to undertake adequate marketing and marketing requirements too stringent especially the disease control which was not the docket of KMC, poor planning, slow adoption to changing technology, budgeting was not geared to specific strategic priority, death of livestock, non-involvement of stakeholders in the planning process and Post election violence in Nairobi which disrupted the supply of livestock and lowered the demand of the meat products. This situation was further aggravated by the subsequent high inflation which increased the cost of operation thus further eroding profit margin of the commission.

The challenges faced by the finance department in the implementation of these strategies were lack of efficiency in operations, low automation levels, lack of a clear strategy, old machinery, inadequate capital, resistance from the employees as people wanted to stick with old ways and also the KMC ACT is ambiguous as the company was supposed to regulate other abortours but still the government does it. Other challenges were misuse/misallocation of funds - the then Managing Commissioner misallocated Kshs. 295,000,000 (two hundred and ninety five million) meant for rehabilitation and operations of Kenya Meat Commission to rehabilitation of Kibarani Plant, Weak financial controls, where the managing commissioner failed to put in place sound financial management systems which resulted to an estimated expenditure of Kshs. 300 million which KMC could not properly be accounted for and also overstaffing where instead of the required 316, there were 657 employees in the organization.

The Production, sales and marketing Division were handicapped by inadequate financing, delayed payment to suppliers, lack of adequate delivery means such as tracks, high costs/pricing, inefficiency in the organization and also lack of technology transfer.

The challenges faced by them Human Resources Management and Administration included interference especially on recruitment and selection by politicians, restructuring challenges, ineffective leadership, lack of competencies , inadequate funding for capacity building and inadequate manpower. This was in line with Kottler (1996) who cites a culture of complacency from an inept leadership as the main reason that necessitates many turnaround situations.

The procurement department faced political interference especially tendering process and awarding of the same, challenges of restructuring, inadequate funding, unsteady supply of livestock, high purchase price, competitive market, ICT systems not in place, sources of some of the livestock was very far like Kuria and Mandera hence transport cost, inadequate manpower and lack of awareness on the procurement act.

The engineering department experienced high costs of spare parts that were sourced from abroad and delays since it took 6 months to finalize the procurement. There was also the challenge of inadequate funding for the purchase of new machinery; most of them were old and unserviceable. More than ever before, companies are facing rapid change on all fronts. These include: global competition, economic uncertainty, environmental issues, technological change, a capricious consumer and even the effects of terrorist acts. Turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support (Arogaswamy, Barker, & Yasai-Ardekani, 1995), firms face unique challenges when implementing turnaround strategies.

5.3 Conclusions

From the findings and the discussions, the study concludes that the strategies adopted by KMC in relation to the turnaround of the organization were rehabilitation of machines and through buying new ones to ensure effective and efficient operations, improvement of requisite infrastructure, operationalization of the firm, drawing up of a management structure and manning levels in line with the business and functions of the corporation, provision of the funds by the government for the purchase of livestock, recruitment of new staff, cost cutting/cost management measures, opening new markets, expanding sales of the company, appropriate costing of products, debt management and reschedulement, implementation of result based financing programme, new strategic plan that is aligned to the company's activities, objectives and vision 2030. Other strategies were aggressive

marketing, overhaul of sales management team, seeking for bulk customers, diversification in relation to buying of products and value addition, venturing into tailor-made products, opening new KMC products outlets for example in landies road, franchisement and turning to the middle east and inland Africa in its marketing, capacity building, and putting systems in place and also sourcing and provision of funds to implement the necessary programmes, implementation of the 2006 procurement Act , publicity and sensitization on the new Act, streamlining of the relevant procurement systems and alignment of procurement activities to the strategy in order to achieve value for money,

The study also concludes that a number of challenges were faced during the implementation of turnaround strategy at KMC. These were inept leadership, frequent breakdowns of the machinery, cash flow problems, and resistance to change as the employees wanted to maintain their status quo, lack of budget linkage to specific strategic priority, limited funds to undertake adequate marketing, loss of export market, poor planning and non-involvement of stakeholders in the planning process. Other challenges faced included lack of efficiency in operations, slow adoption to changing Technology, lack of a clear strategy, KMC Act is ambiguous as the company is supposed to regulate other abortours but still the government does it, political interference especially on recruitment and selection, rigid and unsupportive systems and expensive spare parts.

Therefore, the above challenges collectively hindered the realization of the turnaround strategy at KMC. However, the organization has great potential and bright future.

5.4 Recommendations

This study therefore recommends that in order to deal with the challenges faced by KMC in the implementation of the turnaround strategy, the government should provide full financial support to the company to purchase new and efficient machinery (rehabilitation of machines) and also to meet the costs of capacity building. The turnaround strategies adopted by the company should also be well understood and supported by the commission, management and the employees. A linkage is also required between the budget and specific strategic priorities for the achievement of intended strategic goals and strict adherence to financial / procurement management controls/regulations. The company

further needs to ensure that there is good relationship between the management and commissioners. Adequate funds should be set aside to undertake market development especially aggressive marketing in order to secure a sizeable share of both foreign and domestic markets. It is also suggested that the report that was prepared on functional analysis and ideal structure of the organization which the current management has adopted require to be fully implemented. Additionally, it is important to improve on Information, Communications and Technology which is necessary in enhancing efficiency in operations.

The study finally recommends that although the current leadership at KMC has improved, it should be strengthened especially in team building and inculcation of positive culture to guarantee success of the organization.

5.5 Limitations of the Study

The major limitation of this study was that the informants were somehow reserved in giving all the information pertaining to the failures of the past administration. They were rather more interested on the reforms needed to put the organization on track. This therefore, implied that the informants were more comfortable on giving the information on the current turnaround strategies adopted by the organization than dwelling much on challenges facing the institution.

5.6 Suggestions for Further Research

Not much study has been done on implementation of turnaround strategies in the public sector. Therefore, there is need for further research in this area which should also include successful implementation of turnaround strategies in the public sector especially Kenya wildlife service (KWS) and Kenya Airways.

5.7 Implications on Policy and Practice

Due to the ever changing operational environment, organizations will have to take into account all factors that come into play in order to ensure success of their organizations. It is therefore inevitable for organizations to implement turnaround strategies to deal with the challenges associated with the changes. These strategies will need to be carefully crafted and effectively implemented. The following organizational competencies and capabilities will always play a key role for successful turnaround strategies; ideal

structures/systems, effective leadership, positive culture, teamwork, efficient mobilization and utilization of resources and adoption of the rapid changing technology. Therefore, appropriate combination of these factors will enable companies operate viably while gaining a competitive edge over their rivals.

At Policy level, a multisectoral approach and wide consultations need to be adapted in order to develop realistic guidelines that will ascertain effective implementation of turnaround strategies. This is because turn around strategies are more challenging to realize considering that they take a longer period and require more resources to stabilize the organizations before profitability can be achieved.

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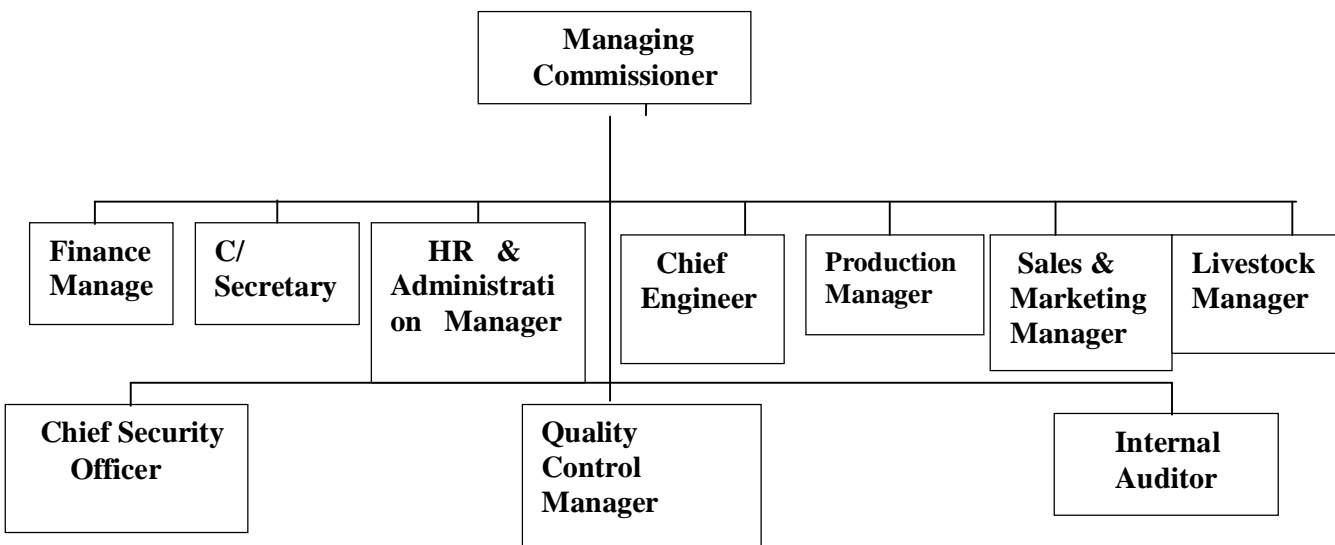
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APPENDICES

Appendix I: The Kenya Meat Commission Organizational Structure (2009)



Appendix 11 - Letter of Introduction

Appendix III: Acknowledgement Letter from KMC

Appendix IV – Interview Guide

MANAGING COMMISSIONER

- i) Briefly describe the history of KMC
- ii) KMC folded its operations in 1992, what were the major contributing factors for the collapse?
- iii) What necessitated the revival of KMC in 2006?
- iv) What strategies were adopted by KMC in a bid to revive the organization?
- v) Were the turnaround strategies understood and supported by the commission, management and employees?
- vi) What programs were put in place to guarantee successful management of the turnaround strategy?
- vii) What challenges were faced in the implementation of the turnaround strategy?
- viii) In your opinion, has the turnaround strategy been successful?
- ix) What would you attribute the success of KMC?
- x) What recommendations would you make to improve implementation of a turnaround strategy?
- xi) How do you see the future of KMC?
- xii) What challenges is KMC currently facing

FINANCE MANAGER

- i) What is the financial status of the organization currently?
- ii) How would you compare to its status in 2006/2007?
- iii) What financial strategies did your department adopt in relation to the turnaround in the organization?
- iv) What challenges did you face in the implementation of these strategies?
- v) How did you address these challenges?

PRODUCTION, SALES AND MARKETING MANAGERS

- i) What is the turnover currently compared to 2006?
- ii) What strategies did your department adopt in relation to the turnaround in the organization?
- iii) What challenges did you face in the implementation of these strategies?
- iv) How did you address these challenges?

HUMAN RESOURCE AND ADMINISTRATION MANAGER

- i) What is the establishment of KMC currently?
- ii) Describe the relationship between management and commissioners since 2006
- iii) Describe the relationship between management and other employees
- iv) Describe the culture that is prevailing at KMC currently
- v) What are the company's internal processes?
- vi) What strategies did your department adopt to support the turnaround strategy?
- vii) In your opinion did the internal process support the new strategy?
- viii) What challenges did you face in the implementation of these strategies?
- ix) How did you address these challenges?

LIVESTOCK, PROCUREMENT, QUALITY CONTROLLER

- i) What led to the collapse of KMC in 1992?
- ii) What role did you play in the implementation of the turnaround strategy?
- iii) What strategies did your department adopt in relation to the turnaround the organization?
- iv) How did you address these challenges?

ENGINEERING MANAGER

- i) What strategies did the Engineering department suggest in the turnaround process?
- ii) What is the state of the current machinery in KMC?
- iii) Does it support the turnaround strategy?
- iv) What challenges did your department face in the implementation of the turnaround strategy?
- v) What suggestions would you make to maintain and improve the current status of machinery in the institution?