TURNAROUND STRATEGY AT 'SKILLS FOR SOUTHERN SUDAN' ORGANIZATION

BY

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DECLARATION

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

Signed ....

Date 07-11-2012

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D61/61544/2010

This research project has been submitted with my approval as the University supervisor.

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DEDICATION

This project is dedicated to my husband Albert Mbugua and our Son Nevan James for enabling me to complete the MBA programme through their encouragement, prayers, patience and moral support.

May God bless you immensely.

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ABSTRACT

Many firms experience trends of deteriorating financial performance at some point in the organizational life cycle as a result of internal and external factors. Management can respond by selecting strategies that redirect the resources in an attempt to improve firms' competitive position. The aim is not only to halt the decline, but also to generate the means for a substantive recovery. Therefore turnaround is considered to have taken place when a firm recovers adequately and regains performance. Skills for Southern Sudan was established in 1995 in UK as a programme of Windle Trust International (WTI). However the organization lack of clear corporate strategy and other external factors resulted to decline in performance. The study was modeled on a case study design whereby qualitative data were collected focusing on turnaround strategy at Skills for Southern Sudan. Primary data was collected using an interview guide and secondary data were collected from organization annual financial report for various years and the organization brochure and website. Content analysis was used considering the qualitative nature of the data collected through in-depth personal interviews. The research findings indicated that to confront the declining performance the organization employed operational restructuring coupled with change of senior management team, which saw the exit of previous chairman of Board of Trustees and Board members in Africa. It also changed its Finance & Administration Manager and the Programme Manager, but they did not change the Director. In operational restructuring the organization reduced costs, increased revenue generation, reducing direct costs and slimming overheads in line with volume. The process involved all the stakeholders to provide support for the much needed changes. Based on the findings it can be concluded that for turnaround strategy to be effective, an organization needs to make the turnaround process all inclusive and in order to reduce internal conflict an external consultant is highly recommended to look at staff issues and give independent opinions and guidance.

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ACRONYMS AND ABBREVIATIONS

AIDS:	Acquired Immune Deficiency Syndrome
CEO:	Chief Executive Officer
CPA:	Comprehensive Peace Agreement
DFID:	Department For International Development
GoSS:	Government of Southern Sudan
HIV:	Human Immune Deficiency Syndrome
INGO:	International Non Governmental Organization
JICA:	Japan International Corporation Agency
MDG:	Millennium Development Goals.
NGO:	Non Governmental Organization
OLS:	Operation Lifeline Sudan
SPLM:	Sudan People's Liberation Movement
SAVOT:	Skills and Vocational Training
UK:	United Kingdom
UN:	United Nation
UNIFEM:	United Nations Development Fund for Women
WTI:	Windle Trust International

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Many organizations experience trends of deteriorating financial performance at some point in their lifecycle as a result of market erosion and or maladaptive decisions by management. Based on deterministic perspective this organizational decline can be attributed to environmental factors while the voluntaristic perspective attributes decline to internal factors, particularly management actions and perceptions. Whether causality is attributed to external factors, internal factors or both, managers can respond by selecting strategies that redirect resources in an attempt to improve their firm's competitive position (Obae, 2009).

Significant research exists on organizational and corporate life cycles (Dodge, Fullerton, and Robbins, 1994; Churchill and Lewis, 1983; Pearce and Doh, 2002). Several distinct stages have been proven to exist, including introduction, maturity, decline, redirection, re-establishment and death. Each of these stages requires different leadership, strategies and decisions, but ultimately is integrated into an on-going process and not a single event. While maturity may last for many decades, some organizations eventually begin the period of decline due to a lack of financing, high debt leverage, labor struggles, or numerous other factors. Some percentage of these will be able to reverse the downward spiral and potentially revive or turn around.

Turnarounds have been studied intensely in industrial organizations for years, dating back to the late '70's and early '80's. (Hofer, 1980). Two basic theories have dominated the management literature on organization failure. A deterministic perspective in classical industrial organization and organization ecology literature suggest that managers are constrained by exogenous industrial and environmental constraints and therefore their strategic choices have limited impact (Marrow, et al., 2004). A more voluntaristic perspective in organization studies and organizational psychology literature suggest that managers' actions and perception are the fundamental cause of organizational failure (Mellahi and Wilkinson, 2004).

1.1.1 Turnaround Strategy

A turnaround has been defined in many ways: as strategies to stabilize operations and restore profitability (Pearce and Doh, 2002); as an upturn in financial performance (Schendel et al, 1975); or a significant change in policy or practice that brings an organization back from near collapse (Langabeer, 2007). Weitzel and Johnson (1989) characterized decline as the opposite of successful adaptation to environment. They suggested that organizations enter the state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organization's long-term survival. Mukherji, et al., (1999) says that firms must develop turnaround strategies to match the pressure of its multilayered environment in order to become competitive. Chowdhury and lang (1996) posit that turnaround strategies emphasize the improvement of operational efficiency through cost reductions and asset reductions.

Most prior research in strategic management literature has focused on turnaround strategy when firms are in decline (Schendell, et al., 1976; Hofer, 1980; Hambrick and Schecter, 1983; O'Neil, 1983; Pant, 1991). Pearce and Robinson (2007) observe that the two principal types of turnaround strategies contraction and consolidation are used when an organization's problems are not pervasive. Ramanujam and Varadarajam (1989) advance that two basic growth strategies are diversification at the corporate level and concentration at business level. The corporate level strategies choices are growth, stability or retrenchment. Firms experiencing negative trends of performance typically resort to retrenchment as the likely turnaround strategy Pant (1991). Also firms may choose a growth strategy when experiencing declining performance. The key to finding the right growth strategy is properly matching it to the organization and its specific market place. Diversification (new product/new market) is a high risk strategy, largely because both the products and the market are unproven territory for the organization (Kamunde, 2010).

According to Takacs (2009) some of conditions which necessitate turnaround strategy among others include large losses due to low income and high costs, bad economic conditions, excessive debt load and an acquisition that performs less than expected. The main focus of turnaround strategy is restoring money losing business to profitability rather than divesting it and getting business back to profitability by curing the problems causing bad performance (Langabeer, 2007). Turnaround strategy is most appropriate when reasons for poor performance are short-term; ailing business is in an attractive industry and when divesting does not make long-term strategic sense (Pandit, 2000). Not all organizations in need of a turnaround are companies or even firms. Also not- profit making organizations for instance, nongovernmental organization, a government programme or school may be in need for a turnaround, not to restore corporate value, but to achieve certain results

(Langabeer, 2007). Many not-for-profit making organizations are adopting turnaround strategy in order to produce noticeable and durable improvement in performance and also to increase their income.

1.1.2 Non- Governmental Organizations Sector in South Sudan

Non- Governmental Organizations (NGOs) have specific characteristics which distinguish them from Government organizations, profit making firms or other registered private groupings. The term INGOs can be applied to organizations which posses characteristics which include: coordination, an established or permanent institution with a degree of organizational structure such as meetings, rules and procedures, international presence, an NGO operating in at least two countries or more; that it is the home country and other countries, voluntary – formed freely, willingly, spontaneously by individuals, groups or organizations with an element of voluntary participation, self governing and self regulating in that they have their own internal procedures for governance but nonetheless operate within accepted norms of society as a whole. Not for profit sharing, not profit making and where profit are accrued they are ploughed back to the community through the organization. INGOs are involved virtually in all spheres of life including health, education, governance, environmental, human rights, HIV/AIDS, micro finance and poverty eradication among others (Connolly, et al., 2002).

South Sudan gained independence in July 2011. NGO's operating in South Sudan have formed a forum which coordinates all their activities in order to efficiently and effectively address the humanitarian and development needs in South Sudan (South Sudan NGO Forum, 2010). INGO's operating in South Sudan has long been overlooked and little understood. Until fairly recently, a poorly run or even highly dysfunctional INGO, as long as it did not go bankrupt, could continue to operate for years. In the past few years, however, the social, political and economic context in which INGO's operate has changed dramatically. The numbers and size of NGO's involved in international relief and development, for example, have grown substantially in the past few decades (Siciliano 1997). INGO's face both increased competition for funding, and reductions in funding. Years of government restructuring and retrenchment have resulted in reduced funding for INGO's and increasing demands for programs and services. Increasing demands for transparency and accountability from funders and donors have put additional pressure to INGO's to find ways of improving accountability and performance (Siciliano 1997; Hall 1999). In this increasingly competitive and challenging environment, many working in the field know that change is inevitable – that those who are not able to increase their impact and efficiency "run the risk of bankruptcy and irrelevance" (Lindenberg 2001, 1).

According to South Sudan NGO forum the number of INGOs working in South Sudan in 2005 were approximately 47 and in 2010 there were over 155 INGOs registered and equally as many national NGOs. NGO sector has played and continues to play a key role in South Sudan economy. NGOs still provide basic services in 90 percent of South Sudan and if all the NGOs left, a lot of people would die without health care and clean water. The government of South Sudan is financed heavily by international donors to build the capacity of its civil servants who mainly channel their funding through INGOs.

1.1.3 Skills for Southern Sudan Organization

Skills for Southern Sudan (Skills) is an International Non- Governmental Organization that was established in 1995 in UK as a programme of Windle Trust International (WTI) to respond to the serious challenge of developing human resources in South Sudan in readiness for peace following several decades of civil war. The project was developed, informed by the experience of 1972, when after signing a peace agreement that granted self-rule to South Sudan, it became clear that Southerners were not adequately prepared to handle the difficult tasks of rehabilitation, reconstruction and maintenance of peace due to shortage of skills in all fields. The project was initiated by the Southern Sudanese community in Britain, many of whom had held posts within the Regional Government of South Sudan, and who had firsthand experience of the challenges they faced (Skills' Website, 2010).

Skills for Southern Sudan aim is to develop the skills of the men and women of South Sudan to meet the challenges of reconstruction and build a lasting peace. It seeks to achieve this by: Mobilizing and enhancing the skills which already exist within the community, Promoting gender equity, Promoting good governance, Conflict resolution and peace building. Skills vision is a South Sudanese society where human resources are used effectively within institutions and organizations to build a just, peaceful and sustainable society. Its Mission is to promote transformative leadership, professionalism, learning, experience sharing and the creation of knowledge for the reconstruction and development of South Sudan. To achieve its aim successfully Skills' rely on donor funding mainly from Britain. It major donors are Baring Foundation, City Parocial Foundation, Comic relief, John Ellerman Foundation, Savot/JICA, Department for International Development

(DFID), WTI and United Nation Development Fund for Women (UNIFEM). Skills also offer consultancy services to raise fund for the organization (Skills' Annual Report, 2009).

In 1997 Skills opened an office in Nairobi and moved its headquarters to Nairobi in early 2002 as it continued with its operation in South Sudan. In January 2005 Comprehensive Peace Agreement (CPA) was signed between the Government of Sudan and the Sudan People's Liberation Movement (SPLM). Nairobi-based INGOs moved back into South Sudan although more slowly than they could have, finding it difficult to change their operating assumptions and the organizational structures that accompanied them. The legacy of Operation Lifeline Sudan (OLS) meant that many NGOs were used to having their operations mediated by the UN, and to assist them particularly in order to access institutional funding. In October 2005 a semi-autonomous administration- The Government of South Sudan (GoSS) was established in South Sudan. One major challenge which faced Skills and other INGO's was how to interface with the GoSS– formed by the SPLM, an organization that some NGOs had previously bypassed which established a legal framework for NGO operations in South Sudan (Curron, 2011).

With the signing of CPA agreement in January 2005 and subsequent formation of Goss in October 2005 there was intense competition for donor funding from donors and other Agencies. GoSS also developed legal framework to control operations of NGOs in South Sudan which would cause delay in donor realising funds to NGOs. Also in 2006 Skills opened an office in Juba, South Sudan a move which was not welcomed by staff who were based in Nairobi and were asked to go to Juba. This was due to the fact that the cost of living was high and there were no infrastructure in Juba. In order to maintain its Juba office

Skills office costs and staff costs increased tremendously while its income was declining (Curron, 2011).

In 2006 and 2007 there was no new grant which was received from donor funding and the organization started declining in performance. Skills' was just implementing grants which were approved in 2005 and 2004. As a result in 2006 annual income reduced by 17% and in year 2007 it increased gradually by 7%. In year 2006 expenses increased by 17% and in year 2007 expenses increased further by 13% compared to year 2006. In year 2006 organization had a deficit of £ 40,764 which was a decrease of 118% compared to year 2005. In year 2007 the deficit increased further by 112% to £ 86,255. In year 2006 Skills accumulated reserves decreased by 19% and in year 2007 decreased further by 48 %. (Skills' Audited Accounts 2006 and 2007).

In the year 2008, as a result of the concerted effort to halt the declining performance, the organization recorded 10% increase in annual income while its total expenses decreased by 39% compared to year 2007. Skills made a surplus in year 2008 of £ 346,887 which was over 372% compared to year 2007. In the year 2009 the organization sustained its recovery and growth path where its annual income increased by 102% and annual reserves increased by 12%. By end of 2010 the organization reserves were £ 565,714 which was 15% increament compared with the year 2009 (Skills' Audited Accounts 2008, 2009 and 2010).

1.2 Research Problem

Turnaround refers to recovery to profitability from a loss or declining situation. Top management must rescue an ailing organization by responding successfully through strategies and policies to external and internal factors causing the decline otherwise the organization would die a natural death. The aim is not just to halt the decline, but also to generate the means to substantial recovery. This process start by analyzing the situation to determine causes of the decline pointing out the strategy to be adopted to stem the decline and implementation path and program. Success rate of turnarounds are however very low. Turnaround efforts tend to be a high risk undertakings with some returning an organization to better performance but most don't. Hambrick and Schecter (1983) studied two hundred and sixty cases of turnaround and only fifty had managed to recover over a fifty-year period. This suggests that turnaround especially in difficult operating environment is not easy.

Skills for Southern Sudan was formed to respond to the serious challenge of developing human resources in South Sudan in readiness for peace following several decades of civil war. In 2002 when Skills moved its head office to Nairobi it also became a fully fledged NGO. This allowed the organization to broaden its scope of operation and to start receiving donor funding as an independent INGO without support from WTI. However, Skills' lack of a clear corporate strategy and other external factors led to a steady decline in developing viable proposal for funding which resulted in decline in donor funding and as organization overhead costs went up (Skills' Annual report 2009). Due to these setbacks, the organization embarked on a turnaround strategy in the last quarter of year 2007 has made a remarkable recovery and retained confidence of its donor's, partners and other stakeholders. In 2009 the organization realized a complete turnaround by increasing its annual income to £ 1,820,866 which was 102% increament compared to 2008. It also had increased its accumulated reserves to £ 440,120. The total assets increased by 104% in 2009 compared to 2006.

A number of studies on turnaround strategies have been done in Kenya (Situma, 2006; Gichuki, 2009; Kamunde, 2010; Njeru, 2010). Situma (2006) studied the adoption of turnaround strategy at Kenya Commercial Bank (KCB). Gichuki (2009) studied turnaround strategy at the Co-operative Bank of Kenya. Kamunde (2010) studied turnaround strategies at Development Bank of Kenya Ltd. Njeru (2010) studied turnaround strategies adopted by National Bank of Kenya (NBK). Situma (2006), Gichuki (2009), Kamunde (2010) and Njeru (2010) studied adoption of turnaround strategies at KCB, Co-operative bank, Development bank and NBK respectively. None of mentioned studies has tackled the turnaround strategy in an NGO sector. These constitute a gap in literature that the present study seeks to bridge. Thus, this study will help bring out differences arising from different environmental and organizational factors unique to each organization. This study seeks to investigate the turnaround strategy adopted by Skills for Southern Sudan. What turnaround strategy was adopted to confront the decline in performance in Skills for Southern Sudan?

1.3 Objective of the Study

The objective of the study was to establish the turnaround strategy adopted by Skills for Southern Sudan.

1.4 Value of the Study

The study is going to contribute to the body of knowledge of turnaround strategy in the developing world. It is going to be specifically important to the following: Many scholars and academicians in the area of management will find this study a useful source of reference in the future for purpose of discussion as well as further research on the area more so those interested in turnaround strategy especially in the NGO sector.

The study is also going to be important to policy makers in Skills for Southern Sudan for future reference. They will find the results of this study a useful pointer on the effectiveness of turnaround strategy put in place and also help them understand turnaround process and factors determining successful implementation of turnaround strategy in future.

Further the study is going to be crucial to managers of NGOs who operate in a highly turbulent environment and will find themselves in a situation where they will need to turnaround the organization. They are going to be informed on what factors might be important in successfully implementing a turnaround strategy.

CHAPTER TWO

LITERATURE REVIEW

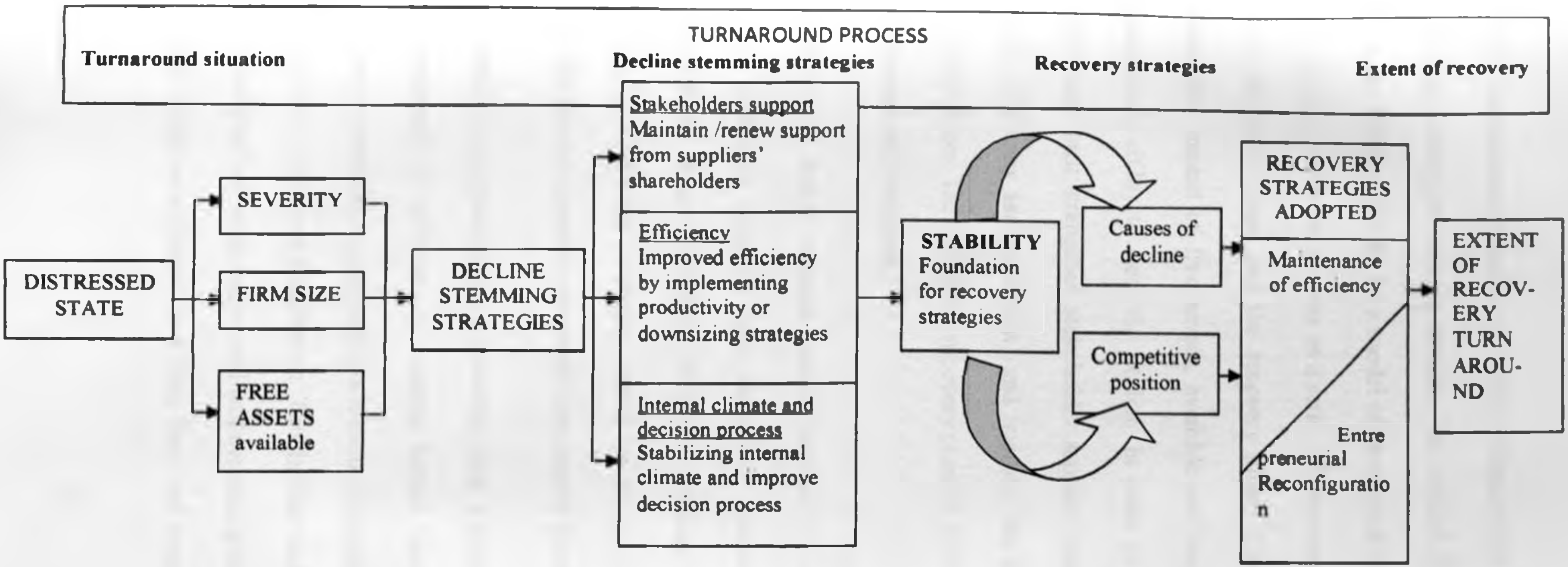
2.1 Introduction

This chapter will review literature on recent work on turnaround process model, turnaround strategies, component of turnaround strategy, causes of decline, signals of organization decline and factors determining successful turnaround. It will also be comparing research and relevant literature.

2.2 Turnaround Process Model

According to Slatter, Lovett and Barlow (2006) firms that need to be turned around typically suffer from one or more of the following; Cash flow problems, excessive gearing, inappropriate debt structure, and balance sheet insolvency. According to Smith and Graves (2005), research on turnaround strategies has considered a number of factors that influence the likelihood of recovery from an external perspective and internal perspective. The competitive environment and maturity of the industry influences the choices and the effectiveness of the turnaround strategies implemented by firms in financial distress. The internal perspective, such as the severity of the financial deterioration and management failure, appears to be a dominant contributing factor to a turnaround strategy formulation and the likelihood of a successful recovery (Rasheed, 2005). Francis and Desai (2005) found that the firms which succeeded in being turned around had more slack resources, higher productivity and undertook greater expenses and asset retrenchment compared to those firms that did not recover.

Figure 1: The Turnaround Process Model



(Source; Smith,M. and Grave, C.(2005) Corporate turnaround and Financial distress Managerial Auditing, Journal Vol.20 No 3, pp 308.)

Strategic management research provides evidence that firms that have successfully used turnaround strategy to confront decline. The research findings have been assimilated and used as the building blocks for a model of turnaround process as depicted in figure 1. This model depicts turnaround process as a series of integrated steps within two key phases – the decline stemming phase and the recovery phase. Ultimately, the severity of financial distress, the amount of free assets, available and the organization size, influence the organization's ability to stem the decline. In order to stabilize the organization, senior management must strengthen stakeholder support, undertake retrenchment activities to improve efficiency and cash flow, and improve the internal management and decision making processes. The aim of the recovery phase is to ensure that the causes of the decline are addressed and overcome.

Distress can be due to external factors, internal or a combination of both. As a result recovery strategies adopted may focus on maintaining efficiency, entrepreneurial reconfiguration or a combination of both. Although this model suggest that decline stemming and recovery strategies should be executed sequentially, circumstances may dictate that the two phases be executed concurrently (Smith and Graves, 2005).

Turnaround is considered to have occurred when a venture has recovered from its decline that threatened its existence to resume normal operation and achieve performance acceptable to stakeholders, through reorientation of positioning, strategy, structure, internal control system and power distribution. This implies that a declining firm can be rescued, while a firm that has failed cannot and will eventually die a natural death (Sudarsanam and Lai, 2001). improve efficiency and cash flow, and improve the internal management and decision making processes. The aim of the recovery phase is to ensure that the causes of the decline are addressed and overcome.

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2.3 Turnaround Strategies

Turnaround strategies are a set of consequential, directive, long term decisions and actions targeted to the reversal of a perceived crisis that threatens the firm's survival. Pearce and Robison (2000, p265) states that turnaround situation represents absolute and relative-to-industry declining performance of a sufficient magnitude to warrant explicit turnaround actions otherwise there will be a natural death. Turnaround situation may be the result of gradual slowdown or months of sharp decline.

Bibeault (1982), Pearce and Robbins (1993) view turnaround process as consisting of two strategies: decline stemming and recovery strategies. The primary objective of decline stemming strategies is to stabilize the company's financial condition and it includes actions such as gathering stakeholder support, eliminating inefficiencies and stabilizing the company's internal climate and decision process. The severity of the distressed state and the resource slack available ultimately determines the extent of which the decline-stemming strategies are applied and succeeded. Once the organization's financial position has stabilized, it must decide on its recovery strategy; whether or not it will continue to pursue profitability at its reduced size or implement growth-oriented (entrepreneurial – oriented) strategies.

Managerial restructuring comprises effecting top management changes. This is widely quoted as a precondition for successful turnaround (Sudarsanam and Lai, 2001). When old ways of operating need to undergo drastic change, it is difficult for incumbent top management to change their habits and institute radical reforms. Changes in senior management are seen as means of restoring stakeholders' confidence in the future viability of the organization, thereby ensuring their continued support. Also new senior managers are able to offer fresh insights into the causes of decline and the skills and motivation necessary to bring about organizational change (Smith and Grave, 2005).

Stakeholder management is key to a successful turnaround. The cooperation of each of the customers, beneficially of projects, vendors, employees, board of directors and others is essential. The stakeholders have vested interest in the survival of the organization, if not involved in the process they could frustrate any efforts to have a successful turnaround. Employee participation is essential to turning an organization around. When restructuring is complete, the organization is certainly indebted these people and should compensate them for their contributions (Scherrer, 2003).

Operational restructuring entails cost reduction, revenue generation and operating – asset reduction to improve efficiency and margin by reducing direct cost and slimming overheads in line with volume (Slatter, 1984). Operational is ideal for financially distressed firms, as there is no pint in assessing the strategic health of the firm goes bankrupt soon. Cost reduction maybe sufficient where firm is weak operationally. Efficiency measures arc directed at both maximizing revenue and minimizing inputs. Revenue generating strategies maybe pursued focusing on existing product/ service and increasing market expenditure to stimulate demand (Hofer, 1980). Assets reduction to improve utilization and productivity of assets is imperative when an organization is operating well below capacity. It can be an operational or strategic in nature. It involves sale of a business unit, closures and integration of surplus fixed assets and reduction in the short term assets. This is driven by need to enhance the efficiency of firm's current operations through improved asset utilization at operational level (Bibeault, 1982; Hofer, 1980; Schendel, Patton and Riggs, 1976)

Asset restructuring involve reorganizing the firm into self-contained strategic business units; divestment of lines of business not fitting the core business, acquiring companies that relate to and strengthen the core, discontinuing unpromising product/ service, forming strategic alliances, joint venture and licensing agreements. In addition distressed firm may merge with other firms, be taken over in a hostile bid or be bought out by their own management. Asset divestment is imperative where firm is in severe distress or where strategic health is weak (Hofer, 1983; Pearce and Robbins, 1993).

Asset investment covers business and corporate level investments and companies both internal capital expenditure and acquisition. Capital expenditure is designed to achieve efficiency improving productivity and reducing costs (Hambarick and Scheter, 1983). It involve cash outflow hence firms in decline can undertake such capital expenditure to enhance their survival and recovery (Scherrer, 2003).

The strategy used and the timing determine success of the turnaround. Strategies can be combined and used in various sequences. The unique requirements of an organization and turnaround situation will determine the strategy to be used. For a strategy to be effective it needs to be carried out swiftly, intensively and competently. Poor implementation of turnaround strategy may exacerbate decline. The difference between successful and failed turnarounds lies more in the strategy implementation process than in the content (Cameron et, al, 1988; Hoofman, 1989).

2.4 Components of Turnaround Strategy

According to Kamunde (2010) the three components of turnaround strategy are managing the turnaround, stabilizing the organization and funding and recapitalization. Managing the turnaround is in terms of leadership, stakeholders and the turnaround project. A turnaround situation requires robust leadership to drive the process, provide renewed energy, discipline and urgency. Retaining existing management help in regaining knowledge of the organization and the industry. However, it is generally accepted in turnaround management principle that the existing management should only be retained if not in crisis denial, if it understands the reality gap, is acutely aware of the causes of decline and if determined to restore the organization performance. Existing management, being the architects of distressed situation, is unlikely to succeed without new turnaround leadership or external support (Johnson et al, 2005).

Turnaround management will fail unless stakeholder's advocacy ensures that support for the turnaround strategy is obtained and retained. Stakeholder management is aimed at achieving awareness, involvement buy in and ownership from all the areas affected by the distressed organization turnaround situation. Rebuilding and retaining stakeholder support are built on two change management principles, mobilizing stakeholders, especially employees around active participation towards achieving aligned turnaround objectives, unbiased and open communication, full disclosure about the existing situation, turnaround strategy and action plans. It typically involves progress reports, regular feedback and newsletter and notice board communication (Jonson et al, 2005).

To successfully execute turnaround strategy meticulous project management is required to track turnaround performance against targets and timeliness and to reschedule and reallocate. To maintain control, the component of turnaround plan across all the stages of turnaround process need to be broken down into smaller manageable time phased activities, each with associated costs and resources with allocated accountabilities (Kamunde, 2010). When the organization is distressed there is need to stabilize it to ensure the short term future of the organization through cash management, cash conservation and cash generation. Stabilization is achieved reintroducing predictability of the operations by setting performance targets, establishing information system and tracking progress. It requires autocratic leadership style to impose discipline and conformance to new systems and controls (Johnson et al, 2005).

The distressed organization requires funding to meet both its short term commitments during emergency management and to recover turnaround restructuring costs. The balance sheet has to be restored to solvency and excessive gearing needs to be corrected.

Refinancing involves not only injection of new funds in form of loan, equity finance, increased donor funding but also changing the existing capital structure (Jonson et al, 2005) .

To achieve successful turnaround management team must identify causes and gravity of the decline, then stem out a firm's decline by selecting appropriate strategies for recovery. This often requires increasing organization efficiency, stabilizing its internal operations and renewing stakeholders support. The appropriate strategy will be determined by organization size, severity of the decline, its stage on organization life cycle and availability of resources and external environment (Kamunde, 2010).

2.5 Causes of Decline

An organization performance decline occurs when the organization becomes maladapted to its environment; its environment becomes hostile, or both. Organization decline represent substantial losses over time (Cameron et al., 1988) and can be either a gradual process or unexpected disruption (Tushman and Anderson, 1986). Substantial organizational decline leads to crises 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 organization failures are as a result of outside factors only (Boyle and Desai, 1991). Instead organization failure is frequently linked to internal problems like failure to update products, invest in core competencies and control cost (Baum, 1989; Hedberg et al., 1976; Starbuck et al., 1978).

Also external factors like economic, political, social, technology, ecological, acts of God and legal play a decisive role in the decline of organization. It includes the role of unions, governmental regulations, donor funding regulations, healthy and safety improvement measures, shortage of energy and raw materials, consumer organization pressure among others. Research shows that external causes play a minimal role compared to internal causes in shifting the fortunes of the organization.

Organization failure is marked by early signals of decline that often go unobserved or are ignored. A strong management team should be aware of any potential difficulties or signals of trouble and should deal with them accordingly. Neglecting the warning signals can cause irreparable damage to the organization. Managers often blame organization decline to external market changes, unforeseen competition, decline in donor funding, financial market instability and technological changes-uncontrolled elements. While these excuses sound genuine, the major causes of organization failure lie within finance, operation and marketing which are the internal elements of an organization. The management has direct control over these functions and are the force that drives them, yet eighty percent of organization failure are caused by management's inability to control the internal elements (Scherrer, 2003).

According to Scherrer (2003) there are three distinct phases of decline; early, midterm and late. Each stage has its own danger signals. In the early stages of decline the organization may experience a shortage of cash. In the mid-term stage some signs could be decrease in revenue and increase in inventory. In the last stage accounts payable could be 60 to 90 days late, depleted working capital, overdrawn bank account. All these eventually lead to management conflict with organization goals, high staff turnover, poor internal accounting, non seasonal borrowing and increase in trade inquiries. As problems increase within the organization, its reputation with stakeholders like suppliers, bank, employees, donors, government agencies become severely diminished.

2.6 Determinants of Successful Turnaround Strategy

Turnaround may not be feasible under some circumstances. In other settings the organization might lack the capabilities or resources to implement appropriate turnaround strategy correctly. In a feasible setting, organizational outcome of a turnaround strategy will depend on emergent factors such as competitor actions which can prevent or delay any turnaround. Factors that influence choice of strategy include implementation of efficiency strategy, severity of financial distress, availability of large amount of free assets, change in top management and size of the firm (Smith and Grave, 2005).

Operational restructuring has been considered as one important turnaround strategy for a firm in financial distress. Firms that undertake repetitive restructuring, massive workforce reduction, large-scale assets downsizing, are exposed to a high level of debt and fail to narrow their focus on core competencies are more likely to fail (Lin, Lee and Gibbs, 2008). The turnaround strategies of small firms involve some elements of large firm's turnaround and they could involve efficiency and entrepreneurial initiatives. Efficiency turnaround actions are concerned with better use of organizational resources and internal processes of a firm, while entrepreneurial turnaround actions are more market-oriented, focused on resource acquisition and revenue generation or changes in market niches. Small firms prefer efficiency strategies to entrepreneurial strategies to turnaround the small firms in financial distress (Chowdhury and Lang, 1996).

There is a significant relationship between both cost retrenchment and performance amongst firms that had experienced severe turnaround situations. Regardless of the cause or the severity, a firm must begin with reducing operational costs through a sustainable retrenchment response (Robbins and Pearce, 1993). According to Lin, Lee and Gibbs (2008), the firms which did not retrench had a significantly higher probability of turnaround failure. A small firm's choice between perceived growth strategy and retrenchment strategies depend on the interaction between perceived performance and resource availability (Rasheed 2005). Sudarsanam and Lai (2001) found that failed firms chose more internally focused strategies such as an operational and financial restructuring, whereas successful firms choose investment and acquisition to lead them out of trouble.

According Routledge and Gadenne (2000) and Smith and Graves (2005), the distressed firms with sufficient free assets are more likely to avoid bankruptcy because the free assets increase their ability to acquire additional funds necessary to enact a successful turnaround and it encourages the continued support of existing lenders as sufficient assets are available to repay the loan, if required. According to Filatotchev and Toms (2006), the value of the assets limits the firm's selection of strategic turnaround options and it also influences the decisions by financiers to enable or restrict the implementation of such options.

Turnaround for smaller firms appears to entail somewhat different strategies by increasing employee productivity, disposal of old assets and extending accounts payable. They generally do not have the internal slack resources (such as inventory, liquid assets, etc.) compared to larger firms (Chowdhury and Lang, 1996). Slack resources help a firm to absorb the effects of performance downturn and variability, and provide a base of resources from which to take effective action. Firms that fail to reduce their debt are much more likely to fail. The firms cut debt, using the proceeds from the liquidation of inventories, receivables, property, plant and equipment or a business division, to extinguish their obligations (Lin, Lee and Gibbs, 2008).

According to Hofer (1980), before beginning with turnaround, it should be ensured that the 'going-concern' value of the firm is substantially greater than its liquidation value. He argues that the current operating health is more important than the strategic health because the strategic health becomes irrelevant if the firm goes bankrupt in the near-term. For turnaround to be successful, business decline must be acted upon as soon as warning signals are identified (Scherrer, 2003). Substantial organizational decline leads to a crisis where the survival of the firm is threatened (Cater and Schwab, 2008). Francis and Desai (2005) and Smith and Graves (2005) found that the severity of the decline plays a great part in determining the outcome of the turnaround and when in a severe situation a firm may not have the resources to promote its turnaround strategies.

The high-leverage drivers and strategies for a successful turnaround will be similar if not identical regardless of the firm size (Finkbiner, 2007). Lin, Lee and Gibbs (2008) found that larger firms have a greater chance of survival Categorizing firms by their age, size and ownerships is useful to consider when determining the assistance that a firm receives from financing institutions (Beck *et al*, 2006). Larger firms are likely to have a higher probability of survival, as potential losses to stakeholders are greater and more efforts are made to ensure that they survive. Also they are likely to have a higher profile hence more likely to be kept alive.

Smaller corporate businesses are exposed to bigger threats, as the financial base of large corporations allow room for downsizing and change, while the limited resources of smaller corporations allow less margin for error (Smith, 2006).The strategic alternatives available to small firms are limited to internal changes that are made through the reallocation of limited resources. Founders of small firms at sometimes exhibit entrepreneurial characteristics associated with creating incremental wealth and assuming major risk, in terms of equity, time and career commitment. They are likely to have a different strategic response from that of the manager of a financial institution, when faced with the loss of their life savings as well as their reputation (Rasheed, 2005).

Precondition for almost all successful turnarounds is the replacement of the current top management of the business in question (Hofer, 1980; Sudarsanam and Lai, 2001). Many firms experience severe crises due to the lack of expertise to initiate necessary changes. Key elements of successful turnaround include competent management, the cooperation of firm stakeholders and sufficient bridge capital to carry out the turnaround plan (Cater and Schwab, 2008). Parker, Peters and Turetsky (2005) argued that auditors perceive Chief Executive Officer (CEO) replacement in the financially distressed firm as a sign of lowered viability and CEO turnover decreases the firm's probability of survival. According to Auchterlonie (2003), a lack of proper investigation of the causes of the distress contributes to a higher incidence of dismissal of the CEO and is unnecessary and harmful to the business because the cause of the distress may not be due to poor management.

According to Slatter *et al* (2006), in publicly traded firms turnaround is usually triggered by the coalition of directors firing the CEO or by first initiating a strategic review of the business with outside advisers and which eventually leads to a new CEO being appointed and a new strategy introduced. In both debtor- and creditor-led turnarounds, it is usual for a new leader to be appointed at the instigation of one or more major stakeholders and in some instances the mere arrival of the new leadership can be enough to shock the organization awake.

When a firm is underperforming unless there is something structurally wrong with the organization, deteriorating performance may arise either due to not properly rewarding competent management or from keeping incompetent managers. Firm has three alternative strategies: Management may hire a turnaround specialist, the board may hire a turnaround specialist with a wider mandate of recovery plans including management change, or the organization can be sold (Cuny and Talmor, 2007).

CHAPTER THREE

RESEACH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used in this study. This chapter focuses on research design, data collection procedure and data analysis techniques.

3.2 Research Design

The study was conducted through a case study. This was deemed appropriate because the study involved an in-depth study of the organization's turnaround strategy instituted in 2009. The research design was chosen because the data collected was qualitative. The choice of Skills for Southern Sudan was based on the fact that it is an International NGO uniquely formed to respond to the serious challenge of developing human resources in South Sudan in readiness for peace following several decades of civil war. Skills' was faced by decline performance before South Sudan gained independence and it embarked on turnaround strategy which saw it improve its performance and successfully training over twenty five thousands civil servants in South Sudan before the country gained its independence in 2011.

According to Kothari (2004) Case study in most cases involves qualitative data and involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breadth of the study. Other studies (Kandie, 2001; Situma, 2006; Gichuki, 2009, Obae, 2009; and Kamunde, 2010) successfully adopted a similar research design.

3.3 Data Collection

An interview guide was used to collect data from the respondents. The study utilized both primary and secondary data which was qualitative data; it was detailed, varied and extensive. Primary data were collected by way of personal interview guided by a prepared interview guide consisting of open ended questions. The questions were formulated in a way that it would translate the research objective into specific questions that the respondent could answer. Also it was formulated in a way that it would motivate the respondent to cooperate with the research and to varnish the information correctly.

Turnaround is a corporate strategy and is implemented by the top level management. The respondent was drawn from the top level management. The researcher interviewed the Director, Programme Manager, Finance and Administration Manager and Communication and Fundraising Manager. Secondary data were sourced from Skills' brochures, Trustees annual reports and financial reports to supplement the primary data.

3.4 Data Analysis

Data were analyzed using content analysis because the study sought to solicit data that were qualitative in nature given that this was a case study. Content analysis is a process of inspecting, cleaning, transforming and modeling data with the goal of highlighting useful information, suggesting conclusions and supporting decision. Content Analysis measures the semantic content, examines patterns of symbolic meaning within communication medium and looks at overriding thematic issues in qualitative data.

Analysis of data collected was compared with theoretical approach and documents cited in literature review. Analyzed data was interpreted in line with research question, objective and theory. Being a case study this approach was helpful in getting areas of consensus and disagreement from various interviews which was conducted and with already documented data. Other studies (Kandie, 2001; Situma, 2006; Gichuki, 2009, Obae, 2009; and Kamunde, 2010) successfully employed this technique.

CHAPTER FOUR

DATA ANYLYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter outlines research findings and discussions on turnaround strategy at Skills for Southern Sudan Organization. Turnaround strategy is a corporate level strategy. The respondents were chosen from top level management and comprised Director, Programme Manager, Finance and Administration Manager and Communication and Fundraising Manager. Communication and Fundraising manager is based in UK office and the rest are all based at the head office in Juba and they have over four years work experience in the organization.

The study was conducted through a case study in order to establish turnaround strategy at Skills for Southern Sudan. An interview guide with open ended questions was used to collect primary data from the respondent and secondary data was sourced from Skills' brochures, Trustee Annual report and financial report to supplement the primary data. The interview was conducted in Skills' office – Nairobi for all the respondents apart from the fundraising and Communication officer who was interviewed via Skype. The data collected was qualitative in nature hence data were analyzed using content analysis.

4.2 Performance of Skills For Southern Sudan Organization

Performance in Skills for Southern Sudan declined due to a number of factors. According to the respondent, the decline in performance in Skills for Southern Sudan can be attributed to both internal and external factors. "The organization lack of clear corporate structure was a major cause of decline", According to some of the respondent when they joined the organization there was a strategic plan which was very good but it was never followed. There was noticeable decline in the number of new proposal which were presented for funding in 2006, and 2007 there was no new grant which was received from donor funding and the organization started declining in performance. Skills' was just implementing grants which were approved in 2005 and 2004. As a result in 2006 annual income reduced by 17% and in year 2007 it increased gradually by 7%.

According to Finance and Administration Manager the organization overheads were on higher side and as income were declining the expenses were increasing. In year 2006 expenses increased by 17% and in year 2007 expenses increased further by 13% compared to year 2006. In year 2006 the organization had a deficit of £ 40,764 which was a decrease of 118% compared to year 2005. In year 2007 the deficit increased further by 112% to £ 86,255. In year 2006 Skills accumulated reserves decreased by 19% and in year 2007 decreased further by 48 %. The decline was due to lack of competent staff to develop proposal and lack of clear guidance from top leadership. There was also poor management of available resources; the running costs were too high and the general fund balance was too low to fund administration costs. According to the respondent in order to cut overhead costs the organization embarked on layoffs, thus reducing salary expense. All staff apart from three key staff (Director, Finance Manager and Programme Manager) their terms of employment were revised and they were given one year contract which was renewable annually based on performance and availability of funds. "The staff job description was revised and they were involved in the whole process". A Human Resource consultant based in UK was hired to do this. The organization opted to working with consultants whose costs were charged in budgets for donor funding instead of having permanent staff who were pensionable.

Further according to the Director the organization reduced it overheads by developing governance structure and they set a policy which was adopted in year 2008 to govern them. In addition to this they also developed procurement manual where they sourced for better terms from their suppliers and their terms were clearly stipulated in their contract. A staff policy manual was also developed with assistance from Human Resource Consultant. In the new staff policy which was adopted in year 2008 they revised some benefits to the staff. For example, in Juba instead of picking and dropping staff in the morning and then in the evening, the staff were given a transport subsidy which was much cheaper than using organization vehicle. In addition to this international staff used to get daily allowance of $ 15 to $ 30 days per day. This was revised and they were given each $ 200 per month and accommodation was provided in a shared guest house which was much cheaper than in the hotels.

The organization also changed its accounting software whereby they replaced Easy Fund software with QuickBooks which was much friendly, could enable the Finance Manager to generate reports very fast, monitor costs and allocate costs to each project. Easy Fund was not able to do this easily. Also the Director had access to the Accounts and she could advice the Finance Manager in case there was a problem. "Quick Books was a great investment to Skills for Southern Sudan and they will never regret", Finance Manager said.

According to the Fundraising and communication Manager the organization formed a fund raising committee with key responsibility of developing new proposals and sourcing for new donor funding from UK, Canada and America. In order to ensure they have maximum support Akala Mundia the Programme Manager reported that they formed a Stakeholders forum and members were from different background but each State in Southern Sudan had a representative and they used to meet twice a year. They aim was to get the key things which the community needed, what the government was planning to do in near future and to seek support from the members. This played a key role because Skills' become popular in all States in South Sudan.

In the year 2008, as a result of the concerted effort to halt the declining performance, the organization recorded 10% increase in annual income while its total expenses decreased by 39% compared to year 2007. Skills' made a surplus in year 2008 of £ 346,887 which was over 372% compared to year 2007. In the year 2009 the organization sustained its recovery and growth path where its annual income increased by 102% and annual reserves increased by 12%. By end of year 2010 the organization reserves were £ 565,714 which was 15% increament compared with the year 2009.

4.3 Turnaround at Skills for Southern Sudan

From the findings, the respondents revealed that Skills for Southern Sudan pursued turnaround strategy since last quarter of 2007. They indicated that the strategy employed to turnaround the organization were operational restructuring coupled with change of senior management team, which saw the exit of previous chairman of Board of Trustees and Board members in Africa. It also changed its Finance & Administration Manager and the Programme Manager. In operational restructuring the organization reduced costs, increased revenue generation, reducing direct costs and slimming overheads in line with volume. The process involved all the stakeholders to provide support for the much needed changes. Turnaround process consist two stages; decline stemming and recovery stage. The declining performance at Skills for Southern Sudan was as a result of both internal and external causes. As a result the organization adopted various sets of strategies to curb the declining performance and enhance its performance.

The research findings indicate that the organization embarked on cost reduction measures (operational restructuring) to improve efficiency by reducing direct costs and slimming overheads. The organization previously rented an office at WTK where they were paying Ksh 200,000 per month. In order to reduce the overhead cost the organization relocated its office to parklands where they rented an office which was costing Ksh 45,000 per month. They also reorganized office set up where they used open plan office layout instead of closed office. In addition to this in Juba they rented a guest house for the international staff, instead of accommodating them in a hotel where they were paying $ 100 per day per staff and they were four international staff. The guest house they were charged $ 3,000 per month and they hired a housekeeper who was paid $ 100.00 per month.

To enhance operational efficiency further the organization embarked on layoffs, thus reducing salary expense. All staff apart from three key staff (Director, Finance Manager and Programme Manager) their terms of employment were revised and they were given one year contract which was renewable annually based on performance and availability of funds. The organization opted to working with consultants whose costs were charged in budgets for donor funding instead of having permanent staff who were pensionable.

A fundraising committee was also created whose core responsibility was development of new proposals for funding, building relationship with new donors and developing a business plan for a business wing for the organization in order to enable the organization to be stable financially. The committee focused mainly in consultancy services in South Sudan which was implemented immediately and in the long run opening a training centre in Juba. In late year 2007 as a result of concerted efforts of fundraising committee and the management Skills for Southern Sudan entered into a contract with Adams Smith International (ASI) where Skill's was providing consultants to implement projects then ASI would pay Skills' directly to pay consultants. With that arrangement Skill's was able to make over 75% profit margin and they did not incur any direct costs. All they did was to recruit competent consultants on agreement that they would be paid after ASI had paid Skills'.

Also the organization developed governance structure and they set a policy which was adopted in year 2008 to govern them. In addition to this they also developed procurement manual and staff policy manual. In the new staff policy which was adopted in year 2008 they revised some benefits to the staff. For example, in Juba instead of picking and dropping staff in the morning and then in the evening, the staff were given a transport subsidy which was much cheaper than using organization vehicle. In addition to this international staff used to get daily allowance of $ 15 to $ 30 days per day. This was revised and they were given each $ 200 per month and accommodation was provided. This reduced staff costs quite significantly.

Further the organization changed its accounting software from Easy Fund to Quick Books. This was to ensure that financial reports were prepared timely and it was easy to truck expenses per donor. This reduced the margin of error of sending wrong reports and helped them avoid overspending on various budget lines. The system enabled them by click of a button to know what was the balance based on approved budget and they would submit their reports in time which meant that the donors would release funding in time without unnecessary delay. This improved the organization cash flow greatly.

Top management change is widely accepted as a precondition for successful turnaround. There was change in Board of Management and Trustee level where the Chairman of Trustee who was a Briton was replaced by a Sudanese. They also changed their Finance and Administration Manager and Programme Manager where they hired people with over three years work experience and were competent. Change in senior management is seen as a means of restoring confidence in the future viability of the organization, thereby ensuring their support. New senior management is able to offer fresh insights into causes of decline and skills and motivation necessary to bring about organizational. But the unique thing with Skills for Southern Sudan is that they did not change their Director mainly because they felt that they needed someone on board who had the history of the organization which would be quite vital in developing viable proposals for donor funding.

Stakeholders' management is a key to success turnaround. The cooperation of each of them employees, Board of management, Trustees, donors, partners and others is essential. If not involved in the process they could frustrate any efforts to have a successful turnaround. Employee participation is essential to turning organization around. Continuous open communication of ongoing changes was conveyed to all stakeholders including staff, donors, GoSS. This was done through mails, memo, regular meetings and statements in published accounts. To ensure employee participation the organization hired a consultant who was charged with specific responsibility. He was required to hold meeting with all staff individually and listened to all their grievances. He then reported to Board of Trustees and involved staff in final recommendation. The research findings indicate that the main element of turnaround at Skills for Southern Sudan was operational restructuring and change in senior management. All the respondents said that the strategy employed were effective under the leadership of the Director and through team work, involving all the stakeholders and communicating with them. They were proud to see the achievement they had made and they were optimistic that the organization performance will improve further.

4.4 Discussion

The study sought to establish turnaround strategy at Skills for Southern Sudan. The research findings support various arguments in turnaround literature on causes of organization decline. The causes of decline at Skills for Southern Sudan were both internal and external. Some of internal factors identified were organization lack of clear corporate strategy. Some of external factors identified included increased competition decline in donor funding. This concurs with Scherrer (2003) and Kamunde (2010) who identified the same internal and external factors to have contributed to organization decline.

From the literature long before an organization start declining, warning signals start flashing, but managers often do not notice the red lights or they ignore them. When they finally do acknowledge something is amiss some managers will treat the problem as temporary phenomenon putting out fire but not remedying the hazard. From research findings the organization decline signals for Skills for Southern Sudan were felt long time before actual decline. This manifested in year 2005 where the organization did not develop a viable proposal for donor funding. The organization could not implement projects as initially planned in proposal; hence they returned a lot of money to donors. There was a high rate of staff turnover where the organization replaced them with staff who were paid higher salary yet they took too long to learn their job and there was no proper in house training which was done. This in effect led to shrinking income from donors. A strong management team should be aware any potential difficulties or signals of trouble and should deal with them accordingly. Neglecting these warning signals can cause irreparable damage to the organization and rob it of its profit potential.

The research findings indicate that the main elements of turnaround at Skills for Southern Sudan was operational restructuring coupled with change of senior management team- operational restructuring is quoted as an important strategy for a firm in financial distress. It entails cost reductions, revenue generation, reducing direct costs and slimming overheads in line with volume. Operational restructuring is ideal for financially distress firm as Skills for Southern Sudan was. Also Skills for Southern Sudan used change of senior management – management change is widely quoted as a precondition for successful turnaround. Simply when old ways of operating need to undergo drastic change it is difficult for the incumbent top management to change their habits and institute radical reforms, often stakeholder will continue to give their support if they are confident that the management team can manage crises at hand. A change in management is tangible evidence that something positive is being done to improve organization performance even though the causes of poor performance may have been beyond management control. Skills for Southern changed manager and members of the board but did not change the Director. This contradict past empirical studies where CEO of organization are changed Kamunde, 2010.

The strategic management literature provides empirical support for overlapping the two stages approach to corporate turnaround that is the efficiency/ operating turnaround strategy stage and entrepreneurial/ strategic change strategy. The efficiency/ operating turnaround stage aims to stabilize operations restore performance by pursuing strict cost and operating assets reductions. The entrepreneurial/ strategic stage aims to achieve profitability long term growth through restructuring product/ market refocusing. This literature supports the strategies that were adopted at Skills for Southern Sudan. The laying off of employees led to reduction in staff costs and other administration costs. The relocation of office, changing office layout and changing their policies like moving staff from hotel to guest house in Juba, scrapping daily incidental allowances, picking and dropping staff in the morning and in the evening also reduced costs. The hiring of competent management staff helped the organization develop viable proposals for donor funding which were approved. This support past empirical studies and theory.

Stakeholders management is key to a successful turnaround the cooperation of each of employee, Board of Trustees, Management Board, donors, partners and others is essential. The stakeholders have vested interest in survival of any organization. If they are not involved in the process, they can frustrate any efforts to have a successful turnaround. Employee participation is essential in turning an organization around, when they are included in restructuring plan; they tend to accept painful concessions as necessary to the organization survival. When restructuring is complete, the organization is certainly indebted to these people and should compensate them for their contribution. The research findings at Skills for Southern Sudan are consonance with this observation since they involved staff and the stakeholders.

The strategy used and timing of strategy determine success of turnaround. Strategies can be combined and used in various sequences for example at initial strategy may require cost – cutting, and then be superseded by the revenue generating strategies but using the inappropriate strategy can be a terminal error. The unique requirements of the organization and turnaround situation will determine the strategy to be used. The adoption of turnaround strategy itself is no guarantee of recovery. For a strategy to be effective, it may have to be carried out swiftly, intensively and competently. Poor implementation of turnaround strategy may exacerbate decline and the difference between successful and failed turnarounds lie more in strategy implementation process than the content.

The strategy employed by Skills for Southern Sudan partially support theory and past empirical studies. The only contradiction with past empirical studies is that Skills for Southern Sudan did not change the Director like other organizations do in previous empirical studies. This is because Skills for Southern Sudan area of operation was highly turbulent and needed someone who is a risk taker and understood the environment clearly.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key findings, conclusion drawn from findings, recommendations for policy and practice, limitations of the study, suggestions for further study and the conclusion. The conclusions were drawn in quest of addressing the research question which was to establish turnaround strategy adopted by Skills for Southern Sudan.

5.2 Summary of Findings

Skills for Southern Sudan faced immense internal and external factors that led to declining performance in year 2007. Some of internal factors included the organization lack of clear corporate strategy, high rate of staff turnover, poor proposal development and competition. To save the organization from collapsing the management embarked on adopting various turnaround strategies that would help recover from the decline and assume normal and profitable operations into the foreseeable future.

One unique thing with Skills for Southern Sudan is that they did not change their Director as many other organizations do but instead they opted to retain her. They only changed the management staff and members of Board of Management. According to Managers of Skills for Southern Sudan they reported that they were able to pick very fast in their new roles since they got a lot of support from the Director, she was availing a lot of information they needed to work in their duties and this played a key role in turning the organization around.

5.3 Conclusion

The objective of the study was to establish turnaround strategy adopted by Skills for Southern Sudan. From the research findings, the study concludes that there was turnaround strategy adopted by Skills for Southern Sudan in order to improve its performance. From the study, the organization employed operational restructuring coupled with change of senior management team, which saw the exit of previous chairman of Board of Trustees and Board members in Africa. It also changed its Finance and Administration Manager and the Programme Manager, but they did not change the Director. In operational restructuring the organization reduced costs, increased revenue generation, reducing direct costs and slimming overheads in line with volume. The following conclusions can be made about the study:

For turnaround strategy to be effective, an organization needs to make the turnaround process all inclusive where all stakeholders regardless of their level are accommodated and involved in the whole process in order to feel part and parcel of the process. In order to reduce internal conflict an external consultant is highly recommended to look at staff issues and give independent opinions and guidance towards any issue touching staff.

From the study these changes were very effective towards improving performance in Skills for Southern Sudan and in consonance with existing theory. Firms should adopt various combined strategies concurrently for successful turnaround. The strategies adopted by Skills for Southern Sudan were effective as they resulted in improved performance.

5.4 Recommendation for Policy and Practice

The management of Skills for Southern Sudan should consider creating understanding of current strategic plan to both top management as well as supportive staff and they own the strategy. In order to stabilize the organization senior management had to strengthen stakeholders support by providing continuous communication and updates of any changes that were being undertaken.

The organization also undertook retrenchments and other measures to improve efficiency and cash inflow. The aim of recovery phase was to ensure that the causes of decline were addressed and overcome. The distress was due to both internal and external causes. As a result, recovery strategies adopted focused on maintaining both efficiency and entrepreneurial reconfiguration. The change in senior management was able to restore the stakeholder's confidence and support. It's therefore important for any organization that wishes to undertake any turnaround strategy to first seek to understand the causes of the decline which will guide them in choice of strategy to be adopted.

Critical in any turnaround is to offset any cash flow problems. The result of study indicate that the ability of the organization to achieve successful turnaround largely depend on actions under the control of managers, either in the pre-decline conditions or in specific response to decline. From research findings, most successful was of stemming decline and combination of cost cutting measures developing unabsorbed slack resources. Poor performing organizations can break the decline by reducing expenses such as salaries and office overheads to free up cash. The need to improve internal efficiency and productivity in a turnaround cannot be over emphasized. Turnaround strategies are not singular actions but are interrelated with the prevalent contextual factors. In addition stakeholders support is critical in turnaround.

5.5 Limitation of the Study

The study was a case study on one organization. The data gathered might differ from turnaround strategies that other organizations in NGO sector have adopted to revive the organization; hence research findings cannot be generalized to other organizations in the sector because management is sensitive to environment and organizational factors.

The study was time limiting as it was conducted within a short period of time. Some of intended respondent were not available and had to reschedule the interview several times. In addition those interviewed did not have sufficient time to explain all issues in greater details due to time factor.

5.6 Suggestions for Further Study

The study confined itself to Skills for Southern Sudan. This research therefore recommends that the research be replicated in other NGO's in East Africa and the results be compared so as to establish whether there is consistency in strategy employed to turnaround organization.

Further research should be done on the challenges that were encountered in the strategy implementation process and how they were overcome. INGO's are perceived to have lengthy and unnecessary bureaucratic process which at times hamper the timely implementation of key strategies. As such a study can aim to find out whether this perception was true in case of Skills for Southern Sudan.

Finally Skills for Southern Sudan major objective was to develop the skills of the men and women of South Sudan to meet the challenges of reconstruction and build a lasting peace, since South Sudan gained its independence last year a research can be done to find out whether Skills for Southern Sudan has changed its Vision, Mission and aims.

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APPENDIX I
INTERVIEW GUIDE

Section 1

Position held in the Organization ....

Department...

Number of years of work experience in the organization..

Section 2

1 What is the core business of Skills for Southern Sudan?

2 What is the role of your position in Skills'?

3 Describe performance of Skills' over time?

4 At what time did the decline start?

5 What were the principal causes of decline in performance?

   a. Internal causes

   b. External causes

6 a) Has the organization embarked on any cost reduction measures? Mention at least three such measures.

7 Has the organization closed or dropped any of its project/ programme? Kindly name three?

8 Has the organization reorganized any of its operations (Projects or programme)?

9 Has the organization invested in new computer software or incurred any major capital expenditure? Kindly list any major investments?

10 Has there been any top level management change?

11 Has the organization undertaken any major employee layoffs?

12 Has the job description and job titles for the employees been revised and what impact did it have?

13 Has the organization outsourced services for consultants at some point?

14 Have there been changes in governance structure of the organization?

15 Have the organization entered into new contracts with suppliers?

16 Have the organization entered into some formed joint venture/ partnership with other NGO?

17 Have the organization budget on marketing and fundraising been increased?

18 Have the organization developed a communication strategy and how effective was it?

19 Were the stakeholders involved in the change process?

20 What was the stakeholder's reaction to the changes?

21 What mechanism was put in place to ensure their continued support?

22 How was the information on the changes communicated to the employees?

23 How were other employees not in management level in the organization involved in the turnaround?

24 In your view were strategies employed to curb the declining performance effective

25 Any other comment?

Thank you.

APPENDIX II

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

DATE 29-05-2012

TO WHOM IT MAY CONCERN

The bearer of this letter J[illegible]NIFER [illegible] [illegible]

Registration No [illegible]/2010

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.

29 MAY 2012

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX III
SELF INTRODUCTORY LETTER

29th June 2012

TO WHOM IT MAY CONCERN

My name is Jennifer Kamau ID 22024551 and registration number D61/61544/2010. I am a student at Nairobi University pursing a Master Degree in Business Administration (MBA) majoring in Strategic Management. I am doing my project and title is "Turnaround strategy at Skills for Southern Sudan Organization" and I have been given approval by the Director of Skills For Southern Sudan. (Kindly see attached)

In order to collect data I need to interview you for about 30 – 40 minutes. I am kindly requesting you to give me an appointment when I can meet you at your convenient time. The results of the project will be used soley for academic purpose and a copy of the same will be availed to you on request.

Your assistant in this matter will be highly appreciated

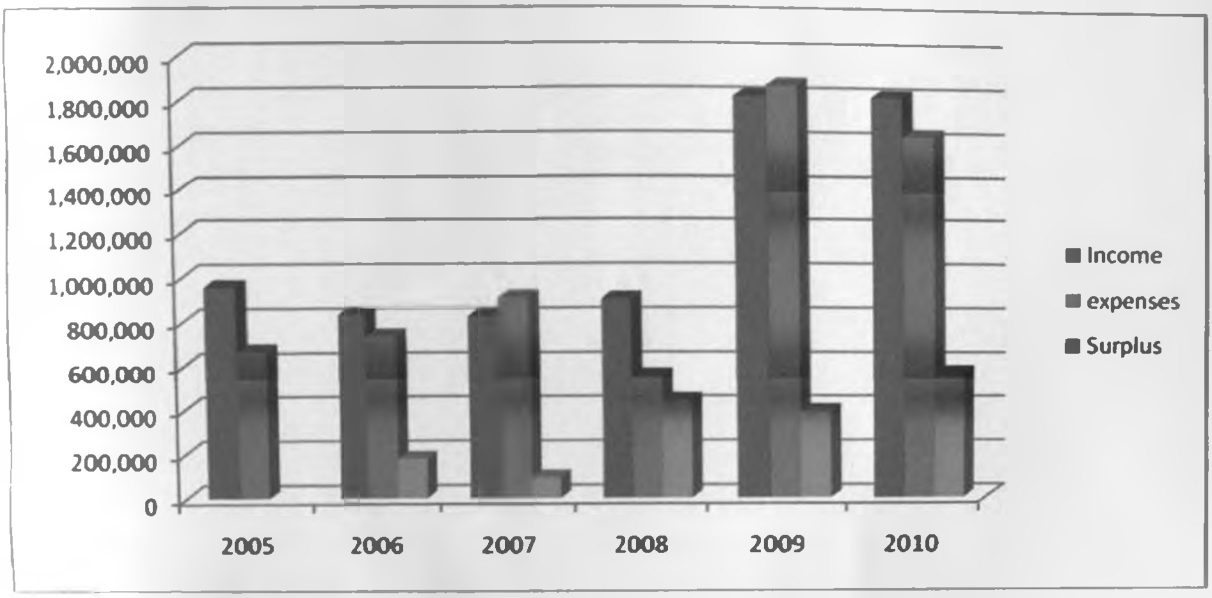
Thank you.

Yours Faithfully

Jennifer Kamau

APPENDIX IV

SKILLS FOR SOUTHERN SUDAN PROFITABILITY BAR CHART



SKILLS FOR SOUTHERN SUDAN LINE CHART