

**IMPLEMENTATION OF TURN-AROUND STRATEGY AT MUMIAS SUGAR
COMPANY IN KENYA**

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DECLARATION

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

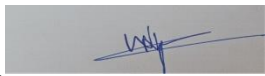


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I would like to dedicate this project to the Almighty God, for enabling me to come this far.

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DEDICATION

This research is dedicated to my family, my parents, my children Curtis, Ciara and Casey, my siblings, my friends, Dr. MOL, my primary school Teacher Mrs. Kitoto, you have all played a selfless role to get me here even when I did not know how, your love and sacrifice has made this possible.

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LIST OF ABBREVIATIONS AND ACRONYMS

BNR	National Bank of Rwanda
CEO	Chief Executive Officer
KCC	Kenya Co-operative Creameries
KQ	Kenya Airways
MSC	Mumias Sugar Company
NHIF	National Hospital Insurance Fund
ROE	Return on Equity
ROI	Return on Investment
SARFIT	Structural Adaptation to Regain Fit Theory
SDG's	Sustainable Development Goals

ABSTRACT

Turnaround strategies are adopted by organizations for the purpose of survivability. The study sought out to find the turnaround strategies adopted by Mumias Sugar Company limited and the factors influencing the implementation of turnaround strategies at MSC. The study adopted a case study research design. The study collected data from four managers from the following departments; Finance, Operations, Information technology and Human resource department. Primary data was collected through the use of Interview guides and analyzed by the use of content analysis. The study established MSC adopted several turnaround strategies with the aim of transforming the organization to a profit making institution. The strategies adopted were asset reduction, financial restructuring, and cost reduction, reorganization of management, reduction of workforce, new innovations and technology adoption and diversification of products. Despite all these strategies being adopted by MSC, the company continued performing poorly. The poor performance is attributed to factors that influenced the implementation of the turnaround strategies. The factors that the studied identified are political interferences, corruption, mismanagement, poor management, poor planning and low morale among employees. The study first recommends that Mumias Sugar Company can convert some debts into equity, this will later result into cash flows for the company. Secondly, the company should focus more building interfirm collaborations and business level learning to enhance business knowledge. Thirdly, the study recommends Mumias Sugar should come up with new products which will impact positively on the profits of the company and improve on the customer base. Forth the study recommends Mumias Sugar company should reorganize its operations and strategies with a small number of workforce who will not compromise on quality. Fifth, the company should invest in innovation and technology so as to improve its production to zero wastages, reduction in production cost, improvement in products quality and having an efficient production system. Sixth, the company should focus on diversification with the aim of opening other channels of revenue. Lastly the study recommends the company should dispose of assets that are not in operational and close divisions, operations or units that are making losses and are a burden to the company.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

An organization recovery is based on turnaround that has undergone through the process of identifying risks actions in the market. Its essential managers understand the causes of organization decline, through this the manager will be knowledgeable both from an internal and external perspective. With such knowledge the manager will be able to identify the problems the organization is facing and come up with the right strategies (Santana, Valle, & Galan, 2018). Turnaround strategies are crucial in pushing an organization to achieve its competitive advantage over its competitors (Ayiecha & Katuse, 2015). Turnaround strategy plays an important role in any organization. The vital role of turnaround strategy is gained through incorporating it at the corporate levels; this is achieved by ensuring it is reflected in the organization vision, objectives and finally initiated into the accountability initiatives (Finerty, 2014). The turnaround strategies pool of knowledge was achieved by studies that contributed through knowledge creation on issues facing organizations decline and challenges in the management strategy (Solnet, Paulsen, & Cooper, 2010; Bibeault, Donald, 2017).

McKinsey 7's model was developed by Peters, Waterman and Philips in 1980. The model entails seven critical factors that are used to evaluate an organization design in order to steer the firm to achieve its targets. The seven critical factors include staff, skills, strategy, shared values, systems, structure and style. Donaldson, 1987 pioneered a research on structural adaptation to regain fit theory, the theory argued that functionalist theories and quantitative methods can explain structural change. The theory asserts that firms have the capacity of changing from one strategy to another over time and an organization with the

right strategies will achieve higher performance, with such performance the organization will create extra resources and therefore lead to growth of its business. This builds up strategies that are not aligned with the organization vision and objectives, such strategies lower performance and in the end leads to a performance crisis.

According to a World Bank report (2012), agriculture is at the center of the global economy with 1.3 billion out of 7.1 billion people in the world directly or indirectly involved in farming. In India, for instance, agriculture accounts for 54 per cent of employment in the country and contributes almost 18 per cent of its national income. In sub-Saharan Africa, agriculture has been the main economic activity among rural communities which practice subsistence farming targeted to survival of families with little or no surplus trade. Data from the Kenya National Bureau of Statistics' Economic Survey (2017) indicates that agriculture directly contributed 25 per cent of the country's Gross Domestic Product in 2016. According to the report, the contribution consisted of food crops and cash crops that are consumed locally and those exported respectively. The cash crops include horticultural products, coffee, tea, wheat, pyrethrum, flowers, maize, tobacco and sugar.

The economic survey report released by the Kenya National Bureau of statistics (2017) noted that coffee production increased by six per cent in 2015 while sugar production decreased by nine per cent despite the size of land under sugarcane plantation going up as compared to that of coffee plantations. Sugarcane growing is a major source of income for over 150,000 shareholders (Kenya National Bureau of Statistics, 2014). About 85 per cent of the total cane supply is from small-scale growers whose livelihoods depend on it while the remaining is from the nucleus estates owned by sugar factories (Kenya National Bureau of Statistics, 2014). Mumias Sugar Company in 2010 was recognized as the highest sugar

processing company in Kenya. The company was producing five hundred and twenty thousand tons of sugar annually, which was a small fall from the national consumption demand of six hundred thousand tons. (Mumias Sugar, 2010). However, since then all the company`s key performance ratios have been declining from one year to another which calls for strategic intervention.

1.1.1 Turn-around strategy

The turnaround concept is viewed as performance improvement in situations where there`s a decline in organizations performance (Robbins and Pearce, 1992). Turnaround is defined by Brandes and Brege (1993) “as a process that transforms a firm from poor performance to good sustained performance”. This definition brings out that turnaround is a process that emphasizes on practices and procedures (Pettigrew and Whipp, 1991). Hiller (2011) argues that in a fast moving and weak economy, it is not surprising that most organizations are finding themselves in crisis more frequently. The goal of the organization during crisis is to come up with a list of crisis that they are facing and possible/strategies solutions for those crisis. The manager in charge of turnaround often will find themselves torn in between preserving the image of the organization vis a vis adopting recovery strategies. However, a lot of businesses always rush into implementing strategies that have been there previously with the hope the firm will achieve a turnaround which never works. It takes both professional unemotional analysis and planning for a sustainable recovery to be achieved (Hiller, 2011)

1.1.2 Strategy Implementation

Successful Strategy implementation depends on the organizations agility to respond to the environment changes. Through this organization are able to identify opportunities and

survival tactics for the future. Successfully implemented strategies play a vital role in both public and private organizations. An organization that lacks proper means of implementing strategies will perform poorly irrespective of how superior the strategy is. Managers of development fund projects therefore need to adopt ways of resolving challenges of strategy implementation so as to ensure effective and efficient process. Strategies and plans are turned into actions through implementation with the objectives of accomplishing goals and strategic plans. It's important for organizations to implement their strategic plans for them to see results from the strategies they came up. Different strategies will solve different problems thus it's important for the managers to ensure they are implementing the right strategy for the right problem (Jeff, 2013).

The goal to a successful strategy development is through developing proper organization culture, having the correct operational plans, well skilled project management teams and regular reviews of the firm strategies. The practices that are essential to any strategy implementation include; managing human resource, creating a strategy supportive culture, matching organization structure, and building a capable organization strategy. Proficient strategy execution depends heavily on filling key position with right skilled staff, who have the right strengths to perform the tasks and focus of core functions of the organizations. Such employees will be able to develop the right working environment by encouraging team work and collaboration both internally and externally. Building a capable organization is a top priority for any team developing strategies for a firm. An organization to develop a successful strategy and implemented perfectly should take into consideration external factors, influence of stakeholders, competencies and internal capability (Pearlson, Saunders & Galletta, 2016).

1.1.3 Mumias Sugar Company (MSC)

Mumias Sugar Company is found in Mumias Town, Kakamega County in Western part of Kenya. The company was started 1971 with the aim of helping the locals through creation of employment and as a source of generating income to the local farmers. In addition, the company was to help the country to stop overdependence on importing sugar. This was achievable by the firm being allowed to run as a commercial enterprise and compete with other local millers and importers. In 1967, the government commissioned Booker McConnell which was to operate under Bookers Agriculture and Technical services to study the viability of sugar being grown in Mumias and its environs. The results of the project led to the birth of Mumias sugar company in 1971 (Mumias Sugar Company Ltd 2012).

According to the company`s annual reports, the firm`s total assets declined from Ksh. 27, 148, 393,000 in 2013 to 24,091,095,00 in 2017. The total liabilities on the other hand increased from Ksh. 13,859,423,000 in 2013 to Ksh. 23,334,515,000 in 2017. Total sales declined from 11.9b in 2013 to 0.21b in 2017, the net income value of the company declined from -1.7b in 2013 to -6.8b in 2017, fixed assets turn-over declined from 4.9 to 0.1 from 2013 to 2017 respectively, the gross profit margin of the company declined from 0.12 to -1.5 from 2013 to 2017 respectively, the company`s quick ratio declined from 0.55 to 0.09 from 2013 to 2017 las but not least, the earnings per share of the company, declined from -1.09 to -4.43 resulting to no dividend available for the shareholder from 2013 to 2017. All the company`s key performance ratios have been declining from one year to another which calls for strategic intervention.

1.2 Research Problem

A research by Panicker and Manimala (2011) proposed that for one to successfully bring back organizations that were performing poorly needs to leverage two levels of strategy development. The first level is from low performance to breakeven and from breakeven to the positive terming. The researchers found out that successful turnarounds were based on continuous buildup of organization competencies, this is in line with the stage theory before taking up aggressive growth and expansion strategies. Implementing the strategy and moving the organization in the chosen direction requires a different set factors (KIPPRA, 2013).

There exists quite a number of studies addressing factors which influence strategy implementation. However, these studies have not focused on factors influencing turnaround strategy in particular. For instance; Kizimana (2020) did a research to analyze the issues facing strategy implementation in private insurance in Rwanda, Asutay & Dixon, (2013) did a research on the factors that influence strategy implementation process and its outcomes in Saudi Arabian Banks, Hoang & Duc, (2016) studied the impact of factors affecting on business strategy implementation of Vietnam garment companies. The few studies which have focused turnaround strategy have majorly addressed other aspects of turnaround strategy and not factors influencing its implementation for instance Robert, Chitnomrath & Christopher (2016) studied the relationship between the leader's characteristics and the implementation of the turnaround strategy conceptually. Muzny & Simba (2019) studied the factors that influenced turnaround strategies on performance of the Coast Development Authority, Kenya.

Mutunga (2013) studied the implementation of Turnaround Strategies at Kenya Broadcasting Corporation. This study has concentrated only on the media industry and not manufacturing. It has also not addressed challenges influencing implementation of turnaround strategy but rather addresses the various types of turnaround strategies and how they have been implemented at KBC. The few studies which have tried address factors influencing implementation of turnaround strategy have not been carried out in the context of Mumias sugar neither in the manufacturing industry. For instance, Kimutai (2010) studied challenges of the implementation of turnaround strategy at Telkom Kenya concluded that failure to keep up with the rate of technological change by not upgrading their infrastructure meant low customer satisfaction thus a huge challenge in turnaround strategy implementation. Kiveu (2013) in a case study on New KCC concluded that the main challenges were political interference, resistance to change and poor leadership. Despite Kimutai (2010) and Kiveu (2013) studying the same concept the found different factors influencing the turnaround strategy. It therefore means the factors influencing turnaround strategy vary from one context to another which forms the gap that this study aims to fill.

In addition, due to the poor performance by the company, the firm engaged the services of Eliud & Associates (E&A) management consultants in October 2017 to facilitate the process of developing the company`s 2017/2018- 2021/2022 strategic plan to provide a roadmap that guides the operations of the company for a five-year period to turn-around the company. MSC was satisfied with the performance of E&A in facilitating the development of the document which was considered a successful strategic plan that was designed in line with the constitution of Kenya 2010, The United Nation`s Sustainable

Development Goals (SDGs), the Agricultural Sector Development Strategy, the Agriculture and Food Authority, the Ministry of Agriculture Strategic Plan and the Sugar Directorate Strategic Plan. Despite the successful formulation of the strategic plan to turn-around the company, the 2021/2022 financial year is here but the company is still lying on its death bed. This calls for studies to establish turnaround strategies adopted by MSC and investigate factors which influence the turn-around strategy implementation at MSC and thus the reason for this study to answer the following two questions; what are the strategies adopted by MSC? What are the factors influencing implementation of turnaround strategy at Mumias Sugar Company?

1.3 Research objectives

The objectives of this research were;

- I. Establish turnaround strategies adopted by MSC.
- II. Investigate the factors influencing implementation of turn-around strategy at MSC.

1.4 Value of the study

This research will benefit academicians by contributing to theory and knowledge in strategy development in the Sugar Industry. Scholars and researchers can use this study as a reference in carrying out studies in the same field of knowledge. This study could also assist researchers as well as scholars in identifying potential research gaps identified in this subject which will guide them in conducting further studies.

The study will benefit the management and shareholders of Mumias Company and any other company in the sugar industry. The administration and partners in the sugar industry in Kenya will know more about money turnaround management. Managing in turbulent

times is and will continue to be a challenge for managers. This research study will help corporate managers and board to develop better understanding of turnaround strategies, it will also provide information that will help the organization to successfully implement a turnaround strategy having in mind what factors or challenges to address in order to achieve normalcy within the shortest possible time. The research study will also provide a reference point for public listed as well as private firms' managers who manage firms that are undergoing a crisis situation and require immediate turnaround strategies put in place. The shareholders will also find this study important since more often than not they are the people called upon to inject money either through rights issue or selling assets owned by the company to boost their company, pay debts to suppliers and other vendors and increase cash flow whenever in crisis and making losses.

The research will inform the government on the factors or challenges encountered during implementation of turnaround strategies especially for publicly listed entities. Policy makers will also benefit from the study hence be able to make more informed decisions especially on strategy implementation which squarely falls under strategic change and help ailing organizations return to normalcy.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The chapter will introduce the literature review and cover the theoretical as well the empirical review. The key theories reviewed under this study include the McKinsey 7's Model and the Structural adaptation to regain fit theory. The chapter concludes with the knowledge gap for the study as identified in the existing literature

2.1 Theoretical Review

This section covers theories relevant to Implementation of turnaround strategies at Mumias Sugar company. The research has reviewed two theories; McKinsey 7's model and Structural adaptation to regain fit (SARFIT) theory.

2.2.1 McKinsey 7's Model

McKinsey 7's model was developed by Peters, Waterman and Philips in 1980. The model entails seven critical factors that are used to evaluate an organization design in order to steer the firm to achieve its targets. The seven critical factors include staff, shared values, structure, styles, systems, skills and strategy. Otsupius and Otsu (2016) asserts that for an organization to be effective is dependent on the seven critical factors. Moreover, the effectiveness of any organization is anchored on the knowledge of the seven critical factors. Strategy is the process laid out by an organization on how they will achieve their targets while organization structure refers to the organization structure that define responsibility and authority.

Staff is defined by the manpower and skilled employees in an organization while shared values is defined as the bond and relationship that exists between the employees. For a turnaround strategy to be successful, it has to be aligned to the organization policies,

structure, culture and vision. Bowman and Faulkner (1997) asserts that for any successful organization decisions have to be made in a systematic approach. Hill (2012) asserts that the critical factors in the McKinsey model to effectively have an impact, they have to be aligned with the organization. In addition, an organization can use the Mckinsey model to identify elements that have problems in the organization and solve those problems so that the organization achieves its objectives.

2.2.2 Structural adaptation to regain fit (SARFIT) theory

Donaldson (1987-2001) contends that theories for functionalist and techniques for quantitative can clarify on structural change for organizations. This is epitomized by different changes that have happened over the years into organizational strategy and structure. Modern organizations evolve over time from one strategy to another over time. Any firm that has a strategy in lined with its objectives enjoys better performance compared to its competitors, with such a strategy in place the firm will create excess resources thus leading to development of the organization in size and geographical expansion. This increases the level of possible factors like size, prompting a nonconformist with the current structure. The maverick brings down organization performance, ultimately prompting to a performance crisis. (Donaldson, 1987).

Structural adaptation to regain fit is plainly exhibited through an assessment of the connection among methodology and design (Collard, 2011) which additionally structure the primary factors in the review. This theory is appropriate to all firms going through the turnaround cycle since they all need to realign themselves so they can fit in the powerful environment. Organizations that are performing poorly in performance their mangers have to adjust from one strategy to another more often as a result of competition other challenges

(Uzel et al., 2015). Managers that adopt this theory will help their organizations to achieve a turnaround by thinking out of the box and exploiting the fit circumstance to differentiate, modernize, cut expenses and redesign to pad themselves for survivability, progression in activities, upper hand and supportable great execution over the long run.

The advantage of the structural adaptation to regain fit theory appreciates that organizations are unique meaning that different organizations require different strategies. Rather, the theory emphasizes on each organization identifying factors that match or fit the organization. The factors could either be technological, information systems, organization structure or environmental volatility (Bastian & Andreas, 2012). The main assumption of the structural adaptation to regain fit theory is that managers perform low uncertain tasks that are more effective since it is quick, simple and makes it possible for a close coordination of the tasks. This definitely reduces the structural adaptation of fit strategies and raises costs. Burns and Stalker (2000) asserts that an organization within a stable environment should use a mechanistic structure while organizations that exists within an environment of technological advancements and market diversification should use an organic structure.

2.3 Empirical Studies and Knowledge Gap

Asutay & Dixon, (2013) led a review on the variables that have an impact on strategy implementation and its results in Saudi Arabian Banks. The researcher collected data for this research from three successful banks in Saudi Arabia. The data was collected through administering questionnaires, where one hundred and twenty middle managers participated. These banks had as of late adopted a strategic decision. Research that followed after indicated strategic decision outcomes was influenced by three main groups,

consequently dictating successful strategy execution. The factors that determine successful adoption of strategy are as follows: organizational factors; such as top management support, religion and organizational structure. Personnel and process factors: which includes communication and lastly project factors like priority of the decision and time. Other factors the likes of cultural, resource location, people, commitment, external factors, and motivation appeared insignificant when it comes to strategic decisions.

Evans, R.T., Chitnomrath, T. and Christopher, T. (2013), researched on the success of turnaround strategies that have been implemented by institutions in Thailand after the post-bankruptcy reorganization plans that were approved through the Thai central Bankruptcy court. The study focused on 101 firms who were under the Thai Central Bankruptcy reorganization plan from 1999 to 2002. The researchers found out that successful companies under the reorganization plan over a period of three years had adopted cost cutting measures, reduced the size of the company and got rid of assets that were not supporting the core business of the firm. In addition, strategies adopted for operationalization had not impact of the success of the companies.

The data proposed, subject to constraints, the choice of rebuilding techniques might contrast between those organizations which effectively change and those which don't. Firms that focused on turnaround strategies were found to implement cost cutting measures, reduce number of employees and disposed non-core assets so as to focus on the core business only. Previous researchers had not researched on the turnaround strategy for successful and unsuccessful firms in Thailand. The study has significant importance to management, investors, creditors, regulators, practitioners and lenders as it provides them with important information on economic conditions in Thailand.

O’Kane & Cunningham (2014) studied the effect of leadership changes in Ireland on the commencement of organization turnaround and performance. The study focused on commencement of organization turnaround, the performance of turnaround and lastly the types of leadership implemented by the organization. The researchers concluded the conditions under which (CEO) changes are logical; the significance of modesty, trust, and respectability to turnaround administration; and why certain organizations may deliberately postpone the execution of CEO changes. Likewise, we found that recently designated outsider CEOs and insider pioneers who are not supplanted are differentiated in the manner by which they oversee expectations and execute retrenchment situated moves at the beginning of the turnaround process. Data was collected through questionnaires, where by 192 questionnaires were given to the respondents. The results found out that there was a positive relationship between five factors; business strategy, organizational structure, strategy formulation, corporate culture and human resources. Therefor the factors above played an important role in strategy implementation of Vietma, Garment Company.

Ukaidi (2016) did a research on turnaround strategy and corporate performance for manufacturing firms in Nigeria. The researchers used return on investment (ROI), profit and return of equity (ROE) as variables to measure corporate performance. The turnaround strategy was measured through asset reduction, revenue generation and cost reduction. The researchers collected data through questionnaires and interviews. The data indicted a positive and important association between turnaround strategy and corporate performance. Kizamana (2020) did a research on challenges facing strategy implementation in private insurance firm in Rwanda. The researcher focused on identifying the challenges facing Rwanda private insurance firm in adopting strategies and find ways

in which those strategies were addressed. The research focused on 12 private insurance firms licensed by National Bank of Rwanda (BNR). The respondents were managers from each bank and were interviewed through phone and Microsoft teams. The researchers found out that challenges of strategy adoption were ineffective communication to the employees about the strategy, resistance to change by employees, lack of adequate skills and lastly lack of finances to support strategy implementation

Mugo (2018) did a research on the implementation of turnaround strategy on competitive advantage of Ericsson Sub- Saharan Africa. The research used the resource based view, dynamic capability, population ecology theory and punctuated equilibrium. Based on the nature of the research where an in-depth study was done on one company, the research design selected was a case study. The study employed the use of both primary and secondary data. Primary data was collected through structured interviews using an interview guide conducted on the senior managers in various departments or their equivalents. Secondary data was collected from annual and investor reports since they provide information on strategy and performance, past interviews from accredited media and analysts, Ericsson's strategic plan, industry and regulator reports, and any other publicly available credible sources of information. The method of data analysis was content analysis. From the findings, there was a positive correlation between the existence of strategic resources and the competitive advantage of an organization.

Okwisa, Manana & Gicheru (2016) in their case conducted a research which focused on the effect of turnaround strategy on performance of Uchumi Supermarket. The researchers examined the factors affecting the implementation of turnaround strategies at Uchumi supermarket. Because of time limitations, the researcher collected data from branches

within Nairobi, as an example; the researcher zeroed in on twelve branches inside Nairobi County. The focus of the study was to understand what impacts organization structure, culture and leadership have on turnaround strategy. The study collected data from 54 employees across the 12 branches at Uchumi supermarkets within Nairobi county. The researchers found out that the supermarket allowed employees to raise their views and ideas in decision making, the supermarket has measures in places to mitigate risks. The study also revealed that employees at all levels firmly understand their individual and interdependent roles in attaining the corporate vision.

Deche (2018) did a study examining the issues that have an influence on implementation of strategic change in NHIF, Kenya. The project focused on the factors that influenced effective implementation of strategic changes in the national Hospital Insurance Fund. The researcher used an interview guide as a data collection tool where out of a target of 20 respondents 15 responded to the interview guide. The researcher analyzed the data using content analysis where the results revealed the National Hospital Insurance Fund is in need of an effective strategy. The outcome of the study indicated the following factors; organization structure, environmental and legal factors, policies and strategy, globalization and technology, staff motivation and adaptability to change, political and economic factors and, strategy and organization of resources have influenced the implementation of an effective strategy at NHIF. This researcher contributed to the body of theory, policies and practice that will guide in the implementation of strategic change. The researcher indicated unavailability of top management for the interview as a main limitation of the study thus not getting the best data.

Evans & Christopher (2013) did a longitudinal study on 101 companies in Thailand whose restructure plans had been approved by Thai Central bankruptcy court between 1999-2002. The study looked at turnaround and concluded that successful companies adopted company cost and expense reduction and at the same time focused on the core functions of the business while operation strategies aimed at readjusting internal operations and systems did not work. O’Kane & Cunningham (2014) did 4 in-depth case studies in Ireland on the effect of leadership changes on the initiation of organizational turnaround and its performance concluding that expectation management and implementation were the differentiators. Ukaidi (2016) in a survey research on turnaround strategies and corporate performance on quoted companies in Nigeria examined the turnaround approaches to use and concluded that turnaround as a management tool resulted to positive corporate performance.

Similarly, Kimutai (2010) did a research on the challenges of the implementation of turnaround strategy at Telkom Kenya concluded that failure to keep up with the rate of technological change by not upgrading their infrastructure meant low customer satisfaction thus a huge challenge in turnaround strategy implementation. Kiveu (2013) in a case study on New KCC concluded that the main challenges were political interference, resistance to change and poor leadership. Masinde (2016) in a case study on Kenya Railways Corporation focused on understanding the different strategic operations that can be used on underperforming firms. Mburu (2016) in a case study on Postal Corporation of Kenya concluded that the challenge was a rigid culture but good management overcame this and delivered a successful turnaround.

Okwisa, Manana & Gicheru (2016) in their case study on the effect of turnaround strategy on performance of Uchumi Supermarket examined the role of stakeholders in repositioning and support, training and sensitization, cost reduction strategy, and top management reorganization on turnaround strategies. They found out that top management had a high influence on turnaround results because new top management usually holds stakeholders' interests high. Mungai & Bula (2018) in their case study on turnaround strategies and performance of Kenya Airways (KQ) examined which specific turnaround approaches applied on KQ and concluded that any organization undergoing decline should employ turnaround strategies especially cost reduction and financial restructuring.

The above studies address factors which influence strategy implementation. However, these studies have not focused on factors influencing turnaround strategy in particular. For instance; Kizimana (2020) studied the challenges facing strategy implementation in private insurance in Rwanda, Asutay & Dixon, (2013) did a research on the factors that influence strategy implementation process and its outcomes in Saudi Arabian Banks, Hoang & Duc, (2016) focused on the issues that affect business strategy implementation of Vietnam garment companies. The few studies which have focused turnaround strategy have majorly addressed other aspects of turnaround strategy and not factors influencing its implementation for instance Robert, Chitnomrath & Christopher (2016) studied the relationship between the leader's characteristics and the implementation of the turnaround strategy conceptually. Muzny & Simba (2019) determines the influence of turnaround strategies on performance of Coast Development Authority, Kenya. The few studies which have tried address factors influencing implementation of turnaround strategy have not been

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology of the study that played an essential role in the research. Research methodology describes the procedures to be followed in conducting the study (Mugenda & Mugenda, 2003). The chapter focused on the design used with the researcher and the different techniques that were used to analyze the data.

3.2 Research Design

This design refers to a framework of procedures and methods chosen by a researcher. It defines the processes involved in gathering data that defines events and then organizes, depicts, tabulates, and describes the data. This study adopted a case study research design where the unit of study was Mumias Sugar Company Limited. The research design is suitable in cases where a researcher wants to get detailed and in-depth analysis for one organization. Case study research enables the researcher to achieve useful insights to phenomenon that may otherwise be hazily known or understood. This research design was successfully used by Gichuki (2009) and Kiarie (2009) in similar studies.

3.3 Data Collection

The study collected primary data. The researcher conducted interviews with the help of an interview guide shown in appendix I. The researcher interviewed 4 managers within MSC. The researcher preferred the use of interviews as a means of data collection because of its ability to draw out firsthand information as well as providing the researcher with better insight and understanding of the results from the study. Besides the interviews provided contemporary information to the researcher and at the same time brought out information that was missed previously by the use of other data collection techniques.

The focus of the interviews was to understand the turnaround strategies applied by Mumias Sugar Company Limited and the factors that influenced the implementation of those strategies. The targeted respondents for the interviews were managers of Mumias Sugar Company Limited from the following department's human resources, production, information technology, finance and the risk and audit. The researcher chose the managers because they were the ones who understood the turnaround strategies adopted and they were also involved in the turnaround by Mumias Sugar Company Limited. The interview guide was structured into two sections. The first section focused on the respondent's information while the second section focused on factors influencing implementation of turn-around strategy at MSC. The researcher interviews were open ended so as to give room for further clarification incase a response was not clear.

3.5 Data Analysis

The data gathered through interviews was analyzed by the researcher by the use of content analysis. Schreier (2012) stated that "content analysis is one of the best qualitative methods currently available for analyzing data and elicit information useful to the study." Content analysis is used to analyze contents from various sources of information such as books, magazines, newspapers and face-face information obtained during interviews (Khan, 2008). The researcher used content analysis to evaluate, bring out conclusions and recommendations from the interviews. In the process the researcher will also take notes of trends and underlying themes.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the results of the interview guide that the researcher collected from Mumias Sugar Company limited.

4.2 Demographic Information

The researcher interviewed the following respondents; finance manager, human resource manager, Operations manager and Information technology manager. The information technology manager has worked for Mumias Sugar Company for a period of 7 years at Mumias Sugar Company and 2 years in the current position. The human resource manager has worked for 8 years at the company and 4 years at the current position. The Operations manager and finance manager have both worked for 5 years at Mumias

Sugar Company. The interviewees having worked for more than 5 years at the company provided accurate information on the position of the firm at the moment. All the interviewers had knowledge on the turnaround strategies adopted by Mumias Sugar Company limited.

4.3 Turnaround Strategies Adopted by Mumias Sugar Company

This section will discuss the different types of turnaround strategies adopted by Mumias Sugar company, factors that led to Mumias Sugar Company collapsing, new opportunities identified by MSC for its products, cost reduction strategies adopted, process excellence measures adopted, extent to which MSC has reduced its workforce, and types of innovation and technology adopted by MSC.

4.3.1 What led to the collapse of MSC

The interviewees were asked to state the causes that led to the collapse of Mumias Sugar company ltd. The major causes that were stated by interviewees were corruption and political interferences from the regional politicians which eventually led to MSC not being able to pay its loans, employees and farmers. The interviewees indicated that there were financial irregularities from the procurement and top management. There was also constant delay in paying farmers which resulted to farmers withdrawing from supplying raw materials to MSC. This led to the company producing less than the market demand thus resulting to high costs in production, which further affected the whole performance of the company.

Due to high costs of running the production, MSC was not able to pay its employees and also the company didn't have money to replace worn out machines from wear and tear. In addition, the interviewees stated that increased competition and imported sugar played a role into the collapse of Mumias Sugar Company limited. The imported sugar was costing less price in the market compared to MSC sugar which resulted to most customers buying the imported Sugar.

4.3.2 Restructuring done in 5 years by Mumias Sugar Company Ltd

The interviewees were requested to state if Mumias Sugar Company had done any restructuring in the last 5 years. According to all the responses provided by the interviewees MSC had done restructuring in the last five years. Some of the restructuring mentioned by the respondents are as follows. The first strategy adopted by MSc in the last 5 years with an aim to stay afloat was financial restructuring. The company developed short and long term strategies on how to get money to pay its bank debts, farmers and its

employees. MSC received funds from the Kenyan government and other stakeholders to help the company resume its normal operations. The government of Kenya gave MSC by 2017 around Ksh 2.8 billion to offset its debts with farmers. In addition to sourcing for funds the company aimed asset reduction that were not in line with the company core business objectives.

The second strategy the interviewees indicated that MSC adopted was cost reduction strategy, one reason that had been stated for the collapse of the company was increased production cost. The cost reduction strategy is vital to seeing MSC start running its operations again to full capacity. MSC will achieve cost reduction strategy by reducing its overhead and direct costs to a level that the operations will still remain afloat after cutting cost. One of the cost reduction strategy adopted by MSC is to have a lean structure that will help the company cut costs from salaries and wages. Vertical integration is another strategy that the company plans on implementing. With vertical strategy the company aims at growing its own sugarcane thus reducing cost of buying sugarcane. In addition, the company plans to have its own transportation vehicles to transport its own sugarcane and thus avoid paying for transportation services. Lastly, the interviewees stated that the company aims at sourcing the non-core activities, refinancing its debts and renegotiate contracts with its existing employees.

The third strategy adopted by MSC is reorganization of its top management and reduction of the workforce. MSC achieved this strategy through restructuring, reskilling and change in its top management in order to improve on its leadership and align it with the company policy and objectives for the better planning of the company. The aim of reorganization was also to remove bottlenecks in its processes and avoid duplication of roles in the

organization. With the reduction of the workforce the company was to manage its ballooning wage bill which has put a lot of constraints on the organization finances.

The fourth strategy was adopting new innovations and technology in the production of sugar. The aim of this strategy was in MSC adopting the modern technologies in the market that will help the company to produce sugar with less wastages and at a lower cost thus improving on efficiency and increasing its production. With modernized technology the company is able to reduce its risks, satisfy customer's needs and achieve a smooth production. This strategy was to create room for MSC expansion and diversification of its products. Immediately the production is operating with zero wastages, at a lower cost and efficiently, the organization can opt to expand by increasing the quantity of sugar produced every day or opting to diversify into other income generating streams. The fifth strategy is asset reduction which focused on MSC shrinking its business in order to achieve profitability. Assets reduction involves the closure of businesses, divisions, operations or units that are making losses and are a burden to the company. In addition, it also deals with outsourcing the non-core functions in the organizations.

4.3.3 MSC human resource

The interviewees were requested to state the extent to which MSC had employed skilled human resource. All the interviewees stated that MSC had qualified employees with the required skills to perform their jobs. The success of the previous Mumias Sugar before its troubles can be attributed to the skilled workforce the company had. MSC had over 1,500 employees both permanent and casual. The interviewees were also asked to state the extent to which MSC reduced its workforce. All interviewees indicated more than 800 employees

were sacked in 2021 when the company went into receivership with KCB. Some employees were reemployed based on their skills.

4.3.4 Extent to which MSC has established new markets and new opportunities

The interviewees indicated the company had come up with new strategies in order to regain its previous position as the best sugar company in Kenya. The company besides selling sugar ventured into other projects that acted as a source of revenue to MSC. While selling sugar MSC aimed at packaging the sugar at different sizes in order to capture all markets segments in Kenya. The smallest packaging will be in 250 grams and the largest packaging will be of 2 kilograms. The company also had introduced sugar with vitamin A which contained micronutrients that were vital for the growth of children. In addition, MSC will also focus on venturing into other east Africa countries to supply sugar.

MSC also diversified into power production through co-generation electricity project. In Kenya the demand of electricity is high and Kenya power sometimes relies on private power generating companies to supply power to them in order to meet the national demand. MSC supplied electricity directly to the national grid thus supplementing the countries demand. MSC also ventured into the production of ethanol which was used to produce alcohol by the distillery companies. The company had set up a production plant which had a capacity of producing 22 million liters of ethanol. Lastly the company will diversify in water production and packaging which will be sold in Kenya and neighboring country Uganda.

4.4 Process excellence measures adopted by MSC

The interviewees stated that MSC had adopted several process excellence measures to help in the improvement of the production system thus leading to improvement in the overall performance of the organization. The following are some of the process excellence measures adopted by MSC. Lean manufacturing which focuses on eliminating wastes, optimizing processes, cutting costs and boosting innovations (Wamalwa et al., 2014). Lean Manufacturing was vital as the plant capacity utilization of MSC was at 70%, the company adopted this process excellence to assist in getting the production capacity at 100%. Lean manufacturing comes with the following tools Total Productive Maintenance, Just in Time and 5s.

MSC machines had frequent breakdown and with Total Productive Maintenance tool this problem was resolved. Total productive maintenance is concerned with preventive maintenance, maintenance prevention and corrective maintenance. Preventive maintenance deals with the regular maintenance of the machines at the plant while corrective maintenance deals with deciding which machines spare parts should be replaced or the organization should acquire a brand new machine. Lastly maintenance preventive deals with acquiring a new machine in situations where it's no longer economical to replace spare parts in a machine (Wamalwa et al., 2014). Total preventive maintenance tool helped MSC to maintain its machines and known when it's the right time to acquire a new machine.

Just in Time deals with getting raw materials when only needed for the production. The aim of JIT is to reduce costs an organization would inquire in keeping inventory. The tool was beneficial to MSC as they only received sugarcane from farmers when only they

needed them. While 5s stands for Sort, Set in order, Shine, Standardize and Sustain. The tool deals with eliminating unnecessary items from the production or the plant, creating efficient and effective methods of storing items in the organization, cleaning the working area so as to leave in in good condition, adhering and standardizing the best practices in the work area and lastly creating a culture of following proper procedures.

4.5 Factors influencing Implementation of turnaround strategies at MSC

The interviewees were requested to state factors that influenced the implementation of turnaround strategies. The following factors were stated political interferences, corruption, mismanagement, poor management, poor planning, low morale among employees. Political interferences came out strong as one of the main factors that led to the collapse of MSC despite all the strategies adopted to revive the company. The interviewees stated after the collapse of Mumias Sugar Company, KCB placed the company under receivership in 2018 and 2021 decide to lease the company to investors with the aim of reviving it. The bid attracted around 8 bidders and Devki steel mills emerged to be the best bidder. Immediately the politicians from the region started questioning the whole bidding process and its credibility. This resulted into Devki steel millers pulling out of the bidding.

Poor management and poor governance were stated as other major factors that influenced the implementation of reorganization, cost reduction and financial restructuring turnaround strategies at MSC. The company invested into mega projects without doing due diligence, the projects return on investment was never realized. Besides investing in mega projects it was also stated company staffs started projects that were never completed like; bagging machine, HT clocking system, CTTV, recruitment of staff unprocedurally. Poor governance resulted into loss of money that would have been used to pay farmers in

supplying sugarcane to the factory. In addition, it was stated that some staff colluded to pay ghost farmers and not the real farmers. These resulted into delays in farmer's payments who got demoralized and started uprooting the sugarcane plantations. The interviewees also stated the board of directors collude with some members of the board to open customer funds account in Dubai.

The interviewees stated corruption and mismanagement played a part in making it impossible for the cost reduction, financial restructuring, shrinking of business and asset reduction turnaround strategies adopted to work effectively. There was corruption in the employment of employees and also in the promotion of employees. In addition, some employees colluded to stealing sugar from the company while the commercial department is said to have diverted ethanol that was meant to be sold in Tanzania. Molasses tankers never used to arrive the company and no one was held accountable for such losses. The procurement department was blamed for its involvement in the collapse of the company. The interviews stated that the procurement department used to do double sourcing, single sourcing, picking suppliers and lastly forging books of accounts.

Lastly the interviewees stated that low morale from employees also contributed to influencing the implementation of turnaround strategies at MSC. Due to poor management and delays in employees' salaries contributed to low productivity from the employees. When MSC started retrenching despite them being informed about the rightsizing in advance it contributed to low morale as the employees had the fear of being laid off in the near future. In addition, the employees who remained at the MSC had to overwork so as to meet the production capacity demand. These led to fatigues and low productivity from the employees.

4.6 Discussion of findings

Mumias Sugar Company Limited has adopted many strategies in its quest to regain its position as the best sugar production company in Kenya. The strategies adopted by MSC include; financial restructuring, cost reduction, reorganization of management, reduction of workforce, new innovations and technology adoption, diversification of products and asset reduction. These strategies were adopted with the aim of improving the production methods which will in turn improve organizational performance. Evans, Chitnomrath and Christopher (2013) supported the above strategies in their research of bankruptcy in Thailand where they found out that financial restructuring, cost reduction, reorganization and technology plays an important role in turnaround of failing organizations. The financial strategy was adopted with the aim of helping the organization to strengthen its balance sheet and also get avenues for funding. This is supported by Ukaid (2016), who emphasized the importance of financial strategy from his research of turnaround strategy and corporate performance for manufacturing firms in Nigeria. Besides, Evans & Christopher (2013) did a longitudinal study on 101 companies in Thailand and supported the importance of financial strategy. The reorganizational strategy was adopted with the aim of changing the organization leadership so as to bring in new changes and ideas that will sail the company out of its woes. This strategy is depicted as a powerful tool for turnaround of organizations (Situma, 2006).

The reduction of workforce strategy aimed at reducing the number of employees at an acceptable level that will still see the organizations production run smoothly. This strategy was to help MSC shrink its salary and wage bill. The new innovation and technology strategy was to help MSC improve its production by having zero wastages, reduction in

production cost, improvement in products quality and having an efficient production system. Kimutai (2010) did a research on the challenges of the implementation of turnaround strategy at Telkom Kenya supported the importance of innovation as a strategy in turnaround. Diversification strategy aimed at opening other channels of revenue to MSC. The company was to take advantage of its resources and come up with new products that will increase its revenue. And they did so by starting a power distribution plant, ethanol plant and molasses plant. The last strategy which is asset reduction strategy aimed at closing of businesses, divisions, operations or units that are making losses and are a burden to the company.

The findings of this research are similar to findings from other researchers who studied turnaround strategies from various organizations. Rasheed (2001) studied turnaround strategy adopted by declining small businesses. The researcher suggested the use of different strategies for effective results, the strategies suggested include asset reduction, cost reduction and restructuring. Gichuki (2009) looked at the turn around strategies adopted by Co-operative bank which were cost reduction, modernization and diversification. Lastly, Kiarie (2009) studied the turnaround strategies adopted by Uchumi supermarket while it was under receivership. The researcher advocated the company to use more than one turnaround strategy for effective results. For a turnaround strategy to be successful one must first analyze and assess the situation of the organization so as to understand which strategies will be suitable to organization situation.

The interviewees indicated the following factors influenced the implementation of the turnaround strategies indicated above. It was noted that political interferences contributed to the turnaround strategies not working effectively. The region politicians interfered with

appointments of the chief executive's officers which led to appointments of CEO's based on political interest and not experience and skills. In addition, the politicians also interfered in the bidding process of leasing MSC to investors. Poor governance and mismanagement also influenced the implementation of the turnaround strategies. The procurement department was involved in double procurement, single sourcing and forging of books of account. Some employees were also involved in stealing of sugar, ethanol and molasses. Lastly low employee's morale due to overworking, delayed in salaries payment and fear of being retrenched led to employees performing poorly.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section summarizes the findings as discussed in chapter four. The section also discusses the conclusion, limitations of the research and suggested areas for further research. The findings of the study have been discussed alongside the objectives of the study.

5.2 Summary of findings

Mumias Sugar Company Limited has adopted many strategies in its quest to regain its position as the best sugar production company in Kenya. The strategies adopted by MSC include; financial restructuring, cost reduction, reorganization of management, reduction of workforce, new innovations and technology adoption, diversification of products and asset reduction. These strategies were adopted with the aim of improving the production methods which will in turn improve organizational performance. The financial strategy was adopted with the aim of helping the organization to strengthen its balance sheet and also get avenues for funding. The reorganizational strategy was adopted with the aim of changing the organization leadership so as to bring in new changes and ideas that will sail the company out of its woes. This strategy is depicted as a powerful tool for turnaround of organizations (Situma, 2006).

The reduction of workforce strategy aimed at reducing the number of employees at an acceptable level that will still see the organizations production run smoothly. This strategy was to help MSC shrink its salary and wage bill. The new innovation and technology

strategy was to help MSC improve its production by having zero wastages, reduction in production cost, improvement in products quality and having an efficient production system. Diversification strategy aimed at opening other channels of revenue to MSC. The company was to take advantage of its resources and come up with new products that will increase its revenue. And they did so by starting a power distribution plant, ethanol plant and molasses plant. The last strategy which is asset reduction strategy aimed at closing of businesses, divisions, operations or units that are making losses and are a burden to the company.

The study identified the following factors as influencing the implementation of turn around strategies at Mumias Sugar Company limited. It was noted that political interferences contributed to the turnaround strategies not working effectively. The region politicians interfered with appointments of the chief executive's officers which led to appointments of CEO's based on political interest and not experience and skills. In addition, the politicians also interfered in the bidding process of leasing MSC to investors. Poor governance and mismanagement also influenced the implementation of the turnaround strategies. The procurement department was involved in double procurement, single sourcing and forging of books of account. Some employees were also involved in stealing of sugar, ethanol and molasses. Lastly low employee's morale due to overworking, delayed in salaries payment and fear of being retrenched led to employees performing poorly.

5.3 Conclusion

The findings of the study indicate Mumias Sugar Company limited had adopted various strategies to help the company improve its performance. The strategies implemented include asset reduction, financial restructuring, diversification, new innovations and

technology, reorganization of management, reduction of work force and modernization did not help MSC improve its performance. Despite all these strategies being adopted, the company continued to perform badly and this was attributed to several factors that hindered the implementation of the turnaround strategies. The factors are interferences from politicians especially from the western region, mismanagement, corruption, poor management, poor planning and low morale among employees.

5.4 Recommendations

The study makes the following recommendations in reference to the objectives of the study: findings from the study indicated financial turnaround strategies is critical at the improvement of Mumias Sugar company performance. To improve on performance, it was recommended that Mumias Sugar company can turn some debts into equity in instances where they can't pay back the debts; this can result into cash flows for the company. In addition, the company should restructure its finances and also impact on market share, number of customers, profitability, number of products and number of employees.

Reorganization turnaround strategy had significant contribution on Mumias Sugar Company performance. reorganization improves efficiency which would ensure smooth operations for the company and in the long run improve profitability of Mumias Sugar Company. It is recommended that the company should focus more on interfirm collaborations and business learning to enhance knowledge. Furthermore, the company should strive to achieve reorganization with a small number of employees that will not compromise on quality.

The study recommends Mumias Sugar can reduce its workforce at an acceptable level so as they can manage their wage bill. The company should invest in innovation and technology so as to improve its production to zero wastages, reduction in production cost, improvement in products quality and having an efficient production system. Diversification strategy aimed at opening other channels of revenue to MSC. The study recommends the company should take advantage of its resources and come up with new products that will increase its revenue. Lastly the study recommend the company should dispose of assets that are not in operational and close divisions, operations or units that are making losses and are a burden to the company.

5.5 Limitations of the study

To fully understand the adoption of strategy in an organization requires a more elaborate research than this, that would require more resources in form of time and personnel to carry out more detailed interviews with various managers, workers, suppliers and consumers of the company with a view to establishing the various strategy initiatives that have been put forward. The research was limited on the number of interviews that were conducted, as the researcher only focused on interviewing four managers only. With only four managers being interviewed the information availed might have been limited to infer conclusion from.

The study was also limited in terms of accessing the interviewees as it was challenging to get the heads of the four departments to respond to the interview guide but through referrals of people who know them directly the researcher managed to get the phone call interviews. Furthermore, the researcher also faced the limitation of exercising discretion of data obtained from the interviewees so as not to disclose information that they may consider

proprietary and confidential. To mitigate this limitation, the researcher provided the interviewees with introduction information which assured them of the confidentiality of the data that would be obtained. The researcher also provided them with introduction letter from the university which assured them that the information gathered would be solely used for academic research only.

5.6 Suggestions for Further Research

The researcher recommends a study be carried out on Mumias Sugar Company limited investigating to what extent the adopted strategies might have worked. Secondly a similar study can be carried out with a wider sample to collect data from. This study only focused on four managers. The study can also include employees to get their views. More time and personnel need to be availed to carry out an in depth interviews with the various stakeholders in Mumias Sugar company with a view to comprehensively identify all the reasons for the company collapsing and why the adopted strategies never worked.

Thirdly, other researchers can adopt this study and use other methodologies such as the use of customers and Mumias Sugar Company farmers as the respondents in order to determine the perception of the customers and farmers on the collapse of Mumias Sugar company. This will be beneficial to the pool of knowledge on Mumias Sugar company because it will give an all rounded understanding on the collapse of the company. Lastly other researchers can replicate this study to other sectors in the economy and investigate the implementation of turn around strategies in those sectors.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE.

This interview guide is intended to gather data that will play a vital role in shading light on the turnaround strategies applied by Mumias Sugar Company Limited. The data collected by this interview guide will be held with strict confidentiality.

The goal for this interview is to:

Investigate the factors influencing implementation of turn-around strategy at MSC

PART A: RESPONDENT PROFILE

- 1) What is your current position in the firm?
- 2) How long have you been working with MSC
- 3) For how long have you been with the firm overseeing this function?
- 4) Are you involved in implementing any strategies for the firm?

PART B: TURNAROUND STRATEGIES ADOPTED BY MSC

- 5) Has MSC done any restructuring in the last five years?.....if yes what kind of restructuring?.....
- 6) Has the MSC employed employees with the right skills?
- 7) Has the organization stablished new markets for its products?.....
- 8) Has the organization identified new opportunities that are unrelated to its existing product lines to venture in?.....
- 9) What cost reducing strategies has the organization put in place?.....
- 10) Which process excellence measures has the organization adopted?.....

- 11) Has the organization retrenched employees and if yes how many? And how much have they saved from the retrenching?.....
- 12) Has MSC adopted any new technology to help in improving efficiency in the organization operations?.....
- 13) Any other relevant turnaround strategy adopted by MSC.....

Thank you for your co-operation