TURNAROUND STRATEGIES ADOPTED BY THE NATIONAL BANK OF KENYA

BY

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DECLARATION

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

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

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DEDICATION

To my dear parents, for their support and encouragement.

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TABLE OF CONTENTS

Declaration…… i
Dedication…….. ii
Acknowledgement………… iii
List of tables……………. vi
Abstract……………… vii
1.1 **CHAPTER ONE: INTRODUCTION**.. 1
1.2 Background of the study 1
1.2.1 Strategy 1
1.2.2 The Concept of Turnaround Strategy 2
1.2.3 The National Bank of Kenya 4
1.3 Problem Statement 5
1.4 Objectives of the Study 7
1.5 Importance of the study 7
CHAPTER TWO:LITERATURE REVIEW 9
2.1 Introduction 9
2.2 Corporate Turnaround strategies 9
2.2.1 Managerial restructuring 10
2.2.2 Operational restructuring 11
2.2.3 Asset restructuring 13
2.2.4 Financial restructuring 14
2.3 Theoretical review of turnaround strategies 16
2.3.1 Resource munificence theory 16
2.3.2 Causality of the distress theory 17
2.4 Factors affecting turnaround strategies 18
2.4.1 The role of efficiency-oriented strategies in the turnaround process 19
2.4.2 The role of company size 20
2.4.3 The role of senior management turnover 20
2.4.4 The role of free assets 21
2.4.5 The role of severity of distressed state 21
2.5 Implementation of corporate turnaround strategies 22
CHAPTER THREE:RESEARCH METHODOLOGY 24

3.1 Introduction 24
3.2 Research design 24
3.3 Data collection 24
3.4 Data analysis 24
CHAPTER FOUR:DATA ANALYSIS AND FINDINGS 26
4.1 Introduction 26
4.2 Demographic Information 27
4.2.1 Gender 27
4.2.2 Length of Service 27
4.3 Turnaround strategies 28
4.3.1 Managerial restructuring 30
4.3.2 Operational restructuring 30
4.3.3 Asset restructuring 30
4.3.4 Financial restructuring 31
4.4 Factors influencing turnaround strategies 31
4.4.1 Efficiency oriented factors 33
4.4.2 Bank size 33
4.4.3 Management turnover 33
4.4.4 Free Assets 34
4.4.5 Other factors 34
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 35
5.1 Introduction 35
5.2 Summary of Findings 35
5.3 Conclusions 37
5.4 Recommendations 37
5.5 Suggestions for Further Research 38
REFERENCES 39
5.6 APPENDICES 46
5.7 Appendix 1:Questionnaire 46

LIST OF TABLES

Table 1:Gender.. 27

Table 2:Length of service in the company 28

Table 3:Turnaround strategies...29

Table4: Factors influencing turnaround strategies..32

ABSTRACT

The management of company turnaround is a daunting task when it is considered that the majority of turnaround attempts fail to produce a viable business. There has been little research conducted in the last decade that gives managers some insight into the management of the company turnaround process. The study sought to answer to the following research questions: what turnaround strategies were used by the National Bank of Kenya? What influenced the choice of turnaround strategies?

The study used a descriptive design. The target population was the 42 tactical and corporate managers. Only 34 finally took part in the study. Primary data was collected using structured questionnaires. The analysis was done using Pearson correlation and descriptive analysis.

The findings revealed that the turnaround strategies used were efficiency oriented strategies which included reduction/omission of dividends, layoffs, replacement of top management, integration of surplus fixed assets, closure of branch/business units, diversification in some areas, and sale of some business units. The findings revealed that the most significant factors were cost cutbacks, technology, retrenchment, profitability, bank size, senior management turnover, free assets, severity of financial distress, capital structure, bank relationship, block shareholding, managerial shareholding, and leverage. The study concludes that the turnaround strategies are managerial restructuring, operational restructuring, asset restructuring and financial restructuring. The study also concludes that the factors significantly affected turnaround strategies adopted by the bank.

The study recommends that companies wishing to turnaround should focus more on operational restructuring, asset and financial restructuring as strategies than focus on

managerial restructuring. There is also need for companies to pursue turnaround strategies to do so in cognizance of the factors that influence such strategies especially cutbacks, technology, retrenchment, profitability, bank size, senior management turnover, free assets, severity of financial distress, capital structure, bank relationship, block shareholding, managerial shareholding, and leverage.

1.1 CHAPTER ONE: INTRODUCTION

1.2 Background of the study

According to Scherrer (2003), businesses are confronted with unique challenges caused by rapidly changing financial and market conditions. The rapid growth conditions businesses experienced during the 1990s have been replaced with financial and market uncertainty. The business models of the 1990s are not applicable to business in the twenty-first century. The current business environment is one of unpredictable instability, which can lead a business into rapid decline if its management does understand the signals of business decline. Scherrer (2003) asserts that businesses that were growth or technology driven find themselves in a declining market where capital is scarce and venture capitalists are retrenching. To survive in today's business environment, a company's management team must be able to react to changes in the internal and external environment. By understanding the business environments and how they affect the business, one can locate and correct problems before they become too great.

1.2.1 Strategy

According to Glueck (1984), strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process. Quinn (1980) identifies strategy as a plan that puts together an organisation major goals, policies and actions. Porter (1980), states that strategy is a concept of competition. Organisations all over the world encounter unprecedented pace of change, radical technologies and massive

entry of new competitors. The major concern for organisations is their continued existence and survival overtime.

A strategy is the direction and scope of an organisation over the long term, which achieves advantage of the organisation through its configuration or resources within a changing environment and to fulfil stakeholder expectations (Johnson and Scholes,2004). Strategy is the match between an organisations resources and skills and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Schendel and Hofer,1979). This statement emphasises that the environment is constantly changing and its imperative that organisations have to constantly adopt its activities to reflect the new environmental requirements.

1.2.2 The Concept of Turnaround Strategy

Company turnaround has been described as a two-stage process since the very early studies (Schendel et al., 1976) and turnaround research is increasingly being viewed from a change management" perspective (Pettigrew and Whipp, 1991). The literature has suggested that the choice of turnaround strategy will be strongly influenced by the factors that caused the corporate decline in the first place (Grinyer et al., 1988).

The turnaround concept is operationalised in the literature as performance decline followed by performance improvement (Robbins and Pearce, 1992). The definition of turnaround used in the research, however, is that proposed by Brandes and Brege (1993) as a process that takes a company from a situation of poor performance to a situation of good sustained performance. This definition emphasizes the fact that turnaround is a management process which takes place within a context, which emphasises practices and procedures (Pettigrew and Whipp, 1991).

Schendel et al. (1976) were among the first to contend that recovery strategies can be classified into two distinct groups namely efficiency-oriented and entrepreneurial-oriented strategies. Schendel et al. (1976) and later Smith (2005) argued that if the downturn is primarily due to inefficient operations, then the company should adopt efficiency-oriented recovery strategies. These strategies include cost cutting and asset reduction measures. Smith (2005) contended that if the corporate strategy is no longer relevant, then the company must make changes so that it is more suited to its current or new market(s); that is, it should adopt entrepreneurial-oriented strategies.

On the contrast, other scholars have viewed the turnaround process as consisting of two stages namely decline stemming and recovery strategies (Bibeault, 1982; Pearce and Robbins, 1993; and Arogyaswamy et al., 1995). Smith (2005) reaffirmed that the primary objective of decline stemming strategies is to stabilise the company's financial condition and includes actions such as gathering stakeholder support, eliminating inefficiencies, and stabilising the company's internal climate and decision processes. The severity of the distressed state and the resource slack available ultimately determines the extent to which the decline-stemming strategies are applied and succeed. Once the company's financial position has stabilised, 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 (Smith, 2005). The extent to which decline stemming strategies are applied, and their success, is influenced by several factors including severity of the distressed state (Pearce and Robbins, 1993), firm size (White, 1989), and free resources available (Arogyaswamy et al., 1995).

1.2.3 The National Bank of Kenya

National Bank of Kenya Limited (NBK) was incorporated on 19th June 1968 and officially opened on Thursday November 14th 1968.The objective for which it was formed was to help Kenyans to get access to credit and control their economy after independence. In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by 40 million Shares to the public The current Shareholding now stands at: National Social Security Fund (NSSF) 48.06%, General Public - 29.44%, Kenya Government 22.5%.During the 34th AGM held on 25th April 2003 the bank increased its Share Capital by Kshs. 6 Billion i.e. from Kshs. 3 Billion to Kshs. 9 billion through the creation of 1,200,000,000 non-cumulative preference Shares of Kshs. 5 each. These Shares are at the disposal of the board who will offer them in accordance with the Bank's articles, the CMA rules and the Companies Act (Mars Group Kenya, 2007).

The NBK is a major player in Kenya's banking industry. It is one of the largest banks in the country giving financial services to all sectors of the economy. The bank will continue to cover the financial landscape and respond positively to the needs of its customers, Shareholders and the economy. Besides offering traditional financial services and products, NBK has taken a leading role in the issuance and promotion of modern delivery and payment systems. The Bank has also been involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. NBK is an appointed fiscal agent, registrar and market maker in the secondary market. NBK operates one subsidiary Company; NatBank Trustee and Investment Services Limited

incorporated in Kenya on 21St Jul 1995 with a Share Capital of Ksh.10 Million (Mars Group Kenya, 2007).

Since the early 1990s the banking industry has experienced a lot of changes in terms of financial sector liberation, monetary policy changes, stricter CBK regulations and intense competition. It is indicated that between 1984 and 1997 (a period of 13 years there were a total of 29 bank failures reported (Mathara 2007). Non Performing Loans have been cited as the primary cause of bank failures in Kenya. Musa (2005) observed that by 31st December 2002, NBK had accumulated losses amounting to Ksh. 5.5 billion primarily due to provisioning of bad debts. Further NBK almost folded following a run on the bank on two separate occasions by panicky customers (Oloo, 2000). Over the years NBKs profitability has continued to improve, in the year 2009 the bank posted a pretax profit of Ksh. 2.2 billion up 20% from the year 2008 where it posted a pretax profit of Ksh. 1.8 billion. The total assets of the bank increased from 42.7 billion in 2008 to Ksh. 13.2 billion in 2009. In the same year 2009 investment in government securities increased by 13% to 26.6 billion. The banks impressive performance in year 2009 marked the elimination of revenue deficit which stood at Ksh. 1.34 billion at end of 2008 leaving a surplus of Ksh. 53.5 million. In the year 2007 the bank made a pretax profit of Ksh. 1.6 billion up from Ksh. 934 million in the year 2006, a 72% profit increase.

1.3 Problem Statement

The management of company turnaround is a daunting task when it is considered that the majority of turnaround attempts fail to produce a viable business (Slatter, 1984). Turnaround strategy emphasises the improvement of operational efficiency and is most appropriate when a corporations problems are pervasive but not yet critical (

Wheelen and Hunger, 1996). Poorly performing companies have been able to improve their performance by cutting on costs and expenses and selling assets

According to Pearce and Robinson (1993), a firm can find itself with declining profits for a large number of reasons among them economic recession, production inefficiencies and innovative breakthroughs by competitors. In many cases , strategic managers believe that such firms can survive and eventually recover if a concerted effort is made over a period of a few years to fortify its distinctive competencies.

This study focuses on the National Bank of Kenya given that it is a unique organisation in the public sector. The bank had earlier experienced financial difficulties that threatened its very survival. The profitability was declining and so was the market share. In the year 2000 when the bank was facing a crunch due to bad loans, the government and the NSSF injected Sh4.5 billion and Sh1.1 billion respectively to bail out the institution and this gave rise to the non-redeemable preferential shares. This arrangement was considered to guard against the dilution of ordinary shares (Njoroge, 2010). The bank is still in the process of implementing its turnaround strategies and it would therefore be prudent to undertake a study on how the bank is implementing the strategy.

There are a number of studies in turnaround strategy for firms in Kenya. For instance, Situma (2006) examined how turnaround strategy was adopted by Kenya Commercial Bank and he concluded that the Kenya Commercial Bank used both entrepreneurial and efficiency oriented strategies in the turnaround process. This is the only study on a commercial bank in Kenya on turnaround strategy. Another study by Ngaruiya (2007) examined how turnaround strategy was implemented at Morison Engineering Ltd. Further, Matundura (2008) examined how the Kenya Revenue Authority had

implemented the turnaround strategy. Lastly, Siagilu (2008) examined the effectiveness of turnaround strategy at the Kenya Revenue Authority. There are also numerous studies on the National Bank of Kenya (Musa, 2004; Kisia, 2006; Mathara, 2007; Muguni, 2007; Namenya, 2008; Odiwuor, 2008;) but none has tackled the turnaround strategy in the bank. This constitutes a gap in literature that the present study seeks to bridge. The study seeks to answer to the following research questions: what turnaround strategies were used by the National Bank of Kenya? What factors necessitated the successful implementation of turnaround strategy at the National Bank of Kenya?

1.4 Objectives of the Study

This study had two objectives:

i. To identify the turnaround strategies used by the National Bank of Kenya.

ii. To establish the factors that enabled the National Bank of Kenya to successfully implement turnaround strategies.

1.5 Importance of the study

The study will add on to the growing body knowledge of turnaround strategy implementation in the developing world. It will be specifically important to the following:

The management of NBK will find the results of this study a useful pointer on the effectiveness of the turnaround strategies put in place and also help them understand the challenges the bank is facing in managing turnaround. Further, other commercial banks in Kenya or those firms implementing turnaround strategies will be informed

on what factors might be important in successfully implementing a turnaround strategy.

The scholars and academicians in the area of management will find this study a useful source of reference in the future for purposes of discussions as well as further research on the area. The contributions made by this study will help shape more studies in the future on turnaround strategies in developing nations such as Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the subject under study presented by various researchers, scholars, analysts and authors. The specific areas covered here are turnaround strategies, factors affecting turnaround process and the turnaround implementation process.

2.2 Corporate Turnaround strategies

Fall of a firm from a superior performance position to an extremely poor position on any appropriate performance criterion normally points to fundamental problems with its management and strategies. Management may sit tight in hope of an upturn in its fortunes or restructure to recover rapidly from poor performance. However, 'masterly' inaction may lead to further deterioration in firm performance (Schendel, et al., 1976; Weitzel and Jonsson, 1989). Managers may also refrain from actions that may contribute to turnaround but hurt their own self-interest.

Firms which experience financial distress may choose a variety of methods of restructuring themselves back to financial health (John, Lang and Netter, 1992). These choices of restructuring strategy are, however, contingent on a range of factors such as capital structure (Ofek, 1993), bank relationship, block shareholders, managerial shareholding, and leverage (Kang and Shivdasani, 1997). This section maps out the range of turnaround strategies identified in the extant literature and then discusses their empirical effectiveness.

2.2.1 Managerial restructuring

Top management change is widely quoted as a precondition for successful turnarounds (Slatter, 1984). Simply, 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. Often, banks and creditors will continue financial support only if they are confident that the management team can manage the crisis in hand. A change in top management is tangible evidence to bankers, investors and employees that something positive is being done to improve the firm's performance, even though the cause of poor performance may have been beyond management's control (Slatter, 1984). Grinyer, Mayes and McKiernan (1988) report that one of the most important differences between their sample of firms achieving recovery from poor performance and control firms is that the former make considerably more management changes.

There is empirical evidence of an inverse relation between the probability of management change and a firm's stock performance (Warner, Watts and Wruck, 1988). Gilson (1990) and Murphy and Zimmerman (1993) find significant top management changes in distressed firms. However, the stock market's reaction to top-management changes in distressed firms is mixed. Announcements of change in senior management in distressed firms are greeted positively (Bonnier and Bruner, 1989), negatively (Khanna and Poulsen, 1995) or neutrally (Warner, et al., 1988) by the market.

From the above studies it is not clear that management change in financially distressed firms contributes to recovery. If the stock market reaction is interpreted as a measure of the perceived effectiveness of that change then the evidence from the

above studies is not clear cut. Thus effectiveness of managerial restructuring in turnaround is yet to be conclusively established.

2.2.2 Operational restructuring

The strategic management literature provides empirical support for an overlapping two-stage approach to corporate turnarounds: the efficiency/operating turnaround strategy stage and the entrepreneurial/strategic stage (Robbins and Pearce II, 1992). The efficiency/operating turnaround stage aims to stabilize operations and restore profitability by pursuing strict cost and operating-asset reductions.

The entrepreneurial/strategic stage aims to achieve profitable long-term growth through restructuring the firm's asset portfolio or product/market refocusing. Our research classifies efficiency/operating measures as operational restructuring and entrepreneurial/strategic measures as asset restructuring. Operational restructuring comprises cost reduction, revenue generation and operating asset reduction strategies to improve efficiency and margin by reducing direct costs and slimming overheads in line with volume (Slatter, 1984).

Operational restructuring is, generally, the first turnaround strategy implemented by a financially distressed firm, as there is no point in assessing the strategic health if the firm goes bankrupt in the near term (Hofer, 1980). Efficiency measures are directed at both maximizing output (revenue) and minimizing input (resources such as inventory). Cost reduction may be sufficient where the firm is weak operationally. Kang and Shivdasani (1997) report that their sample of Japanese firms in performance decline carry out lay-offs and improve their operating income to assets significantly.

Revenue generating strategies may be pursued focusing on existing lines of products, initiating price-cuts (or raising prices where products are price insensitive) and increasing marketing expenditure to stimulate demand (Hofer, 1980). When the firm is operating well below capacity, asset reduction to improve utilization and productivity of assets is imperative, and also augments the cash flow which is vital to firms in financial distress. Asset-reduction can be operational or strategic in nature. Operating-asset reduction refers to business unit level sale, closures and integration of surplus fixed assets such as plant, equipment and offices, and reduction in short-term assets such as inventory and debtors. This is driven by the need to enhance the efficiency of the firm's current operations through improved asset utilization at the operating level (Bibeault, 1982).

Operational restructuring is primarily designed to generate, in the short term, cash flow and profit improvement. It is of a fire-fighting nature and differs from restructuring aimed at the longer term competitive positioning and performance of the firm. Grinyer et al., (1988), in their survey of firms which, after a decline relative to their competitors, achieve a dramatic and sustained improvement in performance (hence characterized as sharp benders), observe that such firms do not restrict themselves to operational-cost reduction strategies but shift to long-term strategic changes through new product market focus, diversification, acquisition and so on. Thus operational strategies may be a necessary but not a sufficient condition for recovery for many firms. Operating efficiency strategies have been empirically associated with turnaround success (John, Lang and Netter, 1992; Pearce II and Robbins, 1993).

2.2.3 Asset restructuring

According to Sudarsanam and Lai (2001) strategic/portfolio restructuring covers reorganizing the firm into self-contained strategic business units; divestment of lines of businesses not fitting the core businesses; acquiring companies that relate to and strengthen the core; discontinuing unpromising products; and forming strategic alliances, joint ventures and licensing agreements. In addition, distressed firms may merge with other firms, be taken over in a hostile bid or be bought-out by their own management (MBOs). The strategic stage resembles the asset restructuring found in the finance literature, as it refers to the major reconfiguration of the firm's assets. This covers asset divestment and investment.

Where the firm is in severe distress and/or where strategic health is weak, asset reduction is deemed imperative for turnaround (Hofer, 1980; Pearce II and Robbins, 1993). Asset reduction at the portfolio (corporate) level covers divestment of subsidiaries/divisions. The objective at this level may be to divest non-profit generating assets (and halt cash drain), non-core assets or even profitable assets for the purpose of raising cash to alleviate financial distress and fund restructuring. Divestment of subsidiaries is perhaps the most common turnaround strategy by all but the smallest firms (Slatter, 1984). For a sample of Japanese firms in performance decline, Kang and Shivdasani (1997) found that asset contraction contributes to significant improvement in operating income/assets. In this study we examine whether asset sales such as divestments contribute to turnaround of financially distressed firms.

Asset investment covers business and corporate-level investments and comprises both internal capital expenditure and acquisitions. Capital expenditure is often designed to

achieve efficiency/productivity improvement, e.g. building new plants and equipment (Hambrick and Schecter, 1983) or computerized processing and monitoring equipment which speeds up production and market response, improves productivity and reduces costs (Grinyer, at al., 1988). Such expenditure complements, rather than conflicts with, efficiency driven operational restructuring described earlier. It may also enhance the firm's competitive advantage, e.g. when the firm achieves economy of scale by expanding its output. Since it involves cash outflow, firms in decline can only undertake such capital expenditure as can ensure their survival and promote their recovery. Thus internal capital expenditure may be a critical component of a firm's turnaround strategy.

Firms may also seek to acquire businesses that fit their core competencies with long-term profit potential. This stage is crucial for turnaround by firms with inappropriate corporate strategy or mature or declining product/markets where a new strategic direction is imperative (Pearce II and Robbins, 1993). Firms with poor financial performance but not yet in severe distress often resort to acquisitions to accelerate growth (Slatter, 1984). Acquisitions may thus contribute to successful sharp bend and sustained good performance thereafter but need to be selected and managed carefully (Grinyer, et al., 1988).

2.2.4 Financial restructuring

Cash generation strategies, e.g. asset divestment and equity issues, are commonly-used strategies to alleviate financial distress, pay down borrowings, reduce interest cost and improve cash flows (Slatter, 1984). Extant strategy-based research on corporate turnarounds has not identified financial restructuring as an integral

component of corporate turnaround strategy, as opposed to the finance-based research (Brown, James and Mooradian, 1993).

Grinyer, at al., (1988) note, however, that their sample of sharp benders followed debt reduction less frequently than their control firms. Financial restructuring is the reworking of a firm's capital structure to relieve the strain of interest and debt repayments and is separated into two strategies: equity-based and debt-based strategies. Equity-based strategies cover dividend cuts or omissions and equity issues, i.e. rights issue, public offer or institutional placing. Firms in financial distress tend to reduce or omit dividends due to liquidity constraints, restrictions imposed by debt covenants, or strategic considerations such improving firm's bargaining position with trade unions (DeAngelo and DeAngelo, 1990). DeAngelo and DeAngelo (1990) and John, Lang and Netter (1992) find large firms respond to financial distress with rapid and aggressive dividend reductions. Distressed companies may also raise equity funds via share issues more than non-distressed firms because of pressure from creditors concerned with the security of their lending.

Debt-based strategies refer to the extensive restructuring of firm debt. Firms restructure their debt either to avoid financial distress or to resolve an existing financial distress. Gilson (1990) defines debt restructuring as a transaction in which an existing debt is replaced by a new contract, with one or more of the following characteristics: (1) interest or principal reduced; (2) maturity extended; (3) debt-equity swap. Until recently, raising additional finance in the form of equity and new loans was more common than debt restructuring in the UK (Slatter, 1984).

2.3 Theoretical review of turnaround strategies

This section presents a theoretical review on turnaround strategies. There are two specific theories presented here. These are resource munificence theory and the causality of distress theory. The following is a discussion on each of them.

2.3.1 Resource munificence theory

According to Castrogiovanni (1991), resource munificence refers to scarcity or abundance of critical resources that are needed when operating the venture. Firms mostly attempt turnarounds at advanced stages of decline, when they typically experience huge resource scarcity. Resource munificence is also referred to as organisation capital by Levinthal (1991). Munificence, also known as level of free assets (Smith and Graves, 2005), depends largely on previous decisions, organisational learning and history. It is a critical factor in the severity of the preconditions for the turnaround situation, and crucial in determining the success of interventions. Resource slack is probably the key determinant of both how severe the decline is and what turnaround options can be chosen in response. Unabsorbed resource slack (Barker and Moné, 1998) suggests increased ability to borrow funds and the ability to generate cash (liquidity) from the firm's assets, which gives it the ability and time to respond with recovery strategies.

Declining organisational capital is an important determinant of firm death. A firm cannot sidestep failure if it cannot meet the minimum threshold for organisation capital. The level of firm resources at the time of the turnaround attempt affects the declining firm's capacity to implement strategic change. Maintaining adequate resources while responding to decline is often a problem, because the decline process

destroys the firm's resources (Barker and Duhaime, 1997) over time. Moreover, resource munificence is not only financial in origin; management, human and capacity also forms part of the resource capital (Cressy, 2006). Resource munificence appears at the heart of the turnaround situation (Pretorius, 2006).

Environmental munificence (capacity of the business environment to accommodate firms) as described by Francis and Desai (2005) determines the strategic options that ventures can choose from. Environmental munificence plays an important role in the preconditions and the ability of a firm to recover from decline. The matching of resource and environmental munificence thus governs the turnaround strategies.

2.3.2 Causality of the distress theory

The cause of decline and failure is frequently classed as either strategic or operational in nature (Robbins and Pearce, 1992). It is easier for a business to respond to operational problems such as inefficiencies, cost relationship pressures, incorrect resource applications and managerial deficiencies. In contrast, strategic causes have to do with weak or wrong positioning in the market, technological changes that govern demand determinants and loss of competitive advantage by the venture – all highly susceptible to external influences not clearly visible to the decision makers. Strategic factors have a close relationship with the external environment and the firm's response to changes in that environment. Strategic causes generally require more speedy action.

For a turnaround strategy to be effective in reversing decline, it has to address the declining firm's core problem. A broad generalisation is therefore that a turnaround situation is less severe if it is due to operational weaknesses, while it is more severe if it is strategically caused. The rationale is that operational preconditions can be

corrected with relative ease and expectation of success, while strategic preconditions require directional change and the high-risk expectations typically associated with new venture creation. An unwise choice of new strategy by the turnaround manager will therefore have a more severe impact on potential recovery than will unwise operational decisions (Francis and Desai, 2005).

Environmental munificence will also determine whether certain strategies are viable, as unforgiving environments, such as economic downturns, make it harder to achieve successful turnaround than beneficial environments, such as growing economies or operation in growth industries (Robbins and Pearce, 1992). It therefore stands to reason that ineffective turnarounds often occur when management fails to correctly diagnose causes of the firm's decline and responds inappropriately (e.g. trying to increase efficiency when the firm's weak strategic position is the cause of the problem, or vice versa).

2.4 Factors affecting turnaround strategies

Formulating a consistent strategy is a difficult task for any management team but implementing it throught the organization is more difficult. Many excellent strategies fail when attempts to implement them are made, David, (1997) .The best formulated strategies may fail to produce superior performance if they are not successfully implemented. There are many factors which influence the successful implementation of strategy ranging from people who communicate or implement the strategy to the systems or mechanisms in place for coordination and control. The following is a discussion on the factors that enable or empede successful implementation of turnaround strategies.

2.4.1 The role of efficiency-oriented strategies in the turnaround process

Arogyaswamy and Yasai-Ardekani (1997) investigated the role that cutbacks, efficiency improvements and investment in technology play in the turnaround process. They found that cutbacks and increases in efficiency were important factors for successful turnarounds as these actions improve profitability in the short run and allow the company to release resources that may be used elsewhere. They can also play an important political role in winning back stakeholder support and help raise external resources to fund other strategies.

Hambrick and Schecter (1983), Robbins and Pearce (1992) and Chowdhury and Lang (1996) all found that efficiency-oriented moves, not entrepreneurial initiatives, were associated with successful turnaround. The results revealed that, regardless of the cause of the downturn, turnaround performance was strongly associated with retrenchment. Robbins and Pearce (1992) concluded that, regardless of the cause of the decline, adopting efficiency-oriented recovery strategies is essential for any successful turnaround.

Studies conducted by Casey et al. (1986), Campbell (1996) and Routledge and Gadenne (2000) found the variable profitability to be statistically significant in distinguishing bankrupt companies that successfully reorganise from those which liquidate. These four studies all measured profitability in terms of return on total assets. This is a measure of efficiency, and therefore these studies provide support for Arogyaswamy and Yasai-Ardekani (1997), Hambrick and Schecter (1983), Robbins and Pearce (1992) and Chowdhury and Lang (1996) who argue that efficiency-oriented recovery strategies are essential for any successful turnaround.

2.4.2 The role of company size

Pant (1991) found a statistically significant relationship between turnaround success and size; that is, turnaround companies were generally smaller than failed companies. He suggests that smaller companies may be more successful in enacting a successful turnaround as they are able to adapt to their changing environment more easily than large companies. However, studies from the bankruptcy literature (Campbell, 1996) have also found a statistically significant relationship between turnaround and size, but in the opposite direction; that is, successfully reorganised companies were generally larger than liquidated companies. White (1989) argues that larger companies are better equipped to raise the additional funds necessary to remain viable due to their previous success in raising external capital.

Taffler (1983) notes the prevalence of a stock market strategy based on investment in under-performing large companies, as recognition of the perceived importance of firm size to corporate turnaround. A priori, larger firms are likely to have a higher probability of survival, as the potential losses to stakeholders are greater. Also such firms are likely to have a higher profile and therefore more likely to be kept alive.

2.4.3 The role of senior management turnover

A number of authors (Bibeault, 1982; Slatter, 1984; Castrogiovanni et al., 1992; Arogyaswamy et al., 1995) suggest that changes to the senior management team are an important step towards enacting a successful recovery. Changes to the senior management team are seen as a means of restoring stakeholders' confidence in the future viability of the organisation, 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 organisational change. Thain and

Goldthorpe (1989) found that one of the two most significant actions undertaken by recovered companies was to make changes to their senior management team, since in many cases, the incumbent management were unable or unwilling to make the changes necessary to stem the decline.

2.4.4 The role of free assets

White (1989) argued that the amount of "free assets" was an important variable in distinguishing between distressed companies that were successfully reorganised and those that were liquidated. They argued that distressed companies with sufficient free assets (i.e. an excess of assets over liabilities, or more specifically of tangible assets over secured loans) are more likely to avoid bankruptcy because it increases their ability to acquire the 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.

Casey et al. (1986), Campbell (1996) and Routledge and Gadenne (2000) found that the amount of free assets was statistically significant in distinguishing between distressed companies that successfully reorganised and those that were liquidated, thus providing support for White's model.

2.4.5 The role of severity of distressed state

The severity of the financial distress influences the ability of the firm to enact a recovery. Hofer (1980) and Robbins and Pearce (1992) argue that severely financially distressed companies need to make aggressive cost and asset reductions in order to survive. However, as Slatter (1984) highlights, the aggressive reduction of costs and assets is no easy task as there is often organisational resistance to such action.

Additional "hidden" organisational costs may be incurred (erosion of trust between staff and management, absenteeism, employee turnover, lower quality and service, sabotage) and may well be greater than what is saved from the cuts in costs and assets. The severity of the distressed state will be determined by the components of the measure of distress, which themselves identify the major source(s) of distress; the direction and extent of change in severity may provide further support for the likelihood of turnaround.

2.5 Implementation of corporate turnaround strategies

Corporate turnaround often requires swift managerial actions to 'stop the bleeding'. Corporate failures, on the other hand, may be caused by managerial inaction or inappropriate actions (Hoffman, 1989; Schendel, et al., 1976; Slatter, 1984). Adoption of turnaround strategies itself is no guarantee of recovery. For a strategy to be effective, it may have to be carried out swiftly, intensively and competently. For example, swift and deep, rather than superficial, cost cutting may be instrumental to efficiency improvements and eventual turnaround.

Poor implementation of turnaround strategies may exacerbate decline (Freeman and Cameron, 1993). Barker III and Mone (1994), in their critique of Robbins and Pearce's (1992) study, contend that how managers retrench could be more important than whether managers retrench at all. Similarly, Hoffman (1989) suggests that the difference between successful and failed turnarounds lies more in the strategy implementation process than in its content.Successful turnaround is return to the same performance level of the firm as before its distress. The chosen strategies may have contributed to such turnaround in different degrees. Some of the strategies are

implemented simultaneously and some in sequence. Also, the overlapping and joint effects of complementary strategies may confound the impact of individual strategies.

The implementation of strategy impacts every part of the organisation structure from the biggest organisational unit to the smallest frontline workgroup (Thomson and Strickland, 1998). Transforming strategies into action is a far more difficult and complex task which if not managed well can invalidate the planning efforts (Ansoff and McDonnell, 1990). Thompson and Strickland (1998) states that strategy implementation challenge is to create a series of tight fit between strategy and the organisations competencies, capabilities and structure, budget allocations, policy, internal support system, reward system and corporate culture. The most important challenge experienced in strategy implementation in many cases is the luck of sufficient communication. According to Wang (2000), communication should be two way so that it can provide information to improve understanding responsibility and to motivate staff. The effect of culture is also another challenge to strategy implementation, creating an organisational culture which is fully harmonised with strategic plan, offers a challenge to strategy implimentors leadership abilities. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organisational resistance to change and demotivation can in turn frustrate the strategy implementation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used by the researcher to find answers to the research questions. In this chapter the research methodology was presented in the following order, research design, data collection and finally data analysis.

3.2 Research design

This was a case study design. A case study is defined as an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behaviour under study. The present study seeks to establish the turnaround strategies adopted by the National Bank of Kenya thus a case study design is the appropriate design to fulfil the objectives of the study.

3.3 Data collection

The population involved the corporate and tactical managers of the bank. The data from the bank shows that the total number of both corporate and tactical managers is 42. Thus, the target population was the 42 managers because these are the people who best understand the turnaround strategies adopted by the bank. Primary data was collected in this study. The data was collected through structured questionnaires.

3.4 Data analysis

The data analysis was done using the descriptive statistics which involved use of frequencies, mean scores and standard deviations to help in establishing the extent to

which each of the turnaround strategies were adopted by the bank (objective 1). Correlations were used to establish the factors influencing turnaround strategies. These results were summarised and presented in tables and charts in chapter 4. Summary of findings, conclusions thereof and the recommendations made are presented in chapter five.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The respondents were drawn from the Finance department, Customer Care, Human Resources, Operations, and Administration. Forty-two respondents were targeted for the study. After the data collection period, 34 questionnaires were collected and used for analysis. Thus, the response rate was 81%. According to Warner (1988), a higher response rate assures more accurate results hence the result is valid. The results are presented in three sections: the first section presents the demographic information, the second section presents the results of the turnaround strategies and the final section presents the result of the factors influencing turnaround strategies.

The questionnaires after being filled by the respondents were edited and coded. Data was analysed using frequencies, percentages, mean scores and standard deviations. Mean scores were used to determine the extent to which each of the turnaround strategies was applied. Frequencies and percentages were used to analyse the demographic information in part 1

The scores "Small Extent" and "No Extent" represented a turnaround strategy variable applied to a small extent. This was equivalent to 1 to 2.5 on the continuous Likert scale ($1<SE<2.5$). The scores "Moderate extent" represented a turnaround strategy variable applied to a moderate extent. This was equivalent to 2.6 to 3.5 on likert scale ($2.6<ME<3.5$). The scores of large extent and very large extent represented a turnaround strategy variable applied to a large extent. This was equivalent to 3.6 to 5.0 on a likert scale ($3.6<LE<5.0$). A standard deviation of less than one means that there were no significant variations in the responses, while a

standard deviation of more than one means that there were significant variations in responses.

4.2 Demographic Information

This section covers the demographic information of respondents interms of gender and length of service.

4.2.1 Gender

Table 1 shows the results of the gender of respondents. As shown, 41.2% were female and 58.8% were male.

Table 1: Gender

Gender	Frequency	Percent
Female	14	41.2
Male	20	58.8
Total	**34**	**100.0**

Source: Research data

4.2.2 Length of Service

In this section the study sought to establish the number of years that the respondents have served in the bank. The results are shown on the table below.

Table 2: Length of service in the company

Years	**Frequency**	**Percentage**	**Cumulative frequency**
Less than 2 years	6	17.6	17.6
2-4 years	8	23.5	41.1
5-7 years	10	29.4	70.5
8-10 years	8	23.5	94
Over 10 years	2	5.9	100
Total	**34**	**100**	

Source: Research data

In terms of the length of service in the company, the study found that 17.6% had less than 2 years experience, 23.5% had 2-4 years, 29.4% had 5-7 years, 23.5% had 8-10 years, and 5.9% had over 10 years. Therefore from the analysis 58.8% of the respondents had served the company for more than 5 years and have therefore witnessed the company turnaround and therefore appropriate for the study.

4.3 Turnaround strategies

This section sought to establish the turnaround strategies adopted by the bank, the strategies were grouped into the following broad categories namely, managerial restructuring, operational restructuring, asset restructuring and financial restructuring

Table 3: Turn around strategies

	Mean	Std. Deviation
Managerial restructuring		
The top management was replaced	4.4706	0.70648
Operational restructuring		
There were layoffs in the bank	4.6471	0.9811
The dividends were reduced/omitted	4.7059	0.57889
The bank integrated surplus fixed assets	4.1176	0.68599
The bank closed some branches and business units	3.7059	1.58648
The bank diversified in some areas	3.5882	0.85697
Some business units were sold	3.5294	0.99195
Some products were discontinued	3.3529	1.433
The bank reduced the fees charged on transactions	1.2353	0.88963
The bank increased the fees charged on transactions	1.5294	0.70648
The marketing expenditure was increased to stimulate demand	1.8824	1.03762
Asset restructuring		
Some lines of businesses were divested	3.2353	1.12973
Short term assets such as debtors were reduced	3.2353	1.2806
The bank formed some joint ventures	1.7059	0.75996
The bank made some acquisitions	1.8824	1.43051
Financial restructuring		
The bank issued more shares	3.7294	1.16086
The bank made new contracts on its existing debt	2.5059	1.19416
The bank bargained with the trade unions to improve position	1.7647	0.88963

Source: Research data

4.3.1 Managerial restructuring

The study revealed that the bank used various turnaround strategies, replacement of top management was applied to a large extent with a mean score of 4.4 and a low variation across the respondents (Std dev. <1). In the year 1998 when the bank was still in a downward trend in terms of financial performance, most of the top managers were replaced and this is seen as one of the strategies that aided the banks turnaround process.

4.3.2 Operational restructuring

Various operational restructuring strategies were analysed and the results shows that reduction/omission of dividend payment (Mean=4.7), staff layoffs (Mean=4.6) and integration of surplus fixed assets (Mean=4.1) were applied to a larger extent. Closure of some bank branches (Mean=3.7) was also a strategy largely applied. The bank applied efficiency oriented strategies to cut on cost by minimising on expenditures for example on staff layoffs and stoppage of dividend payments to its shareholders. Some five branches of the bank were closed down. Other strategies that were moderately applied are product diversification (Mean=3.5), and discontinuation of some products. The bank diversified in other areas like trade finance and reduced on loan lending. However three strategies namely increase in fees charged on transactions (mean=1.5), reduction in fees charged (mean=1.2) and increase in marketing expenditure (mean=1.8) were not applied.

4.3.3 Asset restructuring

Asset restructuring strategies like divestment of some business units (Mean=3.2) and reduction of bank debtors (Mean=3.2) were moderately applied. The bank managed to reduce its bad debts through aggressive loan recoveries and provisioning for bad

debts. Other asset restructuring strategies that were applied to a small extent or no extent include formation of joint ventures (Mean=1.7) and acquisitions (Mean=1.7)

4.3.4 Financial restructuring

Financial restructuring namely making of new contracts on existing debt (Mean=2.5), bargaining with trade unions (Mean=1.5) were applied to a small extent. However issue of more shares (Mean=3.7) was applied to a larger extent. The bank in April 2003 increased its capital from 3billion to 9billion through issue of 1200,000,000 non cumulative preference shares

4.4 Factors influencing turnaround strategies

This section aimed at determining the factors that enabled the bank to successfully adopt the turnaround strategies. An analysis of factors influencing turnaround strategies was performed using correlation analysis. The results are shown in Table 4.

Table 4: Factors influencing turnaround strategies

		Reduced dividends	Layoffs	Management replacement	Integration of surplus fixed assets	Branch/business unit closures	Sale of business units	Diversification
Efficiency-oriented								
Cost cutbacks	R	$.547^{**}$	$.387^{*}$	.299	.164	-.253	.028	$-.460^{**}$
Efficiency improvement	R	.165	.270	-.146	-.129	.139	-.022	.069
Investment in technology	R	$.421^{*}$	-.167	-.049	-.290	-.326	.120	-.174
Retrenchment	R	$-.357^{*}$	.323	-.114	$.408^{*}$	$.599^{**}$	-.264	.132
Profitability	R	-.043	-.203	$.475^{**}$	-.314	-.060	$.442^{**}$	$.551^{**}$
Size								
Bank size	R	.186	.012	-.022	$.375^{*}$	$-.426^{*}$	-.182	$-.555^{**}$
Turnover								
Management turnover	R	.187	$.339^{*}$	.330	$.402^{*}$	-.176	.057	-.027
Free assets								
Free assets	R	-.041	.219	$-.406^{*}$	.191	.113	-.223	-.063
Other factors								
Capital structure	R	-.090	.091	$.549^{**}$	-.228	$.447^{**}$	$.632^{**}$	$.714^{**}$
Severity of financial distress	R	$-.548^{**}$	-.064	$-.383^{*}$	-.227	$.413^{*}$	-.084	$.431^{*}$
Bank relationship	R	$-.439^{**}$	-.311	-.036	$.526^{**}$	.112	.026	.291
Block shareholders	R	-.163	$.609^{**}$	-.169	.326	$.474^{**}$	-.306	.023
Managerial shareholding	R	.220	$.607^{**}$	.294	.249	.014	-.210	$-.359^{*}$
Leverage	R	$-.494^{**}$	-.208	$-.597^{**}$	$.352^{*}$	-.217	$-.741^{**}$	$-.345^{*}$

Source: Research data

4.4.1 Efficiency oriented factors

The study revealed that cost cutbacks had a significant influence on turnaround practices such as reduced dividends, lay-offs and diversification (Pearson correlation, R = .547, .387, and -.460 respectively). Another factor that had a significant influence on turnaround was investment in technology. This had a significant influence only on reduced dividends (R = .421). The study also revealed that retrenchment was a significant factor that influenced turnaround strategy. It was noted that it had a significant influence on reduced dividends, integration of surplus fixed assets, and on branch or business unit closures (R = -.357, .408, and .599 respectively). The study revealed that profitability had a significant influence on management replacement, sale of business units, and diversification (R = .475, .442, and .551 respectively).

4.4.2 Bank size

The study revealed that bank size had a significant influence on integration of surplus fixed assets, branch/business unit closures, and diversification (R = .375, -.426, and -.555 respectively). However it had a less significance on management replacement, staff layoffs and reduced dividends.

4.4.3 Management turnover

The study also found that senior management turnover had a significant influence on layoffs and integration of surplus fixed assets (R = .339 and .402 respectively). However it had a less significant influence on the sale of business units, diversification and closure of some business units (R=-.027,0.057 and -.176 respectively)

4.4.4 Free Assets

It was also noted that free assets significantly influenced management replacement (R = -.406). The study further revealed that severity of financial distress significantly influenced reduced dividends, management replacement, branch/business unit closures, and diversification (R = -.548, -.383, .413, and .431 respectively).

4.4.5 Other factors

The study found that capital structure influenced management replacement, branch/business unit closure, sale of business units, and diversification (R = .549, .447, .632, and .714 respectively). The study revealed that bank relationship influenced dividend reduction, and integration of surplus fixed assets (R = -.439 and .526 respectively).The study also found that block shareholders significantly influenced layoffs and branch/business unit closures (R = .609 and .474 respectively). It was also noted that managerial shareholding significantly influenced layoffs and diversification (R = .607 and -.359 respectively). It was further revealed that leverage had a significant influence on dividend reduction, top management replacement, integration of surplus fixed assets, sale of business units and diversification (-.494, -.597, -.741, and -.345 respectively).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The aim of the study was to establish the turnaround strategies that the National bank of Kenya adopted in the turnaround process and also to determine the factors that enabled it to successfully turnaround from poor to improved performance over the years. This chapter offers inferences from the study by discussing the findings gathered from the analysis as well as conclusion reached, recommendations and suggestions for further research.

5.2 Summary of Findings

Majority of the respondents were male. It was noted that most of the respondents had an experience of 5-7 years in the firm and had witnessed the bank turnaround process and therefore were appropriate for the study.

The study found that the back applied to large extent efficiency /operational oriented strategies like reduction/omission of dividends, layoffs, integration of surplus fixed assets and closure of branch/business units. Other turnaround strategies that were applied moderately included product diversification and discontinuation of some products. However some strategies like reduction of fees, increase of fees charged and increase in marketing expenditure were not applied. The bank employed efficiency oriented strategies which cut down on costs. Asset restructuring strategies that were moderately applied were diversification in some areas and reduction in bank debtors, however formation of joint ventures and acquisitions were not applied. and sale of some business units. Managerial restructuring strategy was also applied to a large

extent with the replacement of top managers. Managerial restructuring strategies like making of new contracts on existing debts and bargaining with trade unions were applied to a small extent, however issue of more shares was applied to a larger extent by the bank.

The study revealed that cost cutbacks had a significant influence on turnaround practices such as reduced dividends, lay-offs and diversification. The study also found that investment in technology had a significant influence on turnaround strategies especially on reduced dividends. The study also found that retrenchment was a significant factor that influenced turnaround strategy especially on reduced dividends, integration of surplus fixed assets, and on branch or business unit closures. The study revealed that profitability had a significant influence on management replacement, sale of business units, and diversification. The study also noted that bank size had a significant influence on integration of surplus fixed assets, branch/business unit closures, and diversification. The study found that senior management turnover had a significant influence on layoffs and integration of surplus fixed assets. It was noted that free assets significantly influenced management replacement. The study revealed that severity of financial distress significantly influenced reduced dividends, management replacement, branch/business unit closures, and diversification. The study found that capital structure influenced management replacement, branch/business unit closure, sale of business units, and diversification. The study noted that bank relationship influenced dividend reduction, and integration of surplus fixed assets. The study also found that block shareholders significantly influenced layoffs and branch/business unit closures. It was further revealed that leverage had a significant influence on dividend reduction, top management replacement, integration of surplus fixed assets, sale of business units and diversification.

5.3 Conclusions

The study sought to identify the turnaround strategies adopted by the National Bank of Kenya. The findings revealed that the turnaround strategies used included reduction/omission of dividends, layoffs, replacement of top management, integration of surplus fixed assets, closure of branch/business units, diversification in some areas, and sale of some business units. The study concludes that the turnaround strategies adopted by the bank are managerial restructuring, operational restructuring, asset restructuring and financial restructuring.

The study also sought to establish the factors affecting turnaround strategies adopted by the National Bank of Kenya. The findings revealed that the most significant factors were cost cutbacks, technology, retrenchment, profitability, bank size, senior management turnover, free assets, severity of financial distress, capital structure, bank relationship, block shareholding, managerial shareholding, and leverage. The study concludes that these factors significantly affected turnaround strategies adopted by the bank.

5.4 Recommendations

The study makes the following recommendations:

Companies wishing to turnaround should focus more on operational, asset and financial restructuring as strategies than focus on managerial restructuring. This is because managerial restructuring does not always guarantee a positive impact on the company performance.

There is need for companies to pursue turnaround strategies to do so in cognizance of the factors that influence such strategies especially cutbacks, technology, retrenchment, profitability, bank size, senior management turnover, free assets, severity of financial distress, capital structure, bank relationship, block shareholding, managerial shareholding, and leverage.

5.5 Suggestions for Further Research

The study suggests that there is need to replicate this study on other sectors of the economy. Further, the present study only focused on one firm. There is need to do a research that covers more firms as this can help in acknowledging the application of turnaround strategies in Kenya.

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5.6 APPENDICES

5.7 Appendix 1:Questionnaire

Section A: General Information

1. Please state your gender.
   Male [ ]
   Female [ ]

2. Which department do you belong to?
   ____

3. How long have you been working at the National Bank of Kenya?
   Less than 2 years [ ]
   2-4 years [ ]
   5-7 years [ ]
   8-10 years [ ]
   Over 10 years [ ]

4. How long have you been working in your present position in the bank?
   Less than 2 years [ ]
   2-4 years [ ]
   5-7 years [ ]
   8-10 years [ ]
   Over 10 years [ ]

Section B: Turnaround Strategies adopted at National Bank of Kenya

7. The following is a list of turnaround strategies a firm can adopt in the quest to turnaround the performance. As far as you understand, what strategies has the bank adopted? Mark in the appropriate box using the following scale.

[1] Means to no extent
[2] Means small extent
[3] Means to some extent
[4] Means a large extent
[5] Means a very large extent

	Turnaround Strategy					
B1	The top management was replaced/changed	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B2	There were layoffs in the bank	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B3	The bank increased the fees charged on transactions	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B4	The bank reduced the fees charged on transactions	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B5	The marketing expenditure was increased to stimulate demand	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B6	Some business units were sold	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B7	The bank closed some branches and business units	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B8	Some lines of business were divested	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B9	The bank integrated surplus fixed assets	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B10	Short term assets such as debtors were reduced	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B11	The bank diversified in some areas	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B12	The bank made some acquisitions	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B13	Some products were discontinued	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B14	The bank formed some joint ventures	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B15	The dividends were reduced/omitted	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B16	The bank bargained with the trade unions to improve position	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B17	The bank issued more shares	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**
B18	The bank made new contracts on its existing debt	**[1]**	**[2]**	**[3]**	**[4]**	**[5]**

Section C: Factors that enabled the National Bank of Kenya to successfully implement turnaround strategies.

8. To what extent do you think the following factors have influenced the implementation of turnaround strategies adopted by the bank? Mark in the appropriate box using the following scale.

[1] Means to no extent
[2] Means small extent
[3] Means to some extent
[4] Means a large extent
[5] Means a very large extent

	Factor					
C1	Cost Cutbacks	[1]	[2]	[3]	[4]	[5]
C2	Efficiency improvement	[1]	[2]	[3]	[4]	[5]
C3	Investment in technology	[1]	[2]	[3]	[4]	[5]
C4	Retrenchment	[1]	[2]	[3]	[4]	[5]
C5	Profitability	[1]	[2]	[3]	[4]	[5]
C6	Bank size	[1]	[2]	[3]	[4]	[5]
C7	Senior management turnover	[1]	[2]	[3]	[4]	[5]
C8	Role of free assets (excess of assets over liabilities)	[1]	[2]	[3]	[4]	[5]
C9	Severity of financial distress	[1]	[2]	[3]	[4]	[5]
C10	Capital structure	[1]	[2]	[3]	[4]	[5]
C11	Bank relationships	[1]	[2]	[3]	[4]	[5]
C12	Block shareholders	[1]	[2]	[3]	[4]	[5]
C13	Managerial shareholding	[1]	[2]	[3]	[4]	[5]
C14	Leverage	[1]	[2]	[3]	[4]	[5]

9. What other factors could impact on turnaround strategies?
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....
....

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………
………
………

Thank you for your participation