TURNAROUND STRATEGIES AND PERFORMANCE OF SELECTED COMMERCIAL BANKS IN KENYA

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DECLARATION

This Research Project is my original work and has not been submitted for any award in this or any other University.

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This Research Project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

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ABSTRACT

The many changes in firms operating environment impacts on organizations goals and objectives and this make it difficult for organizations to remain viable in a long run. Therefore, in order to remain competitive, business units should continually scan the environment so that the organizations adjust their strategic responses to accommodate the demands of the environment. One of the adaption strategies undertaken by organizations is the turnaround strategies. This study examined the effect of the turnaround strategies on performance of selected commercial banks in Kenya. A sample of four banks that had undertaken the turnaround strategies was used and primary data collected using questionnaires administered to the managers of the banks who are responsible for implementing the turnaround strategies. Secondary data was obtained from the banks' existing bank publications and annual reports. The study established that the Commercial Banks have pursued different turnaround strategies that include marketing, financial, revenue generation, retrenchment, top management changes, technology advancement and diversification. The popular turnaround strategies were top management changes, technology advancement and retrenchment. The finding shows that indeed the turnaround strategies adopted by the banks has had a positive effect on the performance of the commercial banks. The researcher further recommends that Kenya Commercial banks undertaking turnaround strategies should not only concentrate on attracting new customers but also emphasize on developing extensive distribution channels to gain a competitive edge in the market.

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ABBREVIATION AND ACRONYMS

CBK	-	Central Bank of Kenya
ICT	-	Information and Communication Technology
RBV	**-**	Resource-based view
CEO	-	Chief Executive Officer

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the corporate world, failure is commonplace such that one-third of companies fail within the first five years, and listed companies fail at a rate of 2% per year (Morris, 2007). Organizational failure is hard to predict and results in a loss of economic viability, illiquidity, and breach of legal obligations. Despite efforts being made to predict a firm's failure, the models developed have not proven successful. Failure in the competitive market can result from a range of factors. In situations where the firm operations and performance have been experiencing challenges, there is need for the firm to undertake turnaround strategies that will drive it out of the declining performance trends. The likelihood of a successful turnaround will depend on the strategies that are undertaken by the leadership of the firm. Research on turnaround strategies has considered a number of factors that influence the likelihood of recovery. According to Lohrke, Bedeian and Palmer (2010), the severity of the financial deterioration and management failure has been highlighted as one of the contributing factors to turnaround strategy formulation and likelihood of a successful recovery.

The theories have been advanced to explain organization failure. A deterministic theory in classical industrial organization and organization ecology theories suggests that managers are constrained by exogenous industrial and environmental constraints and therefore their strategic choices have limited impact (Hanks, 2009). From the ecological theory, Cameron, Sutton, and Whetten (2011) described organizational decline as a two stage phenomenon. The first stage of decline occurs when an organization's adaptation to its domain or business line deteriorates. The second stage occurs when the organization's financial and human resources begin to diminish. Both stages of decline indicate that the organization has become less adapted to its micro-niche and is less successful at exchanging its outputs for new inputs. According to Weitzel and Jonsson (2010) characterized decline as the opposite of successful adaptation to the environment. They suggested that organizations enter the state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organization's long term survival. Mukherji, Desai and Francis (2008) concluded that a firm must develop turnaround strategies to match the pressures of its multilayered environment in order to become competitive.

Kenya's financial landscape has considerably changed over the period 2006-2013 and the financial sector has grown in assets, deposits, profitability and products offering. The growth can be attributed to an industry wide branch network expansion strategy both in Kenya and in East Africa community region, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' products. The CBK annual supervision report emphasizes that the financial institutions will need to cope continuously with changing business environment and a continuous flood of new requirements via a robust ICT platform, while staying sufficiently agile. Consumers will continue to demand individualized services, and to demand them faster than ever. Hence financial institutions will continue to aggressively design new products that leverage on ICT to remain competitive. Down streaming into the retail market segment will also be expected to continue particularly with the licensing of deposit taking Microfinance Institutions

1.1.1 Turnaround Strategies

A turnaround strategy is a set of consequential directive, long term decisions and actions targeted at the reversal of a perceived crisis that threatens the survival of a firm (Mintzberg, 2008). A turnaround strategy can further be defined as sustainable positive change in the performance of a business to obtain the desired results. It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherrer, 2010). Several turnaround strategies have been advanced to different organization, depending on whether they are profit or non-profit organization. Internal development can take the form of investments in new products, services, customer segments, or geographic markets including international expansion. Diversification can also be accomplished through external modes such as acquisitions and joint ventures. According to Harker (2010), the linkage of the recovery strategy to the cause of decline is a common theme across the turnaround strategies. However, this is not a presumption held in the Kenyan banking industry, where internal retrenchment strategies are most often utilized in the face of declining market position (strategic) for the simple reason that strategic realignment is often politically more difficult to undertake than internal measures (Kimeu, 2010).

A turnaround strategy is also a combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability. Thain and Goldthorpe, (2008) point that strategic restructuring and growth strategies; including divestment or closing of unprofitable activities and acquisitions to diversify or expand promising areas could be adopted by a firm. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics (Chakraborty & Dixit, 2010). The turnaround strategy is meant to improve financial performance. It is aimed at improving productivity of the existing operations, the confidence levels of the total workforce and resources that could potentially be mined and ensuring that the full potential of land-based operations is achieved.

1.1.2 Organizational Performance

Organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets, has a period of time in achieving these targets and the realization of efficiency and effectiveness (Gibson *et al.,* 2010). On the other hand, organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2008). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target (Johnson *et al.*, 2011). It is used to make adjustments to accomplish goals more efficiently and effectively. Organization performance is what business executives and owners are usually frustrated about. This is so, because even though the employees of the company are hard-working and are busy doing their tasks, their companies are unable to achieve the planned results. Results are achieved more due to unexpected events and good fortune rather than the efforts made by the employees. However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

1.1.3 Commercial Banks in Kenya

Commercial banks in Kenya are either privately-owned or public-owned institutions that accept monetary deposits, process loans, and provide other financial services, such as international banking, documentary collection, and trade financing (Central Bank of Kenya, 2014). Commercial banks are licensed and regulated by the Central Banks of the jurisdictions (countries) in which they operate (Charlotte, 2009). In Kenya, the Central Bank of Kenya (CBK) licenses, supervises and regulates commercial banks, as mandated under the Banking Act (Cap 488). Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 43 institutions, 31 are locally owned and 12 are foreign owned. The Government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate (Bank Supervision Annual Report, 2014).

Commercial banks are an important part of the Kenya financial landscape they also offer a wide variety of services. Commercial banks are responsible for adding customer deposits in a safe and liquid form and lending the proceeds to worthy commercial, industrial, governmental and nonprofit institutions. Commercial banks also provide market-making activities in municipal, government and corporate bonds. Kenya's commercial banks like any other organization are open systems operating in a turbulent environment. Their continued survival depends on the ability to secure a "fit" with the environment (Central Bank of Kenya, 2014). The commercial banks in Kenya are liable to many forms of risk which have triggered occasional systemic crises. These include liquidity risk (where many depositors may request withdrawals in excess of available funds), credit risk (the chance that those who owe money to the bank will not repay it), and interest rate risk (the possibility that the bank will become unprofitable, if rising interest rates force it to pay relatively more on its deposits than it receives on its loan (Central Bank of Kenya, 2014).

1.2 Research Problem

The dynamism of the environment implies that organization have to constantly redesigned their strategies in order to remain competitive or to survive. Failure to effectively adapt the organization leads to a strategic problem. Such a problem will be evidenced by a mistake between what the organization offers and what is in the market. Achieving turnaround calls for a totally different set of skills to probe into the causes of decline and to formulate appropriate strategies to transform the company for a fresh lease of life. Turnaround strategies are vital for firms in the realization of sustainable economic growth since their activities impact directly on overall public and private sector expenditures and resources. Top management must rescue a declining firm by responding swiftly through strategies and policies to external and internal factors causing decline with an aim of substantial recovery. A firm may be said to be in decline when it experiences a resource loss sufficient to compromise its viability. Turnaround may be considered to have occurred when a firm recovers adequately to resume normal operations

The competition in the Kenyan banking sector has intensified recently resulting in a number of banks adopting various strategies in order to improve their performance. With this competition, especially from the early 2000 period to the present, competition has shifted from having many branch networks to being able to innovate new products and coming up with new strategies to turnaround the bank from the downwards spiral to registering positive growth in performance. This new shift in the Kenyan banking industry can be attributed to the liberalization of the sector, increased adoption of information technology and improved business environment due to reforms being undertaken in the political, economic, social and cultural fields. With these changes, the level of competition in the banking industry has reached an all level high and coupled with an enlightened customers and increased scrutiny from the regulators, local banks have had to shift their attention to the development of strategies that will improve their operational efficiency. Kenya Commercial bank, National bank of Kenya, Consolidated bank and Family bank have of late registered impressive performance in the last 5 years which is a stark contrast to the results they had registered previously. These changes in fortunes of the banks can be attributed to the turnaround strategies employed by the banks' management. It is on the basis of this, that the present research will seek to establish the turnaround strategies that have been employed by the Kenya commercial banks.

International studies that have been undertaken on turnaround strategies include Haron et al., (2013) who concluded that the success of the corporate turnaround appeared to be attributable to an effective leadership style that was able to motivate and support the employees whilst making strategic changes to the organization's capital, financial well-being and operations. Schoenberg et al., (2013) outline six effective turnaround strategies that can be used for the recovery from corporate decline. These include cost efficiencies, asset retrenchment, a focus on the firm's core activities and building for the future and two relate to accompanying change processes required for implementation: reinvigoration of firm leadership and culture change. In a study conducted by Beeri (2009), on private firms suggests that successful turnarounds are characterized by strategies of retrenchment, repositioning and reorganization. Bessonov (2012) suggested that changes in top management, technology, revenue and cost reduction measures are important strategies for turning around a financial institution.

Local studies that have been done on turn around strategies include Inyange (2014) study on turnaround strategies used at the National Oil Corporation of Kenya to improve performance. The study found out that turnaround strategies implemented in the corporation was top management change, efficiency and operating strategy, expansion of retail outlets and employee retrenchment. Mutie (2013) researched on the influence of corporate governance and turnaround strategies on the performance of Uchumi supermarkets limited. The study revealed that top management teams, customer relationships, prompt delivery and after sales service are thus important factors that should be addressed during turnaround in order to establish a market niche and fulfill customer needs. Kamunde (2010) researched on turnaround strategies at Development Bank of Kenya Limited and established that the bank adopted top management change, stakeholder's involvement and increased efficiency. Njeru (2010) undertook a study on turnaround strategies adopted by the National Bank of Kenya and found out that 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, and sale of some business units.

The findings on the studies that have been undertaken on the turnaround strategies indicate that there is no study to the best of the researcher knowledge that has been undertaken on the influence of turnaround strategies on performance. This therefore left a major knowledge gap on how banking institutions should realize increased performance through successful implementation of turnaround strategy. It is hence against this background that this study was undertaken to fill the missing knowledge gap by establishing the influence of turnaround strategy on performance of selected commercial banks.

1.3 Research Objectives

The objectives of the study were to:

i) Establish turnaround strategies practiced by Commercial Banks in Kenya

ii) Determine the influence of turnaround strategies on performance of Commercial Banks in Kenya.

1.4 Value of the Study

The findings of the study will benefit other commercial banks and all other related industries as they will understand the turnaround strategies being employed in Kenyan commercial banks and how the same banks can better their performance through employment of such strategies. This study will be of value to the management of commercial banks as the study will be a source of information on the different strategies that have been employed by other Kenyan banks in changing their fortunes in a declining environment. From the study, the management of the banks will be able to identify their appropriate strategy to be adopted and ways in which to customize the turnaround strategies to their individual banks' situation.

The Government of Kenya will benefit from the findings of this research since they shall be quite interested on the turnaround strategies being adopted by commercial banks and hence put in place policies that will guide and encourage other firms within and outside the industry in coming up with strategies that threatens the survival of the firms.

The outcomes of this study will give rise to the formulation of an appropriate strategic framework to assist organizations in implementing organizational turnarounds. Moreover, the findings of the research will be used to develop new models for implementing organizational change that will be adopted under various situations.

This study will therefore be of value to academicians and researchers, commercial banks policy makers, investors and the government. To the researchers and academicians, the research will provide more insight into the implication of turnaround strategies on organizational performance and build their body of knowledge for more expounded research which they will use as a reference for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are the theoretical framework, turnaround strategies and the influence of turnaround strategies on organizational performance.

2.2 Theoretical Foundations of the Study

This section examines the existing theories that are relevant to the study. The study will be guided by resource based theory and institutional theory.

2.2.1 Resource Based Theory

The resource-based view (RBV) of the firm as advanced by Barney (1991) is a theory of competitive advantage that emphasizes the link between a firm’s internal resources, strategy, behavior and performance. The resource-based view stipulates that the fundamental sources and drivers to firms’ superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Casson, 2012). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. The resource-based theory argues that any firm is essentially a pool of resources and capabilities which determine the strategy and performance of the firm; and if all firms in the market have the same pool of resources and capabilities, all firms will create the same value and thus no competitive advantage is available in the industry. The basis of the resource-based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. Thus, the essence of strategy is or should be defined by the firm s unique resources and capabilities (Serra et al., 2013).

The resource based theory suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors (Serra et al., 2013). These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable. Every firm plans and implements various strategies in order to create competitive advantages so that they could outperform their competitors and earn a higher rate of profits in their industry. To achieve superior performance a firm must create more values, which depends on its stock of resources and distinctive capabilities of using those resources. For long-term profitability, a firm must ensure its successful strategies and the created competitive strategies are sustainable (Haron et al., 2013).

2.2.2 Institutional Theory

The institutional theory recognizes the embedment of institutional actors in an environment of formal and informal rules. Institutional theorists suggest that organizational actions and processes are driven by their actors in order to justify and plausibly explain their actions. According to this perspective, strategy implementation are rationally accounted for by organizational actors and rooted in the normative and social context that motivates actors to seek legitimacy (Schoenberg et al., 2013). The theory suggests that a leaner organizational structure and reduced red tape increase flexibility and facilitate the fit between intra-organizational processes and the environment. Economically, a key reason for downsizing is to reduce costs as organizations seek to maximize efficiency (Zhang, 2009). Several strategies seem pertinent, notably a cost leadership strategy which enables the organization to increase return on sales, or to increase market share through aggressive costing. Following staff downsizing the company can mute the leaner cost structure into competitive advantage by increasing profitability or lowering prices, which will be expressed in increased market share.

Oliveira and Martins (2011) posits that institutional theory emphasizes that institutional environments are crucial in shaping organizational structure and actions. The theory stipulates that organizational decisions are not driven purely by rational goals of efficiency, but also by social and cultural factors and concerns for legitimacy. Institutions are transported by cultures, structures, and routines and operate at multiple levels. The theory claims that firms become more similar due to isomorphic pressures and pressures for legitimacy. This implies that firms in the same field tend to become homologous over time, as competitive and customer pressures motivate them to copy industry leaders. For example, rather than making a purely internally driven decision to adopt e-commerce, firms are likely to be induced to adopt and use e-commerce by external isomorphic pressures from competitors, trading partners, customers, and government

2.3 Turnaround Strategies

Turnaround strategies are a set of systematic efforts following a specific laid out plans to oversee a firm’s survival under threat from internal and external elements which threaten its profitability and long term survival (Akrani, 2012). Turnaround strategies are discussed here below;

2.3.1 Marketing Strategies

In this stage turnaround efforts are directed toward making the remaining business operations effective and efficient. The company must be restructured to increase and sustain profitability and its return on assets and equity. To achieve this, the company has to take drastic steps (Adams, 2011). During the turnaround, the product mix may have changed, requiring the company to do some repositioning. This stage focuses on institutionalizing an emphasis on profitability and return on equity, and enhancing economic value (Burke & Cooper, 2010). The company may initiate new marketing programs to broaden the business and customer base and increase market penetration. It may increase revenue by carefully adding new products and improving customer service. Strategic alliances with other established organizations may be explored.

The marketing oriented business is customer-focused, and generates and disseminates market intelligence that is widely used throughout the firm (Jaworski et al., 2013). Such firms are able to sense and respond to market forces with greater precision than more inward-looking rivals. However, there is scant attention in the literature on the role of marketing and sales in the corporate turnaround process. Sales is a critical function involving four elements that are apparent more in the successful Turnarounds, such as environmental comprehension, market selection, innovative market offers, and managed relationships (Oliveira and Martins, 2011). The turnaround organization’s customer efforts were characterized by the appointment of exclusive managers and sales people for key accounts, who worked tirelessly to build the respect and trust of customers so essential for building up a sound relationship.

2.3.2 Financial strategies

Heggde and Panikar, (2011) notes that the objective of financial strategy is to use the financial strength of the business as an asset and to restructure the business through reduction in the par value of shares, reduction in the rates of interest, postponement of maturity of debt and conversion of debt into equity. O'Neill (2010) further identified the variables which contribute to turnaround in commercial banks. He states that interest costs represent the highest category of costs for banks; loans represent the largest revenue source for banks. They represent the greatest proportion of the bank's assets and are typically the most profitable of the bank's assets. Cash and treasury/demand deposits are important. Banks may speed up turnaround by moving their low yield cash and treasuries to higher yield applications. O'Neill (2010) assert that short-term funds such as demand deposits should only be used for short-term applications such as cash and securities and likewise longer-term funds should be used for long-term yields such as loans.

2.3.3 Revenue Generation

The increased revenue in turnaround banks can be attributed to better management of the loan portfolio where few loans are written off, and better pricing (Heggde and Panikar, (2011). These revenue increasing options have a higher marginal impact on net income than further cost reduction options. There are a number of revenue generating options that include price cuts, increased promotion, a bigger sales force, added customer services, and quickly achieved product improvements. Attempts to increase revenues and sales volumes are necessary.

Rogers (2013) posits that commercial bank turnarounds, revenues are increased by such methods as the increased use of loan capacity, better use of inventory, better pricing and better quality. Costs are minimized through methods such as the control of interest costs, the minimization of loan losses and the minimization of operating and overhead costs. Serra et al., (2013) asserts that increased revenue in turnaround banks can be attributed to better management of the loan portfolio where few loans are written off, and better pricing. These revenue increasing options have a higher marginal impact on net income than further cost reduction options. For an organization with eroding markets of profitability, the effort to stabilize operations and restore profitability always entails strict cost reductions followed by a shrinking back to those segments of the business that have the prospects of attractive profit margins.

2.3.4 Retrenchment

Retrenchment strategies involve cutting operating costs and divestment of non-core assets. In times of turbulent environment, business horizons often shorten with owners/managers focusing on immediate survival rather than on long-term aims (Heggde and Panikar, 2011). Believing it is easier to reduce costs than generate additional revenue, many businesses choose to retrench. Beeri (2009) suggests that successful turnarounds are characterized by strategies of retrenchment, repositioning and reorganization. Failing companies that use one or more of these strategies are likely to perform better. Retrenchment is an integral component of turnaround strategy. The critical role of retrenchment in providing a stable base from which to launch a recovery phase of the turnaround process is well established.

Arogyaswamy et al., (2012) posits that downsizing is one tactic within a corporate strategy for shifting the organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customers′ needs. The overt effect of downsizing is a net reduction in headcount and usually a net labour cost reduction. The covert aspects are more critical to the strategic wellbeing of the company and will ultimately determine its long-run profitability, quality of service/product, over the last decade; downsizing has become the preferred route to improve efficiency for organizations.

2.3.5 Top Management Changes

Turnaround management demands competent leadership to pave way on the implementation of the policies, motivate the subordinates and communicate the importance of the process. Collard (2011) emphasizes that it is always safer to change the leadership whenever an organization is conducting turnaround management. Experience at the top management is crucial since the existent leadership has a clear understanding of the culture of the organization. Despite that, retaining the existent leadership who are not ready to admit failure on their part in provision of competent guidance in implementation of the organization's corporate strategy is risky (Bibeault, 2012).

Managers attempt to turn around their organizations, through structural changes in the organization and/or market repositioning (Banaszak-Holl, 2010). In addition, there are a wide variety of managerial responses used during periods of crisis and decline that reflect more general processes, routines, and rituals of managerial decision making. Slatter and Lovett (2009) notes that management change phase involves selecting a chief executive officer who can successfully lead the turnaround. This individual must have a proven track record and the ability to assemble a management team that can implement the strategies to turn the company around. Heggde and Panikar (2011) argued that they are less motivated to engage in turnaround strategies especially if they are strongly committed to the firm's current strategy or attribute decline to external causes only. They further argue that changes of the top management team can endow with important signals to outside stakeholders like lenders and creditors that the firm is separating itself from past failed strategies.

2.3.6 Technology Advancement

Modernization is also a type of strategy for turnaround and it involves developing a new technology or upgrading the existing strategy which may in turn ensure increased production, reduced costs and improved efficiency. It is normally applied to stabilize the organization before adopting other strategies like expansion and diversification/integration which can either be vertical, horizontal, concentric or conglomerate diversification (Yawson, 2008). Information technology has become a strategic asset which can help improve business processes and change the function of markets. Nevertheless, many organizations still hesitate to adopt new information technology and some even believe information technology does not matter as a turnaround strategy because of its commoditization (Carr, 2010). Automation of business processes has led to a drastic improvement in productivity and reduction in costs while telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making.

2.3.7 Diversification

A company's prior-acquisition diversification strategy profile influences a company's diversification strategy. Haleblian et al., (2006) suggests that organizational behavior is guided by routines that stem from prior experience and from performance feedback. When a company has more experience with a strategic action, it increases the likelihood of repeating that action in the future. Over time, the strategic action becomes a routine for the firm. The possibility of a firm will continuing the same diversification strategy in the future is dependent on the performance feedback outcome of a company's prior diversification strategy (Haleblian et al., 2006). Positive performance feedback increases the likelihood the company will repeat its diversification strategy in the future.

The successful carrying out of a diversification strategy makes the firm more confident that they have the skills, knowledge and capabilities to be successful in that diversification strategy (Haleblian et al., 2006). Furthermore, repeating a successful diversification strategy is perceived to be less risky than using alternative strategies with limited organizational experience. Therefore, positive performance feedback reinforces the persistency of using a diversification strategy in the future. However, when a company is experiencing negative prior-diversification performance feedback it will explore for alternative strategies (Haleblian et al., 2006).

2.4 Turnaround Strategies and Organizational Performance

Many organizations shrink due to falling sales, profits and more importantly demand. Demand in an industry declines for a variety of reasons among them (Richard *et al.*, 2009). Organizational performance and its improvement is a dominant theme in the field of strategic management. New substitutes emerge often with higher quality and or buyers shrink or simply disappear, changing customer needs, lifestyles and tastes also lead to declining demand, cost of inputs may increase and reduce demand for products.

March and Sutton (2007) noted that organizations compete with one another, consciously seeking advantage. A major feature of that competition is competitive imitation. Poor performance rankings are interpreted by potential competitors as indications that a practice does not work or a market does not exist, thus inhibiting imitation and competition, thereby reducing the competitive pressure and improving relative performance. Good performance rankings, on the other hand, not only stimulate admiration; they also encourage imitation and competition that tend to erode a favorable position. Organizations seek to emulate the performance successes of others by emulating their organizational forms and practices.

Efficiency-oriented strategies are essential for a company to realize turnaround through reinventing its processes so that they can run efficiently. This will in turn reduce costs that may eat up the profits. Pearce and Robinson (2008) argue that efficiency–oriented moves not entrepreneurial initiatives were associated with successful turnaround. They emphasized that adopting efficiency-oriented recovery strategies is essential for any successful turnaround, contrary to the strong association with retrenchments. It is believed that a company size plays a vital role in its performance. Small companies with few employees can be efficient since bureaucracy is reduced.

Organizational restructuring enhances the prospects for improved performance for firms (Hoskisson and Turk, 2006) via strategic reorientation, organizational configuration and governance structure adjustment. It provides an opportunity to transfer assets to higher valued users hence recapturing competitive advantages that have been dissipated from over-diversification and a more focused strategy based on core business which is likely to produce higher profits.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter discusses the methodology, which was used in the study in order to achieve the research objectives. The areas covered include research design, population of the study, data collection procedures and data analysis.

3.2 Research Design

A research design denotes the methodology that the study is to take in order to accomplish its intended objectives. The research design is regarded as a blue print, a master plan that specifies the methods, techniques and procedures for collecting and analyzing the needed information or simply a framework or plan of action for the research (Bibeault, 2012).

The study adopted a cross sectional descriptive survey design. A survey was deemed appropriate as it enabled the researcher to make comparisons based on differences in demographics by comparing Commercial Banks based on the ownership structure and year of incorporation and others.

3.3 Population of the Study

According to Carr (2010), a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated. This definition will ensure that the population of interest is homogeneous. A research study's target population should be clearly defined and the unit of analysis should be identified, which is not easy sometimes. The target population consists of all the units being studied. The unit of analysis is the entity or who is being analyzed. The population of the study comprised of selected Commercial banks in Kenya that have adopted turnaround strategies in the course of its operations according to Bank Supervision Annual Report (2014) there are 4 Commercial Banks which have adopted turnaround strategies and all of them participated hence the study was a census as the units studied was small (Appendix B).

3.4 Data Collection

The study used primary data which was collected using semi structured questionnaire. The questionnaire consisted of both open and closed-ended questions. The close ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that may not have been captured in the close-ended questions. Walliman (2011) notes that use of questionnaire ensure confidentiality, save on time and are easy to administer. The questionnaire was administered to 4 senior managers in each bank namely, strategy manager, Operations manager, Branch Manager and marketing manager or their equivalent.

3.5 Data Analysis

Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated.

Data was analyzed with the help of statistical package for social sciences (SPSS) based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in Tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research objective was to establish the effect of turnaround strategies on the performance of selected commercial banks in Kenya. This chapter presents the analysis, findings and the interpretation with regard to the objectives of the study. A total of 16 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 16 questionnaires distributed, 13 were returned. The returned questionnaires' represented a response rate of 81% and this was deemed to be adequate in the realization of the research objectives.

4.2 Demographic Information

The demographic information considered in this study included the respondent age bracket, educational level, and experience of the respondent.

4.2.1 Age of the respondent

This section of the questionnaire sought to establish the age of the respondent. The results are presented in Table 4.1

Table 4. 1: Age of the respondent

Years	Frequency	Percentage	Cumulative Percentage
Under 30 years	1	7.69	7.69
31-40 years	5	38.46	46.15
41-50 years	4	30.77	76.92
Over 50 years	3	23.08	100.00
Total	**13**	**100.0**	

The results indicate that 30.77% of the respondents were aged between 41-50 years, 38.46% between 31-40 years, and only 7.69% were aged less than 30 years. The study found out that most of the respondents are more than 40 years.

4.2.2 Level of education

This section sought to establish the level of academic qualifications that the respondents have attained. The results are presented in Table 4.2

Table 4. 2: Level of education

	Frequency	Percentage	Cumulative Percentage
Post graduate	7	53.85%	53.85
University	4	30.77	84.62
Tertiary	2	15.38	100
Total	**13**	**100.0**	

The findings above show that majority of the respondents 53.85% had attained postgraduate education level and 30.77% had attained university qualification. Therefore over 84% of the respondents had university education. The findings were that most of the managers had high academic qualifications to enable them make noble response.

4.2.3. Experience

This is the duration of continuous service that the respondents had worked at the bank. The result is represented in Table 4.3

Table 4. 3: Experience

Details	Frequency	Percentage	Cumulative Percentage
Less than 5 years	2	15.38	15.39
5-10 years	6	46.15	61.54
Over 10 years	5	38.46	100.0
Total	**13**	**100.00**	

The Table 4.3 indicates that majority of the respondents (46.15%) had been working in the organization for a period 5-10 years, 15.38% had been in the organization for less 5 years and 38.46% had worked in organisation for over 10 years.

4.2.4 Number of employees

The respondents were requested to indicate the number of employees working in the banks and the findings is represented in Table 4.4

Table 4.4 : Number of employees

Details	Frequency	Percentage	Cumulative percentage
100-499	1	25	25
above 500	3	75	100.0
Total	**4**	**100.0**	

The findings on the number of employees above indicate that majority of the banks (75%) have over 500 employees while only 25% of the banks have between 100-499 employees.

4.3 Turnaround Strategies Employed by the Banks

A turnaround strategy is sustainable drive for positive change in the performance of a business to obtain the desired results. This is a process by which a business with inadequate performance is analyzed and changed to achieve desired results. A selected number of turnaround strategies can be employed by a firm to reverse the negative performance it currently faces. Therefore, the researcher sought to establish the different types of turnaround strategies that have been employed. The range was 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent. The scores of low extent have been taken to represent a variable which had a mean score of 0 to 2.4 on the continuous Likert scale ;($0 \leq$ L.E <2.4). The scores of 'Moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq$M.E. and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; ($3.5 \leq$ L.E <5.0). A standard deviation of > 1.0 implies a significant difference on the impact of the variable among respondents. The results are presented in Table 4.5

4.3.1 Marketing Strategy

A marketing oriented firm is one that is customer-focused, and generates and disseminates market intelligence that is widely used throughout the firm with an aim to increase customer base and increase market penetration. It may increase revenue by carefully adding new products and improving customer service. The results on the marketing strategies variables employed by the banks are presented in Table 4.5

Table 4. 5 : Marketing strategy

	Mean	Std. Deviation
It has helped the bank to increase market penetration	4.0000	.26261
The bank undertakes increased promotional activities	4.0000	.45486
The bank initiated new marketing programs to broaden the business and customer base	3.9667	.31984
It helped the bank to add new products and improve customer service	3.9333	.36515
The bank had increased selling effort and lower prices	3.9000	.54772
Overall Mean	3.9600	

From the findings above, as a turnaround strategy, the popular marketing strategies among the banks were that marketing enabled the bank to increase its market penetration and this is achieved through having increased promotional activities both with a mean of 4.00. In addition, to a great extent, banks had increased selling effort and charged lower prices for their products and service at a mean score of 3.90. Since the standard deviation on the marketing strategy was less than 1.0, it implies that there was more harmony on the marketing strategy variables employed by the banks.

4.3.2 Financial strategies

The objective of a firm's financial strategy is to afford a firm adequate financial muscle that will enable it expand its area of operation, invest in modern technology and at the same time enable the bank to reduce its operating cost. The result of this strategy is presented in Table 4.6

Table 4.6: Financial strategies

	Mean	Std. Deviation
The bank undertakes increased capacity utilization	3.9000	.48066
It helped the bank in financial restructuring with a view to strengthening the balance sheet and/or provide funding	3.6667	.54667
The bank increased loan income through better selection of clients and follow up on non-performing debtors.	3.6667	.54667
The bank undertakes aggressive pricing, entering newer markets and focusing on core business	3.6333	.61495
Overall Mean	**3.7166**	

The study findings show that the financial strategies employed has facilitated improved capacity utilization and also in aiding in financial restructuring with a view to strengthening the balance sheet and provide funding and increased loan income through better selection of clients and follow up on non-performing debtors with a mean score of 3.90 and 3.6667. Similarly, since the standard deviations of the financial strategies are less than 1.0, then this implies that there was more consensus among the banks.

4.3.3 Revenue generation strategies

The revenue generation strategy is concerned with undertaking of projects that will result in increased income to the bank. A firm will ordinarily pursue different actions that are ultimately aimed in increased its profits. The findings of this strategy are presented in Table 4.7

Table 4.7 : Revenue generation strategies

	Mean	Standard Deviation
In the bank there is better use of inventory	3.7333	.52083
In the bank, there is to better management of the loan portfolio where few loans are written off	3.5333	.57135
Costs in the bank are minimized through control of interest costs, minimization of loan losses, minimization of operating and overhead costs	3.5333	.62135
The bank undertakes price cuts of its products	3.5000	.77682
Better quality is used by the bank to increase revenue	3.4667	.50742
Overall Mean	**3.5533**	

From the above findings, effective use of the bank inventory came out as a common revenue generation activity among the banks as well as management of the loan portfolio which result in few loans being written off with a mean score of 3.733 and 3.533 respectively. The findings also show offering a better quality of services and competitive pricing came out as a popular revenue generation activity among the banks at a mean score of 3.5. Generally, with an overall meant of 3.5533, it means that these revenue generation activities were being employed by the commercial banks and this is reinforced by the low standard deviations among the strategies.

4.3.4 Retrenchment strategy

This strategy involves cutting operating costs and divestment of non-core assets with an aim of reducing the overall organizational cost and consequently increases the profits. In times of turbulent environment, business horizons often reduce and this forces managers to focus on immediate survival rather than on long-term aims. Retrenchment is one such popular short term turnaround strategy. The findings are presented in Table 4.8

Table 4.8: Retrenchment

	Mean	Std. Deviation
The bank has divested in non-core assets	3.8667	.43417
It enabled the bank to shift organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customers′ needs	3.8667	.57135
It enabled the bank to reduce operating costs	3.8333	.53067
The bank reduced its workforce	3.6667	.60648
It assists the bank in securing or providing slack regardless of the subsequent recovery strategy that is chosen	3.5667	.67891
Overall Mean	**3.7600**	

The findings on retrenchment as turnaround strategy indicate that banks have divested from non-core assets and enabled them to shift organizational structure from what it is now to what it has to be in order to realize a competitive edge and satisfy customers′ needs with a mean score of 3.8667.

4.3.5 Top management changes

To realize a successful turnaround process the top leadership of an organization should be in the forefront in leading the process through communication and motivating the staff. In some cases, it suggested to change the leadership as a preamble to having an effective turnaround strategy. In adopting this strategy as one of the turnarounds, the respondents' results are as follows.

Table 4. 9: Top management changes

(e)Top management changes	Mean	Std. Deviation
There was change of other senior management	4.1000	.60743
The bank changed its CEO	3.9667	.80872
Top management changes signals to outside stakeholders that the firm is separating itself from past failed strategies	3.6667	.47946
The leadership of the bank motivates the subordinates and communicates the importance of the process	3.4333	.72793
Overall Mean	**3.7918**	

From the findings above, most banks made changes of the senior management as it is evidenced by the mean score 4.1 and change of CEO with a mean score with 3.9667. In addition, the banks leadership encourages communication during the process to a moderate extent with a mean score of 3.4333. In general the leadership change came out as a popular turnaround strategy among the banks based on the low standard deviation.

4.3.6 Technology advancement

Modernization of firms' processes is another type of strategy for turnaround and it involves developing a new technology or upgrading the existing strategy which may in turn ensure increased production, reduced costs and improved efficiency. Different organizations adopt different measures of technology advancement and the results in the banks sampled are presented in Table 4.10

Table 4. 10: Technology advancement

(f)Technology advancement	Mean	Std. Deviation
The new technology has increased production	4.1333	.34575
The bank adopted new technology	4.1000	.30513
It enabled the bank to reduce costs and improve efficiency	4.0333	.18257
It has facilitated speedy decision making	4.0333	.31984
It enables the bank improve business processes and change the function of markets	3.9333	.25371
Overall Mean	**4.04664**	

The findings shows that banks adopted technology and that technology increased productivity levels within the bank to a large extent both with a mean score of 4.1.The finding further showed that technology enabled the banks to reduce costs and to improve efficiency and that it facilitated speedy decision making to a large extent both with a mean score of 4.0.similarly technology as a turnaround strategy enabled the bank to improve business processes to a large extent with a mean score of 3.9.

4.3.7 Diversification Strategy

The diversification strategy in a firm involves movement to a new product range or service. This will mean that a firm finds new opportunities which are expected to shore up the performance of the existing product range and therefore the organization as a whole. On the various diversification avenues that the bank had adopted, the results are presented in Table 4.11

Table 4. 11 : Diversification

(g)Diversification	Mean	Std. Deviation
The bank has a positive performance feedback that reinforces the persistency of using a diversification strategy in the future	3.8333	.37905
The bank seek growth opportunities in other industries due to unattractive low-profit industry	3.7333	.44978
It enabled the bank to benefit from a larger scope which broadens their knowledge base thus increased absorptive capacity to assimilate market opportunities	3.6333	.49013
The bank diversify due to increased total borrowing capacity combined with the effect of tax-deductible interest payments	3.6333	.61495
The bank has a higher level of absorptive capacity that allows it to more fully captures the benefits of simultaneous exploitation and exploration	3.6132	.44578
Overall Mean	**3.686**	

From Table 4.11 it shows that diversification in banks has had a positive performance feedback that reinforces the persistency of using a diversification strategy in the future and also it involves seeking growth opportunities in other new industries both with a mean score of 3.833 and 3.7333respectively. The diversification has enabled the banks realize a higher level of absorptive capacity that allows it to more fully captures the benefits of simultaneous exploitation and exploration have had growth opportunities other industries due to unattractive low-profit industry with a mean score of 3.7333. With an overall mean of 4.4159, it means there is high level of concurrence that indeed diversification in the banks is one of the popular turnaround strategies.

4.4 Performance indicators

This section sought to establish the effect of turnaround strategies on performance of the banks. This is because the net effect of a firm pursuing the turnaround strategies is to change its performance. The results are presented in Table 4.12

Table 4. 12: Performance indicators

Performance	Mean	Std. Deviation
Innovation and learning	4.0000	.45486
Efficiency in serving customers	3.9667	.18257
Increased profits of the bank	3.9000	.48066
Improved customer satisfaction	3.8667	.34575
Enhanced uptake of the bank products	3.8667	.57135
Increased sales volume and the market share of the bank	3.8000	.48423
Overall Mean	**3.9000**	

The findings shows that the major effect that turnaround strategy has had in the organizations performance is that it has improved the banks innovation and learning process and improved the efficiency in serving customers with a mean score of 4.0 and 3.9667 respectively and led to an increased profits of the bank with a mean score of 3.90. In addition, the turnaround strategies has led to, increased sales volume and the market share of the bank of mean score 3.8000. The performance indicators show that to a great extent turnaround strategies adopted by the banks has had a positive effect on their performance.

4.5 Discussion of the Findings

The literature points out that the turnaround process occurs in five stages namely, changing the management; evaluation and strategy development; emergency management and retrenchment, stabilization and repositioning and returning to growth (Smith, 1998). As Smith (1998) found out, the current study concurs that indeed the strategies used by the banks in their turnaround process revolve around the above five areas. The study noted that the common strategies employed by the banks include management strategies and organizational restructuring, including replacement of the CEO, cost reduction and financial restructuring, including debt and cash flow management; strategic restructuring and growth strategies such as sustained marketing, and restructuring strategies, including cost reduction through operations restructuring, and elimination of redundant assets, and improved marketing. This concurs with Gichuki (2009) and Scherrer (2003) who identified the same internal and external factors to have contributed to the business performance decline.

The research findings indicate that the main element of turnaround at the banks is the change of top management. Top management change is widely quoted as a precondition for successful turnarounds. It is difficult for the incumbent top management to change their habits and institute radical reforms. Often the stakeholders will continue to give their support if they are confident that the management team can manage the crisis at hand. A change in top management is tangible evidence that something positive is being done to improve the firm's performance even though the cause of the poor performance may have been beyond management's control (Kamunde, 2010).

Indeed, from the strategic management literature provides empirical support for overlapping two-stage approach to corporate turnarounds: the efficiency/operating turnaround strategy stage and entrepreneurial/strategic stage (Ngati, 2009). As the present study found out, the efficiency/operating turnaround stage aims to stabilize operations and restore profitability by pursuing strict cost and operating- asset reduction. On the other hand, the entrepreneurial/ strategic stage aims to achieve profitable long-term growth through restructuring the firm's asset portfolio or product/market refocusing. This literature supports the strategies that were adopted at Commercial banks. The laying off of employees led to reduction in salary and other administration expenses. The reorganization of the offices and the initial sitting arrangements led to generation of extra revenue as the surplus assets were sold off though the resultant profits will in most of the cases are one-off.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0: Introduction

This chapter gives the summary, recommendations, and limitations of the study, suggestions for further study and the conclusion.

5.1:Summary

A turnaround strategy is combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability. Commercial banks faced immense internal and external factors that led to declining performance. To save the banks from collapsing, the management embarked on adopting various turnaround strategies that would see it recover from the decline and assume normal and profitable operations into the foreseeable future. Some of the turnaround strategies are, marketing strategies, financial strategies, revenue generation, retrenchment, top management changes, technology advancement and diversification

The type of strategy that a firm uses and timing of strategy determine success of turnaround. A firm can use the different turnaround strategies to different extent and can be combined and used in various. The unique requirements of the organization and turnaround situation will determine the strategy to be used. The results show that indeed the turnaround strategies adopted by the banks affected their level of performance. However, for a turnaround strategy to be effective, it needs to be carried out swiftly, intensively and competently. Poor implementation of turnaround strategy may exacerbate decline and the difference between successful and failed turnarounds lie more in strategy implementation process than the content.

The common turnaround strategies that were found to be applied by the banks include marketing, financial, revenue, retrenchment, top management changes and technology advancement. The popular turnaround strategies are adoption of technology based operations, diversification to new business lines as well as change of top leadership in the banks. Top management change is widely quoted as a precondition for successful turnarounds. It is difficult for the incumbent top management to change their habits and institute radical reforms. Often the stakeholders will continue to give their support if they are confident that the management team can manage the crisis at hand. A change in top management sends a signal that something positive is being done to improve the firm's performance even though the cause of the poor performance may have been beyond management's control. However, the number of strategies applied doesn't matter so long as you achieve the desired results and again, from the study, the strategies are very much interrelated to one another and the best result can be achieved if used in multiples as compared to a single strategy. The findings show that the banks performance as measured by parameters such as improved level of innovation and learning, customer satisfaction, customer delivery level and increased sales level came out being influenced positively by the turnaround strategies undertaken by the banks.

5.2 Conclusion

The objective of this research was to establish the correlation between the turnaround strategies and the performance of commercial banks in Kenya. From the research findings and in consonance with the existing theory, no single turnaround strategy is able to be adopted in exclusion of the other strategies and the firm's performance turns out to be better. Firms should therefore adopt various combinations of turnaround strategies to realize better performance.

The findings of the study also reinforced the need of involving all the employees during the turnaround strategies. Cooperation from employees to the turnaround strategies proposed by the top management came about mainly due to the rethinking of the change communication structures within the organization. The disposition of all the stakeholders to support the turnaround strategies is important to any organization. In this regard, the commercial banks should always consider all the parties to be affected by the decision made in the turnaround process and from this the avenues of communication are opened and encouraged.

Further, the study indicates that there is still need for more turnaround strategies available for the banks to enable them to fully match the environment in which it operates. These include expediting services with speed a certainty and developing and motivating their employees before, during and after the turnaround strategies. Effective response to these changes depends on firms adapting in ways appropriate to their particular circumstances. Not all options were available to all banks and successful turnaround strategies cannot be imitated easily considering each bank is unique.

5.3 Limitation of the Study

This study was conducted with a strong presence of firms that are in the banking industry in Kenya. It is possible that this exposure contributed significantly to their perceptions on the role of turnaround strategies and its effect on the performance of the banks. There is need therefore to also get the views of non-players in the banking sector, such as the customers. Some of the intended respondents were not available for the interview. In addition those interviewed did not have sufficient time to explain all the issues in greater detail due to time factor. This study was also narrow by other factors in that some respondents may have been biased or dishonest in their answers. Nevertheless, despite the above limitations, the findings presented in this paper have significant policy implications.

5.4 Recommendations

5.4.1 Recommendations with Policy Implications

Based on the findings that commercial banks should identify appropriate strategies that are suitable to their operating conditions as well as their level of declining performance, the researcher recommends that the appropriate turnaround strategies adopted should be unique to individual banks and that more than several turnaround strategies should be adopted by the banks since their performance outcome varies with the strategies. The researcher further recommends that Kenya Commercial banks undertaking turnaround strategies should not only concentrate on attracting new customers but also emphasize on developing extensive distribution channels to gain a competitive edge in the market.

The study found that the internal factors such as the type of leadership existing in the bank as well as the culture and organizational structure affect the implementation of the turnaround strategies, the researcher recommends that the banks should realign their organizational structure from vertical to horizontal to develop internal capability of quicker decision making and high feedback and this can also help the banks to facilitate specialized services and creating a niche for their customers. The study also recommends the use of product differentiation to counter competition as one form of diversification turnaround strategy. Policy can play a role in supporting Kenya commercial banks either to exploit the opportunities arising from the turnaround, or to manage the threats posed, but given the knowledge limitations and broader institutional constraints arising from globalizing tendencies, it should also be acknowledged that there are strong limits to what is possible.

5.4.2 Recommendation for further research

The study focused on ways of improving a firm's performance through pursuing turnaround strategies. The research proposes that further investigation on the role of the turnaround strategies adopted on the level of customer loyalty be undertaken. In addition, other researchers can test other moderators to an effective implementation turnaround strategies and ascertaining which of the variables have the greatest significant effect on the performance of a firm. Other studies should consider introduction of other moderating variables such as government policy existing in a country.

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APPENDIX A

AQUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

Part A: Demographic and Respondents Profile

1) Name of the bank……………………………………………………………………

2) Position held in the bank…………………………………………………………….

3. What is your age bracket? (Tick as applicable)

a) Under 30 years ( )

b) 31 – 40 years ( )

c) 41 – 50 years ( )

d) Over 50 years ( )

4. What is your highest level of education qualification?

a) Post graduate level ( )

b) University ( )

c) Tertiary College ( )

5. Length of continuous service with the bank?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

6. How long has your bank been in operation in Kenya?

a) Under 5 years ( ) b) 6 – 10 years ( )

c) 11 – 15 years ( ) d) 16 – 20 years ( )

e) Over 25 years ( )

7. How many employees are there in your bank?

a) Less than 100 ( )

b) 100 – 499 ( )

c) Above 500 ( )

Part B: Turnaround Strategies

8. To what extent has the adoption of the following response strategies improved the performance of your bank? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

(a)Marketing strategy	**1**	**2**	**3**	**4**	**5**
The bank initiated new marketing programs to broaden the business and customer base					
It has helped the bank to increase market penetration					
It helped the bank to add new products and improve customer service					
The bank undertakes increased promotional activities					
The bank had increased selling effort and lower prices					
(b)Financial strategies	**1**	**2**	**3**	**4**	**5**
It helped the bank in financial restructuring with a view to strengthening the balance sheet and/or provide funding					
The bank increased loan income through better selection of clients and follow up on non-performing debtors.					
The bank undertakes aggressive pricing, entering newer markets and focusing on core business					
The bank undertakes increased capacity utilization					
(c)Revenue generation strategies	**1**	**2**	**3**	**4**	**5**
In the bank, there is to better management of the loan portfolio where few loans are written off					
The bank undertakes price cuts of its products					
In the bank there is better use of inventory					

Better quality is used by the bank to increase revenue					
Costs in the bank are minimized through control of interest costs, the minimization of loan losses and the minimization of operating and overhead costs					
(d)Retrenchment	**1**	**2**	**3**	**4**	**5**
The bank reduced its workforce					
It enabled the bank to reduce operating costs					
The bank has divested in non-core assets					
It assists the bank in securing or providing slack regardless of the subsequent recovery strategy that is chosen					
It enabled the bank to shift organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customers′ needs					
(e)Top management changes	**1**	**2**	**3**	**4**	**5**
The bank changed its CEO					
There was change of other senior management					
The leadership of the bank motivates the subordinates and communicates the importance of the process					
Top management changes signals to outside stakeholders that the firm is separating itself from past failed strategies					
(f)Technology advancement	**1**	**2**	**3**	**4**	**5**
The bank adopted new technology					
The new technology has increased production					
It enabled the bank to reduce costs and improve efficiency					
It enables the bank improve business processes and change the function of markets					
It has facilitated speedy decision making					
(g)Diversification	**1**	**2**	**3**	**4**	**5**

The bank seek growth opportunities in other industries due to unattractive low-profit industry					
It enabled the bank to benefit from a larger scope which broadens their knowledge base thus increased absorptive capacity to assimilate market opportunities					
The bank has a positive performance feedback that reinforces the persistency of using a diversification strategy in the future					
The bank has a higher level of absorptive capacity that allows it to more fully captures the benefits of simultaneous exploitation and exploration					
The bank diversify due to increased total borrowing capacity combined with the effect of tax-deductible interest payments					

9. Below are some of the performance indicators that are affected by the strategic responses by the firm. Please indicate the extent that the performance measures below have been affected by the banks' turnaround strategies. Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

Performance	**1**	**2**	**3**	**4**	**5**
Improved customer satisfaction					
Efficiency in serving customers					
Innovation and learning					
Increased profits of the bank					
Increased sales volume and the market share of the bank					
Enhanced uptake of the bank products					

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

Yes ( ) No ( )

11. Any other comments ……………………………………………………………

…………………………………………………………………………………………

……………………………………………………………………………………..…..

Thank you.

APPENDIX B

1. Kenya Commercial Bank

2. National Bank of Kenya

3. Co-Operative Bank of Kenya

4. Development Bank of Kenya