

**RELATIONSHIP BETWEEN TURNAROUND
STRATEGIES AND PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN KENYA**

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**Relationship Between Turnaround Strategies and Performance of
Small and Medium Enterprises in Kenya**

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in Business Administration in the Jomo Kenyatta University of
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DECLARATION

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

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DEDICATION

To my wife Verah Bosibori Mogire, and my son Lloyd Lavon Sije – for their Love and support.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	xi
LIST OF APPENDICES	xii
DEFINITION OF TERMS	xiv
ABSTRACT	xvi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	9
1.3 General Objective.....	10
1.4 Hypotheses of the Study.....	10
1.5 Significance of the Study	11
1.6 Scope of the Study	12
1.7 Limitations of the Study	12
CHAPTER TWO	14
LITERATURE REVIEW	14
2.1 Introduction.....	14
2.2 Theoretical Framework.....	14
2.3 Conceptual Framework.....	18

2.4 Empirical Review	27
2.5 Critique of the Existing Literature Relevant to the Study.....	31
2.6 Research Gaps	33
2.7 Summary	34
CHAPTER THREE	36
RESEARCH METHODOLOGY	36
3.1 Introduction	36
3.2 Research Philosophy and Research Design	36
3.3 Target Population	39
3.4 Sampling Frame	40
3.5 Sampling Technique and Sample Size	40
3.6 Data Collection Instruments.....	43
3.7 Data Collection Procedures.....	45
3.8 Pilot Study.....	45
3.9 Data Analysis and Presentation.....	48
CHAPTER FOUR.....	55
RESEARCH FINDINGS AND DISCUSSION.....	55
4.1 Introduction.....	55
4.2 Response Rate	55
4.3 Pilot Study Results	56
4.4 Demographic Information.....	57
4.5 Test for Assumptions of the Variables and Analysis of Likert-Type Data.....	60
4.6 Analysis of Performance of SMEs	67
4.7 Descriptive Analysis for Study Variables on the Likert-Type Scale	69

4.8 Inferential Analysis	83
4.9 Discussion of Regression Analysis and Hypothesis Testing of Study Variables	92
4.10 Analysis of the Overall Model	98
CHAPTER FIVE.....	103
SUMMARY, CONCLUSION AND RECOMMENDATION.....	103
5.1 Introduction	103
5.2 Summary of Major Findings	103
5.3 Conclusions	107
5.4 Recommendations	109
5.5 Areas for Further Research	111
REFERENCES.....	113
APPENDICES	129

LIST OF TABLES

Table 3.1: Population Frame.....	40
Table 3.2: Sample Design.....	43
Table 3.3: Cronbach's Alpha.....	47
Table 3.4: Measurement of Variables.....	52
Table 3.5: Operationalization of Variables.....	53
Table 3.6: Statistical Test of Hypotheses.....	54
Table 4.1: Response Rate.....	56
Table 4.2: Cronbach Alpha.....	57
Table 4.3: Sampling Adequacy.....	57
Table 4.4: Age of Respondents.....	59
Table 4.5: Highest Level of Education.....	59
Table 4.6: Test for Heteroscedasticity for FRTAS.....	64
Table 4.7: Test for Heteroscedasticity for RTAS	64
Table 4.8: Test for Heteroscedasticity for RETAS	64
Table 4.9: Test for Heteroscedasticity for MRTAS	64
Table 4.10: Test for Homoscedasticity for FRATAS.....	65
Table 4.11: Test for Homoscedasticity for RTAS	65
Table 4.12: Test for Homoscedasticity for RETAS	65
Table 4.13: Test for Homoscedasticity for MRTAS	66

Table 4.14: Multicollinearity Test.....	67
Table 4.15: Firm Performance.....	68
Table 4.16 Financial Restructuring Turnaround Strategy and Firm Performance.....	72
Table 4.17 Reorganization Turnaround Strategy and Firm Performance.....	76
Table 4.18 Repositioning Turnaround Strategy and Firm Performance.....	79
Table 4.19 Market Redefinition Turnaround Strategy and Firm Performance.....	82
Table 4.20 Correlation Analysis.....	84
Table 4.21 Ramsey Test for Omitted Variables.....	84
Table 4.22 Model Summary for Financial Restructuring Turnaround Strategy and SMEs Performance.....	85
Table 4.23 ANOVA for Financial Restructuring Strategy and SME Performance.....	85
Table 4.24 Regression Coefficients for Financial Restructuring Strategy and SMEs Performance.....	86
Table 4.25 Model Summary for Reorganization Turnaround Strategy and SME Performance.....	87
Table 4.26 ANOVA for Reorganization Turnaround Strategy and SME Performance..	87
Table 4.27 Regression Coefficients for Reorganization Turnaround Strategy and SME Performance.....	88
Table 4.28 Model Summary for Repositioning Turnaround Strategy and SME Performance.....	89
Table 4.29 ANOVA for Repositioning Turnaround Strategy and SME Performance...	89

Table 4.30 Regression Coefficient for Repositioning Turnaround Strategy and SME Performance.....90

Table 4.31 Model Summary for Market Redefinition Strategy and SME Performance.91

Table 4.32 ANOVA for Market Redefinition Strategy and SME Performance.....91

Table 4.33 Regression Coefficients for Market Redefinition Turnaround Strategy and SME Performance.....92

Table 4.34 Model Summary for the Overall Model.....100

Table 4.35 ANOVA for the Overall Model.....100

Table 4.36 Regression Coefficients for the Overall Model.....101

Table 4.37 Summary of the Hypotheses Tested.....102

LIST OF FIGURES

Figure 2.1: Stage Theory Model.....	15
Figure 2.2 Conceptual Framework.....	19
Figure 4.1 Gender.....	58
Figure 4.2 Years in Business.....	60
Figure 4.3 Normality Test for FRTAS.....	61
Figure 4.4 Normality Test for RTAS.....	62
Figure 4.5 Normality Test for RETAS.....	62
Figure 4.6 Normality Test for MRTAS.....	63

LIST OF APPENDICES

Appendix 1 Introduction Letter.....	129
Appendix 2 Research Clearance from the University.....	130
Appendix 3 Research Permit.....	131
Appendix 4 Interview Guide.....	133
Appendix 5 Self-Administered Questionnaire.....	139
Appendix 6 Enterprises Registered with Thika Sub-County.....	145
Appendix 7 Map of Kenya.....	148

LIST OF ACRONYMS

ANOVA	Analysis of Variance
CBS	Central Bureau of Statistics
CEO	Chief Executive Officer
FMCG	Fast Moving Consumer Goods
FRTAS	Financial Restructuring Turnaround Strategy
GoK	Government of Kenya
GoK	Government of Kenya
KMO	Kaiser-Meyer-Oklin
MBV	Market Based View
MNC	Multi-National Corporations
MRTAS	Marketing Redefinition Turnaround Strategy
MTP	Medium Term Plan
NACOSTI	National Commission for Science, Technology and Innovation
OLS	Ordinary Least Squares
R&D	Research and development
RETAS	Repositioning Turnaround Strategy
RTAS	Reorganization Turnaround Strategy
SAQ	Self-Administered Questionnaire
SBA	Small Business Administration
SCP	Structure Conduct Performance
SMEs	Small and Medium Enterprises
SMRE	Small and Medium Retail Enterprises
SPS	Sector Performance Standards
SPSS	Statistical Packages for Social Sciences
UK	United Kingdom
US	United States
VIF	Variance Inflation Factors

DEFINITION OF TERMS

A Business: Any initiative carried out by an individual or a number of individuals that involve buying and selling of goods and services with an aim of making profit (McMahon-Beattie & Yeoman, 2004).

A Small Business: A business that is independently owned and operated is not dominant in its field of operations and meets certain standards of size set by the SBA in terms of employees or annual receipts (McMahon-Beattie & Yeoman, 2004).

A Strategy: Determination of the purpose or mission and the basic long term objectives of an enterprise, and the adoption of causes of action and allocation of resources necessary to achieve these aims (Howard & Hunt, 2013).

A Verifier Determinant: The root confirmer that a decision maker uses to validate the cause of decline or distress, underscores an early warning sign and focuses rescue strategy choice' (Holtzhauzen, 2010:15).

An Enterprise: Refer to any entity engaged in an economic activity irrespective of its legal form (Yan, 2009).

An Entrepreneur: An individual who accepts some sort of risk usually financial in the pursuit of new ventures. The word can apply to any person organizing a new project or opportunity, though it is most often used in a business context (Yan, 2009).

Cronbach's Alpha: This is an index of reliability (Kothari, 2004).

Novel Products: Newly introduced product in the market (Jobber & Shipley, 2012).

Opportunistic Decision Making: Effective reaction to an expected threats and opportunities (Howard & Hunt, 2013).

Performance: A strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong, 2006).

Price: Measure by which industrial and commercial customers judge the value of an offering, and it strongly impacts brand selection among competing alternatives (Kotler & Keller, 2009).

Small and Medium Enterprise: Is a business undertaking which employs between 1 to 50 employees and dealing with fast moving consumer goods (Ravasi, *et al.*, 2012).

Strategic Planning: Systematic, comprehensive analysis to develop a plan of action (Haberberg & Rieple, 2008).

Strategic Thinking: Creative, entrepreneurial insight into the ways the enterprise could develop (Haberberg & Rieple, 2008).

Turnaround Strategy: Mechanisms that can be used to reverse the existing negative trend and among others; they include retrenchment to improve internal efficiency, diversification, and liquidation (Beerli, 2009). A rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment or loss of market share. These issues result from sudden changes in demands from the external marketplace, be it competitors, suppliers or customers (Johnson & Scholes, 2002).

ABSTRACT

The main objective of this study was to determine the relationship between turnaround strategies and the performance of SMEs in Kenya. The specific objectives were to assess the relationship between financial restructuring, reorganization, repositioning, market redefinition turnaround strategies and performance of small and medium enterprises in Kenya. The population for this study consisted of the owners and employees of SMREs in Thika Sub - County. The total target population was 8604. A total of 375 respondents were used as the sample size for the study. Descriptive survey design and correlational research design were used in this study. Primary and secondary data were used. While self-administered questionnaire and interview guide were used to collect primary data, the study reviews the previous evaluation reports to seek the secondary data on performance. The data collected was then analyzed by both descriptive and inferential statistical tools. Being that the current study was dealing with the relationship study, the study therefore used regression model as a tool of analysis and the results generated were presented in form of tables. The results of this study is to benefit policy makers, managers, administrators, entrepreneurs, researchers, consultants, scholars and trainers involved in strategic entrepreneurship development. This study tested the null hypotheses that financial restructuring, reorganization, repositioning, and market definition turnaround strategies have no relationship with the performance of SMEs in Kenya. Pragmatism paradigm approach and mixed method research was adopted in this study. The questionnaire was tested for validity and reliability. Quantitative and qualitative techniques were used to analyze the collected data with the assistance of Statistical Package for Social Sciences (SPSS) software. Multiple regression and correlation analysis were carried out. The study found out that SMEs performance was influenced positively by the turnaround strategies. The study found out that financial restructuring turnaround strategy had significant relationship with SMEs performance. From the results obtained by the current study, there was positive and significant relationship between reorganization turnaround strategy and performance of SMEs. The study also found out that repositioning turnaround strategy significantly influences

SMEs performance. Finally, there was a positive and significant relationship between market redefinition strategy and SMEs performance. The study therefore recommends that to some extent, some debts need to be converted into equity in cases where the enterprises are facing financial difficulties that they cannot pay back the debts; this will later result into cash flows to the enterprises during the dividend payments. It recommends that the SMEs should focus more on interfirm/ inter-organizational collaborations, group level learning and business level learning to enhance the knowledge. At the same time, it recommends that the SMEs needed to target a new segment of customers to broaden reach and increase the potential to sell products and services to more customers. The last recommendation in the current study was that SMEs need to come up with new products or an improved version of the existing products to impact positively on the profits and also to improve on the customer base

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Smith and Graves (2005) explained that turnaround strategies are classified as efficiency and entrepreneurial strategies respectively. Since there is no standard definition for turnaround, with many authors depending instead on the readers' general understanding, Pretorius (2009) for example proposes that turnaround occurs when a venture recovers from a decline means operating under distress, that is, where the business experiences decreasing resource slack or other words a venture has been turned around when it has recovered from a decline that threatened its existence to resume normal operations and achieve performance acceptable to its stakeholders (constituents) through reorientation of positioning, strategy, structure, control systems and power distribution.

According to Denis of Corporate Renewal Solutions Management Group (2011), some of the signs likely to give an early warning include persistent negative cash flows, negative profits, declining market share, deterioration in physical facilities, high turnover rate, low morale among employees, mismanagement of organizational resources, uncompetitive products insufficient financial controls, overinvestment, and high operating costs. According to Gichuki (2009), the turnaround strategy refers to the plans to be utilized to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. Gichuki (2009) further described turnaround strategy in terms of how the turnaround strategy components of managing, stabilizing, funding and fixing an underperforming or distressed company are applied over the natural stages of a turnaround.

Pearce and Robinson (2007) noted the existence of effective turnaround strategies and among them include the financial turnaround strategy which refers to financial restructuring with a view to strengthening the balance sheet and/or provision of funding. Peace and Robinson (2007) also pointed singled out reorganization strategy that entail

changes to the leadership team and which also deals with all the people issues in the business. In essence, this may be summarized as restructuring, re-staffing, re-skilling and turnaround leadership revitalization that yield improved leadership, management, organizational structure, organizational alignment and culture.

On the other hand, Modern, *et al.* (2009) identified strategic repositioning turnaround strategy as another effective strategy that aims at improving effectiveness and efficiency by basing on chances of the business domain and value proposition of the business. It can change the mission and customer value proposition of the distressed company by changing what products are offered to what markets and in which fashion which may in turn change the revenue, cost, asset structure of the business, yielding improved profitability and return on capital employed. It may do so by growing, shrinking or refocusing the business. Repositioning is also another strategy that can be used and the major techniques that can be used here include retrenchment, repositioning, replacement, and renewal.

While each case is unique, the turnaround process involves processes and the first one is normally management change where consultants are called to manage the firm, this is followed by situation analysis which is performed to evaluate the prospects of survival and a raft of turnaround strategies that may be adopted. In view of supporting the propositions from other related studies, Beerli (2009) points out that the purpose of turnaround strategy enactments in any business therefore is to return the organisation back to a profitable and reducing debt situation and are deemed to take a certain period or specific period of time frame, so that, if they were to be considered a success, then the organisation has to be financially strong and on its own for at least two years the turnaround plan is completed. Turnaround strategies refer to mechanisms that can be used to reverse the existing negative trend and among others; they include retrenchment to improve internal efficiency, diversification, and liquidation.

Small and Medium Enterprises (SMEs) are important sub-sectors for the Kenyan economy like many other developing countries, since it employs about 85 percent of the Kenyan workforce (about 7.5 million Kenyans of the country's total employment). Almost every company we know of today began as an SME. Arokiasamy and Ismail (2009) explained that SMEs globally have a very significant contribution to the provision of goods and services to the society. Without SMEs, big organisations may not be able to meet the demand for goods and services in an expanding customer base. Currently there is no accepted worldwide definition of SMEs. An analysis of the definition of an SME shows that it depends on who is defining it and from where they are defining it. According to Katua (2014), SMEs are defined by number of workers employed, capital employed and sales turnover. SMEs are thus classified by the number of employees and/or by the value of their assets.

Different countries define SMEs differently for example; in Canada the term SME refers to businesses with fewer than 500 employees. Small business is further defined as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). In China SMEs have been defined using various criteria, such as number of people employed, volume of sales or output, and value of assets, (Zheng, *et al.* 2009). Small and medium manufacturing enterprises in Kenya's main economic sectors are defined as enterprises with fulltime employees not exceeding 100 or annual sales turnover not exceeding Ksh 150 million. The development of competitive and resilient small and medium enterprises (SMEs) forms an integral component of Kenya's initiatives to be globally competitive and prosperous nation with a high quality of life by 2030 (GoK, 2007). Using the number of people employed in an organization criterion, the current study defined SMEs as the enterprises with fewer than 50 employees-with a minimum of 10 employees and a maximum of 50 employees.

It is generally recognized that SMEs (Small and Medium Enterprises) face unique issues, which affect their growth and profitability and hence, diminish their ability to

contribute effectively to sustainable development. Based on this platform, the current study explored some of the key issues facing the entrepreneurs in the sub-sector and the effects being made. According to Ongolo & Odhiambo (2013), SME sector to grow there is need for the sector to adequately strengthen itself and come up with solid solutions that can be implemented. Despite the fact that there are certain self-advanced strategies that can be adopted by the sector itself, there are also external efforts that can still be made (and are being made). Prediction and analysis of the performance of SMEs is a crucial phenomenon in a developing country like Kenya in the light of recent closure of businesses. Few SME businesses grow and prosper without encountering financial problems along the way.

Performance is one of the words whose definition is very flexible as everyone places the concept that suits best, and letting the context take care of the definition. Nevertheless, in general terms performance can be seen as the result of activities of an organization over a given period of time. Small and Medium Enterprises (SMEs) play an important economic role in many countries. In Kenya, until the early 1960s, relatively small industries in the less developed areas were attributed to the scarcity of capital, administrative inexperience and poor pricing. Since independence, the business sector has been seen to grow to be one of the most fundamental pillars of the economy (The Kenya Government, 1989). The failure of SMES in Kenya is very high, 11360 enterprises closed down, 40% of which were in manufacturing while 42.9% were in service, both the manufacturing and service SMEs accounted for over 80% of the business collapse (The Kenya Government, 1999). In addition, Kenya's retail SMEs sector contributed an estimated 18 percent of GDP in 2011 (Africof, 2012). The sector also employs about 85 percent of the Kenyan workforce that translate to about 7.5 Million Kenyans of the country's total population (Ongolo & Odhiambo, 2013). It is estimated that the sub-sector contributes to about 20 percent of the total GDP (GOK, 2013). The sector plays a very important role by significantly contributing to the Country's GDP and its labor market. This is because it provided for approximately 80% of total employment and contributed over 92% of the new jobs created in 2008

(Economic Survey, 2009). Kenya's vision 2030 is pegged upon the SMEs to form 10% of economic growth by the end of the year 2017 (MTP 2-2013-2017) and as such, development of master plans and structural designs are in progress for SME industrial parks in the key towns in Kenya towards achieving sustainable development goals. Furthermore, retail is one of the SMEs which is an integral part of the agents to growth and development – it is from this that the current study was anchored.

Successful turnaround of a firm has been attributed to factors like restructuring and repositioning as opined by Braun and Latham (2012). But turnarounds are rarely viewed from the lens of strategic fit maps of activities. Any unprecedented decline in performance any organisation, as well as poor performance in international markets, raises concerns about various aspects of brand and strategy management. Yet at the same time, a remarkable employment of turnaround strategy of an organisation with its focus on strategic fit cannot be ignored. Thus, strategic fit is even more crucial during implementation of turnaround strategies which clearly enhanced the position of the organisation.

1.1.1 Financial Restructuring Turnaround Strategy

In many of the cases, the interest burden is one of the important causes of decline among both the upcoming and the giant organisations alike. It may not be possible for any of these declining firms to turnaround without adequate financial turnaround strategy with the help of say banks and other related financial institutions. These changes significantly reduce the expenses of the firm. Simultaneously, strengthening finance function in the organisation is important. Cash flows need to be closely monitored and financial implications of all important decisions carefully evaluated. According to the study done by Scherrer (2003) it is clear that the aim of financial restructuring turnaround strategy is to develop and use the financial competencies of the business as an asset to enhance the competitiveness of the business. He further suggested that financial restructuring turnaround strategy is to develop and use the financial strength of the business as an asset to enhance the competitiveness of the business. Organisations adopt several such

financial restructuring strategies as reduction in the par value of shares, obtaining loans at low rates of interest, postponement of maturity of debts, and conversion of debt into equity (Kumar, 2003). As severity of decline increased, the financial restructuring turnaround strategies should use more of asset reduction strategies rather than cost reduction (Howard, 2005).

Finance is the life blood of any business, hence, financial restructuring turnaround strategies play a significant role among others. This is in line with findings of Anand and Manimala (2007) who suggested that financial restructuring turnaround strategies are aimed at improving the liquidity, reducing investment and leverage, and more importantly controlling unproductive expenses. To mobilize resources, the management can decide to persuade the investors to invest their funds in a declining firm. Obviously, it is not an easy task of raising more equity. In agreement with this preposition Turner and Radford (2003) on their part suggested that the affected firm can tie-up with another cash-rich firm which is convinced of its viability and is willing to invest in it. While asset and leverage reductions constitute one component of turnaround finance strategy, cost reduction is the other. The commonly employed financial strategy is reduction of costs in relation to administrative, especially manpower, travel and telephone overheads, and on special amenities. Hoffman (2009) also states that cost cutting is the key to successful financial turnaround. These two strategies are viewed as retrenchment strategies (Hambrick, 2010).

1.1.2 Reorganization Turnaround Strategy

According to Hoshino (2013), reorganization is a broad description of any change in the internal management of an organization. The purpose of reorganization is to support strategies of retrenchment or repositioning. It involves change in planning systems, the extent of decentralization, styles of human resources management, or organizational culture (Hoshino, 2013). Over a three-year reorganization period successful companies were found to be most likely to adopt cost and expense reduction, company size reduction and disposal of non-core assets while operational strategies aimed at

reconfiguring internal operations and systems were not likely to be associated with successful companies (Evans, *et al.*, 2013). Reduction in supply chain complexity improves delivery performance, but has no impact on inventory. Supply chain type has no impact on service level, but brands with in-house production are better in improving inventory than those with outsourced production. Non-seasonal business units improve service faster than seasonal ones, yet there is no impact on inventory (Appelqvist, *et al.*, 2013). This means that compatibility of reorganization actions with the confirmed reorganization plan can affect positively performance (Laitinen, 2013).

Leaders can strongly influence a process of change in mindsets, practices and curricula to incorporate sustainability into higher business education institutions. Whereas bottom-up leadership initiatives are crucial, leadership support from top management is seen as important to enable larger, more radical steps of transformation – this can impact positively on performance (Lee & Schaltegger, 2014). According to Laitinen (2008), useful data system can be developed on the basis of pre-filing non-financial information to support reorganization decision. Pre-filing financial information only marginally improves quality of information. Submission and reorganization plan information improve quality in terms of fit but do not significantly improve classification accuracy.

1.1.3 Repositioning Turnaround Strategy

According to Boyne and Meier (2009), repositioning turnaround strategy, also known as entrepreneurial strategy, attempts to generate revenue with new innovations and change in product portfolio and market position. This according to them includes development of new products, entering new markets, exploring alternative sources of revenue and modifying the image or the mission of a company. The purpose of repositioning turnaround strategy is to transpose an organization from a point of underperformance or failure to achieve its objectives to a point of performance (Beerli, 2009). The empirical literature has that repositioning turnaround strategies involve the adoption of a new strategic position for a product or service, and typically lead on from retrenchment

(Thompson, 2003). Resources are reallocated from one strategic thrust to another; particularly significant here is the reallocation of managerial talent which can lead to an input of fresh ideas thus strategically changing the focus of the organisation. Revenue-generating strategies, such as product modification, advertising or lower prices designed to generate sales, are often involved; and in addition products and services may well be re-focused into niches which are thought to be most lucrative or defensible.

1.1.4 Market Redefinition Turnaround Strategy

Developing markets are expected to continue their role as the engines of global economic growth. In the five years through 2015, the International Monetary Fund (IMF) forecasts that emerging-market GDP will grow at around 10 percent annually, compared to 5 percent in high-income countries. This is equivalent to roughly 55 percent of global GDP growth in absolute terms (Saudjana, *et al.*, 2012). Large firms have traditionally commanded a competitive advantage in the marketplace over small firms by being able to use their financial strength to perform large-scale market research studies, to design and implement wide reaching advertising campaigns, and to establish computer and information systems to communicate with their staff and suppliers. Small firms are using new media technologies to level the competitive playing field. Cost-effective new media technologies are making it easier for small firms to enjoy some of the benefits that previously were only available to large companies. Contributes to the scholarship because little relevant research currently exists on the marketing uses of new media technologies for small firms and their potential for altering the competitive advantages long enjoyed by larger firms (Garry, *et al.*, (1999).

According to Hamon (2011), given the dominance of services in most advanced economies, organizations seeking to grow must rely on service innovation for continued business success. Manufacturers, in particular, are becoming increasingly dependent on services as extensions of their product models or remaking themselves into service companies. However, most improvements to services are incremental. It is relatively rare and difficult for a company to develop a service that creates an entirely new market

space or reshapes an existing market. Those companies that can create or redefine markets have the potential to make the competition irrelevant and gain significant competitive advantage. Market creating factors include core benefits vs. delivery benefits, separable vs. inseparable service dimensions, and marketing strategy approaches that can leverage disruptive value to create uncontested market space (Hamon, 2011).

1.2 Statement of the Problem

A number of studies have been done on turnaround strategies. For example, Bachmann (2009) conducted a study on sustainable performance increase and strategic turnaround management focusing on Romanian market and found out that ongoing turnaround management can be a successful key to achieve sustainable corporate performance improvement. Using a German case study, Mihail, *et al.* (2013) on the study of high performance work system in corporate turnaround realized that rising employee productivity and sales over the last decade have been brought about by high commitment work practices to corporate change, which has enhanced performance outcome.

Panicker and Manimala (2015) on the study of successful turnaround: the role of appropriate entrepreneurial strategies found out that the primary causes of organizational decline are the internal weaknesses of the organization which can be managed by adopting a variety of strategies. Nacheri and Ogolla (2015) in a study of influence of turnaround strategy adoption on revenue performance of Kenya Revenue Authority established that turnaround strategy employed by the organization contributed to better revenue performance. The study failed to highlight how better the revenue performance. Another important study conducted by Birir, *et al.*, (2014) on the effects of turnaround strategies on performance of public corporation in Kenya focused mainly on two strategies; revenue generation and cost reduction strategies as the only turn strategies which affect performance of public corporation and went further to recommend that public corporations need to implement turnaround strategies to turnaround declining

corporation. Birir, *et al.* (2014) study failed to highlight expeditiously on the other turnaround strategies which the current study focused on.

While Mihail, *et al.* (2013) looked at turnaround strategies from the implementation perspective and concluded that high commitment work practices can enhance performance outcome, Nacheri and Ogolla (2015), and Birir, *et al.* (2014), looked at turnaround strategies from the public corporation perspective leaving out the aspect of the SMEs. These studies therefore concentrate mainly on the public corporations and the implementation of the turnaround strategies. The current study therefore aimed at filling this gap by focusing on the relationship between each of these turnaround strategies and performance of small and medium enterprises in Kenya.

1.3 General Objective

The main objective of the study was to determine the relationship between turnaround strategies and performance of small and medium enterprises in Kenya.

1.3.1 Specific Objectives

1. To assess the relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.
2. To establish the relationship that exists between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.
3. To examine the existence of a relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya.
4. To determine the nature of relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.

1.4 Hypotheses of the Study

1. **H₀₁**: There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.

2. **H₀₂**: There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.
3. **H₀₃**: There is no significant relationship between strategic repositioning turnaround strategy and performance of small and medium enterprises in Kenya.
4. **H₀₄**: There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.

1.5 Significance of the Study

The findings of this study would be useful to: the small and medium enterprise managers to help in choosing viable turnaround strategies related to their businesses. For the SMEs the study would enable them to adopt and design strategies which would enable them attract, retain their customers, and improve on their quality products and services. The findings would also benefit academicians who would wish to pursue further research in the same area. The results of the study would awaken the general business sector on the need for the involvement of the viable turnaround strategies in the businesses.

SMEs have ability to fuel economic growth because they create new jobs, expand the tax base, and are drivers of innovation. According to Beck and Levin (2005), SMEs enhance competition and entrepreneurship hence have external benefits on economy wide efficiency, innovation and aggregate productivity. They are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations (Njeru, *et al.*, 2012).

In Kenya the rate of formation of new firms has stagnated for long and besides that newest firms do not grow to maturity and perform optimally since they collapse before the fifth year because of failure to employ effective turnaround strategies. SMEs contribute to economic development by virtue of their sheer numbers and increasing share in employment and Gross Domestic Product (GDP). Small and medium enterprises downturn leading to failure, after a good start, is attributed by past studies to managerial inaction, lack of intensity and more importantly poor implementation of turnaround strategies (Ongolo & Odhiambo, 2013).

1.6 Scope of the Study

This study focused on all the SMEs in the fast moving consumer goods (FMCG) retail sector in Kenya as the setting. However, it was limited to only the small and medium-retail enterprises within Thika Sub County and its environs. Thika has become one of the fastest retail growth centers of large retail chain and malls especially with the ease of connectivity to proper infrastructure such as Thika to Nairobi superhighway that has since enhanced accessibility to the capital city, Nairobi. All these large retail enterprises positioning themselves in these regions are being supplemented by numerous small and medium-retail enterprises currently numbering 8604 enterprises. Furthermore, Thika sub-county is a cosmopolitan town which is synonymous with sensible pro-growth government policy, more diversified economy, and an innovation ecosystem of startups, international companies and universities. Thika provides a conducive environment to build an exciting future for its citizens, businesses and institutions. The study concentrated on the relationship between turnaround strategies and the performance of SMEs in Kenya. Field studies covered Thika Town and its environs.

1.7 Limitations of the Study

The current study had its limitations, for instance the scope of the study was limited by its sample size, and location. This study focused on the FMCG SMEs in Thika Sub-county and the surrounding. The model therefore, needs to be tested in other sectors of the economy. The apparent inadequacy of local literature on the subject of the relationship between turnaround strategies and performance of small and medium enterprises limited the level to which reasonable good comparison between this research findings and other empirical studies conducted in the discipline locally could have been done. Nevertheless, this problem was solved by reviewing the literature which were near similar to the current study. Likewise, obtaining information from the owners of SMEs may have provided biased inputs that correspond to what the owners perceive as desirable strategic posture, which may not be the actual case. The researcher thus

obtained information from different levels of employees. In evaluating the results therefore, it was imperative to take these limitations into considerations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical and empirical literature relevant to the research problem. The chapter also reviewed the previous studies to identify the research gaps that are required to be filled. Also included is the conceptual framework showing the relationship between the independent variables and dependent variable, critique of the past relevant studies, and the summary of the chapter.

2.2 Theoretical Framework

2.2.1 Verifier Determinant Theory

A verifier determinant in this study is defined as ‘the root confirmed that a decision maker uses to validate the cause of decline or distress, underscores an early warning sign and focuses rescue strategy choice’ (Holtzhauzen, 2010). According to Pretorius (2008), turnaround situations are normally complex and contain many vagaries that influence decision making. At best, some of the frameworks from the literature that assist such decision making and strategizing are guidelines only; they require interpretation and situation application, as no two turnaround situations are the same (Pretorius, 2008).

Verifiers are used to confirm the existence of problems in the business or in the business environment, as environmental scanning units seem to be unable to respond to what Ansoff (1975) calls ‘weak signals’. Stubbart (1982) concludes ‘we have too many places to look and too few theories of how significant environmental change can be linked to the business’s plans’. The use of verifier determinants is essential when attempting to classify the warning signs used in the enormous array of business applications such as operational non-efficiencies. These verifiers could also contribute to the day-to-day monitoring of the business, if used as a prolonged business activity (Pretorius & Holtzhauzen, 2015). As Holtzhauzen (2011) had put it that verifier determinant correctly identifies the causes of a business’s decline through the application of early warning sign

theory is of the utmost importance in effectively addressing the question of whether or not to continue with a business turnaround strategy. At this stage, Holtzhauzen (2011) suggested that the turnaround decision is one of the very first steps in the turnaround process.

2.2.2 Stage Theory of Successful Turnaround

A considerable amount of research studies the phenomenon corporate turnarounds with the objective to distinguish firms that overcome severe performance decline and return to prosperity from those eventually fail to recover. The stage theory of successful turnaround by Manimala (2011) identified four important stages in any successful turnarounds namely: arresting sickness, focusing on core business, expansion and growth, and institutionalization through culture building. It lays emphasis on turnaround managers to adopt a stage wise procedure when implementing their strategies. On the same note, the stage theory viewpoint explains how and why a chronology of events interact overtime and eventually leads to organisational survival or failure. For example, Chowdhury (2002) proposed a similar four staged approach, which is, decline, response, initiation, transition, and outcome as depicted by Figure 2.1. He further suggested that turnaround occurs when an organisation perseveres through an existence, threatening performance decline, ends the threat of bankruptcy with a combination of strategies, systems, skills and capabilities, and achieves sustainable performance recovery.

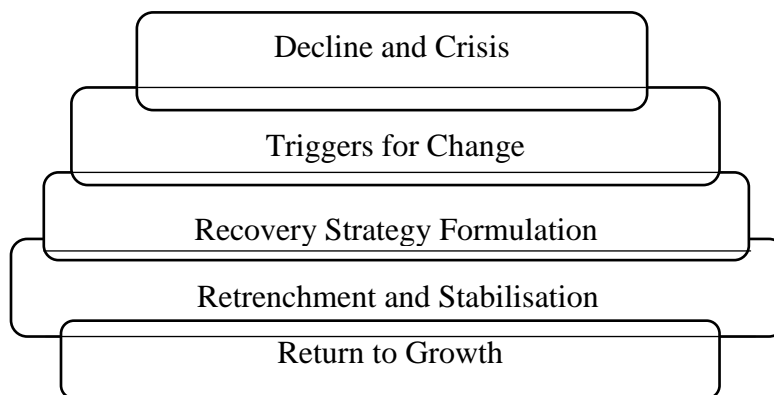


Figure 2.1: Stage Theory Model (Source: Balgobin and Paudit, 2001)

Consistent with Bibeault (1999), Pearce and Robbins (1993), Arogyaswamy, *et al.* (1995), and Graves and Smith (2005) viewed the turnaround process as consisting of a decline and recovery stage and all proposed models of the turnaround process. The studies viewed the crucial objective of the decline period as to stabilize the firm's financial condition and address root cause of decline in common. The studies suggested that the firm should undertake decline stemming strategies including turnaround actions such as improving efficiency by initiating cost retrenchment, renewing the firm's stakeholder support, supporting organisational motivation, and stabilizing internal environment (decision-making processes, responsibilities, and climate) in order to achieve stabilization, which is necessary for continuing with recovery strategies.

In the studies models, the decline-stemming strategies is stressed which should be applied with considerations to the severity of decline, size of the firm, and the level of available resources. When stabilized, the firm should consider the causes of decline and competitive situation in forming the recovery strategy. Before undertaking the recovery strategy, the firm should choose whether to continue to pursue its current strategy in a reduced form or implement a more growth-oriented (also mentioned as entrepreneurial-oriented) strategy. Previous model stress that decline stemming and recovery strategies should be executed sequentially, although they accept that turnaround actions may be overlapping (for example Pearce and Robbins, 1992). However, the major contribution of Smith and Graves' (2005) model is that it accepts that the two phases may be executed simultaneously due to firm-specific circumstances. This was theorized based on case observations, where turnaround actions were observed to be executed simultaneously in practice.

2.2.3 The Market-Based View (MBV) Theory

The Market-Based View (MBV) of strategy argues that industry factors and external market orientation are the primary determinants of firm performance (Bain 1968; Caves and Porter 1977; Peteraf and Bergen 2003; Porter 1980, 1985, 1996). Bain's (1968) *Structure-Conduct-Performance* (SCP) framework and Porter's (1980) *five forces model*

(which is based on the SCP framework) are two of the best-known theories in this category. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals.

Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm's profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 1994). The Market-Based View (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organisation economics phase of Hoskisson's account of the development of strategic thinking (of which Porter's is one example) (Hoskisson *et al.*, 1999; Mintzberg *et al.*, 1998; Porter 1980). During this phase, the focus was on the firm's environment and external factors. The studies observed that the firm's performance was significantly dependent on the industry environment.

The studies viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors. Bain (1968) proposed the Industrial Organisation paradigm, also known as the Structure-Conduct-Performance (SCP) paradigm. It describes the relationship of how industry structure affects firm behaviour (conduct) and ultimately firm performance. Bain (1968) studied a firm with monopolistic structures and found barriers to entry, product differentiation, number of competitors and the level of demand that effect firm's behaviour. The SCP paradigm was advanced by researchers (Caves and Porter 1977; Caves 1980; Porter 1980) and explained why organisations need to develop strategy in response to the structure of the industry in which the organisation competes in order to gain competitive advantages. In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter 1979; 1985).

The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors (Porter, 1985). In this perspective, a firm's sources of market power explain its relative performance. Three sources of market power are frequently highlighted: monopoly, barriers to entry, and bargaining power (Grant, 1991). When a firm has a monopoly, it has a strong market position and therefore performs better (Peteraf, 1993). High barriers to entry for new competitors in an industry lead to reduced competition and hence better performance. Higher bargaining power within the industry relative to suppliers and customers can also lead to better performance (Grant, 1991). The five-force model enables organisation to analyse the current situation of their industry in a structured way. Porter's model assumes a classic perfect market as well as static market structure, which is unlikely to be found in present-day dynamic markets. In addition, some industries are complex with multiple inter-relationships, which make it difficult to comprehend and analyse using the five force model (Wang, 2004). Sealing this case, Rumelt (1991) stated that the most important determinants of profitability are firm-specific rather than industry-specific. According to Prahalad and Hamel (1990) competitive advantage based on resources and capabilities is more important than just solely based on products and market positioning in term of contributing to sustainable competitive advantages. Penrose (1959) and others (Prahalad and Hamel, 1990; Rumelt 1991) have different view to that of Porter's and emphasized on the importance of the (heterogeneous) resources that firms use, as the primary source of competitive advantage.

2.3 Conceptual Framework

The conceptual framework was based on four independent variables that were presumed to have an influence on performance of SMEs. These included, financial turnaround strategy, reorganization turnaround strategy, repositioning turnaround strategy, and market redefinition turnaround strategy. The performance of SMEs was the dependent variable as shown in Figure 2.2. Pretorius (2008) suggested that turnaround strategies are

the action plans that management undertakes to achieve its chosen strategy. Such strategies, taken individually or in combination, should bring about the desired outcome of the strategy. Each turnaround situation demands a different strategy supported by specific practices. These practices were chosen based on their applicability to the specific market (environmental) conditions.

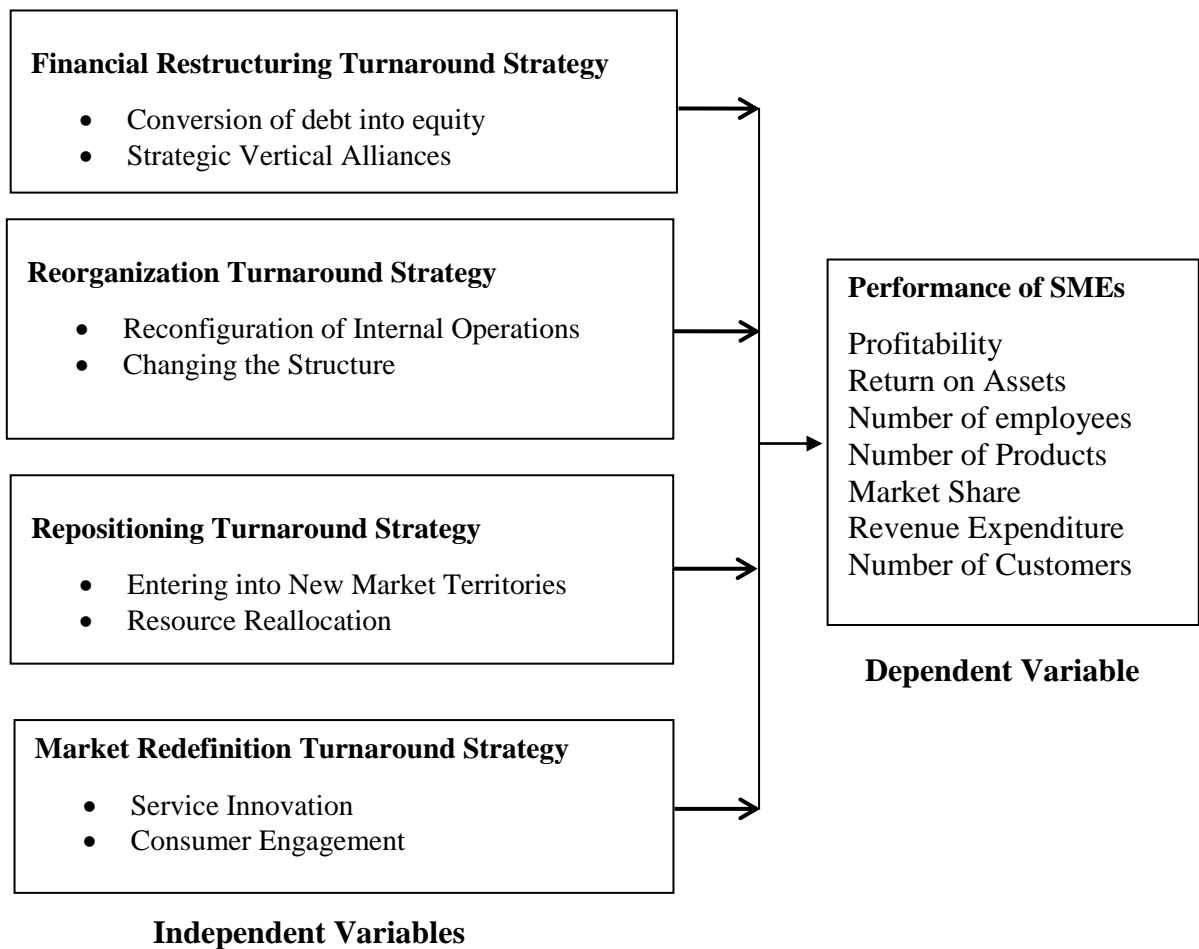


Figure 2.2 Conceptual Framework

2.3.1 Financial Restructuring Turnaround Strategy

In many of the cases, the interest burden is one of the important causes of decline among both the upcoming and the giant organisations alike. It may not be possible for any of these declining firms to turnaround without adequate financial turnaround strategy with

the help of say banks and other related financial institutions. These changes significantly reduce the expenses of the firm. Simultaneously, strengthening finance function in the organisation is important. Cash flows need to be closely monitored and financial implications of all important decisions carefully evaluated. According to the study done by Scherrer (2003) it is clear that the aim of financial restructuring turnaround strategy is to develop and use the financial competencies of the business as an asset to enhance the competitiveness of the business. He further suggested that financial restructuring turnaround strategy is to develop and use the financial strength of the business as an asset to enhance the competitiveness of the business. Organisations adopt several such financial restructuring strategies as reduction in the par value of shares, obtaining loans at low rates of interest, postponement of maturity of debts, and conversion of debt into equity (Kumar, 2003). As severity of decline increased, the financial restructuring turnaround strategies should use more of asset reduction strategies rather than cost reduction (Howard, 2005).

Finance is the life blood of any business, hence, financial restructuring turnaround strategies play a significant role among others. This is in line with findings of Anand and Manimala (2007) who suggested that financial restructuring turnaround strategies are aimed at improving the liquidity, reducing investment and leverage, and more importantly controlling unproductive expenses. To mobilize resources, the management can decide to persuade the investors to invest their funds in a declining firm. Obviously, it is not an easy task of raising more equity. In agreement with this preposition Turner and Radford (2003) on their part suggested that the affected firm can tie-up with another cash-rich firm which is convinced of its viability and is willing to invest in it. While asset and leverage reductions constitute one component of turnaround finance strategy, cost reduction is the other. The commonly employed financial strategy is reduction of costs in relation to administrative, especially manpower, travel and telephone overheads, and on special amenities. Hoffman (2009) also states that cost cutting is the key to successful financial turnaround. These two strategies are viewed as retrenchment strategies (Hambrick, 2010).

Studies have identified financial restructuring strategy as an integral component of turnarounds (Igor, *et al.*, 2006). Other studies such as the one done by Booma and Babson (2012) have found that firms with successful financial restructuring turnaround strategy have in the past reduced debt to manage cost of capital. The key is to identify non-performing or underperforming business units or products and quickly find buyers. The studies further suggested that sellers can use cash from liquidation to reduce debt or increase their cash balance. Well-managed companies always focus on cash and capital management where capital investment is cut down to the core. However, not all capital investments may be a non-priority. For example, one can take advantage of making an investment in real estate during an economic downturn. One of the objectives of the study was to assess the relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya. Therefore, the following hypothesis was proposed:

H₀₁: There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya

2.3.2 Reorganization Turnaround Strategy

According to Hoshino (2013), reorganization is a broad description of any change in the internal management of an organization. The purpose of reorganization is to support strategies of retrenchment or repositioning. It involves change in planning systems, the extent of decentralization, styles of human resources management, or organizational culture (Hoshino, 2013). Over a three-year reorganization period successful companies were found to be most likely to adopt cost and expense reduction, company size reduction and disposal of non-core assets while operational strategies aimed at reconfiguring internal operations and systems were not likely to be associated with successful companies (Evans, *et al.*, 2013). Reduction in supply chain complexity improves delivery performance, but has no impact on inventory. Supply chain type has no impact on service level, but brands with in-house production are better in improving inventory than those with outsourced production. Non-seasonal business units improve service faster than seasonal ones, yet there is no impact on inventory (Appelqvist, *et al.*,

2013). This means that compatibility of reorganization actions with the confirmed reorganization plan can affect positively performance (Laitinen, 2013).

Leaders can strongly influence a process of change in mindsets, practices and curricula to incorporate sustainability into higher business education institutions. Whereas bottom-up leadership initiatives are crucial, leadership support from top management is seen as important to enable larger, more radical steps of transformation – this can impact positively on performance (Lee & Schaltegger, 2014). According to Laitinen (2008), useful data system can be developed on the basis of pre- filing non- financial information to support reorganization decision. Pre- filing financial information only marginally improves quality of information. Submission and reorganization plan information improve quality in terms of fit but do not significantly improve classification accuracy.

A comparative study by Champieux, *et al.* (2008), reveals two paths to conducting a reorganization of acquisitions in academic libraries, but with the same goal: doing more with less staff while promoting a more cost- efficient model of operations. Sawchuk (2001) presents a case study on union- based research and education activity generated in response to restructuring in the Canadian telecommunications industry and workplace reorganization. Findings suggest that an education/research/policy dynamic rooted in the union local helps to build the potential for workplace democracy and organizational capacity in the labour movement. Kontes (2004) believes that top management should consider redefining the activities and changing the structure of the organization to become a powerful enabler of, and not an obstacle to, superior performance. To improve the performance of the corporate organization, top management needs to address two challenging tasks: first, how to create a new model of the organization and, second, how to replace the old model of the organization. From the foregoing discussion, therefore, the following hypothesis was tested:

H₀₂: There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.

2.3.3 Repositioning Turnaround Strategy

According to Boyne and Meier (2009), repositioning turnaround strategy, also known as entrepreneurial strategy, attempts to generate revenue with new innovations and change in product portfolio and market position. This according to them includes development of new products, entering new markets, exploring alternative sources of revenue and modifying the image or the mission of a company. The purpose of repositioning turnaround strategy is to transpose an organization from a point of underperformance or failure to achieve its objectives to a point of performance (Beeri, 2009). The empirical literature has that repositioning turnaround strategies involve the adoption of a new strategic position for a product or service, and typically lead on from retrenchment (Thompson, 2003). Resources are reallocated from one strategic thrust to another; particularly significant here is the reallocation of managerial talent which can lead to an input of fresh ideas thus strategically changing the focus of the organisation. Revenue-generating strategies, such as product modification, advertising or lower prices designed to generate sales, are often involved; and in addition products and services may well be re-focused into niches which are thought to be most lucrative or defensible.

With a renewal, a firm pursues long-term actions which are supposed to end in a successful managerial performance. Walshe (2004) identified effective approach whose first step is to analyze the existing structures within the organisation. According to Walshe (2004), this examination may end with a closure of some divisions, a development of new markets/ projects or an expansion in other business areas. To reinforce this view, Ruiz (2008) reiterated that a renewal which is part of repositioning strategy may also lead to consequences within a firm, like the removal of efficient routines or resources. Therefore, the following hypothesis was tested:

H₀₃: There is no significant relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya.

2.3.4 Market Redefinition Turnaround Strategy

Developing markets are expected to continue their role as the engines of global economic growth. In the five years through 2015, the International Monetary Fund (IMF) forecasts that emerging-market GDP will grow at around 10 percent annually, compared to 5 percent in high-income countries. This is equivalent to roughly 55 percent of global GDP growth in absolute terms (Saudjana, *et al.*, 2012). Large firms have traditionally commanded a competitive advantage in the marketplace over small firms by being able to use their financial strength to perform large-scale market research studies, to design and implement wide reaching advertising campaigns, and to establish computer and information systems to communicate with their staff and suppliers. Small firms are using new media technologies to level the competitive playing field. Cost-effective new media technologies are making it easier for small firms to enjoy some of the benefits that previously were only available to large companies. Contributes to the scholarship because little relevant research currently exists on the marketing uses of new media technologies for small firms and their potential for altering the competitive advantages long enjoyed by larger firms (Garry, *et al.*, (1999).

According to Hamon (2011), given the dominance of services in most advanced economies, organizations seeking to grow must rely on service innovation for continued business success. Manufacturers, in particular, are becoming increasingly dependent on services as extensions of their product models or remaking themselves into service companies. However, most improvements to services are incremental. It is relatively rare and difficult for a company to develop a service that creates an entirely new market space or reshapes an existing market. Those companies that can create or redefine markets have the potential to make the competition irrelevant and gain significant competitive advantage. Market creating factors include core benefits vs. delivery benefits, separable vs. inseparable service dimensions, and marketing strategy approaches that can leverage disruptive value to create uncontested market space (Hamon, 2011). Understanding consumers from different cultures is a vital concern for

all global companies. From the foregoing discussion, therefore, the following hypothesis was tested:

H₀₄: There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.

2.3.5 Performance of SMEs

Organizational performance can be judged by many different constituencies, resulting in many different interpretations of successful performance. Each of these perspectives of organizational performance can be argued to be unique (Carton, 2004). Performance management can take many forms from dealing with issues internal to the organization to catering to stakeholders or handling issues in its environment. Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioral) side of the enterprise (Arie, 2005). According to Afrifa and Tauringana (2015), for all SMEs, corporate governance factors – board size, chief executive officer (CEO) age and tenure, and directors’ remuneration – are significantly associated with performance of SMEs. The results also suggest that while board size is associated with the performance of both small and medium enterprises, CEO age is significant only for medium firms and directors’ remuneration only for small ones, while CEO tenure and proportion of non-executive directors are not significant for either. Simpson (2006) suggest that there is a positive link between a company's financial performance and its approach to marketing. Empirical analysis from 147 Indian SMEs suggests that information system performance measurement framework can be the foundation for SMEs' strategic growth in the era of globalization (Sharma & Bhagwat, 2006).

Any organization should target the ideal standard of performance namely: consistently competent, ethical, and energetic behavior that always succeeds in producing the best results (Gary, 2003). A developed system enables managers to develop systematic ways to manage future performance; for example, planning, performance forecasting and target setting (Mohammad, *et al.*, 2012). Performance is a contextual concept associated

with the phenomenon being studied (Hofer, 1983). In the context of organizational financial performance, performance is a measure of the change of the financial state of an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization. Since the perception of these outcomes is contextual, the measures used to represent performance are selected based upon the circumstances of the organization(s) being observed. The measures selected represent the outcomes achieved, either good or bad (Carton, 2004).

While the tools and techniques of “exploring the future to deliver better outcomes” may be less common than those for “learning from the past to improve the future”, they offer significant benefits, particularly in complex service delivery situations (Meekings & Briault, 2013). Pavlov and Bourne (2011) identified a theoretical model which showed that performance measurement has three distinct effects on the organizational processes that deliver performance, the trigger, guidance, and intensification effects. Bourne, *et al.* (2013) on the other hand argues that performance is a result of employee engagement and that the performance measurement system is a communication and guiding mechanism, which if implemented well and used appropriately, can channel the efforts of employees striving to perform.

Winand, *et al.* (2011) identified three generic combinations of the key determinants linked with high performance in sports governing bodies in Belgium. The first was high- performing community sport governing bodies that provide innovative activities for their membership and are proactive in elite sport services. The second was other high- performing bodies of large size that involve paid staff in decision- making processes and also develop innovative activities. The third was small- sized governing bodies which, although they do not have extensive resources, could perform highly when they relied on volunteer leaders and delegates activities they were not able to deliver. De Waal, *et al.* (2012) reveals that high performance profile can be described by a four- dimensional factor structure consisting of managerial behaviours, environmental influences, personal qualities and organisational demands.

In general, the concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Barney, 2001). Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist (Carton, 2004).

2.4 Empirical Review

Scherrer (2003) on the study of Management turnarounds: diagnosing business ailments, observed that financial restructuring turnaround strategy helps in developing financial competencies of the business and is used as an asset for enhancing the competitiveness of the business. The main aim of financial restructuring turnaround strategy is to develop and use the financial strength of the business as an asset to enhance the competitiveness of the business. According to Kumar (2003) on the study of industrial sickness: causes and remedies, affirms that organisations usually adopt financial restructuring strategies as reduction in the par value of shares, obtaining loans at low rates of interest, postponement of maturity of debts, and conversion of debt into equity. According to Hoffman (2009) in the study of strategies for corporate turnaround, cost cutting is the key to successful financial turnaround. Igor, *et al.* (2006) identified financial restructuring strategy as an integral component of turnarounds on the study of corporate governance and financial constraints on strategic turnaround.

Kontes (2004) on the study of a new look for the corporate centre, opines that top management ought to consider redefining the activities and changing the structure of the organization to become a powerful enabler of, and not an obstacle to, superior performance. To improve the performance of the corporate organization, top management needs to address two challenging tasks by either creating a new model of

the organization and/ or replacing the old model of the organization. A study done by Champieux, *et al.* (2008) on implementing change and reorganization in the acquisition departments at the University of Alabama and the University of Florida, discloses two paths of conducting a reorganization and acquisitions in academic libraries. Non- seasonal business units improve service faster than seasonal ones, yet there is no impact on inventory (Appelqvist, *et al.*, 2013). This means that compatibility of reorganization actions with the confirmed reorganization plan can affect positively performance (Laitinen, 2013).

According to Boyne & Meier (2009) on the study of environmental change, human resources and organizational turnaround. Repositioning turnaround strategy which is also known as entrepreneurial strategy seeks to generate revenue alongside new innovations, change in product portfolio, and market repositioning. The study identified development of new products, entering new markets, exploring alternative sources of revenue and modifying the image or the mission of a company as effective initiatives. The empirical literature shows that repositioning turnaround strategies involve employment of a new strategic position for a product or service, and typically lead on from retrenchment (Thompson, 2003). Ruiz (2008) reiterated that a renewal which is part of repositioning strategy may also lead to consequences within a firm, like the removal of efficient routines or resources.

Large firms have traditionally commanded a competitive advantage in the marketplace over small firms by being able to use their financial strength to perform large- scale market research studies, to design and implement wide reaching advertising campaigns, and to establish computer and information systems to communicate with their staff and suppliers. Hamon (2011) on the study of empirical correlation of XBT fall rate and its impact on heat content analysis a perspective of businesses, stated that organizations seeking to grow must rely on service innovation for continued business success given the dominance of services in most advanced economies. Manufacturers are becoming increasingly dependent on services as extensions of their product models or remaking

themselves into service companies. However, most improvements to services are incremental. According to Noriega (2012), knowledge is important for international marketing efforts but there is a common notion that it can also be valuable when targeting groups from diverse cultures now residing in the enterprise's home country.

In the context of organizational financial performance, performance is a measure of the change of the financial state of an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization. Organizational performance can be judged by many different constituencies, resulting in many different interpretations of successful performance. Simpson (2006) observed that there is a positive link between a company's financial performance and its approach to marketing. Any organization wishing to succeed should target the ideal standard of performance that include ethical considerations, energetic behavior, and proven competencies that guarantee desired results (Gary, 2003). De Waal, *et al.* (2012) reiterates that high performance profile is occasioned by a four- dimensional factor structure consisting of managerial behaviours, environmental influences, personal qualities and organisational demands. In support of this view, Barney (2001) states that the concept of organizational performance is based upon the proposition that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose.

Schoenberg (2013) did a study on strategies for business turnaround and recovery: a review and synthesis. The study reviewed literature that includes 22 empirical studies and found out that a total of six effective turnaround strategies were consistently identified and four of these relate to the content of the turnaround, namely: 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.

Birir, *et al.* (2014), conducted a study on the effect of turnaround strategies on performance of public corporations in Kenya targeting a population 162 public corporations in Kenya and went further to do purposive sample of thirty-two (32) corporations in Kenya and concluded that there is a significant positive relationship between turnaround strategies and performance. The study went ahead to suggest that when declining corporations implement turnaround strategies (revenue generating and cost reduction strategies) their performance when measured using the balance scorecard measurement tool which measures financial perspective, customer satisfaction, internal business processes and innovation and learning perspectives, will improve positively. The findings also found that cost reduction strategies had a greater effect on the performance of public corporations in Kenya compared to revenue generating strategies. Birir, *et al.* (2014) recommended that public corporations need to implement turnaround strategies to turnaround declining corporations.

Nacheri and Ogolla (2015) did a study on the influence of turnaround strategy adoption on revenue performance of Kenya revenue authority. The objective of this study was to establish the influence of turnaround strategy adoption on the revenue performance of Kenya Revenue Authority. The study aimed at finding out how cost reduction, modernization of internal processes, employee motivation and corporate planning strategies have influenced the revenue performance of Kenya Revenue Authority. Using descriptive research design and both primary and secondary data, the study established that turnaround strategy adopted by Kenya revenue authority contributed to better revenue performance. Using the Z score analysis, Mbogo and Waweru (2014) conducted a study on corporate turnaround strategies by financially distressed companies quoted at the Nairobi Securities Exchange and identified 8 companies having been financially distressed at one point or another during the period of the study (2002-2008). The study found out that employee layoff was the most preferred course of action being carried out by 63% by the companies. Asset restructuring was the second most preferred turnaround strategy being carried out by 50% of the companies. Debt restructuring and top management change were the least preferred turn around strategies each one of them

being taken by one company each. The study also found out that, in the year of distress the restructuring strategies are more intensified and are carried out less intensively in the subsequent years after distress.

On the study of the influence of turnaround strategy on performance of consolidated bank Kenya limited, a descriptive research design and a target population of 140 management staff was adopted. A stratified random sampling technique was used to select a sample size of 70 respondents. The research concluded that innovativeness, managerial skills, technology adoption and government policies are critical factors of turnaround that influence performance (Kinyanjui & Ngugi, 2014). The study further stated that innovativeness was the critical factor as a turnaround strategy influencing performance of consolidated bank. The study recommends that the bank management should invest in research and development and develop new products that are competitive in the target market. The bank should also venture into new market and re-engineer business processes through business process outsourcing.

2.5 Critique of the Existing Literature Relevant to the Study

Robert, *et al.* (2013), while conducting a study on successful turnaround strategy in Thailand using a sample of 101 companies and whose reorganization plans have been confirmed by the Thai Central Bankruptcy Court in the period 1999 – 2002, with performance measures to 2005 found out that over a three year reorganization period successful companies were found to be most likely to adopt cost and expense reduction, company size reduction and disposal of non-core assets while operational strategies aimed at reconfiguring internal operations and systems were not likely to be associated with successful companies. The question is that can the same findings of Robert, *et al.* (2013) be applicable in the Kenyan scenario? If the answer to this question is in the affirmative, then what will happen to these companies if the reorganization period takes more or less than three years? As alluded by the study, it means that cost and expense reduction, company size reduction and disposal of non-core assets are the only

turnaround strategies that the company can use to improve on performance. This is in contrary to the Market-Based View (MBV) theory of strategy that argues that industry factors and external market orientation are the primary determinants of firm performance.

Schoenberg (2013) on the other hand conducted a study on strategies for business turnaround and recovery: a review and synthesis. The study reviewed literature that includes 22 empirical studies and found out that a total of six effective turnaround strategies were consistently identified and four of these relate to the content of the turnaround, namely: 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. This study failed to illustrate whether these contents of the turnaround are positively related or negatively related. All said and done, to what extent are these variables related? Do these variables have a combined effect on the performance? This argument is supported by Panicker and Manimala (2015) who found out that single-pronged strategy is often found to be ineffective.

Birir, *et al.* (2014) conducted a study on the effect of turnaround strategies on performance of public corporations in Kenya targeting a population 162 public corporations in Kenya and went further to do purposive sample of thirty-two (32) corporations in Kenya and concluded that there is a significant positive relationship between turnaround strategies and performance. Regarding Birir, *et al.* (2014) study, the extent of relationship between these turnaround strategies are not shown neither are they related to any of the prominent theories of turnaround strategies ever devised by other studies. Then what basis were these results based? Further, Birir, *et al.* (2014) only singled out two turnaround strategies which are positively related to performance (revenue generating and cost reduction strategies).

Finally, Kinyanjui and Ngugi (2014) did a study on the influence of turnaround strategy on performance of consolidated bank Kenya limited, adopted a descriptive research design and targeted a population of 140 management staff working at consolidated bank in Kenya the study further adopted a stratified random sampling technique to select a sample size of 70 respondents and concluded that innovativeness, managerial skills, technology adoption and government policies are critical factors of turnaround that influence performance. The choice of descriptive research design is not justified and hence it can be concluded that the design is null and void. Further, how these variables identified influence the performance of consolidated bank is a question to be admired. Kinyanjui and Ngugi (2014), failed to at least specify the policies which the study was dealing with and to what extent are they influencing performance.

2.6 Research Gaps

Over the years, research on turnaround strategies has gained momentum mainly because of its association with the organizational performance. Kinyanjui and Ngugi (2014) carried out a study on the influence of turnaround strategy (innovativeness, managerial skills, technology adoption and government policies) on performance of consolidated bank Kenya limited. However much there is the existence of the turnaround strategy in this study, a knowledge gap still exists because the studies failed to indicate how these variables influence the performance of consolidated bank. Kinyanjui and Ngugi (2014) also failed to capture the indicators of innovativeness, managerial skills, technology adoption and government policies which influence performance.

Although there exists a record of research on effects of turnaround strategies on performance of public corporations in Kenya (Birir, *et al.*, 2014), the study did not address the determinants of revenue generation and cost reduction strategies. It is also clear that the study concentrated on only two turnaround strategies that influence performance. This had led to existence of a major knowledge gap among managers/ and business owners who may need to know alternative turnaround strategies which may be implemented in an organization to improve the performance. It was of essence to

acknowledge the fact that studies on turnaround strategies in the Kenyan scenario are available (Nacheri & Ogolla, 2015; Mbogo & Waweru, 2014; Kinyanjui & Ngugi, 2014; and Birir, *et al.*, 2014). However, no records were available to this study to show any research on the relationship between turnaround strategies and performance in Kenya. Furthermore, most of the studies reflected above concentrated on the turnaround strategies on the performance of either public corporations or private companies leaving out the SMEs. There is therefore a need to establish the relevance of the turnaround strategies on SMEs.

A research gap therefore existed in that, much of the research carried out failed to clearly show the relationship between individual turnaround strategies and performance of SMEs. It also remained open to empirical research as to whether there existed a strong correlation between the specific turnaround strategies and performance of the business enterprises in general. This study therefore sought to close the gap by determining the relationship that existed between turnaround strategies and the performance of the business enterprises focusing majorly on the SMEs in Kenya. The study was therefore restricted to the four major turnaround strategies which to the knowledge of the study, were very applicable to any given SME in Kenya (financial turnaround strategy, reorganization turnaround strategy, repositioning turnaround strategy and market redefinition turnaround strategy).

2.7 Summary

The literature review in this study comprises of the theoretical framework, conceptual framework, and empirical review. In the theoretical framework, verifier determinant theory is examined. This is done because the focus of this study as Holtzhauzen (2011) put it is that verifier determinant correctly identify the causes of a business's decline through the application of early warning sign theory is of the utmost importance in effectively addressing the question of whether or not to continue with a business turnaround strategy. At this stage, Holtzhauzen (2011) suggest that the turnaround decision is one of the very first steps in the turnaround process. The focus on stage

theory of successful turnaround is informed by Manimala (2011) who lays emphasis on turnaround managers to adopt a stage wise procedure when implementing their strategies. The study also reviews the market-based view theory because of the argument that industry factors and external market orientation are the primary determinants of firm performance.

In the conceptual framework the independent variables include financial restructuring with obtaining loans at low rates, conversion of debt into equity, and strategic alliances as its indicators. Reorganization turnaround strategy was the second independent variable with change in planning systems, reconfiguration of internal operations, reduction in supply chain complexity, and changing the structure as the indicators. Repositioning is the third independent variable captured in the conceptual framework. Its indicators include entering into market territories, exploring alternative sources of revenue, company image reengineering, and resource reallocation. Captured in the conceptual framework also is market redefinition with service innovation, defining and reaching the right demography, consumer engagement, introduction of corporate social responsibility as its indicators. Performance is the dependent variable with increase in market share, customer satisfaction, organisational growth, expansion and realization of economies of scale, and profitability as its indicators.

Empirical review in the study has carried out to identify the knowledge gaps from previous studies relevant to the current study. The scope of organizational performance should be broadened from profitability to include other factors such as customer satisfaction, organisational growth, and expansion. Design of performance measurement system can be done under mixed methods design rather than quantitatively (Kinyanjui, 2014). The non-existence of the level of influence between the strategies and performance, determinants of turnaround strategies, reorganization, market redefinition and repositioning, and relationship between the individual turnaround strategies and performance are identified as gaps in knowledge.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, target population, sampling frame, sample and sampling technique, research instruments, data collection procedure, pilot test, and data processing and analysis. Research methodology helped the study to discover answers to research questions through application of scientific procedures (Kothari, 2004).

3.2 Research Philosophy and Research Design

3.2.1 Research Philosophy

The study accepts the fact that there are many paradigms that exist, but the paradigm that guided this study was pragmatism. A paradigm may be thought of as pattern or model of how something is structured (the parts and their interrelationships) and how the parts function (behavior within a specific context or time dimension) (Huitt, 2011). Like any other research of the same kind, this study was guided by the facts surrounding the pragmatism paradigm which include according to Borrego, *et al.*, (2009), ontological, epistemological, axiological and methodological philosophies.

Borrego, *et al.*, (2009) further indicated that pragmatism is what is ultimately important is what works in practice and what promotes social justice. Pragmatism is focused on the ends that we desire. According to pragmatism, your research design should be planned and conducted based on what will best help you answer your research questions; the result was pragmatic knowledge. Which was the basis of the current study. Pragmatism says that theories or programs or actions that are demonstrated to work for particular groups of people are the ones that we should view as currently being the most valid for those people. Another version of pragmatism is “*dialectical* pragmatism” because a philosophy for mixed research should carefully listen to ideas, assumptions, and

approaches found in qualitative and quantitative research and in any other relevant domain. The word *dialectical* was intended to imply a dynamic back-and-forth listening to multiple perspectives. In this study, both quantitative and qualitative aspects of performance was established necessitating the need for pragmatism.

Ontology involves the philosophy of reality, epistemology addresses how we come to know that reality, axiology involves values, and methodology identifies particular practices used to attain the knowledge. Epistemology poses the following questions: What is the relationship between the knower and what is known? How do we know what we know? What counts as knowledge? In the positivism paradigm, the object of study is independent of the study; knowledge is discovered and verified through direct observations or measurements of phenomena; facts are established by taking apart a phenomenon to examine its component parts (Krauss, 2005).

In post-positivism, the object of study and the study are inseparable which is supported by Coll and Chapman (2000); Cousin (2002) where it is stated that the naturalism or constructivism view, is that knowledge that is established through the meanings attached to the phenomena studied; researchers interact with the subjects of study to obtain data; inquiry changes both study and subject; and knowledge is context and time dependent. It is clear from this statement that positivism and post-positivism are closely identified with quantitative research and naturalism or constructivism with qualitative research, making neither particularly suitable for mixed methods research (Teddlie & Tashakkori, 2009). It is noted therefore with certainty that if positivism, post-positivism, and constructivism paradigms were to be used as a guide for this study, qualitative and quantitative aspects desired in this study leading to inferential analysis could have not been effectively realized and therefore pragmatism was used in this study. Kinyanjui (2014) in the study of influence of contextual and cognitive factors on the relationship between performance contracting system and organizational performance in government ministries in Kenya used pragmatism research paradigm as guide to the study.

3.2.2 Research Design

The research designs that were used in this study were descriptive survey design and correlational research design. The reason for the choice of these two research designs was because they allowed the study to determine the strength and direction of a relationship so that later studies can narrow the findings down and, if possible, determine causation experimentally.

Descriptive survey is the method of research which concerns itself with the present phenomena in terms of conditions, practices beliefs, processes, relationships or trends (Salaria, 2012). The study used survey data (based on responses in a questionnaire) to record the data. Surveys are often used with a correlational research design. However, anytime data is used to determine if two or more factors are related/correlated, correlational design is normally used, even if a survey or questionnaire is used to record the data. This study required both the causal relationship and the extent to which each independent variable influences the dependent variable, both descriptive research design and correlational research design were therefore deemed appropriate for this study. Kinyanjui (2014) used both descriptive research design and correlational research design in the study of influence of contextual and cognitive factors on the relationship between performance contracting system and organizational performance in government ministries in Kenya used pragmatism as guide to the study.

While correlational research design helped the study to identify the predictive relationships by using correlations and regression modelling, descriptive survey helped the study to describe the phenomena. The study used mixed mode research approach. This was informed by the fact that both qualitative and quantitative data analysis were carried out simultaneously in a cross-sectional manner in this study. Mixed mode research are studies that are products of the pragmatist paradigm and that combine the qualitative and quantitative approaches within different phases of the research process (Tashakkori & Teddlie, 2008). Mixed methods helped the study to better understand the study respondents and to optimize the data collection process, or to increase both the

breadth and width of data collection. Ndungu, *et al.* (2014) in the study of moderating role of entrepreneurial orientation on the relationship between information security management and firm performance in Kenya used and supported mixed method research approach.

3.3 Target Population

Target population is defined as “the population about which information is wanted” or the “totality of elements which are under discussion and about which information is desired”. Often, the word “population”. The word “target” emphasizes, however, that this population is not necessarily the same as the one that we end up sampling (Greenland, 2005). According to Berg (2001), the target population refers to the larger population to which the study ultimately would like to generalize the results. The research population in this study were 8,604 FMCG retail and wholesale SMEs in Thika Sub County shown by steric in Appendix 4. According to Thika Sub County (2015), Thika has become one of the fastest retail growth centers of large retail chain and malls especially with the ease of connectivity to proper infrastructure such as Thika to Nairobi superhighway that has since enhanced accessibility to the capital city, Nairobi. Thika sub-county is also a cosmopolitan town which is synonymous with sensible pro-growth government policy, more diversified economy, and an innovation ecosystem of startups, international companies and universities. These enterprises were selected guided by the fact that they comprise 58.07% of all the registered businesses in Thika Sub County. Small enterprises were classified in this study underpinned by the Thika sub county statistics as those having 10 – 20 employees while medium retailers were those having 20 - 50 employees. These comprised the target population of interest for this study. This is summarized in the Table 3.1.

Table 3.1 Population Frame

Business description	Registered Number
Small Enterprises	5,680
Medium Enterprises	601
Wholesale Enterprises	2,323
Total	8,604

Source: Thika Sub- County (2015)

3.4 Sampling Frame

According to Turner (2003), sampling frame is the set of source materials from which the sample is selected. The study needed sampling frame because of the fact provided by Tuner (2003) that sampling frame provides a means for choosing the particular members of the target population that are to be interviewed in the survey. This was the guiding principle of the study to the current research. Saunders, *et al.* (2009) justifies this fact by stating that, sampling frame is a list of all items where a representative sample is drawn for the purpose of research. The sampling frame had all the small and medium-retail enterprises dealing with fast moving consumer goods whose contact and location details are provided by Thika Sub County. A total of 8,604 enterprises excluding retail enterprises dealing with other non-consumer goods as shown in Appendix 4 formed the sampling frame for this study.

3.5 Sampling Technique and Sample Size

In this section, the study examined sampling technique, sampling procedures, sampling frame as well as derivation of the sample size. Stratified random sampling was adopted in this study. A sample in this study referred to the respondents from which information was obtained (Kinyanjui, 2014). This study defined sampling as the process of selecting these groups. According to Westfall (2009), stratified sampling is used when representatives from each subgroup within the population need to be represented in the

sample. The first step in stratified sampling is to divide the population into subgroups (strata) based on mutually exclusive criteria. Random or systematic samples are then taken from each subgroup. The sampling fraction for each subgroup may be taken in the same proportion as the subgroup has in the population. In view of Mugo (2002), stratified sample is obtained by independently selecting a separate simple random sample from each population stratum.

Lammers and Badia (2013) concludes these two views by positing that stratified random sampling is also a form of probability sampling. To stratify means to classify or to separate people into groups according to some characteristics. These separate groupings are referred to as subsets or subgroups. For a stratified random sample, the population is divided into groups or strata. A random sample is selected from each stratum based upon the percentage that each subgroup represents in the population. As recommended by Lammers and Badia (2013), the study applied two approaches of stratified sampling. In the first step, primary interest was in the representativeness of the sample for purposes of commenting on the population and in the second, the focus of interest was the comparison between and among the strata.

In addition, Kothari (2004) argues that if a population from which a sample is to be drawn does not constitute homogeneous groups, stratified sampling technique is generally applied in order to obtain a representative sample. On the other hand, Gupta and Gupta (2009) justifies this argument by categorically stating that stratified sampling is regarded as the most efficient system of sampling as there is little possibility of any essential group of population being completely excluded. Since the current study constituted heterogeneous population, stratified random sampling was the most appropriate for the study. With reference to this, the study also employed purposive sampling, a non-probability sample that conforms to certain criteria, particularly judgmental sampling to select respondents from different retail enterprises sizes within Thika Sub County and its environments, whose workforce ranges from 5-50 employees. The small medium-retail enterprises were divided into three strata as in table 3.2, where

each business category formed a stratum (Cooper, & Schindler, 2008).

Kiiru (2015) describes stratified sampling approach as the most effective technique when three conditions are met. These are variability within strata are minimized, variability between strata are maximized and the variables upon which the population is stratified are strongly correlated with the desired dependent variable. In the current study, the variable which was used for stratification was the enterprise size. Oloko and Ogutu (2012) used and supported stratified random sampling in the study of the influence of power distance on the relationship between employee empowerment and empowerment outcomes in multinational corporations in Kenya.

In the determination of the sample size in this study, Kothari (2009) and Sekaran (2003) criteria on selection of sample size was considered. The study admits the fact that there exist critics concerning the Sekaran (2003) selection of a sample size such as Onwuegbuzie and Leech (2006). From the previous studies, the study identified that Sekaran's (2003) criterion is supported by prominent scholars such as Tashakkori and Teddlie (2010) who indicated that methodically, Sekaran's (2003) criterion is in line with pragmatism research upon which the current research is based. Furthermore, Onwuegbuzie and Leech (2006) have the same argument with Sekaran (2003) that sampling in mixed approach requires both qualitative and quantitative strands to be considered. While Kothari (2009) suggests the formula for large population, Sekaran (2003) suggests a minimum percentage (30%) that is generally sufficient at 95% level of confidence. The current study had a target population of 8,604, confidence level of 95%, p of 0.58 since small and medium-retail enterprises represents 58.07% of the total registered enterprises in Thika Sub County and an error term of 0.05. Based on these arguments, the study therefore used the following formula as yielded good representation of the population:

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + Z^2 \cdot p \cdot q}$$

Where: n = sample size

p = estimated proportion of an attribute that is present in the population (.58)

z = standard normal deviate at the 95% confidence level (1.96)

e = standard error (.05)

q = 1 - p (.42)

$$n = \frac{(1.96)^2 (0.58) (0.42) (8604)}{(0.05)^2 (8604 - 1) + (1.96)^2 (0.58) (0.42)} = 375$$

Using the formula, the study found the sample population as shown in table 3.2.

Table 3.2: Sample Design

Business description	Population per stratum	Sample Size
Small Enterprises	5,680	248
Medium Enterprises	601	26
Wholesale Enterprises	2,323	101
Total	8,604	375

Kinyanjui (2014) in the study of influence of contextual and cognitive factors on the relationship between performance contracting system and organizational performance in government ministries in Kenya used Kothari (2009) and Sekaran (2003) criteria on selection of sample size.

3.6 Data Collection Instruments

The study used primary and secondary data. Primary data was collected directly from the respondents and used to analyze the relationships that were being examined in this study. Secondary data was used to acquire information on the performances of the small and medium enterprises. This information was obtained from previous evaluation reports carried out by the owners of the enterprises and from the books of accounts. The data collection instruments that was used in this study was self-administered structured

questionnaire and an interview guide. A research instrument in this study is a device that the study used to collect data. According to Kinyanjui (2014), self-administered structured questionnaire is used to collect quantitative strands while the interview guide is used to collect qualitative strands of the research. The current study involved both the qualitative and quantitative aspects of performance and therefore, self-administered structured questionnaire and interview guide was appropriate for this study.

According to Wolf (2008), a self-administered questionnaire (SAQ) refers to a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researcher collecting the data, self-administered questionnaire is usually a stand-alone questionnaire. A self-administered structured questionnaire was used to collect quantitative data from ordinary employees of the SMEs. As indicated by Donald and Delno (2006), the use of this instrument assumed that the respondents understood the significance of the research and could understand the items in the instrument. The questionnaire took the format of five point Likert scale of 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree as recommended by Alan, (2001). In his interpretation in analysis of data, Carifio and Rocco (2007) indicated that; Strongly Disagree $1 < SD < 1.8$; Disagree $1.8 < D < 2.6$; Neutral $2.6 < N < 3.4$; Agree $3.4 < A < 4.2$; and Strongly Agree $4.2 < SA < 5.0$. The study therefore followed this criterion while analyzing data in this study.

The study collected information regarding performance from the owners of the SMEs by use of open ended interview guide. This ensured that the information gathered was as adequate as possible as far as the performance of SMEs is concerned. Interviews were conducted to probe for in-depth information on performance that the study was not able to get by the structured questionnaire. It is therefore important to note that the data that was collected through the interviews was qualitative. This was synchronized with the quantitative data that was collected by the use of questionnaires following the research design and paradigm that guided the study to make inferences of the relationships under examination. Sije and Oloko (2013) in the study of penetration pricing strategy and

performance of small and medium enterprises in Kenya used both self-administered structured questionnaire and an interview guide.

3.7 Data Collection Procedures

In the journal of mixed methods research, Tashakkori and Teddlie (2010) indicate that the type of data to be collected should be guided by the objectives of the study. In this study therefore, primary data was gathered from the employees of the SMEs while secondary data was obtained from the reports, and books of accounts of the SMEs. As indicated by Kinyanjui (2014) from Donald and Delno (2006), both primary and secondary sources of data are permitted in research. This study appreciated both primary and secondary sources of data but the main focus of this study was data obtained from primary sources through a self-administered structured questionnaire and an interview guide. Using the view of Tashakkori and Teddlie (2010), the data collection methods was informed by the study objectives. Data for the current study was collected by administering the questionnaires to a sample of 375 respondents of SMEs from Thika Sub-County. The study was assisted by four research assistants in the process of data collection. The study used this method to ensure that every detail is captured to help make sound judgement and hence advice appropriately. Before deploying the research assistants to the field, the researcher trained the research assistants on research ethics as well as on the items in the research instruments so as to enable them clarify any questions that could have been raised by the respondents. A follow up time schedule was agreed upon by the researcher and the research assistants to guide on the supervision of the research progress. In addition, the research assistants were given copies of the cover letter, the letter from the university, and the letter from NACOSTI to permit them collect data on behalf of the researcher.

3.8 Pilot Study

According to Saunders, *et al.*, (2009) pilot test is used to establish the accuracy and appropriateness of the research design and instrumentation. This was informed by the

fact that the results of the current research should remain reliable and valid as much as possible. The study used 10 small and medium-retail enterprises to carry out the pilot study of which these were part of the sampled population. This represented 3% of the accessible population. This is generally supported by social scholars such as Mugenda and Mugenda (2003) who indicate that successful pilot study uses 1% to 10% of the actual sample size. The respondents who participated in the pilot testing of the research instruments were exempted from being respondents in the main study to eliminate biasness in the research results based on prior knowledge of the contents in the research instrument. The study used simple random sampling in the selection of the respondents, which according to Orodho (2003), ensures that each unit has an equal chance of being chosen and the random sample is the most representative of the entire population and least likely to result to bias. To check the validity of the research instruments, the study sought an expert opinion through a focus group discussion. Ndungu, *et al.*, (2014) in the study of moderating role of entrepreneurial orientation on the relationship between information security management and firm performance in Kenya used pilot testing.

3.8.1 Reliability of Research Instruments

Donald and Delno (2006) define reliability of research instruments as the consistence of scores obtained and has two aspects; stability and equivalency. On the other hand, Weiner (2007) defines reliability as the degree to which a measurement technique can be depended upon to secure consistent results upon repeated application. This is justified by Kothari (2009) who indicates that a research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work. A good design is often characterized by adjectives like flexible, appropriate, efficient, and economical. Generally, the design which minimizes bias and maximizes the reliability of the data collected and analyzed is considered a good design Kothari (2009). The study was informed by these qualities in the current research and that was the basis of testing the reliability of this research. In addition, Kothari (2009) indicates that a measuring instrument is reliable if it provides

consistent results. Kinyanjui (2014) indicated that there are many methods used by researchers to obtain reliability of research instruments and as a result the current study used test-retest method. Coopers and Schindler (2008) posits that this method involves administering the same test twice to the same group after a certain time interval has elapsed since the previous test which to the view of the study, was applicable to the current study. Reliability coefficient of the research instrument was assessed using Cronbach's Alpha coefficient. This tool measures internal consistency among a group of items combined to form a single scale. According to Suhr and Shay (2009), a Cronbach-alpha coefficient of greater than 0.70, indicates a factor as being reliable. If the Cronbach – alpha coefficient was to be less than 0.7, then the instrument was to be revised before the main research is carried out to the acceptable level. According to George and Mallery (2003), the following is the commonly accepted rule of thumb for describing internal consistency of a research instrument.

Table 3.3 Cronbach's Alpha

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: George and Mallery, (2003)

3.8.2 Validity of Research Instruments

According to Donald and Delno (2006), validity of a research instrument is the appropriateness, meaningfulness and usefulness of the research instrument in respect to the inferences a study makes. Donald and Delno (2006) further indicates that there are three types of validity that are of interest to researchers which include: content related,

criterion related and construct. Content related validity is the content and format of the instrument; criterion related validity is the relationship between scores obtained using an instrument and scores obtained using one or more instruments or measures; and construct validity is the nature of the psychological construct or characteristic being measured (Huber, 2004). The validity of the research instruments in the current study was tested through the content-related method. This test of validity method was informed by the fact that it was consistent with the objectives of the study and the research paradigm. Based on Kothari (2009) stance, the validity of the research instruments was informed by the advice of two experts.

3.9 Data Analysis and Presentation

3.9.1 Data Analysis

The guiding principle in data analysis in this study was based on whether the data is qualitative or quantitative. Donald and Delno (2006) indicates that data analysis is examining what has been collected in a survey or experiment and making decision and inferences. Mixed methods data analysis techniques was employed in this study incorporating both descriptive and inferential data analysis. Pearson's Product Moment Correlation Coefficient (r) and Regression analysis was used. Huber (2004) indicates that Pearson's Product Moment Correlation (r) is a measure of the linear dependence (correlation) between two variables and can give a positive or negative value of their relationship.

Pearson's Product Moment Correlation Coefficient (r) was used in this study to analyze the linear relationship between the main predictor variables and the dependent variable. Correlation Coefficient (r) is widely used in social sciences as a measure of the strength of linear dependence between two variables (Huber, 2004). Since the relationship between dependent and independent variable was linear, Pearson's Product Moment Correlation (r) was used for data analysis. In the interpretation of results for the linear relationships in the study, the following was the decision points: for a weak correlation,

“r” was to range from ± 0.10 to ± 0.29 ; in a moderate correlation, “r” was to range between ± 0.30 and ± 0.49 ; while in a strong correlation, “r” was to range from ± 0.5 and ± 1.0 (Shirley, *et al.*, 2005). Since hypothesis was involved in this study, testing of regression coefficients was used. Regression analysis was conducted to determine whether each of the four independent variables has a significant relationship with the performance of SMEs. One of the notable example of studies that have previously used regression model was a study done by Aduda (2011) which investigated the relationship between executive compensation and firm performance in the banking sector in Kenyan. Being that the current research is also dealing with the relationship study, the study therefore used regression model as a tool of analysis.

In the current study, the response (criterion) variable (Y) is performance while the independent (predictor) variables are financial restructuring (FRTAS), reorganization (RETAS), strategic repositioning (RTAS), and market redefinition (MRTAS). The following model was used in the study;

$$BP = \beta_0 + \beta_1 FRTAS + \beta_2 RETAS + \beta_3 RTAS + \beta_4 MRTAS + \varepsilon$$

ε = The error variability (error term). Assumed to be normally distributed with mean zero and constant variance.

β_1 , β_2 , β_3 , and β_4 , are model parameters and they describe the directions and strengths of the relationship between the dependent and the independent variables. β_0 - a constant (intercept).

Most statistical tests rely upon certain assumptions about the variables used in the analysis. When these assumptions are not met the results may not be valid, resulting in either Type I or Type II error, or over- or under-estimation of significance or effect size(s) (Osborne & Waters, 2002). Pedhazur (1997) noted that knowledge and understanding of the situations when violations of assumptions lead to serious biases and

when they are of little consequence are essential to meaningful data analysis. However, as Osborne, *et al.*, (2001) observe, few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions, putting validity of their results into question.

This study satisfactorily tested assumptions of the statistical tests. This study tested for normality, heteroscedasticity, homoscedasticity, linearity, and multicollinearity. Normality is important in knowing the shape of the distribution and helps to predict dependent variables scores (Paul & Zhang, 2010). Heteroscedasticity means a situation in which the variance of the dependent variable varies across the data, as opposed to a situation where Ordinary Least Squares, OLS, makes the assumption that $V(\epsilon_j) = \sigma^2$ for all the j , meaning that the variance of the error term is constant (homoscedasticity). Heteroscedasticity complicates analysis because many methods in regression analysis are based on an assumption of equal variance (Park, 2008). To test for normality, and heteroscedasticity, of regression residuals, this study used STATA version 12.0 software. Koong, *et al.*, (2013) used STATA software to test for assumptions on variables used in their analyses in their study on Push and Pull Effects of Homeland Information Security Incentives.

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong (Martz, 2013). To test for multicollinearity, Variance Inflation Factors (VIF) and tolerance values were used to test for multicollinearity consistent with Mathuva (2016). A tolerance value close to 1 means little multicollinearity while a value close to zero suggests multicollinearity threat and as for VIF it show how much the variance of the coefficient estimate is being inflated by multicollinearity (Mathuva, 2016). Knapp (2005) tested for multicollinearity in his study on A Model of Managerial Effectiveness in Information Security: From Grounded Theory to Empirical Test. Cavusoglu, *et al.*, (2004) also tested for multicollinearity in their study on The Effect of Internet Security Breach Announcements on Market Value:

Capital Market Reactions for Breached Firms and Internet Security Developers. The current study also tested for linearity. Linearity refers to the consistent slope of change that represents the relationship between an independent variable and a dependent variable. Perhaps the easiest and clear-cut one, yet rigorous, is the deviation from linearity test. If the significant value for deviation from linearity is less than 0.05, the relationship between independent and dependent variables is not linear, and this presents problems during modeling. Mark (2003) also states that issues of linearity can also be fixed by removing outliers. Since this was done in the current study, the study assumes linearity of the variables.

3.9.2 Data Presentation

Data can be presented using statistical techniques, graphical techniques or a combination of both in order to come up with comprehensive conclusions (Kombo & Tromp, 2006). Quantitative data was presented using statistical techniques such as tables while qualitative data presented descriptively in this study.

3.9.3 Measurement of Variables

The dependent variable is performance which was tested through four independent variables namely: Financial restructuring turnaround strategy, reorganization turnaround strategy, repositioning turnaround strategy, and market redefinition turnaround strategy. Performance was measured by increase in market share, return on assets, number of employees, number of products, annual running expenditure, and profitability. The measurement of the independent variables and dependent variable was as shown in Table 3.4.

Table 3.4 Measurement of Variables

Variable	Constructs	Operational Definition	Measurement Scale	Data Type
Financial Restructuring turnaround strategy	<ul style="list-style-type: none"> • Cost Containment • Conversion of debt into equity • Strategic Alliances • New Financing 	Responses to be provided in Likert Scale of 1-5 to assess the relationship between financial restructuring and performance	Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Reorganization turnaround strategy	<ul style="list-style-type: none"> • Customer Involvement • Reconfiguration of Internal operations • Reconfiguration of External operations • Changing the Structure 	Responses to be provided in Likert Scale of 1-5 to assess the relationship between reorganization and performance	Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Repositioning turnaround strategy	<ul style="list-style-type: none"> • Entering into Market Territories • Exploring Alternative Sources of Revenue • Organizational Alignment • Resource Reallocation 	Responses to be provided in Likert Scale of 1-5 to assess the relationship between repositioning and performance	Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Market Redefinition turnaround strategy	<ul style="list-style-type: none"> • Service Innovation • Product Modeling • Consumer Engagement • Reshaping Existing Market 	Responses to be provided in Likert Scale of 1-5 to assess the relationship between market redefinition and performance	Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Performance	<ul style="list-style-type: none"> • Increase in Market Share • Return on Assets • Number of Employees • Number of Products • Annual Running Expenditure • Profitability 	Responses to be provided in Likert Scale of 1-5 to assess the relationship between performance and the turnaround strategies.	Ordinal scale (non-dichotomous type)	Quantitative

3.9.4 Operationalization of Variables

The dependent variable is performance, which was assessed through four independent variables namely: Financial restructuring turnaround strategy, reorganization turnaround

strategy, repositioning turnaround strategy, and market redefinition turnaround strategy. The measurement parameters for the study variables were as shown in Table 3.5

Table 3.5: Operationalization of Variables

Variable	Constructs	Data Type
Financial Restructuring turnaround strategy	<ul style="list-style-type: none"> • Cost Containment • Conversion of debt into equity • Strategic Alliances • New Financing 	Quantitative and qualitative
Reorganization turnaround strategy	<ul style="list-style-type: none"> • Reconfiguration of Internal operations • Reconfiguration of External operations • Customer Involvement • Changing the Structure 	Quantitative and qualitative
Repositioning turnaround strategy	<ul style="list-style-type: none"> • Entering into Market Territories • Exploring Alternative Sources of Revenue • Organizational Alignment • Resource Reallocation 	Quantitative and qualitative
Market Redefinition turnaround strategy	<ul style="list-style-type: none"> • Service Innovation • Product Modeling • Consumer Engagement • Reshaping Existing Market 	Quantitative and qualitative
Performance	<ul style="list-style-type: none"> • Increase in Market Share • Return on Assets • Number of Employees • Number of Products • Annual Running Expenditure • Profitability 	Quantitative

3.9.5 Hypotheses Testing

For empirical conclusions to be arrived at, tests of various hypotheses were conducted. Table 3.6 indicates the summary of the research hypotheses, type of analysis, decision rule, and the interpretation of the results.

Table 3.6 Statistical Tests of Hypotheses

Hypothesis statement	Type of Analysis	Decision rule and interpretation
H₀₁: There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.	• Pearson's Correlation	<ul style="list-style-type: none"> • Reject H₀₁ if P-value is < 0.05 • Fail to reject H₀₁ if P-value is > 0.05 $Y = \beta_0 + \beta_1 X_1 + \varepsilon$
H₀₂: There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.	• Pearson's Correlation	<ul style="list-style-type: none"> • Reject H₀₂ if P-value is < 0.05 • Fail to reject H₀₂ if P-value is > 0.05 $Y = \beta_0 + \beta_2 X_2 + \varepsilon$
H₀₃: There is no significant relationship between strategic repositioning turnaround strategy and performance of small and medium enterprises in Kenya.	• Pearson's Correlation	<ul style="list-style-type: none"> • Reject H₀₃ if P-value is < 0.05 • Fail to reject H₀₃ if P-value is > 0.05 $Y = \beta_0 + \beta_3 X_3 + \varepsilon$
H₀₄: There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.	• Pearson's Correlation	<ul style="list-style-type: none"> • Reject H₀₄ if P-value is < 0.05 • Fail to reject H₀₄ if P-value is > 0.05 $Y = \beta_0 + \beta_4 X_4 + \varepsilon$

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter is on data analysis, presentation, interpretation and discussion. The first section in this chapter is on the response rate of the respondents. The second section of this chapter presents the profiles of respondents. The third section presents test of statistical assumptions and usage of the Likert-type scales in data analysis. The fourth section in this chapter is on the analysis, presentation, interpretation and discussion of the relationships under investigation. Since descriptive research design and correlational research design under mixed mode research approach were used in this study, descriptive, inferential and qualitative statistical analysis were carried out in this chapter simultaneously in a cross-sectional manner. Since qualitative data was collected through interviews, qualitative analysis was done for each research objective after the descriptive and inferential statistics. Discussions in this chapter were done from the analysis and interpretation of descriptive, inferential and qualitative data.

4.2 Response Rate

The total number of questionnaires distributed were 375. These questionnaires were self-administered to employees of SMEs in Kenya. A total of 316 questionnaires were returned properly completed (Table 4.1). This represented an overall response rate of 84.5% (Table 4.1). According to Kothari (2007), a response rate of 50% is acceptable to analyse and publish, 60% is good, 70% is very good and beyond 80% is an excellent response rate. Saunders, *et al.*, (2003) on the other hand indicate that 30 to 50 percent response rate is reasonable enough for statistical generalizations. Babbie and Benaquisto (2009) stated that a response rate of 50% is adequate while Bailey (1987) set an adequate response rate at 75%. Mugenda (2008) avers that a response rate of 50% is adequate, 60% and above good, and above 70% very good. Therefore, 84.3% response rate achieved in this study was excellent for subsequent data analysis.

In a related study by Birir, *et al.*, (2014) on the effects of turnaround strategies on performance of public corporations the response rate was 29.45%. In another study by Bachmann (2009) on sustainable performance increase and strategic turnaround management: current corporate restructuring experiences in the Romanian market, a response rate of 27.6% was realized.

The low response rate recorded by the scholars in the above two studies could be attributed to mailing the data collection instruments to the respondents in lieu of self-administering them. Some people do not read their electronic mails regularly while others could have changed their e-mail addresses, and yet others could be lazy in responding to mails. If mailed by post, inefficiency of the service could result into low response rate. Self-administering on the other hand means meeting face-to-face with your respondents who, more often than not, would respect the effort made in reaching them. Self-administering was used in this study.

Table 4.1 Response Rate

Response	Respondents	Percentage
Returned	316	84.3
Not Returned	59	15.7
Total Distributed	375	100

4.3 Pilot Study Results

4.3.1 Reliability Results

Cronbach's Alpha was used to test the reliability of the questionnaire. Since the research instrument yielded reliability coefficient of more than 0.7 on financial restructuring turnaround strategy, reorganization turnaround strategy, repositioning turnaround strategy and market redefinition turnaround strategy. It can be concluded that the research instrument was adequate for subsequent analysis.

Table 4.2 Cronbach Alpha for Reliability Assessment

Variables	Number of Items	Cronbach Alpha	Remarks
Financial Restructuring Turn around	6	0.70	Accepted
Reorganization Turnaround	6	0.73	Accepted
Repositioning Turnaround	6	0.72	Accepted
Market Redefinition Turnaround	6	0.74	Accepted

4.3.2 Validity Results

Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) and Bartlett's test of sphericity were applied to test whether the correlation between the study variables exist as shown in Table 4.37. The Kaiser-Meyer-Olkin measures of sampling adequacy show the value of test statistic as 0.576 and p-value <0.05. Bartlett's test of sphericity had a chi-square value of 9606.959 p value of 0.000. Since the p value is less than 0.05 then it implies that there exist a relationship among the study variables therefore providing a ground for further statistical analysis to be conducted.

Table 4.3 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.634
Bartlett's Test of Sphericity	Approx. Chi-Square	9606.959
	df	300
	Sig.	.000

4.4 Demographic Information

The study sought the back ground information of the respondents which included gender, age, highest level of education and number of years in business.

4.4.1 Distribution of Respondents by Gender

According to this study findings respondents comprised of 56% (majority) male respondents and 44% female respondents as shown by Figure 4.1. This gender composition is anticipated to bring different skills composition in relation to turn around strategies in SMEs.

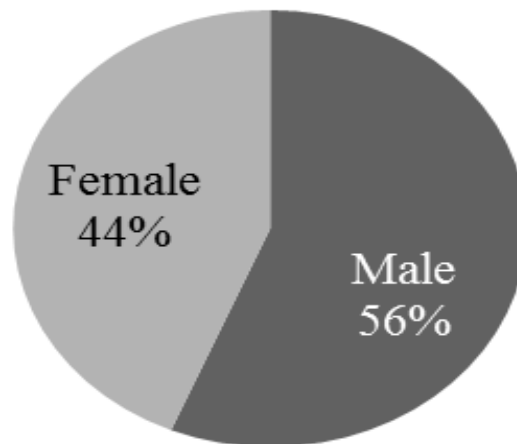


Figure 4.1 Gender

4.4.2 Distribution of Respondents by Age

Secondly, the study explored the age distribution of the respondents, both frequencies and percentages were used to summarize the study findings. Results in Table 4.4 revealed that 47.5% aged between 26-30 years, followed by 20.6% who aged between 36-40 years. Since majority of the respondents were below 40 years it implies that SMEs are serving as an alternative form of employment among the youths whose unemployment rates are high in Kenya. Therefore, policy makers ought to develop measures aimed at increasing the chances of youths venturing into small and medium enterprises.

Table 4.4 Age of Respondents

Age in years	Frequency	Percent
21 – 25 Years	9	2.8
26 – 30 years	150	47.5
31 – 35 years	51	16.1
36 – 40 years	65	20.6
41 – 45 Years	9	2.9
46 – 50 years	24	7.6
51 – 55 years	8	2.5
Total	316	100

4.4.3 Distribution of Respondents by Level of Education

Moreover, the study sought information on the highest level of education attained by the respondents. Results in Table 4.5 show that 36.1% had bachelor’s degree, 20.6% had post-secondary school certificate and 24.4% were diploma holders. Since majority of the respondents had attained formal education training it would have been easy to develop and adopt a turnaround strategy in their SMEs.

Table 4.5 Highest Level of Education

Education Level	Frequency	Percent
High School	52	16.4
Certificate	65	20.6
Diploma	77	24.4
Bachelor’s Degree	114	36.1
Post Graduate Degree	8	2.5
Total	316	100

4.4.4 Distribution of Respondents by Years in Business

The number of years in a business can be used to categorize the business into incubation, growth or maturity. The pictorial presentation depicted that majority 62% of the SMEs

had been operational for a period between 1-5 years, followed by 33% which had operated for 6-10 years while 5% had been operational for more than ten years. From the findings it can be deduced that most of the SMEs are in the incubation stage and they demand the need for turnaround strategies as such to accelerate their rate of growth.

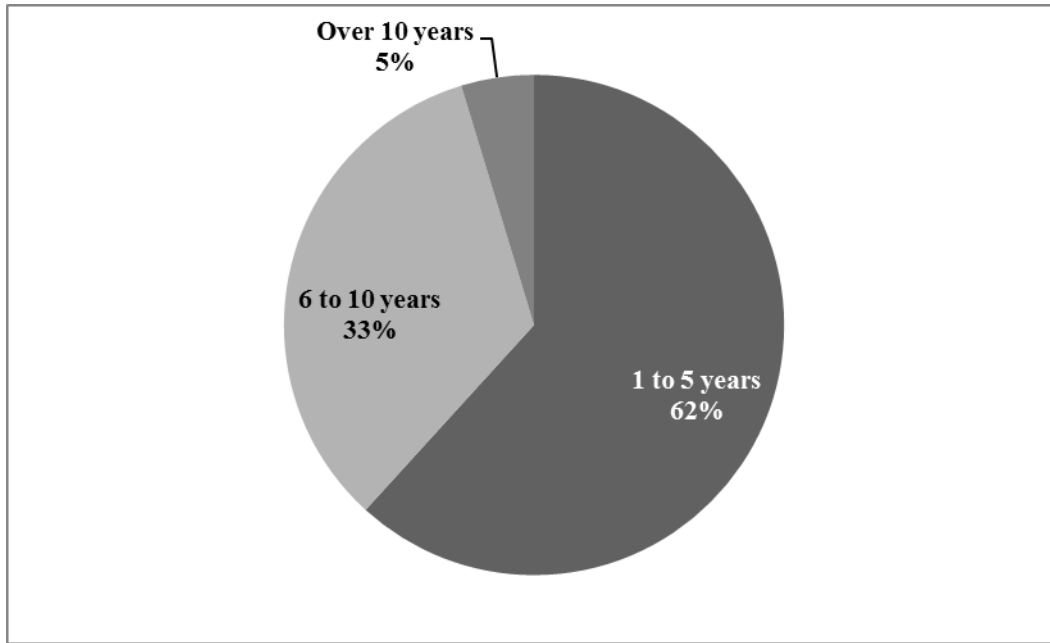


Figure 4.2 Years in Business

4.5 Test for Assumptions of the Variables and Analysis of Likert-Type Data

According to Long & Ervin (1998), when the assumptions of the linear regression model are correct, ordinary least squares (OLS) provides efficient and unbiased estimates of the parameters. To ensure that there was no violation of the assumptions, the current study tested for linearity, homoscedasticity, heteroscedasticity, and Normality. Prior to embarking on their analysis, Sazali, *et al.*, (2009) conducted preliminary analyses to ensure that there was no violation of the assumptions of normality, linearity, homoscedasticity, and homogeneity of error variance, in their study on Moderating Effects of MNCs' Size in the Relationship between Degree of Inter-Firm Technology Transfer and Local Firms' Performance.

4.5.1 Testing for Normality

Regression analysis assumes that data was collected from normal population (Moriya, 2008). Violation of this assumption would therefore invalidate regression analysis. In this study, normality test using Q-Q plot was used. The graphical analysis results showed the line representing the actual data distribution closely follow the diagonal in the normal Q-Q plot as shown in figures 4.3 to 4.6, suggesting normal distribution (Hair, *et al.*, 2006). In Q-Q plot, or the normal probability plot, the observed value for each score is plotted against the expected value from the normal distribution, where, a sensibly straight line suggests a normal distribution (Pallant, 2007). By and large, if the points in a Q-Q plot depart from a straight line, then the assumed distribution is called into question (Aas & Haff, 2006).

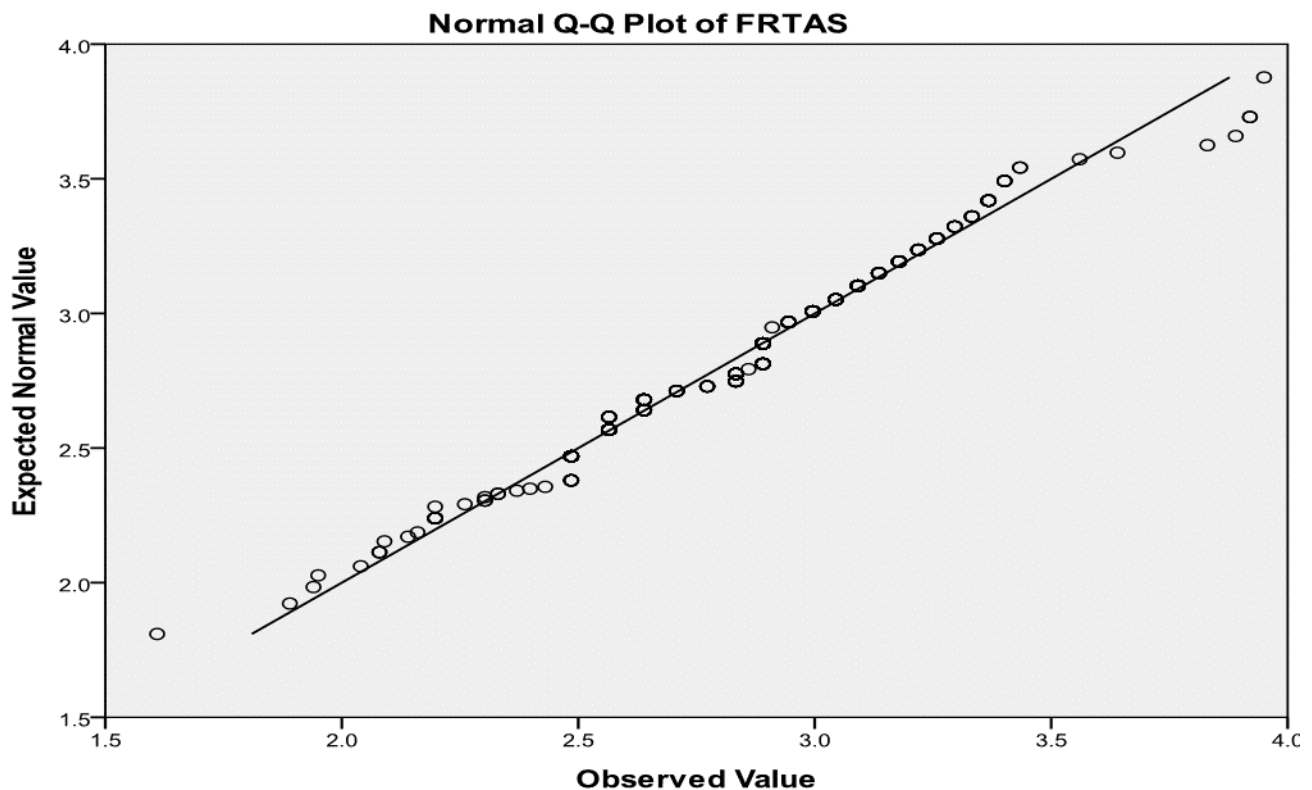


Figure 4.3 Normality Test for Financial Restructuring Turnaround Strategy (FRTAS)

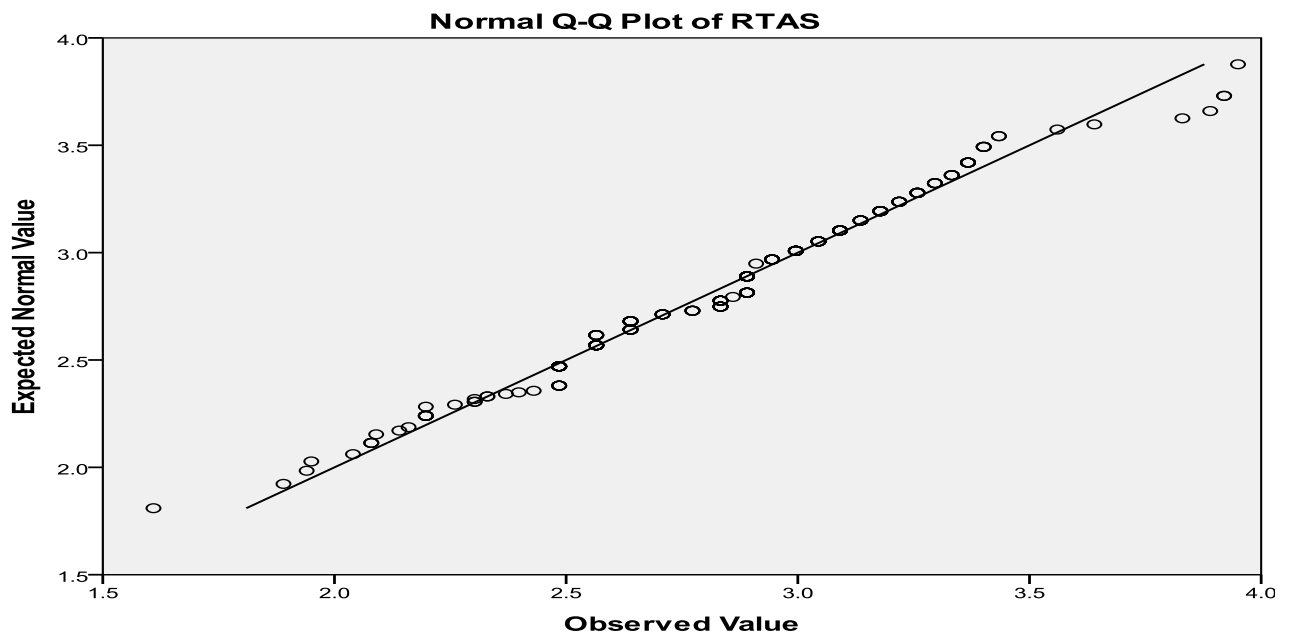


Figure 4.4 Normality Test for Reorganization Turnaround Strategy (RTAS)

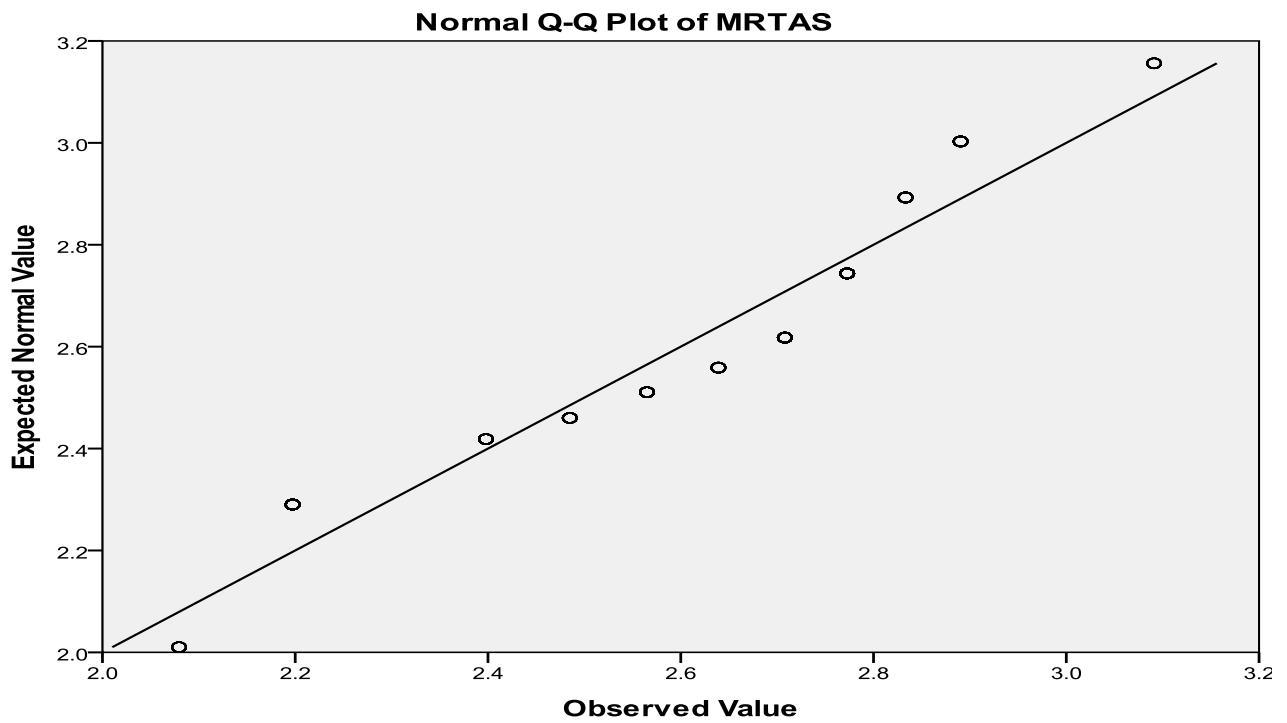


Figure 4.5 Normality Test for Repositioning Turnaround Strategy (RETAS)

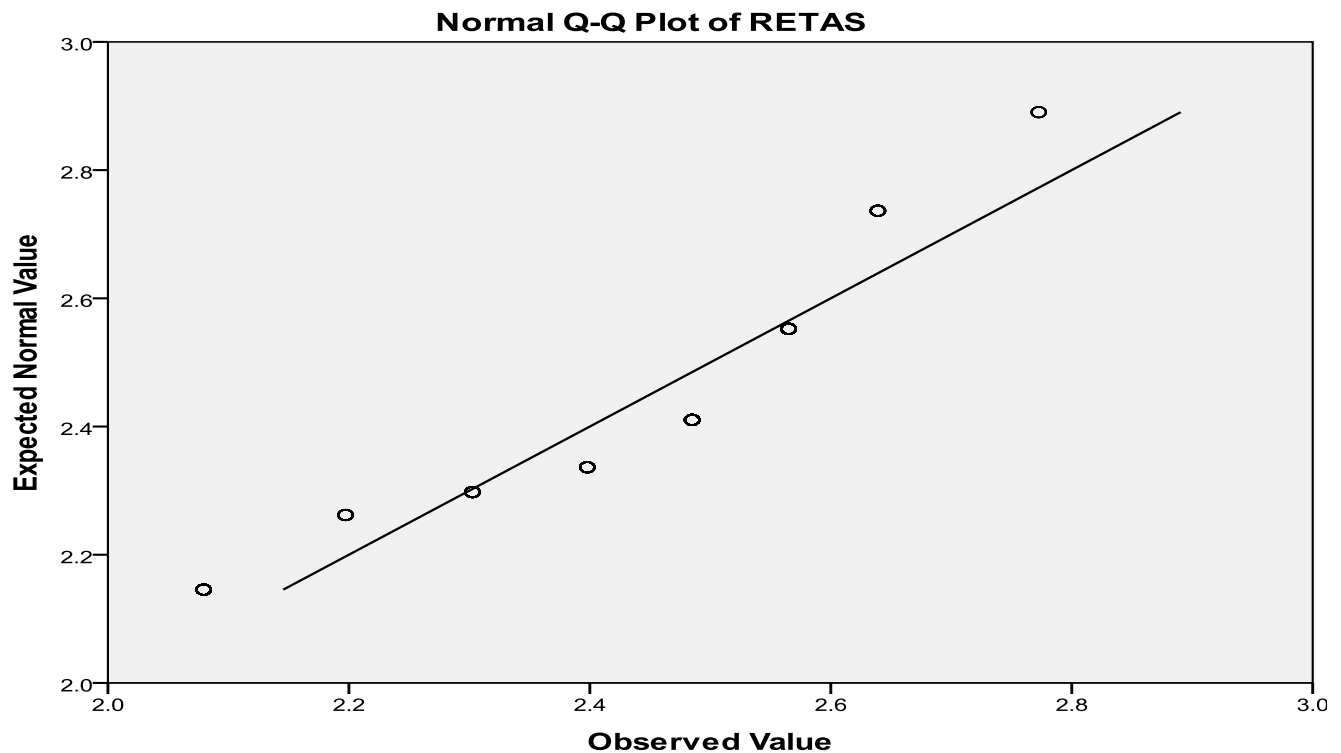


Figure 4.6 Normality Test for Market Redefinition Turnaround Strategy (MRTAS)

4.5.2 Heteroscedasticity Test

According to Long & Ervin (1998), Heteroscedasticity occurs when the variance of the errors varies across observations. When the errors are heteroscedastic, the OLS estimator remains unbiased, but becomes inefficient, and essentially, the usual procedures for hypothesis testing are no longer appropriate. In this study the Breusch-Pagan / Cook-Weisberg test and Cameron & Trivedi's Decomposition of IM-test was used to test for heteroscedasticity. Breusch-Pagan / Cook-Weisberg tests the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables Sazali, *et al.*, (2009). Table 4.6 shows the result of by use of the Breusch-Pagan / Cook-Weisberg test. A large chi-square value, greater than 9.21 (Sazali, *et al.*, 2009), would indicate that heteroscedasticity was present. In this study therefore, looking at the chi-square value for FRTAS, the values was small, that is, 1.38, indicating that heteroscedasticity was not a problem. The chi-

square value for RTAS was equally small, that is 2.10, indicating that heteroscedasticity was not a problem. Equally evidenced by the chi-square values for RETAS and MRTAS which had 1.93 and 1.11, respectively indicating that heteroscedasticity was too not a problem. These results are shown in tables 4.6-4.9.

Table 4.6 Breusch-Pagan / Cook-Weisberg test for heteroscedasticity for FRTAS

Ho: Constant variance	Ha: Non constant variance
Chi square = 1.38	Prob > Chi2=0.2394

Table 4.7 Breusch-Pagan / Cook-Weisberg test for heteroscedasticity for RTAS

Ho: Constant variance	Ha: Non constant variance
Chi square = 2.10	Prob > Chi2=0.1477

Table 4.8 Breusch-Pagan / Cook-Weisberg test for heteroscedasticity for RETAS

Ho: Constant variance	Ha: Non constant variance
Chi square = 1.93	Prob > Chi2=0.475

Table 4.9 Breusch-Pagan / Cook-Weisberg test for heteroscedasticity for MRTAS

Ho: Constant variance	Ha: Non constant variance
Chi square = 1.11	Prob > Chi2=0.777

4.5.3 Homoscedasticity Test

Scatter diagrams were plotted prior to undertaking correlation analysis to counter check homoscedasticity. In statistics, a sequence of random variables is homoscedastic if all random variables in the sequence have the same finite variance. Although the assumption of homoscedasticity simplifies mathematical modelling, Moriya (2008) argues that serious violations in homoscedasticity may result in overestimating the goodness of fit as measured by the Pearson coefficient although this does not invalidate

regression results. In this study, homoscedasticity was checked by looking at scatterplots between each predictor variable and the dependent variable to ascertain that the cluster of points was approximately the same width in the residuals plots derived by SPSS. To corroborate this, Cameron & Trivedi's decomposition of IM-test for Homoscedasticity was carried out for each variable.

Homoscedasticity test showed shows that the data had uniform variance since the p value was greater than 0.05 then the data was homoscedastic when the independent variable was financial turnaround strategy.

Table 4.10 Cameron & Trivedi's Decomposition of IM-test for Homoscedasticity for FRTAS

Ho: Homoscedasticity Chi square = 2.89	Ha: Unrestricted heteroscedasticity Prob > Chi2=0.2353
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Results in Table 4.11 shows that the data was homoscedastic thus it had uniform variance.

Table 4.11 Cameron & Trivedi's decomposition of IM-test for Homoscedasticity for RTAS

Ho: Homoscedasticity Chi square = 6.42	Ha: Unrestricted heteroscedasticity Prob > Chi2=0.0404
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The data was homoscedastic since the p value was greater than 0.05.

Table 4.12 Cameron & Trivedi's decomposition of IM-test for Homoscedasticity for RETAS

Ho: Homoscedasticity Chi square = 1.42	Ha: Unrestricted heteroscedasticity Prob > Chi2=0.504
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Since the p value was greater than 0.05 market redefinition strategy was homoscedastic.

**Table 4.13 Cameron & Trivedi's decomposition of IM-test for Homoscedasticity
MRTAS**

Ho: Homoscedasticity	Ha: Unrestricted heteroscedasticity
Chi square =1 .35	Prob > Chi2=0.845

4.5.4 Linearity Test

Linearity refers to the consistent slope of change that represents the relationship between an independent variable and a dependent variable. According to Mark (2003), if the relationship between the independent and the dependent variables is radically inconsistent, then structural equation modeling analyses will be difficult to carry out. There are several ways of testing for linearity. Perhaps the easiest and clear-cut one, yet rigorous, is the deviation from linearity test. If the significant value for deviation from linearity is less than 0.05, the relationship between independent and dependent variables is not linear, and this presents problems during modeling. Mark (2003) also states that issues of linearity can also be fixed by removing outliers. Since this has already been done in the current study, the study assumes linearity of the variables.

4.5.5 Multicollinearity Test

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. Thus, it makes some variables statistically insignificant while they should be significant (Martz, 2013). Variance Inflation Factors (VIF) and tolerance values were used to test multicollinearity consistent with Mathuva (2016). A tolerance value close to 1 means little multicollinearity while a value close to zero suggests multicollinearity threat and as for VIF it show how much the variance of the coefficient estimate is being inflated by multicollinearity (Mathuva, 2016). This is also confirmed by Belsley, *et al.*, (2004) who asserts that a tolerance with a value close to 1 means there is little multicollinearity, whereas a value close to 0 suggests that multicollinearity may be a threat. More specifically a VIF of more than 10 ($VIF \geq 10$)

indicate a problem of multicollinearity according to Gujarati (2007), the cutoff thresholds of 10 and above indicate the existence of multicollinearity. Findings in the Table 4.14 indicate that there was no multicollinearity since the average VIF was 1.9 and none of the variables had VIF greater than 10.

Table 4.14 Multicollinearity Test

Variable	VIF	1/VIF
MRTAS	2.8	0.358
RETAS	2.73	0.366
FRTAS	1.05	0.957
RTAS	1.02	0.981
Mean VIF	1.9	

4.5.6 Control of Type I Error and Type II Error

For statistical findings to be valid, a researcher has to control Type I and Type II errors which occur due to the wrong interpretation of results during tests of various statistics. Type I error occurs when the null hypothesis is rejected when it was supposed to be accepted while Type II error occurs when you fail to accept the null hypothesis when it was supposed to be rejected (Larry, 2013). In this study therefore, Type I error was minimized by using a confidence level of 95% implying that the standard variate was 1.96 and the sample proportion (p) was less than or equal to 0.05 as recommended by Larry (2013). Type II error was minimized by taking a large sample of 316 respondents as recommended by Sekaran's (2003) sample size criterion.

4.6 Analysis of Performance of SMEs

Performance of SMEs was identified in this study as the dependent variable. Theoretical and empirical review in this study indicated that profitability, return on assets, number of products, market share, number of employees, and annual running expenditure are the pointers of performance of SMEs. Data was therefore collected to measure these aspects of performance of SMEs. In addition, these pointers have been identified as some of the

indicators of performance in the Sector Performance Standards (SPS) which guides the evaluation of performance of various organizations and businesses in Kenya (GoK, 2010).

Business performance was operationalized into profitability, number of products, market share, number of employees, annual running expenditure, return on assets and number of customers. For ease of data collection, these constructs were renamed profitability ratio in the data collection instrument and grouped into four indicators, that is, average pre-tax profits, return on assets, employment growth and sales turnover, as shown in table 4.15. The analysis shows the average growth for the indicators of firm performance. From the analysis, the average growth for average pre-tax profits, return on assets and employment growth ranged from 90% to 95%, except for sales turnover which stood at 105.07%.

A business success is majorly determined by its tangible resources, in this case its sales turnover. Resource strategy research tries to discover and explain why some businesses are doing well more than others, and is obvious then that strategy is based on resource strengths (Ireland & Hitt, 2005). Ireland and Hitt (2005) also pointed that a business resource strength certainly provides value creation and contribute to business performance. Return on assets had the highest amount of variation from the average, an indicator of the varying management efficiency amongst SMEs at using the assets to generate earnings.

Table 4.15 Firm Performance

BP Factors	Mean	Std. Dev.
R1	94.10%	12.17
R2	90.07%	21.22
R3	95.03%	7.40
R4	105.07%	7.43

Key: BP-Business Performance; R1-Average Pre-tax Profit; R2-Return on Assets; R3-Employment Growth; R4-Sales Turnover.

4.7 Descriptive Analysis for Study Variables on the Likert-Type Scale

The interpretation of research findings by use of Likert Scale determine the accuracy of results. In the self-administered questionnaire in this study, four of the sections comprised of items in a Likert type scale format using a scale of SD – Strongly Disagree; D – Disagree; N – Neutral; A – Agree; and SA – Strongly Agree as recommended by Alan (2001). The items in the Likert Scale were affirmative statements. Each of the four sections of Likert type scale format had six items. Items were limited to six so as to increase the response rate. Frauke *et al.*, (2008) argue that when a questionnaire is too lengthy, the response rate is low and the quality of the responses is compromised.

In the study on equidistance of Likert-type scales and validation of inferential methods using experiments and simulations, Lantz (2013) indicates that Likert-type data are often assumed to be equidistant by applied researchers so that they can use parametric methods to analyse the data. Since the equidistance assumption is rarely tested, Lantz (2013) argues that the validity of parametric analyses of Likert-type data is often unclear and that the preferred statistical method to analyse Likert-type data depends on the nature of their non-equidistance as well as their skewness. In addition, during analysis of Likert-type data, Carifio and Rocco (2007) indicates Strongly Disagree (SD) $1 < SD < 1.8$; Disagree (D) $1.8 < D < 2.6$; Neutral (N) $2.6 < N < 3.4$; Agree (A) $3.4 < A < 4.2$; and Strongly Agree (SA) $4.2 < SA < 5.0$. This scale gives an equidistance of 0.8. This weighting criteria of responses of Likert-type data advanced by Carifio and Rocco (2007) were followed in data analysis in this study in the interpretation of results obtained by use of Likert scale.

4.7.1 Descriptive Analysis of the Relationship between Financial Restructuring Turnaround Strategy and Performance of SMEs

The first objective of the study sought to examine the relationship between financial restructuring turnaround strategy and performance of SMEs. To achieve this, the respondents were required to give their rating on a five point Likert scale. Since the data was in ordinal scale percentage was used to summarize the responses as shown in Table 4.16. 68.4% of the respondents agreed that they are familiar with financial restructuring turnaround strategy in their business, 22.5% strongly agreed. With a mean score of 1.9 and standard deviation of 0.6, it can be concluded that the majority of the SMEs do practice financial restructuring turnaround strategy.

A value, 27.2% of the respondents agreed that conversion of debt to equity is necessary for the company and 13% of the respondents strongly agreed on the same. This makes 40% of the respondents cumulatively in an agreement that conversion of debt to equity is necessary for the company. With a mean score of 3.2 and standard deviation of 1.4, the study concluded that the majority of the respondents agreed that conversion of debt to equity is necessary for the company. Thirdly, 47.8% disagreed that conversion of equity into debt helps in turning around the company into a profit making entity. This has also been confirmed by a value of 3.2 and 1.2 for both the mean score and standard deviation respectively.

A fraction of 41.1% agreed that cooperation or collaboration benefits the company in a greater way than those from individual efforts, 26.9% strongly agreed on the same. The study therefore concluded that the majority of the respondents are in an agreement that cooperation or collaboration benefits the company in a greater way than those from individual efforts. This has been corroborated by the mean score of 2.3 and 1.1 standard deviation. 56% agreed that strategic alliances create or maintains strategic choices for

the company, 22.2% strongly agreed. This cumulatively translates to 78% of the respondents. This result indicates that the majority of the respondents were in an agreement that strategic alliances creates or maintains strategic choices for the company. 59.8% agreed that strategic alliance help in mitigating significant financial risks facing our business, 19.3% strong agreed. This result indicates that the majority of the respondents were in an agreement that strategic alliance help in mitigating significant financial risks facing businesses.

These results are consistent with other studies for example, Osoro (2014) on the study of financial restructuring on the financial performance on eleven (11) Commercial Banks in Kenya reported a positive relationship. Booma and Babson (2012) on the study of a capability-driven turnaround strategy for the current economic environment, in the past successful financial restructuring turnaround strategy have been seen to reduce debt through good management of cost of capital. Kumar (2003) on the study of industrial sickness: causes and remedies was for the suggestion that organization need to adopt several financial restructuring. This was braced by majority respondents (47.4% and 56.3%) who either supported conversion of debt into equity or equity into debt respectively.

The Cronbach Alpha Reliability Coefficient for these six items that were used to measure the relationship between financial restructuring turnaround strategy and performance was 0.70. That the reliability coefficient for these items was 0.70 indicates internal consistencies of the items that were used to indicate the direction of this variable in respect to the research objectives. The descriptive statistics are shown in Table 4.16.

Table 4.16 Financial Restructuring Turnaround Strategy and Firm Performance

Statements	Percentage (%) n=316						
	Agree	Agree	Neutral	Disagree	Disagree	Mean	Std. Deviation
I am familiar with financial restructuring in this business	22.2	68.4	7	2.5	0	1.9	0.6
Conversion of debt into equity is necessary for company	13	27.2	9.5	24.1	26.3	3.2	1.4
Conversion of equity into debt helps in turning around the company into a profit making entity.	11.4	18	14.2	47.8	8.5	3.2	1.2
Cooperation or collaboration benefits our company in a greater way than those from individual efforts.	26.9	41.1	11.1	18	2.8	2.3	1.1
Strategic alliances creates or maintains strategic choices for our company	22.2	56	19	0	2.8	2.1	0.8
Strategic alliance help in mitigating significant financial risks facing our business	19.3	59.8	18	0	2.8	2.1	0.8

4.7.2 Descriptive Analysis of the Relationship between Reorganization Turnaround Strategy and Performance of SMEs

The second objective of the study sought to establish the relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya. Percentages, mean score and standard deviation were used to summarize the findings as summarized in Table 4.20. 56.3% agreed that they are familiar with

reorganization turnaround strategy in their business, 38% strongly agreed on their familiarity with business reorganization, 5.7% were neutral that is to say that they were not sure whether they were familiar with the reorganization turnaround strategy or not while none of the respondents neither disagreed nor strongly disagreed with this fact. With a mean score of 1.7 and standard deviation of 0.6, the study can conclude therefore that the majority of the respondents were familiar with the strategy.

On the other hand, 16.5% of the respondents strongly agreed that Varying of internal operations helps their organisations improve on the performance in the long run, 47.2% agreed on the same while 15.5% were not sure of the same. Cumulative figure of 20.8% disagreed that varying of internal operations helps their organisations improve on the performance in the long run. With the mean score of 2.4 and standard deviation of 1.1, the study can thus conclude that the majority (63.7%) agreed that Varying of internal operations helps their organisations improve on the performance in the long run.

The third item that was also analysed was whether the reconfiguration of internal and external operations helps the company to use resources wisely in the pursuit of company goals. In this case, 38.9% of the respondents agreed that reconfiguration of internal and external operations helps the company to use resources wisely in pursuit of company goals, 24.4% agreed, 36.7% neither agreed nor disagreed on the role of internal and external reconfiguration and none of the respondents disagreed on the same. Having scored a mean of 2.1 and a standard deviation of 0.8, the study can indicate that the majority of the respondents (63.3%) agreed that reconfiguration of internal and external operations helps the company to use resources wisely in the pursuit of company goals.

The fourth item on the reconfiguration turnaround strategy was that does reconfiguration of internal and external operations enables a company to present a unified front to customers, and vendors when a common marketing message is used throughout the organization. On this item however, 21.8% of the respondents strongly agreed with this

fact, 34.8% agreed, 30.4% neither agreed nor disagreed, and 13% disagreed. This item of the study achieved a mean of 2.3 and standard deviation of 1.0. This result therefore indicates that the majority (56.6%) of the respondents agreed that reconfiguration of internal and external operations enables our company to present a unified front to customers, and vendors when a common marketing message is used throughout the organization.

The fifth item was on whether the changing the structure allows the company to better focus on a single set of goals where 10.8% and 60.1% of the respondents strongly agreed and agreed respectively that changing the structure allows their own company to better focus on a single set of goals, 19% neither agreed nor disagreed, 10.1% disagreed on the same. This item scored a mean of 2.3 and 0.8 as a standard deviation. With these results, the majority of the respondents (70.9%) agreed that changing the structure of the organization allows a company to better focus on a single set of goals.

Lastly, the sixth item looked at the change of the management structure where 4.1% strongly agreed and 30.4% agreed that changing the management structure eliminates overlapping and duplication of work thus decreasing likelihood of turnarounds. 31% neither agreed nor disagreed and 34.5% cumulatively disagreed that this is the fact. With a mean of 3.0 and a standard deviation of 1.0, the study can indicate that this item is needed to be relooked into as there was a tie between those who were for the idea and those who were refuting. The descriptive statistics are shown in Table 4.17.

These results confirm the propositions of the Laitien (2011) on the study of effect of reorganization actions on the financial performance of small entrepreneurial distressed firms who suggested that the more an organisations is compactible to reorganization turnaround strategies the higher the chances of the organization performing better and better. Even so, Appelqvist, *et al.*, (2013) on the study of the turnaround across diverse global supply chains using shared metrics and change methodology: the case of Amer

Sports Corporation, noted some business especially, non-seasonal ones can improve performance faster than seasonal business which is in line with the findings of the current study. Kontes (2004) also concurs with these findings on the study of a new look for the corporate center: reorganizing to maximize value, where the study believed of changing the structures for superior performance was proved to have no better focus on goals as most respondents (70.9%) in the current study showed their disagreement in this belief according to their organisations. Also, most respondents opinionated that changing the management structure would not help eliminate overlapping and duplication of work which further indicate need to address this problem using different methods.

Table 4.17 Reorganization Turnaround Strategy and Firm Performance

Statements	Percentage (%) n=316					Mean	Std. Deviation
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
I am familiar with reorganization in our business	38	56.3	5.7	0	0	1.7	0.6
Varying of internal operations helps our organisation improve its performance in the long run	16.5	47.2	15.5	18	2.8	2.4	1.1
Reconfiguration of internal and external operations helps the company to use resources wisely in the pursuit of company goals	24.4	38.9	36.7	0	0	2.1	0.8
Reconfiguration of internal and external operations enables our company to present a unified front to customers, and vendors when a common marketing message is used throughout the organization	21.8	34.8	30.4	13	0	2.3	1.0
Changing the structure allows our company to better focus on a single set of goals	10.8	60.1	19	10.1	0	2.3	0.8
Changing the management structure eliminates overlapping and duplication of work thus decreasing likelihood of “turnarounds”	4.1	30.4	31	27.2	7.3	3.0	1.0

4.7.3 Descriptive Analysis of the Relationship between Repositioning Turnaround Strategy and Performance of SMEs

The third objective of the study sought to establish the relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya. Results of the study were summarized as in table 4.24. 60.8% of the respondents agreed that they were familiar with repositioning strategy in their business followed by 35.1% who strongly agreed. 2.8% neither agreed nor disagreed on the same. This first item of the study variable scored a mean of 1.7 and a standard deviation of 0.6. Cumulatively, 95.9% of the respondents were familiar with repositioning turnaround strategy and therefore practices the strategy in their organizations. These results therefore indicate that the majority of the respondents are familiar with the strategy.

In addition, 47.2% of the respondents agreed that repositioning strategy has improved performance of their business followed by 42% who strongly agreed. 9.4% neither agreed nor disagreed on this item of the study while 1.3% disagreed on this fact. Having achieved a mean score of 1.7 and a standard deviation of 0.7, the study can conclude therefore that the majority (89.2%) of the respondents agreed that repositioning strategy has improved performance of their business. 38.3% respondents agreed that by entering into new markets enables their company to obtain expertise and apply new and best business practices across markets similarly 30.7% strongly agreed. 31% of the respondents neither agreed nor disagreed while none of the respondents disagreed to this item. With a mean score of 2.0 and standard deviation of 0.8, the study can indicate that the majority (69.0%) of the respondents were in an agreement that by entering into new markets enables their company to obtain expertise and apply new and best business practices across markets.

The fourth item that was tested was on whether learning from the best practice, sharing ideas from different markets and business cultures, can make synergies to be brought to the company. Here, 54.4% of respondents agreed that by learning from best practice, sharing ideas from different markets and business cultures, synergies will be brought to

their company similarly 43% strongly agreed, 2.5% neither agreed nor disagreed while none of the respondents refuted this fact. These results therefore indicate that the majority of the respondents (97.4%) agreed that by learning from best practice, sharing ideas from different markets and business cultures, synergies will be brought to the company with a mean score of 1.6 and a standard deviation of 0.5.

The fifth item focused on the media and new stores where 67.1% agreed that along with media attention, opening a store in a new market also generates excitement among customers for their company and 5.7% strongly agreed on this fact, 24.4% neither agreed nor disagreed while 2.8% of the respondents disagreed. Looking at the result of the study, the majority agreed to the fact that along with media attention, opening a store in a new market also generates excitement among customers for their company scoring a mean of 2.2 and a standard deviation of 0.6. The sixth item in this category was on resource allocation where 68.7% agreed that resource allocation enables their company to achieve economies of scale, 26.3% strongly agreed, 5.1% neither agreed nor disagreed while none of the respondents disagreed. With a mean score of 1.8 and a standard deviation of 0.5, the study can indicate that the majority of the respondents agreed that resource allocation enables companies to achieve economies of scale.

These results corroborate with Beerli (2009) on the study of the measurement of turnaround management strategies in local authorities who found out that repositioning turnaround strategies cause an improvement to the firm performance as explained by transposing effects that help organization acquire strategy which helps achievement of the objectives as set by the organisations. Contrary to these findings, Ruiz (2008) on the study of turnaround and renewal in a Spanish shipyard found out that repositioning strategy led to inefficient utilization of resources which further caused poor performance. This can be explained by the fact that some operations in repositioning strategy involves renewal which sometimes may mean removal part of efficient routine or resources, closure of some divisions, retrenchment and/ or expansion in other business

hence inactive operations at the initial stage. The summary of the results are shown in Table 4.18.

Table 4.18 Repositioning Turnaround Strategy and Firm Performance

Statements	Percentage (%) n=316					Mean	Std. Deviation
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
I am familiar with repositioning strategy in our business	35.1	60.8	2.8	1.3	0	1.7	0.6
Repositioning strategy has improved performance of our business.	42	47.2	9.4	1.3	0	1.7	0.7
Entering into new markets enables our company to obtain expertise and apply new and best business practices across markets.	30.7	38.3	31	0	0	2.0	0.8
By learning from best practice, sharing ideas from different markets and business cultures, synergies will be brought to the company	43	54.4	2.5	0	0	1.6	0.5
Along with media attention, opening a store in a new market also generates excitement among customers for our company.	5.7	67.1	24.4	2.8	0	2.2	0.6
Resource allocation enables our company achieve economies of scale.	26.3	68.7	5.1	0	0	1.8	0.5

4.7.4 Descriptive Analysis of the Relationship between Market Redefinition Turnaround Strategy and Performance of SMEs

The fourth objective of the study sought to determine the relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya. Percentages, mean and standard deviation were used to summarize the findings as shown in Table 4.28. 41.1% of respondents agreed that they are familiar with market redefinition strategy in their business, 26.3% strongly agreed, 24.1% neither agreed nor disagreed on the same while 8.5% disagreed. With these results and a mean score of 2.2 and a standard deviation of 0.9, the study can authoritatively indicate that the majority of the respondents are familiar with the market redefinition turnaround strategy. Secondly, 28.7% disagreed that neglect of market redefinition strategy can be a major source of failure in their company and 27% strongly agreed that it can contribute to company failure, 16.9% agreed while 27.4% were neutral. This item achieved a mean score of 2.6 and a standard deviation of 1.2. Cumulatively therefore, majority of the respondents (56.1%) did not know what this item was and also disagreed that neglect of market redefinition strategy can be a major source of failure in their company.

Thirdly, 75.9% of the respondents agreed that service innovation has been proven to be truly inspiring and describes a desirable future state for their company, 13.6% strongly agreed it is inspiring. This item scored a mean of 2.0 and a standard deviation of 0.5. It is therefore evident enough that the majority of the respondents agreed to the fact that service innovation has been proven to be truly inspiring and describes a desirable future state for their company. 65.8% agreed that well-chosen service innovations can help their company decrease production cost and increase profitability while 31.6% strongly agreed to this fact. Having achieved a mean score of 1.7 and a standard deviation of 0.5, majority of the respondents are in an agreement that well-chosen service innovations can help their company decrease production cost and increase profitability.

A fraction of 57.9% and 37% of the respondents agreed and strongly agreed respectively that as the innovation becomes visible to customers, the reputation of their company is enhanced and the likelihood of being viewed as a market leader increases. 5.1% neither agreed nor disagreed and this item attracted none of the opposition view from the respondents. This is a clear indication that the majority of the respondents agreed that as the innovation becomes visible to customers, the reputation of their company is enhanced and the likelihood of being viewed as a market leader increases. The sixth item of the study in this category also attracted 57% of the respondents who agreed and 32.6% who strongly agreed that engaged customers already love what their company does and therefore provide free advertising thus guaranteeing its prominence. 2.5% disagreed to this fact while only 7.9% neither agreed nor disagreed. This item scored a mean of 1.8 and 0.6 as shown in table 4.19 clearly indicating that the majority of the respondents agreed that engaged customers already love what their company does and therefore provide free advertising thus guaranteeing its prominence.

These findings concur with Garry, *et al.*, (2009) on the study of new media in marketing redefine competitive advantage: a comparison of small and large firms and suggested that failure to adapt to new market technology has led to emergence of small company changing the competition in the market by use of advance technology to strategize thereby enjoying the competitive advantage alike the big firms (Garry, *et al.*, 1999). This can be solved by redefining the market upon which the business operates to enhance performance. On the other hand, Porter (2012) on how to redefine your business in a new market, pinpointed that when an organization aims to jumpstart a business it has to take three actions: to alter the focus on service provision, shift to a targeted geographical region and to reach out to the right age group. In the aim of redefining the market, services provision has proven to be very important in increasing profitability and inspiring a desirable state in the future for many companies.

Table 4.19 Market Redefinition Turnaround Strategy and Firm Performance

Statements	Percentage (%) n=316					Mean	Std. Deviation
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
I am familiar with market redefinition strategy in our business	26.3	41.1	24.1	8.5	0	2.2	0.9
Neglect of market redefinition strategy can be a major source of failure in our company	27	16.9	27.4	28.7	0	2.6	1.2
Service innovation has proven to be truly inspiring and describes a desirable future state for our company.	13.6	75.9	10.4	0	0	2.0	0.5
Well-chosen service innovations can help our company to decrease production costs and increase profitability	31.6	65.8	2.6	0	0	1.7	0.5
As the innovation becomes visible to customers, the reputation of our company is enhanced and the likelihood of being viewed as a market leader increases	37	57.9	5.1	0	0	1.7	0.6
Engaged customers already love what our company does and therefore provide free advertising thus guaranteeing its prominence	32.6	57	7.9	2.5	0	1.8	0.6

4.8 Inferential Analysis

4.8.1 Correlation Analysis

The study sought to establish the strength of the relationship between financial restructuring turn around, reorganization turnaround strategy, reposition turnaround strategy, market redefinition turnaround strategy and SME performance in Kenya. To achieve this, Pearson's correlation was carried out since both independent and dependent variables are in ratio scale. According to Kothari (2004), product moment correlation should be carried out if and only if both dependent and independent variables are in either ratio or interval scale. If the correlation coefficient is -1 then there is an inverse relationship and an increase in dependent variable is associated with a decrease in independent variable and +1 there is a perfect positive significant relationship and an increase in dependent variable is associated with an increase in independent variable (Kothari, 2011; Oso & Onen, 2009).

The study findings depicted in Table 4.20 indicated that there was a significant positive relationship between financial restructuring turnaround strategy and SMEs performance ($\rho=0.6530$, $p\text{-value} < 0.05$). This implies that a unit change in financial restructuring strategy increases SMEs financial performance by 65.3%. Secondly there was a positive and significant relationship between reorganization turnaround strategy and SMEs performance ($\rho = 0.608$, $P \text{ value} < 0.05$). This implies that a unit change in reorganization turnaround strategy increases SMEs financial performance by 60.8%. Thirdly, there was a positive and significant relationship between repositioning turnaround strategy and SMEs performance ($\rho = 0.514$, $p \text{ value} < 0.05$).

This implies that a unit change in repositioning turnaround strategy increases SMEs performance by 51.4%. Finally, there was a positive and significant relationship between market redefinition strategy and SMEs financial performance ($\rho = 0.521$, $p \text{ value} < 0.05$). This implies that a unit change in market redefinition turnaround strategy increases SMEs performance by 52.1%.

Table 4.20 Correlation Analysis

	Firm			Market		
	Performance	Financial	Reorganization	Reposition	Redefinition	
Firm						
Performance	1					
Financial	.653**	1				
Reorganization	.608**	0.441	1			
Reposition	.514**	0.403	-0.508	1		
Market						
Redefinition	.521**	0.303	0.305	0.280	1	

** Correlation is significant at the 0.01 level (2-tailed).

Results in Table 4.21 shows that there was no variable which was omitted in the model because the p value was less than 0.05. Therefore, we could not reject the null hypothesis.

Table 4.21 Ramsey Test for Omitted Variables

Ho: Model has no omitted variables	Ha: Model has omitted variables
F (3, 308) = 3.98	Prob > F=0.0084

4.8.2 Regression Analysis of the Relationship between Financial Restructuring Turnaround Strategy and Performance of SMEs

The first objective of the study was designed to assess the relationship that exists between financial restructuring strategy and performance of SMEs in Kenya. The literature that was reviewed in this study as well as theoretical reasoning associated financial restructuring strategy with organizational performance. SMEs performance in this case, was indicated by profitability, market share, number of employees, number of products, annual running expenditure and number of customers while financial restructuring turnaround strategy was indicated by conversion of debt into equity and strategic vertical alliances. Following the theoretical arguments, the following

hypothesis was formulated and tested:

H₀₁: There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.

The model summary in Table 4.22 demonstrates the coefficient of determination as indicated by R squared to be 0.426 implying that 42.6% of the SME performance is explained by financial restructuring turnaround strategy while the other factors explains the remaining proportion.

Table 4.22 Model Summary for Financial Restructuring Turnaround Strategy and SMEs Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.653a	0.426	0.396	0.117	2.298

a Predictors: (Constant), Financial

b Dependent Variable: Firm performance

In Table 4.23 the ANOVA was used to show the overall model significance. Since the p-value is less than the 0.05, then financial restructuring turnaround strategy had a significant explanatory power on SME performance (F = 38.298 and p value <0.05).

Table 4.23 ANOVA for Financial Restructuring Strategy and SME Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	372.007	1	372.007	38.298	.000b
	Residual	3050.003	314	9.713		
	Total	3422.009	315			

a Dependent Variable: Firm performance

b Predictors: (Constant), Financial

From Table 4.23 regression equation can be written as:

$$GTP = 4.851 + 1.087FRTAS \dots \dots \dots \text{Equation (i)}$$

The regression equation (i) shows that when financial restructuring turnaround strategy is held at a constant zero, SME performance would be 4.851 units. There is a positive and significant relationship between financial restructuring strategy and SMEs performance in Kenya. A unit increase in financial restructuring strategy increases SMEs performance by 1.087 units. Since the P value was less than 0.05 then there is enough evidence to warrant rejection of the null hypothesis and conclusion that there is a significant relationship between SMEs performance and financial restructuring strategy.

Table 4.24 Regression Coefficients for Financial Restructuring Strategy and SMEs Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance VIF
1 (Constant)	4.851	0.175		27.67	0.00	
Financial	1.087	0.176	0.33	6.189	0.00	1 1

a Dependent Variable: Firm performance

4.8.3 Regression Analysis of the Relationship between Reorganization Turnaround Strategy and Performance of SMEs

The second objective of the study was designed to establish the relationship that exists between reorganization turnaround strategy and performance of SMEs in Kenya. The literature that was reviewed in this study as well as theoretical reasoning associated reorganization turnaround strategy with organizational performance. Organizational performance in this case, was indicated by profitability and number of employees while reorganization turnaround strategy was indicated by reconfiguration of internal and external operation and changing the structure of the organization. Following the theoretical arguments, the following hypothesis was formulated and tested:

Ho2: There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.

The model summary in Table 4.25 demonstrates the coefficient of determination as indicated by R squared to be 0.370 implying that 37% of the SME performance is explained by reorganization turnaround strategy while the other factors explains the remaining proportion.

Table 4.25 Model Summary for Reorganization Turnaround Strategy and SME Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.608a	0.370	0.362	0.141	2.069

a Predictors: (Constant), Reorganization

b Dependent Variable: Firm performance

In Table 4.26 the ANOVA was used to show the overall model significance. Since the p-value is less than the 0.05, then reorganization restructuring turnaround strategy had a significant explanatory power on SMEs performance (F = 32.839 and p value <0.05).

Table 4.26 ANOVA for Reorganization Turnaround Strategy and SME Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	324	1	324	32.839	.000b
	Residual	3098.009	314	9.866		
	Total	3422.009	315			

a Dependent Variable: Firm performance

b Predictors: (Constant), Reorganization

From Table 4.26 regression equation can be written as:

$$GTP = 4.85 + 1.01 RETAS \dots \dots \dots \text{Equation (ii)}$$

There is a positive and significant relationship between reorganization turnaround strategy and SME performance in Kenya. A unit increase in reorganization strategy increases SMEs performance by 1.01 units. Since the P value was less than 0.05 then

there is enough evidence to warrant rejection of the null hypothesis and conclusion that there is a significant relationship between SMEs performance and reorganization turnaround strategy. The summary is as shown in Table 4.27.

Table 4.27 Regression Coefficients for Reorganization Turnaround Strategy and SME Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance VIF
1 (Constant)	4.85	0.177		27.46	.000	
Reorganization	1.01	0.177	0.308	5.73	.000	1 1

a Dependent Variable: Firm performance

4.8.4 Regression Analysis of the Relationship between Repositioning Turnaround Strategy and Performance of SMEs

The third objective of the study was designed to examine the relationship that exists between repositioning turnaround strategy and performance of SMEs in Kenya. The literature that was reviewed in this study as well as theoretical reasoning associated repositioning turnaround strategy with organizational performance. Organizational performance in this case, was indicated by profitability, market share, number of employees and annual running expenditure while repositioning turnaround strategy was indicated by entering into new market territories and resource reallocation. Following the theoretical arguments, the following hypothesis was formulated and tested:

Ho3: There is no significant relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya.

The model summary in Table 4.28 demonstrates the coefficient of determination as indicated by R squared to be 0.264 implying that 26.4% of the SME performance is explained by reposition turnaround strategy while the other factors explains the remaining proportion.

Table 4.28 Model Summary for Repositioning Turnaround Strategy and SME Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.514a	0.264	0.257	0.267	2.133

a Predictors: (Constant), Reposition

b Dependent Variable: Firm performance

In Table 4.28, the ANOVA was used to show the overall model significance. Since the p-value is less than 0.05, then repositioning turnaround strategy had a significant explanatory power on SMEs performance (F = 6.571 and p value <0.05).

Table 4.29 ANOVA for Repositioning Turnaround Strategy and SME Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.148	1	70.148	6.571	.011b
	Residual	3351.862	314	10.675		
	Total	3422.009	315			

a Dependent Variable: Firm performance

b Predictors: (Constant), Reposition

From Table 4.29 regression equation can be written as:

$$GTP = 4.876 + 0.531RTAS \dots \dots \dots \text{Equation (iii)}$$

There is a positive and significant relationship between repositioning turnaround strategy and SME performance in Kenya. A unit increase in reorganization strategy increases SME performance by 0.531 units. Since the P value was less than 0.05 then there is enough evidence to warrant rejection of the null hypothesis and conclusion that there is a significant relationship between SMEs performance and repositioning turnaround strategy. The summary is as shown in Table 4.30.

Table 4.30 Regression Coefficient for Repositioning Turnaround Strategy and SME Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.876	0.184		26.492	0.000		
	Reposition	0.531	0.207	0.143	2.563	0.011	1	1

a Dependent Variable: Firm performance

4.8.5 Regression Analysis of the Relationship between Market Redefinition Turnaround Strategy and Performance of SMEs

The fourth objective of the study was designed to determine the relationship that exists between repositioning turnaround strategy and performance of SMEs in Kenya. The literature that was reviewed in this study as well as theoretical reasoning associated market redefinition turnaround strategy with organizational performance. Organizational performance in this case, was indicated by profitability and number of customers while market redefinition turnaround strategy was indicated by service innovation and consumer engagement. Following the theoretical arguments, the following hypothesis was formulated and tested:

Ho4: There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.

The model summary in Table 4.31 demonstrates the coefficient of determination as indicated by R squared to be 0.271 implying that 27.1% of the SME performance is explained by market redefinition turnaround strategy while the other factors explains the remaining proportion.

Table 4.31 Model Summary for Market Redefinition Strategy and SME Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.521a	0.271	0.264	3.22	2.013

a Predictors: (Constant), Market redefinition

b Dependent Variable: Firm performance

Results in Table 4.32 shows that market redefinition has an overall significance on SME performance as accounted for by (F = 16.109, P value <0.05).

Table 4.32 ANOVA for Market Redefinition Strategy and SME Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	166.994	1	166.994	16.109	.000b
	Residual	3255.015	314	10.366		
	Total	3422.009	315			

a Dependent Variable: Firm performance

b Predictors: (Constant), Market redefinition

From Table 4.32 regression equation can be written as:

$$GTP = 4.851 + 0.728MRTAS \dots \dots \dots \text{Equation (iv)}$$

There is a positive and significant relationship between market redefinition turnaround strategy and SME performance in Kenya. A unit increase in market redefinition strategy increases SME performance by 0.728 units. Since the P value was less than 0.05 then there is enough evidence to warrant rejection of the null hypothesis and conclusion that there is a significant relationship between SME performance and market redefinition turnaround strategy. The summary is as shown in Table 4.33.

Table 4.33 Regression Coefficients for Market Redefinition Turnaround Strategy and SME Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	4.851	0.181		26.785	0.00		
Market redefinition	0.728	0.181	0.221	4.014	0.00	1	1

a Dependent Variable: Firm performance

4.9 Discussion of Regression Analysis and Hypothesis Testing of Study Variables

4.9.1 Discussion on the Relationship between Financial Restructuring Turnaround Strategy and Performance of SMEs

The study aimed at assessing the relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya. The null hypothesis was stated as: **There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.** The results of this findings led to rejection of null hypothesis thus favoring alternative hypothesis confirming the results shown by Osoro (2014). Osoro (2014) study of financial restructuring on the financial performance on eleven (11) Commercial Banks in Kenya reported a positive relationship. As argued by Scherrer (2003) on the book entitled, industrial market structure and economic performance, financial restructuring is used to enhance competency in business which would see the business remaining at competitive advantage. Further, as explained by the study conducted by Booma and Babson (2012) on the study of a capability-driven turnaround strategy for the current economic environment, in the past successful financial restructuring turnaround strategy have been seen to reduce debt through good management of cost of capital.

Similarly, Anand and Manimala (2007) on the study of sustainability of the Indian railways turnaround: a state theory perspective, found out that financial restructuring strategy had improved the liquidity, reduced investment and leverage and controlled unproductive expenses which show organizations' performance improve significantly. Kumar (2003) on the study of industrial sickness: causes and remedies was for the suggestion that organization need to adopt several financial restructuring. This was braced by majority respondents (47.4% and 56.3%) who either supported conversion of debt into equity or equity into debt respectively. The synergy that emerge as result of cooperation and collaboration was also found to be helpful to the organization with aim to restructure financially so as to achieve increased performance.

Agreeing with Turner and Radford (2003) allusion of merging of firms standing to benefit from each other in their investment, majority of the respondents (68%) showed their support for cooperation or collaboration with others. Surprisingly, most participants felt that any form of strategic alliance had no significant impact of mitigating financial risks facing their business. Riany, Musa, Odera & Okaka (2012) study of Kenya mobile phone service providers too found a favorable effect of financial restructuring on firm performance. Riany, *et al.* (2012) results showed that financial restructuring impacted greatly on a company on market share. This study supported Eby and Buch (1998) prepositions on the study of the impact of adopting an ethical approach to employee's dismissal during corporate restructuring that organization financial restructuring is beneficial in different ways that are not limited to lowering operational costs and implementation of other strategies.

Debt management being part of financial restructuring (Cascio, 2002) on the book responsible restructuring: creative and profitable alternatives to layoffs in the USA, allows a private or public firms undergoing cash flow problems and financial distress, to be in position reducing and renegotiating delinquent debts to restore liquidity and enhance rehabilitation so that firms can carry out operations. Cascio (2002) contends that the investment pattern of a company which relates to ability of corporations to

identify the various investments opportunities that would lead to higher returns is part of the restructuring procedure. It can then be said that financial restructuring may be met with the intention to improve liquidity, minimize the cost of capital, mitigating risk, avoid loss of control, and maximize shareholder wealth. This is according to Pfeiffer and Salancik (2003) on the study of the external control of organizations: a resource dependence perspective conducted in California.

4.9.2 Discussion of the Relationship between Reorganization Turnaround Strategy and Performance of SMEs

Also the researcher studied the relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya where null hypothesis was stated as: **There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.** The results showed a significant and positive relationship between reorganization and performance of SMEs thus rejecting the null hypothesis. These results confirm the propositions of the Laitien (2011) on the study of effect of reorganization actions on the financial performance of small entrepreneurial distressed firms who suggested that the more an organisations is compactible to reorganization turnaround strategies the higher the chances of the organization performing better and better.

Even so, Appelqvist, *et al.*, (2013) on the study of the turnaround across diverse global supply chains using shared metrics and change methodology: the case of Amer Sports Corporation, noted some business especially, non-seasonal ones can improve performance faster than seasonal business. Lee & Schaltegger, (2014) on the study of Organizational transformation and higher sustainability management education: the case of the MBA sustainability management, suggested that, for a firm to achieve transformation expected during the reorganization turnaround strategies, leaders from the top management are usually instrumental in enabling large and more radical changes tailored to improving firm performance positively. Even though a largest proportion of the participants (52.3%) disagreed with reconfiguration of both the internal and external

operations in helping to spend the organisation's resources wisely, a significant group of respondents (36.7%) were unsure of their choice. This confirmed the findings of Evans, *et al.*, (2013) on the study of the applications of proxy system modeling in high resolution paleoclimatology found reconfiguration of operations to have no likely effect with the success of the companies.

Harwood, *et al.*, (2016) on the study of effects of organizational restructuring on firm performance: a Case of national bank of Kenya, explored organisation restructuring on the performance of National Bank of Kenya found that there was a positive but insignificant relationship. The bank was found to be significantly affected by staffing, which was either over or under staffed, and stagnating workforce productivity which were to blame for the failure of the bank performance. So with good management of the workforce and change of services being rendered to consumers would lower operating costs and help organisation to full implement other reorganisations turnaround strategies thereby improving the firm's performance. Kontes (2004) on the study of a new look for the corporate center: reorganizing to maximize value, believed of changing the structures for superior performance was proved to have no better focus on goals as most respondents (70.9%) in the current study showed their disagreement in this belief according to their organisations. Also, most respondents opinionated that changing the management structure would not help eliminate overlapping and duplication of work which further indicate need to address this problem using different methods.

A study in Canada telecommunications by Sawchuk (2001) on trade union- based workplace learning: a case study in workplace reorganization and worker knowledge production, suggested a union of the teams involved in reorganisation strategy that will help to build democracy at workplace as well as increase the organisation capacity. It can be concluded therefore that when reorganising, the organisation should strive to achieve the same goals with a reduced number of staffing that will not compromise the quality of services delivered and help to have an increased efficiency in cost of operations.

4.9.3 Discussion of the Relationship between Repositioning Turnaround Strategy and Performance of SMEs

Further with an aim to achieve the main objective of the study, the researcher probed the relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya. The null hypothesis was stated as: **There is no significant relationship between strategic repositioning turnaround strategy and performance of small and medium enterprises in Kenya.** The results of the study, however, led to rejection of the null hypothesis as the relationship was found to be significant and positive. Contrary to this findings, Ruiz (2008) on the study of turnaround and renewal in a Spanish shipyard found out that reposition strategy led to inefficient utilization of resources which further caused poor performance. This can be explained by the fact that some operations in reposition strategy involves renewal which sometime may mean removal of part of efficient routine or resources, closure of some divisions, retrenchment and/ or expansion in other business hence inactive operations at the initial stage. Management when considering all these options available for reposition must be considerate of their plan of action operations because they may affect performance negatively.

Nonetheless, in the strategic management book entitled strategic management: awareness and change, second edition and published by London Chapman and Hall by Thompson (2003), states that as a result of retrenchment, the remaining team may be motivated to work even harder and in case new employees are sought they may bring with them new ideas that would help the organization to generate revenue with development of new ways of productions, change in product portfolio and taking the right position in the market. Thompson (2003) findings thus concurred with findings of the current study. Beerli (2009) on the study of the measurement of turnaround management strategies in local authorities, also found out that repositioning turnaround strategies cause an improvement to the firm performance as explained by transposing

effects that help organization acquire strategy which helps achievement of the objectives as set by the organisations.

As suggested by Walshe (2004), on the study of organizational failure and turnaround: lessons for public services from the for-profit sector, in public money and management, repositioning aims at analyzing the existing structures. Overwhelmingly, most of the participants in the current study showed an agreement on the synergies that emerge from learning from best practices and sharing of ideas about markets and business cultures. Opening of new markets and release of new products to the market was found to bring excitement both to the existing and new consumers and following this will be increase in revenue that is very important in turning around the company for great performance.

4.9.4 Discussion of the Relationship between Market Redefinition Turnaround Strategy and Performance of SMEs

The study sought to determine the relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya. The null hypothesis was stated as: **There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.** Again the findings indicated a rejection of the null hypothesis as the relationship was direct and significant meaning that adoption of market redefinition turnaround strategy is associated with improvement of the organization performance. Given the importance of the market to the business, organisations that have dominated markets in the past have to redefine the market to remain relevant and attract new customers. This finding concurs with Garry, *et al.*, (2009) on the study of new media in marketing redefine competitive advantage: a comparison of small and large firms and suggested that failure to adapt to new market technology has led to emergence of small company changing the competition in the market by use of advance technology to strategize thereby enjoying the competitive advantage alike the big firms (Garry, *et al.*, 1999). This can be solved by redefining the market upon which the business operates to enhance performance.

The findings of this study corroborates with the findings of Hamon, *et al.*, (2011) on the study of empirical correlation of XBT fall rate and its impact on heat content analysis a perspective of businesses, posited that services extensions of products to the clients was what many organisations are using today to ensure continued business success. The study further states that the desire to remain at the competitive edge has caused manufacturing companies to now depend on services extensions for them to find market for expansion as the consumers' culture are different in different regions.

On the other hand, Porter (2012) on how to redefine your business in a new market, pinpointed that when an organization aims to jumpstart a business it has to take three actions: to alter the focus on service provision, shift to a targeted geographical region and to reach out to the right age group. In the aim of redefining the market, services provision has proven to be very important in increasing profitability and inspiring a desirable state in the future for many companies. As the innovation becomes visible to customers, the reputation of most organisation is enhanced and the likelihood of being viewed as a market leader increases extending an opportunity produce good performance. Most respondents agreed that by engaging customers who already love what company are doing provide free form of advertising thus guaranteeing its prominence thus lowering the non-production expenses. As the advertisement is eliminated then the firm can focus more in services provision which will make the company remain that competitive edge.

4.10 Analysis of the Overall Model

In this section the findings are discussed focusing on the main objectives of this study which sought to determine the relationship between turnaround strategies and performance of small and medium enterprises in Kenya. To achieve this, four turnaround strategies were majorly focused, namely financial restructuring, reorganization, repositioning and market redefinition strategy against the performance of SME as assessed by the profit made and return on assets. Overallly, it was found that turnaround

strategies had a significant positive relationship with the performance measures thereby rejecting the null hypothesis that was tested that is, Turnaround strategies have no significant relationship on the firm performance. To prove this a multiple linear regression model was adopted for testing the significance of the influence of the independent variables on the dependent variable. Therefore, the overall model for the study was: -

$$BP = \beta_0 + \beta_1 FRTAS + \beta_2 RETAS + \beta_3 RTAS + \beta_4 MRTAS + \varepsilon$$

4.10.1 Inferential Analysis of the Overall Model

Sekaran (2003) argued that if the study seeks to analyse the data beyond means and standard deviations for example if there is need to examine the relationship between variables then bivariate analysis such as correlation and regression analysis are the most appropriate. Thus, the researcher applied Pearson correlation analysis to examine the strength of the relationship between SMEs performance and turnaround strategies. Moreover, regression analysis was used to examine the nature of the relationship as well as test the hypothesis of the study. The level of significance was tested at 5% and according to Oso and Onen (2009) with this significance level then the researcher has 95% chances of making the correct decision that there exists a significant relationship between dependent and independent variable.

The overall model shows that 66.3% of the variation in SME performance can be jointly explained by financial restructuring turnaround strategy, reorganization strategy, repositioning strategy and market redefinition strategy jointly. The remaining percentage can be explained by other factors which are excluded from the model. Summary is as shown in Table 4.34.

Table 4.34 Model Summary for the Overall Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.814a	0.663	0.639	0.845	2.259

a Predictors: (Constant), Market redefinition, Reorganization, Financial , Reposition

b Dependent Variable: Firm performance

The ANOVA results in Table 4.35 shows that market redefinition, reorganization, financial and repositioning turn around strategies all jointly have a significant influence on SME performance, and at least one of the slope coefficient is none zero.

Table 4.35 ANOVA for the Overall Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	905.087	4	226.272	27.959	.000b
	Residual	2516.922	311	8.093		
	Total	3422.009	315			

a Dependent Variable: Firm performance

b Predictors: (Constant), Market redefinition, Reorganization, Financial , Reposition

Results in Table 4.36 shows that there was a positive and significant relationship between financial restructuring turnaround strategy and firm performance ($\beta = 1.06$, p value <0.05). This implies that a unit change in financial restructuring turnaround strategy increases firm performance by 1.02 units. Secondly, there was a positive and significant relationship between reorganization turnaround strategy and firm performance ($\beta = 1.06$, p value <0.05). This implies that a unit change in reorganization turnaround strategy increases firm performance by 1.06 units. Thirdly, there was a positive and significant relationship between repositioning turnaround strategy and firm performance ($\beta = 0.41$, p value <0.05). This implies that a unit change in repositioning increases firm performance by 0.41 units. Finally, there was a positive and significant

relationship between market redefinition strategy and firm performance ($\beta = 0.71$, p value < 0.05). This implies that a unit change in market redefinition strategy increases firm performance by 0.71 units.

Table 4.36 Regression Coefficients for the Overall Model

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	4.87	0.16		30.39	0.00
RTAS	1.06	0.16	0.32	6.60	0.00
FRTAS	1.02	0.16	0.31	6.35	0.00
RETAS	0.41	0.18	0.11	2.28	0.01
MRTAS	0.71	0.16	0.22	4.42	0.00

a Dependent Variable: Firm performance

This study hypothesized: -

H₀₁: There is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya. (**H₀**: $\beta_1 = 0$ vs **H₁**: $\beta_1 \neq 0$)

H₀₂: There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya. (**H₀**: $\beta_2 = 0$ vs **H₁**: $\beta_2 \neq 0$)

H₀₃: There is no significant relationship between strategic repositioning turnaround strategy and performance of small and medium enterprises in Kenya. (**H₀**: $\beta_3 = 0$ vs **H₁**: $\beta_3 \neq 0$)

H₀₄: There is no significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya. (**H₀**: $\beta_4 = 0$ vs **H₁**: $\beta_4 \neq 0$).

The hypothesis of the study which were tested and the results also indicates all the hypotheses were rejected. The Table 4.37 shows the summary of the hypotheses.

Table 4.37 Summary of the Hypotheses Tested

Objectives of the study	Hypotheses	Significance value	Decision
Objective 1: To assess the relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya.	$H_0: \beta_1 = 0$ $H_1: \beta_1 \neq 0$.000	Reject H_0
Objective 2: To establish the relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya.	$H_0: \beta_2 = 0$ $H_1: \beta_2 \neq 0$.000	Reject H_0
Objective 3: To examine the relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya.	$H_0: \beta_3 = 0$ $H_1: \beta_3 \neq 0$.011	Reject H_0
Objective 4: To determine the relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.	$H_0: \beta_4 = 0$ $H_1: \beta_4 \neq 0$.000	Reject H_0

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendations. In the summary of findings, the results and remarks for each of the hypothesis in the study were presented for the four research objectives. The conclusions presented in this section were guided by the research objectives and informed by the findings, analysis, interpretation and discussions in the study. Based on the conclusions made, the contribution of the study to knowledge was examined. Recommendations based on the results for policy and practice and for methodology as well as suggestions for further research were made.

5.2 Summary of Major Findings

The current study stemmed from the realization of the research problem in literature role of turnaround strategies on SMEs performance. Empirically most of the studies on the role of turnaround strategies have been skewed towards use of primary data and only specific turn around strategies had been evaluated. Among the several studies which had been done in the Kenyan perspective majority have not examined the causal joint effect of turnaround strategies on the performance of SMEs.

Consequently, the researcher's primary purpose was to examine the relationship between turnaround strategies and SMEs performance in Kenya. Further, the study sought to test four hypotheses; there is no significant relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya. There is no significant relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya. There is no significant relationship between strategic repositioning turnaround strategy and performance of small and medium enterprises in Kenya. There is no significant relationship between

market redefinition turnaround strategy and performance of small and medium enterprises in Kenya.

In order to meet the overall objective and test the study hypotheses the study adopted descriptive research design. Stratified sampling technique was used to select a sample of 375 SMEs in Kiambu County. Primary data was collected from SMEs operators and out of 375 questionnaires which were issued only 316 were completely filled and returned which yielded a response rate of 84.3%. The independent variables attributed examined in the study were financial restructuring, reorganization, and repositioning and redefinition turnaround strategies. Descriptive analysis such as frequency, percentage, mean and standard deviation were used to analyze the data which was summarized using figures and tables.

Correlation analysis was used to examine the strength of the relationship between firm performances and turnaround strategies and regression analysis was used to examine the nature of the relationship between firm performance and turnaround strategies. Prior to regression analysis tests for various assumptions were carried out, for example, normality test was tested using skewness and kurtosis, heteroscedasticity was tested using Breusch-Pagan test, homoscedasticity was tested using Cameron and Trivedi's decomposition test, Multicollinearity was tested using Variance Inflation Factors (VIF) and tolerance values. On overall 66.3% of the variation in SMEs performance can be explained by financial, reorganization, reposition and market redefinition turn around strategies while the remaining percentage can be explained by other factors excluded in the model. The findings of the study demonstrated that turnaround strategies have effect on firm performance.

5.2.1 To Assess the Relationship between Financial Restructuring Turnaround Strategy and Performance of Small and Medium Enterprises in Kenya

The study hypothesized that there was no significant relationship between financial restructuring turnaround strategy and firm performance. The study showed that there

was a positive and significant relationship between financial restructuring turnaround strategy and SMEs performance. This result shows that there are financial benefits which were attained by SMEs after financial restructuring. This implies that there was some elimination of the cost associated with the source of finance used by SMEs previously before refinancing. Results in Table 4.19 shows that there was a positive and significant relationship between financial restructuring turnaround strategy and firm performance. This implies that a unit change in financial restructuring turnaround strategy increases firm performance by 1.06 units. Using correlation analysis, the study findings depicted in Table 4.32 indicated that there was a significant positive relationship between financial restructuring turnaround strategy and SMEs performance. This implies that a unit change in financial restructuring strategy increases SMEs financial performance by 65.3%. Descriptively, in Table 4.21. 68.4% of the respondents agreed that they are familiar with financial restructuring turnaround strategy in their business, 22.5% strongly agreed. It can be concluded that the majority of the SMEs do practice financial restructuring turnaround strategy. The null hypothesis was rejected and the study found out that there is positive and significant relationship between financial restructuring turnaround strategy and performance of SMEs in Kenya.

5.2.2 To Establish the Relationship between Reorganization Turnaround Strategy and Performance of Small and Medium Enterprises in Kenya

Descriptively, as summarized in Table 4.20, 56.3% agreed that they are familiar with reorganization turnaround strategy in their business, 38% strongly agreed on their familiarity with business reorganization. The model summary in Table 4.21 demonstrates the coefficient of determination implying that 37% of the SME performance is explained by reorganization turnaround strategy while the other factors explains the remaining proportion. In Table 4.22 the ANOVA was used to show the overall model significance. Using the p-value, reorganization restructuring turnaround strategy had a significant explanatory power on SMEs performance. There is a positive and significant relationship between reorganization turnaround strategy and SME

performance in Kenya. A unit increase in reorganization strategy increases SMEs performance by 1.01 units. This was also supported by correlation analysis. This implies that a unit change in reorganization turnaround strategy increases SMEs financial performance by 60.8%. There was enough evidence to warrant rejection of the null hypothesis and conclude that there is a significant relationship between SMEs performance and reorganization turnaround strategy in Kenya.

5.2.3 To Examine the Relationship between Strategic Repositioning Turnaround Strategy and Performance of Small and Medium Enterprises in Kenya

The study sought to examine the relationship between strategic repositioning turnaround strategy and performance of SMEs. Both correlation and regression analysis was used to examine the relationship. There was a positive and significant relationship between strategic repositioning turnaround and firm performance. Regression analysis showed that there was a positive and significant relationship between strategic repositioning strategy and firm performance. This implies that a unit change in strategic repositioning turnaround increases firm performance by 0.531 units. Using correlation analysis, the study findings depicted in Table 4.32 indicated there was a positive and significant relationship between repositioning turnaround strategy and SMEs performance. This implies that a unit change in repositioning turnaround strategy increases SMEs performance by 51.4%.

Descriptively, as summarized in table 4.29, 60.8% of the respondents agreed that they were familiar with repositioning turnaround strategy in their business followed by 35.1% who strongly agreed. The respondents were familiar with repositioning turnaround strategy and therefore practice the strategy in their organizations. These results therefore indicate that the majority of the respondents are familiar with the strategy. The null hypothesis was rejected and the study found out that there is positive and significant relationship between repositioning turnaround strategy and performance of SMEs in Kenya.

5.2.4 To Determine the Relationship between Market Redefinition Turnaround Strategy and Performance of Small and Medium Enterprises in Kenya

Descriptively as shown in Table 4.28, 41.1% of respondents agreed that they are familiar with market redefinition strategy in their business, 26.3% strongly agreed. The study can authoritatively indicate that the majority of the respondents are familiar with the market redefinition turnaround strategy. The model summary in Table 4.29 demonstrates the coefficient of determination implying that 27.1% of the SME performance is explained by market redefinition turnaround strategy while the other factors explains the remaining proportion. Again, results in Table 4.30 shows that market redefinition has an overall significance on SME performance. There was a positive and significant relationship between market redefinition strategy and SMEs financial performance. This implies that a unit change in market redefinition turnaround strategy increases SMEs performance by 52.1. This implies that a unit change in market redefinition strategy increases SMEs performance by 0.71 units. There was enough evidence to warrant rejection of the null hypothesis and concluded that there is a significant relationship between SMEs performance and market redefinition turnaround strategy.

5.3 Conclusions

This section presents the conclusions made in the current study. Research objective one in this study was to assess the relationship between financial restructuring turnaround strategy and performance of small and medium enterprises in Kenya. The indicators of financial restructuring turnaround strategy were conversion of debt into equity and strategic vertical alliances. The indicators for SMEs performance in this case were number of products, market share, number of employees, profitability, annual running expenditure, and number of customers. Conversion of debt into equity and strategic vertical alliances had a positive significant relationship with the SMEs performance. It was therefore concluded that there was a positive and significant relationship between financial restructuring turnaround strategy and SMEs performance in Kenya. To improve on the SMEs performance, it was therefore concluded that to some extent, some

debts need to be converted into equity in cases where the enterprises are facing financial difficulties that they cannot pay back the debts; this will later result into cash flows to the enterprises during the dividend payments. Further, vertical strategic alliances should be geared towards lowering the prices of the products. In addition, it was concluded that the financial restructuring turnaround strategy chosen must impact on the number of employees, number of products, profitability, number of customers, and market share.

Research objective two in the current study was to establish the relationship between reorganization turnaround strategy and performance of small and medium enterprises in Kenya. The pointers for reorganization turnaround strategy were reconfiguration of internal and external operations and changing the structure within the organization. The pointers for SMEs performance in this case were the number of employees and profitability of the firm. Reconfiguration of internal and external operations and changing and changing the structure within an organization had a positive and significant relationship with SMEs performance. It was therefore concluded that there was a positive and significant relationship between reorganization turnaround strategy and SMEs performance in Kenya. To improve on performance, it was concluded that the SMEs should focus more on interfirm/ inter-organisational collaborations, group level learning and business level learning to enhance the knowledge. Further, reorganization turnaround strategy chosen must be designed to improve on the profitability of the organization. In addition, when reorganizing, the organization should strive to achieve this goal with a reduced number of employees that will not compromise the quality of services delivered and help to have an increased efficiency in cost of operation.

Research objective three in the current study was to examine the relationship between repositioning turnaround strategy and performance of small and medium enterprises in Kenya. The indicators for repositioning turnaround strategy were entering into new market territories and resource reallocation. In this case, the indicators for SMEs performance were profitability, market share, number of employees, and annual running expenditure of the SMEs. Entering into new market territories and resource reallocation

had a significant positive relationship with the SMEs performance. It was therefore concluded that there was a positive and significant relationship between repositioning turnaround strategy and SMEs performance in Kenya. To improve on the SMEs performance, it was concluded that SMEs need to change their brand status in the market place to stand out from the crowd so as to keep up with the consumer wants and needs. At the same time, it was concluded that the SMEs needed to target a new segment of customers to broaden reach and increase the potential to sell products and services to more customers. In addition, the repositioning turnaround strategy chosen, must impact on the profitability, market share, reduced number of employees with manageable running expenditure.

The last objective of this study was to determine the relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya. The indicators for redefinition turnaround strategy were service innovation and consumer engagement while the pointers for SMEs performance were profitability and number of customers. Service innovation and consumer engagement had a significant and positive relationship with SMEs performance. It was therefore concluded that there was a positive and significant relationship between market redefinition turnaround strategy and performance of small and medium enterprises in Kenya. To improve on SMEs performance, it was concluded that SMEs need to come up with new products or an improved version of the existing products to impact positively on the profits and also to improve the customer base. In addition, it was concluded that at one particular point in time, the consumers should also be engaged in decision making process the feel on the products offered by the business. It was also concluded that, to improve on the SMEs performance, the market redefinition turnaround strategy chosen must impact on the profitability and number of customers.

5.4 Recommendations

With reference to the objectives of the study, the following recommendations were arrived at: Findings from the study depicted that financing turnaround strategy is

necessary for SMEs performance. To improve on the SMEs performance, it was therefore recommended that to some extent, some debts need to be converted into equity in cases where the enterprises are facing financial difficulties that they cannot pay back the debts; this will later result into cash flows to the enterprises during the dividend payments. Further, vertical strategic alliances should be geared towards lowering the prices of the products. In addition, it was concluded that the financial restructuring turnaround strategy chosen should impact on the number of employees, number of products, profitability, number of customers, and market share.

Reorganization turnaround strategy had significant contribution on SMEs performance. Reorganization of SMEs improves efficiency which would ultimately ensure smooth operations and consequently increase profit levels. It was therefore recommended that the SMEs should focus more on interfirm/ inter-organizational collaborations, group level learning and business level learning to enhance the knowledge. Further, reorganization turnaround strategy chosen should be designed to improve on the profitability of the organization. In addition, when reorganizing, the organization should strive to achieve this goal with a reduced number of employees that will not compromise the quality of services delivered and help to have an increased efficiency in cost of operation.

With regard to repositioning turnaround strategy, the study indicate that repositioning turnaround strategy had significant relationship with on SMEs performance. To improve on the SMEs performance, it was a recommendation of this study that SMEs need to change their brand status in the market place to stand out from the crowd so as to keep up with the consumer wants and needs. At the same time, it was recommended that the SMEs needed to target a new segment of customers to broaden reach and increase the potential to sell products and services to more customers. In addition, the repositioning turnaround strategy chosen, should impact on the profitability, market share, reduced number of employees with manageable running expenditure.

Finally, there was a positive and significant relationship between market redefinition strategies and firm performance. SMEs need to come up with new products or an improved version of the existing products to impact positively on the profits and also to improve the customer base. In addition, it was recommended that at one particular point in time, the consumers should also be engaged in decision making process the feel on the products offered by the business. It was also recommended that, to improve on the SMEs performance, the market redefinition turnaround strategy chosen should impact on the profitability and number of customers.

5.5 Areas for Further Research

The study revealed that the strategies SMEs have in place are not marching the strategic fit and hence very cumbersome to execute and control. This issue therefore is needed to be assessed further by the future academicians in the field. The SMEs should also employ the work force that they can afford to maintain without straining the resources that they have.

The study relied more on primary data as the main source of data. Additional studies should use secondary data to evaluate the effect of turnaround strategies on SMEs performance. The current study was limited to SMEs in Kiambu County there is need for another study to be carried out in other counties. In addition, there is need for a similar study to be carried out to examine comparative analysis between SMEs in different sizes.

This study delimited itself to the relationship between only four turnaround strategies performance of SMEs leaving out other turnaround strategies. A study can be carried out to investigate the influence of other turnaround strategies on other organizations like manufacturing sectors. In addition, a study can still be done with the moderating variables in this study other factors remaining constant.

Lastly from the perspectives of the current study, another study can also be conducted using cross-sectional data survey where the respondents can be asked to assess

viewpoints on the item in the instrument. But some success factors of performance are known to be strategic and dynamic in nature. Therefore, a cross-sectional study would be more preferable as it could provide a better perspective of the effect of turnaround strategies on the performance SMEs in Kenya.

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APPENDICES

Appendix 1: Introduction Letter

Antony Sije,

P.o. Box, 424,

Kisii.

Cell: +254735036656/ +254722413192.

Dear respondent,

I am a Doctoral Student from Jomo Kenyatta University of Agriculture and Technology conducting an academic research, the objective of the study being the relationship between turnaround strategies and performance of Small and Medium Enterprises in Kenya. I have randomly selected your enterprise to participate in this study. The information obtained during this study will be treated with utmost confidentiality and neither your name nor the name of your business will be used in any document based on this study. Thanks in advance for your willingness to generously contribute to this research.

Yours Sincerely,

Antony Sije.

sijeantony@gmail.com

Appendix 2: Research Clearance from the University



JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
WESTLANDS CAMPUS

OFFICE OF THE DIRECTOR

P. O. BOX 62000 NAIROBI 00200, KENYA • Tel. 020-4447769 • Fax. 020-4448679 • E-Mail: nbicentre@jkuat.ac.ke

JKU/04/HD433-C003-4654/2014

12th January, 2016

TO WHOM IT MAY CONCERN

RE: ANTONY SIJE

This is to confirm that the above named is a student at Jomo Kenyatta University of Agriculture & Technology – Westlands Campus, undertaking a degree in Doctor of Philosophy in Business Administration.

It is a requirement that the student undertakes a Research Thesis in a relevant field in order to improve on his skills. Mr. Sije's Research is on **“Relationship between turn around strategies and performance of SMEs in Kenya.”** This Research is Purely Academic.

Any assistance given to him will be highly appreciated and if you need clarification please contact the undersigned.

Thank you.



JKUAT is ISO 9001:2008 and 14001:2004 CERTIFIED
Setting Trends in Higher Education, Research and Innovation

Appendix 3: Research Permit



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House,
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/16/21213/9712**

Date:
30th March, 2016

Antony Sije Okello
Jomo Kenyatta University of Agriculture
And Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***“Relationship between turnaround strategies and performance of Small and Medium Enterprises in Kenya,”*** I am pleased to inform you that you have been authorized to undertake research in **Kiambu County** for a period ending **22nd March, 2017.**

You are advised to report to **the County Commissioner and the County Director of Education, Kiambu County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.


DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Kiambu County.

The County Director of Education
Kiambu County.

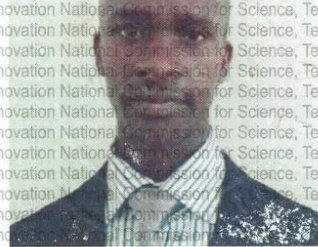
Permit No : NACOSTI/P/16/21213/9712
Date Of Issue : 30th March,2016
Fee Received :Ksh 2000

**THIS IS TO CERTIFY THAT:
MR. ANTONY SIJE OKELLO
of JOMO KENYATTA UNIVERSITY OF
AGRICULTURE AND TECHNOLOGY, 0-200
NAIROBI,has been permitted to conduct
research in Kiambu County**

**on the topic: RELATIONSHIP BETWEEN
TURNAROUND STRATEGIES AND
PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN KENYA**

**for the period ending:
22nd March,2017**

**Applicant's
Signature**



**Director General
National Commission for Science,
Technology & Innovation**

**1. You must report to the County Commissioner and
the County Education Officer of the area before
embarking on your research. Failure to do that
may lead to the cancellation of your permit.**
**2. Government Officers will not be interviewed
without prior appointment.**
**3. No questionnaire will be used unless it has been
approved.**
**4. Excavation, filming and collection of biological
specimens are subject to further permission from
the relevant Government Ministries.**
**5. You are required to submit at least two(2) hard
copies and one(1) soft copy of your final report.**
**6. The Government of Kenya reserves the right to
modify the conditions of this permit including
its cancellation without notice.**



REPUBLIC OF KENYA



**National Commission for Science,
Technology and Innovation**

**RESEARCH CLEARANCE
PERMIT**

Serial No. A 0929

CONDITIONS: see back page

Appendix 4: Interview Guide

Section A: Demographic Information

- 1) What is your highest Level of Education?
- 2) How long has your business been operating?
- 3) How long have you been involved in businesses of the same kind?

Section B: Specific Information

- 1) Has the performance of your business been satisfactory?
- 2) What are the indicators of performance in your business?
- 3) How would you rate the customers' satisfaction in your business?
- 4) How would you rate employees' satisfaction in your business?
- 5) How would you rate the market share in your business?
- 6) Does the expansion and realization of economies of scale contribute to the performance of your business?
- 7) How would you rate profitability of your business?
- 8) Are the targets in the business precise, measureable and attainable?
- 9) To what extent do employees participate in the performance of the business?

Section C: Information on the Strategies

Part 1: Financial Restructuring Turnaround Strategy

a) i) Do you have any strategies for conversion of debt into equity?

- Yes No

ii) If Yes in (a) (i) above, how has such conversions impacted on your profitability?.

.....

iii) If No in (a) (i) above, please briefly explain

.....

b) In the following previous years, how much debt did you convert to equity and what were the corresponding profits?

Year	Debt Amount	Profit
	(KSH)	(KSH)
2012		
2013		
2014		
2015		

c) i) Which among the following strategic vertical alliances do you use in your business?

- Distributors Outsourcing
 Affiliate marketing Distribution relationship
 Research and development

ii) From the above strategic alliance chosen in c) i) above, how has/have it/they impacted on the number of products, number of employees, and market share in your business?

.....

iii) In the past four years, how many products, how many employees and how many

customers have you had following the strategic alliance(s) you have chosen in (c) (i) above?

Year	Number of Products	Number of employees	Number of Customers
2012			
2013			
2014			
2015			

Part 2: Reorganization Turnaround Strategy

a) i) Do you have any strategies of the configuration of internal and external operations of your business?

- Yes No

ii) If Yes, how has this impacted on the number of employees?

.....

iii) If No in a) i) above, please give a brief explanation

.....

b) In the following previous years, how many employees have you had?

Year	Number of Employees
2012	
2013	
2014	
2015	

c) i) Which among the following reconfiguration strategies do you use in your business?

- Interfirm collaboration
 Group level learning
 Business level

ii) From the reconfiguration strategy chosen in (c) (i) above, how has it impacted on

the number of employees in your business?

.....

iii) In the past four years, how many employees have you had following the reconfiguration strategy chosen in (c) (i) above?

Year	Number of Employees
2012	
2013	
2014	
2015	

d) i) Since the inception of your business, have you ever changed its structure?

Yes

No

ii) If Yes in d) i) above, how has this impacted on the profitability of your business?

iii) If No, please explain

briefly.....

iv) In view of the above, how much on average have you made in terms of profit by the end of the following past years?

Year	Profit (KSH)
2012	
2013	
2014	
2015	

Part 3: Repositioning Turnaround Strategy

a) i) Have you ever entered into new market territories to sell your product?

Yes

No

ii) If yes in (a)(i) above, how has this impacted on your market share and profitability?

.....

iii) If No, briefly explain.....

b) In the following previous years, how much profit on average did you make and the

corresponding market share following the entry into new market territory?

Year	Market Share	Profit (KSH)
2012		
2013		
2014		
2015		

c) i) Have you hired any employee(s) in the near past to assist the business achieve its future goals?

Yes

No

ii) Please briefly explain on your choice of the answer in (c)(i).....

.....

d) In the past following four years, how much profit and corresponding annual running expenditure have you made/ incurred as a result of resource reallocation?

Year	Annual Running Expenditure (KSH)	Profit (KSH)
2012		
2013		
2014		
2015		

Part 4: Market Redefinition Turnaround Strategy

a) i) In the past four years, has your business come up with either new product or an improved version of the existing product(s)

Yes

No

ii) If yes, how has this impacted on the amount of profit in your business?

iii) If no, why haven't you tried this strategy? Briefly explain.....

b) In the following previous years, how much profit on average did you make as a result

of improved product/coming up with a new product in the market and corresponding number of customers?

Year	Profit (KSH)	Number of customers
2012		
2013		
2014		
2015		

c) i) Have you ever engaged the consumer(s) in the decision making process of your business?

Yes

No

ii) If yes, how has this impacted on the number of customers and the profitability of the business?.....

iii) If no, kindly explain.....

iv) From your level of customer engagement and taking the following previous years into perspective, how many customers did you attract into your business? How much profit did you make in return?.....

Year	Profit (KSH)	Number of customers
2012		
2013		
2014		
2015		

THANK YOU

Appendix 5: Self-Administered Questionnaire

Section A: Demographic Information

1) Name of your business {Please tick appropriately (√) in the space provided on the right}

Type of the enterprise	Please tick one (√)
Retail Store	
Wholesale	

Gender {Please tick one (√)}

Male

Female

2) Age Group {Please tick one (√)}

21 – 25 Years 26 – 30 years 31 – 35 years 36 – 40 years

41 – 45 Years 46 – 50 years 51 – 55 years over 55 years

3) Highest Level of Education {Please tick one (√)}

High School Certificate Diploma

Bachelor's Degree Post Graduate Degree

Others

(specify).....

4) How long have you worked in this business?

.....

Section B: Turnaround Strategies and Performance

Part 1: Financial Restructuring Turnaround Strategy

5) Kindly rate the following factors / statements using a scale of SA – Strongly Agree; A – Agree; N – Neutral; D – Disagree; and SD – Strongly Disagree

Parameters	(SA)	(A)	(N)	(D)	(SD)
I am familiar with financial restructuring in this business					
Conversion of debt into equity is necessary for company					
Conversion of equity into debt helps in turning around the company into a profit making entity.					
Cooperation or collaboration benefits our company in a greater way than those from individual efforts.					
Strategic vertical alliances create or maintains strategic choices for our company					
Strategic vertical alliance helps in mitigating significant financial risks facing our business					

Part 2: Reorganization Turnaround Strategy

6) Kindly rate the following factors / statements using a scale of SA – Strongly Agree; A – Agree; N – Neutral; D – Disagree; and SD – Strongly Disagree

Parameters	(SA)	(A)	(N)	(D)	(SD)
I am familiar with reorganization in our business					
Varying of internal operations helps our organisation improve its performance in the long run					
Reconfiguration of internal and external operations helps the company to use resources wisely in the pursuit of company goals					
Reconfiguration of internal and external operations enables our company to present a unified front to customers, and vendors when a common marketing message is used throughout the organization					
Changing the structure allows our company to better focus on a single set of goals					
Changing the management structure eliminates overlapping and duplication of work thus decreasing likelihood of “runarounds”					

Part 3: Repositioning Turnaround Strategy

7) Kindly rate the following factors / statements using a scale of SA – Strongly Agree; A – Agree; N – Neutral; D – Disagree; and SD – Strongly Disagree

Parameters	(SA)	(A)	(N)	(D)	(SD)
I am familiar with repositioning strategy in our business					
Repositioning strategy has improved performance of our business.					
Entering into new markets enables our company to obtain expertise and apply new and best business practices across markets.					
By learning from best practice, sharing ideas from different markets and business cultures, synergies will be brought to the company					
Along with media attention, opening a store in a new market also generates excitement among customers for our company.					
Resource allocation enables our company achieve economies of scale.					

Part 4: Market Redefinition Turnaround Strategy

8) Kindly rate the following factors / statements using a scale of SA – Strongly Agree; A – Agree; N – Neutral; D – Disagree; and SD – Strongly Disagree

Parameters	(SA)	(A)	(N)	(D)	(SD)
I am familiar with market redefinition strategy in our business					
Neglect of market redefinition strategy can be a major source of failure in our company					
Service innovation has proven to be truly inspiring and describes a desirable future state for our company.					
Well-chosen service innovations can help our company to decrease production costs and increase profitability					
As the innovation becomes visible to customers, the reputation of our company is enhanced and the likelihood of being viewed as a market leader increases					
Consumer engagement strategy has enabled customers to continue doing business with our company and therefore a positive change in our company's growth					
Engaged customers already love what our company does and therefore provide free advertising thus guaranteeing its prominence					

Part 5: Performance of SMEs

Kindly indicate the average growth for the indicators of performance in your business, from 2012 to 2015. If an indicator shows a growth for example of 5% in a particular year, indicate 105%. If in case it reduces with a certain percentage, for instance, 5%, indicate 95%.

Profitability Ratio	2012	2013	2014	2015
Average Pre-tax Profits				
Return on Assets (ROA)				
Employment Growth				
Number of Products				
Market Share				
Annual Running Expenditure				
Number of Customers				
Sales Turnover				

Has turnaround strategies played any role in your profitability improvement?

- Yes No

If yes, please indicate by what percentage, using a tick, (√), as appropriate.

- 1-5%
- 6-10%
- 11-15%
- 16-20%
- Over 21%

If no, please briefly explain

.....

.....

.....

THANK YOU

Appendix 6: Enterprises Registered with Thika Sub County

Act. Code	Business Activity Description	Registered Businesses	Registered SMEs
103	Mega store, hypermarket : large	6	
105	Large trader, shop, retail store	55	
110	Medium Enterprises*	601	601
115	Small Enterprises*	5,680	5,680
120	Kiosk light or temporary construction	869	
195	Wholesale Enterprises*	2,323	2,323
205	Hawker with motor vehicle : 1 person	11	
210	Hawker without motor vehicle : 1 person	408	
215	Small informal sector/service	142	
220	Semi-permanent informal sector trader	139	
295	Other informal sector operation	580	
310	Medium transport enterprise :from 6 to 30	1	
315	Small transport enterprise: form 2 to 5	31	
320	Independent transport operator : 1 vehicle	117	
325	Large petrol filling station: over 6 pumps	5	
330	Medium petrol filling station: 4 to 6	13	
335	Small petrol filling station: upto 3 pumps	14	
340	Large cold storage facility : over 1,000 m 2	1	
355	Large storage facility : up to 1,000m2	5	
360	Medium storage facility : form 1,000m2 to	8	
365	Small storage facility : up to 1,000m2	25	
375	Medium communications Co.: form 16 to	2	
395	Other transport, storage and	93	
405	Large agricultural	9	
410	Medium agricultural	57	
415	Small agricultural	266	

Act. Code	Business Activity Description	Registered Businesses	Registered SMEs
425	Medium mining or natural resources	2	
430	Small mining or natural resources	7	
495	Other agricultural , forestry and natural	16	
503	Large high-standard lodging house / hotel	1	
506	Medium high-standard lodging house / hotel	2	
509	Small high-standard lodging house / hotel	2	
512	Large lodging house with restaurant	5	
515	Medium lodging house with restaurant	15	
518	Small lodging house with restaurant	5	
521	Large lodging house B/C class : basic	2	
524	Medium lodging house B/C class : basic	17	
527	Small lodging house B/C class : basic	76	
540	Large restaurant with bar/membership	13	
543	Medium restaurant with bar/membership	61	
546	Small restaurant with bar up to 10	47	
549	Large eating house; snack bar; tea house	24	
552	Medium eating house; snack bar; tea house	54	
555	Small eating house; snack bar; tea house	460	
558	Butchery with roasted meta and /or soup	153	
561	Large bar/traditional beer seller	9	
564	Medium bar/traditional beer seller	10	
567	Small bar/traditional beer seller	147	
571	Large night club/casino: over 500m2	2	
577	Small night club/casino: upto 100m2	3	
595	Other catering and accommodation	37	
605	Large professional services enterprise: over 10 Workers	2	

Act. Code	Business Activity Description	Registered Businesses	Registered SMEs
610	Medium professional services enterprise: from 5 Workers	10	
615	Small professional services enterprise: upto 2 Workers	57	
620	Independent technical operator : one	24	
625	Large financial services: over 25	6	
630	Medium financial services: form 6 to 25	19	
635	Small financial services: upto 5	29	
695	Other professional and technical services	1,139	
705	Private higher education institutions : any	6	
710	Large private education institutions	30	
715	Medium private education institutions	63	
720	Small private education facility	143	
725	Large private health facility: hospital	1	
730	Medium private health facility:	3	
735	Small private health facility:	4	
740	Health clinic/doctors surgery:	77	
745	Traditional health services, herbalists	26	
760	Small entertainment facility: upto 50	2	
795	Other education, health and entertainment	71	
805	Large industrial plant: over 75 employees	10	
810	Medium industrial plant: 16 to 75 employees	9	
815	Large industrial plant: upto 15 employees	24	
820	Large workshop/service-repair	5	
825	Medium workshop/service-repair	40	
830	Small workshop/service-repair	337	
895	Other manufacturer, workshop, factory	48	
	TOTAL	14,817	8,604

Appendix 7: Map of Kenya

