

**TURNAROUND STRATEGIES AND PERFORMANCE  
OF STATE OWNED SUGAR COMPANIES IN KENYA**

**JOSEPH OGWOBO WANDERA**

**DOCTOR OF PHILOSOPHY**

**(Business Administration)**

**JOMO KENYATTA UNIVERSITY OF  
AGRICULTURE AND TECHNOLOGY**

**2018**

**Turnaround Strategies and Performance of State Owned Sugar  
Companies in Kenya**

**Joseph Ogwobo Wandera**

**A thesis submitted in Partial fulfilment for the Degree of Doctor of  
Philosophy in Business Administration in the Jomo Kenyatta  
University of Agriculture and Technology**

**2018**

## DECLARATION

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

Signature .....Date .....

**Joseph OgwoboWandera**

This thesis has been presented for examination with our approval as the University Supervisors.

Signature .....Date .....

**Prof. Maurice M. Sakwa, PhD**

**JKUAT, Kenya**

Signature .....Date .....

**Dr. Mugambi Fred Mwirigi, PhD**

**KRA, Kenya**

## **DEDICATION**

I dedicate this thesis to my dad George Bink Wandera and mum Beatrice Anyango Wandera, their pursuit to education is unmeasured! God Bless them abundantly! Further special dedications to my love Jeru, twin daughters Stacy and Maicy, and son Bink; they are wonderful gifts and an investment to look at! Thank You God!

## ACKNOWLEDGEMENT

Special thanks to the Almighty God for the strength bestowed on me to pursue my third degree. I wish to take this opportunity to express my sincere appreciation to my senior research lecturers Prof. Sakwa and Dr. Mugambi for their dedicated and insightful guidance and support that has made it possible for me to come up with this thesis. Indeed the journey has been transformational through their efforts and i am clearly a different improved Joseph! I owe you a lot! God bless you abundantly!

Special thanks go to the various Lecturers in the Business School Mombasa CBD Campus and the administration, a big thank you for the support you gave me to make this a reality and God bless you as you continue to mould future leaders of this great Nation of Kenya and the world at large.

I am very grateful to my 2013 PhD course work classmates and colleagues for their special concern in my progress and the serious discussions held that would leave nothing to chance, kudos! You have made me who I am, thank you!

I sincerely thank the respondents who provided me with data in the various companies, to the management, thank you for allowing me to carry out my research in your organization, special thanks to Mr. Wandera (Kitale) for the important contacts, Mr. Oteki of Nzoia Sugar Ltd, Mr. Ondoro of Muhoroni Sugar company, Mr. Ademba of Mumias Sugar Company, Mr. Buluma of Sony Sugar Company and Mr. Onyando of Chemelil Sugar Company, you helped me a lot in data collection, I am humbled!

Last but not least, a big thank you to my family members and close friends who have kept on encouraging me, God bless you abundantly!

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>TABLE OF CONTENTS.....</b>	<b>v</b>
<b>LIST OF TABLES.....</b>	<b>xiv</b>
<b>LIST OF FIGURES.....</b>	<b>xix</b>
<b>LIST OF APPENDICES.....</b>	<b>xx</b>
<b>OPERATIONAL DEFINITION OF TERMS.....</b>	<b>xxi</b>
<b>LIST OF ACRONYMS AND ABBREVIATIONS.....</b>	<b>xxv</b>
<b>ABSTRACT.....</b>	<b>xxviii</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Global perspective of turnaround.....	2
1.1.2 Regional Perspective of turnaround.....	3
1.1.3 Kenyan Perspective of turnaround.....	5
1.1.4 State Owned Sugar Companies in Kenya.....	8

1.2 Statement of the Problem.....	11
1.3 Research Objectives.....	13
1.3.1 General Objective .....	13
1.3.2 Specific Objectives .....	13
1.4 Research Hypotheses .....	13
1.5 Significance of the Study .....	14
1.6 Scope of the Study .....	14
1.7 Limitations of the Study.....	15
<b>CHAPTER TWO .....</b>	<b>16</b>
<b>LITERATURE REVIEW.....</b>	<b>16</b>
2.1 Introduction.....	16
2.2 Theoretical Framework .....	16
2.2.1 Contingency theory of structural adaptation to regain fit theory.....	16
2.2.2 The Generic Strategy Theory .....	19
2.2.3 Life Cycle Theory.....	21
2.3 Conceptual Framework .....	22
2.3.1 Cost reduction strategy .....	24
2.3.2 Diversification strategy.....	25

2.3.3 Reorganization strategy .....	27
2.3.4 Modernization strategy .....	30
2.3.5 Organizational Performance .....	32
2.4 Empirical Review .....	33
2.5 Critique of the Literature.....	37
2.6 Research Gaps.....	39
2.7 Summary .....	41
<b>CHAPTER THREE .....</b>	<b>42</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>42</b>
3.1 Introduction .....	42
3.2 Research Philosophy .....	42
3.3 Research Design.....	42
3.4 Target Population.....	43
3.5 Sampling Frame .....	43
3.6 Sample and Sampling Techniques .....	44
3.6.1 Sample Size .....	44
3.6.2 Sampling Technique .....	45
3.7 Data Collection Instruments.....	46

3.8 Data Collection Procedures.....	47
3.9 Pilot Study.....	47
3.9.1 Reliability of the Instrument.....	48
3.9.2 Validity of the Instrument.....	49
3.9.3 Diagnostic Tests .....	50
3.10 Data Analysis and Presentation.....	50
3.11 Variable Definitions and Measurement .....	53
3.12 Hypotheses Testing .....	56
<b>CHAPTER FOUR.....</b>	<b>57</b>
<b>RESEARCH FINDINGS AND DISCUSSIONS.....</b>	<b>57</b>
4.1 Introduction.....	57
4.2 Response Rate .....	57
4.3 Reliability Findings .....	58
4.4 Assessment of Data Normality, Linearity and Independence.....	59
4.4.1 Data Normality, Linearity and Independence for Turnaround Strategies .....	59
4.4.2 Data Normality, Linearity and Independence for Performance .....	62
4.5 Demographic Results of the Study Population .....	64

4.5.1 Gender Distribution .....	64
4.5.2 Education Level.....	64
4.5.3 Management Levels.....	65
4.5.4 Years of Service.....	66
4.5.5 Effect of Turnaround Strategies on Organizational Performance .....	67
4.6 Organizational Performance.....	67
4.6.1 Descriptive Results for Organizational Performance .....	67
4.6.2 Organizational Performance Factor Results .....	68
4.7 The Relationship between Cost Reduction Strategy and Performance.....	70
4.7.1 Sample Adequacy for Cost Reduction Strategy .....	70
4.7.2 Descriptive of Cost Reduction Strategy .....	71
4.7.3 Cost Reduction Strategy Factor Results .....	73
4.7.4 Correlation matrix for Cost Reduction Strategy and Organizational Performance.....	75
4.7.5 Cost Reduction ANOVA Results .....	77
4.7.6 Cost Reduction Goodness of Fit Model Results.....	78
4.7.7 Regression Results for Cost Reduction Strategy on the Performance..	78
4.8 The Relationship between Diversification Strategy and Performance .....	80

4.8.1 Sample Adequacy for Diversification strategy.....	80
4.8.2 Descriptive Results for Diversification Strategy .....	81
4.8.3 Diversification Strategy Factor Results .....	83
4.8.4 Correlation Matrix for Diversification Strategy and Performance .....	86
4.8.5 Correlation Matrix for Diversification Strategy and Performance .....	87
4.8.6 Diversification ANOVA Results .....	88
4.8.7 Diversification Goodness of Fit Model Results .....	89
4.8.8 Regression results for Diversification on Performance .....	89
4.9 The relationship Between re-Organization Strategy and Performance .....	91
4.9.1 Sample Adequacy for Re-organization Strategy .....	91
4.9.2 Descriptive Results of Reorganization Strategy .....	92
4.9.3 Reorganization Strategy Factor Results .....	94
4.9.4 Correlation Matrix for Reorganization Strategy and Performance .....	96
4.9.5 Reorganization ANOVA Results.....	97
4.9.6 Reorganization Goodness of Fit Model Results .....	97
4.9.7 Regression Results for Reorganization on Performance .....	98
4.10 The Relationship between Modernization Strategy and Performance .....	99
4.10.1 Sample Adequacy for Modernization Strategy .....	99

4.10.2 Descriptive Results of Modernization Strategy .....	100
4.10.3 Modernization Strategy Factor Results .....	101
4.10.5 Modernization Strategy ANOVA Results .....	105
4.10.6 Modernization Strategy Goodness of Fit Model Results.....	105
4.10.7 Regression Results for Modernization Strategy on Performance.....	106
4.11 Multiple Linear Regression Analysis .....	107
4.11.1 Standard Multiple Regression Analysis .....	107
4.11.2 Overall ANOVA F-Test Results.....	109
4.11.3 Coefficients Regression Results .....	109
4.12 Summary of Hypotheses .....	113
4.13 Stepwise Multiple Regression Analysis.....	114
4.14 Discussion of Findings .....	118
4.14.1 Cost Reduction Strategy on Performance.....	118
4.14.2 Diversification Strategy on Performance .....	119
4.14.3 Re-organization Strategy on Performance.....	120
4.14.4 Modernization Strategy on Performance .....	121
4.15 Cross Tabulation Results.....	122
4.15.1 Cross Tabulation Results for Performance by companies.....	122

4.15.2 Cross Tabulation Results for Realignment Strategy by Companies.	123
4.15.3 Cross Tabulation Results for Reorganization Strategy by Companies .....	124
<b>CHAPTER FIVE.....</b>	<b>126</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>126</b>
5.1 Introduction.....	126
5.2 Summary .....	126
5.2.1 Cost Reduction Strategy on Performance.....	127
5.2.2 Diversification Strategy on Performance.....	128
5.2.3 Reorganization Strategy on Performance .....	128
5.2.4 Modernization Strategy on Performance .....	129
5.3 Conclusions .....	130
5.3.1 Cost Reduction Strategy on Performance.....	130
5.3.2 Diversification strategy on performance .....	130
5.3.3 Reorganization Strategies on Performance.....	131
5.3.4 Modernization Strategies and Performance.....	131
5.4 Recommendations .....	131
5.4.1 Policy Recommendation.....	132

5.4.2 Managerial Recommendations .....	133
5.5 Areas for Further Research .....	134
<b>REFERENCES</b> .....	<b>135</b>
<b>APPENDICES</b> .....	<b>150</b>

## LIST OF TABLES

<b>Table 2.1:</b> Research Gaps.....	40
<b>Table 3.1:</b> Sample Size.....	46
<b>Table 3.2:</b> Measurement of Variables .....	55
<b>Table 3.3:</b> Hypothesis Testing.....	56
<b>Table 4.1:</b> Response Rate of the Respondents .....	58
<b>Table 4.2:</b> Reliability Findings.....	59
<b>Table 4.3:</b> KMO and Bartlett’s Test for Turnaround Strategies Factors.....	60
<b>Table 4.4:</b> Normality of one-sample Kolmogorov-Smirnov test for Turnaround Strategies.....	61
<b>Table 4.5:</b> Normality-Skewness and Kurtosis Tests of Turnaround Strategies .....	61
<b>Table 4.6:</b> KMO and Bartlett’s Test for Organizational Performance Factors .....	62
<b>Table 4.7:</b> Normality of One-Sample Kolmogorov-Smirnov Test for Organizational Performance .....	63
<b>Table 4.8:</b> Normality-Skewness and Kurtosis Tests for Organizational Performance .....	63
<b>Table 4.9:</b> Gender of Respondents .....	64
<b>Table 4.10:</b> Education Level .....	65
<b>Table 4.11:</b> Management Level.....	66

<b>Table 4.12:</b> Years of Service .....	66
<b>Table 4.13:</b> Effect of Turnaround Strategies on Organizational Performance.....	67
<b>Table 4.14:</b> Organizational Performance Descriptive .....	68
<b>Table 4.15:</b> Factor Results for Organizational Performance.....	69
<b>Table 4.16:</b> Component Matrix for Performance .....	69
<b>Table 4.17:</b> KMO and Bartlett’s Test for Cost Reduction Strategy .....	70
<b>Table 4.18:</b> One-Sample Kolmogorov-Smirnov Test .....	71
<b>Table 4.19:</b> Cost Reduction Strategy on Performance .....	72
<b>Table 4.20:</b> Factor Results for Cost Reduction Strategy .....	73
<b>Table 4.21:</b> Component Matrix for Cost Reduction Strategy .....	74
<b>Table 4.22:</b> Descriptive Results of Cost Reduction Strategy .....	75
<b>Table 4.23:</b> Correlation Matrix for Cost Reduction Strategy .....	77
<b>Table 4.24:</b> Cost Reduction ANOVA Results.....	78
<b>Table 4.25:</b> Cost Reduction Goodness of Fit Test .....	78
<b>Table 4.26:</b> Cost Reduction Regression Results .....	80
<b>Table 4.27:</b> KMO and Bartlett’s Test for Diversification Strategy.....	80
<b>Table 4.28:</b> One-Sample Kolmogorov-Smirnov Test .....	81
<b>Table 4.29:</b> Diversification Strategy on Organizational Performance .....	82

<b>Table 4.30:</b> Factor Results for Diversification Strategy .....	83
<b>Table 4.31:</b> Component Matrix for Diversification Strategy .....	84
<b>Table 4.32:</b> Descriptive Results of Diversification Strategy .....	85
<b>Table 4.33:</b> Correlation Matrix for Diversification Strategy.....	87
<b>Table 4.34:</b> ANOVA Results for Diversification Strategy .....	88
<b>Table 4.35:</b> ANOVA Results for Diversification Strategy .....	89
<b>Table 4.36:</b> ANOVA Results for Diversification Strategy .....	91
<b>Table 4.37:</b> KMO and Bartlett’s Test for Re-organization Strategy .....	92
<b>Table 4.38:</b> One-Sample Kolmogorov-Smirnov Test .....	92
<b>Table 4.39:</b> Re-organization Strategies on Performance.....	93
<b>Table 4.40:</b> Factor Results on Reorganization Strategy .....	94
<b>Table 4.41:</b> Component Matrix for Reorganization Strategy.....	95
<b>Table 4.42:</b> Descriptive Results of Reorganization Strategy .....	96
<b>Table 4.43:</b> Correlation Matrix for Reorganization Strategy .....	96
<b>Table 4.44:</b> Reorganization strategy ANOVA Results .....	97
<b>Table 4.45:</b> Reorganization Model Summary .....	97
<b>Table 4.46:</b> Regression Coefficients of the Reorganization Strategy .....	98
<b>Table 4.47:</b> KMO and Bartlett’s Test for Modernization Strategy .....	99

<b>Table 4.48:</b> One-Sample Kolmogorov-Smirnov Test .....	100
<b>Table 4.49:</b> Modernization Strategy on Performance .....	101
<b>Table 4.50:</b> Factor Results on Modernization Strategy .....	102
<b>Table 4.51:</b> Component Matrix for Modernization Strategy.....	103
<b>Table 4.52:</b> Descriptive Results of Modernization Strategy .....	104
<b>Table 4.53:</b> Correlation Matrix for Modernization Strategy .....	104
<b>Table 4.54:</b> Modernization Strategy ANOVA Results.....	105
<b>Table 4.55:</b> Modernization Strategy Model Summary .....	106
<b>Table 4.56:</b> Regression Coefficients of Modernization Strategy .....	107
<b>Table 4.57:</b> Overall Model Summary.....	108
<b>Table 4.58:</b> Overall Analysis of Variance Results .....	109
<b>Table 4.59:</b> Regression Coefficients .....	112
<b>Table 4.60:</b> Summary of Hypotheses .....	113
<b>Table 4.61:</b> Variables Entered in Stepwise Multiple Regression.....	115
<b>Table 4.62:</b> Model Summary of Stepwise Multiple Regression .....	115
<b>Table 4.63:</b> ANOVA of Stepwise Multiple Regression .....	116
<b>Table 4.64:</b> Coefficients of Stepwise Multiple Regression.....	117
<b>Table 4.65:</b> Cross Tabulation Results Showing Performance by Companies.....	123

**Table 4.66:** Cross Tabulation Results of Realignment Strategy Adoption ..... 124

**Table 4.67:** Cross Tabulation Results of Reorganization Strategy Adoption ..... 125

## LIST OF FIGURES

<b>Figure 2.1: Conceptual Framework .....</b>	<b>23</b>
---	-----------

## LIST OF APPENDICES

<b>Appendix I:</b> Introduction Letter .....	150
<b>Appendix II:</b> Research Questionnaire.....	151
<b>Appendix III:</b> Sampling Frame.....	159

## OPERATIONAL DEFINITION OF TERMS

- Conglomerate diversification** is a growth strategy that involves adding new products or services that are significantly different from the organization's present products or services. It occurs when the firm diversifies into an area(s) totally unrelated to the organization's current business (Porter, 2012).
- Concentric Product innovation** is a type of business strategy where a company acquires or creates new products or services to reach more consumers. These new products and services usually are closely related to the company's existing products and services (Porter, 2012).
- Cost cutting strategies** are the initiatives that focus on reducing costs and expenses through methods such as lowering of salary costs, conserving necessary resources, consolidation to decrease facility expenses in order to improve the financial health of an organization. It is the process of finding and removing unwarranted expenses from a business to increase profits without having a negative impact on product quality (Pearce & Robins, 2008).
- Cronbach's alpha** is a measure of reliability that ranges from 0 to 1, with a value of 0.70 often judged to be the lower limit of acceptability (Masilamani & Aris, 2009).

**Diversification strategy**

refers to the corporate initiatives to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. It is an internal growth strategy involving substantially different skill, technology and knowledge (Wernefelt, 2014).

**Divestiture**

is a partial or full disposal of a business unit through sale, exchange, closure or bankruptcy. A divestiture most commonly results from a management decision to cease operating a business unit because it is not part of a core competency or if a business unit is deemed to be redundant (Pearce & Robins, 2008).

**Market penetration**

refers to the activities that are used to increase the market share of a particular product or service. It involves identification for increase of the existing customer base (Wernefelt, 2014).

**Modernization strategy**

refers to initiatives involving up gradation of existing physical facilities like plant and machinery and processes. It results into an improvement in the quality of products so that they offer better value to the customers; helps improve productivity, full capacity utilization, higher efficiency and create economies of scale (Sirmon *et al.*, 2007).

**Performance**

refers to the actual output or results of an

organizations measured against its intended outputs or goals and objectives. (Sutton, 2007).

**Validity**

is an indication of the extent to which an instrument measures what we think it is supposed to be measuring and also measures the truth or accuracy of a research instrument (Beaglehole, Bonita, & Kjellstrom, 2006).

**Process excellence**

is about process effectiveness and efficiency. It requires processes to be designed and improved for consistent delivery with minimum variation and minimum waste. It is the domain of Six Sigma and Lean firm (Sutton, 2007).

**P-Value**

is a measure of how significant the sample results are; the smallest value of  $\alpha$  for which  $H_0$  can be rejected (Sekaran, 2009).

**Realignment strategy**

are strategies that enable higher performance by optimizing the contributions of people, processes, and inputs to the realization of measurable objectives and, thus, minimizing waste and misdirection of effort and resources to unintended or unspecified purposes (Thamrin, 2012).

**Reorganization strategy**

refers to initiatives that lead to an overhaul of a company's internal structure. It may involve changes to departments, business units and employee roles, and often includes significant

layoffs, it may further include mergers and acquisitions, strategies and core competencies and cutting of a firm's operations in order to concentrate on core activities and Readjustment of a firm's debt and capital structure (McCann *et al.*, 2009).

**Strategy**

refers to an integrated and coordinated set of ts and actions designed to exploit core competencies and gain a competitive advantage (Hitt, Ireland & Hiskisson, 2003).

**Turnaround**

is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency (Thompson & Strickland, 2008).

**Turnaround Strategy:**

Mechanisms used to reverse the existing negative trend; a rapid change of corporate strategy that is needed to deal with issues like falling profitability, market share, among others (Johnson & Scholes, 2011).

## LIST OF ACRONYMS AND ABBREVIATIONS

<b>ANOVA</b>	Analysis of Variance
<b>BCCL</b>	Bharat Coking Coal Limited
<b>CBD</b>	Central Business District
<b>CCS</b>	Cost Cutting Strategies
<b>CEO</b>	Chief Executive Officer
<b>CR</b>	Cost Reduction
<b>Df</b>	Degree of freedom
<b>Div</b>	Diversification strategy
<b>EASI</b>	East African Sugar Industries
<b>FAO</b>	Food and Agricultural Organizations
<b>HODs</b>	Head of Departments
<b>ISO</b>	International Standards Organization
<b>K-S</b>	Kolmogorov-Smirnov one sample test
<b>Ksh.</b>	Kenya Shillings
<b>KMO</b>	Kaiser-Meyer-Olkin Measure of Sampling Adequacy
<b>KTL</b>	Kamani Tubes Limited
<b>Ltd</b>	Limited

<b>MhSC</b>	Muhoroni Sugar Company Limited
<b>Mod</b>	Modernization strategy
<b>MP</b>	Market Penetration
<b>MSC</b>	Mumias Sugar Company Limited
<b>N</b>	Number
<b>NACOSTI</b>	National Commission for Science , Technology and Innovation
<b>NSC</b>	Nzoia Sugar Company
<b>NSL</b>	Nzoia Sugar Company Limited
<b>OHRP</b>	Office of Human Resource Planning
<b>OP</b>	Organizational Performance
<b>P</b>	Population
<b>R&amp;D</b>	Research & Development
<b>ROI</b>	Return on Investments
<b>ROE</b>	Return on Equity
<b>Rog</b>	Reorganization strategy
<b>RS</b>	Realignment strategy
<b>S</b>	Sample
<b>SMEs</b>	Small and Medium Enterprises

<b>Sig</b>	Significance
<b>SIL</b>	Scooters India Limited
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>SSC</b>	Sony Sugar Company Limited
<b>SWOT</b>	Strength, Weakness, Opportunity, Threats
<b>TAS</b>	Turnaround strategies
<b>UN</b>	United Nations
<b>US</b>	United States
<b>VIF</b>	Variance Inflation Factor

## ABSTRACT

This was a study on the relationship between turnaround strategies and the performance of state owned Sugar Companies in Kenya. Four specific objectives formed the study and these were: to assess the relationship between cost reduction strategy, diversification strategy, re-organization strategy and modernization strategy respectively on the performance of state owned sugar companies in Kenya. The theories that guided the study were the contingency theory of structural adoption to regain fit theory, the generic strategy theory and the life cycle theory. The context of the study was all the five state owned sugar companies operating in Kenya which have also gone through the turnaround process. The total target population was 406 managers cutting across all the management levels in all the selected companies from which a sample of 197 respondents was selected using the stratified random sampling technique. Descriptive research design was employed for the study as it is usually the best method for collecting information that will demonstrate relationships and describe the world as it exists. Close ended questionnaires were used as data collection instruments and they were conveyed to the respondents through drop and pick technique. One questionnaire was administered to each sampled respondent. The strata earmarked for questionnaires were the strategic level, tactical level and the operational level management as they are all involved in organization turnaround process. Data analysis and interpretation was done quantitatively based on descriptive statistics such as measures of location (mean) and measures of dispersion (standard error mean) as well as inferential statistics mainly, the bivariate Pearson correlation, multi-linear regressions, Analysis of Variance and the stepwise multiple regression. The hypotheses was tested at 95 percent confidence level (level of significance,  $\alpha = 0.05$ ). Data processing and analysis was finally done by the help of the SPSS software Version 24 from which several findings were arrived at, key being that only the reorganization and realignment strategy demonstrated a significant positive relationship to the performance of state owned sugar companies in Kenya, this being

a result of both the multiple and stepwise regression analysis. The retrenchment, diversification and modernization strategy presented insignificant results to organizational performance though the correlation studies showed moderate positive relationship to organizational performance for all the independent variables under study. The study concluded with an emphasis on the reorganization and realignment strategy as the key catalysts for successful turnaround process. Key recommendation was the adoption of reorganization strategy and that realignments should be done to cut on the costs and ensure efficiency as a cost reduction strategy. Diversification strategy did not prove worth going for during turnaround and it was recommended that they be applied differently from the approach used by the companies under study and also cautiously as the companies are barely trying to survive at this stage. Modernization strategy also proved not to be a good strategy during turnaround and as such should be applied cautiously.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Over the past decade, a number of developments have taken place in business management. The transformation of value chain, influence of the global economy, changing patterns of employment and changes in the organizational structure are among the salient developments in business management (Wandera, 2012). The above mentioned forces have forced organizations to evolve in order to survive in the ever changing turbulent environment. Hossari (2007) argued that the turbulent environment has brought different dimensions in businesses in which they termed as complex, chaotic, multifaceted, fluid and interlinked streams of initiatives affecting work and organization design, resources allocation, and systems and procedures in a continuous attempt to improve performance.

Whilst many change programs require cultural change and need to be transformational, there are circumstances where the emphasis has to be on rapid reconstruction where, in its absence, a business could face closure, enter terminal decline or be taken over. This is commonly referred to as a turnaround strategy, where the emphasis is on speed of change and rapid cost reduction and/or revenue generation. Managers need to be able to prioritize the things that give quick and significant improvements which at the same time will ensure sustainable results and survivability of the businesses (Johnson, Scholes & Whittington, 2008).

Turnaround is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created. These plans may or may not involve a bankruptcy filing. Once approved, turnaround

professionals begin to implement the plan, continually reviewing its progress and make changes to the plan as needed to ensure the company returns to solvency (Thompson & Strickland, 2008).

### **1.1.1 Global perspective of turnaround**

According to Thompson and Strickland (2008), the overall goal of turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. Turnaround strategy is described 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 (2008) suggested that to achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis and yearn to achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics.

A study conducted on 54 American companies, identified changes in top management, greater R&D, introduction of new products, modernization, expansion and/or diversification, and efficiency measures through cost cutting, cost controls, and divestment are the major turnaround strategies (Morrow, 2007). He suggested ten different generic strategies in achieving turnaround success for troubled companies. He further suggested the strategies of turnaround on the basis of causes of decline. A large sample study by Anders (2012) found that turnaround requires change in top management, redefinition of business, changes in major policies, restructuring, and careful planning of the future. It was also observed that growth strategies were less frequently used by companies which were already diversified. A major difference between the Indian and the Western cases seemed to be that the former had concentrated on the short-term strategies while the latter were keen also on institutionalizing the turnaround by long term strategies, such as strengthening of R&D, introduction of new products, expansion, modernization and diversification,

redefining of business, and restructuring of the organization.

Another study conducted in India by Dikshit (2014), revealed that some of the companies that needed turnaround were born sick like Scooters India Ltd. and Bharat Coking Coal Ltd. Tasty Bites Eatables could not foresee the changing environment. In the case of Scooters India Ltd. (SIL), the main reason of sickness was old plant and machinery, poor product quality and stiff competition from competitor. The opportunity lay in three wheelers product which it exploited and withdrew from two wheelers market. In Bharat Coking Coal Ltd. (BCCL), the main reason for sickness was shrinkage in mining area. It took over an abandoned railway line and started production with hired machinery. The Kamani Tubes Limited (KTL) identified two new products for development, that is, brass wires in ball pen industry and fine quality copper Tubes for air Conditioning and refrigeration. Tata Refractories embarked on modernization of facilities, business expansion for products with potential demand supply gap and setting up new units through strategic analysis. Tasty Bite Eatables Ltd was having problems due to difference in perception about the quality in the US and India. It embarked on training and development programme on quality amongst the employees and ensuring that the suppliers follow quality programme to get quality supplies. For each cause of sickness, a number of turnaround actions, some organizational in character, some strategic, and some operational were executed. The set of actions overlapped to some extent but each also had its unique features, which tended to reflect and attempt to remedy the cause of sickness.

### **1.1.2 Regional Perspective of turnaround**

Pretorius (2008) classified the types of turnaround as surgical reconstructive turnarounds, surgical productivity turnaround, non-surgical innovation oriented turnaround and Non- surgical transformational turnaround. Both types of non-surgical turnarounds emphasized the essentials of turnarounds as being management change, cost cutting, aggressive marketing, product-mix realignment, restructuring

and so forth. Hossari (2007), opined there are two more dimensions to turnaround viz., debtor-led and creditor - led. The debtor-led turnarounds emerged as a result of underperforming companies being acquired by more aggressive competitors in their own industry or by conglomerates and then being turned around. However, creditor-led turnarounds are initiated by banks, bondholders, credit guarantee companies, asset backed financiers and even unsecured creditors can play a major role in creditor – led turnaround process.

Corporate Renewal Solutions' turnaround management philosophy (2011) revolves around short-term survivability while endeavouring not to compromise longer-term turnaround viability thereafter. In doing this, some factors have to be considered which include: Causes of distress, severity of the financial crisis, and nature of internal and external constraints faced, Short-term financial turnaround objectives, stakeholder support, Longer-term turnaround strategy and finally achievement of the vision of the organization which may range around sustainability, efficiency, profitability among many others. A study conducted in a South African water board by Mokubung (2014), concluded that turnaround plans can be applied in the case of distressed and ailing projects. It does not require the entire organization to be subjected to a turnaround plan, but when a problem has been detected in a certain division, branch or department. There will be interfaces between the affected area with the rest of the organization or company.

While each case is unique, the turnaround process involves processes and the first one is normally management change where consultants can be called to manage the firm, this is followed by situation analysis which is performed to evaluate the prospects of survival and the strategies that may be adopted. This is succeeded by the emergency action plan and business restructuring so as to achieve positive cash flow and ensuring sustainability. This should eventually return the business to normalcy by ensuring employee confidence is regained, strong balance sheet maintained and other benefits (The Turnaround Management Association - Southern Africa, 2011).

Africa has been characterized by a shortage of theory on turnaround and this emphasizes on the need for research on designing a business turnaround strategy, tailor-made for the African business environment. Business turnaround is a relatively new concept in the field of African business management science. Owing to its infancy, there is a huge shortage of appropriate literature locally. Pretorius (2008) confirms that there is a small body of knowledge in Africa, although it is expanding, for example, turnaround in South Africa, as an industry and as a business science, is still in an early development phase. Although various informal turnarounds were, and still are contemplated, formal turnarounds which are protected by law only commenced from mid-2011 onwards.

### **1.1.3 Kenyan Perspective of turnaround**

According to Richard (2010), there are different dimensions to turnarounds based on different circumstances within which the declining firms operate. The principal types of turnarounds are: the management process turnaround, the economic or business cycle turnaround, competitive environment turnaround, product break through turnaround, and finally, the government-related turnaround. By far the most important and common type of turnaround is the management process turnaround.

Ochieng (2018) in the study turnaround strategies in competitive environment in Kenya recommended that companies must take advantage of the new technological opportunities, integrate all disciplines and all areas of operation of the organization in outcome-based structures and that the managers of organizations' must critically look at their performance and compare it to other companies.

Sije (2017) opined that some debts needed to be converted into equity in cases where the enterprises are facing financial difficulties that they cannot pay back the debts and that that will later result into cash flows to the enterprises during the dividend payments. Further recommendation was that businesses should focus more on interfirm/ inter-organizational collaborations, group level learning, business level learning to enhance knowledge, new segment of customers to broaden reach and

increase the potential to sell products and services to more customers and the 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.

Public and Private Turnarounds are multi-faceted. Public enterprises usually initiate the process of turnaround by firing the CEO or by reviewing the business plan according to the strategy it perceives. The public sector turnarounds are characterized by much strong human resource development, team effort, and participative management, motivational and inspirational tilt. There will be a much stronger emphasis in the private sector turnarounds on divestiture, innovation, and fresh managerial blood. Private enterprises also resorted to retrenchment more frequently but the difference will not be statistically significant, (Wheelen & Hunger, 2008).

According to Makgeta (2010), a turnaround is a doubly entrepreneurial act involving 'negative-to breakeven' and 'breakeven-to-positive' phases which also may have several sub-stages within the two broad phases. Accordingly, five categories of functional strategies related to turnaround management are identified for the present study as human Resource Strategies, Financial Strategies, Marketing Strategies, Production/Operations Strategies and Corporate Planning Strategies. Besides, the functional classification of strategies the growth, competitive, boundary management strategies, strategic and operative strategies are also considered in the ambit of turnaround.

The pioneer scholars claimed that adopted strategies and management actions during the recovery process could successfully influence performance outcomes. A comparison between firms that recovered and did not recover revealed that successful turnaround management strategies included changes in management and organization, new investment expenditures, diversification of products, efficiency increase, divestiture, and vertical integration (Thompson, 2013). Turnaround management with reference to public sector has gained popularity in recent years with majority of them having successfully undergone the turnaround process with the

efficiency orientation. The most popular turnaround strategies adopted in Kenya included the cost cutting strategies, the diversification strategy, the reorganization strategy and the modernization strategy.

A cost-cutting strategy which has an efficiency orientation typically involves cut backs in administrative, R&D, marketing, and other seemingly discretionary expenses. Improvement in management of receivables and inventories also could be considered with in the spirit of cost-cutting strategy (Pearce & Robins, 2007). Cost-cutting actions produce results more quickly than revenue generating or asset reduction strategies. The asset reduction strategy on the other hand involves disposal of assets primarily fixed assets. Retrenchment as a turnaround strategy also has efficiency orientation and it emphasizes on cutting costs and raising efficiency. The principal strategy consists of several sub-strategies including reviewing parts of business that are not value adding, withdrawing from markets where the firm is performing poorly, selling assets, reducing scale of operations, improving efficiency, downsizing, outsourcing and such other strategies. There is a significant positive relationship that exists between cost cutting/retrenchment strategy and organizational turnaround (Richard, 2010).

Diversification is an entrepreneurial and efficiency strategy which primarily focuses on generation of revenue, product innovation, product differentiation, growth and innovation, all these ultimately leading to maximum use of the available resources (Ochieng, 2018). It, therefore, involves several sub-strategies such as moving into new markets, seeking new sources of revenue, developing new products and altering the mission and image of a company. Product differentiation can take many forms. These include differentiating in quality and price of the product from that of rival firms, differences in product design and features, differences in availability of product in terms of time and location among others. It also emphasizes altering the way of customers, suppliers and creditors (Morrow *et al.*, 2007)

Reorganization is also a turnaround strategy which revolves around efficiency. Favourable environmental factors may impact organizational recovery positively. Changes in planning systems, decentralizing, human resource planning, organizational culture are some of the sub-strategies of reorganization. Restructuring strategy is described by Porter (2008) as a corporate strategy whereby firms acquire businesses having problems, turn those businesses around and then sell them at a profit.

Modernization as a turnaround strategy also has been cited as an efficiency based strategy and it offers a holistic approach in which business goals, process, requirements, and total cost of ownership are central to the modernization of infrastructure and system software. Although modernization brings significant benefits, it can be a complex process. Companies need to develop the right modernization strategy so that they can continue to operate efficiently while retaining the flexibility to adapt to the demands of a dynamic market. Successful application of modernization projects will create an architecture that allows your applications to evolve as your business needs change. Modernization typically involves creating new business value from the existing, incrementally transforming the systems into new reusable business components, or leveraging existing enterprise skills and improving productivity (Berdahl, 2011).

#### **1.1.4 State Owned Sugar Companies in Kenya**

Government owned enterprises are legal entities that undertake commercial activities on behalf of an owner government. The legal status of Government owned enterprises varies from being a part of the government to being stock companies with the state as a regular stockholder. The defining characteristics of Government owned enterprises are that they have a distinct legal form and they are established to operate in commercial affairs though they also have public policy objectives. The State owned sugar companies in Kenya include Mumias Sugar Company, Nzoia Sugar Company, South Nyanza Sugar Company, Muhoroni Sugar Company and Chemelil

Sugar Company, both of which have or are undergoing turnaround.

Mumias Sugar Company Limited is a sugar manufacturing company in Kenya, the largest economy in the East African Community. It is the largest sugar manufacturer in Kenya producing about 250,000 metric tonnes (42%) of the estimated 600,000 metric tonnes annual national output. Mumias Sugar Company is primarily engaged in the manufacture and sale of sugar. The company grows some sugar cane; its own estates provide up to 7% of its annual output. Its primary source of sugarcane is over 50,000 registered "out growers" with over 400 square kilometres (99,000 acres) under cultivation. It has also piloted the production of a hybrid high-yielding palm oil variety in areas previously thought too cool for commercial cultivation, in collaboration with the UN Food and Agriculture Organization (FAO). In addition to sugar, the company co-generates 34 Megawatts of electricity. Some of the electric power is used internally and surplus is sold into the nation electricity grid. The company also manufactures 24 million liters of ethanol annually and 20 million liters of distilled water every year. The company's shares are traded in the Nairobi Securities Exchange and the Kenyan government is the main shareholder. The company is currently undergoing a turnaround.

Nzoia Sugar Company Limited (NSC) is one of the key players in Kenya's sugar Industry. It was established in 1975, under the Companies Act Cap. 486 of the Laws of Kenya with Memorandum and Articles of Association and issued a certificate of incorporation No.C13734 dated 1st August, 1975. It is located in Bungoma County. The Government is the majority shareholder owning 98% shares while Fives Cail Babcock and Industrial Development Bank owning the remaining 2%. NSC produces sugar and supports cane production through the provision of extension services to farmers with an extensive company nucleus cane estate covering 3,600 ha and an out grower zone spanning more than 23,500 hectares under cane. The company has also faced its fair share of challenges from indebtedness to lack of facilities. It has been and still struggling to expand its machinery and reduce cost of operation in its pursuit to turn around the fortunes of the company (Otieno, 2014).

South Nyanza Sugar Company Limited (Sony Sugar) was established in 1976 and is located in South Western Kenya in Migori County. The Company serves over 25,000 cane farmers in ten districts within the cane growing zones of Homabay, Gucha, Transmara, Kuria, Migori, Uriri, Rongo, Kisii South, Ndhiwa and Awendo. The company's core mandate is Cane Development including research and, Manufacturing and marketing of quality sugar and associated products. Its vision is to be the leading manufacturer of sugar and associated products in Africa with a mission to manufacture high quality sugar and associated products.

Muhoroni Sugar Company Limited (In Receivership) is a Sugar Manufacturing firm engaged in sugarcane growing, processing and marketing of sugar. It was set up in the early 1960s by the Mehta Group, after an invitation by the Kenya government. It was commissioned in 1966 as East Africa Sugar Industries (EASI) Limited and later named Muhoroni Sugar Company in 1990 when the Government took over the operations. Since inception the company has achieved remarkable growth despite the challenges brought about by liberation of the sugar industry and ageing machinery. These challenges led to it being placed under protective receivership in the year 2001. The receivership has led to a turnaround in the fortunes of the company. The company has an installed capacity of 2200 tons of cane crushed per day. The company has strived to improve its management system and ensure continuity through achievement and implementation of the ISO 9001:2008 quality management systems.

Chemelil Sugar Company is located in Kisumu County, approximately 50 kilometres from Kisumu City. It was established in 1965 as a private limited company and later became a parastatal in 1974 when the Government adopted an import substitution strategy, which aimed at protection of local industry. The changes in government's business policy have necessitated the company to change and reflect a new corporate direction, with the principal objectives focusing on Efficiency in Production and Service Delivery, High Turnover and Returns to Shareholders, Profit maximization and Stimulation of Economic Development. The company has and still undergoing a

turnaround.

## **1.2 Statement of the Problem**

Turnaround refers to recovery to profitability from a loss or declining situation (Berdahl, 2011). Top management must rescue a declining firm by responding swiftly through strategies and policies to external and internal factors causing decline with an aim of substantial recovery. A firm may be said to be in decline when it experiences a resource loss sufficient to compromise its viability (David, 2008). Turnaround may be considered to have occurred when a firm recovers adequately to resume normal operations (Berdahl, 2011).

The state owned sugar companies in Kenya were majorly formed to ensure efficiency in production and service delivery, high turnover and returns to shareholders and the general stakeholders especially the farmers, profit maximization and stimulation of economic development through support of the entire value chain in sugar production among other reasons. This was to impart positively on the growth and development of a country through positive balance of payments as a result of export, reduce the cost of living resulting from the production of own cheap sugar, improving the living standards through creation of employment opportunities throughout the value chain and maximization of own natural resources (Wandera, 2012).

The state owned sugar companies in Kenya have not lived to the expectation of their greatest shareholder and have had to be turned around in many occasions for them to continue with their operations if not to survive (Otieno, 2014). Some companies which have pursued the turnaround strategies have emerged with a lot of success some do not have a lot to show after undergoing a successful turnaround because they fell back into the ditch again (Sije, 2017). The Kenyan state owned sugar companies are such an example which have had to be bailed out in different occasions, carry out board and management changes, introduce strategies such as retrenchment and realignments among others but still revolving around the same dismal performance of not meeting the stakeholders expectations of prompt payment,

profit and wealth maximization, good service delivery and general growth and development (Otieno, 2014). Mumias Sugar company is a very good example which posted losses of six billion shillings and nine billion shillings in 2016 and 2017 respectively hence recording loss per share value to Ksh. 3.11 and Ksh. 4.43 in 2016 and 2017 respectively (Mumias sugar annual report and financial statement, 2017).

The study was very keen on the state owned sugar companies which have gone through a successful turnaround process but whose benefits were shortlived. This was the gap that the study sought to fill by finding out the applicability of turnaround strategies on organizational performance. Therefore, the study examined the relationship between turnaround strategies and organizational performance of state owned sugar companies in Kenya by exploring the relationships that turnaround strategy practices had on these entities' performance, that is, if they would lead to a positive performance or simply a short term turnaround as it has been the case with most of the government owned enterprises.

The study specifically focused on the cost reduction, diversification, re-organisation and the modernization strategy, these, being areas that have very little information which unfortunately, is sparsely documented, and do not show clearly their relationship to performance especially in the enterprises where the government has a stake (Pretorius, 2009). One important caveat is that the majority of turnaround research to date has been undertaken in European and US firms. Therefore the available conclusions are likely to only be applicable to firms operating in those territories (Ondimu, 2015). Indeed, the inadequate turnaround research conducted in other, non- Western, contexts presented an interesting opportunity for the study, both to identify the turnaround strategies that are effective in different cultural contexts and to understand the underlying reasons as to why individual strategies may be more or less effective in such circumstances. Since most of the state owned sugar companies have pursued the subject strategies and gone back into the ditch, the study is keen on bringing out the relationship between the turnaround strategies and the organizational performance of state owned sugar companies in Kenya.

## **1.3 Research Objectives**

### **1.3.1 General Objective**

The main objective of this study was to establish the relationship between the turnaround strategies and the performance of state owned sugar companies in Kenya.

### **1.3.2 Specific Objectives**

The specific objectives of the study were:

1. To assess the relationship between cost reduction strategy and the performance of state owned sugar companies in Kenya.
2. To examine the relationship between diversification strategy and the performance of state owned sugar companies in Kenya.
3. To determine the relationship between re-organization strategy and the performance of state owned sugar companies in Kenya.
4. To evaluate the relationship between modernization strategy and the performance of state owned sugar companies in Kenya.

## **1.4 Research Hypotheses**

The study was be guided by the following hypotheses.

**H<sub>01</sub>:** Cost reduction strategy has no statistically significant relationship with the performance of state owned sugar companies in Kenya.

**H<sub>02</sub>:** Diversification strategy has no statistically significant relationship with the performance of state owned sugar companies in Kenya.

**H<sub>03</sub>:** Reorganization strategy has no statistically significant relationship with the performance of state owned sugar companies in Kenya.

**H<sub>04</sub>:** Modernization strategy has no statistically significant relationship with the

performance of state owned sugar companies in Kenya.

### **1.5 Significance of the Study**

This research has contributed to both the existing academic knowledge and management practices. The main contribution being that it has helped fill the academic and practical gap on the applicable and sustainable turnaround strategies especially within the Kenyan context as research endeavours related to this subject is very limited. The research also aimed at coming up with a conceptual model that will help ensure organizations get it right during turnaround implementation and also be an addition to the existing and new knowledge that will propel the whole industry to a new level touching the lives of many positively through employment and improved living standards.

This study would be instrumental in providing important information to the state owned entities to enable them increase shareholder value. It will put in place policies to manage turnaround at the company level which is essential for improved performance, and increase investor confidence that allows the firm to compete favourably in the local and international market. The study is also important to other investors and private firms at large as it brings into focus the so many turnaround strategies and their relationship to performance which can be borrowed, regulatory bodies will also benefit from the study as they will establish the key variables to put emphasis on if at all the organization is to achieve its objectives.

### **1.6 Scope of the Study**

The research covered all the state owned sugar companies duly registered in Kenya that had undergone or were undergoing turnaround which included Mumias Sugar Company Ltd, Nzoia Sugar Company Ltd, South Nyanza Sugar Company Ltd, Muhoroni Sugar Company Ltd and Chemelil Sugar Company Ltd. The organizations studied were picked from the sugar industry not only because of their immense contribution to the economic development of Kenya but also because of the

realization of the amount of finances the public investors have put in them. The respondents were a sample of various managers from all the managerial levels. The content area was limited to the turnaround practices that were applied by these organizations and their relationship to performance. The independent variables studied included cost reduction, diversification, reorganization and modernization strategy while the dependent variable was the performance of state owned sugar companies in Kenya. The study was conducted between 2015 and 2018.

### **1.7 Limitations of the Study**

The study covered all the state owned sugar companies in Kenya, unfortunately some were not operational during data collection because of various reasons including maintenance, insufficient raw materials and lack of liquidity to facilitate the smooth flow of operations. The researcher had to seek the help of data collectors who helped in the data collection process by paying home visits to the various respondents who were not reporting to work as at that period. This was too costly to the researcher who had to meet the costs and eventually ended up with the appropriate data.

This study also faced the challenge of unwillingness to give information by the state owned sugar companies' employees for fear of vindication and lack of confidentiality for respondents. Other companies were dismissive and too bureaucratic. The researcher managed this challenge by obtaining introduction letters from the University and permission from National Commission for Science, Technology and Innovation (Appendix IV). The researcher also created good interpersonal skills with the respondents and explained to them the importance of the study and promised them of high confidentiality of the data collected.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter deals with the review of the theoretical and empirical literature relevant to the turnaround strategies and practices and shows its linkage to the research questions. The conceptual framework is then laid out to show the interaction between the variables, the gap is identified and finally a summary of the literature review is provided.

#### 2.2 Theoretical Framework

Turnarounds are superb management schools, everything needs fixing (McCann *et al.*, 2009). Nothing is sure except the need to recover with an intense learning experience. Never again will the turnaround leader assume that customers always buy, vendors always ship, and bankers always lend (Akrani, 2012). Turnarounds differ from managing a company well by the compression of time and the scarcity of resources (McCann *et al.*, 2009). As such, the works by various authors can be regarded as salient contributions to turnaround research.

##### 2.2.1 Contingency theory of structural adaptation to regain fit theory

This theory argues that functionalist theories and quantitative methods can explain structural change. This is exemplified by a diachronic enquiry into strategy and structure. Organizations change from one fit to another over time. An organization in fit enjoys higher performance, which generates surplus resources and leads to expansion such as growth in size, geographic extension, innovation or diversification. This increases the level of the contingency variables, such as size, leading to a misfit with the existing structure. The misfit lowers performance, eventually leading to a performance crisis and adaptive structural change into fit (Donaldson, 1987).

The structural adaptation to regain fit theory subsumes several seminal works in structural contingency theory, such as on divisionalization changes in response to changing strategies and on changes from mechanistic to organic structures in response to technological and market change in the environment. Thus, the structural contingency theory tradition has always contained ideas about dynamics (Collard, 2011).

The theory states that an organization only remains in fit temporarily, until the surplus resources from the fit-based higher performance produce expansion. This increases contingency variables, such as size or diversification, leading the organization into misfit with its existing structure. Thus, in this view, fit and misfit are each temporary states that alternate with each other. An organization in fit tends to expand into misfit, which provokes structural adaptation into fit, which then leads to further expansion into misfit. This cycle repeats itself over time. As the organization moves between fit and misfit so it has resultant higher and lower performance, respectively. Each phase of moving into misfit produces incremental increases in contingency, and each phase of moving into fit produces incremental increases in structure. Thereby, these increments accumulate over time and so tend to eventually produce growth from being a small, local and undiversified organization to being a larger, geographically widespread and diversified organization (Donaldson, 2008).

This theory is clearly demonstrated by means of an examination of the relationship between strategy and structure (Collard, 2011) which also form the main variables in the study. This theory originates from the contingency theory which provided the framework for the study of organizational design by stating that the best organizational structural design is the one whose structure fits with the organization's contingencies (Donaldson, 2008).

Structural contingency researchers give considerable thought to understanding the environmental factors that influence organizational effectiveness, while often failing to prove a connection between fit and performance (Donaldson, 2006) and not adequately considering managerial choice as a factor driving organizational fit. Contingency theorists argue that an organization that adapts to its environment will perform better than an organization that does not and that mismatched characteristics within organizational configurations will prevent an organization from achieving natural harmony with its environment that will lead to better performance (Denison, 2008).

Chen and Huang, (2009) state that organizations in fit enjoy higher performance and generate surplus resources which lead to expansion. The application of the strategic fit concept helps firms to manage their resources more efficiently to reduce operational costs as well as respond effectively to environmental threats and new opportunities. The concept of strategic fit goes hand in hand with the reorganization and realignment strategy which help the organization match to its environment especially after any slight changes both in the micro and macro environment. The environmental forces can affect the systems, processes, skills, structure, the market, demand, the strategies and many others hence the need to consistently realign and reorganize the organization to fit in its environment. Organizational managers can use the concept of strategic fit to manage their resources more efficiently, reduce operational costs and respond to environmental changes.

Gakure *et al.* (2012) explain that successful strategy execution requires the creation of a fit based on the interaction between external dependencies and internal capabilities. Chen and Huang (2009) highlight that each strategy is always accompanied by a unique set of internal processes and therefore a strong alignment between strategy and processes is expected to translate into successful performance. Strategic fit is a core concept in the performance of organizations because a set of internal and external factors at a certain time is used to predict firm performance (Donaldson, 2006). This theory is applicable to all organizations undergoing the

turnaround process because they all need change to realign themselves so they can fit in the dynamic environment. Managers of organizations that are declining in performance have to adjust from a fit to non-fit situation every so often due to competition and other challenges (Uzel *et al.*, 2015). The application of this theory will help the turnaround managers not to be comfortable with their fit situation but rather to take advantage of the fit situation in order to diversify, modernize, cut costs and reorganize in order to cushion themselves for survivability, continuity in operations, competitive advantage and sustainable good performance over time.

### **2.2.2 The Generic Strategy Theory**

The generic strategy theory describes how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either to lower costs, to differentiate, or to focus on either. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. The concept was described by Michael Porter in 1980 (Kavale, 2017).

Smit (2010) identified two basic sources of competitive advantage which are cost leadership and differentiation advantage as coined from Porter's Generic strategies of competitive advantage. Cost Advantage exists when the firm is able to deliver same benefits as competitors but at a lower cost and it involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment or at least the lowest price to value ratio but differentiation advantage are the core benefits that a firm obtains which exceed those of competing products.

It is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Cost and differentiation advantages are known as competitive advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. Thompson & Strickland (2008) describes generic strategies as being core to improvement of an organization's performance. Barney (2009) opined that for a successful turnaround process to take place at least one if not all of the generic strategies must apply otherwise its bound to decline more.

Cost Leadership strategy calls for companies to be low cost producers compared to their rivals. As the industry matures and prices decline, firms that can produce more cheaply will remain profitable for a long period of time. Differentiation strategy is the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than those of competitors. In differentiation, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers (Porter, 2008). The firms might need to modernize so as to produce unique and better quality output diversification into new unique product lines can also work for an organization that is seeking to change its fortunes as regards performance. Cheng (2013) highlighted that the core competencies for organizations seeking success in performance include the processes, skills and assets that influence organizations to achieve competitive advantage. Other factors have also been mentioned to contribute to core competencies which include location, brand, facilities, employees, customer loyalty, market coverage, market share, service quality, technology, leadership, systems and procedures and organizational culture. Turnaround organizations should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of their consumers (Thompson, 2013). This can be exploited through cost reduction, diversification, reorganization and modernization to take advantage of the capabilities.

Understanding competitors can further help the enterprises to re-organize and improve their own business processes, to develop and re-configure internal resources, to improve the enterprise's competitiveness and to compete with the other market players (MC Cann *et al.*, 2009). Uzel *et al.* (2015) argues that enterprises with higher competition orientation will follow a more aggressive, externally focused approach and will aim to strongly differentiate their offer from that of competitors. Therefore, closer attention to competition will enable the enterprise to develop capabilities to better manage its affairs in important business relationships hence success (King, 2007). This can be achieved by employing cost reduction strategy for cost leadership and modernization and diversification strategy for differentiation.

### **2.2.3 Life Cycle Theory**

The theory was first introduced in 1966 by Raymond Vernon to explain the expected life cycle of a typical product from design to obsolescence, a period divided into the phases of product introduction, product growth, maturity, and decline. The theory further finds its application on companies which also go through the same phases of life (Sasaka, 2016). Penrose (2010) argued that the turnaround process “if successful, may be chartered as an inverse product life cycle”. Life cycle theories entail the “extension” of the life of a product or, the life of a business. He ponders on the information types that should be included in the investigative stage, which forms the focus of their study, and list the following types: cost analysis, expense analysis, productivity and human resources, productivity and physical resources, productivity of market, financial analysis, and working capital analysis among others. Penrose (2010) aligns the product life cycle theory with turnaround and argue that a turnaround is an extended life added to the existing deteriorating life span of a business.

In the “Enterprise Life Cycle”, the enterprise was assimilated to the life body, and the life cycle theory thought that as the life body would go through the life course from born, growth to death, the enterprise would also experience the process from generation, growth, aging and death. As the flexibility of enterprise gradually

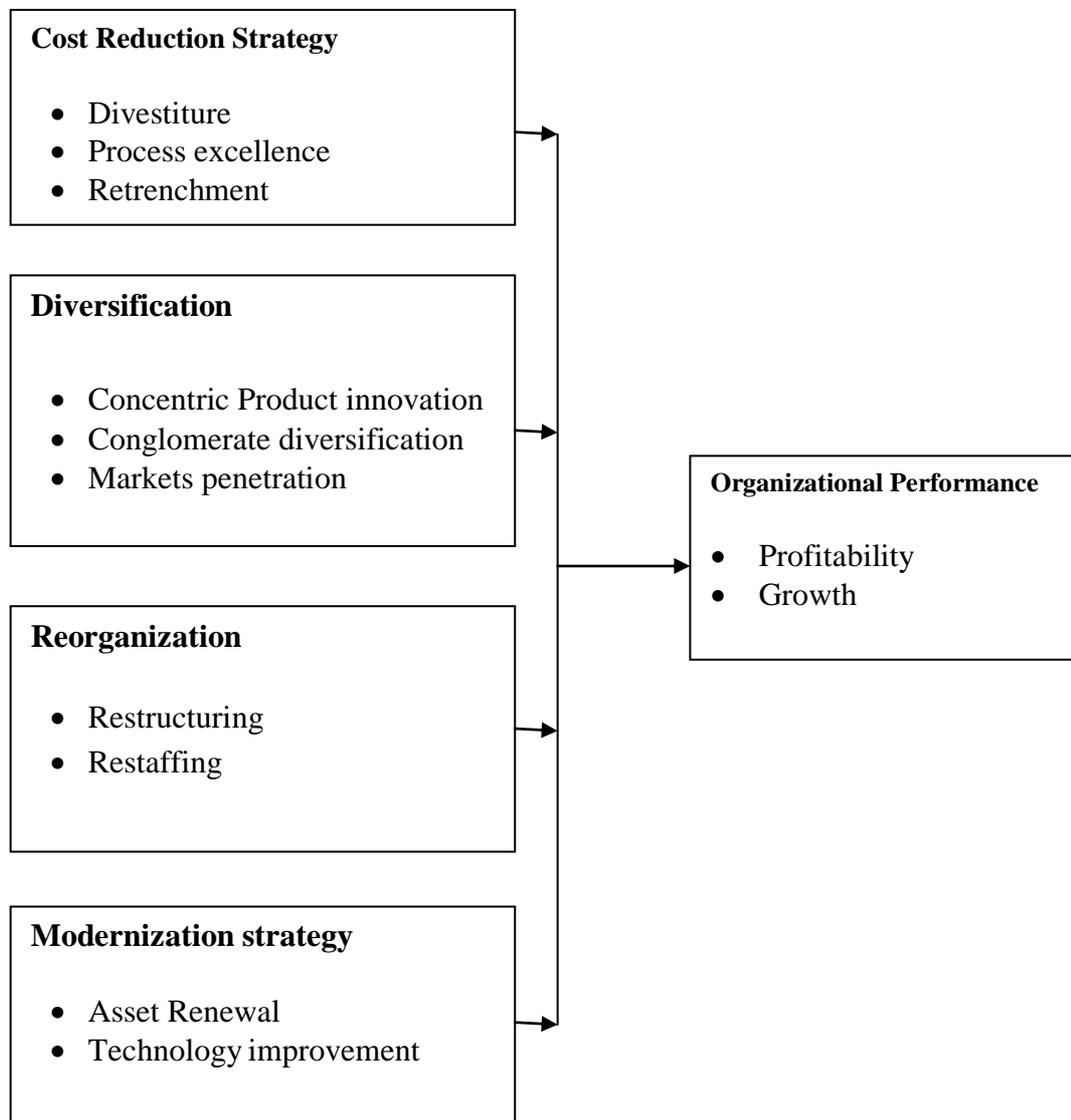
decreases and the controllability of enterprise gradually increases and decreases, the enterprise growth can be divided into the growth stage, the regeneration and mature stage, and the aging stage, (Maishanu, 2012).

The growth stage includes gestation stage, infant stage and step-learning stage. The regeneration and mature stage includes youth stage and prime stage. The aging and death stage includes stabilization stage, noble stage, early bureaucracy stage, bureaucracy stage and death. The character changes of various stages in the lifecycle of enterprise essentially reflect the change of enterprise culture, and to keep lively enterprise culture and flexible organization structure is very important in this theory (Hanks, 2009).

The theory has a bearing on all the variables under study: cost reduction, reorganization, modernization and diversification, it simply depends with the life cycle stage of the company under consideration and the necessary change is adopted. Most of the companies undergoing the decline stages tend to run for strategies that can keep them longer in the business with the hope of revamping back hence end up adopting among others the cost reduction, reorganization, modernization and even diversification. This can help these companies to shed their negative trends and assume positive trends hence adding a new lifeline to themselves (Wandera, 2012).

### **2.3 Conceptual Framework**

A conceptual framework describes the interconnections among variables and the elaboration of these variables addresses the issues of why or how we expect relationships to exist (Mathooko *et al*, 2011). In this research the dependent variable was the performance of state owned sugar companies in Kenya while the independent variables were cost reduction, diversification, reorganization and modernization strategy respectively.



**Independent Variable**

**Dependent Variable**

**Figure 2.1: Conceptual Framework**

### **2.3.1 Cost reduction strategy**

Cost reduction is the process used by companies to reduce their costs and increase their profits. Depending on a company's services or Product, the strategies can vary. Cost reductions must be supplemented with more drastic asset reduction measures. Assets targeted for divestiture are those determined to be underproductive. In contrast, more productive resources are protected from cuts or reconfigured as critical elements of the future core business plan of the company. Pearce and Robins (2008) presented a model of turnaround based on evidence that business firm turnaround characteristically involved a multi-stage process in which retrenchment could serve as either a grand or operating strategy. Pretorius (2009) pointed at asset cost surgery which will require significant reduction in research & development, marketing receivables and inventories, selective product/marketing pruning, and increase in employee productivity.

Gibson and Billings (2010) conceptualized drastic cost reductions coupled with asset reductions were recommended for firms in more severe turnaround situations. Divestiture is where the organization does away with a whole product line or some products especially on the realization that they eat up on the organization resources rather than building. Divestiture has also been an effective turnaround strategy as it eliminates some cost centres allowing the organization to concentrate on the profit generating ventures and product lines. Cost cutting decisions are inevitably difficult (Wernefelt, 2014).

Cost efficiencies include a varied range of actions, which can all be characterized as "belt-tightening" or "fire-fighting", with the aim of producing "quick-wins" in order to either stabilize finances in the short-term until more complex strategies are devised, or to quickly improve cash flow (Thompson *et al.*, 2010). Cost efficiency measures are frequently the first step in any recovery strategy as they can be quickly implemented, may have an almost immediate effect, and generally require little or no capital or resource outlay ( Pearce & Robins, 2008).

Efficiency turnaround strategies entail doing the same things on a smaller or more efficient scale- this calls for process audit, with an aim of ensuring that it is cost sensitive and cost saving.

The most commonly reported cost efficiencies and reduction in the literature include reducing R&D, collecting and reducing accounts receivable, cutting inventory, stretching accounts payable, reducing marketing activity and eliminating pay increases (Bibeault, 2012). Interestingly, Sheppard (2009), found that successful “sharpbenders” concentrated on reducing production costs relative to their industry peers that pursued more general overhead reductions. This included adjusting wage incentives, tighter stock control, financial and capacity controls and investment in new plant to enable greater efficiencies, streamlined, improved and cost effective processes.

As with any strategy the pursuit of cost efficiencies carries some risks. Some authors have warned that solely cutting costs can reduce employee morale and commitment, resulting in increased staff turnover (Bowman, Schoenberg & Collier, 2013). Others caution that cost efficiency activities should be halted after a suitable length of time so as not to damage assets or resources needed to maintain the core focus of the firm ((Pretorius, 2009). Indeed some studies present evidence that firms which were unsuccessful in their turnaround efforts over-pursued cost efficiencies to the extent that they actually exacerbated the decline (Jeyavelu, 2007). Similarly, Johnson and Scholes (2011) also caution that while R&D is often one of the first areas to be cut, this alone is unlikely to be a major contributor to turnaround and, furthermore, may weaken the firm for the future.

### **2.3.2 Diversification strategy**

This is yet another strategy that can be used as a growth as well as a turnaround strategy. It applies where the declining companies choose to follow another route to secure themselves by introduction of new products- related and unrelated diversification, Entry into new markets especially international markets, Focusing

and strengthening Research and development, Mergers and Acquisitions, making new products to serve its own needs through backward/forward integration, Same product - more customer group and many more (Sirmon *et al.*, 2007). This will eventually lead to performance improvement as a result of efficiency especially in the use of the available resources, some of which might be lying idle, which if put to use, will definitely bear positive result and sustainable results at that.

Most often, diversification strategy are implemented to broaden company's activities by increasing services, markets and products. The objective of diversifying is to enable a firm to enter other business units that are divergent from prevalent activities. Diversification strategy in itself does not exist in one single form. As identified by Pretorius (2008), there are three primary reasons that result in a company's conclusion to diversify. The first reason is the Market – Power belief which assumes that as a firm becomes conglomerate, it can obtain stronger position. The second one is identified as the agency attitude. This is when managers implement diversification to uplift the status of the firm and provide protection to the financial conditions of the firm in times of economic turbulence. Finally, the third reason known as the resource view encourages diversification when there are excess resources in the firm that can be used elsewhere and be more productive, mostly leading to concentric Product innovation which is more of producing related products to maximize on the available resources.

Pretorius (2008) proposed that diversification refers to new product development or new market entry. Ever since, diversification is associated with entering a new industry or field. Lee and Johns (2008) also state that diversification strategy is apprehended from three different but vital perspectives: The market-power, resource-based and agency perspectives. The market-power view explains that organizations diversify in order to maximize profit and gain more market power. Diversified organizations always gain power over non-diversified firms as Ramanujan & Varadarajan (2007) suggests. Market power is the ability of the firm to have big impact at the industry and is able to shape pricing and supply of products. On the

other hand, the resource based perspective implies that the main motivation for organizations to diversify is the resources. The general concept of expanding business is to sell products to new groups of the potential customers. Usually there are two ways to expand market share which are to introduce more products to the market enabling one to access multiple customer databases and to make use of products that are particularly popular (Scherrer, 2010).

It is believed that organizations can produce synergy by following diversification. Synergy is created by sharing resources, assets, capabilities and competencies which will either force operating costs down or allow the firm to charge a premium because by utilising its resources it can differentiate its offerings (Slatter & Lovett, 2009). Also, Wernerfelt (2014) suggested that the different resource skills owned by a firm determine the type of markets to enter. Lastly, the agency perspective is linked to the manager's ability to control a broad range of activities. Increased diversification, under the agency view translates into fewer profits, therefore decreased performance (Thain & Goldthorpe, 2008). The agency views also propose that as firm ages, it will automatically be involved in diversification which is why after a period of time, firm performance falls.

### **2.3.3 Reorganization strategy**

Favourable environmental factors may impact organizational recovery positively. Changes in planning systems, decentralizing, human resource planning, organizational culture are some of the sub-strategies of reorganization. In addition, several macro-economic environmental changes also contribute to a turnaround. Morris (2007) suggested strategies must be selected with due consideration for the specific crisis situation, scarce resources, time pressure and other relevant factors such as reasons for change, the ways of routine action and the cost of the change. Restructuring strategy is described by Porter (2010) as a corporate strategy whereby firms acquire businesses having problems, turn those businesses around and then sell them at a profit. Reorganisation on the other hand, deals with all the people issues in

the business. It entails restructuring, restaffing, reskilling and turnaround leadership revitalisation to yield improved leadership, management, organizational structure, organizational alignment and culture.

Pretorius (2009), built a case for including organizational identity concept into turnaround research and identified seven turnaround themes which included: top management change- this meant breaking from the past and it implies that managerial actions are not bound by history, there is a potential for creating a new identity; asset reconfiguration which may include acquisition and merger, it implies a choice in organizational identity; organizational restructuring- this may include organizational redesign, business process reengineering, team based structure, financial restructuring such as a reworking of the firm's capital structure so as to relieve pressure from debt repayments (Stopford & Baden-Fuller, 2007), the process of restructuring plays a critical role in achieving objectives of retaining or changing identity; strategic change- change in competitive and growth strategies, core competencies, domain changes, product or market changes, changes in strategies have the potential for changing identity, so it should be a choice; substantive changes in membership- these include retrenchment of workers, managers, voluntary retirement schemes, and shift from permanent workers to contractual workers, to constitute these, managers need to be aware of the impact of substantive changes in membership on survivors, retrenched employees and image, alternatives need to be actively considered in contexts where social security is absent, if necessary retrenchment processes should safe guard the individual's dignity in an honourable way and transformational change which involves participative change, empowerment, change agent programs, mindset change, and culture change, transformational changes can reinterpret or transform the existing identity or create a new identity, organization wide changes that are likely to penetrate deep and remain for long in the organization, the cost of transformational changes should be balanced with the expected results.

A focus on the firm's core activities is a further turnaround strategy repeatedly

identified in the literature and frequently enacted in parallel with asset retrenchment (Pearce & Robbins, 2008). This strategy entails determining the markets, products and customers that have the potential to generate the greatest profits and refocusing the firm's activities on these areas. Successful turnarounds have been associated with a focus on product lines for which the firm is best known, customer segments that are particularly loyal or less price sensitive, and areas where the firm has distinct competitive strength (Stopford & Baden-Fuller, 2007).

The firm may also return to activities for which it was well known in the past (Weitzel & Jonsson, 2010). In conjunction with this it may be necessary for the firm to undertake a redesign or restructuring to align itself more effectively with its core purpose, entailing the rationalisation, divestment or closure of operations, products or assets that do not fit with this purpose (Pretorius, 2009). This retrenchment can also serve to free up scarce marketing, operational and financial resources for reinvestment in the chosen core activities, including appropriate acquisitions where specific further capability is required (Stopford & Baden-Fuller, 2007). To reinforce the importance of a focus on the core, some studies explicitly warn that following a strategy with “no distinguishing characteristics, hence qualifying as a piecemeal approach” is unlikely to lead to a successful recovery (Mc Cann *et al.*, 2009).

Focus allows the firm to develop a clear competitive strategy in its chosen core activities. The Mc Cann *et al.* (2009) study found that this was frequently achieved through an increased focus on marketing, employing initiatives to improve customer understanding, build closer customer relationships, increase the number of marketing channels, optimise after-sales service and employ cost-effective advertising.

Pretorius (2009), report that if a firm is in an environment characterised by temporary economic downturn, then scaling back the number of activities it is involved in could be all that is needed for it to survive the conditions. Here they

advocate contracting back to serve the customers which most value the firm's resources and capabilities. However, if the economic conditions are more severe or permanent, the return to the core should be attained through concentrating on using existing resources and capabilities to focus on the remaining viable customers. Put another way, the firm maximises its chance of recovery through exclusively serving the needs of the core customers, so as to "strengthen or expand" upon any favourability in the firm's present position in comparison to its competitors (Pretorius, 2009). The replacement of the firm's incumbent CEO is frequently undertaken early in the turnaround process, and in some cases is even the trigger for a realisation that the firm is in serious difficulties and that action is urgently needed (Pretorius, 2008). CEO change is significantly linked to firms in distress and it is reported that in turnaround situations 75% of replacement CEOs are appointed from outside the firm (Pretorius, 2009).

#### **2.3.4 Modernization strategy**

Modernization refers to a model of a progressive transition from a 'pre-modern' or 'traditional' to a 'modern' way of doing things. It allows organizations to maximize the use of their existing assets as they move toward more agile and cost-effective technology environments. Organizations strive to reduce total cost of ownership, improve their ability to react to changing business demands, and minimize their reliance on legacy skill sets while working to meet new compliance mandates. Successful modernization projects require substantial planning and investment to leverage best practices and proven methodologies. When properly structured, these projects can show a positive return on investment in just a few years. Long term, they can continue to bring significant cost and agility benefits while enabling the business changes necessary to grow top-line revenue (Wernefelt, 2014).

The modernization process begins with an assessment of an organization's current environment and application portfolio and consideration of the company's strategic and tactical requirements. After the assessment, a modernization road map is built

that outlines the optimal mix of modernization approaches for each application to be modernized. Modernization allows organizations to maximize their use of existing assets as they move toward better technology environments. Most organizations have ended up performing dismally as a result of not investing in technologies and other infrastructural developments hence performing well for only a short period of time only to lose the competitive edge in the near future (Sirmon *et al.*, 2007).

Organizations that accept a modernization journey can significantly impact all levels of the organization as the product offerings, the revenue stream, its staff and operation models start to focus more strategically on modernization. They must continually balance the current state of their infrastructure with market drivers, business drivers and information technology drivers to ensure improved performance which was shown through business agility to rapidly adapt to continually changing business requirements, Improved customer service, tighter integration with partners and suppliers, ability to exploit off-the-shelf products, reduced total cost of ownership, improved data quality, improved security management and control, improved operational efficiency and faster time-to-market (Wernefelt, 2014).

Asset retrenchment involves the disposal of aging assets and their replacement with new, state-of-the-art counterparts, for example investing in new plant, equipment or technology, careful assessment is obviously required to ensure that the efficiency savings was more than cover the investment and implementation costs (Lohrke *et al.*, 2010). This should have the overall effect of cutting the costs of production and bringing about efficiency in the business operations hence resulting into improved organizational performance.

Proactive and strategically thinking firms target lowering long-term technology and infrastructural improvement costs and focus on radical modernization as the preferred strategy for mission-critical applications, weed out the old, tired and unneeded applications that might be costly and inefficient to the organization and subsequent adoption of better technologies, this requires broad participation by

technicians to foster training and experience share, focus on technology integration costs as a key performance indicator, creating a synergy between the systems and procedures and positioning technology and infrastructural development as strategic partner with the business (Morrow *et al*, 2007). This might have the effect of revolutionizing the whole organization to the better in its pursuit to ensure improved performance.

### **2.3.5 Organizational Performance**

Organizational performance (Figure 2.1) refers to the achievement of organizational goals in the pursuit of business strategies that lead to sustainable competitive advantages (Sabwami, 2015). Organizations should identify the factors related to the success of their organization, since failure in achieving the goals related to these factors may lead to the failure of the organization (March & Sutton, 2007). A key success factor is a performance area of critical importance in achieving consistently high productivity. There are at least two broad categories of key success factors that are common to virtually all organizations' business processes and human processes (Bruno, 2015). Most commonly used methods for measuring organization performance can be classified into five categories of performance that is financial performance, operational performance, customer satisfaction, employee satisfaction and learning and growth. Financial performance can also be measured by return on investment, competitive position market share growth, overall profitability, sales volume growth, and cash flow and Profit improvement. Operational performance is measured by productivity, overall quality performance, timeliness, quality improvement, waste reduction, production performance improvement (Kagwiria, 2014). This study will mainly use the financial performance instruments in measuring the performance levels of the state owned sugar companies in Kenya. The two sub variables used are Profitability and growth and this is because they have proved successful measurement tools in the previous studies (Wandera, 2012).

Profitability is the metric used to determine the scope of a company's profit in

relation to the size of the business. Profitability is a measurement of efficiency and ultimately its success or failure. It is expressed as a relative, not an absolute, amount. Profitability can further be defined as the ability of a business to produce a return on an investment based on its resources in comparison with an alternative investment. Although a company can realize a profit, this does not necessarily mean that the company is profitable (Bruno, 2015).

Growth on the other hand refers to any firm whose business generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall economy. A growth company tends to have very profitable reinvestment opportunities for its own retained earnings, It tends to grow the wealth of the shareholders through increase in the value of a share capital thus the returns on equity, returns on assets and returns on investment are high (Wandera, 2012). Firm growth is dependent on the path taken by the organization and is an organizational outcome resulting from the combinations of firm specific resources, capabilities and routines.

## **2.4 Empirical Review**

Turnaround strategy is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. A business can only embark on a turnaround attempt when the question: “Is the business worth saving”, is confirmed in the positive. These are, in a very broad sense, the essential aspects that need to be addressed by the turnaround practitioner and the entrepreneur’s strategic turnaround planning. (Pretorius, 2008) attempted measuring these “models” but concluded that the negative performance effects of turnaround are the transfer of wealth, rather than value creation. The investigation into the literature suggests that there are various causes for business distress.

Mintzberg (2008), points out that the frequently encountered causes include revenue downturn caused by a weak economy, overly optimistic sales projections, poor strategic choices, poor execution of a good strategy, high operating costs, high fixed

costs that decrease flexibility, insufficient resources, unsuccessful Research and Development projects, highly successful competitor, excessive debt burden, inadequate financial controls, mismanagement of organizational resources, uncompetitive products, sick company, acts of God, poor strategy and poor vision. Kazou (2012), also suggested that poor business model/execution, lack of expertise, experience or education, fraud, overinvestment, high operating costs, new innovations by competitors or a downturn in demand which leads to a loss of market share and revenue, maladministration and many others could be some of the reasons.

There are so many types of turnaround strategies which include the generic turnaround strategies which can further be broken down to operational turnaround strategies, financial turnaround strategies, reorganization turnaround strategy, strategic repositioning turnaround strategy, revenue enhancement as a turnaround strategy, cost reduction as a turnaround strategy, asset reduction as a turnaround strategy and many others (Pearce & Robinson, 2008).

The Financial turnaround strategy refers to financial restructuring with a view to strengthening the balance sheet and/or provides funding. It also deals with revenue enhancement and Cutback action, which has two dimensions; cost reduction and asset reduction. The operational turnaround on the other hand implies changes to the value chain, which in turn requires changes in the organizational structure of the underperforming or distressed business. Reorganization may also entail changes to the leadership team and it deals with all the people issues in the business. It may entail restructuring, restaffing, reskilling and turnaround leadership revitalization to yield improved leadership, management, organizational structure, organizational alignment and culture while the Strategic repositioning turnaround strategy 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 (Pretorius, 2009). The major techniques that can be used here include Retrenchment, Replacement and Renewal (Hossari, 2007).

Managing the turnaround process involves some stages which have to be clearly followed and according to (Pretorius, 2009) the stages include the turnaround situation assessment which is the first stage and takes place after the need for a turnaround has been recognized. It involves determining the Short-term survivability, Longer-term viability, Turnaround strategies, and high-level turnaround plan among many others. Once this is done an emergency management is carried out whose objectives includes securing the short-term future of the business through stabilizing the distressed company and laying the foundation for funding and fixing of the distressed company. The turnaround restructuring stage is the third stage and it involves the implementation of the turnaround plan devised during turnaround situation assessment. Turnaround restructuring takes the form of Leadership restructuring, Financial restructuring and Strategic, organizational and operational restructuring. This is then preceded by the turnaround recovery stage which entails embedding these changes, and managing the business during its return to normality. The Turnaround recovery is characterized by an increased emphasis on profits in addition to the earlier emphasis on cash flow, Operational efficiency improvements and Building the organization. The turnaround is completed when the company has returned to normal on a sustainable basis.

Gibson & Billings (2010) identify four categories addressing the formulation of a turnaround plan. They are “situation analysis, gaining control, managing stakeholders and improving motivation”. Once approved, the entrepreneur’s behaviour will have to adapt to the planned restrategising of the venture and they need to be aware of the possible impact. Bibault (2012) argue that a turnaround plan which is communicated properly will reduce confusion and protect key critical resources. Barney (2009) confirms this view by concluding that a communications plan must be part of the turnaround strategy in order to ensure that the concerns of

employees are dealt with. The turnaround models in the literature research did not include communication as a specific step, although clearly a very important factor is maintaining motivation levels.

Gibson and Billings (2010) also believe that the turnaround plan should include and consider variables such as planning objectives, organizational structures, increased profits, increased turnover, increased efficiency, improved effectiveness, higher productivity, increased market share, improved environment, quality improvement, human objectives, reduction of staff turnover, increased employee satisfaction, enhanced motivation of employees and improvement of work environment. Turnaround strategies often fail since they focus on achieving a longer-term vision without getting out of the hole in the first place – thereby dying in the process; some also fail because they focus on getting out of hole without a strategy for sustainable recovery. Such turnarounds which focuses on short-time survivability or a financial turnaround alone tend to be short-lived. To get out of the hole successfully, certain longer-term sacrifices often need to be made if the financial crisis is severe. Seamlessly dovetailing the actions of getting out of the hole, and climbing the mountain, requires careful stakeholder management (Hossari, 2007).

Once the turnaround strategies have been implemented, the company should always ensure it takes control of its cash flows, analyzes financial situations, carries out strategic planning, identifies gross margin, identifies the important business metrics that will improve controls (production, financial, management, marketing), carries out customer tuning and pruning, eliminates and simplifies (this is an important art) the unwarranted processes, automates and delegates, establishes the firm's corporate identity, creates a corporate web identity, creates and manages credit and working capital, carries out evaluation & continuous improvement among many other measures (Thompson *et al.*, 2010). This new corporate style needs to be specific and written down in a strategic plan. More importantly, all of the company's leadership needs to fully buy in to the process. An independent professional can be crucial in shepherding this process along and overcoming objections (Bowman, 2013).

Mungai and Bula (2018) in a study that sought to determine the effect of turnaround strategies on performance of Kenya Airways found out that the revenue generating strategy, cost reduction strategy, asset reduction strategy and financial restructuring strategy affected the performance of Kenya Airways positively and contributed a lot to its turnaround. Kinyanjui and Ngugi (2014), concluded that innovation, research and new products development were the critical factor as a turnaround strategy influencing performance of consolidated bank. Ondimu (2015), found out that indeed the turnaround strategies adopted by the banks had a positive effect on the performance of the commercial banks. Among the strategies mentioned were marketing, financial, revenue generation, retrenchment, top management changes, technology advancement and diversification strategy. The study also found out that the popular turnaround strategies applied by banks were the top management changes, technology advancement and retrenchment. Sije (2018)'s study found out that SMEs performance was influenced positively by the turnaround strategies. It further concluded that the reorganization, market redefinition and repositioning strategies significantly influenced the performance of SMEs.

## **2.5 Critique of the Literature**

This research draws on evidence provided by previous empirical research. One important caveat is that the majority of turnaround research to date have been undertaken in European and US firms. Therefore most of the conclusions are likely to be only applicable to firms operating in those territories. Indeed, the inadequate turnaround research conducted in other non-western, contexts presents an interesting opportunity for future study, both to identify the turnaround strategies effective in different cultural contexts and to understand the underlying reasons as to why individual strategies may be more or less effective in such circumstances. It is also notable that much of the advice from the turnaround literature has tended to be generic, with an implicit assumption that the strategies put forward would be effective for all firms, regardless of their particular context or circumstances.

The majority of the literature reviewed portrayed the identified turnaround strategies as universally applicable, with little regard to the particular context the firm faces. While a minority of authors have raised the distinction between firm- based or industry-based decline, Pearce and Robbins (2008) believe that greater recognition of the cause of performance decline offers scope for the creation of more integrated and context specific turnaround strategies. The current challenging economic climate has placed general economic conditions at the front of people's minds when considering the cause of a firm's performance decline. However, business insolvencies can occur at any point in the economic cycle and industry specific factors or poor internal firm management can be additional triggers for falling profitability.

In Kenya, most of the studies conducted focussed on turnaround strategy practices in the developed industrial, commercial and private sector firms. Inyange (2014) studied on the turnaround strategies used by the National Oil Corporation of Kenya to improve its performance and came to a conclusion that the corporation adopted series of integrated strategies within two key phases- the decline stemming and the recovery phase and that the severity of the financial distress, the skills of the employees available and the company size influence the performance of an organization, the study however was not analysed objectively hence arriving at subjective conclusions which could be biased hence misleading.

Ondimu (2015) in the study; turnaround strategies and performance of selected commercial banks in Kenya, came to a conclusion that no single strategy could be used effectively for a successful turnaround, a combination had to be employed though the combination was not clarified objectively using inferential statistical tools like correlation and regression. Mutunga (2013), in the study, the implementation of turnaround strategies at Kenya Broadcasting Corporation came to a conclusion that the struggle to survive through a turnaround strategy starts with the knowledge of failure and the causes of failure, it further found out that there were a lot of hurdles preventing the company from successful implementation and this was not a good

conclusion as it may not help in the decision making process. Sije (2017)'s study was on turnaround strategies on SMEs in Trans Nzoia county and confirmed cause-effect relationship, though the study came to a very good conclusion, it did not capture the real turnaround strategies instead it focussed on the functional turnaround strategies hence the study was not exhaustive on all the turnaround strategies.

Finally, Kinyanjui and Ngugi (2014) did a study on the influence of turnaround strategy on performance of consolidated bank Kenya limited, they adopted a sample size of 70 respondents and concluded that innovation, managerial skills, technology adoption and government policies are critical factors of turnaround that influence performance. The choice of descriptive research design was not justified and hence it was be concluded that the design was null and void, it further failed to at least specify the policies which the study was dealing with and to what extent were they influencing performance.

## **2.6 Research Gaps**

Literature review came up with the research gaps as summarized in Table 2.1

**Table 2.1: Research Gaps**

<b>Variable</b>	<b>Author</b>	<b>Title of Study</b>	<b>Findings</b>	<b>Gap</b>
Cost reduction strategy	Mungai & Bula (2018)	Turn around Strategies and Performance of Kenya Airways	Findings revealed that cost reduction strategy affected the performance of Kenya Airways positively and contributed a lot to its turnaround	Finding was a case study hence unique to the organization
Diversification strategy	Kinyanjui & Ngugi (2014)	Influence of turnaround strategy on performance of Consolidated Bank Kenya Limited	It concluded that innovation and new products were the critical factor as a turnaround strategy influencing performance of consolidated bank.	Finding was a case study hence unique to the organization
Modernization strategy	Ondimu (2015)	Turnaround strategies and performance of selected Commercial Banks in Kenya	The finding showed that indeed the turnaround strategies adopted by the banks has had a positive effect on the performance of the commercial banks.	The various strategies used were generalised hence no single strategy was tested against the commercial banks performance
Reorganization strategy	Sije (2017)	Relationship between turnaround strategies and performance of small and medium enterprises in Kenya	There was positive and significant relationship between reorganization and performance of SMEs	Data was relevant for small and medium enterprises and not state owned organizations
Turnaround strategies	Inyange (2014)	Turnaround strategies used at the National Oil Corporation of Kenya to improve performance	No single strategy is able to confront Decline. Firms should adopt various combined strategies concurrently for a successful turnaround.	Not clear on the strategy combinations to be adopted

## **2.7 Summary**

The chapter reviewed the main theories of the study including Contingency theory of structural adaptation to regain, the generic strategies theory and the life cycle theory. The theories were appropriate in explaining the cost cutting strategy, diversification strategy, reorganization strategy and the modernization strategy which formed the independent variables under study and the performance of state owned sugar companies which formed the dependent variable. Guided by the stated study objectives, a conceptual framework was generated as shown in Figure 2.1, similar studies reviewed and gaps identified in Table 2.1.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section looked at how the research process was carried out. It includes a discussion on the research philosophy, research design, the target population, sample and sampling techniques, data collection procedures and instruments, pilot testing and data analysis methods.

#### **3.2 Research Philosophy**

Research philosophy relates to the nature and development of knowledge and contains important assumptions about the way in which researchers view the world (Saunders, Lewis & Thornhill, 2007). There are two extreme philosophical views regarding knowledge and reality (schools of thought). These are Positivism (deduction research) and Phenomenology (induction research) (Saunders et al, 2009). This study was guided by the positivist paradigm where scientific processes were followed in hypothesizing fundamental laws then deducing the observations so as to determine the truth or falsify the said hypothesis about the relationship that exists between the turnaround strategies and the performance of state owned sugar companies in Kenya.

#### **3.3 Research Design**

The research design constitutes the blue print for the collection, measurement and analysis of data (Newing, 2011). According to Lavrakas (2008), the aim of a research design is to plan and structure a given research in a manner that the eventual validity of the research is maximized. The study adopted the descriptive research design. A descriptive design is one in which data is collected without changing the environment. The Office of Human Research Protections (OHRP) defines a descriptive design as “Any study that is not truly experimental.” Descriptive studies

are usually the best methods for collecting data that will demonstrate relationships and describe the world as it exists. Creswell and Plano (2007), suggest that descriptive design can answer questions such as “what is” or “what was.” Descriptive research design has been used successfully to describe the characteristics of certain groups, determine the proportion of people who behave in a certain way; make specific predictions and to determine relationships between variables. It was successfully used in the study “Influence of transformational leadership on organizational performance of state corporations in Kenya (Datche, 2015). The data was expressed quantitatively to allow easy analysis.

### **3.4 Target Population**

Zikmund *et al*, (2010) defines population as a larger collection of all subjects from where a sample is drawn. It refers to an entire group of individuals, events or objects having common observable characteristics (Mugenda & Mugenda, 2008). Cooper & Schindler (2008) observe that a population is the total collection of elements about which one wants to make inferences. Kothari, (2012) expressed similar views. Target population on the other hand is that population which the researcher wants to generalize results (Mugenda & Mugenda, 2008). According to Zikmund *et al*. (2010) a target population is classified as all the members of a given group to which the investigation is related, whereas the accessible population is looked at in terms of those elements in the target population within the reach of the study. The study targeted 406 managers from all the five state owned sugar Companies in Kenya which had undergone the turnaround process as they were able to provide relevant data that was sufficient enough to help draw inferences to the entire population under study.

### **3.5 Sampling Frame**

The sampling frame describes a list of all population units from which the sample is selected (Cooper & Schindler, 2008). The sampling frame of the study was all the five state owned sugar companies in Kenya which were Mumias Sugar Company,

Nzoia Sugar Company, South Nyanza Sugar Company, Muhoroni Sugar Company and Chemelil Sugar Company (Kenya Sugar Board Report, 2015). The study units comprised of the strategic level, tactical level and the operational level management. This gave a more accurate inference to the entire study and also because of the fact that turnaround strategy formulation, implementation and organizational performance are functions of all the management levels in an organization.

### 3.6 Sample and Sampling Techniques

#### 3.6.1 Sample Size

Sampling is an element of data collection or a section of a population that is selected for a research process (Sekaran & Bougie, 2010). Since the target population was less than 10,000 the total sample size was determined by use of Mugenda and Mugenda (2008)'s formulae which is effective for social sciences, for samples less than 10,000.

$$n = \frac{zpq^2}{d^2}$$

Where; n = the desired sample size for target population <10,000,

z = normal standard deviation corresponding to 95% confidence interval, that is 1.96,

p = Proportion of the population estimated to have desired characteristics. q=1-p

d=Level of statistical significance (=0.05) Hence;

$$n = \frac{z^2 pq^2}{d^2} = \frac{1.96^2 * 0.5 * 0.5^2}{0.05^2} = 384$$

Therefore the desired sample size nf for populations less than 10,000 is as shown.

$$nf = \frac{n}{1 + \frac{n}{N}} = \frac{384}{1 + 384/406} = 197$$

Where

$nf$  = expected sample size

$N$  = population of the study.

$n$  = expected sample size for populations of less than 10,000

### 3.6.2 Sampling Technique

Stratified random sampling technique was used to classify the employees into the various management levels; strategic level, tactical level and operational levels. Kothari (2012) noted that stratified random sampling technique is used when a population from which a sample is to be drawn does not constitute a homogeneous group. Stratified random sampling technique involves dividing the population into a series of relevant strata which implies that the sample is likely to be more representative. Saunders, Lewis & Thornhill (2009) support the categorization of homogeneous subjects into various strata and therefore the employees were categorized into different levels of management who were then selected randomly. The sample was arrived at as a proportion of the target population. The sample size and distribution is as shown in Table 3.1.

**Table 3.1: Sample Size**

<b>Management Level</b>	<b>MSC</b>		<b>NSC</b>		<b>SSC</b>		<b>MhSC</b>		<b>CSC</b>		<b>Total</b>	
	<b>P</b>	<b>S</b>	<b>P</b>	<b>S</b>	<b>P</b>	<b>S</b>	<b>P</b>	<b>S</b>	<b>P</b>	<b>S</b>	<b>P</b>	<b>S</b>
Strategic managers	11	5	14	7	12	6	12	6	10	5	<b>59</b>	<b>29</b>
Tactical Managers	27	13	23	11	29	14	24	12	21	10	<b>124</b>	<b>60</b>
Operational managers	53	26	48	23	36	17	49	24	37	18	<b>223</b>	<b>108</b>
<b>Total</b>	<b>91</b>	<b>44</b>	<b>85</b>	<b>41</b>	<b>77</b>	<b>37</b>	<b>85</b>	<b>42</b>	<b>68</b>	<b>33</b>	<b>406</b>	<b>197</b>

### 3.7 Data Collection Instruments

According to Creswell and Plano (2007), data is defined as information obtained in the course of study. Primary data was collected by way of questionnaires consisting of closed ended questions which are standardized to allow for comparisons of results among the various respondents. A questionnaire is a formalized list of questions that are used to solicit information from respondents. The questionnaires were used because they provide greater uniformity across research situations as respondents respond to the same standardized questions. At the same time the questionnaire technique gave the respondents enough time to respond to the questions as they were given enough days to answer the questionnaires. Also the element of anonymity associated with the questionnaire survey technique enhanced the chances of getting honest responses (Mugenda & Mugenda, 2008). Thus the use of questionnaires in this study was appropriate and very efficient.

The structured or closed questions used in the study were meant to save the respondents' time and get definite answers. Copper and Schindler (2008), state that structured questions necessitate getting as much information as possible from the limited space on the form hence appropriate for the study.

### **3.8 Data Collection Procedures**

The refined questionnaires were administered to the various respondents in the selected organizations cutting across all levels of management. Saunders *et al.* (2009) argued that a reasonable and moderate high response rate was guaranteed with self-administered questionnaires, hand delivered and collected questionnaires. Therefore, the questionnaires were delivered in person and were distributed after initial communication with the respondents to seek consent. The introduction and research permit letters from the University and National Commission for Science, Technology and Innovation (NACOSTI) respectively came in handy at this stage to emphasize on the authenticity of the research. . These documents, that is, NACOSTI permit, the researchers' cover letter and an introductory letter from the University served as authorization documents that the research was approved and was meant for academic purposes. These documents stated where necessary the kind of ethical issues that the respondents needed assurance that ethical procedures were being adhered to in this study.

The respondents were then given some days to answer the questionnaires after which they were collected for analysis. According to Mugenda and Mugenda (2008), questionnaires give a detailed answer to complex problems. Questionnaires were therefore chosen because of their objectivity. The structured questions were used in an effort to conserve time and money as well as to facilitate easier analysis as they were in immediate usable form.

### **3.9 Pilot Study**

A pilot study finds out the reliability and validity of the data collected (Mugenda & Mugenda, 2008). The rule of thumb is that utmost 10% of the Sample should constitute a pilot test (Mark & Adrian, 2007). This was done to test the efficiency of the tools used in collecting and analyzing the data. As such, in order to minimize the possible instrumentation error, internal consistency technique was used. A pilot study was undertaken on 20 employees who cut across all the three levels of

management drawn from two government owned entities to test the reliability and validity of the questionnaire.

A sample of respondents from the unit of analysis was randomly selected and the questionnaire administered to them. The simple random sampling method was used to ensure that all the respondents get an equal chance of participating in the pilot study. The instrument was reviewed based on the pre-test experience. The pilot study was conducted so as to check for possible errors that could arise from unclear instructions. According to Bryman (2008), there is always a chance that some questions could cause problems and questionnaire piloting is needed to identify and eliminate such problems.

### **3.9.1 Reliability of the Instrument**

Sekaran (2009) postulates that to assess the internal consistency among the research instrument items used and the reliability, Cronbach's alpha coefficients could be used. Sasaka *et al.* (2016) further emphasized that reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of the measure. This study used Cronbach's alpha to measure internal consistency. This indicated how well items in a set are positively correlated to one another. According to De vaus (2002), Cronbach's alpha coefficient should range between 0 and 1. Higher alpha coefficient values meant that scales were more reliable. Sekaran (2009) recommend that acceptable alpha was atleast 0.70 or above.

Cronbach alpha tool was used to determine internal reliability of the questionnaires. Suppose that we measure a quantity which is a sum of  $K$  components ( $K$ -items or testlets):

$$X = Y_1 + Y_2 + \dots + Y_k ;$$

Cronbach's is defined as

$$\alpha = \frac{K}{K-1} \left( \frac{\sum_{i=1}^K \sigma_{Y_i}^2}{\sigma_X^2} \right)$$

Where;-sum of K components

K-items or testlets

$\sigma_X^2$  is the variance of the observed total test scores, and

the variance of component i for the current sample of persons.

The individual variable Cronbach's alpha coefficient for turnaround strategies was 0.904 and that for organizational performance was 0.915 revealing a high degree of reliability. The overall measure of independent and dependent variables' Cronbach's alpha coefficient collectively was 0.910. Since all the reliability results exceeded the 0.70 threshold lower level of acceptability (Sekaran, 2008), the internal consistency reliability of the measures used was considered to be sufficiently excellent and to have adequately measured the study's variables. These results agree with DeVellis (2012) recommendations who highlights the commonly accepted rule of thumb for explaining internal consistency as follows:  $\alpha \geq 0.9$  as excellent,  $0.9 > \alpha \geq 0.8$  as good,  $0.8 > \alpha \geq 0.7$  as acceptable,  $0.7 > \alpha \geq 0.6$  as questionable,  $0.6 > \alpha \geq 0.5$  as poor, and  $0.5 > \alpha$  as unacceptable.

### 3.9.2 Validity of the Instrument

According to DeVellis (2012), validity is checked to ensure that there are no systematic errors and that the random error is as minimal as possible. Validity reflects the extent to which the results of an observation are a true reflection of reality, that is, if the instrument has measured what it purported to measure. To ensure internal validity, the questionnaire was simplified in a language that all participants were familiar with. The researcher determined validity by posing a series of standardized questions. The results of the pilot test established that the

questionnaire was clear and easy to answer and that the questions were relevant and easily understood by the respondents. Content validity is a non-statistical type of validity that involves the systematic examination of the test content to determine whether it covers a representative sample of the behavior domain to be measured (Cooper & Schindler, 2013).

Factor analysis was used to test validity of the constructs. KMOs measure of sampling adequacy and Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not. KMO ranges from 0 to +1 and the generally acceptable score is 0.5. Bartlett's test shows the validity and suitability of responses collected to the problem under study. Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not.

### **3.9.3 Diagnostic Tests**

The data collected was checked for accuracy before proceeding with analysis. Various tests were used to test the data which included the level of significance tests, reliability tests using the Cronbach's alpha test, KMOs measure of sampling adequacy, Bartlett's tests of simplicity, kurtosis and skewness to test data normality, linearity and independence, Kolmogorov-Smirnov (KS) one sample tests was also conducted. These were to help determine if the data could be subjected to further analysis which included the demographic characteristic which were tested using percentages, mean, standard deviation, factor analysis, correlation analysis, multicollinearity tests, standard and stepwise multiple regression, hypothesis testing, model summary, ANOVA tests and finally, the model was generated and interpreted.

### **3.10 Data Analysis and Presentation**

Data analysis was based on descriptive statistics such as measures of location (mean) and measures of dispersion (standard error mean) as well as inferential statistics

mainly Pearson correlation, multi-linear regressions, Analysis of Variance and Step-wise multiple regression. A correlation analysis was conducted to establish the relationship between the independent and dependent variables; this was to test the hypotheses of the study and show the degree of relationship between the independent and dependent variables. The purpose of doing correlations was to allow the study to make a prediction on how a variable deviates from the normal. Pearson was used to determine if there was a significant, positive relationship between each independent variable and the performance of state owned sugar companies in Kenya. Pearson is a measure of the degree of relationship between two variables which are both measured in either the interval or ratio scale. Its value ranges from -1.0 to +1.0, with bigger absolute values indicating stronger relationship; the sign denotes the direction of association. A positive correlation indicates that as one variable increases, the other also goes up; meanwhile a negative correlation suggests that as one variable increases, the other correspondingly goes down (Sekaran, 2008). These were further interpreted by Sekaran (2008) as follows: 0.7 to 0.99 as depicting a high positive relationship; 0.4 to 0.69 as having a moderate positive relationship; 0.39 and below as having a low positive relationship and 0 symbolizing no relationship between the variables under study, same interpretation applying to the negative correlation relationship.

The hypothesis testing was done at 5% level of significance and SPSS was used for this purpose. The data was then presented using frequency distribution tables for easier understanding. According to Kothari (2012), Pearsons moment correlation analysis was used to establish the relationship and strength between these variables. Analysis of variance (ANOVA) was used to test the significance of model and  $R^2$  was used to measure extend of the goodness of fit of the regression model. The hypothesis was tested using t-test at 95% confidence level. Data was presented in tables.

Multiple regression models determines whether a group of variables together predict a given dependent variable (Bryman & Bell, 2007). A multiple regression

model separates each individual variable from the rest allowing each to have its own coefficient describing its relationship to the dependent variable. Saunders *et al.* (2007) suggested that multiple regression is a statistical technique that can be used to explore the predictive ability of independent variables on one dependent measure. It is further argued that the method is scientific as the data collected can be developed and be verified through systematic analysis (Mugenda & Mugenda, 2008).

The regression model for this study takes the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Dependent variable (Organizational performance).

$\beta_0$  = Constant or intercept which is the value of dependent variable when all the independent variables are zero.

$\beta_{1-4}$  = Regression coefficient for each independent variable.

$X_1$  = Cost reduction strategy

$X_2$  = Diversification strategy

$X_3$  = Re-organization strategy

$X_4$  = Modernization strategy

$e$  = Stochastic or disturbance term or error term.

Analysis of Variance was done to establish whether the whole model was a significant fit of the data and therefore formed the tests of significance. ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups of samples at a selected probability level

(Saunders & Thornhill, 2009). The data was presented using distribution tables and charts for easier understanding.

Stepwise multiple regression analysis was also conducted in order to establish what the best combination of independent (predictor) variables would be to predict the dependent (predicted) variable and to establish the best model of the study (Cooper & Schindler, 2013). In a stepwise regression, predictor variables are entered into the regression equation one at a time based upon statistical criteria. At each step in the analysis the predictor variable that contributes the most to the prediction equation in terms of increasing the multiple correlation,  $R$ , is entered first. This process is continued only if additional variables add anything statistically to the regression equation. When no additional predictor variables add anything statistically meaningful to the regression equation, the analysis stops. Thus, not all predictor variables may enter the equation in stepwise regression.

### **3.11 Variable Definitions and Measurement**

The relationships between variables are of great interest to researchers. In the research process, the independent variables are used to predict the relationship with the dependent variable. The four key variables examined in this study are the independent variables (Cost reduction strategy, diversification strategy, reorganization strategy and modernization strategy) and the dependent variable which is the performance of state owned sugar companies in Kenya.

Cost reduction strategy' is an independent variable and has been defined as the initiatives that focus on reducing costs and expenses through methods such as divestiture, process excellence and retrenchment. The researcher used a five point likert scale (with strongly disagree= 1.0-1.8; disagree= 1.8-2.6; neutral= 2.6-3.4; agree 3.4-4.2; strongly agree= 4.2-5.0) to measure the effects of each of these on the performance of state owned sugar companies in Kenya.

Diversification strategy is yet another independent variable defined as the initiatives

put in place to introduce new products or enter into a new market or industry which the business is not currently in, this is where the business looks for new opportunities and taps them. Specific focus is put on the concentric product innovation, conglomerate diversification and entry into new markets. The researcher used a five point likert scale to measure the effects of each of these on the performance of state owned sugar companies in Kenya (with strongly disagree= 1.0-1.8; disagree= 1.8-2.6; neutral= 2.6-3.4; agree 3.4-4.2; strongly agree= 4.2-5.0).

Re-organization strategy is also an independent variable and has been defined as the initiatives that lead to an overhaul of a company's internal structure. It involves restructuring and restaffing which may be manifested through changes in departments, business units and employee roles, and often includes significant layoffs. The researcher used a five point likert scale (with strongly disagree= 1.0-1.8; disagree= 1.8-2.6; neutral= 2.6-3.4; agree 3.4-4.2; strongly agree= 4.2-5.0) to measure the effects of each of these on the performance of state owned sugar companies in Kenya.

Modernization strategy refers to initiatives involving asset replacement/renewal of existing physical facilities like plant and machinery and technology improvement, the researcher used a five point likert scale (with strongly disagree= 1.0-1.8; disagree= 1.8-2.6; neutral= 2.6-3.4; agree 3.4-4.2; strongly agree= 4.2-5.0) to measure the effects of each of these on the performance of state owned sugar companies in Kenya.

Performance on the other hand has been defined as the actual output or results of an organization as measured against its intended outputs or goals and objectives. Profitability and organizational growth define the performance of an organization. The researcher used a five point likert scale (with strongly disagree= 1.0-1.8; disagree= 1.8-2.6; neutral= 2.6-3.4; agree 3.4-4.2; strongly agree= 4.2-5.0) to measure the effects of each of these on organizational performance. This is summarized in Table 3.2

**Table 3.2: Measurement of Variables**

Variable	Constructs	Operational Definition	Measurement Scale	Data Type
Cost Reduction strategy	Divestiture excellence Retrenchment	Process Responses to be provided in Scale of 1-5 to assess the (non-relationship between cost reduction strategy and organizational performance)	Likert Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Diversification strategy	Concentric product innovation Conglomerate diversification Market penetration	Responses to be provided in Scale of 1-5 to assess the (non-relationship between diversification and performance)	Likert Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Reorganization strategy	Restructuring Restaffing	Responses to be provided in Scale of 1-5 to assess the (non-relationship between reorganization and performance)	Likert Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Modernization strategy	Asset renewal Technology improvement Infrastructural development	Responses to be provided in Scale of 1-5 to assess the (non-relationship between modernization and performance)	Likert Ordinal scale (non-dichotomous type)	Quantitative and qualitative
Organizational Performance	Growth Profitability Market share	Responses to be provided in Scale of 1-5 to assess the relationship (non-between the turnaround strategies and performance.	Likert Ordinal scale (non-dichotomous type)	Quantitative and qualitative

### 3.12 Hypotheses Testing

For empirical conclusions to be arrived at, tests of various hypotheses were conducted. Table 3.3 indicates the summary of the research hypotheses, type of analysis, decision rule, and the interpretation of the results. Table 3.3: Hypothesis Testing.

**Table 3.3: Hypothesis Testing**

Hypothesis statement	Type of Analysis	Decision rule and interpretation
<b>H<sub>01</sub>:</b> There is no Pearson's significant relationship between cost reduction strategy and the performance of state owned sugar companies in Kenya.	Correlation, F-Test ANOVA	Reject H <sub>01</sub> if P-value is < 0.05 Fail to reject H <sub>01</sub> if P-value is > 0.05 $Y = a + \beta_1 X_1 + \beta_2 X_2 + e$ Where; a= constant term, X <sub>1</sub> = Realignment strategy, X <sub>2</sub> = Retrenchment strategy, $\beta_1, \beta_2$ = correlation coefficient e = Error term
<b>H<sub>02</sub>:</b> There is no Pearson's significant relationship between diversification strategy and the performance of state owned sugar companies in Kenya.	Correlation, F-Test ANOVA	Reject H <sub>02</sub> if P-value is < 0.05 Fail to reject H <sub>02</sub> if P-value is > 0.05 $Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ Where; a= constant term, X <sub>1</sub> = Concentric Product innovation strategy, X <sub>2</sub> = Conglomerate diversification strategy, X <sub>3</sub> = Market expansion strategy, $\beta_1, \beta_2, \beta_3$ = correlation coefficient e = Error term
<b>H<sub>03</sub>:</b> There is no Pearson's significant relationship between reorganization strategy and the performance of state owned sugar companies in Kenya.	F-Test ANOVA	Reject H <sub>03</sub> if P-value is < 0.05 Fail to reject H <sub>03</sub> if P-value is > 0.05 $Y = a + \beta_1 X_1 + e$ Where; a= constant term, X <sub>1</sub> = Reorganization strategy $\beta_1$ = correlation coefficient e = Error term
<b>H<sub>04</sub>:</b> There is no Pearson's significant relationship between modernization strategy and the performance of state owned sugar companies in Kenya	Correlation, F-Test ANOVA	Reject H <sub>04</sub> if P-value is < 0.05 Fail to reject H <sub>04</sub> if P-value is > 0.05 $Y = a + \beta_1 X_1 + e$ Where; a= constant term, X <sub>1</sub> = Modernization strategy, $\beta_1$ = correlation coefficient e = Error term

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

The chapter described the response rate, reliability and validity of the data, the descriptive statistics containing both the demographic results and the findings from each of the variables under study and various tests that were used to establish the relationship between variables. Factor analysis was conducted so as to reduce the many individual items into a fewer number of dimensions. Pearson Bivariate correlation and Multiple Regression analysis were then used to test the study's hypotheses. The independent variables of the study were cost reduction strategy, diversification strategy, reorganization strategy and modernization strategy whereas the dependent variable was the performance of state owned sugar companies in Kenya.

#### 4.2 Response Rate

Kothari (2013) noted that a response rate is the extent to which the collected data takes care of all the sample items, a ratio of actual respondents to anticipated number of persons who respond to the study. The researcher pre-notified the potential respondents for the data collection process, then administered the questionnaire personally with the help of research assistants through drop and pick method. Constant follow up calls were also made to clarify on some queries as well as to prompt the respondents to fill the questionnaire within the stipulated timeframe. A total of 197 questionnaires were issued out by the researcher to the respondents. One hundred and sixty seven (167) questionnaires were dully filled, returned and used for analysis in this study. This meant that the active sample was 167 respondents and this represented a response rate of 85 percent of the sample size which fell within a large sample size. (Rindfuss, 2015) observed that a 50% response rate is adequate, 60% is good, while 70% rated very good. This implies that the response rate in this study was adequate for further analysis which was attributed to the effective data collection procedures employed by the researcher.

**Table 4.1: Response Rate of the Respondents**

Name of the organization	Questionnaires	Questionnaires	Percentage
	issued	returned	
Mumias Sugar Company Limited	44	38	86.4
Nzoia Sugar Company Limited	41	34	82.8
Chemelil Sugar Company Ltd	37	30	81.0
Muhoroni Sugar Company Ltd	42	33	78.6
South Nyanza Sugar Company Ltd	33	32	97.0
<b>Total</b>	<b>197</b>	<b>167</b>	<b>84.8</b>

### 4.3 Reliability Findings

Cronbach's Alpha was used to determine the internal reliability of the questionnaire used in this study. Values ranged between 0 and 1.0 ; while 1.0 indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Mugenda & Mugenda, 2012). The reliability statistic for each of the variables under study is presented in Table 4.2 which clearly shows that Cronbach's Alpha for each of the variables under study is above the lowest accepted limit of 0.70. The findings indicated that the cost reduction strategy had a coefficient of 0.916, diversification strategy had a coefficient of 0.921, reorganization strategy had a coefficient of 0.910, modernization strategy had a coefficient of 0.926 and organizational performance obtained a coefficient of 0.926. These results are translated to mean that the questionnaire used in this study had a high level of reliability. The reliability coefficients of 0.7 or more are considered adequate for social studies (Karihe *et al*, 2.016). Thus reliability of the questionnaire was affirmed and accepted altogether.

The overall measure of independent and dependent variables' Cronbach's Alpha coefficient computed collectively was 0.974 which was regarded as excellent as they were consistent with the recommendations of DeVellis (2012) who highlights the commonly accepted rule of thumb for explaining internal consistency as follows:  $\alpha \geq 0.9$  as excellent,  $0.9 > \alpha \geq 0.8$  as good,  $0.8 > \alpha \geq 0.7$  as acceptable,  $0.7 > \alpha \geq 0.6$  as questionable,  $0.6 > \alpha \geq 0.5$  as poor, and  $0.5 > \alpha$  as unacceptable.

**Table 4.2: Reliability Findings**

<b>Variables</b>	<b>Cronbach's Alpha</b>
Cost cutting strategies	0.916
Diversification strategy	0.921
Reorganization strategy	0.910
Modernization strategy	0.926
Organizational performance	0.926

#### **4.4 Assessment of Data Normality, Linearity and Independence**

In order to establish whether the distribution of the study data was adequate and normally distributed, Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Kolmogorov-Smirnov (K-S) one-sample test was computed.

##### **4.4.1 Data Normality, Linearity and Independence for Turnaround Strategies**

Turnaround strategies were the independent variable of the study and the researcher was interested in testing whether the sample taken was adequate for statistical analysis. According to Kothari (2013) for a sample to be considered adequate it must be above the minimum threshold of 0.5. Therefore turnaround strategy factors were subjected to KMO and Bartlett's Test to find out whether they met the minimum threshold of 0.5 required for a sample adequacy and results were presented in Table 4.3.

**Table 4.3: KMO and Bartlett’s Test for Turnaround Strategies Factors**

<b>Indicator</b>		<b>Co efficient</b>
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.854
	Approx. Chi-Square	526.024
Bartlett's Test of Sphericity	df	6
	Sig	.000

To establish whether the data was normally distributed, Kolmogorov-Smirnov (K-S) one- sample test was computed. According to Malhotra (2007) Kolmogorov-Smirnov (K-S) one- sample test is a non-parametric goodness of fit test that compares the cumulative distribution function for variables within a specific distribution. This was finally computed to establish whether the distribution was normal before being subjected to data analysis. If the test is significant ( $P < 0.05$ ) then the distribution is not significantly different from a normal distribution, but if the test is non-significant ( $P > 0.05$ ) then the distribution of the sample is significantly different from a normal distribution (Kothari, 2013).

The overall verdict of K-S test using normalized Z-statistic as shown in Table 4.4 indicated that data on all the four independent variables studied did not deviate significantly from normal distribution. Therefore, it would be appropriate to engage other statistical tests and procedures to show normality of these variables.

**Table 4.4 Normality of one-sample Kolmogorov-Smirnov test for Turnaround Strategies**

		<b>Cost reduction</b>	<b>Diversification Strategy</b>	<b>Reorganization Strategy</b>	<b>Modernization Strategy</b>
Normal Parameters <sup>a,b</sup>	Mean	3.3368	3.2944	3.2418	3.4416
	Standard deviation	.78363	.78135	.85477	.87001
Most Extreme Differences	Absolute	.103	.106	.137	.159
	Positive	.067	.056	.086	.063
	Negative	-.103	-.106	-.137	-.159
Kolmogorov-Smirnov Z		1.326	1.366	1.772	2.061
Asymp. Sig. (2-tailed)		.049	.048	.004	.000

a. Test distribution is Normal.

b. Calculated from data.

To ensure further stronger assessment of the data, normality was performed by use of skewness and kurtosis. Tables 4.5 present the relevant results.

**Table 4.5: Normality-Skewness and Kurtosis Tests of Turnaround Strategies**

<b>Detail</b>	<b>Co efficient</b>
Mean	3.3287
Skewness	-.632
Std. Error of Skewness	.188
Skewness Z-Score	-3.3617
Kurtosis	-.133
Std. Error of Kurtosis	.374
Kurtosis Z-Score	-0.3556

The test results depicted that skewness and kurtosis had Z-scores of -3.3617 and -0.3556 respectively for turnaround strategies which were not greater than the threshold of 3.3. These results were in agreement with the recommendations of Hair *et. al.*, (2009) who noted that in situations where the Z score was greater than 3.3, there was a problem of normality. The study data of turnaround strategies was therefore normally distributed and could be subjected to further analysis.

#### 4.4.2 Data Normality, Linearity and Independence for Performance

Organizational performance was the dependent variable of the study and the researcher was interested in testing whether the sample taken was adequate for statistical analysis. According to Field (2000) for a sample to be considered adequate it must be above the minimum threshold of 0.5. Therefore Organizational performance factors were subjected to KMO and Bartlett's Test to find out whether they met the minimum threshold of 0.5 required for a sample adequacy and results were presented in Table 4.6. The KMO measure of sample adequacy was 0.902 which indicated that the set of variables were suitable for factorization. Bartlett's test of Sphericity was significant (Chi-square 714.034,  $p < 0.000$ ) which implied that the variables were not correlated hence suitable for factorization.

**Table 4.6: KMO and Bartlett's Test for Organizational Performance Factors**

Indicator		Coefficient
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.902
	Approx. Chi-Square	714.034
Bartlett's Test of Sphericity	df	15
	Sig	.000

Performance being the dependent variable of the study was further subjected to a One-Sample Kolmogorov-Smirnov Test to further test its normality. The results obtained in Table 4.7 indicated that Kolmogorov-Smirnov Z is 1.449 ( $p$ -value=0.030) the  $p$ -value is less than 0.05 thus conclude that the data was normally distributed. The verdict of K-S test using normalized Z-statistic as shown in Table 4.7 was that data on organizational performance did not deviate significantly from normal distribution. Therefore, it was advisable to use statistical tests and procedures that showed normality of organizational performance.

**Table 4.7: Normality of One-Sample Kolmogorov-Smirnov Test for Organizational Performance**

Indicator		Performance
N		167
Normal Parameters <sup>a,b</sup>	Mean	2.7056
	Standard deviation	.92035
Most Extreme Differences	Absolute	.112
	Positive	.112
	Negative	-.078
Kolmogorov-Smirnov Z		1.449
Asymp. Sig. (2-tailed)		.030

a. Test distribution is Normal.

Table 4.8 shows that organizational performance had skewness and kurtosis Z scores of 1.2713 and -1.3128 respectively. Since these standardized scores were not greater than 3.3 thresholds, it meant that the study data of organizational performance was normally distributed. These results are in support of the studies of Sekaran and Bougie (2011) who noted that when data distribution had normality, it is possible to undertake any inferential and parametric statistical analysis since the chance of outliers is minimal.

**Table 4.8: Normality-Skewness and Kurtosis Tests for Organizational Performance**

Indicator	Coefficient
Mean	2.7056
Skewness	.239
Std. Error of Skewness	.188
Skewness z-score	1.2713
Kurtosis	-.491
Std. Error of Kurtosis	.374
Kurtosis z-score	-1.3128

## 4.5 Demographic Results of the Study Population

For the study to assess the relationships between the variables of the study, it was considered important to first establish the demographic information of the respondents. This information is always important as it enables a judgment to be made about the representativeness of the respondents in terms of the larger population (Creswell, 2013). The study analysed the demographic data of the respondents which included gender, education level, management level, the years of service in the organization and their thought on whether turnaround strategies influenced organizational performance.

### 4.5.1 Gender Distribution

The descriptive statistics of the study indicated that majority of the respondents were male clearly showing that the industry is male dominated as indicated in Table 4.9 and slightly short of the two third representation rule as stipulated in the Kenyan constitution.

**Table 4.9: Gender of Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	122	73.1
Female	45	26.9
<b>Total</b>	<b>167</b>	<b>100.0</b>

### 4.5.2 Education Level

The descriptive statistics of the study indicated that majority of the respondents had attained the tertiary level of education, with only a handful having acquired upto the secondary level of education, these results clearly showed that only a handful of the staffs may not be having the necessary education qualification for the managerial position with a majority being qualified and well informed to carry out their respective duties as those who have attained college education and above are well above 90% mark as indicated in table 4.10. These results generally mean that the

companies have skilled human resource who are well placed to run the company affairs fairly well towards goal attainment. The findings also implied that most of the respondents were qualified to understand the nature of the study problem. This demonstrated that most of the employees were qualified professionals with technical knowledge and skills required in their work.

**Table 4.10: Education Level**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percent</b>
Secondary Level	8	4.8
College Level	61	36.5
University Level	59	35.3
Post graduate Level	39	23.4
<b>Total</b>	<b>167</b>	<b>100.0</b>

#### **4.5.3 Management Levels**

The descriptive statistics of the study indicated that 10% of the respondents were at the top level management composed of the chiefs and executives 34.7% of the respondents were at the tactical level management comprising of the heads of departments while the remaining 55.1% were at the operational level management comprising of the supervisors and foremen responsible for implementation. This gives a good picture of the structure composition of an organization where we have handful at the top level management, a slight increase in the number of tactical managers and a large number at the operational management level signifying that the organizations under study had a pyramid like structure which is normal. These results gave a good insight of the turnaround as the top management are in charge of formulation of the strategies and take the general responsibility, tactical level do a lot of coordination and oversee the implementation while the operational level carry out the real implementation. This shows that there exists a good organizational structure in the studied companies to ensure good coordination hence better results.

**Table 4.11: Management Level**

<b>Level of Management</b>	<b>Frequency</b>	<b>Percent</b>
Strategic managers	17	10.2
Tactical managers	58	34.7
Operational managers	92	55.1
<b>Total</b>	<b>167</b>	<b>100.0</b>

#### **4.5.4 Years of Service**

Table 4.12 shows that 71% of the respondents have been in the company for a period exceeding five years, 23% for a period of between two and five years and 5% for a period of less than two years. This clearly indicates that majority of the managers have been in the organizations for long and understand the company well in terms of performance overtime. It further shows the experience levels gained by the respondents' overtime which has a key role in influencing performance levels. These findings were in line with Braxton (2008) that respondents with a high working experience assist in improving performance of their organizations.

**Table 4.12: Years of Service**

<b>Years of Service</b>	<b>Frequency</b>	<b>Percent</b>
Less than 2 Years	9	5.4
2 to 5 years	39	23.3
Over 5 Years	119	71.3
<b>Total</b>	<b>167</b>	<b>100.0</b>

#### 4.5.5 Effect of Turnaround Strategies on Organizational Performance

Asked on whether turnaround strategies influenced organizational performance, 94% of the respondents opined that they indeed influenced with the remaining 6% feeling that the turnaround strategies do not influence organizational performance. This finding was consistent with the studies of Sije (2017) and Inyange (2014) that indeed turnaround strategies influence organizational performance.

**Table 4.13: Effect of Turnaround Strategies on Organizational Performance**

<b>Statement</b>	<b>Frequency</b>	<b>Percentage</b>
Turnaround strategies influence organizational performance	157	94.0
Turnaround strategies do not influence organizational performance	10	6.0
<b>Total</b>	<b>167</b>	<b>100</b>

#### 4.6 Organizational Performance

This was approached by considering profitability and growth sub-variables. The analysis was done by use of the descriptive results and factor analysis.

##### 4.6.1 Descriptive Results for Organizational Performance

A number of statements were poised to the respondents to determine how the organizations fared in terms of profitability and growth as shown in Table 4.14. The respondents were neutral on all the statements that were poised on them except on the statement that the returns to the shareholders had significantly improved which the lowest mean of 2.50 disagreed. The overall mean for the dependent variable was 2.7056 which is neutral implying that the organizations were not really performing well and that the performance level could be a function of so many other variables other than the turnaround strategies only though they played a significant role. In the study, the relationship between turnaround strategies and the performance of small and medium enterprises in Kenya, Sije (2017) concluded that turnaround

strategies had a significant positive relationship with the performance measures thereby rejecting the null hypothesis that was tested; turnaround strategies have no significant relationship on the firm performance. This is consistent with the study findings which though neutral agreement, depict that organizational performance is influenced by the turnaround strategies to some extent.

**Table 4.14: Organizational Performance Descriptive**

<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization's revenues over costs have always been increasing	2.57	1.050
The organization has always ensured revenues are above costs	2.77	1.081
The organization has had positive returns due to the turnaround strategies adopted	2.83	1.135
The returns to the shareholders have significantly improved	2.50	1.058
The market value of the organization's share has steadily been on the rise	2.57	1.100
The organization is enjoying positive growth rate due to the turnaround strategies adopted	2.57	1.148

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### **4.6.2 Organizational Performance Factor Results**

Factor analysis was used to determine the major measures driving the study variables. The purpose of factor analysis is to reduce many individual items into a fewer number of dimensions; it is used to simplify data, such as reducing the number of variables in regression models (Thamrin, 2012). Table 4.15 presents the results which revealed that there was only one major factor driving organizational performance which accounted for 72.907 percent of the total variance in this construct. This meant that 72.907 percent of the common variance shared by all the statements could be accounted for by one factor.

**Table 4.15: Factor Results for Organizational Performance**

	Component Initial Eigenvalues Extraction			Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.374	72.907	72.907	4.374	72.907	72.907
2	.509	8.477	81.385			
3	.350	5.840	87.224			
4	.300	5.001	92.225			
5	.259	4.312	96.537			
6	.208	3.463	100.000			

Extraction Method: Principal Component Analysis.

A confirmatory factor analysis was done for the dependent variable, and the results of the analysis presented in Table 4.16 where all the factor loadings were above 0.4 and positive. These results validate that organizational performance in this study had only one indicator. Table 4.16 indicates the component matrix results for organizational performance.

**Table 4.16: Component Matrix for Performance**

Statements	Component 1
The organization's revenues over costs have always been increasing	.830
The organization has always ensured revenues are above costs	.838
The organization has had positive returns due to the turnaround Strategies adopted	.880
The returns to the shareholders have significantly improved	.843
The market value of the organization's share has steadily been on the rise	.848
The organization is enjoying positive growth rate due to the turnaround strategies adopted	.883

Extraction Method: Principal Component Analysis.

a.1 components extracted.

## 4.7 The Relationship between Cost Reduction Strategy and Performance

This was approached by considering various sub variables which included divestiture, process excellence and retrenchment. The analysis was done by use of the descriptive results, factor analysis results, correlational analysis and the regression analysis results.

### 4.7.1 Sample Adequacy for Cost Reduction Strategy

KMO and Bartlett's Test were conducted to test sample adequacy for cost reduction strategy measures before factor analysis was carried out. The KMO index in particular is recommended when the cases to variables ratio are less than 1:5. The KMO index ranges from 0 to 1 with 0.50 considered suitable for factor analysis. The Bartlett's test of Sphericity should be significant ( $p < 0.05$ ) for factor analysis to be suitable (Costello & Osborne, 2015). The findings in Table 4.17 showed that the KMO statistic for cost reduction strategy was 0.883 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2009). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 1125.283 with 66 degrees of freedom, at  $p < 0.05$ ). The results of the KMO and Bartlett's Test provided justification for conducting factor analysis.

**Table 4.17: KMO and Bartlett's Test for Cost Reduction Strategy**

Indicator		Co efficient
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.883
	Approx. Chi-Square	1125.283
Bartlett's Test of Sphericity	df	66
	Sig	.000

Cost reduction strategy was further subjected to a One-Sample Kolmogorov-Smirnov test to further test its normality. The following null hypothesis was used:

Ho: The data is not normally distributed

The results obtained in Table 4.18 indicated that Kolmogorov-Smirnov Z is 1.326 (p Value =.049) the p-value is less than 0.05; the null hypothesis is rejected hence conclude that the data was normally distributed and for this reason it was safe to use statistical tests and procedures that assume normality of the variables.

**Table 4.18: One-Sample Kolmogorov-Smirnov Test**

<b>Indicator</b>		<b>Cost Reduction</b>
N		167
Normal Parameters <sup>a,b</sup>	Mean	3.3368
	Standard deviation	.78363
Most Extreme Differences	Absolute	.103
	Positive	.067
	Negative	-.103
Kolmogorov-Smirnov Z		1.326
Asymp. Sig. (2-tailed)		.049

a. Test distribution is Normal  
b. Calculated from data

#### **4.7.2 Descriptive of Cost Reduction Strategy**

The study sought to find out the relationship between cost reduction strategy and the performance of State owned sugar companies. Table 4.19 summarizes respondents' degree of agreement to the various opinion statements poised on them.

Some respondents agreed that the organizations encouraged new ideas to promote process improvements as a cost reduction strategy, that the organizations' concentrated on profit generating product lines, and that the organizations had realigned their processes to cut on the costs. The response generally meant that the organizations had gone a long way in trying to actualize these strategies. All the other statements poised on the respondents yielded neutral answers symbolizing that the organizations were not very keen in implementing them though they had been adopted. These results were close to Ondimu (2015)'s who also found out that banks had divested from non-core assets which enabled them to shift organizational structure from what it was in pursuit for a competitive edge and to satisfy customers' needs with a mean score of 3.8667 agreed. He interpreted the results to

mean that the organizations were very keen on implementation.

**Table 4.19: Cost Reduction Strategy on Performance**

<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization has eliminated the underproductive lines	3.13	1.136
The organization has concentrated on profit generating product lines	3.47	1.118
Divestiture has enabled the organization to reduce the operational costs	3.21	1.113
The turnaround success is a result of the divestiture undertaken by the organization	3.05	1.037
The organization has realigned its processes	3.44	1.033
The organization encourages new ideas to promote process improvements	3.59	1.065
Great efficiency levels have been achieved due to process excellence	3.23	1.124
The turnaround success enjoyed is a result of the process excellence	3.16	1.086
The organization has reduced its non-core assets	3.21	1.086
The organization has set mechanisms to consistently get rid of the non-core assets	3.29	1.121
The available resources are maximally utilized by the organization	3.19	1.149
Turnaround success achieved is a result of the retrenchment strategy effected	2.87	1.079

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

### 4.7.3 Cost Reduction Strategy Factor Results

This strategy had twelve statements from which the respondents were expected to raise their opinion. These were assessed for confirmatory validity for subsequent analysis. Factor analysis was conducted to identify latent variables. The purpose of factor analysis is to reduce many individual items into a fewer number of dimensions; it is used to simplify data, such as reducing the number of variables in regression models (Thamrin, 2012). The result of the factor analysis in Table 4.20 shows that there were two critical factors that were driving the cost reduction strategy which cumulatively accounted for 61.226 percent of the total variance in this construct. The first critical factor had an eigen value =6.261 and the second critical factor had an eigen value= 1.086.

**Table 4.20: Factor Results for Cost Reduction Strategy**

Component	Initial Eigen Value			Extraction Sums of squared loadings			Rotation sums of squared loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.261	52.173	52.173	6.261	52.173	52.173	5.690
2	1.086	9.053	61.226	1.086	9.053	61.226	4.969
3	.898	7.486	68.712				
4	.731	6.091	74.803				
5	.619	5.156	79.959				
6	.532	4.433	84.392				
7	.483	4.023	88.415				
8	.429	3.579	91.994				
9	.313	2.612	94.605				
10	.245	2.040	96.646				
11	.230	1.913	98.559				
12	.173	1.441	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Table 4.21 shows the component matrix for the cost reduction strategy. The variable had twelve statements and all of them were considered for further analysis as they all met the threshold values of 0.4 and above and were not negative (David *et al*, 2010).

**Table 4.21: Component Matrix for Cost Reduction Strategy**

<b>Opinion Statements</b>	<b>Component 1</b>	<b>Component 2</b>
The organization has eliminated the underproductive lines	.540	
The organization has concentrated on profit generating product lines		.408
Divestiture has enabled the organization to reduce the operational costs	.528	
The turnaround success is a result of the divestiture undertaken by the organization	.691	
The organization has realigned its processes	.749	
The organization encourages new ideas to promote process improvements	.819	
Great efficiency levels have been achieved due to process excellence	.926	
The turnaround success enjoyed is a result of the process excellence	.807	
The organization has reduced its non-core assets		.999
The organization has set mechanisms to consistently get rid of the non-core assets		.857
The available resources are maximally utilized by the organization		.562
Turnaround success achieved is a result of the retrenchment strategy effected		.699

Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 3 iterations

Using the principal component analysis, two components resulted namely realignment and the retrenchment strategy. Reliability test was then carried out for the realignment and the retrenchment strategy which were the two new adopted strategies. Table 4.22 presents their mean and Cronbach's Alpha.

Realignment strategy had a mean of 3.206 with Cronbach’s Alpha of 0.844 which is acceptable hence qualified for further analysis. Retrenchment strategy on the other hand had a mean of 3.259 with Cronbach’s Alpha of 0.881 which was also well within the acceptable limits. Though the respondents were neutral on both strategies retrenchment strategy was rated slightly highly compared to the realignment strategy. These results make a lot of sense as most of these companies have been in existence averaging half a century and so there was need to get rid of all the non - core assets which eventually added on the costs and also because of the so many changes poised by the dynamic business environment, realignment comes in handy as a turnaround strategy which was also adopted but not as much as the retrenchment strategy. The organizations under study may not have been very keen on these changes hence the neutral agreement to the opinion statements. In his study, Ondimu (2015), opined retrenchment as an effective turnaround strategy tool.

**Table 4.22: Descriptive Results of Cost Reduction Strategy**

<b>Cost reduction strategy</b>		
<b>Measurement</b>	<b>Realignment strategy</b>	<b>Retrenchment strategy</b>
Mean	3.206	3.259
Cronbach’s Alpha	0.844	0.881
<b>Key:</b> Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)		

#### **4.7.4 Correlation matrix for Cost Reduction Strategy and Organizational Performance**

Table 4.23 shows that the realignment strategy registered a moderate positive and significant correlation with organizational performance ( $\rho = 0.518$ ,  $p\text{-value} = 0.000$ ) which are also well within the accepted threshold  $p\text{-value}$  of 0.01. This meant that the realignment strategy directly affect organizational performance of state owned sugar companies” infact by a higher extent to the retrenchment strategy Randa (2012) also concluded in line with the above results by citing improvements in the business processes, the study opined that streamlining financial management systems and procedures was critical, adopting a lean and efficient structure and a sense of

collective responsibility to be instilled in the organization culture for all employees to take responsibility. The table also shows that there was a significant moderate positive correlation between the retrenchment strategy and organizational performance ( $\rho = 0.467$ ,  $p\text{-value} = 0.000$ ) at 0.01 level of significance, this was also within the threshold  $p$ -value of 0.01. This meant that the retrenchment strategy also directly affected performance of state owned sugar companies, results which were supported by Ondimu (2015).

The results are further in agreement with the findings of Thompson (2003) who in his strategic management book entitled strategic management: awareness and change, second edition and published by London Chapman and Hall, stated that retrenchment may make the remaining resource 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 more revenue with development of new ways of productions, change in product portfolio and taking the right position in the market to ensure a successful turnaround. This finding is consistent with the literature review that indeed cost reduction strategy has a relationship to organizational performance. The findings have been further supported by Kiarie (2009) who contends that

the best place to get finances during turnaround is from internal operations through cost reduction. Masinde (2016) also concluded that the central element of retrenchment strategy is an emphasis on cutting costs and raising efficiency which is consistent with these study findings.

**Table 4.23: Correlation Matrix for Cost Reduction Strategy**

Variables		Performance	Realignment Strategy	Retrenchment Strategy
<b>Performance</b>	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	167		
<b>Realignment Strategy</b>	Pearson Correlation	.518**	1	
	Sig. (2-tailed)	.000		
	N	167	167	
<b>Retrenchment Strategy</b>	Pearson Correlation	.467**	.734**	1
	Sig. (2-tailed)	.000	.000	
	N	167	167	167

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

#### 4.7.5 Cost Reduction ANOVA Results

Analysis of variance (ANOVA) was used to test whether the regression analysis model used is fit or the relationship of the variables just occurred by chance. Significance of F ratio is used to determine whether model used was fit or not. If the F ratio is statistically significant, the model used is considered fit and vice versa (Weeks & Namusonge, 2016). The F statistics tends to be greater when the null hypothesis of independence is not true. P values of less than 0.05 indicates that the F statistic is high and that the null hypothesis of independence needs to be rejected since it is not true. In this case the F ratio (F=32.645, p=0.000) was found to be statistically significant hence the model used for analysis was fit. These results are presented in Table 4.24.

**Table 4.24: Cost Reduction ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.038	2	20.019	32.645	.000 <sup>b</sup>
	Residual	100.570	164	.613		
	Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Realignment strategy, Retrenchment strategy

#### 4.7.6 Cost Reduction Goodness of Fit Model Results

The results of the cost reduction strategy indicated that the relationship between the variables and organizational performance was fairly low as it accounted for 28.5 percent of the variability of change in the organizational performance (R square = 0.285). These results are well captured in Table 4.25.

**Table 4.25: Cost Reduction Goodness of Fit Test**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534 <sup>a</sup>	.285	.276	.78309

a. Predictors: (Constant), Realignment strategy, Retrenchment strategy

#### 4.7.7 Regression Results for Cost Reduction Strategy on the Performance

The aggregate mean scores of cost reduction strategy (independent variable) were regressed on the aggregate mean scores of organizational performance (dependent variable) and the research findings were outlined in Table 4.26. To find out the relationship between cost reduction strategy and the performance of state owned sugar companies, the study had set the following hypotheses;

### **Hypothesis one**

**H<sub>01</sub>:** Realignment strategy has no statistically significant relationship with the performance of state owned sugar companies in Kenya.

### **Hypothesis two**

**H<sub>02</sub>:** Retrenchment strategy has no statistically significant relationship with organizational performance of state owned sugar companies in Kenya.

The individual regression results in Table 4.26 reveal statistically significant moderate positive linear relationship between the realignment strategy and organizational performance ( $\beta = 0.422$ , P- value = 0.00). The results show that the realignment strategy contributes significantly to the model since the p-value for the constant and gradient is less than 0.05. The individual regression results also reveal statistically significant low positive linear relationship between retrenchment strategy and Performance ( $\beta = 0.198$ , P- value = 0.05). The fitted equation is;

$$Y = 0.695 + 0.422 X_1 + 0.198 X_2.$$

Hence both  $H_{01}$  and  $H_{02}$  are rejected since  $\beta \neq 0$  and  $P\text{-value} < 0.05$ . It can be concluded that there is statistically significant influence of both realignment and retrenchment strategy on performance of state owned sugar companies in Kenya.

In his study, Masinde (2016) concluded that Kenya Railway Corporation adopted six principal strategies that helped in making a sustained recovery from a period of performance decline among them being the downsizing of the bloated workforce. Mutunga (2013) also supports the study as she concludes that for the turnaround strategies to be successful, status quo must change by injecting new and vibrant workforce committed to her vision and that it should be swift, prompt, and decisive to negate the spillover effect such neglect could cause.

**Table 4.26: Cost Reduction Regression Results**

Model	Unstandardized		Standardized		Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.695	.256		2.712	.007
Realignment	.422	.108	.381	3.918	.000
Retrenchment	.198	.103	.187	1.929	.050

a. Dependent Variable: Organizational Performance

#### 4.8 The Relationship between Diversification Strategy and Performance

This was approached by considering various sub-variables which included concentric Product innovation, conglomerate diversification and market penetration strategy. The analysis was done by use of the descriptive results, factor analysis results, correlational analysis and the regression analysis results.

##### 4.8.1 Sample Adequacy for Diversification strategy

KMO measures on Diversification strategy was conducted and yielded a result of 0.883. According to Field (2009) for a data set to be regarded as adequate and appropriate for further statistical analysis, the value of KMO should be greater than 0.5. Bartlett's test which checks whether the observed correlation matrix diverges significantly from the identity matrix was also conducted. The results of Bartlett's test of Sphericity were significant (chi-square=1528.425,  $p < 0.000$ ) with 66 degrees of freedom. The results for both tests presented on Table 4.27 were significant for conducting factor analysis.

**Table 4.27: KMO and Bartlett's Test for Diversification Strategy**

Indicator		Co efficient
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.883
	Approx. Chi-Square	1528.425
Bartlett's Test of Sphericity	df	66
	Sig	.000

Diversification strategy was further subjected to a One-Sample Kolmogorov-

Smirnov Test to further test its normality. The following null hypothesis was used:

Ho: The data is not normally distributed.

The results obtained in Table 4.28 indicated that Kolmogorov-Smirnov Z is 1.366 (p value=.048) the p-value is less than 0.05; the null hypothesis is rejected hence concluded that the data was normally distributed as it did not deviate significantly from the normal distribution and therefore it was safe to be used for statistical analysis.

**Table 4.28: One-Sample Kolmogorov-Smirnov Test**

Indicator		Cost reduction
N		167
Normal Parameters <sup>a,b</sup>	Mean	3.2944
	Standard deviation	.78135
Most Extreme Differences	Absolute	.106
	Positive	.056
	Negative	-.106
Kolmogorov-Smirnov Z		1.366
Asymp. Sig. (2-tailed)		.048

a. Test distribution is Normal  
b. Calculated from data

#### 4.8.2 Descriptive Results for Diversification Strategy

This objective sought to describe the relationship between diversification strategy and performance of state owned sugar companies in Kenya. Table 429 summarizes the respondents' degree of agreement on the relationship between diversification strategy and performance.

Some respondents agreed that the organizations had established new markets as a diversification strategy and that they had sought different growth opportunities in the existing product lines. They were then neutral on all the remaining statements including the statements that turnaround success was the result of concentric product innovation, conglomerate diversification and new markets identified respectively. This clearly showed that most of the companies had gone for market expansion and

embraced concentric product innovation but again on whether they were the sole determinants of turnaround success respectively yielded neutral answers. The results also showed that most of the respondents were neutral on the adoption of conglomerate diversification. Sije (2017) found out that the majority (89.2%) of the respondents agreed that diversification strategy had improved performance of their business. 38.3% respondents agreed that by entering into new markets, their companies obtained expertise and applied new and best business practices across markets hence improving on their performance. This finding is in line with the findings of this study.

**Table 4.29: Diversification Strategy on Organizational Performance**

<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization has sought growth opportunities in the existing product lines	3.42	1.066
The organization has structured itself to include the new products within the existing product lines	3.32	1.109
Concentric product innovation has enabled the organization to improve on its market share	3.25	1.134
Turnaround success is a result of the concentric product innovation adopted by the organization	3.15	1.079
The organization has sought new opportunities that are unrelated to its existing product lines	3.03	1.174
The organization has structured itself to accommodate the new unrelated production lines	2.87	1.042
The conglomerate diversification adopted has enabled maximum utilization of the organization resources	2.98	1.227
Turnaround success is a result of the conglomerate diversification undertaken by the company	2.92	1.032
The organization has established new markets	3.48	1.124
The organization has reconstructed its distribution network to conform to the new markets identified	3.33	1.072
The organization enjoys improved sales as a result of the new markets identified	3.31	1.113
Turnaround success is a result of the new markets identified	3.29	1.120

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

### 4.8.3 Diversification Strategy Factor Results

This strategy had twelve statements drawn from the three sub variables of concentric and conglomerate diversification strategy and market penetration strategy which the respondents were expected to raise their opinion. These were assessed for confirmatory validity for subsequent analysis. The result of the factor analysis in Table 4.30 showed that there were three critical factors that were driving the diversification strategy which cumulatively accounted for 78.627 percent of the total variance in the construct. The first critical factor had an eigen value =6.463, the second critical factor had an eigen value= 1.538 and the third one had an eigen value= 1.435.

**Table 4.30: Factor Results for Diversification Strategy**

Component	Initial Eigen Value			Extraction Sums of squared loadings			Rotation sums of squared loadings
	Total	% of Variance	Cumulative %	Total	% of Cumulative Variance %	Total	Total
1	6.463	53.855	53.855	6.463	53.855	53.855	5.043
2	1.538	12.813	66.668	1.538	12.813	66.668	4.917
3	1.435	11.959	78.627	1.435	11.959	78.627	4.675
4	.553	4.604	83.232				
5	.440	3.664	86.896				
6	.313	2.609	89.505				
7	.281	2.339	91.844				
8	.262	2.180	94.024				
9	.240	1.996	96.021				
10	.176	1.470	97.490				
11	.159	1.322	98.812				
12	.143	1.188	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to tain a total variance.

The three new sub variables were formed from the component matrix of the diversification strategy which had twelve statements and all of them were considered for further analysis as they all met the threshold values of 0.4 and above and no negative figure (David *et al*, 2010). This was captured by Table 4.31.

**Table 4.31: Component Matrix for Diversification Strategy**

Statements	Component 1	Component 2	Component 3
The organization has sought growth opportunities in the existing product lines			.938
The organization has structured itself to include the new products within the existing product lines			.952
Concentric product innovation has enabled the organization to improve on its market share			.794
Turnaround success is a result of the concentric product innovation adopted by the organization			.714
	.975		
The organization has sought new opportunities that are unrelated to its existing product lines			
	.967		
The organization has structured itself to accommodate the new unrelated production lines			
	.788		
The conglomerate diversification adopted has enabled maximum utilization of the organization resources			
	.780		
Turnaround success is a result of the conglomerate diversification undertaken by the company			
		.947	
The organization has established new markets			
		.916	
The organization has reconstructed its distribution network to conform to the new markets identified			
		.856	
The organization enjoys improved sales as a result of the new markets identified			
		.735	

Extraction Method: Principal Component Analysis.  
 Rotation Method: Promax with Kaiser Normalization.  
 a. Rotation converged in 5 iterations.

Using the principal component analysis three components resulted namely the concentric, conglomerate the market penetration strategy. Reliability test was then carried out for the concentric, conglomerate diversification and the market penetration strategy. Table 4.32 presents the means and the Cronbach Alpha for the three adopted strategies.

Concentric product innovation had a mean of 3.284 with Cronbach Alpha of 0.890 which was acceptable hence qualified for further analysis. Conglomerate diversification had a mean of 2.951 with Cronbach's Alpha of 0.912 which was also acceptable hence qualified for further analysis and lastly the market penetration strategy which had a mean of 3.352 and Cronbach's Alpha of 0.897.

Though the respondents were neutral on both strategies market penetration was rated the highest followed by concentric product innovation. These results were consistent with Ondimu(2015)'s who found out that diversification in banks had positive performance feedback that reinforced the persistency of using a diversification strategy in the future and also it involved seeking growth opportunities in other new industries both with a mean score of 3.833 and 3.7333 respectively. The diversification had enabled the banks realize a higher level of absorptive capacity that allows them to more fully capture the benefits of simultaneous exploitation and exploration that have presented growth opportunities. With an overall mean of 4.4159, it meant there was a high level of concurrence that indeed diversification in the banks was one of the popular turnaround strategies.

**Table 4.32: Descriptive Results of Diversification Strategy**

<b>Measurement</b>	<b>Concentric Diversification</b>	<b>Conglomerate Diversification</b>	<b>Market Penetration</b>
Mean	3.284	2.951	3.352
Cronbach's Alpha	0.890	0.912	0.897

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### **4.8.4 Correlation Matrix for Diversification Strategy and Performance**

Table 4.33 shows that there was a significant low positive correlation between concentric diversification and organizational performance ( $\rho = 0.351$ ,  $p\text{-value}=0.000$ ) at 0.01 level of significance, this was within the threshold  $p\text{-value}$  of 0.01. This meant that concentric diversification directly affected the performance of state owned sugar companies.

There was also a significant low positive correlation between conglomerate diversification and organizational performance ( $\rho = 0.387$ ,  $p\text{-value}=0.000$ ) at 0.01 level of significance, this was within the threshold  $p\text{-value}$  of 0.01. This meant that conglomerate diversification directly affected the performance of state owned sugar companies.

Market penetration strategy on the other hand also registered a moderate positive and significant correlation with organizational performance ( $\rho = 0.490$ ,  $p\text{-value} = 0.000$ ) which was also well within the accepted threshold  $p\text{-value}$  of 0.01. This meant that the market penetration strategy directly affected performance of state owned sugar companies. In his study, Sije (2017) concluded that there was a positive and significant relationship between market redefinition strategies and firm performance. He added that Small and Medium Enterprises needed 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.

#### 4.8.5 Correlation Matrix for Diversification Strategy and Performance

**Table 4.33: Correlation Matrix for Diversification Strategy**

Variables		Performance	Concentric Product Innovation	Conglomerate Diversification	Market Penetration
<b>Performance</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
<b>Concentric Product Innovation</b>	N	167			
	Pearson Correlation	.351**	1		
<b>Conglomerate Diversification</b>	Sig. (2-tailed)	.000			
	N	167	167		
<b>Market Penetration</b>	Pearson Correlation	.387**	.531**		
	Sig. (2-tailed)	.000	.000	1	
<b>Market Penetration</b>	N	167	167	167	
	Pearson Correlation	.490**	.531**	.564**	1
<b>Market Penetration</b>	Sig. (2-tailed)	.000	.000	.000	.000
	N	167	167	167	167

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

These findings were further consistent with the studies carried out by Ondimu (2015) which concluded that diversification had a positive performance feedback achieved through seeking further growth opportunities in other new industries and capturing the benefits of simultaneous exploitation and exploration. The findings of this study further 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 hence agreement with the literature review.

#### 4.8.6 Diversification ANOVA Results

Analysis of variance (ANOVA) was used to test whether the regression analysis model used is fit or the relationship of the variables just occurred by chance. Significance of F ratio is used to determine whether model used was fit or not. If the F ratio is statistically significant, the model used is considered fit and vice versa (Weeks & Namusonge, 2016). The F statistics tends to be greater when the null hypothesis of independence is not true. P values of less than 0.05 indicates that the F statistic is high and that the null hypothesis of independence needs to be rejected since it is not true. In this case the F ratio (F=19.339,p=0.000) was found to be statistically significant hence the model used for analysis was fit. These results are presented in Table 4.34.

**Table 4.34: ANOVA Results for Diversification Strategy**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1 Regression	36.909	3	12.303	19.339	.000 <sup>b</sup>
Residual	103.699	163	.636		
Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Concentric, Conglomerate and Market Penetration strategy

#### 4.8.7 Diversification Goodness of Fit Model Results

The results shown below indicated that the diversification strategy influenced organizational performance slightly to a greater extent as it accounted for 26.2 percent of the variability of change in the organizational performance (R square = 0.262). This is shown in Table 4.35.

**Table 4.35: ANOVA Results for Diversification Strategy**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 <sup>a</sup>	.262	.249	.79761

a. Predictors: (Constant), Concentric, Conglomerate and Market Penetration strategy

#### 4.8.8 Regression results for Diversification on Performance

The aggregate mean scores of diversification strategy (independent variable) were regressed on the aggregate mean scores of organizational performance (dependent variable) and the research findings were outlined in Table 4.36. To assess the relationship between diversification strategy and organizational performance of State Owned Sugar companies in Kenya the study had set the following hypotheses;

##### **Hypothesis three**

**H<sub>03</sub>:** Concentric product innovation strategy has no significant relationship with the performance of state owned sugar companies in Kenya.

##### **Hypothesis four**

**H<sub>04</sub>:** Conglomerate diversification strategy has no significant relationship with the performance of state owned sugar companies in Kenya.

### **Hypothesis five**

**H<sub>05</sub>:** Market penetration strategy has no significant relationship with the performance of state owned sugar companies in Kenya.

The individual regression results in Table 4.36 reveal statistically significant low positive linear relationship between market penetration strategy and Organizational performance ( $\beta = 0.351$ , P- value = 0.000). The results show that market penetration contributes significantly to the model since the p-value for the constant and gradient is less than 0.05. Both concentric and conglomerate diversifications yielded insignificant results as their p-values for the constant and gradient were 0.326 and 0.120 which are all greater than the required 0.05. The fitted equation thus was;  $Y = 0.899 + 0.351X_3$ .

It can be concluded that both concentric and conglomerate diversification have no significant relationship to organizational performance hence both H<sub>03</sub> and H<sub>04</sub> hypotheses are accepted and that there is a statistically significant relationship between market penetration strategy and performance of state owned sugar companies in Kenya hence H<sub>05</sub> hypothesis is rejected.

Walshe (2004), on the study of organizational failure and turnaround: lessons for public services from the for-profit sector, in public money and management, suggested that most of the participants in his 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 hence supporting the findings of this study. Kavale (2017) generally found out that diversification and productivity increases corporate growth in Ethiopia.

**Table 4.36: ANOVA Results for Diversification Strategy**

Model	Unstandardized Coefficients		Standardized t	Sig.
	B	Std. Error	Beta	
(Constant)	.899	.255	3.524	.001
Concentric Div	.080	.081	.083	.985
Conglomerate Div	.124	.079	.135	1.562
Market penetration	.351	.082	.370	4.285

a. Dependent Variable: Organizational Performance

#### **4.9 The relationship Between re-Organization Strategy and Performance**

This was approached by considering the restructuring and the restaffing strategies. The analysis was done by use of the descriptive results, factor analysis, correlation and the regression analysis.

##### **4.9.1 Sample Adequacy for Re-organization Strategy**

Re-organization strategy was subjected to KMO and Bartlett's Test to find out whether they met the threshold required of greater than 0.5 and the results are presented in Table 4.37. KMO measures on re-organization strategy yielded a result of 0.872 while Bartlett's test of sphericity results were (chi-square=802.502,  $p < 0.000$ ) with 28 degrees of freedom. The results for both tests were significant for factor analysis to be conducted.

**Table 4.37: KMO and Bartlett’s Test for Re-organization Strategy**

Indicator		Co efficient
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.872
	Approx. Chi-Square	802.502
Bartlett's Test of Sphericity	df	28
	Sig	.000

Re-organization strategy was further subjected to a One-Sample Kolmogorov-Smirnov Test to further test its normality. The following null hypothesis was used:

Ho: The data is not normally distributed

The results obtained in Table 4.38 indicated that Kolmogorov-Smirnov Z is 1.772 (p value=.004), the p-value is less than 0.05; the null hypothesis is rejected thus concluded that the data is normal and did not deviate significantly from the normal distribution and for this reason it was safe to use statistical tests and procedures that assume normality of the variables.

**Table 4.38: One-Sample Kolmogorov-Smirnov Test**

Indicator		Reorganization strategy
N		167
Normal Parameters <sup>a,b</sup>	Mean	3.2418
	Standard deviation	.85477
Most Extreme Differences	Absolute	.137
	Positive	.086
	Negative	-.137
Kolmogorov-Smirnov Z		1.772
Asymp. Sig. (2-tailed)		.004

a. Test distribution is Normal  
b. Calculated from data

#### 4.9.2 Descriptive Results of Reorganization Strategy

This study sought to determine the relationship between reorganization strategy and the performance of state owned sugar companies in Kenya. Table 4.39 summarizes respondents' degree of agreement on the relationship between reorganization strategy

and organizational performance.

There was an agreement on the statements that organizations had competent human resource committed to the vision with a mean of 3.41 agreed and that they had modified and redesigned their existing structures with a means of 3.35 agreed. The rest of the statements yielded neutral answers from the respondents. The results above generally showed that the organizations had not really done their best in meeting the indicators of reorganization strategy. Noted also was the neutral answer on whether the turnaround success was a result of the various reorganization indicators. This implies that turnaround success may be a function of so many other variables other than reorganization strategy. A result that is in agreement with the works of Wandera (2012) who concluded that turnaround success was a function of a combination of variety of turnaround strategies and not just one strategy.

**Table 4.39: Re-organization Strategies on Performance**

<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization has modified and redesigned the existing structures	3.35	1.047
The organization has adopted a lean and efficient structure	3.23	1.028
The organization has aligned performance incentives to the new structure	3.01	1.061
Turnaround success is a result of the restructuring that has taken place	3.12	1.057
The organization has employed based on merit	3.19	1.149
The organization has deployed the right employees to the right jobs	3.25	1.028
The organization has a competent human resource committed to her vision	3.41	1.087
Turnaround success is a result of the restaffing exercise done by the company	2.87	1.044

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

### 4.9.3 Reorganization Strategy Factor Results

This strategy had eight statements from which the respondents were expected to raise their opinion. These were assessed for confirmatory validity for subsequent analysis. Factor analysis was conducted to identify latent variables. The purpose of factor analysis is to reduce many individual items into a fewer number of dimensions; it is used to simplify data, such as reducing the number of variables in regression models (Thamrin, 2012). The results of the factor analysis in Table 4.40 show that there was only one critical factor that was driving the reorganization strategy which accounted for 61.708 percent of the total variance in the construct with an eigen value = 4.937

**Table 4.40: Factor Results on Reorganization Strategy**

Component	Initial Eigen Value			Extraction Sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.937	61.708	61.708	4.937	61.708	61.708
2	.823	10.292	72.001			
3	.591	7.384	79.385			
4	.510	6.376	85.762			
5	.373	4.662	90.424			
6	.299	3.733	94.157			
7	.280	3.495	97.652			
8	.188	2.348	100.000			

Extraction Method: Principal Component Analysis.

Table 4.41 shows the component matrix for the reorganization strategy. All the eight variable indicators poised were considered for further analysis as they all met the threshold values of 0.4 and above with no negative value (David *et al.*, 2010).

**Table 4.41: Component Matrix for Reorganization Strategy**

<b>Opinion Statement</b>	<b>Component</b>
	<b>1</b>
The organization has modified and redesigned the existing structures	.798
The organization has adopted a lean and efficient structure	.814
The organization has aligned performance incentives to the new structure	.811
Turnaround success is a result of the restructuring that has taken place	.803
The organization has employed based on merit	.737
The organization has deployed the right employees to the right jobs	.764
The organization has a competent human resource committed to her vision	.743
Turnaround success is a result of the restaffing exercise done by the company	.809

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Using the principal component analysis, only one component resulted which recorded a neutral mean of 3.177 with Cronbach's Alpha of 0.911 which was acceptable hence qualified for further analysis. These results are clearly shown in Table 4.42 and supported by Randa (2012) who indicated that overhauling the organizational structure and changing the mindset of the employees was the most crucial element in the turnaround process. The Respondents indicated that new departments were created while others were merged. The same study found out that a new number of new recruitments were made during the transformation, largely due to the growth of business to be able to meet the emerging needs of the clients and more so to be able to support the new systems that were being introduced.

**Table 4.42: Descriptive Results of Reorganization Strategy**

Measurement	Conglomerate Diversification
Mean	3.177
Cronbach's Alpha	0.911

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### 4.9.4 Correlation Matrix for Reorganization Strategy and Performance

Table 4.43 shows that there was a significant moderately positive correlation between the reorganization strategy and performance ( $\rho = 0.638$ ,  $p\text{-value} = 0.000$ ) at 0.01 level of significance, this was well within the threshold  $p\text{-value}$  of 0.01. This meant that the reorganization strategy directly affected the organizational performance of state owned sugar companies. The results are in agreement with the findings of Sije (2017) who found out that there was a positive and significant relationship between reorganization turnaround strategy and Small and Medium Enterprises' performance in Kenya.

**Table 4.43: Correlation Matrix for Reorganization Strategy**

Variables		Performance	Reorganization strategy
<b>Performance</b>	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	167	
<b>Reorganization strategy</b>	Pearson Correlation	.638 **	1
	Sig. (2-tailed)	.000	
	N	167	167

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

#### 4.9.5 Reorganization ANOVA Results

F-test was carried out to test the null hypothesis that there was a relationship between reorganization and performance. The ANOVA test in Table 4.44 shows that the significance of the F-Statistic is less than 0.05 meaning that null hypothesis is rejected thus indicating an influence of reorganization strategy on the performance.

**Table 4.44: Reorganization strategy ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.245	1	57.245	113.303	.000 <sup>b</sup>
	Residual	83.363	165	.505		
	Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Reorganization strategy

#### 4.9.6 Reorganization Goodness of Fit Model Results

The results of reorganization strategy indicated that the explanatory power of this strategy on performance was moderately high as it accounted for 40.7 percent of the variability of change in the performance (R square = 0.407). These results are well captured in Table 4.45.

**Table 4.45: Reorganization Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638 <sup>a</sup>	.407	.404	.71080

a. Predictors: (Constant), Reorganization strategy

#### 4.9.7 Regression Results for Reorganization on Performance

The aggregate mean scores of reorganization strategy (independent variable) were regressed on the aggregate mean scores of performance (dependent variable) and the research findings were outlined in Table 4.46. The study had set the following hypothesis;

##### Hypothesis six

**H<sub>06</sub>:** There is no statistically significant relationship between the reorganization strategy and performance of state owned sugar companies in Kenya.

The individual regression results in Table 4.46 reveal statistically significant moderate positive linear relationship between reorganization strategy and organizational performance ( $\beta = 0.687$ , P- value = 0.000). The results show that reorganization strategy contributed significantly to the model since the p-value for the constant and gradient is less than 0.05. The fitted equation is  $Y = 0.478 + 0.687X_1$ .

Hence, H<sub>06</sub> is rejected since  $\beta \neq 0$  and P-value=0.00. It can be concluded that there is statistically significant relationship between reorganization strategy and performance of state owned sugar companies in Kenya.

**Table 4.46: Regression Coefficients of the Reorganization Strategy**

Model	Unstandardized Coefficients		Standardized Beta	t	Sig.
	B	Std. Error			
(Constant)	.478	.216		2.212	.028
Reorganization strategy	.687	.065	.638	10.644	.000

a. Dependent Variable: Organizational Performance

## 4.10 The Relationship between Modernization Strategy and Performance

This was approached by considering the asset replacement/renewal and technology advancement strategies. The analysis was done by use of the descriptive results, factor analysis results correlation and the regression analysis results.

### 4.10.1 Sample Adequacy for Modernization Strategy

Modernization strategy was subjected to KMO and Bartlett's test to find out whether they met the minimum threshold of 0.5. The results are presented on Table 4.47. The KMO measure of sample adequacy was 0.881 while Bartlett's test of sphericity was significant (Chi-square 1042.104,  $p < 0.000$ ) with 28 degrees of freedom which indicated that the set of variables were suitable for factor analysis.

**Table 4.47: KMO and Bartlett's Test for Modernization Strategy**

<b>Indicator</b>		<b>Co efficient</b>
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.881
	Approx. Chi-Square	1042.104
Bartlett's Test of Sphericity	df	28
	Sig	.000

Modernization strategy was further subjected to a One-Sample Kolmogorov-Smirnov Test to further test its normality. The following null hypothesis was used:\

Ho: The data is not normally distributed

The results obtained in Table 4.48 indicated that Kolmogorov-Smirnov Z is 2.061 ( $p$  value=.000) the  $p$ -value is less than 0.05; thus the null hypothesis was rejected and concluded that the data was normally distributed hence safe to use statistical tests and procedures that assume normality of the variables.

**Table 4.48: One-Sample Kolmogorov-Smirnov Test**

Indicator		Modernization strategy
N		167
Normal Parameters <sup>a,b</sup>	Mean	3.4416
	Standard deviation	.87001
Most Extreme Differences	Absolute	.159
	Positive	.063
	Negative	-.159
Kolmogorov-Smirnov Z		2.061
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal  
b. Calculated from data

#### 4.10.2 Descriptive Results of Modernization Strategy

The study sought to evaluate the relationship between modernization strategy and organizational performance of the state owned sugar companies in Kenya. Table 4.49 summarizes respondents' degree of agreement on the relationship between modernization strategy and performance.

The respondents from the studied organizations agreed that technology improvement had been carried out and that it could be the reason for the improved performance that led to turnaround success. They were further neutral on the asset renewal and replacement strategies implying that this had been partially effected and as a result was not really the reason behind the turnaround success witnessed. These results were in conformity to Ondimu (2015)'s work which found out that that the banks adopted technology and that technology increased their productivity levels to a large extent both with a mean score of 4.1 agreed. The finding further showed that technology enabled the banks to reduce costs and to improve efficiency and that it facilitated speedy decision making to a large extent both with a mean score of 4.0. Similarly technology as a turnaround strategy enabled the bank to improve business processes to a large extent with a mean score of 3.9.

**Table 4.49: Modernization Strategy on Performance**

<b>Opinion Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization has replaced the obsolete and outdated assets	3.22	1.076
The organization is always scheduling timely asset replacement to guard against decreased productivity	3.28	1.085
The timely replacement of assets has enhanced productivity	3.14	1.071
Turnaround success is a result of timely asset replacement carried out by the company	3.11	1.018
The organization has adopted appropriate technologies suitable to context	3.63	1.050
Technology improvement has been streamlined to be in line with the competency desired	3.56	1.062
Continuous technology improvement has ensured improved efficiency in the organization operations	3.55	1.101
Turnaround success is a result of the continuous technology improvement done by the company	3.44	1.133

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### **4.10.3 Modernization Strategy Factor Results**

The strategy had eight statements from which the respondents were expected to raise their opinion. These were assessed for confirmatory validity for subsequent analysis. Factor analysis was conducted to identify latent variables. The purpose of factor analysis is to reduce many individual items into a fewer number of dimensions; it is used to simplify data, such as reducing the number of variables in regression models (Thamrin, 2012). The result of the factor analysis in Table 4.50 showed that there was only one critical factor that was driving the modernization strategy which accounted for 65.973 percent of the total variance in the construct with an eigen value =5.278.

**Table 4.50: Factor Results on Modernization Strategy**

Component	Initial Eigen Value			Extraction Sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.278	65.973	65.973	5.278	65.973	65.973
2	.948	11.856	77.828			
3	.608	7.603	85.431			
4	.337	4.209	89.640			
5	.291	3.633	93.274			
6	.220	2.751	96.025			
7	.176	2.195	98.220			
8	.142	1.780	100.000			

Extraction Method: Principal Component Analysis.

This was further explained by Table 4.51 which shows the component matrix for the modernization strategy that had eight statements which were all considered for further analysis as they all met the threshold values of 0.4 and above (David *et al*, 2010).

**Table 4.51 Component Matrix for Modernization Strategy**

<b>Statements</b>	<b>Component 1</b>
The organization has replaced the obsolete and outdated assets	.710
The organization is always scheduling timely asset replacement to guard against decreased productivity	.831
The timely replacement of assets has enhanced productivity	.810
Turnaround success is a result of timely asset replacement carried out by the company	.792
The organization has adopted appropriate technologies suitable to context	.815
Technology improvement has been streamlined to be in line with the competency desired	.821
Continuous technology improvement has ensured improved efficiency in the organization operations	.851
Turnaround success is a result of the continuous technology improvement done by the company	.859

Extraction Method: Principal Component Analysis.

a. 1 components extracted

Using the principal component analysis, one component resulted (Modernization strategy) which recorded a mean of 3.177 with Cronbach Alpha of 0.910 which is acceptable hence qualified for further analysis.

The respondents were neutral on the application of the modernization strategy in their organizations and whether they had an effect on the organizational performance though when it came to technology improvements as an indicator the respondents agreed that the company had done quite a lot and felt that it was responsible for good performance. Sije (2017) contends that 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 improved performance increases.

**Table 4.52: Descriptive Results of Modernization Strategy**

Measurement	Modernization Strategy
Mean	3.177
Cronbach's Alpha	0.910

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### 4.10.4 Correlation Matrix for Modernization Strategy and Performance

Table 4.53 showed that there was a significant moderate positive correlation between the modernization strategy and organizational performance ( $\rho = 0.510$ ,  $p$ -value=0.000) at level of significance, this was within the threshold  $p$ -value of 0.01. This meant that modernization strategy directly affected the performance of state owned sugar companies.

**Table 4.53: Correlation Matrix for Modernization Strategy**

Variables		Performance	Modernization strategy
<b>Performance</b>	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	167	
<b>Reorganization strategy</b>	Pearson Correlation	.510**	1
	Sig. (2-tailed)	.000	
	N	167	167

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

Masinde (2016) in his study concluded that Kenya Railway Corporation adopted six principal strategies that helped in making a sustained recovery from a period of performance decline among them being modernization of the railway infrastructure and enhanced technology adoption. Ondimu (2015) also concluded that Modernization of firms" processes is another type of strategy for turnaround and that it involved developing a new technology or upgrading the existing strategy which may in turn ensure increased production, reduced costs and improved efficiency. His

findings indicated that banks adopted technology and that technology increased productivity levels within the bank to a large extent both with a mean score of 4.1. The finding further showed that technology enabled the banks to reduce costs and to improve efficiency and that it facilitated speedy decision making to a large extent both with a mean score of 4.0. Similarly, technology as a turnaround strategy enabled the bank to improve business processes to a large extent with a mean score of 3.9. The inconsistency in this study would most likely be explained by the lack of full support by the government towards modernization so that the full benefits are not realized. This calls for further studies by the future researchers.

#### 4.10.5 Modernization Strategy ANOVA Results

Analysis of variance (ANOVA) was used to test whether the regression analysis model used is fit or the relationship of the variables just occurred by chance. In this case the F ratio ( $F=57.925$ ,  $p=0.000$ ) was found to be statistically significant hence the model used for analysis was fit. Table 4.54 shows the modernization strategy ANOVA results.

**Table 4.54: Modernization Strategy ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	36.536	1	36.536	57.925	.000 <sup>b</sup>
1	Residual	104.073	165	.631		
	Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Modernization Strategy

#### 4.10.6 Modernization Strategy Goodness of Fit Model Results

From the results, the explanatory power of modernization strategy on the performance showed that the variability was moderate at 26.0 percent ( $R^2 = 0.260$ ) as shown in Table 4.55.

**Table 4.55: Modernization Strategy Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.510 <sup>a</sup>	.260	.255	.79419

a. Predictors: (Constant), Modernization strategy

#### **4.10.7 Regression Results for Modernization Strategy on Performance**

The aggregate mean scores of modernization strategy (independent variable) we regressed on the aggregate mean scores of the performance (dependent variable) and the research findings were outlined in Table 4.56. The study had set the following hypothesis;

##### **Hypothesis seven**

**H<sub>07</sub>:** Modernization strategy has no statistically significant relationship with of state owned sugar companies in Kenya.

The individual regression results in Table 4.56 reveal statistically significant moderate positive linear relationship between Modernization strategy and Performance ( $\beta = 0.539$ , P- value = 0.000).

The results show that modernization strategy contributed moderately significant to the model since the p-value for the constant and gradient is 0.000. The fitted equation is;  $Y = 0.850 + 0.539X_1$ .

Hence,  $H_{07}$  is rejected since  $\beta \neq 0$  and P-value=0.000. It can be concluded that there is statistically significant influence of modernization strategy on organizational performance of state owned sugar companies in Kenya. These results are in agreement with the findings of Randa (2012) who concluded that when obsolete technologies and processes are maintained within the organization, they cause organizations to decline in their processes, though these involve huge investments for upgrading, in the long-term it can be very useful as a cost cutting tool. The study also concluded that investing in technology played an important role in lowering the total

costs of a firm (giving a cost advantage) and helped in differentiating its products (giving a competitive advantage), which would be reflected in increased net profit hence organizational performance. The study findings indicated that upgrading technology could vary from strengthening the current operation to investment in new processes. Kavale (2017) found out that technology increases corporate growth in Ethiopia which is contrary to the findings of this study.

**Table 4.56: Regression Coefficients of Modernization Strategy**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.850	.251		3.379	.001
Reorganization,539 strategy	.071		.510	7.611	.000

a. Dependent Variable: Organizational Performance

#### 4.11 Multiple Linear Regression Analysis

Multiple regression analysis was performed to assess the relationship between the dependent variable (performance) and the independent variables (Cost reduction, diversification, reorganization and modernization strategy). This was to help test the research hypotheses on the relationship between turnaround strategies and performance of state owned sugar companies in Kenya. Standard multiple regression analysis was conducted to help test the hypotheses (Cooper & Schindler, 2013; Sekaran, 2008). ANOVA F-test was also conducted and coefficient regression analysis.

##### 4.11.1 Standard Multiple Regression Analysis

In order to test the research hypotheses, a standard multiple regression analysis was conducted using performance as the dependent variable, and the realignment, retrenchment, concentric and conglomerate diversifications, market penetration, re-organizing and modernization strategy as the independent variables.

The model equation for performance was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + e$$

Table 4.57 explained 43.2 percent as measured by the goodness of fit hence showing a variation of 43.2 percent in performance levels (R square =0.432). This means that the remaining 56.8 percent of changes are identified by other factors not captured by this model. This was a strong significant effect as it was beyond 30 percent threshold and it appeared that the models as a whole were quite significant though there was still need for further research.

The adjusted R square was 0.407 which meant that on an adjusted basis, the independent variables were collectively 40.7 percent effective on dependent variable (performance improvement).The researcher was satisfied that because a high R-square (coefficient of determination) was more critical in time series analysis, the calculated R- squares for this OLS regressions were satisfying for this research reflecting sufficient validity.

**Table 4.57: Overall Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658 <sup>a</sup>	.432	.407	.70851

a. Predictors: (Constant), Modernization, Concentric Diversification, Market penetration, Conglomerate diversification, Realignment, Reorganization and Retrenchment strategy

#### 4.11.2 Overall ANOVA F-Test Results

Table 4.58 showing the analysis of variance clearly depicted the overall standard multiple regression model which was significant in predicting the relationship between the realignment, retrenchment, concentric and conglomerate diversifications, market penetration, re-organizing and modernization strategy on performance of the state owned sugar companies in Kenya. The regression model achieved a high degree of fit as shown by an  $R^2$  of 0.432 ( $F = 17.301$ ;  $P$  -value  $< 0.00$ ).

**Table 4.58: Overall Analysis of Variance Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.793	7	8.685	17.301	.000 <sup>b</sup>
	Residual	79.815	159	.502		
	Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Modernization, Concentric Diversification, Market penetration, Conglomerate diversification, Realignment, Reorganization and Retrenchment strategy

#### 4.11.3 Coefficients Regression Results

Table 4.59 was used to bring out the relationship between the dependent variable (Performance) and the independent variables (realignment, retrenchment, concentric and conglomerate diversifications, and market penetration, re-organizing and modernization strategy). To form the basis of testing the hypothesis set, the test was done at significance level of  $p < 0.05$  such that when  $p$  -value was more than the significance level of 0.05, the model was considered insignificant.

After the normality of the data in the regression model is met, the next step is to determine whether there is similarity between the independent variables in a model,

it is necessary to perform multicollinearity test. Similarities between the independent variables will result in a very strong correlation. In addition, multicollinearity test is done to avoid habits in the decision making process regarding the partial effect of independent variables on the dependent variable.

Multicollinearity occurs when two or more predictors in the model are correlated. This can bring a problem because it leads to increased standard error of estimates and it can give misleading and confusing results in a study. Moderate multicollinearity may not be a problem but a severe one can increase the variance of the coefficient of estimates and make them sensitive to minor changes. To test for multicollinearity the study adopted the variance inflation factors and the tolerance levels as shown in Table 4.59.

Variance Inflation Factor (VIF) and Tolerance are indicators of multicollinearity. Computationally, it is defined as the reciprocal of tolerance:  $1/(1-R_2)$ . In most cases researchers desire low values of VIF since higher values of VIF are deemed to adversely affect the results from regression analysis. VIF indicates the magnitude of the inflation in the standard errors associated with a particular beta weight that is due to Multicollinearity (Ayako & Wamalwa, 2015). If the VIF value lays between 1-10, then there is no multicollinearity. If the  $VIF < 1$  or  $> 10$ , then there is multicollinearity. Based on the coefficients output - collinearity statistics, Realignment strategy obtained VIF Value of 2.754, retrenchment strategy obtained VIF value of 3.648, concentric product innovation 2.085, conglomerate diversification 2.494, market penetration 2.210, re-organization 3.527 and modernization strategy 3.214 meaning that the VIF value obtained is between 1 to 10, it can be concluded that there is no multicollinearity symptoms. The VIF values presented in the table indicates that the data does not suffer from multicollinearity since the values are less than 10 as it is recommended that the VIF values should not been in excess of 10 otherwise they will be considered to be multicollinear.

As shown in Table 4.59, the multiple regression equation used was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

this led to a multiple regression equation of

$$Y = 0.171 + 0.174X_1 + 0.554X_2$$

Where:

Y = Organizational Performance

$\beta_1$ -  $\beta_2$  = are estimates of the expected increase in determinants of organizational performance.

$X_1$  = Realignment strategy

$X_2$  = Re-organization strategy

All the independent variable indicators had insignificant results to performance as their significance levels were greater than 0.05 ( $p > 0.05$ ) except the realignment strategy and the re-organization strategy. Realignment strategy had a significant low positive linear relationship to organizational performance ( $\beta = 0.174$ ;  $t = 2.083$ ;  $p < 0.05$ ) hence led to the rejection of the null hypothesis  $H_{01}$ . There was also a significant moderate positive and linear relationship between the re-organization strategy and performance ( $\beta = 0.554$ ;  $t = 4.588$ ;  $p = 0.000$ ) leading to a rejection of the null hypothesis  $H_{06}$ .

The regression results showed that a unit change in Realignment strategy resulted in 17.4 percent ( $\beta = 0.174$ ) change in organizational performance while a unit change in re- organization strategies affected organizational performance by 55.4 percent ( $\beta = 0.554$ ). The insignificance of the other independent variables means that either the variables were not implemented well as discussed by Anyango (2012) whose study found out that the company suffered poor and ineffective policy formulation, ineffective organizational structures, poor leadership style, conflict on reward system, and cultural influence which worked against some of the strategies or they were not the best strategies applicable to the situation at hand (Pretorius *et al.*, 2015).

**Table 4.59: Regression Coefficients**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>sig</b>	<b>Collinearity Statistics</b>	
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>			<b>Tolerance</b>	<b>VIF</b>
Constant	.171	.258		.662	.509		
Realignment	.174	.110	.157	2.083	.045	.363	2.754
Retrenchment	-.073	.121	-.069	-.069	.543	.274	3.648
Concentric Diversification	.056	.083	.058	.671	.503	.480	2.085
Conglomerate Diversification	-.001	.087	-.001	-.013	.990	.401	2.494
Market penetration	.078	.084	.082	.927	.355	.453	2.210
Reorganization	.554	.121	.515	4.588	.000	.284	3.527
Modernization	-.011	.113	-.010	-.096	.923	.311	3.214

a. Dependent Variable: Organizational Performance

## 4.12 Summary of Hypotheses

Table 4.60 gives a summary of hypotheses of the study as per objective.

**Table 4.60: Summary of Hypotheses**

	<b>Research Hypotheses</b>	<b><math>\beta</math></b>	<b>t</b>	<b>Sig.</b>	<b>Comments</b>
<b>1</b>	H <sub>01</sub> : There is no significant relationship between realignment strategy and performance	.157	2.083	.045	Reject H <sub>01</sub>
<b>2</b>	H <sub>02</sub> : There is no significant relationship between retrenchment strategy and performance	-.069	-.069	.543	Accept H <sub>02</sub>
<b>3</b>	H <sub>03</sub> : There is no significant relationship between concentric product innovation strategies and performance	.058	.671	.503	Accept H <sub>03</sub>
<b>4</b>	H <sub>04</sub> : There is no significant relationship between conglomerate diversification strategy and performance	-.001	-.013	.990	Accept H <sub>04</sub>
<b>5</b>	H <sub>05</sub> : There is no significant relationship between market penetration strategy and performance	.082	.927	.355	Accept H <sub>05</sub>
<b>6</b>	H <sub>06</sub> : There is no significant relationship between reorganization strategy and performance	.515	4.588	.000	Reject H <sub>06</sub>
<b>7</b>	H <sub>07</sub> : There is no significant relationship between modernization strategy and organizational performance	-.010	-.096	.923	Accept H <sub>07</sub>

#### 4.13 Stepwise Multiple Regression Analysis

Stepwise multiple regression analysis was also conducted in order to establish what the best combination of independent (predictor) variables would be to predict the dependent (predicted) variable and to establish the best model of the study. In a stepwise regression, predictor variables are entered into the regression equation one at a time based upon statistical criteria. At each step in the analysis the predictor variable that contributes the most to the prediction equation in terms of increasing the multiple correlation, R, is entered first. This process is continued only if additional variables add anything statistically to the regression equation. When no additional predictor variables add anything statistically meaningful to the regression equation, the analysis stops. Thus, not all predictor variables may enter the equation in stepwise regression (Cooper & Schindler, 2013). Stepwise regressions revealed that only two turnaround strategy indicators affected the performance levels of the state owned sugar companies in Kenya.

In order to establish the best regression model for the study, a stepwise multiple regression analysis was conducted using performance as the dependent variable, and turnaround strategy indicators: Realignment strategy, retrenchment strategy, concentric product innovation, conglomerate diversification, market penetration, re-organization and modernization strategy as the predicting variables.

Table 4.61 shows that only two turnaround strategies were considered for stepwise multiple regression. From the model summary in Table 4.62, it is clear that the adjusted  $R^2$  for the re-organization strategy alone was 0.404 meaning that it explained upto 40.4% of organizational performance while for the combination of the re-organization strategy and realignment strategy was 0.419 indicating that a combination of the two turnaround strategy determinants of organizational performance explained upto 41.9% of the variation in the performance of state owned sugar companies in Kenya. This, therefore, implies that other turnaround strategies not captured in this model explain 58.1% of the performance of state owned sugar companies in Kenya. As such, further research should be conducted to investigate the other turnaround strategies that influence performance.

**Table 4.61: Variables Entered in Stepwise Multiple Regression**

Model	Variables Entered	Method
1	Reorganization strategy	Stepwise (Criteria: Probability-of F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	Realignment strategy	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability of F to remove >= .100).

a. Dependent Variable: Organizational Performance

**Table 4.62: Model Summary of Stepwise Multiple Regression**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638 <sup>a</sup>	.407	.404	.71080
2	.653 <sup>b</sup>	.426	.419	.70142

a. Predictors: (Constant), Reorganization strategy  
b. Predictors: (Constant), Reorganization strategy, Realignment strategy

From the ANOVA Table 4.63 of the stepwise multiple regression analysis, the overall stepwise multiple regression analysis model (the model involving constant, re- organization strategy and realignment strategy) is significant in predicting how the two turnaround strategies influence the performance of state owned sugar companies in Kenya. The regression model achieves a high degree of fit as reflected by an  $R^2$  of 0.426 ( $F = 60.896$ ;  $P = 0.000 < 0.05$ ). It is also worth noting that the turnaround indicator with the highest effect on organizational performance was the re-organization strategy which accounted for 40.7% of the effect. Its regression model achieves a high degree of fit as reflected by an  $R^2$  of 0.407 ( $F = 113.303$ ;  $P = 0.000 < 0.05$ ).

**Table 4.63: ANOVA of Stepwise Multiple Regression**

<b>Model</b>		<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig</b>
1	Regression	57.245	1	57.245	113.303	.000 <sup>b</sup>
	Residual	83.363	165	.505		
	Total	140.608	166			
2	Regression	59.921	2	29.960	60.896	.000 <sup>c</sup>
	Residual	80.687	164	.492		
	Total	140.608	166			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Reorganization strategy

c. Predictors: (Constant), Reorganization strategy, Realignment strategy

Table 4.64 presents the regression results on how re-organization strategy influence the performance of state owned sugar companies in Kenya, there is statistically moderate positive linear significant effects of the re-organization strategy on organizational performance ( $\beta = 0.687$ ;  $t = 10.644$ ;  $p = 0.00$ ) and also statistically positive significant effects of both re- organization strategy and realignment strategy turnaround indicators on organizational performance of state owned sugar companies in Kenya. These results indicate that when the two turnaround strategy indicators are combined together; they explained statistically significant portion of the variance (R square =0.426) associated with the performance of state owned sugar companies in Kenya.

**Table 4.64: Coefficients of Stepwise Multiple Regression**

Model		Unstandardized		Standardized_	t	sig
		Coefficients				
		B	Std. Error	Beta		
1	Constant	.478	.216		2.212	.028
	Reorganization Strategies	.687	.065	.638	10.644	.000
	Constant	.233	.238		.981	.328
2	Constant	.561	.084	.521	6.712	.000
	Reorganization Strategies	.201	.086	.181	2.332	.021
	Realignment Strategies					

a. Dependent Variable: Organizational Performance

Therefore, the best econometric model for this study was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

where  $Y$  = represents Organizational performance (the dependent variable),  $\beta_0$ = intercept,  $\beta_1$ = regression coefficient of re-organization strategy,  $\beta_2$ = regression coefficient of realignment strategy,  $X_1$ = Re-organization strategy,  $X_2$ = Realignment Strategy and  $e$  = stochastic term, which then becomes;  $Y = 0.233 + 0.561X_1 + 0.201X_2$

The best model for this study established that taking all factors into account (realignment strategy and re-organization strategy) constant at zero, value addition will be 0.233. The result further established that taking all other independent variables at zero, a unit increase in re-organization strategy will lead to 0.561 improvement in organizational performance of state owned sugar companies in Kenya. The results further established that taking all other independent variables at zero, a unit increase in realignment strategy will lead to 0.201 improvement in organizational performance of state owned sugar companies in Kenya, and that if the re-organization strategy is adopted as the only turnaround strategy the model would then be  $Y = 0.478 + 0.687X_1$  meaning that a unit increase in re-organization strategy will lead to 0.687

improvement in organizational performance of state owned sugar companies in Kenya. The stepwise multiple regressions indicate that among the turnaround variables that explained the relationship between turnaround strategies and organizational performance of state owned sugar companies in Kenya, re-organization strategy had the highest effect on improving the performance levels, followed by the realignment strategy.

#### **4.14 Discussion of Findings**

This section discusses the research findings presented in the previous section based on the objectives and hypotheses of the study. The general objective of this study was to establish the relationship between turnaround strategies and the performance of state owned sugar companies in Kenya. The key variables under study were the cost reduction strategy, diversification strategy, reorganization strategy and the modernization strategy.

##### **4.14.1 Cost Reduction Strategy on Performance**

Pearson Bivariate correlation was used to compute the correlation of the two adopted indicators; the realignment strategy and the retrenchment strategy on the performance of the state owned sugar companies in Kenya. The results indicated that there was a moderate and significant positive relationship between and realignment strategy ( $r = 0.518$ ,  $P = 0.000$ ) and retrenchment strategy ( $r = 0.467$ ,  $P = 0.000$ ) with organizational performance at 0.01 significance level.

The standard multiple regression was conducted and it was only the realignment strategy that showed a low positive relationship to organizational performance that was significant ( $\beta = 0.174$ ;  $t = 2.083$ ;  $p < 0.05$ ). Retrenchment strategy depicted an insignificantly low negative relationship with organizational performance ( $\beta = -0.073$ ;  $t = -0.609$ ;  $p > 0.05$ ).

The study concluded that the realignment strategy worked towards influencing organizational performance of state owned sugar companies positively and as such should be upheld and supported. The study thus rejected the null hypothesis which

stated that the realignment strategy had no statistically significant influence on organizational performance but accepted the null hypothesis stating that the retrenchment strategy had no significant effect on organizational performance of state owned sugar companies in Kenya. The data was further subjected to stepwise multiple regression which removed the retrenchment strategy from the model and retained the realignment strategy where a combination of the realignment strategy and re-organization strategy yielded even better results as shown below.  $X_2$  being the realignment strategy under cost reduction strategy.

$$Y = 0.233 + 0.561X_1 + 0.201X_2.$$

In his study, Shale, (2014) indicated that cost reduction strategy had greater influence on procurement performance in state corporations in Kenya which contradicts this study's findings.

#### **4.14.2 Diversification Strategy on Performance**

Pearson Bivariate correlation was used to compute the correlation between the three adopted indicators; concentric product innovation, conglomerate diversification and market penetration strategy, and organizational performance of the state owned sugar companies in Kenya. The results indicated that there was a significant positive relationship between concentric product innovation ( $r = 0.351$ ,  $P = 0.000$ ), conglomerate diversification ( $r = 0.387$ ,  $P = 0.000$ ) and market penetration strategy ( $r = 0.490$ ,  $P = 0.01$ ) with organizational performance at 0.01 significance level.

Upon conducting the standard multiple regression, there was a low positive and insignificant relationship between the concentric product innovation strategies and organizational performance ( $\beta = 0.056$ ;  $t = 0.671$ ;  $p = 0.503$ ), an insignificant relationship between the conglomerate diversification strategy and organizational performance ( $\beta = -0.001$ ;  $t = -0.013$ ;  $p = 0.990$ ) and a low positive and insignificant relationship between the market penetration strategy and performance ( $\beta = 0.078$ ;  $t = 0.927$ ;  $p = 0.355$ ). Standard multiple regression analysis was used to test the hypothesis and it indicated that the results failed to reject all the three stated null hypotheses  $H_{03}$ ,  $H_{04}$  and  $H_{05}$ . Therefore diversification strategy was found to have

insignificant relationship to performance.

These results were further confirmed by the stepwise multiple regression conducted which removed all the three diversification strategy indicators from the final model hence confirming their insignificance. Mbithi (2016) concluded that implications could be drawn to show that sugar companies' choice of adopting production of similar products to sugar which is their core product and other products which do not relate to sugar enhances more sales volume. Profitability was found to present a negative outcome though statistically significant when companies offer related products. However, there was significant positive capacity utilization implying that inclusion of more product production whether related or unrelated has an impact in utilization of excess or idle capacity which would otherwise go to waste.

#### **4.14.3 Re-organization Strategy on Performance**

Pearson Bivariate correlation was used to compute the correlation between the re-organization strategies and organizational performance. There was a significant effect and moderately high positive correlation between the two variables ( $\rho = 0.638$ ,  $p\text{-value} = 0.000$ ) at 0.01 level of significance. When the multiple linear regression model was carried out, the coefficient analysis results indicated a moderate positive relationship and significant effect of re-organization strategy on organizational performance of state owned sugar companies in Kenya with ( $\beta = 0.554$ ,  $t\text{ value} = 4.588$ ,  $p\text{-value} = 0.000$ ).

This implied that a unit change in the application of reorganization turnaround strategy increased firm performance by 0.554 units. The findings indicated that the strategy had a significant moderate positive relationship with organizational performance of state owned sugar companies in Kenya, thus, the results rejected  $H_{06}$ .

These results are further supported by the stepwise multiple regression conducted that confirmed the significance of the re-organization strategy on organizational performance of state owned sugar companies in Kenya. The variable was entered and it influenced performance level to the extent  $Y = 0.478 + 0.687X_1$ .

These results were in agreement with the works of Laitien (2011) on the study of effect of reorganization on financial performance of small entrepreneurial distressed firms who suggested that the more an organization is compactible to reorganization turnaround strategies the higher the chances of the organization performing better and better. This is in line with the finding that the organizations had modified and redesigned the existing structures which a mean of 3.35 had agreed.

Lee and Schaltegger, (2014) in their study, 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. This conclusion supported the proposition that organizations had the right employees committed to the organization vision which scored the highest mean of 3.41 in agreement. These findings further contradicted the works of Evans *et al*, (2013) who, in their study of the applications of proxy system modelling in high resolution paleoclimatology found reconfiguration of operations to have no likely effect with the success of the companies.

#### **4.14.4 Modernization Strategy on Performance**

Pearson Bivariate correlation was used to compute the correlation between the modernization strategy and organizational performance. There was a significant and moderately positive correlation between modernization strategy and organizational performance ( $\rho = 0.510$ ,  $p\text{-value} = 0.000$ ) at 0.01 level of significance. When the multiple linear regression model was carried out, the coefficient analysis results indicated a low negative relationship which was insignificant on organizational performance of state owned sugar companies in Kenya with ( $\beta = -0.011$ ,  $t\text{ value} = -0.096$ ,  $p\text{-value} = 0.923$ ). The findings indicated that the strategy had an insignificant low negative relationship to organizational performance of state owned sugar companies in Kenya hence the results provided support for  $H_{07}$  thus failed to reject the  $H_{07}$ . The stepwise multiple regression conducted removed this indicator from the model hence not confirming its significance.

The results indicated that most of the organizations studied adopted modernization as a strategy for turnaround as they agree that organizations had appropriate technologies suitable to context with a mean of 3.63 agreed, the technology improvement had been streamlined to the competency desired at 3.56 agreed and that this had improved the efficiency levels with a mean of 3.55 agreed, and finally, that the success was a result of the technology improvement at 3.44 agreed.

These results are supported by Ruiz (2008) who on his study of turnaround and renewal in a Spanish shipyard found out that modernization strategy led to inefficient utilization of resources which further caused poor performance. He explained that by the fact that some operations in modernization strategy involved 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 modernization must be considerate of their plan of action operations because they may affect performance negatively. Kavale (2017), found out that lack of regulatory and policy framework, lack of capital and high operational costs negatively affected the growth of Micro-Finance Institutions in Namibia.

#### **4.15 Cross Tabulation Results**

An analysis was done to determine the relationship between the realignment strategy, reorganization strategy and organizational performance levels of various companies studied.

##### **4.15.1 Cross Tabulation Results for Performance by companies**

The analysis in Table 4.65 sought to find out how the organizations were performing at an individual capacity so as to help draw conclusions on the relationship between the strategies and organizational performance. Nzoia Sugar company had the highest mean in terms of organizational performance of 3.274 neutral followed closely by South Nyanza Sugar Company Limited with a mean of 3.199 neutral. Mumias Sugar Company Limited recorded the least mean of 2.557 disagreed meaning that most of its respondents were not satisfied with its performance levels.

**Table 4.65: Cross Tabulation Results Showing Performance by Companies**

Company/Ratings	Frequency					Mean
	1.0-1.8	1.8-2.6	2.6-3.4	3.4-4.2	4.2-5.0	
Mumias Sugar Company Ltd	7	14	10	3	4	2.557
Nzoia Sugar Company Limited	3	6	7	13	5	3.274
Chemelil Sugar Company Ltd	2	14	6	7	1	2.728
Muhoroni Sugar Company Ltd	5	12	10	4	2	2.669
Sony Sugar Company Ltd	2	9	12	9	0	3.199

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### **4.15.2 Cross Tabulation Results for Realignment Strategy by Companies**

The analysis in Table 4.66 sought to find out the level of agreement by employees in their respective organizations on the adoption of the realignment strategy as turnaround strategies. South Nyanza Sugar Company Ltd had the highest mean of 3.483 meaning that most of the respondents were in agreement that it had adopted the realignment strategy. It was closely followed by Nzoia sugar company with a mean of 3.415 meaning that it also adopted the strategy to a greater extent. Mumias Sugar Company Limited and Chemelil Sugar Company Ltd also adopted the strategy but not as much as South Nyanza Sugar Company Ltd and Nzoia sugar company recording low means of 2.981 neutral and 2.908 neutral respectively.

**Table 4.66: Cross Tabulation Results of Realignment Strategy Adoption**

Company/Ratings	Frequency					Mean
	1.0-1.8	1.8-2.6	2.6-3.4	3.4-4.2	4.2-5.0	
Mumias Sugar Company Ltd	5	3	13	11	6	2.981
Nzoia Sugar Company Limited	1	5	7	18	3	3.415
Chemelil Sugar Company Ltd	2	8	12	7	1	2.908
Muhoroni Sugar Company Ltd	1	7	10	12	3	3.173
Sony Sugar Company Ltd	0	5	8	14	5	3.483

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

#### 4.15.3 Cross Tabulation Results for Reorganization Strategy by Companies

The analysis sought to find out the level of agreement by employees in their respective organizations on the adoption of the reorganization strategy as turnaround strategies. South Nyanza Sugar Company Ltd recorded the highest mean of 3.371 meaning that most of its respondents were in agreement that it had adopted the reorganization strategy. It was closely followed by Nzoia Sugar Company with a mean of 3.340 meaning that it also adopted the strategy to a greater extent. Mumias Sugar Company Limited and Muhoroni Sugar Company Ltd recorded low means of 3.142 neutral and 3.100 neutral respectively, this shows that they did not adopt the strategy as much as the other companies in the study. This is presented in Table 4.67.

**Table 4.67: Cross Tabulation Results of Reorganization Strategy Adoption**

<b>Company/Ratings</b>	<b>Frequency</b>					<b>Mean</b>
	<b>1.0-1.8</b>	<b>1.8-2.6</b>	<b>2.6-3.4</b>	<b>3.4-4.2</b>	<b>4.2-5.0</b>	
Mumias Sugar Company Ltd	4	5	13	10	6	3.142
Nzoia Sugar Company Limited	2	5	7	19	1	3.340
Chemelil Sugar Company Ltd	2	5	9	12	2	3.169
Muhoroni Sugar Company Ltd	3	4	13	12	1	3.100
Sony Sugar Company Ltd	1	3	12	12	4	3.371

**Key:** Ranked on a scale: 1.0-1.8 (strongly disagree); 1.8-2.6 (disagree); 2.6-3.4 (neutral) 3.4-4.2 (agree) and 4.2-5.0 (strongly agree)

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter summarizes the findings in line with the objectives of the study, compares the literature review and the findings of this study, draws conclusions and makes the necessary recommendations both for policy and practice. Areas of further study that may enrich the study area are also suggested.

#### 5.2 Summary

Following the numerous woes faced by the state owned sugar companies in Kenya with most of them undergoing the turnaround process, and the lack of adequate information on turnaround strategies suitable to the Kenyan context, the research was undertaken with an aim of establishing the relationship between turnaround strategies and the performance of state owned sugar companies in Kenya. The specific objectives included to assess the relationship between cost reduction strategy, diversification strategy, re-organization strategy and modernization strategy, and the performance of state owned sugar companies in Kenya.

In order to meet the general objective and test the study hypotheses the study adopted the descriptive research design. Stratified random sampling technique was used to select a sample of 197 respondents from the state owned sugar companies in Kenya. Primary data was then collected and out of the 197 questionnaires issued only 167 were completely filled which yielded a response rate of 85%. Descriptive analysis such as frequency, percentage, mean and standard deviation were used to analyse the data which was summarized using figures and tables. Normality test was tested using skewness and kurtosis, Reliability was then tested using Cronbach's Alpha. Correlation and regression analysis were then used to examine the strength and nature of the relationship between the turnaround strategies and performance of state owned sugar companies in Kenya respectively.

On overall 43.2% of the variation in performance of state owned sugar companies

could be explained by cost reduction, diversification, reorganization and modernization turnaround strategies while the remaining percentage explained by other factors excluded in the model as shown in Table 4.57. The findings of the study demonstrated that some turnaround strategies have significant effect on organizational performance.

### **5.2.1 Cost Reduction Strategy on Performance**

This objective sought to examine whether cost reduction strategy influenced organizational performance. The initial indicators of this variable were divestiture, process excellence and retrenchment which were later condensed realignment and retrenchment strategy according to the factor results in Table 4.20. Reliability of the data was conducted for cost reduction strategy using Cronbach's Alpha test and the findings were within acceptable limits as presented in Table 4.22. The descriptive statistical methods were then used to arrive at the results where the respondents were neutral on both the realignment and retrenchment strategies with the later as the most applied tool used for cost reduction for it had a higher mean compared to realignment strategy. Notable also, was that most of the organizations encouraged new ideas to promote process improvements and that they aligned their processes to cut on the costs, these recorded the two highest means.

Findings on correlation matrix indicated that there was a moderate positive significant relationship between both the realignment and retrenchment strategies, and the performance of state owned sugar companies in Kenya as shown in Table 4.23. The regression analysis conducted found out that the realignment strategy indicated a significantly moderate positive linear relationship to organizational performance and it was further considered on the stepwise multiple regression. The retrenchment strategy on the other hand had a significant low positive linear relationship to performance and was not considered by the stepwise multiple regression meaning that as we pursue the retrenchment strategy care should be taken as it is not automatic that it would lead to performance improvement contrary to the many studies carried out. Overall, the null hypothesis for realignment strategy was rejected while for the retrenchment strategy was accepted.

### **5.2.2 Diversification Strategy on Performance**

This objective sought to examine the relationship between diversification strategy and performance of state owned sugar companies in Kenya. The initial sub-variables for this indicator were the concentric product innovation, conglomerate diversification and market penetration strategies which were all retained following the factor analysis results as shown in Table 4.30. Reliability of the data was conducted for all the sub-variables using Cronbach's Alpha test and was within the acceptable level. The descriptive statistics undertaken showed that market penetration scored the highest mean, followed by concentric product innovation and lastly conglomerate diversification.

On conducting correlation analysis, the concentric product innovation and conglomerate diversification depicted a significant low positive correlation while the market penetration strategies showed a significantly moderate positive correlation as presented in Table 4.33. The regression analysis conducted and shown in Table 4.36 found out that the concentric product innovation and conglomerate diversification strategies had an insignificant low positive relationship to organizational performance while the market penetration strategy had a significant low positive linear relationship to organizational performance. The overall standard multiple regression showed that all these sub-variables had insignificant relationship to performance as shown in Table 4.59, results which were further upheld by the stepwise multiple regression in Table 4.61 leading to acceptance of the null hypotheses.

### **5.2.3 Reorganization Strategy on Performance**

This objective sought to determine the relationship between re-organization strategy and the performance of state owned sugar companies in Kenya. Two specific indicators were initially used to study this variable; restructuring and restaffing, but were condensed to one following the factor analysis tests presented in Table 4.40. Reliability of the data was conducted for this strategy using Cronbach's Alpha test and was within the acceptable level as shown in Table 4.42.

The descriptive statistical methods were then used to arrive at the results where the respondents were generally neutral on the strategy as being the key driver to performance. Notable, was that the organizations had embraced a competent human resource committed to their respective visions and modified and redesigned their existing structures as turnaround strategies key on improving their performance as shown in Table 4.39.

Findings on correlation matrix indicated that there was a significant moderate positive relationship between the reorganization strategy and the performance of state owned sugar companies in Kenya as shown in Table 4.43. The regression analysis conducted found out that there was a significant moderate positive linear relationship between reorganization strategy and performance clearly depicted in Table 4.46, results which were replicated upon carrying out the standard multiple regression and stepwise multiple regression analysis in Tables 4.59 and 4.61 respectively. The null hypothesis was rejected.

#### **5.2.4 Modernization Strategy on Performance**

The study sought to examine the relationship between modernization turnaround strategy and performance of state owned sugar companies in Kenya. The specific indicators that were initially used to study this variable were asset renewal and technology improvements which were later condensed to one strategy following the factor analysis tests conducted as presented in Table 4.50. Reliability of the data was conducted for this strategy using Cronbach's Alpha test and was found to be within the acceptable level as depicted by Table 4.52.

The descriptive statistical methods were then used to arrive at the results where the respondents were generally neutral on the strategy as being the key driver to improving performance as presented in Table 4.49. Notable, was that the organizations had adopted appropriate technologies suitable to context, that technology improvement had been streamlined to be in line with the competency desired and that it helped improve on the operations efficiency. Findings on correlation matrix indicated that there was a significant moderate positive relationship as shown in Table 4.53. The regression analysis was also conducted and

found out that there was a significant moderate positive linear relationship between modernization strategy and the performance as shown in Table 4.56. Overall results were gotten by conducting both the standard multiple and stepwise multiple regression. The results showed that modernisation strategy had insignificant relationship to performance of state owned sugar companies in Kenya as shown in Tables 4.59 and 4.61 respectively hence leading to acceptance of the null hypothesis.

### **5.3 Conclusions**

The research findings led to conclusions on the relationship between turnaround strategies and the performance of state owned sugar companies in Kenya. The conclusion is based on the standard and stepwise multiple regression results as depicted in Tables 4.59 and 4.64 respectively.

#### **5.3.1 Cost Reduction Strategy on Performance**

The multiple regression analysis conducted on the cost reduction sub variables; realignment and retrenchment strategies which were a result of the factor analysis indicated that only the realignment strategy had significant influence on the performance of the state owned sugar companies leading to the rejection of the null hypothesis. Retrenchment strategy depicted an insignificant influence hence leading to the acceptance of null hypothesis. State owned sugar companies are thus advised top adopt the realignment strategy as a turnaround strategy towards revamping and improving the performance of state owned sugar companies in Kenya. The results were further replicated by the stepwise multiple regression which included the realignment strategy as being key in influencing performance levels and left out the retrenchment strategy.

#### **5.3.2 Diversification strategy on performance**

This strategy was divided into three sub variables as a result of the factor analysis that was conducted; concentric product innovation, conglomerate diversification and market penetration strategy. Both the standard and multiple regression analysis was conducted on them and results showed that they were insignificant thus leading to

acceptance of the null hypothesis that stated no significant influence on the performance of state owned sugar companies in Kenya. These strategies are thus not advocated for.

### **5.3.3 Reorganization Strategies on Performance**

The factor analysis conducted had only one critical factor which formed the basis of analysis; the reorganization strategy. This was also subjected with the other variables under study to both standard and stepwise multiple regression and the results showed that it greatly influenced the performance of state owned sugar companies leading to rejection of the null hypothesis. State owned sugar companies are advised to adopt this strategy as a turnaround strategy.

### **5.3.4 Modernization Strategies and Performance**

Factor analysis was conducted and only one variable found to be a critical factor which formed the basis of further analysis. Both the standard and stepwise multiple regression were conducted and the results showed that the strategy had insignificant influence on the performance of state owned sugar companies in Kenya. It was thus concluded that the strategy may not be good as a turnaround strategy for the state owned sugar companies in Kenya. The null hypothesis was accepted.

The cross tabulation results also showed that the companies that adopted the realignment and reorganization strategy performed better than the rest hence a confirmation that indeed the two strategies had the greatest positive influence as turnaround strategies on the performance of the state owned sugar companies in Kenya.

## **5.4 Recommendations**

The complexity in the business environment can pose great threats to different organizations at any given point in time; this might lead to decline in performance levels which definitely will require immediate corrective measures to reverse the performance lest it becomes a declining trend. Turnaround strategies are the single notable strategies that can reverse a negative and downward trend in Performance.

### **5.4.1 Policy Recommendation**

Policy makers should devise better ways to approach the cost reduction strategy as it has proved to be a good turnaround strategy, special emphasis should be put on cementing whatever measures they come up with to reduce the chances of going back to wastages and activities that increase the costs hence affecting the performance levels negatively. The study has shown that realignments within the organization to cut on the costs can be of immense help providing better results as compared to retrenchment strategy.

Market penetration strategy has proved to have positive significant effect on performance levels while the concentric and conglomerate diversification strategies were tested to have insignificant relationship to the performance of state owned sugar companies in Kenya ; the Policy makers should put measures and systems to penetrate to new markets so as to realize the maximum benefits from this strategy otherwise it may not be wise for these companies to adopt the concentric and conglomerate diversification strategies as they are on a downward trend and the said strategies might require huge investments which during turnaround might not be so easy to raise. However, even the market penetration strategy should be handled with a lot of caution as it is not automatic that it will lead to performance improvement.

Policy makers should find out the best methodology to approach the re-organization strategy that will assure the state owned sugar companies a successful turnaround and an improved performance level, preferably come up with measures that will ensure a lean and efficient structure with professional staffs committed to excellence. The government should come up with an employment act to guard against employing people just because they come from the surroundings but purely because of merit as this proved to be the greatest tool that can be employed to ensure successful turnaround.

Investing in new assets to replace the old and outdated assets which do affect the performance levels of these companies negatively is a welcome. Special modernization strategy indicators like timely replacement of obsolete and outdated assets and scheduling their replacement to guard against reduced productivity need to

be adhered to, but as the study suggests, during turnaround times when the organization's performance has taken a downward trend, it might be a dangerous or insignificant move as it involves massive resources which at that time might not be readily available or be a strain to the organization hence leading to insignificant effect on organizational performance.

#### **5.4.2 Managerial Recommendations**

The findings of the study extended the frontiers of knowledge by generating valuable insights for both the managerial action and academic purposes. Therefore the results of this study were of interest to managers of most of the state owned companies that have at some point gone through or are going through the turnaround process. The key implication of the study was the identification of the key turnaround strategy indicators which the study has gone a long way in determining them and further establishing their effect on organizational performance. The study showed the effects of each of the variables on the performance level which is of immense help to managers when making a decision on which turnaround strategies to adopt.

It is also important that managers understand that the mere existence or application of the turnaround strategies does not necessarily guarantee the state owned companies the expected performance level. As much as some turnaround strategy indicators seemed to have positive effects on the organizational performance, others seemed to work against the same performance or yielded much lesser fruits than possibly expected such that their combined effects when simultaneously present affected negatively the overall performance of the state owned companies. Managers therefore need to understand the major drivers of turnaround strategies and the best working combinations that can assure the expected results. Overall, the findings of this study gave managers invaluable insights on how to build, allocate and adapt their resources and capabilities in ways that allowed them to achieve success in their pursuit to turn around the fortunes of the companies.

According to the study, it is worth noting that managers of the state owned sugar companies in Kenya should focus more on re-organization and realignment strategy in order to improve the organizational performance. They should however, devise better ways of approaching the diversification strategy and be extremely cautious on the modernization strategy as the companies under study embraced this strategy but depicted insignificant relationship to performance.

The study is further recommended to the various scholars and academicians as it has made an important contribution to the scholarly world and in the general advancement of academic knowledge on turnaround strategies especially in the state owned organizations which mostly experience the decline in performance and end up closing doors. In addition, the results of this study have been particularly important in addressing the earlier identified knowledge gaps and therefore contributing to the frontiers of knowledge. The study has not only advanced an elaborate conceptual framework of the relationship between turnaround strategies and organizational performance but has also empirically tested it.

### **5.5 Areas for Further Research**

The general objective of this study was to establish the relationship between turnaround strategies and the performance of state owned sugar companies in Kenya. Specifically, this study concentrated on the relationships that the cost reduction strategy, diversification strategy, reorganization and modernization strategy had on the performance of state owned sugar companies in Kenya. The independent variables studied are definitely not exhaustive and hence further research could be carried out to unearth other turnaround strategies that can be applied to change the fortunes of a declining state organization.

Secondly, further studies need to be carried out to identify the influence of government on the performance of state owned companies in general and not just the sugar companies. Perhaps a comparative study could also be conducted to compare the effectiveness of these strategies on both the parastatals and private enterprises.

## REFERENCES

- Akrani, G. (2012). *Concept of Turnaround Strategies: Management Wisdom Transformation of the Company*, Kalyan City: Wordspot
- Anders, V.H. (2012). *Corporate Turnaround and Corporate Governance - An Empirical Investigation of the Role of Ownership Structure in Corporate Turnarounds in Western European Firms*, Copenhagen Business School November 12th, 2012.
- Anyango, M.E. (2012). *Challenges of implementing diversification at Mumias sugar company Kenya*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Arogyaswany, K., Barker, VIII & Yason A.M, (2009). Firms Turnaround: An integrative Two Stage Model. *Journal of Management Studies*, 32(July).
- Arthur, A., Thompson, J., Strickland III, A., & Gamble, J. (2010). *Crafting and Executing Strategy*. New York: McGraw-Hill/Irwin.
- Barney, J. (2009). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- Berdahl, M .A. (2011). *Corporate Turnaround Strategies and Business Performance: The Effect of Size and Government Assistance on the Manufacturing Companies*. Unpublished PhD thesis, Malaysia: University Utara Malaysia.
- Bibeault, D.G. (2012). *Corporate Turnaround: How managers turn losers into winners*. New York: McGraw-Hill.
- Bowman, C, Schoenberg, R., & Collier, N. (2013). Strategies for business turnaround and recovery: a review and synthesis”, *European Business Review*, 25(3), 243-262.
- Braxton, B. (2008). The teacher librarian as literacy leader. *Teacher Librarian*, 35(3),

- Bryman, A. (2008). *Social Research Methods*, (3<sup>rd</sup>ed.) Oxford: Oxford University Press.
- Bryman, A., & Bell, E. (2007). *Business Research Methods*, (2<sup>nd</sup>ed). Oxford: Oxford University Press.
- Cameron, K.S., Sutto, R.I. & Whetten, D.A. (2011). Issues in organizational decline. In *Readings in Organizational Decline: Frameworks, Research, and Prescriptions*, Cameron, KS, RI Sutton and DA Whetten (eds.), 3–19.
- Chen, C.J. & Huang, J. W. (2009). How organizational climate and structure affect knowledge management- The social interaction perspective. *International Journal of Information Management*, 27(1), 104–118.
- Cheng, D. (2013). Analyze the Hotel Industry in Porter Five Competitive Forces. *The Journal of Global Business Management*, 9(3), 52-57
- Collard, J. (2011). *Managing Turnarounds: Phases and Actions in Turnaround Process*. Chicago, IL: Turnaround Management Association.
- Cooper, C. & Schindler, P. (2008). *Business Research Methods* (10<sup>th</sup> ed.), Boston: McGraw-Hill.
- Cooper, D. R & Schindler, P.S (2013). *Business research methods*, (12<sup>th</sup> ed.). Irwin; Mc Graw-Hill
- Corporate Renewal Solutions' turnaround management philosophy (2011). Corporate Renewal Solutions' turnaround management philosophy, (July edition). *The Washington post*, 12-39.
- Costello, A. B., & Osborne, J.W. (2015). Exploratory Factor Analysis: Four recommendations for getting the most from your analysis. *Practical Assessment, Research, and Evaluation*, 10(7), 1-9.
- Creswell, J. & Plano-Clark, V. (2007). *Designing and conducting mixed methods*

*research*. Thousand Oaks, CA: Sage.

Creswell, J.W (2013). *Research design: Qualitative, quantitative and mixed methods*. (4<sup>th</sup> ed.). Thousand Oaks, Calif: Sage Publications

Datche, E. (2015). *Influence of Transformational Leadership on Organizational Performance of State Corporations in Kenya*. Retrieved from: [IR@jkuat.ac.ke](http://IR@jkuat.ac.ke).

David, F. (2008). *Strategic Management*, Columbus: Merrill Publishing Company.

David, F. G., Patrick, W.S., Phillip, C.F., & Kent, D.S. (2010). Strategic Alliances and Inter-firm Knowledge Transfer, *Strategic Management Journal*, 17(5),

Denison, D. (2008). *Organisational Culture and Innovation. Understand the Link*. Research notes, 2(2).

DeVellis, R.F. (2012). *Scale development: Theory and applications*. Los Angeles: Sage.

Dikshit J.R., Basak P.C. & Kamal V (2011). *Turnaround Strategies in Indian Industries: A Few Cases*.

Donaldson, L. (2006). The Contingency Theory of Organizational Design: and Opportunities. In R. M. Burton, B. Eriksen, D.D. Hakonsson and C.C. Snow (eds). *Organizational Design: The evolving state of the Art*. New York: Springer.

Evans, M.N., Tolwiski, S.E., Thompson, D.M., & Achukitis, K.J. (2013). Application proxy system modeling in high resolution paleoclimatology. *Quaternary science reviews*, 76(12), 16-28.

Fiedler, F.E. (1964). *A theory of leadership effectiveness*. In L. Berkowitz (Ed.), *Advances in experimental social psychology*. New York: Academic

Press.

- Fiedler, F.E. (1986). *The contribution of cognitive resources to leadership performance. Journal of Applied Social Psychology, 16.*
- Field, A. (2009). *Discovering Statistics Using SPSS: Introducing Statistical Method (3<sup>rd</sup> ed.)*. Thousand Oaks, CA: Sage Publications.
- Finkin, E.F. (2007). Company Turnaround. *The Journal of Business Strategy, 5(4)*,
- Gakure, R., Victor, K., Okari, H. & Kiambati, K. (2012). Emerging Trends shaping business strategy. *Prime Journal of Business Administration and Management, 2(9)*, 673-679.
- Gibson, E., & Billings, A. (2010), Best practices at Best Buy: a Turnaround Strategy. *Journal of Business Strategy, 6(24)*, 10-16.
- Gupta, D. & Sathye, M. (2008). Financial Turnaround of the Indian Railways: A Case Study. ASARC Working Paper 2008/06
- Hair, J. F., Money, A. H. & Page, P. (2007). *Research Methods for Business*. West Sussex: John Wiley Sons.
- Hair, J., Black, W., Babin, B., Anderson, R. & Tatham, R. (2009). *Multivariate Data Analysis (6<sup>th</sup> ed.)*. New Jersey: Pearson Education
- Hair, J.F., Black, W. C., Babin, B. J. & Anderson, R. (2010). *Multivariate Data Analysis: Maxwell: MacMillian International Editions*
- Hanks, S. H. (2009). The organization life cycle: Integrating content and process. *Journal of Small Business Strategy, 1*, 1–12.
- Hansen, A.V. (2012). *Corporate Turnaround and Corporate Governance-An Empirical Investigation of the Role of Ownership Structure in Corporate Turnarounds in Western European Firms*. Unpublished PhD Thesis. Copenhagen: Copenhagen University.

- Harker, M. (2011). Market manipulation: A necessary strategy in the company turnaround process? *Qualitative Market Research*, 4(4), 197-206.
- Harmon, R. (2011). Empirical correlation of XBT fall rate and its impact on heat content analysis a perspective of businesses, *Copernicus Publication*, 8(10), 291-320.
- Haron, N. H., Abdul, I. K. & Smith, M. (2013). Management accounting practices and the turnaround process. *Asian Review of Accounting*, 21(2), 100-112.
- Hossari, G. (2007). Modelling Corporate Collapse: Definitional Issues of the Collapse Event. *The Journal of Applied Management Accounting Research*, 5(2), 75-84.
- Inyange, J. M. (2015). *Turnaround Strategies Used At The National Oil Corporation of Kenya To Improve Performance*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Jeyavelu, S. (2007). Building a case for inclusion of Organizational identity in Turnaround Research. *Research Paper*, Kerala, India.
- Johnson, G., Scholes, K. & Whittington, R. (2008). *Exploring Corporate Strategy: Text and cases*, (8<sup>th</sup> edition), London: prentice Hall.
- Johnson, K. & Scholes K, (2011). *Exploring cooperate strategy, texts and cases*, (6<sup>th</sup> edition). New York: prentice Hall.
- Kagwiria, L.R., (2014). *Effect of Talent Management on Organizational Performance in Companies Listed in Nairobi Securities Exchange in Kenya*. Unpublished PhD Thesis, Juja: Jomo Kenyatta University of Agriculture and Technology.
- Kavale, S.M. (2017). Effects of Strategic Management Determinants of Corporate Growth in Micro-Finance Institutions in Kenya. Retrieved from: <http://erepository.jkuat.ac.ke>

- Kazou, Y.S. (2012). *How to Analyze Corporate Turnarounds: The Application of Social Network Analysis in Panasonic Group's Case*, *KIU Journal of Economics & Business Studies*, 16 (1),
- Keamundu, D.K. (2007). *A study of the Turnaround strategies at the Development Bank of Kenya Ltd*, Retrieved from: <http://erepository.uonbi.ac.ke>.
- Kenya Anti-Corruption Commission, (2010). *Review of the Policy, Legal and Regulatory Framework for the Sugar Sub Sector in Kenya*. A Case Study of Governance Controversies affecting the Sub Sector.
- Kenya National Assembly. (2015). *The Crisis facing the Sugar Industry in Kenya*. An Adopted Report of the Departmental Committee on Agriculture, Livestock and Cooperatives, Nairobi: Kenya National Assembly.
- Kenya Sugar Board, (2015). *A report on the status of State owned Sugar Companies in Kenya* An Adopted Report of the Departmental Committee on Agriculture, Livestock and Cooperatives, Nairobi: Kenya National Assembly.
- Khadija, H. (2011). *Competitive Strategies employed by Mumias Sugar Company to develop competitive advantage*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Kiarie, W.C. (2009). *Turnaround strategies adopted by Uchumi supermarket Limited*, Retrieved from: <http://erepository.uonbi.ac.ke>.
- King, A. W. (2007). *Disentangling interfirm and intrafirm causal ambiguity: A conceptual model of causal ambiguity and sustainable competitive advantage*. *Academy of Management Review*.
- Kothari, C. (2012). *Research Methodology Methods and Techniques*. New Delhi: New Age International Publishers.
- Kothari, C.R (2013). *Research Methodology-Methods and Techniques* (3<sup>rd</sup> ed.)New

Delhi: New Age International Publishers Ltd.

- Kothari, C.R. (2009). *Research Methodology; Methods and techniques, second Revised Edition*. New Delhi: New Age International publishers.
- Laitinen, K. (2011). Effect of reorganization actions on the financial performance of small entrepreneurial distressed firms, *Journal of Accounting & Organizational Change*, 7(1), 57 – 95.
- Lavrakas, P.J. (2008). *Encyclopaedia of Survey Research Methods*. (Volume 1). Thousand Oaks, CA: Sage Publications.
- Lawton, T., Rajwani, T., & Conor, O. (2011). Strategic reorientation and business turnaround: the case of global legacy airlines, *Journal of Strategy and Management*, 4(3), 215 – 237.
- Lee, J., & Johns, L. (2008). An exploratory study of company turnaround in Australia and Singapore following the Asia crisis. *Asia Pacific Journal of Management*, 21, 149-170.
- Lee, K., & Schaltegger, S. (2014). Organizational transformation and higher sustainability management education: The case of the MBA Sustainability Management, *International Journal of Sustainability in Higher Education*, 15(4), 450 – 472.
- Linyiru, B.M., (2015). *Influence of Corporate Entrepreneurship on the Performance of State Corporations in Kenya*. Unpublished PhD thesis, Juja: JKUAT. Retrieved from: [IR@jkuat.ac.ke](mailto:IR@jkuat.ac.ke).
- Lohrke, F.T., Arthur, G. Bedeian, A. B., & Palmer, T.B. (2010). The role of top management teams in formulating and implementing turnaround strategies: a review and research agenda. *International Journal of Management Reviews*, 5/6 (2), 63–90.
- Maishanu, M. (2012). *Corporate Failure and Turnaround Strategies: Failure the*

*Banking Industry*. Durban, SA: Penguin.

- Makgeta, M. (2010). *Turnaround determinants of distressed firms Industrial Development Corporation*, Cape Town, SA: Penguin
- Malhotra, N.K. (2007). *Marketing Research. An Applied Orientation*. (5<sup>th</sup> ed.), New Delhi: Prentice-Hall of India Private Limited
- March, J. G., & Sutton, R. L. (2007). Organizational Performance as a Dependent Variable. *Organizational Science*, 8(6), 698.
- Mark, S., Philip, L. & Adrian, T. (2007). *Research Methods for Business Students* (5<sup>th</sup> Edition), NY: Pearson Education Limited.
- Masinde, A. (2016). *Challenges of implementing Turnaround Strategies at Kenya Railway Corporation*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Mathooko. J. & Mathooko, P. (2011). *Academic proposal writing* 2<sup>nd</sup> edition. Nairobi: Global research Akademik & mentoring Services.
- Mbithi, B. (2016). *Effects of Strategy Choice and Performance on Sugar Companies in Kenya*. Unpublished PhD Thesis, Juja: Jomo Kenyatta University of Agriculture and Technology.
- McCann, R., Dermer, S.W., Hunter, B.K., MacDiarmid, A., Morgan, R., Örndahl, M., Robinson, K. & Wagman, F. (2009). *Turnarounds: Brains, Guts & Stamina*. Canada: Trafford Publishing.
- Mintzberg, H. (1984). *Designing effective organizations*. Eaglewood cliffs NJ: Prentice- Hall
- Mintzberg, H. (2008). *The rise and fall of strategic planning*. NJ, USA: Prentice Hall
- Mokubung, M.P. (2014). Assessing the implementation of a turnaround strategy in a water board. *Southern African Business Review*, 14, 106-130.

- Morris, R. (2007). *Early warning indicators of corporate failure*. Aldershot: Ashgate Publishing.
- Morrow, J. R. J., and Busenitz, L. (2007). *The effect of cost and asset retrenchment on firm performance: the overlooked role of a firm's competitive environment*. *Journal of Management*, 6(4), 354 – 453.
- Morrow, J.L. (2007). *Creating value in the face of declining performance: Firm strategies and organizational recovery*, *Strategic Management Journal*, 2.
- Mugenda, M. O. (2008). *Social Science Research*. Nairobi, Applied Institute of Policy Research and Analysis.
- Mugenda, M.O. & Mugenda, A. (2012). *Research Methods: Qualitative and Quantitative Approaches*, Nairobi: African Centre for Technology Studies.
- Mulwa, M. R., Murithi, F.M., & Emrouznejad, A., (2009). Impact of Liberalization on efficiency and productivity of the sugar industry in Kenya. *Journal of Economic Studies*, 36(3).
- Mulwa, M. R., Murithi, F.M., & Emrouznejad, A., (2009). Impact of Liberalization on efficiency and productivity of the sugar industry in Kenya. *Journal of Economic Studies*, 36(3), 250-264.
- Mulwa, R., Nuppenau, E.A., & Emrouznejad A., (2005). *Productivity Growth in Smallholder Sugarcane Farming in Kenya: Malmquist TFP Decomposition*. Online access to Deutscher Tropentag (2005), Deutscher Tropentag, 6.
- Mulwa, R.M., (2001). *Technical Efficiency in Sugar Processing: What difference have SAPs made in Mumias Sugar Company?* Retrieved from: <http://erepository.uonbi.ac.ke>.
- Mumias sugar annual report and financial statement, (2017). *Annual performance*

*results*, Nairobi: Mumias sugar.

- Murphy, J. & Meyers, C.V. (2008). *Turning Around Failing Schools: Lessons from the Organizational Sciences*, Thousand Oaks, CA: Corwin.
- Murphy, J. (2008). The place of leadership in turnaround schools Insights from organizational recovery in the public and private sectors. *Journal of Educational, Administration*. 36(3), 250-264
- Mutunga, C. (2013). *Implementation of Turnaround Strategies at Kenya Broadcasting Corporation*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Nazmul, I., (2015). Production Efficiency of sugar Factories in Bangladesh: An application of Data Envelopment Analysis. *Global Journal of Management and Business Research*, 15(2015).
- Newing, H. (2011). *Conducting Research in Conservation: Social Science Methods and Practice*. New York: Routledge.
- Ochieng, J. (2018). *Turnaround strategies in competitive environment in Kenya*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Ombui, K. (2014). *Influence of human resource management practices on the performance of employees in research institutes in kenya*. Retrieved from: <IR@jkuat.ac.ke>.
- Omwenga, E (2017). *Influence of Organizational Restructuring activities on Employee Commitment in State Corporations in Kenya*. Retrieved from: <IR@jkuat.ac.ke>
- Ondimu, A. A. (2015). *Turnaround Strategies and Performance of Selected Commercial Banks in Kenya*. Retrieved from: <http://erepository.uonbi.ac.ke>.

- Otieno, J. (2014). *Productivity of Sugar Factories in Kenya*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Owelle C. (2011). *Challenges of Strategy Implementation at Chemelil Sugar Company Ltd*, Retrieved from: <http://erepository.uonbi.ac.ke>.
- Pearce, J.A. & Robinson, R.B. (2008). *Strategic Management: Formulation, Implementation, and Control*. (10<sup>th</sup> ed.). New York: McGraw-Hill, Irwin.
- Penrose, E. (2010). *The theory of the growth of the firm*. Oxford: Oxford University Press.
- Penrose, E.T. (2012). *The Theory of the Growth of the Firm* (1995 ed.). New York: John Wiley and Sons.
- Porter, J., (2012). *How to Redefine Your Business in a New Market?* Harvard Business Review, 57(2), 137-146.
- Porter, M. (2010). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.
- Porter, M.E. (2008). *Competitive Advantage: Creating and Sustaining Superior Performance*, Free Press, reprinted in abridged form in: De Wit, Bob & Meyer, Ron, *Strategy. Process, Content, Context. An international perspective*, (3<sup>rd</sup> edition), London: Thomson.
- Prasad, V. (2006). *Role of HR in corporate turnaround*. HRM Review.
- Pretorius, M. & Holtzhausen, G.T.D. (2008). Critical variables of venture turnarounds: A liabilities approach. *Southern African Business Review*, 12, 87- 107.
- Pretorius, M. (2008). Critical variables of business failure: A review and classification framework. *South African Journal of Economic and Management Sciences*, 11(4), 408-430.

- Pretorius, M. (2008). When Porter's generic strategies are not enough: Complementary strategies for turnaround. *Journal of Business Strategy*, 29(6), 19-29.
- Pretorius, M. (2009). Defining business decline, failure and turnaround: a context analysis. *South African Journal of Economic Science and Business Management*, 2(1).
- Pretorius, M., & Holtzhausen, G. (2015). *Business Rescue Decision Making through Verifier Determinants – Ask the Specialists Management* (4<sup>th</sup> ed.). Pretoria: University of Pretoria.
- Raheman, A., Qayyum, A., & Afza T., (2009). *Efficiency Dynamics of the Sugar Industry in Pakistan*. Islamabad: COMSATS Institute of Information Technology and Pakistan.
- Ramanujan, V. & Varadarajan, R.M. (2007). Research on corporate diversification: A synthesis. *Strategic Management Journal*, 10, 523–551.
- Randa, R.A. (2012). *Challenges of the implementation of turnaround strategy of the large microfinance institutions in Nairobi County*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Republic of Kenya, (2010). Kenya Sugar Industry Strategic Plan, *Enhancing Industry competitiveness*. Nairobi: Government printer..
- Richard, G. (2010). *Turnaround process: A process and strategy focus. Developing Public organizational accountability*, Connecticut: Oxford Press.
- Ruiz-Navarro, J. (2008). Turnaround and Renewal in a Spanish Shipyard in, *Long Range Planning*, 31(1), 20-34.
- Sabwami, P. (2015). *Role of high performance work practices on organisational performance. A survey of listed state corporations in the nairobi stock exchange in kenya*. Retrieved from: [IR@jkuat.ac.ke](mailto:IR@jkuat.ac.ke)

- Sasaka, P. Namusonge, G.S. & Sakwam M.M. (2016). *Effect of Strategic Management Practices on the Performance of Corporate Social Responsibility of State Parastatals in Kenya*. Retrieved from: [IR@jkuat.ac.ke](http://IR@jkuat.ac.ke)
- Saunders, M., Lewis, P. & Thornhill, A. (2009). *Research methods for business students*. London: Prentice Hall.
- Saunders, M., Lewis, P & Thornhill,A. (2007). *Research Methods for Business* London: Prentice Hall.
- Scherrer, P. S. (2010). Management turnaround: diagnosing business ailments. *Corporate Governance journal*, 3(4), 52-62.
- Sekaran, U. & Bougie, R. (2010). *Research Methods for Business: A skill Building Approach*. (5<sup>th</sup> ed.). New Jersey: John Wiley and Sons.
- Sekaran, U. & Bougie, R. (2011). *Research methods for Business: A skill Building Approach*. (5<sup>th</sup> ed.). New Delhi: Aggarwal printing press.
- Sekaran, U. (2009). *Research Methods for Business: A skill Building Approach*. (4th ed.). New Delhi: Wiley India private Ltd.
- Sekeran U. (2008). *Research Methods for Business- A Skill Building Approach*, New York: John Wiley & Sons.
- Shale, N. I. (2014). Role of e-procurement strategy on the performance of state corporations in kenya. Retrieved from: [IR@jkuat.ac.ke](http://IR@jkuat.ac.ke)
- Shepherd, D.A. (2007). Moving forward: Balancing the financial and the emotional cost of business failure. Article in press. *Journal of Business Venturing*, 4(7), 231- 324.
- Shepherd, D.A. (2009). Grief recovery from: the loss of a family business: A multi- and meso- level theory. *Journal of Business Venturing*. 24(1), 81-97.

- Sije, O.A. (2017), *Relationship between turnaround strategies and performance of small and medium enterprises in Kenya*. Retrieved from: [IR@jkuat.ac.ke](mailto:IR@jkuat.ac.ke).
- Simba, F. (2015). *The effects of strategic management determinants on value addition in the sea food processing sub-chain in Kenya*. Retrieved from: [IR@jkuat.ac.ke](mailto:IR@jkuat.ac.ke).
- Singh. B.K. (2007). *Industrial sickness in India: Dimensions, threats and remedies. The ICFAI Journal of Managerial Economics*, 24(1), 81-97.
- Sirmon, D.G., M.A. Hitt, & R.D. Ireland (2007). *Managing Firm Resources in Dynamic Environments to Create Value: Looking Inside the Black Box,*” *The Academy Of Management Review*, 24(6), 81-97.
- Slatter, S., & Lovett, D. (2009). *Corporate turnaround: Managing companies in distress*. England: Penguin Books.
- Smit, A.J. (2010). *The competitive advantage of nations: is Porter’s Diamond Framework a new theory that explains the international competitiveness of countries? Southern African Business Review*, 14(1), 105-130.
- Smith, M., & Graves C. (2005). *Corporate turnaround and financial distress*.
- Stopford, J.M. & Baden-Fuller, C. (2007). *Corporate rejuvenation, Journal of Management Studies*, 27, 399-415.
- Thain, D., & Goldthorpe, R. L. (2008). *Turnaround management: Recovery strategies. Business Quarterly*, 54(2).
- Thamrin, H.M., (2012). *The Influence of Transformational Leadership and Organizational Commitment on Employee Job Satisfaction and Performance. International Journal of Innovation, Management and Technology*, 3(5).
- Thompson, A. A. & Strickland, A. J. (2008). *Strategic Management: Concepts and*

- cases. (16<sup>th</sup> edition), Irwin, New York: Wiley.
- Thompson, B. (2013). *Organizational stability in a competitive environment: Turnarounds relationship with chaos and instability*. Utah: Neptune
- Thompson, J. (2003). *Strategic Management: Awareness and Change*. (2<sup>nd</sup> ed.). London: Chapman and Hall.
- Turnaround Management Association and the Deal. (2009). *Squeeze in or Squeeze out: Distressed investing amid a financial crisis*. Distressed Investment.
- Uzel, J.M. M., Namusonge, G.S. & Obwogi, J. (2014). Effect of strategic management drivers on the performance of the hotel industry at the Kenya's Coast. *European journal of Business and Innovations Research*, 2(1), 93-119.
- Uzel, M M. (2014). *Effect of Strategic Management Drivers on the performance of the hotel industry in Kenyan Coast*. Retrieved from: [IR@jkuat.ac.ke](mailto:IR@jkuat.ac.ke).
- Walshe, K. (2004). Organizational Failure and Turnaround: Lessons for Public Services from the For-Profit Sector, in Public. *Money & Management*, 24(4), 45-62.
- Wandera, J. (2012). *The turnaround strategies by Kwale International Sugar Company Limited*. Retrieved from: <http://erepository.uonbi.ac.ke>.
- Weitzel, W. & Jonsson, E. (2010). Decline in organizations: A literature integration. *Administrative Science Quarterly*, 34, 91–109.
- Wernerfelt, B. (2014). The resource-based view of the firm. *Strategy Management Journal*. 5(2), 171–180.
- Wheelen, T.L. & Hunger, .D. (2008). *Strategic Management & Business Policy*. Massachusetts: Addison-Wesley Publishing Company.
- Zikmund, G.W., Babin, B.J., Carr, C.J. & Griffin, M. (2010). *Business Research Methods* (8<sup>th</sup> ed.). South-Western: Cengage Learning.

## APPENDICES

### Appendix I: Introduction Letter

Joseph Wandera,

P O Box 86627-80100,

Mombasa.

Dear Sir/Madam,

**RE: PERMISSION TO CONDUCT PhD RESEARCH IN YOUR FIRM**

I am Joseph Wandera, a PhD student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). I am undertaking a thesis on **the Relationship between Turnaround Strategies and the Performance of State Owned Sugar Companies in Kenya**. It is one of the requirements that I should conduct a field study.

I am pleased to let you know that your organization falls within the population of interest. This is therefore to request that you assist me by filling the attached questionnaire regarding the status of your company. Your response is of utmost importance to this study.

It was highly appreciated if you would answer the questions posed to you as honestly as possible. All information was treated as confidential and will only be used for academic purposes and reported as mathematical averages, variances and correlations. The copy of the final report was made available to you on demand. Should you have any queries or comments regarding this survey, you are welcome to contact me through 0722103961 or e-mail at [jwandera91@yahoo.com](mailto:jwandera91@yahoo.com)

Thank you in advance for your co-operation.

Yours sincerely,

Joseph Wandera.

PhD Research Student- Jomo Kenyatta University of Agriculture and Technology

## Appendix II: Research Questionnaire

This questionnaire is meant to gather information on the relationship between turnaround strategies and the performance of state owned sugar companies in Kenya.

### CONFIDENTIALITY CLAUSE:

The responses you provide was used for academic purposes and was strictly confidential.

### PART A

#### GENERAL /DEMOGRAPHIC DATA

1. Name of the organization \_\_\_\_\_

2. Kindly indicate your gender

a) Male

b) Female

3. Please indicate the highest level of education you have attained

a) Secondary level

b) College level

c) University level

d) Post graduate level

4. Please indicate the level of management you are in

a) Strategic management level

b) Tactical management level

c) Operational management level

4. How many years have you worked in the firm?

- a) Less than 2 years
- b) 3 to 5 years
- c) Over 5 years

5. What is your organization/firm size

- a) Small (Less than 300 employees)
- b) Medium (Up to 500 employees)
- c) Large (Over 500 employees)

**PART B**

**TURNAROUND STRATEGIES AND ORGANIZATIONAL PERFORMANCE**

6. In your opinion, do turnaround strategies influence the performance of state owned sugar companies in Kenya?

- a) Yes
- b) No

**Section 1: Cost reduction strategy.**

This section aims at assessing the role of cost reduction strategy on the performance of state owned sugar companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. Key: Strongly disagree= 1.0-1.8; Disagree= 1.8-2.6; Neutral= 2.6-3.4; Agree 3.4-4.2; Strongly agree= 4.2-5.0.

<b>STATEMENTS</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>Divestiture</b>					
The organization has eliminated the underproductive lines					
The organization has concentrated on profit generating product lines					
Divestiture has enabled the organization to reduce the operational costs					
The turnaround success is a result of the divestiture undertaken by the organization					
<b>Process excellence</b>					
The organization realigned its has processes					
The organization encourages new ideas to promote process improvements					
Great efficiency levels have been achieved due to process excellence					
The turnaround success enjoyed is a result of the process excellence					
<b>Retrenchment</b>					
The organization has reduced its non-core assets					
The organization has set mechanisms to consistently get rid of the non-core assets					
The available resources are maximally utilized by the organization					
Turnaround success achieved is a result of the retrenchment strategy effected					

## Section 2: Diversification

This section aims at describing the relationship between diversification strategy and organizational performance of state owned sugar companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. Key: Strongly disagree= 1.0-1.8; Disagree= 1.8-2.6; Neutral= 2.6-3.4; Agree 3.4-4.2; Strongly agree= 4.2-5.0.

STATEMENTS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Concentric product innovation</b>					
The organization has sought growth opportunities in the existing product lines					
The organization has structured itself to include the new products within the existing product lines					
Concentric product innovation has enabled the organization to improve on its market share					
Turnaround success is a result of the concentric product innovation adopted by the organization					
<b>Conglomerate diversification</b>					
The organization has sought new opportunities that are unrelated to its existing product lines					
The organization has structured itself to accommodate the new unrelated					

production lines					
The conglomerate diversification adopted has enabled maximum utilization of the organization resources					
Turnaround success is a result of the conglomerate diversification undertaken by the company					
<b>Markets penetration</b>					
The organization has established new markets					
The organization has reconstructed its distribution network to conform to the new markets identified					
The organization enjoys improved sales as a result of the new markets identified					
Turnaround success is a result of the new markets identified					

### Section 3: Re-organization

This section aims at determining the role of re-organization strategy on organizational performance of state owned sugar companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. Key: Strongly disagree= 1.0-1.8; Disagree= 1.8-2.6; Neutral= 2.6-3.4; Agree 3.4-4.2; Strongly agree= 4.2-5.0.

STATEMENTS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Restructuring</b>					
The organization has modified and redesigned the existing structures					
The organization has adopted a lean and efficient structure					
The organization has aligned performance incentives to the new structure					
Turnaround success is a result of the restructuring that has taken place					
<b>Restaffing</b>					
The organization has employed based on merit					
The organization has deployed the right employees to the right jobs					
The organization has a competent human resource committed to her vision					
Turnaround success is a result of the restaffing exercise done by the company					

#### Section 4: Modernization

This section aims at exploring performance of state owned sugar companies in Kenya. Please indicate your agreement or otherwise with the following statements using the following likert scale. Key: Strongly disagree= 1.0-1.8; Disagree= 1.8-2.6; Neutral= 2.6-3.4; Agree 3.4-4.2; Strongly agree= 4.2-5.0.

STATEMENTS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Asset replacement/Renewal</b>					
The organization has replaced the obsolete and out-dated assets					
The organization is always scheduling timely asset replacement to guard against decreased productivity					
The timely replacement of assets has enhanced productivity					
Turnaround success is a result of timely asset replacement carried out by the company					
<b>Technology improvement</b>					
The organization has adopted appropriate technologies suitable to context					
Technology improvement has been streamlined to be in line with the competency desired					
Continuous technology improvement has ensured improved efficiency in the organization operations					
Turnaround success is a result of the continuous technology improvement done by the company					

**Section 5: Organizational Performance**

<b>STATEMENTS</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>Profitability</b>					
The organization's revenues over costs have always been increasing					
The organization has always ensured revenues are above costs					
The organization has had positive returns due to the turnaround strategies adopted					
<b>Growth</b>					
The returns to the shareholders have significantly improved					
The market value of the organization's share has steadily been on the rise					
The organization is enjoying positive growthrate due to the turnaround strategies adopted					

Thank you for sacrificing your time to complete this questionnaire. Your contribution is highly valued and appreciated.

### **Appendix III: Sampling Frame**

1. Mumias Sugar Company Limited
2. Nzoia Sugar Company Limited
3. South Nyanza Sugar Company Limited
4. Muhoroni Sugar Company Limited
5. Chemilil Sugar Company Limited

**Source:** Kenya Sugar Board, 2015