

Analysis of Turnaround Strategies on Organization Performance: Case of Uchumi Supermarket, Kenya

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ABSTRACT

Turnaround strategy is the process by which a business with inadequate performance is analyzed and changed to achieve desired results. It is an important tool to arrest and reverse the sources of competitive and financial weakness of an organisation as quickly as possible. A company could be transformed into a learning organization while adopting turnaround strategy so that they could increase the operation efficiency of the company and develop a competitive advantage. Turnaround strategy in any business organization results in effective service delivery, skilled, responsible and accountable workers, good Co-operative Governance and an improved business. The objective of strategic focus is to redefine the business and develop the restructuring plan's strategic moves for a successful turnaround. This can possibly call for product refocusing and implementing a divestiture, operational realignment, or outsourcing of non-core activities. Although the solution tends to be simple in concept, the restructuring and turnaround plan is more complex in its execution. The researcher sought to assess the turnaround strategies on economic growth at Uchumi Supermarket, The purpose of study was to assess the outcome of turnaround strategies of Uchumi Supermarket. The objectives of the study was to examine the role of stakeholder in repositioning and support, top management reorganisation, training and sensitization and cost reduction strategy as well as policies on turnaround strategies applied at Uchumi Supermarket. The study adopted a case approach in order to get an in-depth of the outcome in implementation of turnaround strategies. The target population was three hundred and eleven staff members of Uchumi Supermarket comprising of top level and middle level managers. Sample random was used to get actual individuals. Primary data were collected using questionnaires and interview schedule while Secondary data was obtained from a review of published materials on the subject of turnaround and from organization reports documenting Uchumi turnaround. The qualitative data collected was analyzed using narrative analysis while quantitative data was analyzed by the use of Statistical Package for Social Science Software (SPSS) version (22).

Key terms: *Turnaround Strategies, Organization Performance, Uchumi Supermarket.*

1.0 Background Information

1.1 Turnaround

There are a number of reasons that make a firm experience declining profits. Among these reasons are economic recessions, production inefficiencies and innovative break through by competitors. In many cases, strategic managers believe that such a firm can survive and eventually recover if a concerted effort is made over a period of a few years to fortify its distinctive competencies; a grand strategy referred to as turnaround (Pearce and Robinson, 2005)

A turnaround situation represents absolute and relative to industry declining performance of a sufficient magnitude to warrant explicit turnaround actions. A firm is said to be in decline when it experiences a resource loss sufficient to compromise its viability. Turnaround strategy emphasizes the improvement of operational efficiency and is probably most appropriate when a corporation's problems are pervasive but not yet critical (Wheelen and Hunger, 2004). Turnaround strategies stand on the belief that the market cycle doesn't describe an inevitable course of growth followed by decline

According to Wheelen and Hunger (2004), the two basic forms of a turnaround strategy are contraction and consolidation. Contraction in this case refers to the initial effort to quickly "stop bleeding" with a general across — the- board cut back in size and costs, the second phase, consolidation, implements a program to stabilize the now leaner corporation. To streamline the company, plans are developed to reduce unnecessary overhead costs and to make functional activities cost justified. He further points out that an over emphasis on downsizing and costs coupled with a heavy hand by top management is usually counterproductive and can actually hurt performance. If however, all employees are encouraged to get involved in productivity improvements, the firm is likely to emerge from this retrenchment period to much stronger and better organized company; having improved its competitive position and regaining its ability to expand the business. Strategists agree that grand

strategies are critical in the long-term success of the firm, while the need for developing competitive strategies cannot be over emphasized.

Turnaround strategy falls under the broader umbrella of grand strategies. These strategies provide the basic direction for actions and forms a basis for coordinated efforts directed towards achieving long-term business objectives. Strategy ultimately requires achievement of a fit between the external situation and internal capabilities (Mintzberg et al 2003). The external situation, which constitutes threats and opportunities, includes influences from political, social, economic and technological arenas. On the other hand, internal environment constitutes internal capabilities: included here are strengths, weaknesses, organization systems, policies, resource capacity and organization culture (Koigi, 2004).

Some scholars have indicated that the success of a turnaround strategy is dependent upon both internal and external factors. A major concern by scholars and practitioners is an understanding of factors that influence success of turnaround strategies in order to avoid failure that is likely to result into liquidation. Very little studies seems to have been done, related studies carried out include Situma (2006) on turnaround of KCB with a conclusion that more than one turnaround strategy is required to turnaround an ailing firm. This study was limited in that it concentrated only on the banking sector and didn't specifically address factors that influence success of a business turnaround. It is therefore evident that no study has been carried out on the either sector and especially so on analysis of business turnaround strategies (Wheleen and Hunger; 2004).

There has been a marked increase in the number of firms that have been faced with declining profits and some even making huge losses. For instance, East African Portland cement made 489 million shillings loss for a period of six months ended 31 September 2008 (Daily Nation, 28th February 2009, p 25): K-REP bank 472m loss for period ended 31st Dec 2008(K REP 2008) while Gulf African bank made 281 m after tax loss for the period ended 31 December 2008 (*Business Review* 2009). Such firms require turnaround strategies to put them back to profitability. Therefore it is on the basis of challenges facing business turnarounds that the researcher seeks to analyze influential success of turnaround strategies adopted in turning around firms under decline through a case of Uchumi supermarket Ltd.

1.2 Uchumi Supermarket in Kenya

Uchumi supermarket is a public limited company, with the main objective of having an enterprise for equitable distribution of essential commodities at affordable prices and creating an outlet for the local manufacturers. Since 1976 Uchumi set a trend in low pricing to the advantage of all consumers, while at the same time maintaining high standards in quality of goods and services. In early 2000s Uchumi started to experience financial and operational difficulties occasioned by a sub-optimal expansion strategy coupled with weak internal control systems.

This resulted in a marked diminution of the Company's resources which culminated in its inability to meet its obligations on an ongoing basis. Initial restructuring of Uchumi did not forestall the deteriorating performance of the Company. As a result, on 31st May 2006, the Board of Directors resolved that the Company ceases operations and on 2nd June 2006, the Debenture Holders placed the Company under receivership. Simultaneously, the Capital Markets Authority (CMA) suspended the Company's listing on the Nairobi Stock Exchange (NSE). Following a framework agreement between the Government of Kenya, suppliers and debenture holders, the company revived and commenced operations from 15th July, 2006. The new management applied reorganisation and repositioning strategies which increased the organisations revenue and provided strong internal controls therefore turning around the company towards a successful turnaround.

1.3 Problem Statement

Most organizations face a major decline in performance at some time in their existence. The response to such situations is almost always a major effort to "turn the company around." It is the opinion of that what is needed most in a turnaround situation is some clear-cut strategy for guiding all organizational actions so that scarce resources are not used in unproductive ways. These strategies must be based on information gathered through the assessment of the current operating and strategic health of the organization. It is thus imperative for the survival and turnaround situation of organizations like Uchumi to develop a strategic management model to enable the organization to perform a systematic strategic review of performance inadequacies and declines that contributed to the poor performance of the resort over the last three financial years. The gap in turnaround research leading to the researchers; problem is that issues in turnaround aspects is not equally researched. Past research highlights research of turnaround in western countries and those that have been carried out locally are in banking industry and not in the supermarket

It is evident clear that Uchumi supermarket went into receivership and the former management could not save it from the financial and operational difficulties despite employing various management strategies, however with the appointment of new managers the Supermarket is starting a new lease of life. Thus the study analyzed the turnaround strategies employed by Uchumi supermarket as a result of process model in management strategies of the new directors.

2.0 Literature Review

2.1 Business Turnaround Concept

Several definitions have been documented by different authors regarding turnaround. Pearce and Robinson (2005) defined a turnaround situation as representing absolute and relatively to industry declining performance of sufficient magnitude to warrant explicit turnaround actions. This raises questions such as; how much decline is decline? How much recovery is considered recovery and over what period? In an effort to avoid such ambiguities, Khandwalla (2007) suggested a more simplified definition of turnaround recovery to profitability from a loss situation. Turnaround is the process by which a business with inadequate performance analyzed and changed to achieve desired results (Schendel, 2007). A firm's said to be in decline when it experiences a resource loss sufficient to compromise its viability. Turnaround is considered to have occurred when a firm recovers adequately to resume normal operations often defined to having survival and regained sustainable profitability (Barker and Duhaime, 2004).

The management team must respond swiftly to ensure that the firm goes back to profitability' in an event of firm's performance down turn. A faulting firm will most likely to continue to decline and eventually fail if top management team lacks the ability to respond successfully to internal and external factors responsible for the performance downturn (Hambck. 2005). During decline the top management must make well informed decisions to speed up a firm's recover. Research indicates that when management formulates and implements informed turnaround strategies, their firms can turnaround even when facing declining environmental munificence, increasing environmental dynamism, escalating internal problems or limited slack resources (Pearce and Robinson 2005, Barker and Dahaimé 2004).

Companies that are in weak competitive position may apply turnaround strategies at any stage of the life cycle. The questions that the company has to answer are whether it has the resources available to develop a viable business level strategy to compete in the industry and how much that will cost. To achieve a successful turnaround, top management team must first stem a firm's decline and select an appropriate strategy for recovery (Slatter 2004). This often requires increasing a firm's efficiency, stabilizing its internal operations and reviewing stakeholder support. The severity of the situation is the governing factor in estimating the speed with which the retrenchment response will be formulated and activated (Pearce and Robinson 2005).once the top management team has stabilized a *firm's* performance it must necessarily address the causes of business decline to effect recovery (Pearce and Robinson 2005)

2.2 Elements of Turnaround Strategy

In the turnaround strategies the focus is on the speed of change and rapid cost reduction and/or revenue generation. (Johnson et al, 2005) identified crisis stabilization, management of change, gaining stakeholder support, clarifying the target markets, refocusing and financial restructuring as the core elements of business turnaround. In crisis stabilization the aim is to regain control over the deteriorating position. There is likely to be a short term focus on cost reduction and /or revenue increase and these typically involve some steps like focusing organization activities on needs of target market sector customers, reviewing pricing strategy to maximize revenue and reducing marketing costs not focused on target market among other steps. There is however nothing novel about these steps as most of them are good management practice. The difference lies in the speed at which they are carried out and the focus of managerial attention on them. Studies have shown that the most successful turnaround strategies focus more on reducing direct operational costs and on productivity gains, whereas the less effective approaches pay more attention to the reduction of overheads.

For successful turnaround changes in management is almost inevitable, especially at the top level. Johnson et al. (2005) explains the reason for demanding these changes first, because the old management may well be the ones that were in charge when the problems developed and be seen as the cause of them by key stakeholders. Second, because it may be necessary to bring in management with experience of turnaround management. Even if the incumbent managers are willing to implement changes in an effort to turn a company, they often lack the credibility or objectivity to do so because they are viewed as having caused or contributed to the problems in the first place. Therefore any top manager who might impede the turnaround effort should be weeded out or replaced. Finally, the new management is likely to come from outside the existing organization and thus they

may bring quite different approaches to the way the organization has operated in the past. The changes in management may range from introduction of a new chairman or CEO as well as changes in the board, especially in marketing, sales and finance.

A Company may engage a turnaround specialist with a fresh eye and complete objectivity. This professional can spot problems that may not be visible to company insiders and implement solutions. Often turnaround managers have no political agenda or other obligations to bias the decision making process, allowing them to take sometimes unpopular, yet necessary, steps required for a company's survival. Gaining stakeholder support is of tremendous essence since the cooperation of each of them is essential to the successful management of business turnaround efforts. The organization's stakeholders include the customers, financiers or banks, suppliers, employees, shareholders among others. They all have a vested interest in the survival of the business and it is likely that as decline has occurred, there has been less and less good quality of information to them. In a turnaround situation it is vital that the key stakeholders are kept clearly informed of the situation as it is and improvements as they are being made. Clear assessment of the power of the different stakeholder groups will become vitally important in managing turnaround (Johnson et al. 2005).

Central to any turnaround success is ensuring clarity on target market or market segments most likely to generate cash and grow profits and focusing revenue generating activities on those key market segments. It is evident that a successful turnaround strategy involves getting much closer to customers and improving the flow of marketing information, especially to senior level management. Additionally, clarifying the target market is also likely to provide the opportunity to discontinue products and services that are either not targeted on those markets, eating up management time for little return or not making sufficient financial contribution. The firm may also consider outsourcing non-core activities. Finally, in financial restructuring, the financial structure of the organization may need to be changed. This typically involves changing the existing capital structure, raising additional finance or renegotiating agreements with creditors, especially banks. Scherrer (2003) argues that several key elements contribute to a successful business turnaround.

The most important is that the business has a sound core that can be saved. This means a salable product or service, a proven market, operating assets and a staff of capable personnel. The turnaround also requires the leadership of a competent management, capital for use throughout the process and the trust and support of all key stakeholders as earlier highlighted.

2.3 Review of Related Empirical Literature

Literature of corporate turnaround have shown that certain strategies such as retrenchment, cost reduction or downsizing were among popular strategies adopted by these troubled firms. One of the reasons that these strategies were widely adopted by ailing business was perhaps better explained by survival-based theory. This theory argued that in order to survive, organization had to deploy strategies that should be focused on running very efficient operation and can respond rapidly to the ever-changing environment (Lynch, 2003). However, in reality, not all of these troubled companies which adopted this kind of strategies managed to successfully turnaround. Literature in the field of corporate turnaround in regards to strategy has been quite well developed for the last three to four decades. Since the earliest publication on the subject by Schendel & Patton (2001), literature has been well developed to argue that turnaround companies would resort to certain types of turnaround strategies, namely: debt restructuring, operating turnaround strategy, strategic portfolio restructuring strategy, and product-market refocusing strategy. Although different scholar provided different technical term to these strategies, and sometimes found conflicting results, these terms are basically presents more or less the same meaning. Aside from strategy, there are other non-strategy factors which influence performance of turnaround companies, or somewhat influence strategy performance relationship of turnaround companies (Hofer, et al 2000).

2.4 Shareholder Repositioning

Maximizing shareholder value is a management principle, also known under value based management; it states that management should first and foremost consider the interests of shareholders in its business decisions. Shareholder value depends on the future stream of income and is affected by information on any factor that may affect the income stream. Such information may involve economic predictions, substitute technologies, movements in currency exchange rates, legal disputes, competitor's moves, strategic investments, and so on. However, as long as such information affects all firms with similar risk to the same extent, the beta excess returns were not change but remain negligible. But, if the information affects one firm more adversely than the rest, the beta excess returns of such a firm were become negative. During decline, unanticipated changes coupled with inappropriate strategic conduct resulted in a decline of performance. Rapp port (2001-2003) suggested that

shareholder value should be measured as a product of the stock price and the number of shares outstanding. Since the number of shares outstanding rarely changes, shareholder value is directly related to the price of a stock. Since stock price movement is approximately a random walk, it is difficult even to imagine that there could be a link between strategy and such a measure of shareholder value. The random movement of stock prices confirms that the financial market is efficient. Cootner (2007) suggested that the random movements in stock price were around an "intrinsic value" (Graham et al., 2002). Graham et al. (2002) defined the "intrinsic value" of a firm as the net present value of the future stream of income. This is called the fundamental analysis model.

Financial analysts who value stocks track a firm, its competition, the economy and other related factors which affect the future stream of income and then estimate its "intrinsic value". If the price of a stock is beyond a given level above its "intrinsic value", then the analyst would recommend a "sell" decision and vice versa.

According to Cootner (2007), such profit-taking behavior combined with intense competition ensured that the random walk observed stays within a narrow band around the "intrinsic value". The fundamental analysis model suggests that shareholder value is the net present value of the future stream of income (Rappaport 1998, 2008). This implies that a drop in income in the near future would be valued, and weighted, higher than similar drops in a more distant future. Hence, firms facing a decline in their income stream would have a sharp drop in shareholder value and this in turn would result in negative beta excess returns.

In a perfect financial market, this revaluation would occur in the first year of decline. But, according to previous research findings (for example Fama et al., 2006), it appears that as new information on the continued decline reaches the market, firm value (i.e. its stock price) would be adjusted to account for this continued drop in income. Therefore, if one measures beta excess returns every year during decline, it would be negative for turnaround firms. Since, non-declining firms continue to grow and since the corporate strategy of these firms would normally not be changed, their beta excess returns were negligibly small. The concept of maximizing shareholder value is usually highlighted in opposition to alleged examples of CEO's and other management actions which enrich themselves at the expense of shareholders. Examples of this include acquisitions which are dilutive to shareholders, that is, they may cause the combined company to have twice the profits but these might have to be split amongst three times the shareholders. As shareholder value is difficult to influence directly by any manager, it is usually broken down in components called value drivers.

A widely used model comprises of 7 drivers of shareholder value, giving some guidance to managers: Revenue, Operating Margin, Cash Tax Rate, Incremental Capital Expenditure, and Investment in Working Capital, Cost of Capital and Competitive Advantage Period. While a focus on shareholder value can benefit the owners of a corporation financially, it does not provide a clear measure of social issues like employment, environmental issues, or ethical business practices. A management decision can maximize shareholder value while lowering the welfare of third parties. It can also disadvantage other shareholders such as customers. For example, a company may, in the interests of enhancing shareholder value, cease to provide support for old, or even relatively new, products.

2.5 Top Management Reorganization

The human resources have to actively partner with the business leadership and develop strategies to create capabilities within the organization to speed up the execution of corporate turnaround (Prasad 2006). Literature on human resources strategies has a lot written on downsizing efforts, especially those adopting a top-down approach, simply focus on reducing the number of employees (Cameron 2004, Cascio 2003). Firms experiencing negative trends of performance typically resort to retrenchment as their most prominent turnaround strategy. According to Mishra and Mishra (2005), the downsizing strategy commonly adopted by troubled organizations in the early 1980s was mainly an effort to reduce the number of employees in order to stay competitive. That trend continued into the 1990s with firms attempting to cut costs through staff-reduction to remain competitive in the global marketplace (Appelbaum et al., 2000a; Cameron et al., 2001). However, in the context of successful turnarounds, Manimala (2001) observed that the more effective and long-lasting employee management strategies for troubled organizations were based on employee engagement and culture building. Change in top management is another well identified human resource strategy. Leaders are often a contributing source of decline (Arogyaswamy et al., 2005). Executives either directly caused the problems at the heart of crisis or failed to recognize the problems early enough (Bibeault 2002).

The first step or the first priority in a turnaround situation is the recognition that new management can make the difference (Barker and Mone 1994, Jacoby 2004, Murphy and Meyers 2008). Top management change is widely recognized as a precondition for successful turnarounds, the nature of the top management team in a company is

of greater significance for success or failure than any of the company's products, skills or physical assets (Murphy 2008). It is the top management who sets the style and tone of management in the organization and therefore can involve and empower their employees. Empowered employees are energetic, passionate and experience a feeling of ownership over jobs, which were encourage and motivate the employees to offer their innovative best for the company with a customer service mindset (Prasad 2006). Under such conditions performance management becomes voluntary and leads to better results as compared to management-initiated performance appraisal and monitoring.

A human resource design is a blueprint for processes of human discharge and appointment. It is a detailed plan for what to do, why you were be doing it, and the best ways to reach discharging management staff and appointing others. The three management mandates for a successful Re-Organization is about Making morale a top priority, Establish clear systems of power and to build credibility for the new organization. Building morale is at the top of this list because we find it is often the most deficient and yet most crucial aspect of skilled leadership in organization transitions. In other papers we were present discussions of power and credibility. What follows in this paper is a short field manual, an architectural blueprint, for building organizational morale. Our goal is to help managers who are responsible for reorganization efforts: first, to recognize important issues that they may not immediately think about; second, to clarify their own role and responsibilities; and, third, to identify opportunities to be more effective in building the morale of their organization.

The First Mandate: Make morale a priority: Carl von Clausewitz, the great nineteenth century Prussian philosopher of war, states that morale is the most important element of military strategy, and that when all other factors are approximately equal, morale were be the decisive factor in determining the victor. During times of reorganization, human emotions come to the forefront. The process of reorganization unleashes fears and anxieties, as well and excitement and hope. It raises frustrations, shortens tempers, leads to loss, grief and guilt, and it may disrupt long-standing friendships and alliances. Even the people who are generally calm and rational in the face of conflict act in unusual ways during a reorganization. The dictionary defines morale as "the moral or mental conditions with respect to courage, discipline, confidence, enthusiasm, were ingress to endure hardship, etc." Everyone's morale is precarious when a large entity reorganizes. Whoever is in charge needs to assess the subtle shifts in morale from the very earliest stages of the reorganization, keeping track of all the players and how they are responding to the ripples of change as they occur. A first step in tracking morale is keeping the "reorganization scorecard." winners and losers. Building a resilient emotional framework is a step to encourage managers who take charge of the emotional parameters of their newly formed organizations, to address key tasks like selecting key managers rationally, dealing with the losers and building morale. Morale is an immediate requirement. Building morale must be a top priority, reflected in the leader's daily calendar, public behaviors, and private reflections. Morale is built by innumerable small decisions and acts, all of which must be true for those undergoing reorganization. It requires a level of mastery that unfortunately is not often discussed or promoted among managers. This mastery is "the moral or mental condition with respect to courage, discipline, confidence, enthusiasm and were in gneiss to endure hardship. Each member of the leadership team is chosen, that member must offer input into the selection of the rest of the leadership team still to be chosen. The second Mandate: Establish clear systems of power: When selecting the Leadership Team: Everyone already on board, who is at the same level and who must communicate and coordinate with the position, ought to participate. Participation should include interviewing top candidates.

Top management sets the moral tone of the organization and it includes checking references. Input should include both communicating recommendations to the decision maker, before the decision is made, and being told about the decision before it is implemented. The secret to building blocks of expert leadership is by walking the talk, cultivate exemplary characteristics, attending carefully to communication, track morale and its implications. Top management inevitably sets the moral tone for the organization by personally embodying the values by which all would be held accountable. No matter how eloquent and pervasive the official rhetoric is, the new organization would reflect the leader's walk, rather than the leader's talk. Behaviors always speak louder than words, and the behaviors of the top leadership are open to scrutiny from all directions. Leadership must cultivate exemplary characteristics, the leadership behaviors that most Effect morale relate directly to the fibre and strength of the leader's inner character integrity, which is the congruence between the vision and direction expressed in a leader's expressed intentions as compared to the vision and direction expressed in a leader's observable actions walking the talk.

The third mandate is to build credibility of the organization. The most effective way to address the substantive, practical concerns which affect the success o f the firm is to communicate and discuss thoroughly repeatedly the future direction, including opportunities and risks inherent in that direction, expectations that must be satisfied to

exploit the opportunities, Dependencies that must be satisfied among various functional organizations, What is most likely to go wrong, and what should be done when those things go wrong and the most important issues to manage well and how they were be managed. Place standards and structures of communication and how processes should be carried out.

2.6 Cost Reduction Strategy

In today's competitive world, corporate and businesses are struggling to maintain profits and healthy bottom lines. Cost of production, fuel, raw material and human resources is rising each year. These developments have prompted organization management to look for Cost reduction ideas and methods. Those who have opted for focused cost reduction strategies should survive the times. In recent economic down turn it becomes more important to make cost reduction program a major initiative in industry. Companies are finding it difficult to retain people and are laying-off employees which are unprecedented in recent history of industrial recession. Companies have to develop their own cost reduction program for savings without cutting jobs. Multiple researchers in the field of turnaround management emphasize the importance of cost retrenchment for achieving turnaround success (for example Hofer, 2000; Bibault, 2005; Robbins and Pearce, 2002). Correctly identifying the cause of decline allows the turnaround response to be tailored to the specific problem.

An early perspective on turnaround strategies dichotomized the cause of a firm's decline into internal and external sources of decline (Riggs et al 2007). Correspondingly, two types of turnaround strategies are distinguished: operating versus strategic turnaround strategies (Hofer, 2000). Strategic turnaround strategies should be used to solve external problems, while operating strategies should be applied in the case of internal problems. Operating strategies focus on improvement of firm efficiency and therefore are closely related to retrenchment of non-performing assets and overly high cost factors. Both types of turnaround responses, however, may include asset and cost-cutting elements, which are assumed to positively influence performance if closely tied to the assessment of current operating and strategic health of the firm (Hofer, 2000).

Research on turnaround suggests that the performance outcomes of asset and cost reduction are contingent on industry dynamics as well (Morrow et al 2004). Turnarounds cannot be sensibly analyzed without taking into account the context of the financial obligations and related governance arrangements (Igor and Toms 2006, Kumar 2003). Hofer (2000) and Robbins and Pearce (2002) argue that companies under severe financial distress need to make aggressive cost and asset reductions in order to survive. Slashing labor costs, production costs, selling and administrative expenses, R&D expenditure, and financing costs is a common strategy used in the early stages of corporate turnarounds (Denis and Kruse 2000, Beixin et al 2008). However, as pointed out by Slater (1999), the aggressive reduction of costs and assets is no easy task because of the possible organizational resistance to such action. Asset-reduction strategies have been recommended for failing companies in order to improve cash inflows (Hofer 2000, Taylor 2002, Hambrick and Schecter 2003, Robbins and Pearce 2002), which would help in meeting the immediate cash obligations as well as for creating more productive assets.

2.7 Summary of Literature

Turnarounds are associated with perseverance and recovery following an existence-threatening decline (Pandit, 2000; Chowdhury, 2002) or a master plan of actions necessary to reverse a declining business situation (Barker and Duhaime, 2007). Utilizing the structure-conduct-performance paradigm, the starting point for testing the factors that influence turnaround lies in the external environment. Schendel et al. (2001) found that downturns in performance were a result of unfavourable environmental shifts combined with organizational inefficiency or inappropriate competitive strategies. Other researchers argued that environmental factors such as industry conditions, government regulations, and external stakeholders such as financial institutions limit the choices of management and therefore influence performance (Hubbard and Kosnik, 2006). The strategy literature is replete with conceptualizations of the environment and its effect on organizations. Dess and Beard (2004) categorized the external environment along three dimensions, munificence, dynamism and complexity,' with each dimension comprised of a cluster of attributes influencing the organization in a unique way. Of these categories, environmental munificence (the environment's capacity to accommodate firms) has particular relevance to organizational decline and turnaround (Arogyaswamy et al 2005). It has long been acknowledged in the organizational ecology literature that low environmental munificence makes it difficult for organizations to survive (Hannan and Freeman, 2007). Covin and Slevin (1999) suggested hostile environments are characterized by precarious industry settings, intense competition, harsh, overwhelming business climates, and the relative lack of exploitable opportunities. Past research suggests that decline characteristics are important because they either signal managers that current strategies and resources are not effective and create pressure to change (Chowdhury and Lang, 2003), or give managers some idea of how ineffective current resources are and how fast they are deteriorating.

According to the cognitive perspective (Hambrick and D'Aveni 2000), large firms are likely to have tortuous internal procedures and multiple relationships with stakeholders, which may slow down their ability to respond quickly. Therefore, the presence of size-related inertia in large firms would negatively affect their ability to enact turnaround strategies (Meyer and Zucker, 2001). Small firms may have less complex organizational structures and may be able to react to changes faster than larger firms. Arguments from both research streams have received mixed support in the turnaround literature. Barker and Mone (2004) found no support for the positive influence of size on turnaround. However, Havernan (2003) found that larger organizations tend to respond better to declining performance and turbulent environments, respectively. Shetty and Butler (200) suggested that firm productivity is an encompassing construct and evidence of a firm's overall competitiveness and effectiveness. Although firm productivity could be related to past cost reduction activities, it is also a result of other additional firm level factors such as existing market share or sales growth (Arogyaswamy et al., 2005; Barker and Duhaime, 2007). A declining firm that has relatively efficient operations is utilizing its resources more productively and economically, enabling it to *focus* on other primary causes of decline.

Related study in Kenya was carried out by Situma (2006) on turnaround of KCB who found out that more than one turnaround strategy is required to turnaround an ailing firm. He also suggested that hostile conditions characterized by intense competition and relative lack of exploitable opportunities affect business during turnaround process. This study was however limited in that it concentrated only on the banking sector and didn't specifically address factors that influence the outcome of turnaround strategies adopted by firms under decline. Moreover there was a research gap as the effect of factors such as shareholder repositioning, top management reorganization and cost reduction strategy on turnaround was not fully determined thus the need for current study.

2.8 Critique of the Literature

Notwithstanding the wide variety of turnaround researches available, Pandit argues 'few studies elucidate in formal terms the key aspects' (2000: 42) and consequently, he argues that our understanding of the phenomenon is incomplete. The criticism of previous turnaround research is nowhere as evident as it is in the words of Winn (2003) who bemoans the fact that most research on corporate turnaround offers results which are unconvincing and of little assistance to turnaround managers. Similar sentiments are voiced by Castrogiovanni, Baliga and Kidwell (1992: 27) when stating that 'research on performance turnaround following CEO change has been limited and inconclusive' and Chowdhury (2002) who argues that while content-specific turnaround research is more convenient, it tends to offer little more than static descriptions of turnaround strategies. With Meyer alleging that turnaround researchers are currently a long way up the empirical creek without a theoretical paddle, it is not surprising to hear other critics call for systematic theory building based on carefully designed and skilful executed empirical research on turnaround situations and responses (Pearce and Robbins, 2003).

Furthermore, given that previous studies have been methodologically suspect, have overlooked crucial research questions and have employed a degree of theoretical neglect, there appears to be ample scope for future research to make a significant contribution to the literature on corporate turnaround (Pandit, 2000). As previously referred, the scarcity of research carried out on newly appointed leaders in these turnaround situations provides the perfect opportunity to make such a contribution. Also developments within the turnaround effort appear to confirm 'the perils of the J-curve' as detailed by Pettigrew et al. (2003) and the depiction of the co-op as a 'house of cards' seems to accurately depict more innovative forms of organizing (Pettigrew, 2003) and the widening strategic arena within companies in general.

2.9 Research gap

In any business there are many players all of whom are targeting the same clients. With increased power of competition, some players in the industry fall by the way side, hence requiring turnaround strategies to put them back on track. Turnaround strategies are needed when a business worth rescuing goes into crisis: the objective is to arrest and reverse the sources of competitive and financial weaknesses as quickly as possible (Thompson and Strickland, 2001). The tactics of turning around a business is to reverse the normal time horizons of the business. For example instead of looking for a long-term strategy and then afterwards deciding the short term tactics, there is need to implement short term tactics to give the firm a chance of having the long term strategy implemented. In an effort to turn around an ailing firm, the management is charged with the responsibility of formulating a suitable strategy to diagnose factors responsible for the *firm's* performance decline.

Understanding what is wrong with the business and how serious its strategic problems are, is critical since different diagnosis leads to different turnaround strategies. It should however be noted that not all turnaround

cases are a success story. According to Hambrick and Schechter (2005) only 25% of the cases of turnaround managed to recover over a 4-year period- indicating that turnaround especially in difficult operating environment like mature, competitive businesses is not easy. A number of scholars have indicated that the success of a turnaround strategy is dependent upon both internal and external factors. A main concern by scholars and practitioners is an understanding of factors that influence success of turnaround strategies in order to avoid failure that is likely to result into liquidation. Very little research seems to have been done; hence this study fills the gap by analyzing the shareholder repositioning, top management reorganization and cost reduction strategy as a measure of turnaround of retail chains case of Uchumi in Kenya.

3.0 METHODOLOGY

3.1 Research Design

Research design is the general plan of how one goes about answering the research questions (Saunders et al, 2007). The researcher adopted a descriptive case study aimed at establishing the outcome of turnaround strategies in turning around a firm under decline. According to Gray (2004) the case study method is ideal when a 'how' or 'why' question is being asked about a contemporary set of events over which the researcher has no control. The descriptive case study design was effectively used by Situma (2006) in a study of the turnaround strategy adopted at KCB. Target population is defined as, 'all members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study. The target population was 225 drawn from Uchumi supermarkets Branches in Nairobi. The Sample size in the study comprised of 90 managers. The researcher used purposive sampling for the number of supermarkets to be researched on, and then stratified sampling since it not feasible to cover all the 225 managers. The sample consisted of 90 managers from 15 branches, purposive sampling is supported by the argument from Fraenkel and Wallen (2003) who notes that purposive sampling allowed the researcher to select a sample or use cases that the researcher believes provided the data needed. Creswell (2009) suggests, 'indicate the number of people in the sample and the procedures used to compute the numbers' and the researcher chose supermarkets branches within Nairobi and randomly select 40% of the population of managers in each stratum.

The researcher applied Inferential statistics as well Correlation analysis (to measure the strength of the relationship between the independent and dependent variables, i.e. the relationship between, Shareholder repositioning, Top management reorganisation, Cost reduction strategy and success of turnaround strategies). Multiple regression analysis was used to determine the relative of each of the variables with respect to the turnaround strategies in Uchumi). According to Cohen (2003), multiple regression is a flexible method of data analysis that may be appropriate whenever a quantitative variable (the dependent or criterion variable) is to be examined in relationship to any other factors (expressed as independent or predictor variables).

4.0 Findings

4.1 Stakeholder Repositioning

The researcher sought to investigate the respondents' opinion on stakeholder repositioning and outcome of turnaround strategies at Uchumi. The respondents through interview guide were supposed to indicate on the level of agreement based on a Likert scale of 1-5 where 1-represented strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree. The results were computed for mean and presented as shown in table 1 below.

Table1. Stakeholder Repositioning& Participation

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
Stakeholder participation						
The organization stakeholder repositioned before the turnaround was sluggish	35	39	12	0	0	4.2674
The stakeholder repositioned before the turnaround contributed to the decline of the company	37	39	10	0	0	4.3139
The new management refined and were able to enhance more organization stakeholder's repositioning	34	43	9	0	0	4.2906
The new stakeholder repositioning encourages innovation and strategy implementation	38	42	6	0	0	4.3720
The stakeholder repositioning installed during the turnaround has greatly contributed to the success of turnaround strategies	41	33	12	0	0	4.3372

Source: Researcher: 2016

From table 1, the fact that stakeholder repositioning installed during the turnaround has greatly contributed to the success of turnaround strategies had a mean score of 4.3372. New stakeholder repositioning encourages innovation and strategy implementation, had a mean score of 4.3720. The new management refined and were able to enhance more organization stakeholder's repositioning hence a mean score of 4.2906. The Stakeholder repositioning before the turnaround contributed to the decline of the company and stakeholder participation before the turnaround was sluggish with mean scores of 4.2674 and 4.3139 respectively. These findings indicate that that the management, employees, distributors, and the government repositioning in the new Uchumi during the turnaround has greatly contributed to the success of turnaround strategies, encourages innovation and strategy implementation while the new management refined and were able to enhance more organization stakeholder's repositioning.

4.2 Stakeholder Repositioning and Outcome of Turnaround Strategies

The study sought to establish the influence of stakeholder repositioning and outcome of turnaround strategies in Uchumi.

Model Summary

Coefficients:

(Intercept)	Strongly agree	Agree	Neutral
0.000e+00	1.000e+00	-2.744e-17	0

Thus;

$$Y = \text{strongly agree} - 2.744e-17$$

ANOVA (Analysis of Variance)

Hypothesis

H0: regression is not significant

H1: regression is significant

Test Criteria

At alpha=0.05,
 We fail to accept H0 if F calculated >F table
 i.e 138.2>3.89

Table2. Stakeholder Repositioning and Outcome of Turnaround Strategies

Source of variation	Sum of Squares	df	Mean Square	F
Regression	2661.7	2	1330.85	138.2
Residual	115.6	12	9.63	
Total	2797.3	14		

Source: Researcher 2016

4.3 Top Management Reorganisation functions that can enhance full Implementation of Turnaround Strategies.

Table 3: Training and sensitization

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
During its restructuring uchumi invested heavily in training	30	45	11	0	0	4.2209
There has been adequate information flow during the turnaround process	33	37	16	0	0	4.1976
Employees were actively involved in setting the agenda during the turnaround process	36	40	10	0	0	4.3023
Enlightening the employees has greatly contributed to the success of turnaround strategies applied at Uchumi.	27	45	14	0	0	4.1511

Source: Researcher 2016

From table above as per the responses, during its restructuring, uchumi invested heavily in training hence giving a mean score of 4.2209. Uchumi enlightened the employees thereby greatly contributing to the success of turnaround strategies applied. This had a mean score of 4.1511. Employees were actively involved in setting the agenda during the turnaround process, and there had been adequate information flow during the turnaround process. These had mean scores of 4.3023 and 4.1976 respectively. These findings indicate that Employees were actively involved in setting the agenda during the turnaround process in Uchumi. In addition they invested heavily in training thus encouraged them to own the strategies hence participating fully in implementing them.

Model Summary

Coefficients:

Intercept	Strongly agree	Agree	Neutral
7.050e-15	1.000e+00	-8.864e-17	0

Thus the model becomes;

$$Y (\text{Management Reorganisation}) = 7.050e-15 + 1.000e+00(\text{Strongly agree}) - 8.864e-17 (\text{Agree})$$

Analysis of Variance

Hypothesis

H0: regression is not significant

H1: regression is significant

Test Criteria

At alpha=0.05,

We fail to accept H0 if F calculated >F table

i.e 67.99>3.98

ANOVA

Table4. Training and sensitization

Source of variation	Df	Sum Sq	Mean Sq	F value
Regression	2	1730.2	865.1	67.99
Residual	9	114.5	12.72	
Total	11	1844.7		

Source: Researcher: 2016

4.4 Cost Reduction Strategy on Turnaround Strategies.

The researcher aimed at identifying some of the cost reduction strategies induced policies in business sector that greatly influence new Uchumi during the turnaround process. From the findings; market liberalization policies, price controls, monitoring of imports and timely payments, encouragement of development partners and private sector to mobilize more resources to the sector, coordination and collaborative ventures among stakeholders induced policies that greatly influenced new Uchumi during the turnaround process.

4.5 Cost Reduction Strategies & Government Policy

The researcher further sort to ask the respondent on the influence of cost reduction strategies & Government policy on the scale of 5, Strongly agree, 4 Agree, 3 Neutral, 2 Disagree, 1 Strongly Disagree. The findings were as table 5

Table5. Cost Reduction Strategies & Government Policy

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
The cost reduction strategy ensured that the company had exemplary leadership team during turnaround strategies	35	43	8	0	0	4.3139
Recapturing its former market share has been one of the drivers for success of turnaround	31	47	8	0	0	4.2674
The firm has been able to recapture its market share	33	43	10	0	0	4.2674
The government has invested greatly in the company	39	41	6	0	0	4.3837
Political influence has helped the company	33	40	13	0	0	4.2325

Source: Researcher 2016

Training and sensitization From the above data with a mean of 4.3837, indicated that the government invested greatly in the company, 4.3139 mean affirmed that strategy ensured that the company had exemplary leadership team during turnaround strategies, 4.2674 mean said that company recaptured its former market share has been one of the drivers for success of turnaround and has been able to recapture its market share, 4.2325 mean urged that Political influence has helped the company.

H0: regression is not significant

H1: regression is significant

Test Criteria

At alpha=0.05,
 We fail to accept H0 if F calculated >F table
 i.e 148.351>3.89

ANOVA

Source of variation	Df	Sum Sq	Mean Sq	F value
Regression	2	3085.7	1542.85	148.351
Residual	12	93.6	10.4	
Total	14	3179.3		

Model Summary

Coefficients:

Intercept	Strongly agree	Agree	Neutral
30.5447	-0.1563	-0.5187	0.001

Thus;

$$Y (\text{cost reduction}) = 30.5447 - 1.1563(\text{Strongly agree}) - 0.5187 (\text{Agree}) + 0.001(\text{neutral})$$

Source: Research: 2014

5.0 SUMMARY, FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

5.3 Shareholder Repositioning in Turnaround Strategies on Organization Performance.

From the findings, stakeholders greatly contributed to the success of turnaround strategies in Uchumi. The findings also indicated that stakeholder repositioning installed during the turnaround has greatly contributed to the success of turnaround strategies, encourages Innovation and strategy implementation while the new management refined and were able to enhance more organization stakeholder's repositioning. The study also established that the government ensured implementation of policies governing the running of Uchumi, enhanced better pay to the employees resulting to increase in productivity of the firm. Respondents indicated that employees and stakeholders contributed to the success of Uchumi by ensuring there is increased productivity.

5.3 Top Management Reorganization on Turnaround Strategies.

It emerged that management that implemented in the strategies in different ways. The major characteristics of this plan included change in top management this was done in line with the argument that old management team was associated with the causes of the decline of uchumi so they had to leave. A new CEO was brought on board in addition to other board members at executive and non-executive levels. The CEO gradually brought the company on truck after the decline. The respondents indicated that strategies made by top management influenced strength of the company's market position largely.

The study found that the reorganization of top management was inevitable during decline and that transitional managers have a great influence in the positive growth of the organization. The whole process included all aspects of the organization and responsibility was put in everybody's hands under the watchful leadership of the CEO. He provided both leadership and management skills required for turnaround, Customer service delivery needed to improve and this was achieved through a series of training for the entire staff. The incorporation of

strategic as well as operational strategies was important in turning the business around. Market refocusing, market growth and development of new products like personal banking was embarked upon. Going into other markets with less competition and with more growth potential was pursued to ensure survival. Another important aspect of turnaround was stakeholder support.

5.4 Cost Reduction Strategy

The researcher found out that market liberalization policies, price controls, monitoring of imports and timely payments, encouragement of development partners and private sector to mobilize more resources to the sector, coordination and collaborative ventures among stakeholders were some of the induced policies under new management that greatly influenced new Uchumi during the turnaround process. Further it was respondents indicated that company's productivity during turn around increased.

5.3 Conclusion

The study concludes that strategies made by top managers influenced strength of the company's market position largely. New management considered stakeholders interest in their strategic decisions highly. Managers' strategic decisions affected the company positively. The managers had a practice of transparency and commitment during decline.

The study further concludes that stakeholders installed played a great role in the success of turnaround strategies in the new Uchumi. This was through encouraging innovation and strategy implementation while the new management refined and were able to enhance more organization stakeholder's participation. In all, stakeholder support and repositioning had the greatest influence, followed by top management reorganization and lastly cost reduction strategy and Government policy in the success of turnaround strategies adopted in reviving New Uchumi.

5.4 Recommendation

The study found that by mere putting in place turnaround strategies, it doesn't guarantee an organization successful turnaround. Based on the research objectives, the study recommends that in order to turn around an organization under decline, there is need to ensure that factors that back up turnaround strategies are put into consideration.

From the findings, stakeholders greatly contributed to the success of turnaround strategies in Uchumi. The study thus recommends policy formulators to include stakeholder support and participation in the entire turnaround process. In order to counter the natural instinct of stakeholders to protect them in relation to firms decline, it is essential that the turnaround leader retains the trust of all stakeholders.

On management reorganization aspect, it emerged that Management, Marketing and Customer service are the top skills considered in the new Uchumi. The study therefore recommends that organization should enhance absorption of employees with vast scope of skills meant to facilitate the whole process of revival and survival in competitive market. This should also take into consideration employee training in strategic management in the key areas of operations and firms development.

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