

**CHALLENGES OF IMPLEMENTATION OF TURNAROUND
STRATEGY AT THE NEW KENYA COOPERATIVE CREAMERIES
(NKCC) IN KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF ADMINISTRATION(MBA),
SCHOOL OF BUSINESSUNIVERSITY OF NAIROBI**

NOVEMBER: 2013

DECLARATION

This is to declare that this research project is my original work and has not been presented to this or any other University or Institution of Higher Learning for any academic award.

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I declare that this research project has been submitted for examination with my approval as university supervisor.

Sign: -----

Date: -----

PROF. K'OBONYO

DEDICATION

This Project is dedicated to my family for their patience, encouragement, understanding and support throughout my study.

ACKNOWLEDGEMENT

The road to the completion of this project has been challenging but exciting and inspiring. I was able to walk through this journey with the help of people who were very close to me that encouraged me and gave me useful guidance when it was required. The successful completion is attributable to my effort which was complimented by others who committed their time, expertise, resources and dedication. The following persons deserve special recognition.

Special gratitude to my supervisor PROF. K'OBONYO whose supervision, support, and guidance in the entire research undertaking was beyond measure.

Finally, appreciation goes to the entire Management team of New Kenya Creameries Cooperative (NKCC) for their cooperation during data collection. May the Lord bless you abundantly.

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ABBREVIATIONS

ICT	-Information and communication technologies
KRA	- Kenya Revenue Authority
NKCC	- New Kenya Cooperative Creameries
KCC	- Kenya Cooperative Creameries
ROK	- Republic of Kenya
ERP	- Enterprise Resource Planning

ABSTRACT

During the 21st century, organizations will continue to experience discontinuous and abrupt change. Successful organizations will be those that implement turnaround strategies successfully. The New KCC is one of these institutions that is yet to effectively manage challenges facing the implementation of its turnaround strategy. The firm has failed to take off since its revival in June 2003 and has continued to depend on government grants and loans. This study therefore sought to determine the challenges faced in implementation of turnaround strategy at New Kenya Cooperative Creameries Ltd (NKCC). The study adopted a case study research design. The case study was chosen because it gave an in-depth investigation of the key information on the implementation of turnaround strategy at New KCC. The researcher conducted individual in-depth interviews that were guided by unstructured and open ended questions for the key informants. The data was analyzed using content analysis technique because it was qualitative in nature. Data was summarized and presented under thematic areas in response to the objectives. The study found out that the New KCC Management adopted a number of strategies in order to turnaround the institution. These strategies included; rehabilitation of machines and requisite infrastructure, operationalization of the institution, drawing up of a management structure and manning levels in line with the business and functions of the corporation, provision of funds by the government, recruitment of new staff, cost saving/cost management measures. The study concluded that challenges faced in the implementation of turnaround strategy at New KCC were ineffective leadership, frequent breakdown of the machinery, cash flow problems, negative culture/resistance to change, limited funds to undertake adequate marketing, poor planning especially on milk processing. The study recommends that the government should put in place reforms that will enable enhancement of infrastructure e.g. distribution of electricity and construction of roads. It should also give the management of NKCC autonomy in leadership and decision making in the implementation of turnaround strategies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations currently operate in a dynamic and constantly changing and increasingly competitive environment (Ansoff and Dowell, 1990). The changes are as a result of environmental factors which include economic fluctuations, development of new products and technology, social change or war, globalization as well as new customer demands. Consequently, both private and public institutions need to be flexible and innovative in the way they deal with the unfamiliar business situations they often encounter to enable them meet the challenge of competition and the changing and sophisticated needs of customers (Burnes,2000). In order to cope with these changes, strategic management has taken the centre stage in organizations that intend to succeed in the turbulent business environment.

Although it is recognized that developing a strategy for an organization is important, the success of the implementation of such strategy is dependent on effective strategic change management. Strategy implementation is therefore the critical part of every successful strategy including a turnaround strategy (Johnson, Scholes and Whittington, 2005). However, implementation of most turnaround strategies has on the whole yielded unsatisfactory results. Hamel (2002) asserts that in the majority of turnarounds, the results have been disappointing and the carnage has been appalling with wasted resources and burned out, scared, or frustrated employees.

It is generally recognized that a firm's top management team takes on particular importance during periods of declining performance of the organization. Miller (2005) indicated that to be successful in such situations, management evaluate and determine the cause of a firm's performance lapse and implement decisions necessary for its prompt recovery . Top management failure to manage a firm's turnaround process properly will result in its continued decline and eventual economic failure or bankruptcy (Tripsas, and Gavetti, 2000). Complicating matters further, decision-making by the top management, unstructured even in the best circumstances, may be even more chaotic in times of thinning resources, diminishing employee morale and declining stakeholder support (Burnes, 2000).

Firms experiencing decline in performance may adopt counter strategies to recovers adequately to resume normal operations, to survive a threat and regained sustained profitability (Barkerand Duhaimé 1997).Thus, in a turnaround situation, actions occur against the backdrop of a performance crisis. Depending on a firm's remaining viability, this may require similar or different decisions that would be required in a healthy firm (Cater, 2006). Globalization of the economy has increased the opportunities and risks that individuals and organizations have to contend with daily. In the globalized economy and in the age of discontinuity, successful corporations will need to successfully turn around/ transform themselves as regularly and as nimbly as change does (Thornhill and Amit, 2003).

Kenya is largely self sufficient in milk production except during dry weather spells. Currently the production stands at 3.2 billion litres per annum. Several major factors have contributed to the widespread adoption of dairying in Kenya the importance of milk in

the diets of most Kenyan communities; a favourable production environment (mid to high altitudes with bimodal rainfall); the presence of the original settler dairy cattle population; and policy and institutional environments (through to the early 1990s) conducive to large- and small-scale dairying. Though this is sufficient for domestic consumption, a lot more is required for the export market as the companies in dairy sector faces numerous constraints (ROK, 2003). The New Kenya Co-operative Creameries Limited is one of the leading Dairy Company in the Country though experience decline in performance even after adopting turnaround strategies. This study seeks to determine challenges facing New KCC in implementation of turn around strategies.

1.1.1 The Concept of Strategy

A strategy to an organization is, amongst other things, a plan of how the organization can achieve its goals and objectives it is a commitment of present resources to future expectations (Thompson and Martin, 2005). The aim of strategic management is to decide on organizational goals, the means of achieving those goals, and ensuring that the organization is sustainably positioned in order to pursue these goals. Furthermore, the strategies developed provide a base for managerial decision making (Robbins *et al*, 2000). Strategy is elementarily defined as a long term plan of action designed to achieve a particular goal (Dent and Barry, 2004).

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for a plan of action that will develop

a business's competitive advantage and compound it (Whittington, 2002). The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Quinn, 2000).

1.1.2 Turnaround Strategy

A turnaround is a transformational change undertaken by a firm which is experiencing declining performance or is likely to do so in the near future (Burns, 2004). Left on its own, without recovery efforts, the organization is likely to experience further decline which may eventually lead to bankruptcy. The recovery efforts that rescue the organization from cycle of decline' are part and parcel of implementation of a turnaround strategy (Kanter, 2004).

Therefore, a turnaround strategy is a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival Chowdhury, (2002). It is also a combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability. Firstly the strategy has the primary objective of stabilizing the financial conditions of the firm through cost cutting and asset reducing activities (Pearce and Robinson, 2004). Secondly the strategy endeavours to rebuild the firm's core competencies which are required to help it regain competitive advantage, the source of its growth and profitability.

Most turnaround strategies respond to the factors in the industry environment and factors in the operating environment. The firm may also adopt a mixture of two models of strategy that is the competitive forces model and the resource based model. However, the success of any turnaround strategy depends on its implementation on how it aligns customer needs with organizational vision and organizational capability (Coulsion, 2004). A turnaround strategy can further be defined as sustainable positive change in the performance of a business to obtain the desired results. It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherrer, 2003).

A turnaround is considered to have occurred when the firm recovers adequately to resume normal operations, often defined as having survived a threat to survival and gained sustainable profitability (Barker and Duhaime, 1997). Thornhill, and Amit, (2003) concluded that successful transformational changes are the consequence of two important patterns. The useful change had to be associated with multistep process that create power and motivation sufficient to overwhelm all the sources of inertia and the process is never employed effectively unless it is driven by high quality leadership not just excellent management.

1.1.3 Strategy Implementation

Organizations today operate in a dynamic and constantly changing and increasingly competitive environment (Hamel, 2002). The change phenomenon has become prevalent and increasingly unpredictable especially on, magnitude, speed, form and impact (Hamel, 2002). The implementation of a turnaround strategy determines which

company will shortly end up in bankruptcy, which company will realize short-term wins but fail to win the battle for long-term survival, and which company will regain financial health and realize long term profitable growth' execution is the tough (Gerstner, 2003). According to Jones & Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore, must consider issues central to its implementation which include, matching organizational structure to strategy, linking performance to incentives/sanctions, creating a supportive organizational culture among other issues (David, 1997).

Successful strategy implementation depends on a large part on how a firm is organized. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective (Furman and McGahan, 2002). It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce & Robinson, 2007).

1.1.4 Dairy Industry

Dairy production in Kenya began in 1901 with the establishment of large-scale commercial dairy farms in the central highlands. The foundation stocks were founded by grading-up of indigenous zebu cattle with European dairy breeds imported from South Africa (Mosi et al., 2000). By 1912, cattle population in the central highlands was

estimated at 77,050, comprising 43.4% local zebus, 55.7% dairy crossbreds and 0.9% dairy high-grade (Mosi et al., 2000).

Presently, the dairy industry is regulated by the Kenya Dairy Board, established under Section 4 of the Dairy Industry Act Cap. 336 enacted by Parliament in 1958, (Dairy Industry Act). It is from this Act that the Board derives its mandate. Kenya is largely self sufficient in milk production. Currently, the production stands at 3.1 billion litres per annum, though this is sufficient for domestic consumption, there is a higher demand for the export market. Kenyan exports of milk, cream, butter and ghee increased from KShs 117.5 million to KShs 140.6 million in 1998 to 2002 respectively, while total value of import decreased from KShs 353 million to KShs 135 million in 1998 to 2002 respectively (Dairy Industry in Kenya, 2005).

After Kenya's independence in 1963, the predominant dairy production system rapidly shifted from large-scale to small-scale (Stotz, 1979; MoALDM, 1998). The shift to small-scale dairying resulted in an increase in population of dairy high-grade cattle and Friesian dairy breed. In recent characterization study of smallholder dairy systems in the central highlands, cattle population comprised 3.8% zebus, 53.6% dairy crosses and 42.6% dairy high-grade (Staal et al., 1998). The predominant dairy breeds on the sample farms were Friesian (51%), Ayrshire (23%) and Guernsey (13%) and the rest being Jersey and local zebus (Staal et al., 1998).

The Kenyan dairy industry is based mostly on smallholder milk production. About 600 000 smallholders produce some 70% of the country's marketed milk. Approximately 56% of this milk is sold raw in the unregulated informal market; leading to public

concerns about hygiene and safety (Karanja, 2003).The Kenyan dairy industry has potential for spurring substantial growth in the economy. Some of the investment opportunities available in the sector include artificial insemination services, dipping services, clinical services, rearing of milk products for dairy products and milk processing for local and regional markets.

1.1.5 New Kenya Co-operative Creameries Limited (NKCC)

The New Kenya Co-operative Creameries Ltd was registered on the 25th of June 2003. Its predecessor, the Kenya Co-operative Creameries Ltd has operated in Kenya since 1925. This makes it the oldest dairy processor in the country. New KCC is the largest business entity in the dairy industry in East Africa. The company management is enhancing its leadership in food industry, processing and marketing milk and milk products. The business process of New Kenya Co-operative Creameries Ltd encompasses receiving of raw milk from farmers, processing it into various milk products and marketing and selling the products for the benefit of the company shareholders (Republic of Kenya, 2006).

The future of any organization is governed by its Vision, Mission and Values. In order to better understand an organization, clarify its mandate and strategic direction, its vision, mission and values have to be defined. Setting the vision and mission is a very important undertaking a leader does for an organization. The company mission is to provide high quality processed milk and other dairy products for the benefit of all stakeholders while caring for the communities and the environment around the company. Consequently, the

vision of the company is to be the preferred dairy company of international standing providing high quality products (Republic of Kenya, 2003).

The New Kenya Co-operative Creameries Limited is one of the leading Dairy Company in the Country re-known for its world class brands that include KCC Butter, Ghee, Cheese, Gold Crown, Safari land and Mala among others (NKCC, 2012). The business process of New Kenya Co-operative Creameries Ltd encompasses receiving of raw milk from farmers, processing it into various milk products and marketing and selling the products for the benefit of the company shareholders.

The product range encompasses a wide range of premium products such as fresh milk, cheese, long life milk both flavoured and unflavoured, fermented milk both flavoured and unflavoured, yoghurt, ghee and powdered milk both whole and skimmed variants. Further, there are other products under development in line with our marketing strategies. New KCC products are of guaranteed quality and taste, perfected over time. All our products are made to the highest international standards (NKCC, 2010).

1.2 Research Problem

Turnaround strategies have received systematic research attention in the management literature (Barker and Duhaime, 1997). Under some conditions, turnaround may not be feasible in other settings; the organization may lack the capabilities or resources to implement an appropriate turnaround strategy correctly. Even if implemented correctly, in a feasible setting, organizational outcomes of a turnaround strategy still depend on emergent factors, which can prevent or delay any turnaround. This fundamental struggle with change, particularly in an overleveraged company has the potential to create a crisis

environment which is rife with operational and financial problems (Johnson, Scholes and Whittington, 2005). When a crisis does develop, custodial management becomes ill equipped to deal with the high stakes challenges that have been created. These challenges include threats from varying stakeholders, cash shortages, imperfect information and the loss of major customers. A carousel of chaos is created which can quickly become a vortex destroying a company which could have been restored to profitability Burns, (2000)

During the 21st century, organizations will continue to experienced discontinuous and abrupt change (Miller, 2005). Every organization will be required to reinvent its strategy continuously year after year and make right angle turns quite often (Hamel, 2002). Since change has become a constant, successful organizations will need to implement change continuously and this will require development of organizational change competencies.

The New Kenya Co-operative Creameries Ltd (NKCC) is one of these institutions that is yet to effectively manage challenges facing the implementation of its turnaround strategy. The New KCC has decline in financial performance which resulted at paying farmers between Sh30 and Sh35 per litre in 2003 depending on the delivered quantity, to paying between Sh23 and Sh29 per litres in 2012. New KCC has not announced its performance publicly since 2009, when it recorded a Sh500 million profit and presented a Sh30 million dividend cheque to the Government (Njiraini, 2012). The company also experienced a decline in milk intake from 120 million liters in 2007 to 105million liters in 2009 (KPLA, 2010).

The decline in performance occurred even after the management of NKCC had adopted turn around strategies, which, for instance included rehabilitation of machines and requisite infrastructure, operationalization of the institution, drawing up of a management structure , recruitment of new staff, cost saving/cost management measures and opening new markets, and preparation of a new strategic plan that is aligned vision 2030. This implies a need for a study to establish what challenges the company is facing in implementing turn around strategies.

Some local studies focussed on turnaround strategies adopted by organizations. For instance, Gichuki (2009) carried a study on turnaround strategy at the Cooperative Bank of Kenya Limited while Obare (2009) undertook a study on turnaround strategy at the Kenya Revenue Authority (KRA). Nyaberi (2004) carried out a study analyzing the governmental political interferences in strategic decisions in Kenya Cooperative Creameries which affected its revitalization process. Orori (2011) carried out a study on factors affecting implementation of turnaround strategies in Kenya Milk Commission since the firm had failed to take off since its revival in June 2006. The above studies did not address challenges of implementation of turnaround strategies. This presents a gap in knowledge. The New Kenya Co-operative Creameries Ltd (KCC) is therefore an ideal choice considering that it has been unable to cope with its turbulent environment. This study seeks to answer the following question: What challenges is New Kenya Co-operative Creameries Ltd (NKCC) facing in implementation of the turnaround strategy?

1.3 Research Objective

To determine the challenges faced in the implementation of turnaround strategy at New Kenya Co-operative Creameries Ltd (NKCC)

1.4 Value of the Study

It is hoped that other researchers and scholars used the study as a basis for further research that will add value to the growing body of knowledge on turnaround strategies in Kenyan organizations. It was particularly be useful to those interested in researching transformational change in the public sector which has actually not attracted much academic attention.

In order to remain relevant and competitive in a turbulent environment, organizations have to effectively manage their change processes. The study was significant to management at New KCC as it was enable the Commissioners and management to develop better understanding of turnaround dynamics that will help the firm to successfully implement a turnaround strategy.

Information from the research is of interest to industry players/stakeholders by enabling them understand their role and contribution in the transformation of declining organizations. It will also serve as a justification for their continued support that will be required to steer New Kenya Co-operative Creameries Ltd (NKCC) a head in a competitive market.

The government may find the information from the study important since it will understand the challenges facing the implementation of the turnaround strategy at the

New Kenya Co-operative Creameries Ltd (NKCC) and assist the commission address these challenges in order to make the firm a viable and competitive entity. The research will equally help policy makers in making better decisions especially on effective change management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights the major issues relating to turnaround strategy in organizations experiencing decline in performance. The chapter will review literature on strategy implementation, the concept of turnaround strategy, the turnaround process and challenges of turn around strategy implementation.

2.2 Challenges of Turnaround Strategy Implementation

More than ever before, companies are facing rapid change on all fronts. These include: global competition, economic uncertainty, environmental issues, technological change, a capricious consumer and even the effects of terrorist acts (Pearce and Robbins, 1997). Turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support (Arogaswamy, Barker, & Yasai-Ardekani, 1995), firms face unique challenges when implementing turnaround strategies. Turn around strategy implementation can pose a number of challenges which arise from sources that are internal and external to the organization (Hamel, 2002). The particular challenges that will face turn around strategy implementation will depend on the type of strategy type of organization and prevailing circumstances, failure to work out the strategy by ensuring that operational plans and tactics are developed and implemented, inability to match strategy to the institutions of

the organization which include, structure, leadership, culture, support systems, processes and policies (Porter, 1996).

There is always some resistance, which occurs whenever there is a departure from historical behavior, culture and power structure (Hill and Jones, 2001). It is therefore a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change. Lack of adequate resources namely funds, machinery /equipment, human capacity, skills and experience.

2.3 Role of Turnaround Strategy

Most managers and management researchers view organizational decline in performance indicated by financial losses and output as reversible (Porter, 1985). Cameron et al (1987) assert that the decline can either be gradual process or a sudden unexpected disruption (Tushman and Anderson, 1986). Substantial organizational decline leads to a crisis where the survival of the firm is threatened. Specific turnaround strategies have been proposed to enhance a firm's chances of persevering through an existing/threatening performance decline, ending the threat, and achieving sustainable performance recovery. Turnaround strategy has been defined in many different ways (Furman and McGahan, 2002). Strategic misalignment may result in the management team's failure to update product lines, overcome functional weaknesses and curtail operating expenses or ill-advised expansion, over expansion is associated with empire building strategies of an autocratic CEO that often involves expansion and extension diversification (Coulision, 2004).

The most common cause of high costs situation is low labour productivity union practices, unforeseen and unforeseeable demand shifts due to changes in technology, economic, political and social cultural norms. This may result in opening up new market opportunities for new products and this threatens the existence of many established enterprises, finally, environmental influence and uncontrollable political, legal, cultural, social competition economical and technological (Burnes, 2000)

A turnaround strategy is also a combination of several generic and ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability. Firstly the strategy has the primary objective of stabilizing the financial conditions of the firm through cost cutting and asset reducing activities (Pearce and Robinson, 2004). Secondly the strategy endeavours to rebuild the firm's core competencies which are required to help it regain competitive advantage, the source of its growth and profitability. Most turnaround strategies respond to the factors in the industry environment and factors in the operating environment (Barker & Duhaime, 1997). They also adopt a mixture of two models of strategy; the competitive forces model and the resource based model. However, the success of any turnaround strategy depends on its implementation; on how it aligns customer needs with organizational vision and organizational capability (Thomas, 2004). A turnaround strategy is considered as sustainable positive change in the performance of a business to obtain the desired results .It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherrer, 2003).

To achieve a successful turnaround, a management team must first stem a firm's decline and select an appropriate strategy for recovery (Slatter and Lovett, 1999). This often requires increasing a firm's efficiency, stabilizing its internal operations and renewing stakeholder support in doing so, the range of viable decisions available for TMT depends to a large extent on the severity of the firm's decline. Once the management team has stabilized a firm's performance, it must necessary address the causes of business decline to affect recovery (Pearce and Robinson, 1993). Elsewhere, turnaround is also seen as a sustainable positive change in the performance of a business to obtain the desired results .It is the process by which a business with inadequate performance is analyzed and changed to achieve desired results (Scherer 2003). Turnaround strategies are important tools for organizational change initiatives.

2.4 Challenges of Strategy Implementation

More than ever before, companies are facing rapid change on all fronts. These include: global competition, economic uncertainty, environmental issues, technological change, a capricious consumer and even the effects of terrorist acts (Bedeian, and Palmer, 2004). This fundamental struggle with change, particularly in an overleveraged company has the potential to create a crisis environment which is rife with operational and financial problems Furman and McGahan, 2002). A crisis situation does develop, when a custodial management is ill equipped to deal with the high stakes challenges that have been created. These challenges include threats from varying stakeholders, cash shortages, imperfect information and the loss of major customers. A carousel of chaos is created which can quickly become a vortex destroying a company Turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack

resources, and diminishing stakeholder support (Chowdhury, 2002), firms face unique challenges when implementing turnaround strategies. They arise from sources that are internal and external and include;-

2.4.1 Inability to Match Strategy to the Institutions of the Organization

Failure to work out the strategy by ensuring that the organization's daily activities, work efforts and resources are directed as much as possible towards the implementation of strategy which involves developing operational plans and tactics through which the otherwise abstract strategy will be implemented (Coulision, 2004). These plans and tactics are developed at operational or functional level of strategic management. It is actually the inability to match strategy to the institutions of the organization which include, structure, leadership, culture, support systems, processes and policies.

Many of the organization strategies and tactics overlap each other. There are many possible sets of answers for the same set of requirements. An example of a typical overlap between a set of possible strategic tactics can be shown. There could be many situations like that when a set of strategic tactics is chosen for implementation. Suitability of chosen strategic tactics depends on the current production process, culture and many other factors that are in place. Thus, a line of strategic tactics initially identified at the start of a production process may not be valid later in the production process. Because of the competing nature, an updated set of tactics might be more appropriate and cost-effective later (Burnes, 2000).

After a study of many turnaround processes Bedeian, and Palmer, (2004) concluded that successful transformational changes are the consequence of two important patterns;

useful change had to be associated with multistep process that create power and motivation sufficient to overwhelm all the sources of inertia and the process is never employed effectively unless it is driven by high quality leadership not just excellent management. Kottler (1996) identified an 8 stage process towards this endeavour, establishing a sense of urgency, creating the guiding coalition developing a vision and strategy, communicating the change vision, empowering a broad base of people to take action, generating short term wins, consolidating gains, and Producing even more change and institutionalizing new approaches in culture (Burnes, 2000).

Firstly, crisis stabilization where the aim is to regain control over the deteriorating position is likely to be short-term focus on cost reduction and these typically involve increasing revenue and reducing costs (Chowdhury, 2002). These are good management measures except the speed that makes the difference- studies have indicated that the most successful turnaround strategies focus more on reducing direct operational costs and on productivity gains, whereas less effective approaches pay more attention to the reduction overheads. However, too often turnarounds are seen as no more than cost cutting exercise when in fact a wider alignment between causes of decline and solutions is important. Secondly, the management changes which is usually required especially at the top level (Ansoff & Dowell, 1990).

This includes the introduction of the new chairman, a Chief Executive as well as changes in the board, especially in marketing sales and finance for three main reasons, because the old management may well be the ones that were in charge when the problems developed

and be seen as the cause of the problem by key stakeholders, because it may be necessary to bring in management experience of turnaround management and since the new management is likely to be sourced from outside the existing organization, they may bring in quite different approaches to the way the organization has operated in the past (Burnes, 2000).

Thirdly, gaining stakeholder support, it is likely that, as decline has occurred, there has been less and less good quality information to key stakeholders (Barker, & Duhaime, 1997). In a turnaround situation, it is vital that key stakeholders perhaps the bank or shareholder groups, as well as employees are kept clearly informed of the situation as it is and improvements as they are being made (Chowdhury, 2002). Fourthly, clarifying the target market(s) central to the turnaround success is ensuring clarity on the target market segments most likely to generate cash and grow profits and focusing revenue generating activities on those key market segments (Hill and Jones, 2001). Indeed, it might be that a reason for the demise of the organization is because it had this wrong in the first place. Consequently the turnaround strategy, while involving cost cutting, may require the business to conceptualize and reorient itself to the market (Hamel, 2002).

Fifthly, is clarifying the target which is 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. There may also be no opportunities to outsource such peripheral areas of activity (Burnes, 2000). Finally is the financial repositioning and prioritization of critical improvement areas. 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. It requires the ability of management to prioritize those things that give quick and significant improvements (Bedeian, and Palmer, 2004)

2.4.2 Resistance to Change

Implementation of turnaround strategy does not automatically follow strategy formulation (Barker, & Duhaime, 1997). There is always some resistance, which occurs whenever there is a departure from historical behavior, culture and power structure. It is therefore a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change. Kottler (1996) cites a culture of complacency from an inept leadership as the main reason that necessitates many turnaround situations. He states that a typical 20th century organization has not operated well in a rapidly changing environment because of lack of leadership. Firms in turnaround tend to be over managed and under led” have a shortage of leaders who are able to create the badly needed change. Managers who resist change develop a strong arrogant culture and fail to acknowledge the value of customers and stakeholders.

Tavakoli and Perks (2001) stated that there were mostly individual barriers to turn around strategy implementation such as too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development (Barker, & Duhaime, 1997).

2.4.3 Inadequate Resources

Most companies attempting to develop new organization capacities stumble over these common organizational hurdles, competence, coordination, and commitment. Eisenstat

(1993) indicated that these hurdles can be translated into the following implementation problems, coordination of implementation activities was not effective enough, capabilities of employees were insufficient, training and instruction given to lower level employees were inadequate and leadership and direction provided by departmental manager were inadequate (Furman and McGahan, 2002)..

Lack of adequate resources namely funds, machinery /equipment, human capacity, skills and experience. The adoption of proper or appropriate policies can be quite useful. Equally important is the adoption of an effective control system during strategy implementation. Turn around strategies often fail to succeed due to lack of commensurate logistical and financial back up (Coulision, 2004). The resources and competences of the organization make up its strategic capability, which enables success in implementation of chosen strategies. Just as there are outside influences on the organization and its choice and implementation of strategies, so there are internal influences. These internal influences constitute strengths and weaknesses. Competences such as skills and know-how enhance successful strategy implementation (Cater, 2006).

2.4.4 Macro Environmental Forces

These forces include economic, social cultural and political-legal technological and ecological. Thorough understanding of these forces and good planning can help alleviate this problem. With the changing environment, there emerge a number of influences on an organization's purpose (Furman and McGahan, 2002). Questions on who should the organization primarily serve and how should managers be held responsible influence strategy implementation. The changing expectations of different stakeholders affect the

purpose and focus of the strategy (Johnson and Scholes, 2002). Cultural influences from within the organization and from the world around it also influence the strategy (Pearce and Robinson, 1994)

This challenge could be compounded by industry forces especially from powerful buyers, powerful suppliers and stiff rivalry from competitors. The operating environment also does exert pressures which arise from stakeholders, creditors, suppliers, customers, government shareholders and the local community (Furman and McGahan, 2002).

2.4.5 Strategic Drift

According to Porter (1996), strategies progressively fail to address the strategic position of the organization and performance deteriorates. History suggests that most organizations run into difficulties because of failure to acknowledge and address strategic drift. Strategic drift is a situation where strategies progressively fail to address the strategic position of the organization (Hill and Jones, 2001). Firms go through long periods of relative continuity during which established strategy remains largely unchanged or changes incrementally. This can go on for considerable periods of time in some organizations (Scherrer, 2003). This is then followed by a flux if it is not well managed and the flux sets in which strategies fail but not in a very clear direction. There may then be transformational change fundamental change in which there is change in strategic direction (Johnson, Scholes & Whittington, 2005). There are usually strong forces at work that are likely to push firms into a strategic drift. Incremental strategic change is a natural outcome of the influence of organizational culture, individual and collective experience, political processes and prior decisions (Burnes, 2000). However, if

changes in an organization's environment are at a greater rate than that rate of incremental strategic change, the organizations will get out of line with its environment (Miller, 2005).

There is another danger that organizations become merely reactive to their environment and fail to question or challenge what is happening around them or to innovate to create new opportunities. This means that strategy development processes in organizations need to encourage people to have the capacity and willingness to challenge and change their core assumptions and ways of doing things. Internationalization affects size of the market and range of competitors, relations with potential partners' overseas and organizational activities across national boundaries (Miller, 2005).

2.4.6 Failure to adapt to Modern Information Communication Technologies

The speed at which data can be analyzed and communications enacted has been transformed through the development of cheap and powerful information and communication technologies (ICT). Although most managers would accept that this is likely to impact on their own organizations they are left with considerable uncertainty about the direction and speed of those changes (Hill, and Jones, 2001). In order to reduce this uncertainty managers first need to assess the impact on their current and future position. This includes understanding how the business environment is changed by this development.

2.4.7 Inability to Acquire and Manage Knowledge

Organizations must be able to integrate knowledge from inside and around the organization to develop and deliver new products or service features. In a fast moving world constant improvement and change become essential to survival and success. So the ability to manage learning is vital (Tripsas, and Gavetti, 2000) .Innovation is essential which is the ability to change the ‘rules of the game’, ability to do business in new ways, the willingness to challenge the status quo in the industry or market and an awareness of how the organization’s competencies can be stretched to create new opportunities (Cater, 2006) .The need to see and act strategically against any short term horizon, the prevailing culture which encourages the transfer of knowledge and the management and interaction of people. Anything less than this approach creates a major challenge to strategy implementation (Scherrer, 2003).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provided the research methodology of the study. The research design, data collection procedures and instruments and data analysis was described in this chapter.

3.2. Research Design

The research design that was be adopted in this study was a case study. The case study is chosen because the unit of the study is one and also because it was give an in-depth investigation of the key information on the study. The approach is an interpretive mode of inquiry which was undertakes an in-depth investigation of the outcome of decisions and actions taken by the management and employees of New Kenya Cooperative Creameries during the study period.

The case study approach has been widely been used to investigate individual and group interaction behaviour and attitudes in different organizations and contexts and it is particularly suitable for the kind of study at hand. Many other studies that adopted a similar research design include included Situma (2006) band Ngaruiya (2007).

3.3 Data Collection

The study used primary data. An interview guide was used to collected primary data. It was adopted qualitative approach method in the collection of primary data. This was enable the study to collect in-depth information on challenges affecting implementation

of turnaround strategy at New Kenya Cooperative Creameries. The question in the interview guide was unstructured questions so that the respondent can give an in-depth of any information on issue of the study.

The respondents were the head of department at NKCC. Data collection was collected from 5 Heads of Departments. This comprised the finance, production, operation, human resources and IT managers as they are mainly the ones who deal with strategies including turnaround strategy implementation

3.4 Data analysis

The data was analyzed using content analysis because the study primary data is qualitative in nature. The data was summarized and presented in prose form under thematic areas in response to the objectives of the study.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data findings of the study and their analysis thereof. The data was gathered through interview guide and analyzed using content analysis. The study interviewed all the targeted senior managers (5), which constitutes 100% response rate. The commendable response rate was achieved after the researcher made frantic efforts at booking appointments with the managing commissioners and seniors managers despite their tight schedules.

4.2 Contributing factors to Collapsing of KCC in 1992

The interviewees were requested indicate the major contributing factors that led to collapsing of KCC in 1992. From the study, the major contributing factors that led to the collapse of KCC in 1992 were indicated as political interference, mismanagement, ineffective leadership, loss of foreign market, lack of focus, grabbing of holding grounds, and also the interventions to save the company were not timely. According to the results of the study from the interviewees, the major factors that led to collapsing of KCC in 1992 was as a result of ineffective leadership, mismanagement of the organization, for personal gain (corruption) political interference for example tenders for the supply of milk products going to politically correct people and poor state of machinery. Also, equipment belonging to the company was vandalised and sold to private milk processing companies that were set up by well connected individuals in the government.

Mayes and Allen (1995) showed the influence of power and politics by stating that, management of power and politics can define and transform an organisation. As critical instruments for strategic leaders, power and politics serve as a fulcrum for organisational behaviour, enacting, reacting and managing change. The full and active play of power and politics is probably more evident in the highly charged and volatile environments of government departments and agencies. As Richard Nixon wrote in 1975 “The great leader needs the capacity to achieve”. In this context, we believe the constructive use of power and politics is the basis of energy required to start and motivate change to transform motives into reality and to manage organisational transformation (Pleiffer, 1992). However in the case of KCC Ltd, the opposite was true, that the destructive use of power and politics was the thin line between the implementation of positive strategic decisions and the stagnation of the organisation leading to eventual collapse (Nyaberi, 2004).

The interviewees also indicated that seasonality in production of milk, inadequate quantity and quality of feed, including limited use of manufactured cattle feeds, and lack of good quality animal husbandry and farming practices contributed to collapsing of the dairy company. The interviewees further explained that poor access to breeding, animal health and credit services and high cost of artificial insemination (AI) service are other constraining factors, poor infrastructure (roads, electricity), inadequate milk collection and marketing system, poor interaction and priority setting between research, extension and training, and limited farmers’ involvement in the output market, hence reducing the incentives to increase milk production were other factor that contributed to collapsing of the KCC in the year 1992.

4.3 Revival of NKCC in 2003

The interviewees were requested to explain what necessitated the revival of KCC in 2003. The study found that government of Kenya from 2003 put in place several measures to revive the KCC and rebrand New KCC including restructuring and capacity building of Kenya Dairy Board, revival and strengthening of New KCC and other farmer organizations like the Agricultural Finance Cooperation (AFC) and cooperatives, review of dairy policies and regulations, improved milk producer prices and timely payment to milk producers by the New KCC, encouragement of development partners and private sector to mobilize more resources to the industry, monitoring of dairy imports, and improved coordination and collaborative ventures among stakeholders that created synergies and better use of resources.

The revival of NKCC was necessitated by various factors which are in line with various theories on turnaround strategy implementation, (Prasad 2006) states that a turnaround situation is one where a company suffers declining economic performance for an extended period of time, such that performance level is so low that survival of the company is threatened unless serious efforts are made to improve its performance. Achieving turnaround calls for a totally different set of skills to probe into the causes of decline and to formulate appropriate strategies to transform the company for a fresh lease of life.

4.4 Success of the Turnaround strategies implemented at NKCC

The interviewees were requested to indicate the success of turnaround measures implemented by the NKCC. The study identified that to a large extent the company

adopted two distinctive turnaround strategies, namely decline stemming that reverse the decline and recovery strategies that yield a defensible competitive position to the firm. In the decline stemming the company instituted corporate avenues like change ownership, financial controls, and improving the processing capacity which reversed the downward trend. Next they instituted measures like quality certifications, putting its employees on performance contracts, forming partnership programs with stakeholders, indulging in Corporate Social Responsibility (CSR) activities and embracing the latest technology such as Enterprise Resource Planning (ERP) that help the company to be in a defensible competitive position to fight off competition. From the interviews conducted, it was found that the situational factors played a vital role in the turnaround process.

It was found that the quantity of milk and milk products exported rose from 0.1 million Kg in 2001 to 10.9 million Kg in 2008. The company offering of product portfolio encompasses a wide range of premium products such as fresh milk, cheese, long life milk both flavoured and unflavoured, fermented milk both flavoured and unflavoured, yoghurt, ghee and powdered milk both whole and skimmed variants. This implied that turn around strategies adopted by the NKCC increased milk production between 2003 and 2008.

4.5 Challenges facing Implementation of Turn around Strategies

Financial reforms

The interviewees were requested to indicate the financial reforms undertaken at New KCC. From the findings, financial strategies adopted by the finance and administration department in relation to the turnaround in the organization were cost saving/cost

management measures, opening up of new markets, expanding company sales, appropriate costing of products, debt management and re-schedulement, result based financing, preparation of a new strategic plan that was aligned to the company's objectives, activities and vision and mission of the company.

This concurs with the main objective of financial strategy in turnaround management is to develop and use the financial strength of the business as an asset to enhance the competitiveness of the business (Scherrer 2003). Organisations adopt several such financial strategies as reduction in obtaining loans at low interest rates, postponement of maturity of debts, and conversion of debt into equity (Kumar 2003). Robbins and Pearce (1992) have also observed that the choice of turnaround strategies is linked to the company's financial performance. They suggested that as severity of decline increased, the financial strategies for turnaround should use more of asset reduction strategies rather than cost reduction.

Alignment of turnaround strategy to the company structures, process and procedure

The interviewees were requested to explain whether management at New KCC aligned turnaround strategies to the company's structure, process and procedure to facilitate the implementation of the turnaround strategies. The results indicated that the management of the company aligned turn around strategies to the company's structure, process and procedures but to a less extent, as the management focused on short terms on cost cutting reduction rather than aligning causes of decline and solutions to challenges. The interviewees further indicated that the management at New KCC did not involve stakeholder's supports hence the quality of information flow was not effective.

Alignment in terms of clarifying the target market(s) central to the turnaround success was not ensured in clarifying the target market segments that were most likely to generate cash and grow profits for the company.

Management requires well developed conceptual and interpersonal skills in order align the organisation's turnaround strategies to its structures, processes and procedures. This study agrees with Kotter, (1985) who stated that interpersonal skills are absolutely critical since effective use of communication is about influencing others. Managers need to have developed the skills necessary to engage in collaborative leadership, persuasion and the constructive use of all the resources available in the organisation. The managers at NKCC need to strengthen the alignment of the turnaround strategies to the structures of the company.

Continuous communication of the vision, mission and strategies in the revitalization process in the company

The interviewees indicated that the management in New KCC failed to continuously communicate the vision and mission as well as turnaround strategies to the employees. This was indicated to be due to the inaccessibility of management by employees due to a bureaucratic management structure. In organizations where employees have easy access to management by employees through open and supportive communication, they tend to outperform those with more restrictive communication environments. Lack of accessibility of management has affected implementation of turnaround process at New KCC.

Pearce and Robinson (1988) observed that effective communication on company's vision, mission and strategies was a key requirement for effective turnaround strategy implementation. He posited that organizational communication plays an important role in training, knowledge dissemination and learning during the turnaround process of strategy implementation and it was pervasive in every aspect of turnaround strategy implementation, as it relates in a complex way to organizing processes, organizational context and implementation objectives which, in turn, have a major impact on the turnaround process in an organization. However the case in the case of NKCC, the opposite is true, as managers were not accessible by the employees of the organisation, causing barriers in communication of the organisations vision, mission and strategic direction to be implemented by employees.

Programs for successful management of the revival strategies

The interviewees were requested to indicate the programs that were put in place to guarantee successful management of the revived new KCC. The interviewee explained that the management structure of the company was changed and political links removed to avoid political influences on management of the company. The coolant plants all over the country were revived and implementation of Information communication technologies done. The interviewees further indicated that new machines and processing equipment were bought and installed. The acquisition and recruitment of human resources was set to be based on competencies and experiences to enable the company achieve an effective and competent workforce.

The interviewees reported that the programs that were implemented to guarantee successful management of the turnaround strategies included provision of funds by government to buy milk, recruitment of skilled staff, capacity building and also putting legal framework in place within the organization. Other programmes currently put in place in the organization to ensure success of New KCC were replacement of the entire board of commissioners, drawing of current strategic plan, this ensured consistency on quality, vigorous marketing, opening new market outlets for example in Nakumatt and Tusksys supermarkets, encouraging openness in the organization, having a supportive board, preparation of a new and better organizational strategy, enlisting the support of the permanent secretary and the minister and increased participation in local and international exhibitions.

The management at NKCC implemented the above turnaround strategies in a bid to improve the declining performance of the company. This is in line with (Chowdhury 2004) who stated that, a turnaround strategy is a set of consequential, directive, long-term decisions and actions targeted at the reversal of a perceived crisis that threatens the firm's survival.

Implementation of the new technologies Affects Turn around Processes

The interviewees were requested to indicate how implementation of technologies such as Enterprise Resource Planning (ERP) affected turn around strategies at NKCC. The interviewees indicated that lack of implementation of new technologies in the company hindered efficient flow of data in the company causing delay in flow of information and operations. The study also found that failure by the company to implement new technologies hindered the company from lowering the cost of operation and having an

innovativeness uptake. The interviewees indicated that New competition resulted in performance decline of company and caused changes in the company's operating environment as many dairy companies entered the market. The respondents also indicated that new competition eroded the market share of New KCC especially due to new entrants more innovative products, more advanced technology such as enterprise resource planning and superior value propositions.

The findings concurred with Hill, and Jones, (2001) posited that the speed at which data could be analyzed and communications enacted has been transformed through the development of cheap and powerful information and communication technologies (ICT). Although most managers would accept that this is likely to impact of implementing technologies on their own organizations they are left with considerable uncertainty about the direction and speed of those changes, resistance by companies employees constraint the implementation of the ICT in the company.

Effect of competition in the dairy market on the revival process at NKCC

The interviewees were requested to indicate how competition in the dairy market had affected the implementation of turnaround process at NKCC. The interviewees explained that following dairy market liberalization there has been an increase in competition whereby small-scale milk traders, moved in large numbers to buy raw milk from farmers and sell it to consumers. The interviewees also indicated that the company faces competition from formal private processors such as Brookside and Delamere which have their own milk supplies, which integrates forward into processing. The interviewees explained that due to high competition, marketing of milk products had been hampered and milk market led to sharply higher farm-gate prices in nominal terms.

Partnering with suppliers

The study found that the company was facing conflicts with the suppliers due to poor procurement processes being undertaken. This the interviewees explained led to delays in supply of raw milk from the field, processing of milk and large loss in terms of profits. The findings concurred with Arogaswamy, Barker, & Yasai-Ardekani, (1995), who found that turnaround strategies implementation often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support .

Employee resistance to change

The interviewees explained that employee's resistance to change affected implementation of turnaround strategies at NKCC due to fear of job loss or due to the fact that they are not trained on ICT, while others had negative attitudes towards use of technologies. The interviewees indicated that resistance to change had affected implementation of turnaround strategies as employees strategies were not executed as required to achieve the goal for which the strategies were meant for.

The interviewees also indicated that there were too many and conflicting priorities, insufficient top team functions, ineffective top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development caused employees resistance to implementation of turnaround strategies. These findings were in line with Barker, & Duhaime, (1997) findings which indicated that there was always some resistance, which occurs whenever there is a departure from historical behaviour,

culture and power structure. It is therefore a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change

Inadequate milks storage capacity

The interviewees indicated that limited storage capacity hindered company supply with sufficient milk leading to low profitability. They indicated that the company experience relative low profitability due to inability to be supplied with large volume of milk from the farmers. The interviewees indicated that the company was receiving about 680,000 litres of milk per day, against a processing and storage capacity of 450,000 litres .This has led to the company experiencing loss as litres of milk had been going bad. It was further explained that the company witness massive wastage as thousands of litres of milk were poured due to inadequate storage facilities and low capacity to process long-life milk products. This was worsened by lack of electricity for the coolant plants for storing milk in many rural areas that supply milk to NKCC, as it leads to spoilage of milk.

High cost of production

The study found that an increase in cost of inputs and acquisition of machineries, processing as well as transporting of the raw milk in the company. The interviewees explained that Increase in the input costs such as wages and raw materials has led to the financial decline. Cost containment should therefore be a major management concern and failure to contain costs or rapidly raising input costs makes a firm inefficient when compared to competitors, which ultimately causes decline in performance. Over expansion is another reason associated with business decline. This is characterized by empire building strategies of an autocratic CEO or board of directors (Barnejee, 1999).

Although diversification is a good strategy over diversification may result in lack of control and inability to cope with recessionary conditions. It could also lead to huge interest payments where expansion is associated with debt financing.

Effect of politics on the company's turnaround processes

The study found that the challenges faced in the adoption of the turnaround strategies were political interference especially on tendering process and awarding of the same. The study found that interaction of political and economic interests and their joint influence on policy outcomes in management of New KCC affected the turn around process in the company. Other challenges faced by the human resource department in the implementation of these strategies were political interference especially on recruitment and selection, restructuring and ineffective leadership. It was also reported that the former Managing Commissioner handled most of administrative work and little delegation was done and therefore he single handedly ran the administrative duties and sometimes issued verbal instructions to junior staff without the knowledge of departmental heads.

The above created discontent and low morale amongst heads of departments who felt undermined by this action, also the former Managing Commissioner made numerous external trips outside the country without the prior approval of the Board and at times giving false itinerary. The interviewees explained that economic interests influenced convictions as to what the company appropriateness for policy and governance. The study concurred with Bates (1989) findings which showed that material interests defined political preferences; institutions were created and forged to advance economic interests of particular groups. Because of this, there evolved a coherent pattern of interaction of politics and the economy: economic interests gave rise to a certain form of politics, and political interests in

turn evolved certain forms of economic institutions. However, institutions that were put in place to enhance the growth of agriculture also furnished resources that helped political elites to maintain themselves in power (Bates 1989), as well as providing the social bases of regime support.

Scarcity of resources

The interviewees observed that insufficient resources in terms of funds, machinery /equipment, human capacity, skills and experience hinder the implementation of turnaround strategies. Though the respondents to cognisance that the human resource department had hired new management in the top leadership and replaced commissioners. This agrees with various studies that suggest that change in top management is another well identified human resource strategy in the turnaround implementation process. Leaders are often a contributing source of decline (Arogyaswamy et al., 1995). Executives either directly caused the problems at the heart of crisis or failed to recognize the problems early enough (Bibeault, 1982). The first priority in a turnaround situation is the recognition that new management can make the difference (Barker and Mone, 1994). Top management change is widely recognised as a precondition for successful turnarounds (Bibeault 1982), this concurs with the human resource strategy implemented by NKCC in changing its top leadership and commissions.

The study also found that the company was constrained by lack of sufficient funds inhibiting purchase of modern milk processing machinery, acquisition of trained and experienced working forces and hampering of adoption of technologies and implementation of control systems. A study by Coulision, (2004) observed that turn

around strategies often fail to succeed due to lack of sufficient resources and financial back up. The study further concurred with Cater, (2006) who found out that the resources and competences of the organization make up its strategic capability, which enables success in implementation of turn around strategies.

Information communication technologies

The interviewees also indicated that lack of adoption of information communication technologies in the company hindered implementation of turn around strategies. The interviewees explained that speed at which data information was analyzed and communications enacted has been slowed by lack of adoption of ICT, hindering transformation through the development of cheap and powerful information and communication technologies (ICT). The interviewees indicated that most managers and commissioners in the company do not support ICT adoption thereby impacting negatively on implementation of turn around strategies leaving the organizations with considerable uncertainty about the direction and speed of implementation of turn around process changes.

It was further explained that ineffective interactions between the employees resulted to unclear individual responsibilities in the turnaround process, failing to acknowledge difficulties and obstacles that needed to be recognized or acted upon and ignoring the day-to-day business imperatives lead to barrier of effective turnaround strategy implementation. The finding concurred with Heracleous (2000) who posited that the level of employees interaction with individual manager influences the implementation of a particular strategy depends on his perception of his and the organization's potential to perform, and his perception of the likelihood that successful performance will lead to an

outcome that he desires. He further indicated that managers who believe their self-interest is being compromised can redirect a turnaround strategy, delay its implementation, reduce the quality of its implementation, or sabotage the effort.

The interviewees also indicated that insufficient allocation of resources for implementation of Turnaround strategies led to decline in performance at NKCC. The interviewees explained that this inhibited the management in acquisition of modern processing machines, limit the company in marketing of the milk products locally and in the region market, hinders rewarding of employees to motivate them improve productivity and limit the companies in improving milk storage capacity .

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of the summary, provides conclusions and recommendations of the study. The objective of the study was to determine challenges of implementation of turnaround strategy at New KCC and also to determine the challenges faced in the implementation of the strategy.

5.2 Summary

Organizations implement turnaround strategies which may either be generic or ground strategies that address the survival of a firm in a down ward spiral and its restoration to a path of long term growth and profitability, rebuild the firm's core competencies which are required to help it regain competitive advantage, the source of its growth and profitability. From the findings, it was established that there were various turnaround strategies adopted by different departments in organizations such as New KCC in order to revive the organization. There were also a number of challenges which were faced during the implementation process.

Managers in a company that is experiencing a decline in performance should successfully implement turnaround strategies by aligning customer needs with organizational vision and organizational capability. While continuously align these strategies to the company's structures and processes. This because a turnaround strategy in an organization is

considered as sustainable positive change in the performance of a business to obtain the desired results.

Findings of this study show that political interference in the running of the parastatal hinders the success of turnaround strategy implementation especially in the human resource department, whereby they influenced recruitment of staff, not on the basis of integrity but on the political affiliations.

The general challenges faced by the organization in the implementation of the turnaround strategy were inadequate/ineffective leadership, frequent breakdowns of the machinery, cash flow problems since debts could not be settled in time, resistance to change as employees wanted to maintain their status quo, limited funds to undertake adequate marketing, poor planning, slow adoption to changing technology, budgeting was not geared to specific strategic priority, non-involvement of stakeholders in the planning process and Post-election violence in Nairobi which disrupted the supply of milk products and lowered the demand of the milk products. This situation was further aggravated by the subsequent high inflation which increased the cost of operation thus further eroding profit margin of the corporation.

Most companies attempting to develop new organization capacities stumble over these common organizational hurdles in competence, coordination, and commitment which could lead to challenges in coordination of implementation activities. Innovation is essential in enhancing ability to change, the willingness to challenge the status quo in the industry or market and an awareness of how the organization's competencies can be stretched to create new opportunities.

Lack of adequate resources namely funds, machinery /equipment, human capacity, skills and experience has been a challenge to implementations of turnaround strategies in organization. The adoption of proper or appropriate policies can be quite useful. Equally important is the adoption of an effective control system during strategy implementation to ensure various risks are mitigated. Turn around strategies often fail to succeed due to lack of commensurate logistical and financial back up .

5.3 Conclusions

The study concludes that the level of political interference in the management of NKCC has caused challenges to the implementation of turnaround strategies at the organisation. Political and economic interests intertwined to undermine the growth of New KCC, political involvement in decision making is done on the basis of political expediency rather than managerial prudence. Though the government, through the ministry of Livestock has continuously implemented policies to support dairy farmers and the industry.

The study concluded that turnaround implementation was bound to fail due to lack of robust leadership, as shortage of leaders in organization who are able to create the badly needed change. Transition of new leadership in organisations implementing turnaround strategies tests the executives with pressure to diagnose, strategize, delegate and communicate effectively. Through effective communication, Management would facilitate transition of the much needed change especially in culture, norms and practices by employee. This would encourage employees to join the turnaround bandwagon and spearhead the implementation of turnaround strategies.

The study concluded that lack of adequate and sufficient resources like machinery, human capacity equipped with skills and experience, as well as the financial muscle to invest appropriate technological improvement, research and development and training of staff challenge the implementation of turnaround strategies. While its increasingly acknowledged institutions such as New KCC have a dependency in funding from the government, the management needs to steer the company to profitability that will enable it to plough back its profits. This study provides information that will allow New KCC and other parastatals to implement turnaround strategies that will steer their performance to profitability.

This study is a start and provides an important contribution towards an understanding of the complexities involved in the implementation and actualisation of turnaround strategies in Parastatals in Kenya. This is important not least because of the vast amounts of money spent by the government on parastatals but to the cooperative societies and farmers who have also invested immensely in these institutions to enable them proactively implement strategies that will enhance profitability and give the organisation a competitive edge in the dairy industry, by tapping into the resources at their disposal to bring the organisation to increase their performance.

5.4 Implications of the result finding

The results of this study imply the need for further research and study in the field of strategic management with an emphasis on how to overcome the challenges of implementation of strategies. Organizations on the other hand need to not only focus on formulating strategies but to also look at the critical issues in making strategies work like;

having an implementation model to guide execution of thoughts and actions, creating the right structures, integrating strategy with short term objectives, clarifying responsibilities and accountability and focusing on managing change.

Based on the findings of this study, managing of the change processes will be of interest to industry stakeholders by enabling them understand their role and contribution in the transformation of declining organizations. This study will serve as a justification for their continued support that will be required to steer NKCC ahead in a competitive market.

5.5 Recommendations

Based on the findings of the study, it's expected that the stakeholders, who include the government, the dairy cooperatives and other stakeholders will gain a better understanding of the impact of challenges in the implementation of turnaround strategies at New KCC. The following measures are recommended in order to overcome challenges of implementation of turnaround strategies:

At Policy level, a multi - sectoral approach and wide consultations need to be adapted in order to develop realistic guidelines that will ascertain effective implementation of turnaround strategies. Controls should also be put in place to help mitigate risks in the turnaround process. This is because turn around strategies are more challenging to realize considering, they take a longer period and require more resources to stabilize the organizations before profitability can be achieved.

This study recommends that the government should put in place reforms that will enable enhancement of infrastructure, for instance wide distribution of electricity through the rural electrification programs and construction of roads. This will ensure easier

accessibility by farmers delivering milk to New KCC collection points and also ensure coolant plants are run so that milk does not get spoilt. The government should provide financial support to the company to increase capacity of milk production, purchase new and efficient machinery (rehabilitation of machines), and also to meet the costs of capacity building. The turnaround strategies adopted by the company should also be well understood and supported by the commission, management and the employees.

The study finally recommends that although the current leadership at New KCC has improved, it should be strengthened especially in team building and inculcation of positive culture to guarantee success of the organization. The commissions and management should be given autonomy to implement the strategies that will enable turnaround of the performance of the company; the government should not give politicians leeway to determine the decisions and practices applied in parastatals like NKCC. They should also take advantage of their strength in the market as the only processors who can produce powdered milk and tap into this product market as it's a product that can be stored for longer than processed milk.

5.6 Suggestions for Further Research

The study sought the challenges facing implementation of turnaround strategies at New KCC. Therefore, there is need for further research in this area which should include successful implementation of turnaround strategies in other public sector companies. Further work also needs to be done to address the problems accessing reliable supplies or key inputs and services by farmers to enable dairy companies deal with the problem of seasonality of the raw product of milk.

5.7 Limitations of the Study

The major limitation of this study was that the informants were somehow reserved in giving all the information pertaining to the failures of the past administration. They were rather more interested on the reforms needed to put the organization on track. This therefore, implied that the informants were more comfortable on giving the information on the current turnaround strategies adopted by the organization than dwelling much on challenges facing the institution.

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APPENDICES

Appendix I – Interview Guide

1. NKCC folded its operations in 1992, what were the major contributing factors for the collapse?
2. What necessitated the revival of NKCC in 2003?
3. Explain the success of the Turnaround strategies implemented at NKCC?
4. What financial reforms were undertaken at New KCC?
5. Does the management align turnaround strategy to the company structures, process and procedure to facilitate the implementation of the turnaround process?
6. Does the management continuously communicate the vision, mission and strategies in the revitalization process in the company?
7. What measures were undertaken to improve quality milk process at New Kenya Cooperative Creameries?
8. What programs were put in place to guarantee successful management of the revival strategies?
9. What challenges were faced in the implementation of the new technologies such Enterprise Resource Planning (ERP)?
10. How does competition in the dairy market affect the revival process at NKCC?
11. What challenges is NKCC currently facing in partnering with suppliers?
12. Explain how employee resistance to change affects turnaround process in NKCC?
13. How does the current milks storage capacity hinder implementation of turnaround strategies at NKCC?

14. In what ways does high cost of production hinder performance at NKCC?\
15. Explain how politics affects company's turnaround processes?
16. Explain how accessibility to market affects implementation turnaround process at NKCC?
17. How does scarcity of resources in the company hamper performance trends in the NKCC?
18. Indicate how adoption of information communication technologies influences implementation of turnaround process at NKCC.
19. Explain how management interaction with employees has affected implementation of turnaround strategies in the company?
20. Explain how failure to allocate resources to implementation of strategies led to decline in performance at NKCC

Appendix 11 – List of Dairy Players

1. New KCC
2. Brooke Side Dairy
3. Limuru Dairy Company
4. Githunguri Dairy Farmer's Cooperative
5. Eldoville Dairy
6. Buzeki Dairy
7. Sameer Agriculture and Livestock Ltd
8. Delamere Dairy
9. Bio Foods Products
10. Guango Dairy