The Effects of Availability of Resources on the Implementation of Turnaround Strategy at New Kenya Co-operative Creameries Limited

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ABSTRACT

This study investigates the effect of resources on the implementation of turnaround strategy at New Kenya Co-operative Creameries Ltd (NKCC). This study was guided by the stage and action theory with more emphasis being given to stage theory. The study adopted a case study research strategy. Data was collected using questionnaires from 43 managers and management employees of New KCC selected from three branches (Nairobi, Limuru and Thika). The data was analysed quantitatively and the findings presented in frequency distribution tables and bar graphs. From the findings, the researcher found out that resources affected the implementation of turnaround strategies. The most important factors related to resources were inadequate training and instruction given to lower level employees; ineffective coordination of implementation activities; low competence, coordination, and commitment among human resources; inadequate leadership and direction provided by departmental manager; delays due to additional costs and instabilities during the process of change and; lack of enough raw material (resources). Interestingly, this study found out that lack of physical resources may not translate to effective implementation of turnaround strategies. There may be sufficient machinery and human resources in the various departments, however, there has to be competent managers to ensure efficient utilization of such resources. In light, it was deduced that there is need to align the physical resources that an organization has with competent human resources so as to effectively realize effective implementation of turnaround strategies. This study recommends that the most important resources to be acquired are competent personnel. This is particularly so since, the various aspects of the implementation of turnaround strategies need such personnel. As such, they should be well trained and suitable to carry out the various tasks needed to ensure that the strategies under their docket are well implemented. NKCC should also ensure that there is modern equipment and funds to facilitate the change management. Budgets should be reviewed regularly so as to ensure presence of adequate resources to sustain the implementation of turnaround strategies.

Keywords: Availability of Resources, Strategy Implementation, Turnaround Strategy, New Kenya Co-operative Creameries Ltd

I. INTRODUCTION

Organizations operate in a dynamic and constantly changing and increasingly competitive environment. Hamel (2002) indicated that 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, Burns (2000) noted that organizations that fail to be flexible and innovative and implement necessary strategies experience decline in performance.

To this end, a firm’s management implements turnaround strategies during periods of declining performance of the organization. Miller (2005) indicates that to be successful in such situations, a firm evaluates and determines the cause of such performance lapse. This is then followed by the implementation of turnaround decisions necessary for prompt recovery. The failure of organization’s management to manage turnaround processes effectively will result in its continued decline and eventual economic failure or bankruptcy (Tripsas and Gavetti, 2000).

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 a cycle of decline are part and parcel of implementation of a turnaround strategy (Kanter, 2004).

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 a multistep process that creates 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.
In most cases, turnaround strategies respond to factors in the operating environment. The firm may 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 and how it aligns customer needs with organizational vision and organizational capability (Coulison, 2004).

Several factors are known to affect the implementation of turnaround strategies. However, this study focuses on the availability of resources. Extant literature shows that lack of resources can inhibit the effective implementation of turnaround strategies (Eisenstat, 1993; Furman & McGahan, 2002). In the same accord, turnaround strategies often fail to succeed due to lack of commensurate logistical and financial back up (Coulison, 2004).

Successful implementation of turnaround strategies in Kenya can be exemplified by Uchumi Supermarket limited, a Kenyan public limited (Kiarie, 2010). In the beginning of early 2000s, Uchumi experienced immense financial and operational difficulties. In May 2006, the Board of Directors decided that the company had to stop operation. In July the same year, the company started again under receivership management and with elaborate turnaround strategies. In the 2008 financial year, the company garnered a profit of Ksh. 106 million against a loss of Ksh. 257 million the previous year.

Contrary to Uchumi Supermarket Ltd., the New Kenya Co-operative Creameries Ltd (NKCC) is one of the institutions that are yet to effectively implement its turnaround strategy. The New Kenya Co-operative Creameries Ltd was registered on the 25th of June 2003. Its predecessor, the Kenya Co-operative Creameries Ltd had operated in Kenya since 1925 (GOK, 2006). The new KCC was established for purposes of responding to the gross mismanagement and dismal performance of KCC.

Several years after its establishment, the New KCC is yet to record sustained financial profitability. Indeed, the company has seen decline in financial performance which resulted at paying farmers between Sh30 and Sh35 per litre depending on the delivered quantity, to paying between Sh23 and Sh29 per litre. 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 litters in 2007 to 105 million litters in 2009 (KPLA, 2010). This has occurred even after the institution of turnaround strategies. As pointed out in the preceding discourse, turnaround strategies are paramount to the success of an organization. However, it is apparent that companies do not always succeed in the implementation of their change strategies as a result of various challenges. This study sets to determine the effects of availability of resources on the implementation of turnaround in New Kenya Cooperative Creameries (NKCC) in Kenya.

1.2 Statement of the Problem

Organizations often experience discontinuous and abrupt change. Miller, (2005) noted that every organization has to continuously reinvent its strategy and right angle turns. In the same accord, Hamel (2002) points out that since change is constant, successful organizations have to continuously implement change. Regrettably, the implementation of change strategies does not always succeed. This scenario can be exemplified in the NKCC, an institution that has continuously seen a decline in performance despite the adoption of turnaround strategies which include rehabilitation of machines and requisite infrastructure, operationalization of the institution, drawing up of a management structure, opening new markets, and preparation of a new strategic plan. No study has however been undertaken to investigate the cause of this scenario.

Previous local studies conducted have focussed on turn around strategies adopted by organizations. For instance Gichuki (2009) carried a study on turnaround strategy at the Cooperative Bank of Kenya Limited while Obae (2009) undertook a study on turnaround strategy at the Kenya Revenue Authority (KRA). However, none has been conducted from the milk industry and particularly on the challenges facing implementation of a turnaround strategy in a public enterprise. This indicates that a knowledge gap exists that needs to be filled. The New Kenya Co-operative Creameries Ltd (KCC) is therefore an ideal choice considering that it has been unable to effectively implement its turnaround strategies. As such, there is a need to undertake a study focusing on the company to establish the effects of availability of resources on the implementation of turnaround in NKCC in Kenya.

1.3 Objective of the Study

To determine the effect of availability of resources on the implementation of turnaround strategy at New Kenya Co-operative Creameries Ltd (NKCC).
II. LITERATURE REVIEW

2.1 Theoretical Review

This study was guided by the Stage and Action. Porter model describes the unique set of preconditions that present opportunity and competitive advantage to an organization as analogous to a turnaround situation. Ormanidhi and Stringa (2008) also favour the Porter model of generic competitive strategies to evaluate business. They argue that the use of Porter model indicates that preconditions for a turnaround event into four distinct categories: performing well, underperformance, distress and, finally, decline. Turnaround strategies are implemented when business such as NKCC is underperforming; declining in performance or in distress this is as results of is disposing of scarce resources, ineffective management and change in economic, political, technological environment (Yoo, Lemak, & Choi, 2006). The organization implementation of turnaround strategies may results when capacity utilization is low, and a poor positioning on competitive advantage is evident. Coulision (2004) indicated that a turnaround strategy implementation is inevitable to address the very inefficiencies that create the underperformance in organizations.

An organization’s implementation of turnaround essentially demands a new choice of generic strategic options as a focal point. In last resort strategy it requires divestiture or liquidation and the startup of new ventures, which involves determining the new positioning and where competitive advantage will be sought. Porters (1996) indicated that with abundant resources, the focus moves towards finding efficiency in the firm. This is relevant to this study since two of the variables under investigation are the availability of resources and the management capacity of NKCC.

Scherrer (2003) noted that characterized decline as the opposite of successful adaptation to the environment. The turnaround process is a double organization act involving negative-to-breakeven and breakeven-to-positive phases (Manimala, 2005), which also may have several sub-stages in the organization life cycle. Weitzel and Jonsson (1989) argued that the five stages of decline and corresponding turnaround actions are blinded stage and good information, inaction stage and prompt action, faulty action stage and corrective action, crisis stage and effective reorientation, and finally dissolution stage where no action is possible.

The employee engagement emerged as one of the most significant differentiators between successful and unsuccessful implementation of turnaround process, which was described as a continuous process of institutionalization and as an essential ingredient for stabilizing the impact of implementation of turnaround strategies (Thornhill and Amit, 2003). Employee engagement is pegged to the capacity of the management of an organization, a factor identified as one of the possible causes of the unsuccessful implementation of turnaround strategies in NKCC.

Analyzing whether strategic or operating strategies for turnaround are feasible for underperforming public organizations such as NKCC, Boyne (2003) categorizes turnaround strategies as repositioning, or reorganization. The implication is probably that organizational decline in performance can revived only by a multi-pronged remedial action using several functional strategies. It may also be inferred that when several strategies are adopted they would be done in a sequence beginning with the basic actions of arresting organization decline in performance and building up the core strengths, which may provide support for the stage-theory of turnaround proposed by (Manimala, 1991).

However, the success of implementing turnaround strategy depends on how it aligns customer needs with organizational vision and organizational capability. Turner, et al (2004) argued that 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 corresponded to achieve desired results (Scherrer, 2003). There is explicit evidence that turnaround strategies are vital to the success of organization as pointed out by the Stage and Action theory. This study attempted to determine the challenges faced by NKCC even as the organization takes “action” and implement turnaround strategies.

2.2 Empirical Review

As pointed out by Arogaswamy, Barker, & Yasai-Ardekani, (1995), turnaround attempts face challenges in the form of severe time pressures, lack resources, and diminishing stakeholder support. This shows that resources affect the implementation of turnaround resources. However, this study was undertaken in another continent and may not reflect on the Kenyan situation. This necessitates this study.

In the same light, inadequate resources have also been known to affect the performance of new strategies in a company as pointed out by Hill and Jones (2001). As such, limited resources affect organizations in ways such as: introduced delays, additional costs and instabilities during the process of change. Lack of adequate resources include lack of funds, machinery/equipment, human capacity, skills and experience. This present study intends to find the extent to which such inadequacy of resources affects the success of the implementation of turnaround resources in a Kenyan situation. This may go a long way in informing the approach to turnaround strategies in public companies in Kenya.
On another note, lack of qualified human resources may thwart the implementation of turnaround strategies in many companies. Most companies attempting to develop new organization capacities stumble over these common organizational hurdles: competence, coordination, and commitment. Eisenstat (1993) and Furman and McGahan (2002) indicate that these hurdles can be translated into the following implementation problems: ineffective coordination of implementation activities; insufficient capabilities of employees; inadequate training and instruction given to lower level employees; and inadequate leadership and direction provided by departmental manager. These former studies do not focus on an African country. In addition, they do not look at a dairy processing company. This necessitates this present study.

In the same accord, turnaround strategies often fail to succeed due to lack of commensurate logistical and financial back up as point out by 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 include strengths and weaknesses. Competences such as skills and know-how enhance successful strategy implementation (Cater, 2006). The study by Coulison (2004) and Cater (2006) may not address the issue of resources in New KCC. This necessitates this study, since as already pointed out the New KCC is a public company and has access to many resources due to the involvement of the government.

III. RESEARCH METHODOLOGY

3.1 Research Design
Research strategy is an integral part of the research design. The study adopted a case study research strategy. In a case study, a particular event is studied from the point of view of all participants. When all these views are pulled together, they provide a depth of perception that can contribute significantly to understanding the factors affecting the implementation of turnaround corporate strategies in New KCC (Orodho, 2004). Data collection methods employed in case studies include questionnaires, interviews, observations and document analysis (Saunders et al., 2007). This research employed the use of questionnaires to establish the perceptions and opinions of the respondents on the subject under study.

3.2 Target Population
The unit of study is the management of the New Kenya Cooperative Creameries (NKCC) in three branches (Head office at Creameries house, industrial area, Kangema milk cooling plant (Limuru) and Githumu Milk Cooling Plant (Thika). It is therefore a case study focusing on the management of one company. There are 47 management employees in these branches. These constituted the target population.

3.3 Sampling Process
Orodho (2005) defines sampling as the process of selecting a number of individuals or objects from a population in such a way that the selected group contains elements representative of the characteristics found in the entire group. For the purpose of this research selected all the 47 management employees in the three branches targeted in this study (total population sampling, complete census). Data was collected from managers and management employees of the NKCC.

3.4 Research Instrument
The research instrument for this study was a questionnaire. The questionnaire was divided into five parts. Part one of the questionnaire gathered demographic data. The other parts examined management, resources, ICT and legal framework and how they affect implementation of turnaround strategies in organizations.

3.5 Data Collection Procedures
Data was collected from the heads of departments sampled using a structured questionnaire. Research assistants were engaged in administering questionnaires to the respondents.

3.6 Data Analysis and presentation
The raw data collected was sorted, coded and analyzed. Analysis was done using SPSS (Statistical Package for Social Sciences) and spreadsheets (Microsoft Excel) for descriptive statistics. Descriptive statistics entailed measure of central tendency (mean).
3.7 Ethical considerations
Permission to carry out the research was sought from School of Business of the Africa Nazarene University, and the management of the New KCC. The purpose of the study was clearly explained to the participants. The researcher assured the participants of strict confidentiality in relation to information obtained during the research. Participants were required to make informed consent.

IV. FINDINGS AND DISCUSSIONS

4.1 Introduction
This chapter presents, analyzes, and interprets data according to the objectives of the study. The findings obtained are presented in tables and pie charts. Furthermore, the chapter is subdivided into sections that reflect the various aspects of the subject under study.

4.2 Response Rate
The targeted population was 47 participants selected from three branches of NKCC identified by this study through total population sampling (complete census). Data was collected from only 43 of these respondents. As such, a response rate of 91% as presented in Table 1 was obtained.

<table>
<thead>
<tr>
<th>Targeted population</th>
<th>Number of respondents</th>
<th>Response rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>47</td>
<td>43</td>
</tr>
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</table>

4.3 Demographic Information
4.2.1 Distribution by Sex
The researcher sought to determine the distribution of the respondents by sex. The aim of the question was meant to seek dominance by gender in the organization. The majority of the respondents were male (60%). Either sex was well represented in the study. The findings are presented in Figure 1.

Figure 1 Distribution by sex

4.2.2 Distribution by Age
As shown in Table 2, 35% of the respondents were aged 36-45 years of age. This was followed by respondents who were aged 25-35 and 46-55 each at 25% respectively. This shows that the respondents had sufficient age to understand the subject under study and respond to respond appropriately to the study.
4.2.3 Distribution by Academic Qualification

Regarding academic qualifications, the researcher was seeking to know if the level of the academic qualification has an impact on the way the top management implements the turnaround strategies, more than half of the participants of the study (55%) were degree holders. This was followed by the respondents who had post graduate diplomas (20%). This shows that the respondents had sufficient academic qualification to adequately respond to the study questions.

![Distribution by Academic Qualification](image)

4.2.4 Distribution by Duration working with the New KCC/Duration as Manager

The researcher sought to determine the duration that the participants had been working at the New KCC. Furthermore, the researcher sought to determine the duration that the respondents had been working at NKCC as well as a manager inorder to be able to relate it to the implementation of the turnaround strategies. The majority of the respondents had been working at New for a period of 1 to 3 years (65%). As far as duration as a manager was concerned, the majority of the participants had worked as managers for a period of 4-6 years (45%). This implies that most of the participants were in a position to effectively respond to the subject under investigation since they had worked in NKCC long enough. The Duration of working at NKCC would determine the ability of the Managers to understand the implementation of corporate turnaround strategies in the organization.

![Duration working with the New KCC/Duration as Manager](image)
4.2.5 Distribution by Department of Respondent
As far as the departments of the respondents were concerned, the majority of the respondents were from the marketing and administration departments, each at 15%. The rest were from the other departments as shown in Figure 4.

![Distribution by Department of Respondent](image)

**Figure 4**
**Distributions by Department of Respondent**

4.3 Descriptive Statistics
4.3.1 The Effect of Resources on the Implementation of Turnaround Strategy at New Kenya Co-Operative Creameries Ltd (NKCC)

The researcher went on to determine if resources affected the implementation of turnaround strategies at NKCC. The findings are presented in Table 3.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
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<tbody>
<tr>
<td>i) Inadequate training and instruction given to lower level employees</td>
<td>4.40</td>
<td>.75</td>
</tr>
<tr>
<td>ii) Ineffective coordination of implementation activities;</td>
<td>4.35</td>
<td>.67</td>
</tr>
<tr>
<td>iii) Low competence, coordination, and commitment among human resources</td>
<td>3.75</td>
<td>.85</td>
</tr>
<tr>
<td>iv) Inadequate leadership and direction provided by departmental manager.</td>
<td>3.65</td>
<td>.81</td>
</tr>
<tr>
<td>v) Delays due to additional costs and instabilities during the process of</td>
<td>3.60</td>
<td>.50</td>
</tr>
<tr>
<td>change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi) Lack of enough raw material (resources)</td>
<td>3.55</td>
<td>.51</td>
</tr>
<tr>
<td>vii) Lack of funds</td>
<td>2.80</td>
<td>.83</td>
</tr>
<tr>
<td>viii) Lack of commensurate logistical and financial back up</td>
<td>2.55</td>
<td>.94</td>
</tr>
<tr>
<td>ix) Lack of machinery/equipment</td>
<td>1.95</td>
<td>.69</td>
</tr>
<tr>
<td>x) Low human capacity, skills and experience</td>
<td>1.75</td>
<td>.72</td>
</tr>
</tbody>
</table>

N=43

As presented in Table 4, the findings show that the most important influence of resources (ranked to a great extent) was inadequate training and instruction given to lower level employees (4.40); ineffective coordination of implementation activities (4.35); low competence, coordination, and commitment among human resources (3.75); inadequate leadership and direction provided by departmental manager (3.65); delays due to additional costs and instabilities during the process of change (3.60) and; lack of enough raw material (resources) (3.55).
Furthermore, factors that such as lack of funds (2.80), and lack of commensurate logistical and financial back up (2.55), were deemed to affect the implementation of turnaround to a moderate extent. The other factors such as lack of machinery/equipment and low human capacity, skills and experience were seen to affect such implementation to a little extent.

This study agrees with Arogaswamy, Barker & Yasai-Ardekani (1995) as well as with Hill & Jones (2001) that turnaround attempts face challenges in the form of severe lack resources. However, this study differs slightly with the former study since is does not rate lack of resources as very strongly. In fact, it can be deduced that there is presence of considerable presence in NKCC for the implementing turnaround strategies. There is sufficient machinery and human resources in the various departments. However, it is thus evident that there are weak managerial skills to ensure efficient implementation of turnaround strategies. This also means that the presence of enough equipment may not translate into efficient implementation of turnaround strategies at NKCC since it takes people (human resources) to efficiently implement such strategies. This is in line with Eisenstat (1993), Furman & McGahan (2002), Coulision (2004) & Cater (2006) who point out that inadequate implementation of turnaround strategies is affected by human resources such as: insufficient capabilities of employees, inadequate training and instruction given to lower level employees, inadequate leadership and direction provided by departmental manager and poor competences such as lack of skills and know-how to enhance successful strategy implementation.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The researcher found out that resources also affected the implementation of turnaround strategies. The most important factors related to resources were inadequate training and instruction given to lower level employees; ineffective coordination of implementation activities; low competence, coordination, and commitment among human resources; inadequate leadership and direction provided by departmental manager; delays due to additional costs and instabilities during the process of change and; lack of enough raw material (resources). Interestingly, this study found out that lack of physical resources may not translate to effective implementation of turnaround strategies. There may be sufficient machinery and human resources in the various departments, however, there has to be competent managers to ensure efficient utilize of such resources. In light, it was deduced that there is need to align the physical resources that an organization has with competent human resources so as to effectively realize effective implementation of turnaround strategies.

5.2 Recommendations

This study recommends that the most important resources to be acquired are competent personnel. This is particularly so since, the various aspects of the implementation of turnaround strategies need such personnel. As such, they should be well trained and suitable to carry out the various tasks needed to ensure that the strategies under their docket are well implemented. NKCC should also ensure that there is modern equipment and funds to facilitate the change management. Budgets should be reviewed regularly so as to ensure presence of adequate resources to sustain the implementation of turnaround strategies.

REFERENCES


