

# Turn-Around Strategy by Kwale International Sugar Company Limited

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## ABSTRACT

Turnaround strategic management philosophy revolves around short-term survivability while endeavoring not to compromise longer-term turnaround viability thereafter. The study sought to bring out clearly the strategies employed by Kwale Sugar Company Limited to revamp back to life after having collapsed for a very long period of time. The main objectives of the study included identifying the turnaround strategies adopted by the company and also establish the factors influencing the turnaround process. One of the important strategies included reorganizing, refocusing of the existing team under new leadership, turnaround management consulting support and the extensive support from turnaround interim managers. The study applied a case study since it is a research on one organization targeting senior managers as the respondents. The study used both primary and secondary data. Primary data was collected using interview guide as data instrument whereas secondary data was collected from the organization brochures, available documents and the web. Data was analyzed using content analysis and findings of the study were analyzed in prose. From the findings of the study, some of the many strategies employed by the Company to revamp back to business included financial restructuring, reorganization, strategic repositioning, modernization and asset reduction. Execution of the turnaround strategy faces immense complexities, pressure of limited time, information and resources, as well as uncertainty about the future which have to be addressed. As a conclusion, the study found out that various strategies need to be applied in plural to have a successful turnaround process.

**Keywords:** Turn-around strategy and survival ability

## 1. INTRODUCTION

Strategic management practices is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible (Pearce and Robinson, 2007). According to Thompson and Strickland (2007), strategies are the means by which long-term objectives will be achieved. They further point that strategies are unified, comprehensive and integrated plans that relate the strategic advantages of the firm to the challenges of the environment. They are designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. The role of strategy is to identify the general approaches that the organization utilize to achieve its organizational objectives.

### 1.1 The Kenya Sugar Industry

It is one of the oldest modern industrial activities in Kenya but its story has not been so sweet. Poor pay, delayed payments, mismanagement and corruption have characterized the industry. With a new sugar strategy in place for 2004-09, however, the sector has started showing signs of recovery. British settlers established the first sugar mill in 1922, but the industry recorded minimal growth for the past half century due to political interference and dilapidated infrastructure in the sugarcane-growing areas. Other players later joined the industry in the late 1960s including the famous Mumias sugar company (1968), and other State-owned Chemelil, Nzoia, South Nyanza (Sony), Miwani and Muhoroni. Ramisi was also one of the old sugar companies at the southeast of the country near the coast and collapsed in the early 1980s (Kenya sugar industry report, 2008). Today, sugarcane is grown mainly in western Kenya: Nyando, South Nyanza, Mumias and Busia. The area under cane is currently over 120,000 hectares, annually producing 400,000-550,000 tonnes. Almost half of this is produced on smallholdings

whilst the remainder comes from large plantations. It is also important to note that the Domestic demand for sugar is 800,000 tonnes, which leaves a deficit of up to 250,000 tonnes that is met by imports from regional sugar producers. In East Africa, sugar production is high. Tanzania, Mauritius and Sudan are the key competitors with Kenya, and new producers like Uganda and Malawi are now challenging the country's fragile sugar industry. In addition, increased regional trade and the opening up of borders to allow sugar imports from both the East African Community and the Common Market for Eastern and Southern Africa (COMESA) have hurt Kenyan sugar producers (Kenya sugar industry report, 2011).

According to the Kenya economic survey for sugar industries (2011), Kenya's sugar industry is currently dominated by competition and the factors responsible for this include the expiry of the Comesa safeguard measures, the recent entry of private investors into the sector, and the planned privatization of the state-owned factories. With the big deficit to be filled, a number of private sector players recently identified investment in the sugar sector as an avenue to deploy capital to obtain a reasonable return. The recent entrants to the sector were Kibos Sugar and Butali Sugar Company. At the same time, three factories are at different stages of construction namely: Sukari, Transmara, and Ramisi. Sugar management is the responsibility of the Kenya Sugar Board, which regulates, develops and promotes the sector. A tentative plan unveiled by the Agriculture Ministry in early 2010 showed the government would sell a 51 percent stake in five sugar companies to strategic investors and reserve another 30 percent for farmers. Once factories are profitable, the government would then sell the remaining 19 percent in the Sony, Chemelil, Nzoia, Muhoroni and Miwani milling companies in initial public offerings (Kenya sugar industry report, 2011).

According to an article in the Kenya sugar industry report (2011), the Kenya sugar industry's woes have mainly been caused by the high cost of sugar production which makes it unable to compete well with the other east African countries. Kenya's production cost of Sh45, 000 per tonne is higher than that of rivals within Comesa such as Swaziland, Malawi, and Zambia whose average cost is Sh20,000. While the rivals plant the bulk of their sugarcane, Kenyan millers rely on independent farmers whose cane pricing is regulated by the Government, which owns at least five of the sugar firms. As it stands now, Kenyan sugar companies have been protected by the comesa treaty which unfortunately will be expiring on March 2013 exposing the industry again to cut throat competition. The mills have also not been upgraded and are suffering heavy debts to the extent that the government cannot even privatize them anytime soon. Apart from that, corruption, poor planning and red tape have reduced efficiency making the factories weak competitors in a free market. Drought is also a problem affecting the industry and this can be proved by the fact that Chemelil, Muhoroni, West Kenya, and Kibos are operating at less than half their capacities due to cane shortage, while Mumias Sugar Company is producing less than it did last year. Most farmers are also turning away from sugar cane farming for better products.

## **1.2 Kwale International Sugar Company Limited**

Kwale District was identified as a prospective place for cane agriculture by entrepreneurs and a sugar plant M/S Associated Sugar Company (Later to be called Ramisi Sugar Factory) was established in 1927 near river Ramisi. The company established a nucleus estate and all the sugar cane produced in the estate was processed at the factory. For improving the profitability the company in 1960 contracted nearby small scale farmers as out growers to grow sugar cane and supply to the mill. The sugar industry contributed heavily to the economy of Kwale. Not only to the out growers who supplied sugar cane to the mill, but all round development was observed due to the contribution to the development of different sectors and people by in-direct earning through transportation, marketing etc. The closing down of this sugar factory in 1980 adversely affected the people dependent directly and in-directly and also whole economy of Kwale district (Sugar Industry Reform Report, 2011).

Established in 2007, Kwale International Sugar Company Ltd is situated at the old Ramisi Sugar Company site in Kwale district (currently Msambweni District). Its core activities are to process sugarcane for the production of sugar, ethanol and electricity. The company currently provides direct employment for 650 local residents. The project has also created Indirect Employment for over 500 people who work for the various contractors for the works being done at the site. 99% of the total work force on site is from within the Ramisi area (Kwale Sugar Board annual report, 2012). Mauritian Sugar giant Omnicane is the force behind the new company and is investing a whopping Sh16.5 billion in the sugar company—a move that will heighten competition in a market that has witnessed a number of new entrants. The company, which is listed in Stock Exchange of Mauritius, would form a joint venture with local investors in Kwale International Sugar Company Limited — giving it access to 17, 000 acres of sugar cane. It would be the biggest entrant to Kenya's sugar market and one of the largest foreign direct investments in the country's agro industry in what could shake the dominance of the sector by Mumias Sugar. The new entrant is expected to boost competition in the sugar industry, which is bogged down

by high production costs due to use of poor technology and old machinery. The company would rely on its own as opposed to small-scale out-grower farmers for cane supplies, a situation that has worked against efficiency of local firms for a very long period of time now. At present, the company is working in Partnership with the *Kenya Sugar Research Foundation* (KESREF) to ascertain the various types of sugar cane that would be suitable for production on the Nucleus Estate and outgrowers at large (Kwale Sugar Board annual report, 2012).

So far, Mumias Sugar has faced little opposition since the new entrants such Kibos, Soin and West Kenya do not much its financial muscle in market where state owned firms Nzoia, Miwani, Sony, Chemelil and Muhoroni are struggling. Its entry will also complicate the business environment for the local producers as the country removes the 10 per cent duty on imports from least cost producers from the regional Comesa bloc that is due to expire in March 2012 (Sugar Industry Reform Report, 2011).

Just like Mumias, the Mauritius firm will be looking at new product lines such as power generation and a 30,000 litre ethanol production plant. Kwale International Sugar Company Limited is also looking forward at establishing a water bottling plant, due to be commissioned in September 2014. This comes as Kenya's sugar sector experiences cane shortages that has seen millers operate below capacity and raised retail prices of sugar to more than 200 shillings per kilogramme over the past 4 months. The local sugar sector has received a boost with the opening of Ramisi sugar factory in Kwale district. The sugar plant, closed for 28 years, is expected to produce 3,500 tons of sugar daily at full capacity. The plant has remained dormant for the last 28 years (Kwale Sugar Board annual report, 2012).

### 1.3 Research Problem

Turn Around refers to recovery to profitability from a loss or declining situation. Top management must rescue a declining firm by responding swiftly through strategies and policies to external and internal factors causing decline with an aim of substantial recovery. A firm may be said to be in decline when it experiences a resource loss sufficient to compromise its viability (Cameron et al, 1987). Turn Around may be considered to have occurred when a firm recovers adequately to resume normal operations (Barker and Duhaime, 1997; Robins and Pearce, 1992).

Turnaround is very important especially to Kwale International Sugar Company Ltd for it is to ensure a successful comeback which will in turn ensure utilisation of the vast resources left idle for over a period of 27 years as a result of the collapse, economic development in the wider Kwale County and the country at large and also ensure development in terms of technology because of the collaboration with the overseas Mauritian Company which will oversee the cane development process, infrastructure development and general factory rehabilitation and production. Apart from that, the area is also preferred because of its strong global presence, capacity that can be improved, locational advantage and the excellent relationships that it has with the local farmers. The company will play a very important role in the Kenyan economy on its commissioning as it is expected to produce over 3,500 tonnes of sugar daily by using the modern technologies that will help reduce the high cost of sugar production by almost half of what we witness today and at the same time produce ethanol, molasses and other related cane products both for export and local use. The company first launched its strategic plan for recovery in 2007 and currently it's almost through with the recovery process. The second turnaround strategic plan is underway and geared towards production so as to realize its vision, mission and objectives.

To date few researchers have addressed the turnaround strategic practices of a collapsed company. The limited research that has been undertaken is deeply rooted in the existing business sector and relates to the declining companies. Furthermore, little or no research has been undertaken on the difficulties that firms experience in the development of their turnaround strategic plans and general management practices especially on the sugar industry and collapsed companies. For instance, Gichuki, (2009) studied on the Turnaround Strategies at the Co-operative Bank of Kenya and found out that there was no single strategy that was able to confront declining performance instead it had to be fought from various fronts by use of appropriate strategies. Rasheed, (2001) studied Turnaround Strategies for declining small businesses: the effects of performance and resources concentration in USA. Kiarie, (2009) did a study on the Turn Around strategies adopted by Uchumi Supermarkets Limited: under receivership and noted that the causes of the decline are diverse and may be a combination of both external and internal business environmental forces. He also advocated for the use of more than one strategy: Khadija, (2011) studied on the competitive strategies employed by Mumias sugar company to develop competitive advantage and Owelle, (2011) studied on the challenges of strategy implementation at chemelil sugar company ltd and concluded that employees mattered a lot and have to be put into consideration whenever there is a new strategy to be implemented. None of the above studies focused on strategic turnaround practices of collapsed sugar industries or the sugar firms in the turbulent sugar industry in Kenya. Accordingly,

this study attempts to bridge the knowledge gap by seeking answers to the questions: What turnaround strategies can be used to revamp a collapsed business and what are the factors influencing the turnaround process?

## **2. THE CONCEPT OF TURNAROUND STRATEGY**

Turnaround strategy is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround Management strategy involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created. These plans may or may not involve a bankruptcy filing. Once approved, turnaround professionals begin to implement the plan, continually reviewing its progress and make changes to the plan as needed to ensure the company returns to solvency (Peters, 1987). According to Kipkeu (2009), the turnaround strategy refers to the plans to be utilized to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. He further described Turnaround strategy in terms of how the turnaround strategy components of managing, stabilizing, funding and fixing an underperforming or distressed company are applied over the natural stages of a turnaround. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics (Arogyaswamy, Barker and Yason, 1995).

### **2.1 Factors leading to Business Collapse**

In these economically challenging times there are more and more businesses that find themselves in difficult situations where sales are falling, costs are rising and the creditors getting even more agitated (Barker and Duhaime, 1997). Before a business owner or investor throws in the towel and winds up the business it is worthwhile considering a turnaround approach which before formulation, the root causes of the crisis must be established. Aaker (1998), points out that the frequently encountered causes include revenue downturn caused by a weak economy, overly optimistic sales projections, poor strategic choices, poor execution of a good strategy, high operating costs, high fixed costs that decrease flexibility, insufficient resources, unsuccessful Research and Development projects, highly successful competitor, excessive debt burden, inadequate financial controls, mismanagement of organizational resources, uncompetitive products, sick company, acts of God, poor strategy and poor vision. Bevan (2002), also suggested that poor business model/execution, lack of expertise, experience or education, fraud, overinvestment, high operating costs, new innovations by competitors or a downturn in demand which leads to a loss of market share and revenue, maladministration and many others could be some of the reasons.

### **2.2 The Turnaround Strategies**

These refer to the various mechanisms that can be used to reverse the existing negative trend and among others; they include retrenchment to improve internal efficiency, diversification, and liquidation. According to Denis of Corporate Renewal Solutions management group (2011), some of the signs likely to give you an early warning include persistent negative cash flows, negative profits, declining market share, deterioration in physical facilities, high turnover rate, low morale among employees, mismanagement of organizational resources, uncompetitive products, sick company, acts of God, poor strategy, poor business model/execution, lack of expertise, experience or education, fraud, insufficient financial controls, overinvestment, high operating costs among others. While each case is unique, the turnaround process involves processes and the first one is normally management change where consultants are called to manage the firm, this is followed by situation analysis which is performed to evaluate the prospects of survival and the strategies that may be adopted. This is succeeded by the emergency action plan and business restructuring so as to achieve positive cash flow and ensuring sustainability. This should eventually return the business to normalcy by ensuring employee confidence is regained, strong balance sheet maintained among others (The Turnaround Management Association-South Africa, 2011).

Gichuki (2009) explains that there are also other types of strategies that can apply especially when the prospects of the firm appear too bleak to continue as an ongoing operation. They include the exit strategy which can further be divided into an immediate abandonment strategy that exits the market by immediately liquidating or selling to another firm or a harvest strategy where the firm plays the end-game maximizing near-term cash flows. Corporate Renewal Solutions' turnaround management philosophy revolves around short-term survivability (getting the business "out of the hole") while endeavoring not to compromise longer-term turnaround viability



(how to "climb the mountain") thereafter. In doing this, some questions have to be answered which include: How did it fall into the hole? (Causes of distress); How deep is the hole? (Severity of the financial crisis, and number and nature of internal and external constraints faced); how will it get out of the hole? (Short-term turnaround strategy); what does it mean to be out of the hole? (Short-term financial turnaround objectives and stakeholder support); How will it climb the mountain? (Longer-term turnaround strategy inclusive of asset reduction and strategic repositioning) and finally how high is the mountain?

There are so many types of turnaround strategies which include the generic turnaround strategies which can further be broken down to operational turnaround strategies, financial turnaround strategies, reorganization turnaround strategy, strategic repositioning turnaround strategy, revenue enhancement as a turnaround strategy, cost reduction as a turnaround strategy, asset reduction as a turnaround strategy and many others (Pearce and Robinson, 2007). The Financial turnaround strategy refers to financial restructuring with a view to strengthening the balance sheet and/or provides funding. It also deals with revenue enhancement and Cutback action, which has two dimensions; cost reduction and asset reduction. The Operational turnaround on the other hand implies changes to the value chain, which in turn requires changes in the organizational structure of the underperforming or distressed business. Reorganization may also entail changes to the leadership team and it deals with all the people issues in the business. It may entail restructuring, restaffing, reskilling and turnaround leadership revitalization to yield improved leadership, management, organizational structure, organizational alignment and culture while the Strategic repositioning turnaround strategy aims at Improving effectiveness and efficiency by basing on chances of the business domain and value proposition of the business. It can change the mission and customer value proposition of the distressed company by changing what products are offered to what markets and in which fashion which may in turn change the revenue - cost - asset structure of the business, yielding improved profitability and return on capital employed. It may do so by growing, shrinking or refocusing the business (Modern, 1999).

Modernization is also a type of strategy for turnaround and it involves developing a new technology or upgrading the existing strategy which may in turn ensure increased production, reduced costs and improved efficiency. It is normally applied to stabilize the organization before adopting other strategies like expansion and diversification/integration which can either be vertical, horizontal, concentric or conglomerate diversification. Repositioning is also another strategy that can be used and the major techniques that can be used here include Retrenchment, Repositioning, Replacement and Renewal (Howe, 1986).

### **2.3 Turnaround Stages**

Managing the turnaround process involves some stages which have to be clearly followed and according to Peters (1987) the stages include the turnaround situation assessment which is the first stage and takes place after the need for a turnaround has been recognized. It involves determining the Short-term survivability, Longer-term viability, Turnaround strategies, and high-level turnaround plan among many others. Once this is done an emergency management is carried out whose objectives includes securing the short-term future of the business through stabilizing the distressed company and laying the foundation for funding and fixing of the distressed company by allowing a window of opportunity for turnaround plan refinement. The turnaround restructuring stage is the third stage and it involves the implementation of the turnaround plan devised during turnaround situation assessment and refined during the emergency management stage. Turnaround restructuring takes the form of Leadership restructuring, Financial restructuring and Strategic, organizational and operational restructuring. This is then preceded by the turnaround recovery stage which entails embedding these changes, and managing the business during its return to normality. The Turnaround recovery is characterized by an increased emphasis on profits in addition to the earlier emphasis on cash flow, Operational efficiency improvements and Building the organization. The turnaround is completed when the company has returned to normal on a sustainable basis.

According to Khandwalla (2001), the format to be followed when formulating a strategy plan should include the executive summary; history; internal assessment - strengths and weaknesses; historical financial analysis; External environment - industry drivers, competitive forces, threats and opportunities; segmentation; market share ; market attractiveness; causes of distress - internal and external; Approaches to reverse causes of distress; Approaches to overcome internal and external constraints; Approaches to overcome the financial crisis and rapidly improve bottom-line results; The Stabilization plan; Funding plan; Turnaround strategy to fix the business in terms of strategic repositioning, reorganization, revenue enhancement, cost reduction and asset reduction; New organizational structure; Functional plans - sales & marketing, manufacturing, etc. Others include the Turnaround leadership; Turnaround stakeholder management; Turnaround project management and financial projections.

## 2.4 Managing Turnaround

According to David (1986), to effectively manage the turnaround process well an external consultant can be involved and the existing team urged to support him/her or alternatively withdraw the existing team temporarily as a turnaround specialist is employed. It should then be followed by an analysis of the product, market, production process, competition, market segment positioning, clear thinking and lastly implementation of the plans which involves target setting, feedback and remedial action. It's also important to ensure that the strategy adopted exploits the opportunities in the environment and is consistent to the existing resources of the firm while giving the firm the competitive advantage.

Turnaround Managers are also called Turnaround Practitioners, and often are interim managers who only stay as long as it takes to achieve the turnaround. Assignments can take anything from 3 to 24 months depending on the size of the organization and the complexity of the job. Turnaround management does not only apply to distressed companies' it in fact can help in any situation where direction, strategy or a general change of the ways of working needs to be implemented. Therefore turnaround management is closely related to change management, transformation management and post-merger-integration management (Bibeault, 1982). High growth situation for example are one typical scenario where turnaround experts also help. More and more turnaround managers are becoming a one-stop-shop and provide help with corporate funding (working closely with banks and the Private Equity community) and with professional services firms (such as lawyers and insolvency practitioners) to have access to a full range of services that are typically needed in a turnaround process. Most turnaround managers are freelancers and work on day rates, but there are a few very high profile individuals who work for very large corporations on an employed basis and usually get 5 year contracts (Yawson, 2005).

According to the Peters (1987), the components of a turnaround strategy involves Managing the turnaround which includes enabling components to manage the turnaround's stabilization- He states that when the momentum of an underperforming or distressed business is down, such a business needs to be stabilized to ensure the short-term future of the business through cash management, cash generation and cash conservation, demonstrating control, re-introducing predictability and ensuring legal and fiduciary compliance; He also advocates for funding and recapitalization to ensure that the distressed companies can be fixed financially, strategically, operationally and in general.

## 2.5 Survival Techniques after the Turnaround Process

Turnaround strategies often fail since they focus on achieving a longer-term vision without getting out of the hole in the first place – thereby dying in the process; some also fail because they focus on getting out of hole without a strategy for sustainable recovery. Such turnarounds which focuses on short-time survivability or a financial turnaround alone tend to be short-lived. To get out of the hole successfully, certain longer-term sacrifices often need to be made if the financial crisis is severe. Seamlessly dovetailing the actions of getting out of the hole, and climbing the mountain, requires careful stakeholder management (Cameron et al, 1987).

Once the turnaround strategies have been implemented, the company should always ensure it takes control of its cash flows, analyzes financial situations, carries out strategic planning, identifies gross margin, identifies the important business metrics that will improve controls (production, financial, management, marketing), carries out customer tuning and pruning, eliminates and simplifies (this is an art and it is critically important) the unwarranted processes, automates and delegates, establishes the firm's corporate identity, creates a corporate web identity (website & e-mail), creates and manages credit and working capital, carries out evaluation & continuous improvement among many other measures (Bevan, 2002). This new corporate style needs to be specific and written down in a strategic plan. More importantly, all of the company's leadership needs to fully buy in to the process. An independent professional can be crucial in shepparding this process along and overcoming objections (Glueck et al, 1980).

## 2.6 Summary

From a practical perspective, it appears that organizations can benefit from Turnaround strategies. The Turnaround strategic process can be as simplistic or complex as necessary. Most important is that the Turnaround plans are developed to consider the unique needs and context that the target organization is operating within. Further, and more importantly, the Turnaround plans should be viewed as a tool that evokes action within the organization and catapults it to another level. It's a living document that guides the activities of the organization in a purposeful manner, not some show-piece that is shelved upon completion and if followed properly can lift the company to very high levels from very low.

### **3. RESEARCH METHODOLOGY**

#### **3.1 Research design**

This study adopted a case study research design where the unit of study will be the Kwale International Sugar Company Limited. The design is most appropriate when detailed; in depth analysis for a single unit of study is desired. Case study research design provides very focused and valuable insights to phenomenon that may otherwise be vaguely known or understood. This research design was successfully used by Gichuki (2009) and Kiarie (2009) in similar studies.

#### **3.2 Data collection method**

The study involved collection of both primary and secondary data. The focus of the study will be on carrying out an intensive study of the turnaround strategies applied by Kwale Sugar Company Limited. To achieve this, primary data will be collected by way of interview guides consisting of open-ended questions. Secondary data will also be obtained from the company's policies, strategies, documentation and reports to supplement the primary data. The respondents will mainly be drawn from top level management since turnaround is a corporate level strategy and senior management are better placed to respond to the issues required for the purpose of this research.

#### **3.3 Data analysis**

Given the fact that both the primary and secondary data will be qualitative in nature, content analysis will be the best suited method for analysis. This is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. It is further argued that the method is scientific as the data collected can be developed and be verified through systematic analysis (Mugenda and Mugenda, 1999). This approach has been used previously in similar research like the one done by Gichuki (2009) and Kiarie (2009).

### **4. FINDINGS**

The objectives of the study were to establish the turnaround strategies adopted by Kwale International Sugar Company Limited and the factors influencing the turnaround process. These objectives were achieved through interviews with the respondents assisted with an interview guide.

#### **4.1 Turnaround strategies adopted**

Kwale International Sugar Company Limited has pursued very many strategies in its pursuit to revamp back into business; Most noted are the recovery strategies aimed at re awakening the company. The strategies employed by the company include the generic turnaround strategies which aimed at coming up with better production methods and practices that will lead to improved cash flow, profitability, solvency and financial returns. It also includes the value chain analysis that ensures operational efficiency through revenue enhancement, cut back action which includes both cost reduction and asset reduction strategies. The Financial turnaround strategies were also applied and helped in financial restructuring with a view to strengthening the balance sheet and/or provide funding. Other strategies applied included the Reorganization turnaround strategy which required changes in the organizational structure of the collapsed or distressed business. Reorganization entailed changes to the leadership team which Kwale International Sugar Company Limited has effectively done by changing its staff. Improving effectiveness and efficiency may not be enough. Kwale International Sugar Company Limited has also adopted the Strategic repositioning turnaround strategy to build on the chances of the business domain and value proposition of the business. Customer management processes such as sales and marketing, and after-sales service to increase turnover through more effective sales force performance, new products, improved functionality and range of products, new markets and better promotion are also to be adopted by Kwale International Sugar Company Limited as they will come up with various products.

Operations management processes - inbound logistics, operations, and outbound logistics - to increase performance on quality and lead time, thereby raising customer satisfaction through increased service delivery capability is yet another strategy that the Kwale International Sugar Company Limited will adopt. The company also aimed at improving the Innovation processes - Research and Development to increase the ability to offer the market new products

#### **4.2 The turnaround process in Kwale International Sugar Company Limited**

The process of revamping back Kwale International Sugar Company Limited into business was instituted in 2003. This was the time when a new government formed by the national rainbow coalition came to power following the elections in December 2002. It quickly produced an economic recovery strategy for wealth and employment creation (ERS-WEC), then in early 2004 adopted a strategy for Revitalization of Agriculture (SRA)

as a way of implementing the principles of the ERS within the agriculture sector. In 2007 there was a ground breaking ceremony by His Excellency the president and the turnaround plans commenced. Turnaround practitioners were sought and started by gathering facts about the organization in summary, after which they did the internal assessment, just to grasp the strengths and weaknesses of the organization. Later, they looked at the external environment and here mainly concentrated on issues like industry drivers, competitive forces, threats and opportunities, segmentation, market share, market attractiveness just to find out if the company could survive the turbulent environment. The causes of collapse were then sought, both internal and external after which the practitioners came up with various approaches to reverse the causes of collapse by overcoming internal and external constraints and the financial crisis at large.

The Stabilization plan was then put in place, which led to the Funding plan that paved way for the Turnaround strategies to fix the business in terms of strategic repositioning, reorganization, revenue enhancement, cost reduction and asset reduction. New organizational structure was developed, Functional plans - sales & marketing, manufacturing, etc set and the leadership/ stakeholder management improved. With all these in place, the practitioners remained with the task of managing the turnaround which is still ongoing.

From the findings, for a successful turnaround strategy, the situation prevailing must be clearly analyzed and assessed, after which, emergency action plans put in place to stop the bleeding then formulation of strategies that will help renew, revitalize, resuscitate, rehabilitate and restructure the business so that it can return to normalcy. The number of strategies applied doesn't matter so long as you achieve the desired results and again, from the study, the strategies are very much interrelated to one another and the best result can be achieved if used in multiples as compared to a single strategy.

## **5. CONCLUSION AND RECOMMENDATION**

### **5.1 Conclusion**

The findings of the study indicate that Kwale International Sugar Company Limited did put in place strategies that enabled it to successfully turnaround. The various strategies that were implemented by the company indicate that it was able to complete its turnaround by coming from a collapsed state to a state that it's now ready to commence production. The speed of the turnaround is also seen to be remarkable. Encouraging milestones towards achieving turnaround were well defined in the company's strategic blue print and the future looks promising as more strategies are laid to solidify the success and improve on their current state. It is however worth noting that the turnaround process would not have seen the light of the day were it not for the situational factors that provided the proper environment for a successful turnaround. Also, it would not have been a success if there were no counter measures to combat a number of challenges met on the way. It could be generally concluded that turnaround strategies were employed in order to achieve a turnaround process in Kwale International Sugar Company Limited and the effect were felt in all facets of the company during the time of this study.

### **5.2 Recommendation**

There is need for a firm to pursue various strategies at any given point in time. This fact is supported by reason that the causes of a business collapse are normally attributed to factors both internal and external to the firm. It is therefore recommended that the firms that are faced by decline situations in their business operations need to pursue more than one strategy in order to ensure that the prevailing situation is fought from all sides thus enhancing business as usual.

The researcher further recommends that a similar study be carried once the company is operational so that the implementation process can also be covered fully. Other researches should be done especially on the small scale firms that have collapsed and need to revamp back to business but lacking the financial muscles like Government intervention as observed in this study.

### **5.3 Suggestions for further study**

On further research, the study recommends a study like this one to be conducted in other sectors of the economy especially the small and medium enterprises that have collapsed and require turnaround strategies to revamp them to business. Another study also should use more objective empirical data rather than opinions and perceptions that were used in this study. Similarly, another study in the field can utilize other forms of data collection like questionnaires as opposed to interview guide that was used in this study. The implementation of the turnaround strategies can also be looked at as a separate study.



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