

Relationship between Turnaround Strategies and Organizational Performance: A Study of the State Owned Sugar Companies in Kenya

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Abstract: This was a study on the relationship between turnaround strategies and the performance of state owned Sugar Companies in Kenya. Two specific objectives formed the study and these were: to assess the relationship between cost reduction strategies and diversification strategies respectively on the performance of state owned sugar companies in Kenya. The total target population was 406 managers cutting across all the management levels in all the selected companies from which a sample of 197 respondents were randomly selected after having employed the stratified and random sampling techniques. Descriptive Survey research design was employed for the study with closed ended questionnaires as data collection instruments. One questionnaire was administered to each sampled respondent. The strata earmarked for questionnaires were the top management, middle level management and the operational level management as they are all involved in organization turnaround process. Data analysis and interpretation was done quantitatively based on descriptive statistics such as measures of location (mean) and measures of dispersion (standard error mean) as well as inferential statistics mainly, the bivariate Pearson correlation, multi-linear regressions and the Analysis of Variance (ANOVA). The hypotheses was tested at 95 percent confidence level (level of significance, $\alpha = 0.05$). Modernization strategies presented insignificant results to organizational performance though the correlation studies showed moderate positive relationship to organizational performance for all the two independent variables. Both cost cutting and diversification strategies presented insignificant results to organizational performance though the correlation studies showed moderate positive relationship to organizational performance for all the two independent variables. The study concluded with an emphasis on human resource restructuring as the key indicator for successful turnaround process. Key recommendations included the realignments of cost cutting strategies to cut on the costs as a cost reduction strategy.

Keywords: turnaround strategies, organizational performance, cost reduction, diversification.

1. INTRODUCTION

Turnaround is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround Management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created. These plans may or may not involve a bankruptcy filing. Once approved, turnaround professionals begin to implement the plan, continually reviewing its progress and make changes to the plan as needed to ensure the company returns to solvency (Thompson & Strickland, 2008).

A cost-cutting strategy which has an efficiency orientation typically involves cut backs in administrative, R&D, marketing, and other seemingly discretionary expenses. Improvement in management of receivables and inventories also

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

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

State owned sugar companies in Kenya have not lived up to the expectation of their greatest shareholder and have had to be turned around in many occasions for them to continue with their operations if not to survive. Some companies which have pursued the turnaround strategies have emerged with a lot of success, some don't have a lot to show after undergoing a successful turnaround because they fall back into the ditch again. The Kenyan State owned sugar companies are such an example which have had to be bailed out in different occasions, carry out board and management changes, introduce strategies such as retrenchment and cost cutting among others but still revolving around the same dismal performance of not meeting the stakeholders expectations of prompt payment, profit and wealth maximization, good service delivery and general growth and development. The researcher was very keen on the state owned sugar companies which have gone through a successful turnaround process but whose benefits were short-lived. This was the gap that the study sought to fill by finding out the applicability of turnaround strategies on organizational performance. Specifically, the study was guided by the following two objectives:

1. To assess the relationship between cost reduction strategies and organizational performance of state owned sugar companies in Kenya.
2. To describe the relationship between diversification strategies and organizational performance of state owned sugar companies in Kenya.

The study was be guided by the following hypotheses.

HO₁: Cost reduction strategies have no significant influence on organizational performance of state owned sugar companies in Kenya.

HA₁: Cost reduction strategies have significant influence on organizational performance of state owned sugar companies in Kenya.

HO₂: Diversification strategies have no significant relationship with organizational performance of state owned sugar companies in Kenya.

HA₂: Diversification strategies have significant relationship with organizational performance of state owned sugar companies in Kenya.

2. LITERATURE REVIEW

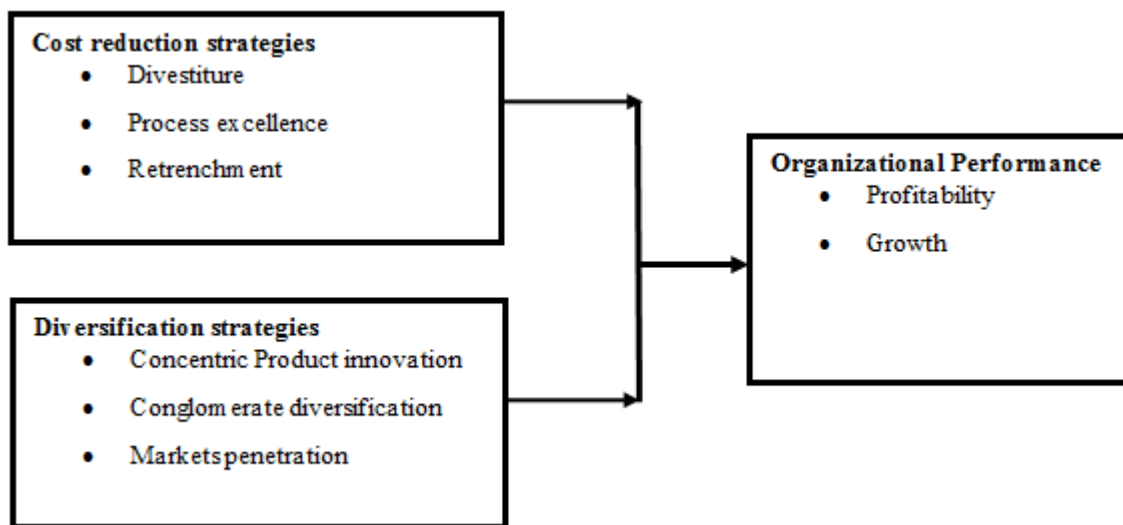
This study was informed by three theories: structural adaptation to regain fit theory, competitive advantage theory and life cycle theory. The structural adaptation theory argues that functionalist theories and quantitative methods can explain structural changes in organizations. This is exemplified by a diachronic enquiry into strategy and structure. Organizations change from one fit to another over time. An organization in fit enjoys higher performance, which generates surplus resources and leads to expansion such as growth in size, geographic extension, innovation or diversification. This increases the level of the contingency variables, such as size, leading to a misfit with the existing structure. The misfit

lowers performance, eventually leading to a performance crisis and adaptive structural change into fit (Denison, 2008).

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

Understanding competitors can help the enterprise to re-organize and improve their own business processes and to develop and re-configure internal resources, to improve the enterprise's competitiveness and ability to compete with the other market players (MC Cann et al, 2009). (Uzel (2015), argues that enterprises with higher competition orientation will follow a more aggressive, externally focused approach (via developing relational capabilities) and will aim to strongly differentiate their offer from that of competitors (King, 2007). Therefore, closer attention to competition will enable the enterprise to develop capabilities to better manage in important business relationships hence success.

The life cycle theory was first introduced in 1966 by Raymond Vernon to explain the expected life cycle of a typical product from design to obsolescence, a period divided into the phases of product introduction, product growth, maturity, and decline. The theory further finds its application on companies which also go through the same phases of life. Penrose (2010) argued that the turnaround process "if successful, may be chartered as an inverse product life cycle". Life cycle theories entail the "extension" of the life of a product or, the life of a business. Based on the above theoretical framework, the following conceptual framework was derived:



2.1 Review of variables:

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

Cost efficiencies include a varied range of actions, which can all be characterized as "belt-tightening" or "fire-fighting", with the aim of producing "quick-wins" in order to either stabilize finances in the short-term until more complex strategies are devised, or to quickly improve cash flow (Thompson et al, 2010). Cost efficiency measures are frequently

the first step in any recovery strategy as they can be quickly implemented, may have an almost immediate effect, and generally require little or no capital or resource outlay (Pearce & Robins, 2008). The most commonly reported cost efficiencies in the literature include reducing R&D, collecting and reducing accounts receivable, cutting inventory, stretching accounts payable, reducing marketing activity and eliminating pay increases (Bibeault, 2012). Interestingly, Sheppard (2009), found that successful “sharpbenders” concentrated on reducing production costs relative to their industry peers that pursued more general overhead reductions. This included adjusting wage incentives, tighter stock control, financial and capacity controls and investment in new plant to enable greater efficiencies, streamlined, improved and cost effective processes.

3. RESEARCH METHODOLOGY

Descriptive research design was used with a target population of 406 employees from the five state owned sugar Companies in Kenya which had gone through or were undergoing the turnaround process. They included Mumias Sugar Company Ltd, Nzoia Sugar Company Ltd, South Nyanza Sugar Company Ltd, Muhoroni Sugar Company Ltd and Chemelil Sugar Company Ltd. Stratified sampling was used to classify the employees into the various management levels; strategic level, tactical level and operational levels.

Table 3.1: Target Population

Management level	MSC	NS	SSC	MSC	CSC	Total
Chiefs/Executives	11	14	12	12	10	59
Heads of Departments/Managers	27	23	29	24	21	124
Supervisors	53	48	36	49	37	223
Total	91	85	77	85	68	406

A sample size of 197 respondents was used after having employed the stratified and random sampling techniques. Descriptive Survey research design was employed for the study with closed ended questionnaires as data collection instruments. One questionnaire was administered to each sampled respondent. The strata earmarked for questionnaires were the top management, middle level management and the operational level management as they are all involved in organization turnaround process.

A correlation analysis was conducted to establish the relationship between the independent and dependent variables to test the hypotheses of the study and show the degree of relationship between the independent and dependent variables. The hypothesis testing was done at 5% level of significance and SPSS was used for this purpose.

The regression model for this study takes the form:

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

Where:

Y = Dependent variable (Organizational performance).

β_0 = Constant or intercept which is the value of dependent variable when all the independent variables are zero.

β_{1-2} = Regression coefficient for each independent variable.

X_1 = Cost Reduction Strategies

X_2 = Diversification Strategies

ϵ = Stochastic or disturbance term or error term.

4. FINDINGS

4.1 Organizational performance overtime:

Half of the respondents felt that the organization's performance overtime in respect to achievement of its objectives was satisfactory, 31.7% of the respondents felt that the performance of their organization was less than satisfactory, with just a

few feeling that their organization performance was more than satisfactory and excellent respectively. This meant that most of these organizations had possibly no clear communicated goals as most of the employees who responded felt that the organizations were performing satisfactorily well yet they were not as depicted in their secondary data analysis.

Table 4.1 Organizational performance overtime

Organizational Performance overtime	Frequency	Percent	Valid Percent	Cumulative Percent
Less than Satisfactory	53	31.7	31.7	31.7
Satisfactory	85	50.9	50.9	82.6
More than Satisfactory	21	12.6	12.6	95.2
Excellent	8	4.8	4.8	100.0
Total	167	100.0	100.0	

4.2 Influence of turnaround strategies:

Asked on whether turnaround strategies influenced organizational performance, majority of the respondents opined that they indeed influenced while only a handful felt that the turnaround strategies do not influence organizational performance. This finding is consistent with vast work in the literature review that indeed turnaround strategies influence organizational performance.

Table 4.2 Influence of Turnaround strategies on Organizational performance

Statement	Frequency	Percent	Cumulative Percent
Turnaround strategies influence organizational performance	157	94.0	94.0
Turnaround strategies don't influence organizational performance	10	6.0	100.0
Total	167	100.0	

4.3 Descriptive for Organizational Performance:

A number of statements were poised to the respondents to determine how the organizations fared in terms of profitability and growth. The respondents were neutral on all the statements that were poised on them except on the statement that the returns to the shareholders had significantly improved which the lowest mean of 2.50 had disagreed. The overall mean for the dependent variable was 2.7056 which is neutral implying that the organizations were not really performing well and that the performance level could be a function of so many other variables other than the turnaround strategies only though they played a significant role

Table 4.3 Organizational Performance descriptive

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

Key: Ranked on a scale: 1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral) 3.4-4.1(agree) and 4.2-5.0 (strongly agree)

4.4 The relationship between Cost Reduction strategies and Organizational Performance:

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

4.4.1 Descriptive of cost reduction strategies

The study sought to find out the relationship between cost reduction strategies and the performance of State owned sugar companies. Table 4.4.1 below summarizes respondents' degree of agreement to the various opinion statements poised on them.

Table 4.4.1 Cost reduction strategies on organizational performance

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

Key: Ranked on a scale: 1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral) 3.4-4.1(agree) and 4.2-5.0(strongly agree)

Most of the respondents agreed that the organizations encouraged new ideas to promote process improvements as a cost reduction strategy, that the organizations' concentrated on profit generating product lines, and that the organizations had realigned their processes to cut on the costs. The response generally meant that the organizations had gone a long way in trying to actualize these strategies. All the other statements poised on the respondents yielded neutral answers symbolizing that the organizations were not very keen in implementing them.

4.4.2 Cost reduction strategies factor results:

This strategy had twelve statements from which the respondents were expected to raise their opinion. These were assessed for confirmatory validity for subsequent analysis. The result of the factor analysis in table 4.4.2 below shows that there were two critical factors that were driving the cost reduction strategies which cumulatively accounted for 61.226 percent of the total variance in this construct. The first critical factor had an Eigen value =6.261 and the second critical factor had an Eigen value= 1.086.

Table 4.4.2 Factor results for cost reduction strategies

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

Extraction Method: Principal Component Analysis.

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

Table 4.4.3 Descriptive results of cost reduction strategies

		Cost reduction strategies represented by Realignment and cost cutting strategies
Measurement	Realignment Strategies	Cost cutting strategies
Mean	3.206	3.259
Cronbach's Alpha	0.844	0.881

Key: Ranked on a scale: 1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral) 3.4-4.1(agree) and 4.2-5.0(strongly agree)

Using the principal component analysis, two components resulted namely realignment and the cost cutting strategies. Realignment strategy had a mean of 3.206 with Cronbach's Alpha of 0.844 which is acceptable hence qualified for further analysis. Cost cutting strategies on the other hand had a mean of 3.259 with Cronbach's Alpha of 0.881 which was also well within the acceptable limits. Though the respondents were neutral on both strategies cost cutting strategies was rated slightly highly compared to the realignment strategies.

4.4.4 Correlation matrix for Cost Reduction strategies and Organizational Performance:

Table 4.4.4 below shows that there was a significant moderate positive correlation between the cost cutting strategies and organizational performance ($\rho = 0.467$, p -value=0.000) at 0.01 level of significance, this was within the threshold p -value of 0.01. This meant that the cost cutting strategies directly affected organizational performance of state owned sugar companies.

Table 4.4.4 Correlation matrix for cost reduction strategies

		PI	CCS	RS
PI	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	167		
CCS	Pearson Correlation	.467**	1	
	Sig. (2-tailed)	.000		
	N	167	167	
RS	Pearson Correlation	.518**	.734**	1
	Sig. (2-tailed)	.000	.000	
	N	167	167	167

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

The realignment strategies on the other hand registered also a moderate positive and significant correlation with organizational performance ($\rho = 0.518$, p -value = 0.000 which are also well within the accepted threshold p -value of 0.01. This meant that the realignment strategies also directly affected organizational performance of state owned sugar companies' in fact by a higher extent to the cost cutting strategies.

4.4.5 Regression results for Cost Reduction strategies on Organizational Performance:

The aggregate mean scores of cost reduction strategies (independent variable) were regressed on the aggregate mean scores of performance improvement (dependent variable) and the research findings were outlined in Table 4.28. To find out the relationship between cost reduction strategies and the performance of State owned sugar companies, the study had set the following hypothesis;

Hypothesis One

HO₁: Cost reduction strategies have no significant relationship with organizational performance of State Owned Sugar Companies in Kenya.

Table 4.4.5 Cost Reduction Regression Results

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

a. Dependent Variable: OP

The individual regression results in Table 4.4.5 reveal statistically significant low positive linear relationship between cost cutting strategies and Performance Improvement ($\beta = 0.198$, P- value = 0.05). The results show that cost cutting contributes significantly to the model since the p-value for the constant and gradient is 0.05. The individual regression results also reveal statistically significant moderate positive linear relationship between the realignment strategies and Performance Improvement ($\beta = 0.422$, P- value = 0.00). The results show that the realignment strategies contribute significantly to the model since the p-value for the constant and gradient is less than 0.05. The fitted equation is;

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

Hence, H_{01} is rejected since $\beta \neq 0$ and P-value < 0.05. It can be concluded that there is statistically significant influence of cost reduction strategies on organizational performance of state owned sugar companies in Kenya.

4.5 The relationship between Diversification strategies and Organizational performance:

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

4.5.1 Descriptive for Diversification strategies:

This objective sought to describe the relationship between diversification strategies and organizational performance of State owned Sugar Companies in Kenya. Table 4.5.1 summarizes the respondents' degree of agreement on the relationship between diversification strategies and organizational performance. Most of the respondents agreed that the organizations had established new markets as a diversification strategy and that they had sought different growth opportunities in the existing product lines. They were then neutral on all the remaining statements including the statements that turnaround success was the result of concentric diversification, conglomerate diversification and new markets identified respectively. This clearly showed that most of the companies had gone for market expansion and embraced the diversification of related products' but again on whether they were the sole determinants of turnaround success respectively yielded neutral answers.

Table 4.5.1 Diversification strategies on organizational performance

Opinion Statements	Mean	Std. Deviation
The organization has sought growth opportunities in the existing product lines	3.42	1.066
The organization has structured itself to include the new products within the existing product lines	3.32	1.109
Concentric diversification has enabled the organization to improve on its market share	3.25	1.134
Turnaround success is a result of the concentric diversification adopted by the organization	3.15	1.079
The organization has sought new opportunities that are unrelated to its existing product lines	3.03	1.174
The organization has structured itself to accommodate the new unrelated production lines	2.87	1.042
The conglomerate diversification adopted has enabled maximum utilization of the organization resources	2.98	1.227
Turnaround success is a result of the conglomerate diversification undertaken by the company	2.92	1.053
The organization has established new markets	3.48	1.124
The organization has reconstructed its distribution network to conform to the new markets identified	3.33	1.072
The organization enjoys improved sales as a result of the new markets identified	3.31	1.113
Turnaround success is a result of the new markets identified	3.29	1.120

Key: Ranked on a scale: 1.0-1.7 (strongly disagree); 1.8-2.5 (disagree); 2.6-3.3 (neutral) 3.4-4.1 (agree) and 4.2-5.0 (strongly agree)

4.5.2 Diversification strategy factor results:

This strategy had twelve statements drawn from the three sub variables of concentric and conglomerate diversification and market penetration strategies which the respondents were expected to raise their opinion. These were assessed for

confirmatory validity for subsequent analysis. The result of the factor analysis in table 4.32 below showed that there were three critical factors that were driving the diversification strategies which cumulatively accounted for 78.627 percent of the total variance in the construct. The first critical factor had an Eigen value =6.463, the second critical factor had an Eigen value= 1.538 and the third one had an Eigen value= 1.435.

The three new sub variables were formed from the component matrix of the diversification strategy which had twelve statements and all of them were considered for further analysis as they all met the threshold values of 0.4 and above and no negative figure (David et al, 2010). This was captured by Table 4.5.2 below.

Table 4.5.2 Factor results for Diversification strategies

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

Extraction Method: Principal Component Analysis.

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

Table 4.5.3 Descriptive results of diversification strategies

	Diversification strategies represented by Related and Unrelated product diversification and Market expansion		
Measurement	RPD	UPD	MEx
Mean	3.284	2.951	3.352
Cronbach's Alpha	0.890	0.912	0.897

Key: Ranked on a scale: 1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral) 3.4-4.1(agree) and 4.2-5.0(strongly agree)

Using the principal component analysis three components resulted namely the related and unrelated products diversification and the market expansion strategies. Related products diversification had a mean of 3.284 with Cronbach's Alpha of 0.890 which was acceptable hence qualified for further analysis. Unrelated products diversification had a mean of 2.951 with Cronbach's Alpha of 0.912 which was also acceptable hence qualified for further analysis and lastly the market expansion strategy which had a mean of 3.352 and Cronbach's Alpha of 0.897. These results were consistent with Ondimu(2015)'s where he found out that diversification in banks had positive performance feedback that reinforced the persistency of using a diversification strategy in the future and also it involved seeking growth opportunities in other new industries both with a mean score of 3.833 and 3.7333 respectively.

4.5.4 Regression results for Diversification on Organizational Performance:

The aggregate mean scores of diversification strategies (independent variable) were regressed on the aggregate mean scores of organizational performance (dependent variable) and the research findings were outlined in Table 4.5.4. To assess the relationship between diversification strategies and organizational performance of State Owned Sugar companies in Kenya the study had set the following hypothesis;

Hypothesis Two

HO₂: Diversification strategies have no significant relationship with organizational performance of State Owned Sugar companies in Kenya.

HA₂: Diversification strategies have significant relationship with organizational performance of State Owned Sugar companies in Kenya.

Table 4.5.4 ANOVA Results for Diversification Strategies

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.899	.255		3.524	.001
	RPD	.080	.081	.083	.985	.326
	UPD	.124	.079	.135	1.562	.120
	MEx	.351	.082	.370	4.285	.000

a. Dependent Variable: OP

The individual regression results in Table 4.5.4 above reveal statistically significant moderate positive linear relationship between market expansion strategies and Organizational performance ($\beta = 0.351$, P-value = 0.000). The results show that market expansion contributes significantly to the model since the p-value for the constant and gradient is less than 0.05. Both diversification to related and unrelated products yielded insignificant results as their p-values for the constant and gradient were 0.326 and 0.120 which are all greater than the required 0.05. The fitted equation thus was;

$$Y = 0.899 + 0.351X_3.$$

It can be concluded that there is statistically significant relationship between market expansion strategies and organizational performance of state owned sugar companies in Kenya while diversification to both related and unrelated products have no significant relationship to Organizational performance.

5. CONCLUSION

Specific Objective 1: To assess the relationship between cost reduction strategies and organizational performance of state owned sugar companies in Kenya.

This objective sought to examine whether cost reduction strategies as a turnaround strategy influenced organizational performance. The indicators of cost reduction strategies taken into consideration were cost cutting and realignment strategies according to the factor results. Reliability of the data was conducted for cost reduction strategies using Cronbach's Alpha test and was within acceptable limits. Notable, was that most of the organizations encouraged new ideas to promote process improvements and that they aligned their processes to cut on the costs, these recorded the two highest means.

Findings on correlation matrix indicated that there was a significant moderate positive relationship between cost reduction strategies and organizational performance. This meant that cost reduction strategies were a tool used by most of the studied organizations as a turnaround strategy to improve the performance of the organization, thus it was found to be an important strategy with significant influence on the organizational performance. The regression analysis conducted found out that the cost cutting strategies had a negative insignificant relationship to the organizational performance meaning that as we pursue the cost cutting strategies care should be taken as it's not automatic that it would lead to performance improvement contrary to the many studies carried out. The realignment strategy on the other hand indicated a low positive significant relationship to organizational performance and it was further considered on the stepwise multiple regression hence leading to the rejection of the null hypothesis. The null hypothesis was thus rejected and alternative considered since the study found out that there was a significant positive relationship between realignment strategies of cost reduction turnaround strategies and organizational performance of State owned sugar companies in Kenya.

Specific Objective 2: To describe the relationship between diversification strategies and organizational performance of state owned sugar companies in Kenya. This objective sought to describe the relationship between diversification strategies and organizational performance of state owned sugar companies in Kenya. Results were reached after analysis of several factors that contributed to turnaround success. The sub- variable arrived at were diversification to related

products, diversification to unrelated products and market expansion as depicted by the factor results. Reliability of the data was conducted for diversification strategy using Cronbach's Alpha test and was within the acceptable level. All the sub-variables studied were found to be positively and significantly associated with organizational performance as indicated by the positive correlation coefficient values. This meant all the sub variables were a critical indicator as far as organizational performance is concerned. The descriptive statistics conducted showed that market expansion scored the highest mean, followed by diversification to related products and lastly diversification to unrelated products. The regression analysis conducted found out that the diversification strategies had an insignificant low positive relationship with organizational performance meaning that organizations need to be cautious when applying the diversification strategies as it is not automatic that they will lead to performance improvement. The study concluded that diversification strategies had insignificant low positive relationship with organizational performance.

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