

# Turnaround Strategies Adopted by Banks in Kenya: An Academic Research Paper

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## Abstract

The study explores turnaround strategies adopted by Kenyan banks in response to challenges that include deteriorating financial performance, operational inefficiencies, and market pressures. The banking industry has been beset by increasing NPLs, changing customer expectations, regulatory reforms, and technology disruptions, all of which have called for strategic interventions toward recovery and growth in a sustainable manner. The paper reviews the strategic responses of banks in regard to cost-cutting, operational efficiency, revenue diversification, organizational restructuring, and technology-driven innovations. A mixed-method approach helps to accomplish comprehensive analyses by including case studies of banks where the turnaround strategy was implemented, financial reports, Central Bank of Kenya publications, and interviews with experts. The study will, therefore, focus on some of the challenges of implementing this strategy, such as internal and external resistance to change, regulatory constraints, and the high costs of technological adoption. It also evaluates the wider consequences on financial stability, market shares, and customer loyalty. The research brings to light the various successes and limitations of these strategies in Kenya's dynamic financial sector. This work serves as a strategic blueprint for banks that are similarly beset by challenges and adds to the knowledge base on turnaround management in financial services. Conclusively, this study shall help policymakers, bank executives, and industry practitioners navigate through financial and operational turbulence with a long-term perspective of resilience and growth.

**Keywords:** Turnaround Strategies, Kenyan Banks, Non-Performing Loans (NPLs), Competitive Market, Banking Sector, Strategic Management, Financial Stability.

## Introduction

"Turnaround strategies refer to structured and deliberate actions undertaken by organizations to reverse financial distress, restore profitability, and ensure long-term sustainability (Pearce & Robbins, 2008). These strategies typically encompass financial restructuring, operational efficiency improvements, leadership changes, and customer-centric initiatives aimed at rebuilding trust and market confidence (Bibeault, 1999). In the banking sector, turnaround strategies are particularly critical for institutions grappling with liquidity crises, high non-performing loans, or regulatory pressures (Altman & Hotchkiss, 2010). By examining the role of leadership, governance, and customer engagement, this study aims to identify key factors contributing to the successful recovery of distressed banks. In Kenya, banks function within an elaborate and very aggressive environment determined by both exterior and interior influences. The power of regulation had placed a choke on profitability through things like the capping of

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interest rates, among other tight controls by the CBK. Besides, the overall macroeconomic conditions of inflation, volatility of the exchange rate, and periodic political crises have made life tougher for banks. Meanwhile, customers' expectations vary more rapidly on account of changes in technology and better access to digital banking or personalized financial services. As a result of all these factors, the sector may be more aggressive, forcing every bank to seek greater innovation to be responsive towards new changes (Ndung'u, 2021). These challenges have pushed several Kenyan banks into financial stress in the last couple of years, as indicated by falling profitability, increasing NPLs, and liquidity crunch. For instance, the collapse of banks like Chase Bank and Imperial Bank has underlined the vulnerability of the sector to governance lapses, mismanagement, and economic shocks. Even well-established banks have reported reduced earnings with a rise in operational costs, thus signaling the urgent need for strategic interventions to counter adverse trends (Pearce & Robbins, 2008). Indeed, the Kenyan banking system has seen the emergence of turnaround strategies as a tool to be applied in addressing such challenges. Turnaround strategies are an array of focused and deliberate efforts towards reversing decline in performance, ensuring financial stability, and subsequently positioning for long-term growth. To this end, the banking sector is expected to achieve operational efficiency, optimal resource allocation, and rebuilding customer confidence through turnaround strategies. They include cost-cutting, where the reduction of operational expenses aims to improve margins, and diversification, which enables banks to tap into new markets and revenue streams, thus reducing their reliance on traditional banking services (Muthinja & Chipeta, 2018).

The second major approach to turnaround involves restructuring, whereby banks internally reorganize their processes, leadership structures, and operational frameworks to be more agile and increase the speed of decision-making. The strategy of innovation has also become very important, especially through the adoption of advanced financial technologies. Most Kenyan banks have embraced digital transformation by providing mobile and online banking services that improve customer experience, enhance access to financial products, and reduce transaction costs (Waweru, 2019). The paper, therefore, tries to undertake a comprehensive analysis of the turnaround strategies adopted by Kenyan banks in terms of the nature of strategies adopted, their driving factors, and outcomes realized. It examines how internal challenges, like operational inefficiency and weak governance, interact with external pressures such as regulatory and market forces to shape banks' strategic choices. The case studies of those banks that have come out of financial distress and those that could not, despite adopting measures for recovery, will give a deeper insight into which one of the discussed strategies was able to restore banks to their full financial health with resultant sustainable growth. It will also examine how each strategy has been faced with challenges such as resistance to change, high costs, and risks inherent in the adoption of technology. Insights gleaned from this analysis target both practitioners and policymakers in regard to best practices that can foster resilience and competitiveness within the Kenyan banking sector. The objectives of the current study are (i) to identify the common turnaround strategies adopted by banks in Kenya, (ii) the strategies will be analyzed for their effectiveness in improving bank performance, (iii) the identification of challenges faced by banks in implementing the turnaround strategies, & (iv) to make some recommendations on best turnaround practices in banking.

### **Literature review**

Several studies highlight key strategies banks use to reverse financial distress, including cost-cutting, restructuring, diversification, and technological innovation (Pearce & Robbins, 2008). Cost-cutting measures, such as reducing operational expenses, streamlining workforce management, and optimizing resource allocation, have been extensively applied to improve financial performance (Waweru & Kalani, 2019). Organizational restructuring, which includes managerial realignment, process reengineering, and decentralization, has also been a fundamental approach in addressing financial distress (CBK, 2021). Additionally, diversification into alternative revenue streams, including bancassurance, fintech, and cross-border expansion,

has enabled Kenyan banks to mitigate risks associated with overreliance on traditional banking products (Ndung'u, 2021). These strategies have been instrumental in ensuring financial stability, enhancing efficiency, and sustaining profitability amid economic turbulence (Muigai, 2017).

Technological innovation has also become an essential element in the recovery process of banks, where digital banking solutions, mobile banking platforms, and AI-powered customer service have been important in advancing service delivery and operational efficiency (Muthinja & Chipeta, 2018). Several banks, including Equity Bank and Co-operative Bank of Kenya, have greatly embraced different fintech solutions to advance financial inclusion and make bank operations smooth (CBK, 2020). The adoption of blockchain technology and data analytics has also enhanced the sector in terms of risk management, fraud detection, and decision-making processes (Ochieng & Muturi, 2020). When effectively implemented, these turnaround strategies play a major role in stabilizing financial institutions for long-term growth in the increasingly volatile economic environment (Waweru, 2019).

### **Cost-Cutting and Operational Efficiency**

Financially troubled banks are normally concerned with minimizing costs as short-run recovery action. In Kenya, this has been pursued through operations rationalization involving branch network pruning, automation of processes, and workforce-related costs (Muthinja & Chipeta, 2018). Cost reduction is inevitable in the turnaround management of any bank because that way it will be able to improve its financial positions while still remaining competitive within the market scope (Pearce & Robbins, 2008). Automation has been adopted by many banks to replace manual processes, thereby reducing operational costs and improving service delivery. According to the Central Bank of Kenya, automation in the banking sector contributed to a 20% reduction in transaction costs between 2018 and 2020 (CBK, 2020). For example, Barclays Bank of Kenya (now Absa Bank Kenya) significantly reduced operational costs through automation and digital banking strategies, such as mobile banking apps, online banking services, and the use of artificial intelligence to enhance customer interactions (CBK, 2020). The closure of non-performing branches and the reduction of redundant workforce also contributed to cost efficiency, allowing banks to focus on high-margin business segments (Ndung'u, 2021). Additionally, Standard Chartered Kenya reduced costs by adopting digital banking, which enhances efficiency and service delivery (Ochieng & Muturi, 2020). The cost-cutting has allowed the banks to be profitable as the sector faces financial distress.

### **Diversification of Revenue Streams**

Diversification provides a means through which banks can hedge against risks and create a sound basis for financial stability by reducing dependence on traditional lending revenues. Kenyan banks have invested in new financial products, insurance, wealth management, and regional markets in order to underpin their revenue bases. Equity Bank has effectively diversified its non-interest income streams, including fintech solutions, bancassurance, asset management, and cross-border banking, thereby reducing its reliance on interest-based revenue (Waweru & Kalani, 2019). The bank's strategic expansion into markets such as Uganda, Tanzania, Rwanda, and DRC has further solidified its revenue generation capabilities (Ndung'u, 2021). Moreover, partnerships with telecom companies have enabled seamless digital transactions, increasing customer engagement and financial inclusivity (Muthinja & Chipeta, 2018). For instance, Equity Bank's collaboration with Safaricom's M-Pesa has provided customers with convenient mobile banking solutions, boosting transactional volumes and improving financial access in remote areas (CBK, 2020). Co-operative Bank of Kenya has also gone ahead to increase its revenue streams by introducing cooperative insurance and microfinance solutions, targeting small businesses and unserved communities (Ochieng & Muturi, 2020). These diversification strategies have, therefore, been beneficial for banks in ensuring the maintenance of profitability, increasing their resilience and thus maintaining financial stability amidst economic volatility (Waweru 2019).

### **Organizational Restructuring**

Structural realignment is a critical component of banking turnaround strategies, often involving leadership changes, decentralization, and workflow optimization. Kenya Commercial Bank (KCB) adopted a restructuring model that enhanced decision-making efficiency by decentralizing authority to regional offices. This approach improved operational flexibility, accelerated service delivery, and empowered branch managers to make strategic decisions that catered to local market dynamics (CBK, 2021). Besides, KCB further streamlined the business through the collapse of non-performing subsidiaries and implemented sophisticated risk management structures that resulted in enhanced governance structures for increased sustainable growth (Ndung'u, 2021). Through this focus on internal process alignment and customer-centric services, the bank attained operational efficiency and market positioning. Organizational restructuring at other banks, such as Absa Bank Kenya, has also enhanced the company's governance, decision-making structures, and overall business performance, according to Ochieng & Muturi (2020). Among other restructuring efforts, this contributed to long-term stability and growth within Kenyan banks for their continuous sustenance amidst an evolving financial environment.

### **Technological Innovations and Digital Banking**

Technology-driven strategies have played a very significant role in the transformation of banks, especially in enhancing efficiency, improving customer experience, and deepening financial inclusion. The Co-operative Bank of Kenya heavily invested in digital banking, mobile banking, and fintech partnerships, resulting in enhanced customer experience and operational efficiency. According to Ndung'u (2021), the bank launched M-Coop Cash, a mobile banking platform that allows customers to have easy access to loans, transfer money with ease, and pay bills. Similarly, Equity Bank's Equitel mobile platform expanded financial inclusion by integrating banking with mobile network services, allowing customers to access banking services conveniently (Muthinja & Chipeta, 2018). The adoption of big data analytics and artificial intelligence by banks such as Standard Chartered Kenya has also enhanced fraud detection, personalized banking services, and real-time decision-making, further driving banking sector transformation.

### **The Role of Employee Engagement in Turnaround Strategies**

Employee engagement emerges as one of the most critical measures of success in organizational turnarounds. The studies of Harter et al. (2002) indicate that engaged employees are more productive, contribute constructively towards the realization of the organization's goals, and are more resistant to setbacks. This relationship between employee engagement and the recovery efforts of an organization is also very critical in high-pressure industries, like banking, where generally turnaround strategies require huge internal transformation. Evidence from a number of studies suggests that the success of a turnaround is facilitated by employee involvement in decision-making, open communication, and a leadership approach that builds trust and empowers people during times of financial hardship (Macey & Schneider, 2008). Banks that focus more on engaging employees have a tendency to be more adaptable, have lower turnover ratios, and provide better customer service—all factors crucial for sustaining long-term recovery. Research in the Kenyan banking sector also suggests that employee engagement is critical to the success of turnaround strategies. For instance, at KCB Group, a combination of employee training and development with leadership practices that involved staff in strategic decisions helped foster a sense of ownership and commitment during the bank's restructuring process (KCB Group Annual Report, 2023). However, despite its importance, employee engagement in successful turnarounds remains poorly researched in much literature and, in particular, in the context of Kenyan banks. This could provide an opportunity to analyze how employee engagement strategies can be better incorporated into turnaround frameworks in such a way that employees not only adopt the change but also become active participants in organizational recovery.

### **Financial Health of Kenyan Banks Before and After Turnaround Strategies**

It is important in assessing the successes or challenges of the various turnaround strategies adopted to check on the banks' financial pre- and post-turnaround strategy implementations. The respective banks' financial performance gives an apparent signal whether the effective adopted strategies were applied or not. At the pre-turnaround plan implementation stages, most Kenyan banks were experiencing falling profitability and increased NPLs, accompanied by liquidity crises. This is usually the period of distress characterized by internal inefficiencies and external economic shocks; in some instances, it also relates to poor governance practices (Mutua & Mulu, 2019). Capital adequacy, profit margins, and loan recovery rates indicate financial instability that may necessitate a turn around. Various turnaround strategies are likely to be implemented and result in changes within a number of key financial indicators in banks after their implementation. For example, a successful turnaround normally leads to an improvement in profitability, liquidity, and a reduction of NPLs, which indicates the restoration of financial stability. In any case, this may take different periods depending on the scope and depth of the strategies implemented. Those that embrace cost-cutting, restructuring of debt, and new revenue streams may see a gradual improvement in financial health but often take many years to realize full recovery (Kamau & Munene, 2020). Secondly, knowing whether such financial improvements are sustainable over the long term remains vital. Some may offer short-term financial success of some turnaround strategies but often do not establish long-lasting improvements in profitability or growth should there be a failure to address the deep-seated structural issues of the bank, reasons (Ngugi, 2018). In fact, a more in-depth scrutiny of these financial indicators before and after the turnaround interventions would present a better indication of the link between strategic moves and financial recovery. The focus of future research should involve empirical data from Kenyan banks on specific financial indicators pre- and post-turnaround efforts, as well as an investigation into how these strategies affect long-term financial health. In so doing, the effectiveness of various turnaround strategies can be evaluated in a more effective manner to provide useful insights for academics and practitioners alike.

### **Theoretical framework**

The study draws on two key theoretical frameworks: The Resource-Based View and the Dynamic Capabilities Theory, which provide a strong foundation for understanding how banks in Kenya design and implement effective turnaround strategies. These frameworks are particularly relevant in examining how banks leverage their internal strengths and adapt to the dynamic challenges of the financial sector. The Resource-Based View, or RBV, postulates that the ability of an organization to realize a sustainable competitive advantage is essentially based on its unique resources and capabilities (Waweru & Kalani, 2019). According to RBV, resources can be tangible, such as financial capital, physical assets, and technology, or intangible, including brand reputation, organizational culture, and expertise in leadership. In this context, in Kenyan banks, strategic use of these resources becomes vital for the formulation and implementation of turnaround strategies. As examples are human capital-which spearheads organizational change as highly valued employees and strong leadership have immense potential for new ideas, making processes efficient-such instances abound where advanced technological systems enable the bank to enhance back-office efficiency and customer service through modern financial products matching market demands. Financial resources like access to capital allow a bank to invest in restructuring processes and upgrade its infrastructure as a prerequisite to facing liquidity problems associated with banking operations. The RBV framework underlines that the identification, development, and exploitation of these resources are highly crucial to surmount such challenges and reinstate their positioning (Muigai, 2017). Complementing RBV, the Dynamic Capabilities Theory focuses on an organization's ability to adapt to the rapidly changing environments. This perspective has focused on the firm's ability for the restructuring of internal and external resources, strategies aligned with newly emerging market trends, and innovation from the pressures felt externally. In particular, dynamic capabilities can have much relevance for the banking sectors in Kenya, where rapid technological changes, regulatory changes, and

changing customer expectations require constant adaptation. Kenyan banks, for example, have exhibited dynamic capabilities in embracing digital banking solutions like mobile money, online platforms, and artificial intelligence-driven customer service. These innovations have allowed banks to remain relevant and reach more customers in the face of increased competition and economic uncertainty (Muigai, 2017). Furthermore, Dynamic Capabilities Theory explains the processes involved in how an organization builds and sustains adaptiveness, comprising opportunity and threat sensing, opportunity seizing through resource mobilization, and operation transforming toward the attainment of enhanced competitiveness. Such has been manifested in banks operating in Kenya; for instance, sensing the increased market demand for microloans and mobile-based services offered by third-party service providers outside the realm of banking institutions has spurred product development. They have also redesigned their organizational structures for agility and effectiveness in view of swift responses to changes in the market and regulatory demands (Waweru & Kalani, 2019). Combined, the RBV and Dynamic Capabilities Theory set up a broad framework within which one can analyze the response of banks in Kenya to financial and operational challenges. RBV focuses on the leveraging of unique internal resources, while Dynamic Capabilities Theory focuses on continuous adaptation and innovation. These frameworks not only explain the strategic choices made by banks during periods of distress but also highlight the interplay between internal strengths and external pressures in shaping their turnaround trajectories. Anchoring this study on these theories allows a deeper understanding of the mechanisms through which Kenyan banks overcome challenges, improve performance, and build resilience in a competitive and evolving financial landscape (Muthinja & Chipeta, 2018).

### **Research methodology**

The current study adopts an integrated mixed-methods research approach, incorporating both qualitative and quantitative methodologies to offer an in-depth understanding of the turnaround strategies adopted by banks in Kenya. This ensures that the research captures the complexity and multifaceted nature of the processes involved in a turnaround while allowing the analysis of measurable outcomes. It allows for the holistic perspective needed in gauging different intervention strategies in realizing improved financial health and functional efficiency for the banks through blending insights of a qualitative nature together with quantitative data (Ochieng & Muturi, 2020).

### **Secondary Data Collection**

The study drew on secondary data from credible sources, including financial statements and annual reports of selected Kenyan banks, Central Bank of Kenya (CBK) publications, and industry analyses from reputable organizations such as the Kenya Bankers Association and financial consulting firms. These reports gave insight into the performance trend of the banks, challenges in operations, and strategies adopted particularly by each bank over time. In fact, reports on the stability of CBK banking and NPLs presented critical data for comprehending challenges that are occurring within the entire sector and changing regulatory environments which have an enabling effect on efforts to turn their fortunes around. Moreover, the comparative benchmarks in the industry reports allowed a check on how these turnaround strategies at Kenyan banks compare to international best practice (Waweru, 2019).

### **Primary Data Collection**

Primary data was collected to complement secondary data through semi-structured interviews with key stakeholders, such as bank executives, senior management, and industry experts. These interviews were designed to capture in-depth perspectives on the strategic decisions made during turnaround processes, the rationale behind these decisions, and the challenges encountered during implementation. Specific topics that were to be addressed include prioritization of specific turnaround strategies, including cost-cutting, restructuring, and innovation; the role of leadership in implementing change; and the impact of regulatory policies on strategic flexibility.

In this respect, the study gained further insight into the practical considerations and contextual factors that mold turnaround initiatives through the contribution of experienced practitioners (Muthinja & Chipeta, 2018).

### **Data Analysis Techniques**

A range of descriptive and inferential statistical methods were therefore employed to analyze the data retrieved. Descriptive statistics therefore summarized the key financial performance indicators of the ROA, NPLs, and net interest margins before and after the implementation of the turnaround strategy. In so doing, the analysis would therefore show various trends, patterns, and fluctuations in banks' financial health over time. Besides, the measures of mean, median, and standard deviation will be used to give a clear picture of the financial trajectory that the banks under study have followed (Muthinja & Chipeta, 2018). In turn, inferential analysis utilized statistical tests of regression analysis, correlation analysis, and paired sample t-tests to test the hypothesis on the link between a specific turnaround strategy and financial performance. Regression analysis denoted the level at which independent variables-cost-cutting or diversification strategies-influence dependent variables such as ROA or NPL ratios. The correlation analysis determined the strength and direction of the relationship between the financial performance measures and the adoption of a particular strategy. The paired sample t-tests compared pre- and post-strategy implementation performance, thus providing evidence of the effectiveness of the turnaround efforts (Pearce & Robbins, 2008).

### **Triangulation for Validity and Reliability**

The study adopted a triangulation approach to enhance the validity and reliability of the findings through cross-referencing of data from different sources. For instance, insights gained from interviews will be cross-checked with trends that may also emerge from the financial reports and CBK data. This model reduces biases while enhancing the credibility of conclusions drawn from the research (Pearce & Robbins, 2008).

### **Sampling**

The study adopted a purposive sampling method to select a representative sample of banks in Kenya that have undergone turnaround processes. These included commercial banks of different sizes and varying market shares for a proper data variation. Moreover, the interview participants will be selected based on direct experience and involvement in turnaround decision-making processes to ensure rich and relevant qualitative data (Ndung'u, 2021). The study, therefore, adopted a combined qualitative and quantitative research design to provide a strong framework for analyzing the turnaround strategies adopted by Kenyan banks, the factors that influence their effectiveness, and their impact on key financial performance indicators. This ensured a balanced and comprehensive understanding of both the strategic and operational dimensions of the turnaround processes in the Kenyan banking sector (Waweru, 2019).

## **Findings and discussion**

### **Cost-Cutting Measures**

In fact, cost-cutting has emerged as one of the most popularly adopted and applied effective turnaround strategies for banks in Kenya that face financial distress coupled with reduced profitability. It includes a critical reassessment of operational expenses to ascertain where costs can be cut without necessarily affecting core operations. Such methods include rationalization of internal processes, automation of repetitive jobs, and closure of non-productive branches to achieve optimum operational efficiency (Okoth, 2020). For example, in 2021, Bank A laid off 20% of its workforce in order to decrease the highest component of its operational expenditure, salary expenses. In the same period, the bank heavily invested in digital banking platforms to allow customers to perform most of their transactions through mobile and online systems with less dependence on physical branches and staff. These measures substantially reduced operation costs and increased the overall effectiveness of the institutions; however, they were not without

**Table 1: Findings and Discussion**

Category	Findings	Details
<b>Cost-Cutting Measures</b>	Prevalence	Cost-cutting is a commonly adopted turnaround strategy for financially distressed banks in Kenya.
	Methods Used	<ul style="list-style-type: none"> <li>- Rationalization of internal processes</li> <li>- Automation of repetitive tasks</li> <li>- Closure of non-productive branches</li> </ul>
	Example (Bank A, 2021)	<ul style="list-style-type: none"> <li>- Laid off 20% of workforce to reduce salary expenses</li> <li>- Invested in digital banking platforms to minimize reliance on physical branches and staff</li> </ul>
	Outcome	<ul style="list-style-type: none"> <li>- Reduced operational costs</li> <li>- Increased efficiency and effectiveness of banking operations</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>- Employee and labor union resistance</li> <li>- Strikes and litigation due to job losses</li> </ul>
<b>Communication with Customers</b>	Importance of Communication	Clear, transparent, and proactive communication is crucial in maintaining customer trust and loyalty during a bank's turnaround phase.
	Methods of Communication	<ul style="list-style-type: none"> <li>- Regular updates through email, SMS, social media, and in-branch communications</li> <li>- Ensuring messages reach all customer segments effectively</li> </ul>
	Customer Engagement	<ul style="list-style-type: none"> <li>- Gathering customer feedback via questionnaires and one-on-one discussions</li> <li>- Adapting policies based on customer perceptions and concerns</li> </ul>
	Support for New Technologies	<ul style="list-style-type: none"> <li>- Providing detailed instructions and support when implementing new technologies or services</li> <li>- Ensuring smooth transitions through customer education</li> </ul>
	Overall Impact	Transparent and multichannel communication helps maintain customer confidence and involvement in the bank's recovery process.
<b>Restructuring and Reorganization</b>	Methods Used	<ul style="list-style-type: none"> <li>- Mergers, department abolishment, job description reviews</li> <li>- Revision of reporting structures to enhance decision-making</li> </ul>
	Example (Cooperative Bank, KCB)	<ul style="list-style-type: none"> <li>- Cooperative Bank reduced branches and centralized admin operations</li> <li>- KCB disposed of non-core assets to improve efficiency</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>- Employee confusion and insecurity</li> <li>- Disruption of organizational culture and morale</li> </ul>
<b>Diversification of Revenue Streams</b>	Methods Used	<ul style="list-style-type: none"> <li>- Expansion into new geographical markets</li> <li>- Introduction of new financial products (mobile banking, insurance)</li> </ul>
	Example (Equity Bank)	<ul style="list-style-type: none"> <li>- Expanded into Uganda, Tanzania, and South Sudan to reduce domestic market risks</li> </ul>
	Impact	<ul style="list-style-type: none"> <li>- Increased financial stability and revenue generation</li> <li>- Improved customer access to banking services</li> </ul>
<b>Technology Innovation</b>	Role of Technology	<ul style="list-style-type: none"> <li>- Mobile banking platforms like M-Pesa enhance customer access and engagement</li> </ul>
	Examples	<ul style="list-style-type: none"> <li>- Mobile loans, digital wallets, AI-powered customer service chatbots</li> </ul>
	Impact	<ul style="list-style-type: none"> <li>- Increased operational efficiency</li> <li>- Greater financial inclusion, especially in rural areas</li> </ul>
<b>Strategic Partnerships and Alliances</b>	Importance	Banks collaborate with fintech firms and businesses to enhance service accessibility and efficiency.
	Examples	<ul style="list-style-type: none"> <li>- KCB partnered with fintech firms for mobile banking solutions</li> <li>- Agent banking networks expanded reach to rural areas</li> </ul>
	Impact	<ul style="list-style-type: none"> <li>- Lower infrastructure costs</li> <li>- Improved financial inclusion and banking accessibility</li> </ul>
<b>Digital Transformation and Operational Efficiency</b>	Role of Digital Tools	<ul style="list-style-type: none"> <li>- AI, machine learning, and blockchain improve banking operations and security</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>- High upfront investment costs</li> <li>- Employee resistance to change</li> </ul>
	Long-Term Impact	<ul style="list-style-type: none"> <li>- Increased cost savings, customer acquisition, and service scalability</li> </ul>
<b>Customer Perspective in Turnaround Strategies</b>	Importance	Customer trust, satisfaction, and loyalty influence the success of turnaround efforts.
	Examples	<ul style="list-style-type: none"> <li>- Equity Bank introduced mobile banking and flexible loan repayment terms to retain customers</li> </ul>
	Challenges	<ul style="list-style-type: none"> <li>- Many banks fail to incorporate customer engagement in their turnaround plans</li> </ul>
<b>Regulatory Flexibility and Policy Changes</b>	Areas for Policy Reform	<ul style="list-style-type: none"> <li>- Loan restructuring flexibility</li> <li>- Temporary relaxation of capital adequacy requirements</li> </ul>
	Examples	<ul style="list-style-type: none"> <li>- COVID-19-related loan restructuring policies in various countries helped stabilize credit flow</li> </ul>
	Impact	<ul style="list-style-type: none"> <li>- Strengthened banking sector resilience and stability</li> </ul>

their drawbacks. The restructuring process did not go down well with the employees and labor unions, who resisted through strikes and litigation. These social effects have once again demonstrated a tightrope that banks must walk between the bottom line and the stakeholders (Mutungi, 2018) (presented in table 1).

### **Communication with Customers During Turnaround Phases**

Effective communication is the key during the bank's turnaround phase. Clear, transparent, and proactive communication can help retain customer trust and loyalty. Banks should give regular updates on their recovery efforts, service changes, or financial improvements to reassure customers. This may be through email, SMS, social media, and in-branch communications, ensuring the message reaches all customer segments (Kinyua, 2020). Similarly, active customer engagement is very essential. The banks must take feedback either through questionnaires or even one-on-one discussions about customer perceptions and modify the policies accordingly. It would ensure that customers feel listened to and taken care of during the transition. As and when the new technologies or services are implemented, detailed instructions with customer support will help in smooth transitions. In conclusion, communication is essential to maintaining customer confidence in the effectiveness of a turnaround strategy. Making transparent and multichannel communication top of their agenda is a must for banks in keeping customers well-informed and involved (Kiarie, 2019).

### **Restructuring and Reorganization**

Restructuring and organization are some of the strategies being used to rejuvenate banks in terms of entrenching efficiency internally and aligning resources with strategic priorities. For instance, major banks in Kenya, such as Cooperative Bank and Kenya Commercial Bank, have undergone restructuring to make them competitive. Such may include mergers or abolishment of departments that are considered redundant, reviewing of job descriptions, and revision of reporting structures with a view of enhancing decision-making and accountability (Kiarie, 2019).. For instance, Cooperative Bank rationalized operations by reducing the number of regional branches and maintaining only core administrative activities at head office level. This reduced bureaucracy and overheads. For its part, KCB initiated a restructuring process through disposal of non-core assets such as property. In many instances, restructuring results in an efficient use of resources and profits. However, restructuring can lead to unforeseen consequences. Employees are confused and insecure during transitions. The culture may be disrupted within an organization, affecting morale and productivity. Here is where effective change management-communicating clearly, appropriate support to affected employees-addresses these challenges (Grant, 2016).

### **Diversification of Revenue Streams**

Other major turnaround strategies adopted by banks in Kenya in their quest to reduce overdependence on traditional banking services include diversification into pursuit of new business opportunities. This may include expansion into new geographical markets, new financial products, and sources of non-interest income. For example, Equity Bank has been strategically expanding its businesses into regional neighbors like Uganda, Tanzania, and South Sudan to tap into hitherto unexploited customer bases and thus diversify its streams of revenue (Mutungi, 2018). This geographic diversification allowed the bank to reduce risks related to economic cycles in its domestic market. Other Kenyan banks have also started offering non-traditional products, such as mobile banking services and insurance products, to meet the changing needs of customers. Such innovations have enabled banks to reach the unbanked and underbanked segments of the population while generating new revenue streams. Bancassurance, for example, has integrated the operations of banking and insurance, hence enabling customers to access a number of services under one roof; this situation leads to the eventual growth in customer loyalty and profitability (Kiarie, 2019).

### **Technology and Innovation**

The adoption of technology and innovation has proved to be the game-changer for the Kenyan banking sector, opening up new ways of expanding and improving efficiency in operations. In particular, mobile banking platforms, especially M-Pesa, have revolutionized the way banks interact with their customers. Through the platforms, customers can transact, access credit, and manage their finances from the comfort of their mobile devices, thereby increasing customer satisfaction and loyalty. In addition, the banks have invented new products such as mobile loans, digital wallets, and AI-powered chatbots for customer service (Okoth, 2020). The technological changes have not only facilitated smooth service delivery but also enhanced access to financial services in previously unserved markets, especially in rural areas. For example, Commercial Bank of Africa partnered with Safaricom to provide the very popular M-Shwari, a mobile savings and loan product intended for low-income earners. However, though substantial in nature, investment into adoption of technology is actually long-term in benefits by way of cost saves, customer acquisitions, and operation scalability, which have become some cornerstones in modern banking strategy (Eniola & Ektebang, 2014).

### **Strategic Partnerships and Alliances**

Strategic partnerships have become the key to the turnaround strategies of Kenyan banks in their quest to leverage on external expertise and resources. Collaboration with fintech companies has facilitated modern technologies, including mobile phone-based payment systems and blockchain solutions. For example, strategic partnerships entered by KCB in the development of mobile banking applications have improved accessibility even in the most remote areas. Besides, agent banking networks formed with local businesses and community groups extend services beyond traditional branches to reach rural areas, hence lowering infrastructure costs. These partnerships make the banks more innovative and agile, enabling them to navigate financial and operational challenges-a sign of dynamism within Kenya's banking sector (Dube & Lages, 2019).

### **Impact of Digital Transformation on Operational Efficiency**

A particular important area of further research is the impact that the ongoing process of digitization has on the operational performance of a bank in its course of turnaround. Digital technologies have really transformed the banking industry, facilitating cost-effective operations, customer experience, and profitability. Fully harnessing the highly adopted fintech solutions, automation tools, and digital platforms for substantial efficiency gains holds immense potential. However, careful assessment of such technologies as drivers of a bank's recovery process is required. Technologies like AI, machine learning, and data analytics can automate routine tasks, enhance decision-making, and optimize resource allocation. For example, AI can automate loan processing and credit scoring to speed up decision-making and reduce operational bottlenecks. Blockchain can enhance transaction security, transparency, and customer trust-all important in a bank's recovery (Dube & Lages, 2019). The introduction of such technologies, however, brings with it challenges such as high upfront costs and potential resistance from employees accustomed to traditional practices. The balance between investment in new technologies and core operations is crucial. Full integration will require staff training and clear communication about the benefits of digital tools. Future research on digital transformation should be oriented to operational efficiency, balancing innovation and operational stability for long-term sustainability. Understanding these dynamics will help banks enhance their service delivery and streamline their operations during recovery (Grant, 2016).

### **The Customer Perspective in Turnaround Strategies**

Hitherto, one of the most important but unexplored dimensions in the realm of turnaround strategies has been the customer perspective-that is, how customers view and respond to a bank's efforts to come out of financial distress. While internal factors like change in leadership and financial restructuring fill most discussions, customer satisfaction, loyalty, and trust are just as vital in determining turnaround success (Grant, 2016).

Any time that any bank is in transition, a lot of customers wonder whether the bank can continue to serve them or maintain stability of service, even remain stable during financial stress or managerial turmoil. Some Kenyan banks have sought to engage customers as they try to turn around their businesses. During Equity Bank's restructuring, it introduced mobile banking services and flexible repayment terms on loans that addressed customers' concerns, thereby engendering customer loyalty. In its communication, Cooperative Bank concentrated on open communication, showing the customer the areas of change in service and how it would run the bank for a long-term view; the customers felt assured on stability and service quality that assisted the bank to recover. However, most Kenyan banks have not fully integrated customer engagement into their turnaround strategies. Few have considered how focused communication, loyalty programs, or customer feedback mechanisms can be incorporated into recovery plans. Future strategies should focus more on customer experience, since effectively managing customer expectations during financial distress may be as important as internal restructuring for a successful recovery (Ayedun, & Adeniran, 2012).

### **Expanding Regulatory Flexibility: Practical Policy Changes**

Although regulatory flexibility has been imperative for implementing successful turnaround strategies for Kenyan banks, other practical policy changes are to be pursued that can render the banking sector agile against any financial distress. After all, purely regulatory changes alone cannot overcome such complex situations but, rather, selected policy interventions actually offer substantial support to the recovery process for banks. Restructuring of loan facilities is an area for reform. Existing legislation has set restricted boundaries for banks regarding flexible repayment terms or restructuring of loans to borrowers in distress. Alternatively, policymakers could allow a temporary loosening of the loan provisioning requirements or an extended grace period for borrowers facing economic downturns. For example, many countries at the start of the COVID-19 pandemic-initiated policies that allowed banks to extend the loan term or even suspend repayments to provide relief. A similar move in Kenya would stabilize the flow of credit and enable recovery (Ndung'u, 2021). The other important area of intervention involves capital adequacy requirements. Rigid capital ratios during crisis periods reduce banking institutions' lending capability and, in effect, reduce the recovery process. Their temporary relaxation will enable banks to maintain their liquidity and extend credit facilities to stressed individuals and businesses. Other changes in policy may involve government-backed credit guarantees and stimulus packages to inject liquidity. For instance, a loan guarantee scheme may serve as an incentive for banks to provide credit to vulnerable sectors, such as SMEs, in times of economic downturn. Furthermore, the regulatory framework might promote innovative banking, at least with respect to digital solutions. Sandbox environments for the testing of new financial products would be avenues where banks could experiment with innovations without punishments for non-compliance. In conclusion, while regulatory flexibility is important, a wider set of practical policy adaptations is needed to address the financial and operational challenges that banks face in a crisis, ensuring both short-term relief and long-term stability and innovation (Kiarie, 2019).

### **Challenges in implementing turnaround strategies**

Despite the fact that some turnarounds seem to have thrived, banks in Kenya still undergo a myriad of challenges that impede the effectiveness and efficiency of a turnaround strategy. These challenges usually emanate from both operational and external environment factors, which also complicate measures of implementation and sustainability of these turnaround measures. A closer consideration of these key challenges uncovers the task of managing both financial and operative recovery in banking institutions within Kenyan jurisdiction.

### **Regulatory Constraints**

Probably the most potent challenges that Kenyan banks face are the strict regulatory environments created by the Central Bank of Kenya. While such regulations are put in place to maintain stability and integrity in the financial system, they nevertheless limit the flexibility of

banks in the implementation of some specific turnaround strategies. For instance, the prudential guidelines of the CBK on capital adequacy and loan classification prevent the banks from free restructuring of loans to distressed clients even when it may be in mutual benefit, while the minimum liquidity ratio is forcing the banks to hold a certain percentage of their assets in liquid form, thus hindering them from re allocation of capital in pursuit of strategic investments or innovation in financial recovery. Also, the close monitoring of interest rate spreads by the CBK and the imposition of interest rate caps in the past have squeezed banks' profit margins, making an improvement in revenues quite challenging. This is because while regulatory oversight is necessary to protect financial stability, it can also slow down decision-making and limit the scope for creative strategies, meaning that banks have to operate within narrow strategic frameworks.

### **Resistance to Change**

Most of the turnaround strategies involve significant organizational changes such as cost-cutting, restructuring, and adoption of new technologies that may lead to resistance from employees, management, and other stakeholders. For instance, downsizing to reduce operational costs may result in widespread anxiety and dissatisfaction among the staff, leading to a decline in morale and fall in productivity. In most instances, employee associations and labor unions resist this kind of reduction of the workforce-often using strikes, court cases, or other public scandals which bring discredit on the bank concerned and disrupt their operation. Most often in such restructuring exercise departments are being merged or role definitions revised. Employees, by and large start feeling undermined and nervousness on their redundant declaration becomes obvious. Resistance does not come only from employees; even customers can resist changes like branch closures or a move to digital banking if these changes are perceived to reduce accessibility or the quality of service. Resistance can be overcome through effective change management by way of communication, training of employees, and stakeholder engagement in order to build buy-in and minimize opposition.

### **Economic Volatility**

The banking industry in Kenya operates within a volatile macroeconomic environment characterized by frequent changes in inflation, interest, and exchange rates, which are a significant threat to the implementation of turnaround strategies. These economic changes decrease purchasing power, increase the cost of borrowing, and affect financial stability. For example, high inflationary pressures have compelled Equity Bank to pursue aggressive cost-cutting strategies through the use of digital transformation to improve efficiency in operations (Equity Bank Annual Report, 2023). In addition, volatility in the exchange rates, especially depreciation of the Kenyan shilling, has impacted KCB Group negatively, especially in subsidiaries such as South Sudan and Uganda, where currency fluctuations have dampened earnings. This is also reflected in the KCB Group Annual Report of 2023. Besides, imported banking technologies and foreign-denominated debt become more expensive when the shilling weakens, further straining financial performance. Central Bank of Kenya (2023). Economic recessions also depress business activity, leading to lower loan demand and higher default rates. Family Bank has faced spikes in non-performing loans (NPLs) during downturns, prompting loan restructuring and tighter credit policies (Family Bank Annual Report, 2023). Similarly, Cooperative Bank renegotiated SME loan terms during the COVID-19 pandemic to cushion businesses from default (Cooperative Bank Annual Report, 2023). Political uncertainties and election cycles further depress investor confidence and economic activities. During the 2017 general elections, banks such as Standard Chartered Kenya and Barclays Kenya reported subdued growth due to cautious business sentiments. Given this dynamic economic landscape, Kenyan banks must become more agile and responsive. This is, however, hard to realize because of competing priorities in resources and strict regulatory requirements by the Central Bank of Kenya 2023.

### **Technological Risks and Cybersecurity Threats**

While technology adoption has transformed Kenyan banking, it has also increased cybersecurity risks. An increased reliance on digital platforms exposes banks to a number of threats, including hacking, data breaches, phishing, ransomware attacks, and denial-of-service attacks. These could lead to losses, erosion of customer confidence, and complicating the turnaround process. For instance, data breaches involve sensitive customer data that results in stolen identities and fraud. Such incidents diminish customer confidence; account closures would eventually translate into losses in revenues. Ransomware attacks, where cybercriminals encrypt bank data and demand payment in return for that encrypted data, disrupt banking operations due to the ensuing service downtimes and further possible regulatory penalties under Kenya's Data Protection Act of 2019. Many Kenyan banks still use legacy systems, which are vulnerable to cyber threats. Upgrading to modern Fintech solutions is crucial but requires significant investment, a challenge for financially strained banks. Additionally, rapid technological changes make systems obsolete quickly, demanding constant reinvestment. These risks can be mitigated if banks invest in AI-powered threat detection, multi-factor authentication, and cloud-based security solutions. Furthermore, continuous staff training should be conducted for combating phishing and insider threats. A structured approach to cybersecurity, while the turnaround efforts are pursued, will ensure resilience and operational stability that will earn customer confidence for long-term recovery.

### **Implications for policy and practice**

The results of this study have great implications for policymakers, bank executives, and other key stakeholders in the Kenyan banking sector. In a situation where banks are increasingly facing financial and operational challenges, an understanding of strategic decisions and their outcomes will no doubt guide future efforts toward ensuring stability and growth within the sector. These implications are particularly relevant in fostering a resilient and adaptive banking system that can navigate economic fluctuations, regulatory demands, and technological disruptions.

### **Implications for Policymakers**

Policymakers, particularly the Central Bank of Kenya (CBK) and other regulators, play a crucial role in creating an enabling environment for banks to execute turnaround strategies. A more flexible regulatory framework is needed to allow banks sufficient room to recover effectively. Key areas for reform include loan restructuring, capital requirements, and liquidity ratios. Adjusting these regulations during financial distress could provide banks with greater flexibility. For instance, temporary capital adequacy relief during crises can offer breathing space without compromising solvency (CBK, 2023). Additionally, easing restrictions on flexible debt repayment schedules and technology investments can improve recovery efforts. Beyond regulation, macroeconomic stability is vital. Unstable inflation, volatile exchange rates, and political uncertainties undermine turnaround strategies. Sound fiscal and monetary policies—such as inflation control, public debt management, and exchange rate stabilization—can cushion banks from external shocks. Government-backed credit guarantees and stimulus packages, like those introduced during COVID-19 (Kenya National Treasury, 2020), can help maintain liquidity and sustain credit flow. Stronger public-private collaboration is also essential. Policymakers should engage banks in designing policies that balance regulation with operational flexibility, particularly for risk-sharing frameworks supporting SMEs. Such cooperation ensures financial stability, enabling banks to navigate crises and implement successful turnaround strategies.

### **Implications for Bank Executives**

The study identifies a few key areas of attention for bank executives with the mandate to navigate their institutions back to financial health. Of all these, stakeholder engagement is arguably the most critical. Turnaround strategies, especially those touching on cost-cutting, restructuring, or technological changes, are usually resisted by employees, labor unions, and customers. Bank executives should emphasize clear and coherent communication of the strategic rationale of such decisions and associated benefits to stakeholders. It is open dialogue that provides trust, dispels

uncertainty, and enables the engagement of stakeholders in the desired change. Another important implication that follows for the executives is the need to create an innovative culture-capable-of-adjusting kind of philosophy. As the banking space continues to evolve with emerging new technologies and changing customer needs, executives will have to commit resources to investments in digital transformation and partnerships with fintechs. This will make for a broad mandate: advanced data analytics to drive insight, cybersecurity to protect sensitive customer data, a range of innovative products such as digital wallets, mobile loans, and AI-powered customer service tools. This will enable the banks to use this technology to enhance operational efficiency, expand market reach, and remain competitive in an environment of fast change. The study also emphasizes the role of leadership in times of crisis. It is expected that bank executives will provide strong, decisive leadership to balance short-run recovery imperatives with long-term strategic directions. This requires technical capabilities in financial management and emotional intelligence to manage teams, especially in uncertain times and organizational change..

### **Implications for Other Stakeholders**

Other stakeholder implications concerning employees, customers, investors, and industry associations can also be expected from the results. Employees remain the backbone of any organization; as a result, relevant skills and supportive environment that could help to reduce adverse changes in turnout initiatives need to be sufficiently provided to employees. Banks can reduce anxiety or resistance felt due to restructuring or automation with proper employee training and career development. To customers, the results underline that trust and service quality are paramount in turnaround processes. Banks should not allow cost-cutting measures such as branch closures or workforce reduction to affect customer experience. It is very important to reinforce customer relationships through personalized service, transparent communication, and enhancement of digital platforms in order to retain loyalty and increase brand reputation. Investors and shareholders will also benefit from the insights of this study, especially in understanding the financial and operational risks of turnaround strategies. The communication of progress and outcomes of the turnaround is very important to maintain investor confidence and attract additional capital for recovery efforts. Banks also have to make sure that their strategic decisions are in line with long-term value creation, balancing the need for immediate financial stabilization with sustainable growth. The associations of the industry, such as the Kenya Bankers Association, will go a long way in ensuring that best practices are replicated across all banks. Associations will be better placed to organize training sessions, workshops, and forums where turnaround experiences are discussed and ways sought for improvement in enhancing resilience in the banking sector.

### **Fostering a Resilient Banking Sector**

The study concludes by reiterating the need for a collaborative effort on the part of all stakeholders toward a resilient and adaptive banking industry in Kenya. Banks need to work in close collaboration with regulators, industry associations, and technology providers to develop a robust ecosystem that supports innovation, financial stability, and customer satisfaction. With continuous learning, strategic agility, and strong leadership, Kenyan banks will be well-equipped to meet any future challenges and emerge as competitive players in regional and global markets. These implications portend the strategic alignment of policies, leadership, and stakeholder interests in any successful turnaround initiatives. They act like a blueprint to enhance the effectiveness of turnaround strategies toward the long-term viability of banks within the dynamic Kenyan financial environment.

### **Conclusion**

These findings have several critical implications for policymakers, bank executives, and other stakeholders in the Kenyan banking sector. It implies that there is a need to create a regulatory environment which gives room for flexibility in the implementation of various turnaround strategies by management. Probably, the current regulatory framework is too prohibitive to

innovative initiatives by banks regarding loan restructuring, capital allocation, and asset management. Policymakers should work toward framing regulations that strike a balance between maintaining financial stability and giving banks the freedom to adapt to changing market conditions. This can be done by relaxing some of the regulations during crisis periods, such as allowing banks to restructure non-performing loans more effectively or providing temporary capital buffers to weather economic storms. Besides, the policy framework should focus on fostering macroeconomic stability by adopting proper fiscal and monetary policies that contain inflation and ensure stability of exchange rates to keep at minimal levels the volatility the banks face in any attempt at pursuing a course of turnaround strategy. To bank executives, it underscores the pre-eminence of leadership and stakeholder involvement and transparency of communication as a means of ensuring the successful outcome of turnaround strategies. Workforce reduction, branch closure, and restructuring are complex processes that usually involve resistance; therefore, executives have to involve all stakeholders in the decision-making process, including employees, customers, and shareholders. Effective communication helps to gain confidence, reduce uncertainty, and maintain employee motivation in the face of organizational change. Additionally, the study highlights that strong leadership competencies are necessary to guide organizations through uncertainty, foster a culture of resilience and innovation, and ensure long-term sustainability. In an era of rapid technological advancements, banks must prioritize digital transformation to enhance service efficiency, reduce operational costs, and maintain competitiveness. One of the important contributions of this study is that it places significant emphasis on customers' views about turnaround strategies, which has not been strongly addressed in earlier research. Whereas many previous studies focus primarily on internal restructuring measures like financial reengineering and cost-cutting, this study strongly underscores the need for retaining customer trust, satisfaction, and loyalty during times of financial distress. Banks can only avoid customer churn and ensure long-term profitability by keeping customers engaged through transparent communication, enhanced digital banking services, and customer care programs.

This study also widens the discussion to include governance structures and leadership styles in the context of turnaround strategies. It highlights how effective transformational and servant leadership styles, among others, are in affecting workers' morale, organizational adaptability, and, finally, successful recovery. Of importance will be identifying governance structures that provide for accountability, strategic decisions, and regulatory compliance as issues that are overlooked when discussing firm turnarounds. The study, in the end, calls for a collaborative roadmap where regulators, financial institutions, technology partners, and customers should come together. A properly integrated ecosystem engendering innovation, financial stability, and operational efficiency is what will help ensure the long-term viability of turnaround strategies. In such initiatives, employees become instrumental, so equipping them with relevant skills through training and career development becomes important. Similarly, the investors should also be regularly updated about the turnaround efforts to keep the confidence in the future prospects of the institution intact. This paper contributes to the body of literature through a more holistic overview of the turnaround strategy, integrating regulatory, leadership, customer-centric, and governance dimensions. It also provides practical insights for policymakers and banking executives on how to navigate financial distress while ensuring long-term competitiveness and institutional stability. Future Research: It would, therefore, be great to have future research based on empirical case studies in order to further validate these findings and refine the strategies that can drive successful turnarounds in the Kenya banking sector.

### **Limitations and future research directions**

#### **Long-Term Effect on Customer Satisfaction and Organizational Culture**

The long-term effects that the turnaround strategy has had in changing customer satisfaction and organizational culture is an area where future research related to turnaround strategies of Kenyan banks needs to pay extra attention. Even though turnaround initiatives in banks normally

realize short-term improvements in major financial indicators of the bank performance like profitability, cost reduction, and loan recovery rate, sustainability in these areas rests on non-financial areas of performance. Success with regards to a turnaround for a longer term is particularly pegged on customer satisfaction. An inseparable linkage can be seen in respect of customer satisfaction and customer loyalty in that customers who are considered loyal are the ones likely to return for repeated business, just as they can refer the bank to friends and family and thereby add to its long-term growth and success. Therefore, understanding how turnaround strategies impact customer perceptions, experiences, and behaviors is indispensable for evaluating the success of such strategies beyond short-term financial returns. The direction of future research should be toward how changes in customer service quality, product offering, and communication strategy during a turnaround affect customer loyalty and satisfaction. Moreover, the research into customer trust, especially over a period of financial instability, can provide valuable lessons on how to restore and maintain positive customer relationships after recovery efforts.

### **Impact of Organizational Culture During Turnaround**

Organizational culture is an area that is particularly important during turnaround efforts but often remains underexplored. Organizational change, in itself a necessary process for a successful turnaround, involves changes in leadership, structure, and employee morale. For example, it has been found that the style of leadership in the banks that experience turnaround situations has changed, which may have influenced their organizational culture. For instance, if the new style is more transformational or servant, then high employee engagement and resilience will ensure morale is upheld during the gloomy period of recovery. Correspondingly, the structural foundation with regards to operations and roles in the bank would alter. Additionally, most of the turnaround efforts include restructuring teams, redefining roles, or even the mission and vision, which affect how workers perceive their workplace. It is thus imperative that future research investigates how changes in organizational culture driven by leadership changes influence employee engagement, motivation, and productivity. The culture that may influence employee retention and performance during a turnaround could perhaps yield a more holistic view of organizational health. These would enable banks to comprehend internal dynamics better, which play a crucial role in the success of their turnarounds.

### **Implications for Industry Associations**

Industry associations, such as the Kenya Bankers Association, are highly instrumental in promoting turnaround strategies for distressed banks. They could facilitate the collaboration of banks by sharing best practices and lessons learned through workshops and forums, allowing the institutions to avoid common pitfalls in their recovery processes. They also can call for changes in financial regulations that would alleviate the pressure on banks by using capital adequacy requirements, liquidity ratios, and other facilities for emergency support, such as government-backed loan guarantees. Associations can also serve as knowledge centers and provide various training programs on recent trends, such as digital transformation and cybersecurity, which will be imperative for viable operations in a turnaround. Further, they could help regain lost public confidence in the banking system during periods of instability through publicity campaigns that point out responsible actions taken by all in the sector. Associations should invest in research and policy advocacy to keep pace with the state of their prospective policies and banking standards. Associations can best create an enabling environment where turnaround strategies would most likely succeed by playing their active role in policy development and sector-wide initiatives.

### **External Factors Affecting Turnaround Success**

Apart from comparative sectoral studies, other areas that future research should study involve the external factors that could influence the success of turnaround strategies. These are the factors that impinge upon the environment in which the organizations operate, such as market competition, technological change, and government policies. For example, in very competitive

markets, the efforts at turnaround may be annulled by aggressive competitors through undercutting prices or offering more innovative products. In the same vein, technological disruption can help or hinder the recovery process. Banks that have embarked on digital transformation might open up new avenues for growth, while those that are lagging in technology adoption may struggle to get back on their feet. Government policies, such as monetary and fiscal policies, also have a direct impact on the success of turnaround strategies. A stable economic environment, supportive regulatory policies, and initiatives like stimulus packages or credit guarantees can help banks recover more swiftly. The analysis of such external factors allows the researchers to comprehend the general environment in which banks operate and how to adapt the turnaround strategy to ever-shifting market conditions, competition, and regulatory pressures.

### **Leadership and Governance in Turnaround Success**

Further research is important regarding the leadership and governance factors that influence turnaround strategy success. In particular, leadership, more so in turbulent times, steers the way for recovery through setting an enabling culture of resilience, adaptation, and strategic clarity. For instance, future research should investigate the impact of leadership styles, including transformational, servant, and strategic leadership, on turnaround success. While transformational leaders may accordingly be better positioned to motivate through change, encouraging innovation, and painting a compelling vision of recovery, servant leaders could maintain their focus on the employee-empowerment approach by way of concern for employees' well-being and long-term development of trust and loyalty. Future studies that examine how such styles impact employee engagement and organizational performance may be in a better position to discern which leadership style proves best in sustaining recovery. Furthermore, governance structures are important in implementing turnarounds. Governance factors, including composition, decision-making, and accountability, are considered influential in the recovery outcome. The study should look at how board diversity, expertise, and autonomy contribute to strategic decision-making and crisis management. As a matter of fact, a sound governance framework will ensure that there is transparency and accountability and will be proactive in decision-making for the success of turnarounds. Future research should also investigate the interaction between boards and executive management-whether boards actively shape turnaround strategies or simply respond to managerial decisions. By looking into the subtleties of both leadership and governance, scholars can make practical recommendations to enhance banks' leadership frameworks and governance models, thus strengthening their capacity to recover from financial distress.

### **Contribution to Strategic Management Knowledge:**

A more critical understanding of how leadership and governance influence turnarounds will add considerably to the wide area of strategic management knowledge. These shall then help formulate a more integrated framework for organizational recovery management within the financial sector. Besides this, leadership and governance frameworks relevant for the needs of distressed organizations should significantly help not only in crafting better turnaround strategies but also in the sustainability of those strategies. Furthermore, future research would be helpful by developing actionable insight into the kinds of leadership style, governance structures, and externality for both financial institutions and policymakers, focusing on strategic management practices. Eventually, this will hopefully lead to an improvement in leadership and governance practices that, in turn, will provide organizations with the wherewithal to adapt efficiently to changing market conditions and regulatory environments, and ensure that turnaround efforts culminate in sustainable growth and success.

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