STRATEGIC ORGANIZATIONAL RESTRUCTURING ON ORGANIZATIONAL PERFORMANCE OF KWALE INTERNATIONAL SUGAR COMPANY LIMITED IN KWALE COUNTY

Karoyo, K. K., & Koech, P.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 9, Iss. 2, pp 678 – 693. May 11, 2022. www.strategicjournals.com, ©Strategic Journals

STRATEGIC ORGANIZATIONAL RESTRUCTURING ON ORGANIZATIONAL PERFORMANCE OF KWALE INTERNATIONAL SUGAR COMPANY LIMITED IN KWALE COUNTY

[1] **Karoyo, K. K., &** [2] **Koech, P.**

[1] MBA Candidate, Department of Business, School of Business and Entrepreneurship, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

[2] Doctor, Lecturer, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

Accepted: May 4, 2022

ABSTRACT

The main objective of the study was to examine the effect of strategic organizational restructuring on organizational performance of sugar industry firms. The study employed descriptive research design and the population of interest comprised of 54 senior management staff drawn from KISCOL in Kwale County. Collected data was checked for correctness and analysed quantitatively by use of Statistical Package for Social Science (SPSS) version 25 tool. Descriptive analysis was determined by use of mean and standard deviation while regression analysis was determined by model summary, ANOVA and regression coefficients. The study findings showed that all the predictors had positive relationship with organizational performance. The study results revealed that the company's hierarchic structures have been flattened to the minimum thus enhancing operational efficiency. Restructuring undertaking at KISCOL has significantly changed the company's business model enabling operations creativity. In addition, the portfolios of the company have been restructured and that job designs of the company have been restructured to accommodate new changes. The study concludes that KISCOL has carried out financial restructuring with the motive of enhancing its liquidity, lowering its cost of capital, reducing its risk, avoiding loss of control, and improving its shareholder value and that the company has renegotiated existing company debts with all stakeholders. It is concluded that the company, in its endeavor to restructure its financial obligations, have swapped outstanding debts with equity shareholding and that the company has changed its capital structure composition. The study concludes that restructuring at KISCOL has been executed in form of department cutting and combining with a view to make them leaner and responsive. The study recommended that the management of KISCOL should seek to improve operational efficiency by flattening its structures to the core. The company should consider altering its business model to make it more innovative and responsive to changing business environment. The study recommended that the company portfolios should be restructured to attain competitiveness and job redesigned. The study recommended that the company should cut its departments and where possible combine and merge departments to enhance efficiency and minimize costs.

Key Words: *Operational Restructuring, Financial Restructuring, Departmentalization, Processes Decentralization*

CITATION: Karoyo, K. K., & Koech, P. (2022). Strategic organizational restructuring on organizational performance of Kwale International Sugar Company Limited in Kwale County. *The Strategic Journal of Business & Change Management,* 9 (2), 678 – 693.

INTRODUCTION

Changes in the environment of the organization forces the entities to react and respond quickly to new challenges that appear in this environment in order to be able to keep its position on the market (Bowman & Singh, 2017). Organizations being dynamic systems cannot function in the same way all the time. In order to work smoothly and efficiently, they need evolve through various life cycles. Each time the organizations want to develop, they often must undergo significant changes in their overall strategies, practices and operational tactics. Changes of the process of organizational restructuring should be aligned with an ever-changing, dynamic and culturally diverse workplace (Mwangi & Maina, 2021). Restructuring usually involves major changes for the organization in its multiple departments and locations including procedures and processes. Theoretically, restructuring leads to a more efficient and modernized entity, however it may lead as well to the deletion of jobs and the layoff of personnel.

In the past decade corporate restructuring has become increasingly common (Lin, Lee, & Peterson, 2016). Corporate restructuring involves many forms, including financial, managerial and operational restructuring. Restructuring includes making difficult decisions concerning business strategies, operations, organizational functions and management structures, which lead to risky and expensive actions (Bergh, 2016). Organizations change adaptively and evolve in response to continuous change in environment. When the environmental changes are radical, discontinuous and unanticipated, an organizations' efficiency, effectiveness and even its survival is questioned (Aldrich, 2017). Organizations have been facing radical changes in the social, political and technological environment in the last decade of the twentieth century and these changes have profoundly questioned and tested the process of 'organization' itself more than ever before (Handy, 2016).

Powers and Hahn (2016) looked into whether or not there are any links between competitive methods, generic strategies and firm's performance. Their article showed that in financial businesses, a cost leadership strategy did perform better than differentiation and focus. However, those, which have chosen differentiation and focus, performed better than the company that was stuck-in-the middle. Day and Wensley (2017) also say that choosing a strategy based on the positional advantage in the market will make a firm successful, because it is dependent upon which resources are available to them.

In Kenya, according to LAPSETT Corridor Sugarcane Production Report (2018), the Kenyan sugar industry is currently a major employer and contributor to the national economy and is just as important alongside tea, coffee, horticulture and maize. The sub-sector accounts for about 15% of the agricultural Gross Domestic Product (GDP). It is the dominant employer and supports the livelihoods of at least 25% of the Kenyan population especially in Western Kenya. It saves Kenya in excess of USD 250 million in foreign exchange annually and contributes tax revenues to the exchequer (Mwangi & Maina, 2021). In the sugar belt zones it contributes to infrastructure development and to social amenities. Besides socio-economic contributions, the industry also provides raw materials for other industries such as bagasse for power cogeneration and molasses for a wide range of industrial products (beverages, confectionery and pharmaceuticals) including ethanol.

In spite of the gains, the sugar industry in Kenya is currently facing several challenges such as high costs of production, capacity under-utilization, lack of regular factory maintenance, poor transport infrastructure and weak corporate governance thus most factories have accumulated huge debts amounting to Kshs.58 billion (Kenya Sugar Industry Strategic Plan, 2010-2014). Due to the problems identified above, the Government of Kenya (GoK) decided to carry out structural reforms in the sugar industry by implementing the AmayoSugar Task Force of 2003 recommendations through Kenya Sugar Board: to make changes in the management of all publicly owned milling companies with a view to improving corporate governance and to negotiate for a four-year COMESA safeguard to give the industry time to restructure and become globally competitive (KSB, 2016).

In Kenya, the sugar industry's woes have mainly been caused by the high cost of sugar production which makes it unable to compete well with the other east African countries (Kenya sugar industry report, 2016). Kenya's production cost of Sh45, 000 per tonne is higher than that of rivals within Comesa such as Swaziland, Malawi, and Zambia whose average cost is Sh20,000. While the rivals plant the bulk of their sugarcane, Kenyan millers rely on independent farmers whose cane pricing is regulated by the Government, which owns at least five of the sugar firms. As it stands now, Kenyan sugar companies have been protected by the Comesa treaty which unfortunately expired in March 2013 exposing the industry again to cut throat competition. The mills have also not been upgraded and are suffering heavy debts to the extent that the government cannot even privatize them anytime soon.

The sugar plant M/S Associated Sugar Company (Later to be called Ramisi Sugar Factory) was established in 1927 near river Ramisi. The company established a nucleus estate and all the sugar cane produced in the estate was processed at the factory. Established in 2007, Kwale International Sugar Company Ltd is situated at the old Ramisi Sugar Company site in Kwale County. Its core activities are to process sugarcane for the production of sugar, ethanol and electricity. The company currently provides direct employment for 650 local residents. The project has also created Indirect Employment for over 500 people who work for the various contractors for the works being done at the site. 99% of the total work force on site is from within the Ramisi area (Kwale Sugar Board annual report, 2016).

Kwale International Sugar Company Limited looked forward at establishing a water bottling plant in September 2014 but failed to materialize. This comes as Kenya's sugar sector experiences cane shortages that has seen millers operate below capacity and raised retail prices of sugar to more than 200 shillings per kilogramme over the past 4 months. The local sugar sector has received a boost with the opening of Ramisi sugar factory in Kwale district. The sugar plant, closed for 28 years, is expected to produce 3,500 tons of sugar daily at full capacity. The plant has remained dormant for the last 28 years (Kwale Sugar Board annual report, 2016).

Statement of the Problem

In Kenya, sugar industry produces about 70 per cent of the sugar needed, that is, about 500,000 metric tonnes compared to an annual demand of 700,000 metric tonnes. For many years, the sugar industry has always remained in constant danger of collapsing due to competition from foreign producers arising from economic liberalization (Mukhwana, 2019). The industry has been experiencing high cost of production, government interference and gross mismanagement which has led to key players like Mumias Sugar to be received under receivership and closure of Muhoroni Sugar under the weight of debts (Mukhwana, 2019).

Kwale International Sugar Company has not been spared either. The company has recently been embroiled in numerous problems key among those challenges been the intense competition occasioned by cheap sugar imports from COMESA and high cost of production (Kenya Sugar Manufacturers survey, 2019). In 2019 the company was accused by KRA and KEBS for importing contraband sugar and it was temporarily closed down thus affecting the company's good will it enjoyed from consumers (Fredrick, 2019). The market share of the company has been shrinking for the last five years. However, despite the company initiating restructuring, the overall performance of the company has remained stagnant.

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Various studies have been undertaken on organizational restructuring. Gitau (2020) focused on organizational restructuring and performance of NSSF in Kenya. Omwenga (2018) studied organizational restructuring activities influence on employee commitment in state corporations in Kenya. The study presents contextual gaps as it focused on employee commitment. Nyambura and Maina (2021) researched on the effect of organizational restructuring on performance of commercial banks in Mombasa County. Mbula (2018) did a study on the strategic management practices and performance of Standard Group and found a positive effect of strategic management practices on performance. Kimani (2018) carried out a study on the effect of strategic management practices on organizational performance of Fintech and established a significance relationship. However, despite many studies having been carried out on strategic organizational restructuring, very few have focused on strategic organizational restructuring and firms operating in a volatile sugar industry. The identified literature gaps and situation at the KISCOL motivated the need to carry out a study on the effects of strategic organizational restructuring on performance of Kwale International Sugar Company in Kwale County.

Research Objectives

The study investigated the effects of strategic organizational restructuring on organizational performance of Kwale International Sugar Company, Kwale County. The specific objectives were;

- To establish the effect of strategic operational restructuring on organizational performance of Kwale International Sugar Company, Kwale County
- To determine the effect of strategic financial restructuring on organizational performance of Kwale International Sugar Company, Kwale County
- To ascertain the effect of strategic department restructuring on organizational performance of Kwale International Sugar Company, Kwale County
- To evaluate the effect of processes decentralization restructuring on organizational performance of Kwale International Sugar Company, Kwale County

The study was guided by the following null hypotheses;

- **$H_0$1:** Strategic operational restructuring has no significant effect on organizational performance of Kwale International Sugar Company, Kwale County
- **$H_0$2:** Strategic financial restructuring has no significant effect on organizational performance of Kwale International Sugar Company, Kwale County
- **$H_0$3:** Strategic department restructuring has no significant effect on organization performance of Kwale International Sugar Company, Kwale County
- **$H_0$4:** Processes decentralization restructuring has no significant effect on organizational performance of Kwale International Sugar Company, Kwale County

LITERATURE REVIEW

Theoretical Framework

Strategy-Structure Contingency Theory

The assertions of the strategy-structure contingency theory presents restructuring to be an essential and economically suitable strategy for firms to familiarize with their environment. Chandler in 1962 indicated that when diversity in organizations increases, there arises a need for subsequent realignment especially on the firm's structure to reinstate and even enhance performance. Organizational restructuring is also driven by the necessity to readjust their strategy to match with it's structure so as to facilitate effective strategy implementation. The strategy-structure contingency theory is also referred to as information processing theory. It contends that 'no one best way,' exists which implies a no-one fit for all structure but rather organizations adopt structures that are most effective and fit specific factors, called contingencies.

The level of effectiveness resulting from adopting a specific structure will be dependent on how best it fits the contingencies. The contingencies with regards to organizational structure include extent of environmental uncertainty, the strategy adopted by the firm as well as its size. The main proposition in structural contingency theory is that no single best organizational structure exists but rather it is about the appropriateness of the organizational structure in relation to the contingencies that the organization experiences (Thompson, 1967). This theory is important in this study both contextually and conceptually. With regards to context, sugar firms are diverse with varied governance structures and product offering. The markets they serve also differ in their characteristics which therefore means that their operational strategies are different as well. The structure- strategy contingency theory provides a basis for restructuring strategies by ensuring that the institutions put up the most ideal organizational structure that will support the strategies pursued by the firm.

Dynamic Capabilities Theory

The dynamic capabilities have been defined as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments (Stanley, 2016). The dynamic capabilities have also been defined as the capacity to renew competencies so as to achieve congruence with the changing environment by adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies (Tesot, 2016). The qualifying characteristic of the dynamic capability is that the capability not only needs to change the resource base, but it also needs to be embedded in the firm, and ultimately be repeatable. The need for the dynamic capabilities is informed by the permanent risk of erosion of superior firm-specific resources and competences in the contemporary business environment of hyper competition.

The dynamic capabilities are built over time as they are organizational processes in which may have become embedded in the firm over time, and are employed to reconfigure the firm's resource base by deleting decaying resources or recombining old resources in new ways (Reneta, 2017). This implies that dynamic capabilities are viewed to be essentially path dependent shaped by the decisions the firm has made throughout its history, and the stock of assets that it holds. Dynamic capabilities are argued to comprise of four main processes: reconfiguration, leveraging, learning and integration.

Resource Based View Theory

Resource based view was propounded by Wernerfelt in 2009 and sought to advance the idea that strategy of a firm is a function of the complement of the resources held. It argues that a company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy. Therefore, strategic management practices will depend on firm's resources. The theory describes a firm in terms of the resources that firm integrates. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm (Wernerfelt, 2016). The implication of the theory to the study is that strategic management practices on firms will depend on the resources the firms have.

Agency Theory

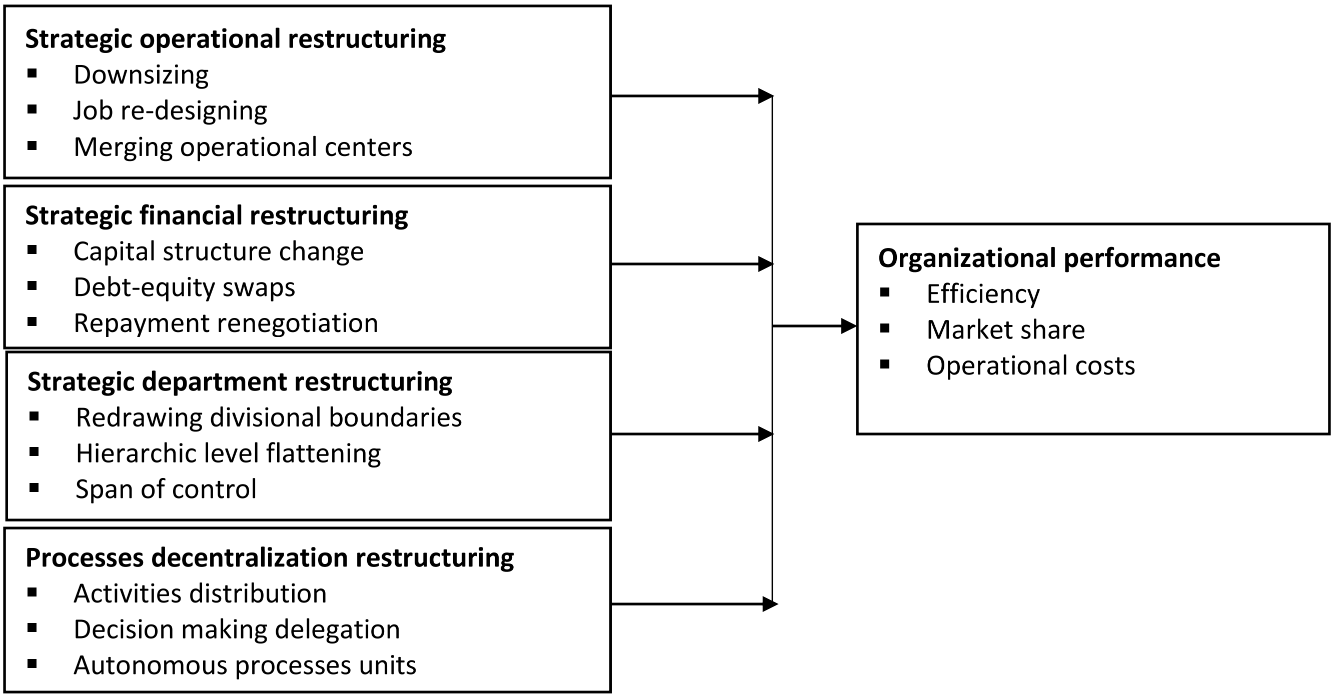
The Agency theory gives an explanation of how a principal and an agent relate in a business setup. An agent is able to act and make decisions regarding the business in the place of a principal. The founders of this theory, Jensen & Meckling in 1976 considered an organization as a nexus or contract. That is, an interconnection for all the existing firms' stakeholders.

Since the parties involved in an agency relationship may differ in their motives, this leads to agency problems. The executives may not prioritize profit maximization, which is the owner's priority. According to statements made by Goldstein (2016)

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

in 1980's, the board of directors was incorporated in in solving problems related to agency relationship. They monitored and kept these executives/managers under their supervision. During this period, changes in the market and in the organization caused a meltdown in the strategies early on implemented for monitoring. This resulted to a form of restructuring that aimed at countering the probable agency problems.

The agency theory presents restructuring as the overall solution to conflicts in an organization as opposed to the board of directors. According to this theory, there exists a relationship between employees, directors and stakeholders in an organization. This restructuring later became very acceptable in the business setup. Today, immense structural changes in capital, mostly followed by replacements of the management are considered to eliminate inefficiencies by ensuring the implementation of radical changes in agency contracts all over the firm.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Review of Literature on Variables

Strategic Operational Restructuring: Operational Restructuring aims to extend the scope of action for a company and to give confidence to its stakeholders, especially lenders, but also to its employees and suppliers by helping to solve the problems of suboptimal performance. The implementation of a downsizing strategy is often a proactive effort towards enhancing organizational competitiveness and past research indicates significant investment in labour saving technologies often precedes downsizing. Although its original purpose was to be used in organisations facing challenges, downsizing has overtime been opted as a strategy to achieve a leaner organization (Fisher & White, 2018).

Strategic Financial Restructuring: Financial restructuring is a process aimed towards the prevention of a company's liquidation. It mainly concerns agreements among third parties for the purposes of fulfilling the claims of the creditors who are governed by the terms and conditions of agreement (Lal, Pitt & Beloucif, 2016). In order to facilitate financial restructuring, there needs to be great variations in terms of the structure of capital of an organization, leveraged buyouts, recapitalizations and equity and debt swaps (Cascio, 2017).

Strategic Department Restructuring: Departmentalization entails reorganization of large and complex firms into smaller flexible administrative divisions (Nimalathasan, 2016). It entails the re-organization of activities into different convenient units, departments to facilitate the accomplishment of the organization objectives. It permits a firm to embrace specialization and simplify functions such as communication, coordination and control which results in overall organizational success (Hari, 2017) Departmentalization can be by function, by customer or by product. Functionally, departmentalization enables firms to group actions by shared function whereby each functional unit is characterized by divergent set of duties and responsibilities. Depending on the type of business, these set of function can include marketing, operation, retail, finance, communication, information technology or procurement (Rao, 2017).**Processes Decentralization Restructuring:** Decentralization in organizational restructuring refers to the act of delegating authority of decision making to lower levels of employees within the organization. Gururajan & Hafeez-Baig (2018), contend that organization end up decentralizing when there is reduced quality movement and also faced challenges in delegating responsibility. According to Holtmann (2016), decentralization is anchored on the principle of subsidiary which holds that efficiency can be achieved when larger organizations support smaller firms to perform functions that are closer to consumers. The benefits of decentralization according to Sblynkis (2017) include improved speed in solving problems as well as inclusivity in decision making which makes employees feel less alienated from the organization thus owning their actions. Past studies have indicate that decentralized organizations foster an environment of trust and respect for employees thus encouraging them to be more active in contributing towards organizational goals and objectives which consequently leads to improved organizational performance (Anderson & Pulich, 2017).

Organizational Performance: Organizational performance is determined by the firm's strength in achieving its aims effectively and efficiently with the consideration of constraints that the limited resources imposed (Lebans & Euske, 2017). Organizational performance comprises the actual output or results of an organization a measured against its intended outputs or goals and objectives. According to Richard et al. (2016), organizational performance encompasses three specific areas of firm outcomes which includes; financial performance, profits, return on assets, return on investment, product market performance and shareholder return total shareholder return, economic value added. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as; financial performance for example shareholder return, customer service, social responsibility for example corporate citizenship, community outreach and employee stewardship. Every organization is committed towards good performance of the firm and therefore the strategy of any organization should support organization performance.

Empirical Review

Rose (2018) studied the financial restructuring and operational restructuring of almost 730 commercial banks in the U.S. in the crisis period 1980-1990. The research examined the influence of restructuring on the overall financial performance of the commercial banks. The financial performance tools used in the research were ROA, ROE, and NIM. The measurement ratio for operational restructuring is the income/expenses ratio and operational expenses/ total assets ratio. Financial restructuring is determined by long-term debt over total assets. In the meantime, assets restructuring is measured by using bad debts divided by total credit outstanding and loan value divided by total credit outstanding. The research methods used are describing analysis methods and OLS methods. The results showed that the restructured banks had higher profits and consistently improved during the last half of the century.

Osoro (2018) has researched the influence of financial restructuring on the overall financial performance of the commercial banks in Kenya. This research studied 11 commercial banks traded on the Nairobi Security Exchange (NSE) and their activities in the period 2008-2013. Debt ratio, dividend paying ratio, and capital ratio were used as means of financial restructuring solutions. Financial performances were measured by ROE. The research used multiple variables linear regression to analyze the data. The research showed that financial restructuring had a positive effect on the financial performance of the commercial banks in Kenya.

Otieno (2016) studied strategic issue management practices by small and medium enterprises in Mombasa County using descriptive survey design and data collected from primary sources using questionnaire. The study found that profitability was considered as the most important performance measure in SMEs, followed by market share, innovation and liquidity respectively. Further, majority of organizations perceived strategic issue management to the future success of organization as very important and essential confirming that SMEs in Mombasa County were aware of the importance of strategic issue management in the success of an organization.

Aria (2018) carried out a study to investigate the factors affecting the performance of Mumias Sugar Company Limited. The study adopted a descriptive research design in studying the targeted population of Mumias Sugar Company limited. The population under study comprised of 92 employees of Mumias Sugar Company, 16 farmer representatives and 12 officers drawn from the Agriculture ministry. The study adopted stratified random sampling technique to determine the sample population size. The data was collected using questionnaires. It was then edited and analyzed by use of Statistical Package for Social Sciences (SPSS) software using descriptive statistics indexes such as mean, percentages and frequency distribution method. The researcher found out that firms' operations need to be well organized and company culture adhered to for effective performance.

Waweru and Omwenga (2016) did a study sought to investigate the influence of strategic management practices on the performance of private construction firms in Kenya. The target population of the study was drawn from First Acres Construction, Blue Urban Construction and Nipsan Construction Company. A total sample of 68 respondents formed the sampling frame. The researcher chose simple random sampling as a sampling technique. Primary data was collected using structured questionnaires. The study used both primary and secondary data. Secondary data was cited from library resources and organizational process assets such as company project reports. Statistical Package for the Social Sciences (SPSS) was used as a platform for data analysis. Data analysis was done to generate a view of how the objectives of the study were satisfied. This was done using descriptive statistics, which saw the usage of frequency tables, measures of central tendency, percentage charts, distribution tables and bar graphs. Through this study, it was established that all three construction firms have employed strategic management practices which in turn increases performance.

METHODOLOGY

This study adopted a descriptive survey research design in which data was collected for the objectives of the study. Kwale International Sugar Company HR report (2020) indicates that the company has 1368 permanent and non-permanent employees. The target population of the study was senior management and middle level management since they are privy to the effectiveness of strategic management practices used by the firm. Primary data was collected using structured questionnaire. The study employed a structured questionnaire to collect data from the participants. Secondary data was obtained from already existing sources which includes library books, documents, published journals and company annual reports. The researcher used secondary data collection sheet to compare the financial performance of target firm over the last five years.

Quantitative data was analyzed through statistical procedures. Statistical analyses cover a broad range of techniques, from simple procedures that we all use regularly (e.g., computing an average) to complex and sophisticated methods. Multiple regression analysis was used because it provides estimates of net effects and explanatory power. The statistical package for social sciences, SPSS version 25 was used for data analysis.

The regression model used was as follows:

$$Y= \alpha +\beta_1X_11+\beta_2X_2+\beta_3X_3+ \beta_4X_4+\varepsilon$$

Where:

Y is organizational performance
α is regression constant
β is regression coefficients
X_1 is strategic operational restructuring
X_2 is strategic financial restructuring
X_3 is strategic department restructuring
X_4 is processes decentralization restructuring
ε is error term

FINDINGS AND DISCUSSIONS

Descriptive Analysis

This study carried out the following descriptive statistics; mean, standard deviation of all the study variables.

Strategic Operational Restructuring

The respondents were asked to rate their agreement or disagreement on the various aspects of strategic operational restructuring. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results were presented in Table 1.

Table 1: Strategic Operational Restructuring

	Mean	Std. deviation
Restructuring has flattened the hierarchic levels in the company	4.79	1.013
Restructuring at KISCOL has significantly changed the company's business model	4.31	.536
The job designs of the company have been redesigned	4.01	.782
The company portfolios have been restructured	4.84	.703

The results in Table 1 showed that respondents agreed to the statement that restructuring has flattened the hierarchic levels in the company as indicated by a mean of 4.17 and std. deviation of 1.013. Respondents also agreed to the statement that restructuring at KISCOL has significantly changed the company's business model (mean=4.31) and that the company portfolios have been restructured (mean=4.84). Respondents agreed to the statement that job designs of the company were redesigned as indicated by a mean of 4.01 and std. deviation of 0.782.

Strategic Financial Restructuring

The respondents were asked to rate their agreement or disagreement on the various aspects of strategic financial restructuring. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results were presented in Table 2.

Table 2: Strategic Financial Restructuring

	Mean	Std. Deviation
KISCOL has carried out financial restructuring with the motive of enhancing its liquidity, lowering its cost of capital, reducing its risk, avoiding loss of control, and improving its shareholder value	4.00	.982
The company has renegotiated existing company debts with all stakeholders	4.50	.634
The company has swapped outstanding debts with equity shareholding	4.26	.509
The company has changed its capital structure composition	4.71	.822

The results in Table 2 showed that respondents agreed to the statement that KISCOL has carried out financial restructuring with the motive of enhancing its liquidity, lowering its cost of capital, reducing its risk, avoiding loss of control, and improving its shareholder value and that the company has renegotiated existing company debts with all stakeholders as indicated by a mean of 4.00 and mean of 4.50 respectively. Respondents agreed to the statement that the company has swapped outstanding debts with equity shareholding (mean=4.26). Respondents agreed to the statement that the company has changed its capital structure composition (mean=4.71).

Strategic Department Restructuring

The respondents were asked to rate their agreement or disagreement on the various aspects of strategic departmentalization. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results were presented in Table 3.

Table 3: Strategic Department Restructuring

	Mean	Std. Deviation
Restructuring at KISCOL has involved cutting out and merging some departments	4.58	.609
KISCOL management restructured its business in order to sharpen focus by disposing off units that were peripheral to the core business	4.40	.887
The company has integrated all its core functions	3.94	1.104
Organizational structuring has flattened the hierarchic levels in the company and streamlining processes	4.16	.450

The results in Table 3 showed that respondents agreed to the statement that Restructuring at KISCOL has involved cutting out and merging some departments and that KISCOL management restructured its business in order to sharpen focus by disposing off units that were peripheral to the core business as indicated by a mean of 4.58 and mean of 4.40 respectively. Respondents also agreed to the statement that the company has integrated all its core functions (mean=3.94) and that organizational structuring flattened the hierarchic levels in the company and streamlining processes (mean=4.16).

Processes Decentralization Restructuring

The respondents were asked to rate their agreement or disagreement on the various aspects of processes decentralization restructuring. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 4.

Table 4: Processes Decentralization Restructuring

	Mean	Std. Deviation
The core processes of the company have been automated thus enhancing decentralization	4.07	.753
The company has decentralized non-core functions	3.90	.748
The company has decentralized cost centers and revenue centers to improve efficiency	4.52	.741
The company has decentralized all functional level processes	4.64	.756

The results in Table 4 revealed that respondents agreed to the statement that the core processes of the company have been automated thus enhancing decentralization and that the company has decentralized non-core functions as indicated by a mean of 4.07 and mean of 3.90 respectively. Respondents also agreed to the statement that the company has decentralized cost centers and revenue centers to improve efficiency (mean=4.52) and that the company has decentralized all functional level processes (mean=4.64).

Correlation Analysis

Pearson Correlation Coefficient informs a researcher the magnitude and direction of the relationship between two variables and the bigger the coefficient the stronger the association between the two variables (Kothari, 2018). Pearson correlation coefficient was used to gauge the relationship between strategic organizational restructuring and organizational performance.

Table 5: Correlation Coefficient

		SOR	SFR	SDR	PDR	Organization performance
Strategic operational restructuring	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	45				
Strategic financial restructuring	Pearson Correlation	.599**	1			
	Sig. (2-tailed)	.000				
	N	45	45			
Strategic departmentalization	Pearson Correlation	.579**	.218**	1		
	Sig. (2-tailed)	.000	.000			
	N	45	45	45		
Processes decentralization	Pearson Correlation	.714**	.559**	.682**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	45	45	45	45	
Organization performance	Pearson Correlation	.539**	.450**	.501**	.311	1
	Sig. (2-tailed)	.000	.000	.000	.000	

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

Key: SOR = Strategic organizational restructuring; SFR = Strategic financial restructuring; SD = Strategic department restructuring; PD = Processes decentralization restructuring

Correlation results in Table 5 revealed that there is a strong positive correlation between strategic operational restructuring and organizational performance (r=0.539, P=0.000). Further, correlation results indicated a moderate positive correlation between strategic financial restructuring and organizational performance (r=0.450, P=0.000). The correlation results between strategic departmentalization and organizational performance was revealed to be strong and positive (r=0.501, P=0.000). The correlation between process decentralization and organizational performance was established to be weak and positive (r=0.311, P=0.000).

Multiple Regression Analysis

A multiple regression model was adopted in the study to establish the statistical relationship between the independent and the dependent variables.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779[a]	.607	.589	1.06485

a. Predictors: (Constant), Strategic operational restructuring, Strategic financial restructuring, Strategic department restructuring, Processes decentralization restructuring

The regression results in Table 6, showed a moderate regression between the study variables. In the model summary, the coefficient of determination (R^2) is 0.607 indicating that predictors explain 60.7 per cent change in organizational performance.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2179.042	4	544.760	15.466	.000[b]
	Residual	1408.830	40	35.221		
	Total	3587.872	44			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Strategic operational restructuring, Strategic financial restructuring, Strategic department restructuring, Processes decentralization restructuring

From the ANOVA results in Table 7, it was established that the significance value in testing the reliability of the model was obtained as 0.000 which is less than 0.05, the critical value at 95% significance level. Therefore, the model is statistically significant in predicting the relationship between strategic organizational restructuring and organizational performance.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.940	2.058		3.372	.000
	Strategic operational restructuring	.542	.269	.180	2.015	.005
	Strategic financial restructuring	.457	.196	.127	2.332	.022
	Strategic departmentalization	.519	.216	.483	2.403	.026
	Processes decentralization	.315	.113	.175	2.787	.000

a. Dependent Variable: Organizational performance

The derived regression coefficients of the model are:

Organizational performance = 6.940 + .542X_1 + .457X_2 + .519X_3 + .315X_4

The regression results showed that independent variables had significant value below 0.05 meaning that they were all significant. From the results, it showed that holding all factors constant at zero, the change in organizational performance would be 6.940. Further, the regression results showed that a unit change in strategic operational restructuring would lead to 0.542 unit change in organizational performance. A unit change in strategic financial restructuring would lead to 0.457 unit change in organizational performance. Further, a unit change in strategic departmentalization would lead to 0.519 unit change in organizational performance and finally, a unit change in processes decentralization would lead to 0.315 unit change in organizational performance.

Discussion of Key Findings and Hypothesis Testing

Regression analysis formed a basis for achieving research objectives adopted in this study. The first objective of the study sought to investigate the effect of strategic operational restructuring on organizational performance. Regression analysis conducted proved that there was a positively significant effect of strategic operational restructuring on organizational performance as indicated by the values $\beta_1 = 0.542$, $t = 2.015$, $p<0.05$. The study concludes that a unit change in strategic operational restructuring would lead to 0.542 unit change in organizational performance. Further, since the $p<0.05$, the null hypothesis that strategic operational restructuring has no significant effect on organizational performance is rejected.

The second objective was to investigate the effect of strategic financial restructuring on organizational performance. Regression analysis result showed a positively significant effect of strategic financial restructuring on organizational performance as indicated by the values $\beta_2 = 0.457$, $t = 2.332$, $p<0.05$. The study concludes that a unit change in strategic financial restructuring would lead to 0.457 unit change in organizational performance. On hypothesis testing, since $p<0.05$ null hypothesis that strategic financial restructuring has no significant effect on organizational performance is rejected.

Thirdly, the study sought to determine the effect of strategic departmentalization restructuring on organizational performance. Regression analysis conducted showed that there was positive significant effect of strategic departmentalization restructuring on organizational performance as indicated by the values $\beta_3 = 0.519$, $t = 2.403$, $p<0.05$. The study concludes that a unit change in strategic departmentalization restructuring would lead to 0.519 unit change in organizational performance. On hypothesis testing, since $p<0.05$, the null hypothesis that strategic departmentalization restructuring has no significant effect on organizational performance is rejected.

The study sought to establish the effect of processes decentralization restructuring on organizational performance. Regression analysis conducted showed that there was positive significant effect of processes decentralization restructuring on organizational performance as indicated by the values $\beta_4 = 0.315$, $t = 2.787$, $p<0.05$. The study concludes that a unit change in processes decentralization restructuring would lead to 0.315 unit change in organizational performance. On hypothesis testing, since $p<0.05$, the null hypothesis that processes decentralization restructuring has no significant effect on organizational performance is rejected.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that the company's hierarchic structures have been flattened to the minimum thus enhancing operational efficiency. It is concluded that restructuring undertaking at KISCOL has significantly changed the company's business model enabling operations creativity. In addition, the portfolios of the company have been restructured and that job designs of the company have been restructured to accommodate new changes.

The study concluded that KISCOL has carried out financial restructuring with the motive of enhancing its liquidity, lowering its cost of capital, reducing its risk, avoiding loss of control, and improving its shareholder value and that the company has renegotiated existing company debts with all stakeholders. It is concluded that the company, in its endeavor to restructure its financial obligations, have swapped outstanding debts with equity shareholding and that the company has changed its capital structure composition.

The study concluded that restructuring at KISCOL has been executed in form of department cutting and combining with a view to make them leaner and responsive. The study concludes that the management of KISCOL restructured its business with a goal of sharpening focus by disposing off units that are peripheral to the core business and that the company has integrated all its core functions to minimize financial expenditure. Organizational structuring has flattened the hierarchic levels in the company and streamlining processes.

Finally, the study concluded that processes decentralization restructuring has significant positive correlation on organizational performance. Further, it is concluded that the core processes of the company have been automated thus enhancing decentralization and that the company has decentralized non-core functions. It is concluded that the company has decentralized cost centers and its revenue centers to improve efficiency and that the company has decentralized all functional level processes.

The study recommended that the management of KISCOL should seek to improve operational efficiency by flattening its structures to the core. The company should consider altering its business model to make it more innovative and responsive to changing business environment. The study recommended that the company portfolios should be restructured to attain competitiveness and job redesigned.

The study recommended that KISCOL should seek to enhance its liquidity, minimize cost of capital, minimize risk while protecting vanishing control through financial restructuring. The company should seek to maximize shareholders value by renegotiating existing company debts for the benefit of the company. The company should restructure its financial obligations by probably swapping outstanding debts with equity financing. The company should consider restructuring its capital structure composition to achieve optimal financing structure.

The study recommended that the company should cut its departments and where possible combine and merge departments to enhance efficiency and minimize costs. The management of KISCOL should restructure the company with a goal of sharpening focus by disposing off units that are peripheral to the core business. Further, it is recommended that KISCOL should consider integrating its core functions to minimize financial expenditure and flatten hierarchic levels to streamline its processes.

The study recommended that the management of the company should automate the company's core processes to enhance effective decentralization of its processes. Further, the company should decentralize all its non-core functions and processes. In particular, the management of the company should establish autonomous cost centers and revenue centers with decentralized authority and obligations to enhance accountability and responsiveness.

Areas of Further Study

The study focused on strategic organizational restructuring and organizational performance in the context of Kwale International Sugar Company Limited. However, since only 60.7% of results was explained by the independent variables in this study, that is, strategic operational restructuring, strategic financial restructuring, strategic departmentalization and processes decentralization restructuring, the researcher recommended that a study be carried out on other strategic organizational restructuring metrics which have a potential to affect performance of Sugar firms in Kenya.

The study recommended that further studies be extended to other industries like hotel sector and investigate how strategic organizational restructuring can contribute to the sector's turnaround due to Covid-19 pandemic which adversely affected the hotel sector.

REFERENCES

Ansoff, I. (2016). Strategies for Diversification. *Harvard Business Review*, 35(5): 113-124.

Barnley, J.B & Hesterly W.S. (2016). Strategic management and competitive advantage. Concepts and cases. *Upper Saddle River,* NJ: Prentice hall Inc.

Barney, J. B. (2016). *Gaining and sustaining competitive advantage* (2nd Ed.). Upper Saddle River, NJ: Pearson Education, Inc.

Cooper, D.R., & Schindler, P.S. (2016). *Business Research Methods* (11th, edition). McGraw-Hill Publishing, Co. Ltd. New Delhi-India.

Coulter, M. (2017). *Strategy Management in Action* (3rd Ed. ed.). New Jersey: Pearson Prentice Hall.

Dong, X., Putterman, L., & Unel, B. (2017). *Enterprise restructuring and firm performance: A comparison of rural and urban enterprises in Jiangsu Province.*

Harvard Business Review (2021), *Cultural change that sticks.* Harvard Business Review magazine retrieved from https://hbr.org/2012/07/cultural-change-that-sticks on 9th October, 2021.

Kenya Sugar Board (2014-2020), *Report on Cost of Cane and Sugar Production* (Organization Document).

Kenya LAPSSET (2018), *Corridor Sugarcane Production and Processing Investment Opportunity*, Government Press.

Kiget, I. & Oloko, M. (2019). Determinants of strategic management practice in Kenya Tea factories. *International Journal of Social Sciences and Information Technology,*

Kothari, C. R. (2018). *Research methodology: Methods and techniques.* New Delhi: New Age International (P) Limited Publishers.

Miller, J. P. (2016). *The relationship between organizational culture and environmental scanning: A case study,* Library Trends, no. 2: 170-205

Mugenda, M. O. & Mugenda, A. (2012), *Research Methods: Qualitative and Quantitative Approaches*, African Centre for Technology Studies, Nairobi, Kenya.

Mzera, J. (2017). Effect of Strategic Management Drivers on the performance of the hotel industry in Kenyan Coast. *Journal of Business Studies Quarterly*, 1(2), 44–49.

Mwangi, P., & Maina, R. (2021). Organization Restructuring and Performance of Commercial Banks in Mombasa County, Kenya. *International Journal of Business Management, Entrepreneurship and Innovation,* 3(3), 103-122. https://doi.org/10.35942/jbmed.v3i3.219

Nyariki, R. N. (2017). Strategic Management Practices As a Competitive Tool in Enhancing Performance of Small and Medium Enterprises in Kenya. *Interdisciplinary Journal of Contemporary Research in Business*, 1(2), 65–70.

Olson, K., Zanetti, L., & Cunningham, R. (2017). Perspectives on Public Sector. In R. e. al, *Handbook of Strategic Management*. New York: Marcel Dekker.

Osoro, P. M. (2014). The effect of financial restructuring on the financial performance of commercial banks in Kenya. Doctoral Dissertation, University of Nairobi, Kenya.

Pascale, R. T., Millemann, M., & Gioja, L. (2017). *Surfing the edge of chaos.* New York: Three Rivers Press.

Pearce, J. A., & Robinson, R. B. (2016). *Strategic management: formulation, implementation, and control.* New York: McGraw-Hill/Irwin.

Powers, E. L. (2016). Organizational mission statement guidelines revisited. *International Journal of Management & Information Systems. 16*, 281-290.

Rose, P. S. (2017). The rescue of troubled banks; consequences for corporate strategies to deal with financial and operating stress. *Journal of Financial and Strategic Decisions*, 7(2), 1-17. Available at: http://www.financialdecisionsonline.org/archive/pdffiles/v07n2/rose.pdf

Schaap, J. I. (2017). Toward Strategy Implementation Success: An Empirical Study of the Role of Senior-Level Leaders in the Nevada Gaming Industry. *UNLV Gaming Research & Review Journal*, 10(2), 13-37.

Stanley, C. (2016). Effect of Relationship Marketing on Customer Satisfaction in the Airline Industry in Kenya. *Journal of Business and Management*, 2(2), 35–42. http://doi.org/10.1017/CBO9781107415324.004

Reneta, A. (2017). Strategic Management Practices in the City Council of Nairobi. *International Multidisciplinary Journal*, 1(2), 33–37.

Ross, D. N. (2016). "Culture as a context for multinational business: a framework for assessing the strategy-culture “fit", *Multinational Business. Rev*., 7(1): 13-9.

Riel, M. M. (2010), *Learning with Interactive Media: Dynamic Support for Students and Teachers.* Interactive technology laboratory report, 4

Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research Methods for Business Students* (5th Ed.). Harlow: Financial Time Prentice Hall.

Tesot, M. C. (2016). Effects of Strategic Management Practices on Performance of Coffee Development Fund, Kenya. *International Journal of Business Performance Management*, 2(3), 45–49.

Theuri, S. (2016). Strategic Management Determinants of Value Addition of Industrial Fish Processors in the Sea Food Processing Sub Chain in Kenya. *Journal of Management Research*, 1(2), 58–64.

Tsuma, L. (2017). Impact of Strategic Change on Employee Performance at the Minsitry of Finance, Kenya. *International Journal of Business and Management Invention*, 3(1), 5–10.

Thompson, A. A., Peteraf, M. A., Gamble, J. E., & Strickland, A. J. (2016). *Crafting and executing strategy: The quest for competitive advantage. Concepts and cases.* (9th Ed.*).* Singapore: McGraw-Hill.

Waweru, P. K. & Omwenga, J. (2016). The Influence of Strategic Management Practices on Performance of Private Construction Firms in Kenya. *International Journal of Scientific and Research Publications*, Volume 5, Issue 6

Wheelen, T. L. & Hunger J. D. (2016) Strategic management and business policy, New Jersey: Pearson Education, Prentice Hall.

Yang, L., Guohui, S., & Eppler, M. J. (2016). *Making Strategy Work: A Literature Review on the Factors influencing Strategy Implementation.* Lugano, CH: ICA.

Zhiping, T. (2017). *Factors Affecting Effectiveness of Strategic Management: Research on Ceramic Business in Kenya*. Published Master’s Thesis. United States International University-Africa