

Abstract

Firms that are experiencing financial distress take one action or another in order to turn around their performance. This study sought to find out what turnaround strategies are taken by companies that faced by financial distress. The financially distressed companies generally take actions that are aimed at reducing costs e.g. laying off employees, asset sales and dividend cuts or take actions that are aimed at increasing revenue generation e.g. asset acquisitions in order to improve efficiency. In severe cases of financial distress a company may opt or be forced into liquidation through bankruptcy proceedings. The Kenyan economy under the period of review had mixed results of growing and declining presumably as a result of among others, the global economic crises, the post election violence, loss of investor confidence at the NSE and increased inflation, thus the need to establish the restructuring strategies that the financially distressed companies took in order to turnaround their performance. This study carried out a survey of the companies that were listed for the entire period of the study (2002-2008). Performance of the companies was established by conducting the Z score analysis on each of the companies. The Z score analysis identified 8 companies has having been financially distressed at one point or another during the period of the study. The survey found out that employee layoff was the most preferred course of action being carried out by 63% by the companies. Asset restructuring was the second most preferred turnaround strategy being carried out by 50% of the companies. Debt restructuring and top management change were the least preferred turn around strategies each one of them being taken by one company each. The study also found out that, in the year of distress the restructuring strategies are more intensified and are carried out less intensively in the subsequent years after distress. This may is presumably because of reducing the immediate liquidity problems being faced by the firm