UNIVERSITY OF ZIMBABWE

Graduate School of Management

Topic: A study of turnaround strategies employed by companies experiencing corporate ill health; a case of companies under judicial management in Zimbabwe

A dissertation submitted in Partial Fulfilment of the Requirement for the Master in Business Administration Degree

By

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DECLARATION

Student’s Declaration - I Kandwe Cuthbert, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledgements, references and by comments included in the body of the report, and that this dissertation is therefore, my original work and has not been presented in part or in full for any other degree in any other University.

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Supervisor’s Declaration – I Dr, Samson Ruturi confirm that the work reported in this dissertation was carried out by the candidate under my supervision as the University of Zimbabwe Graduate School supervisor. This dissertation has been submitted for review with my approval as the Graduate School supervisor.

Signature…………………………………… Date ……………………………………

NAME: Dr. S. Ruturi

DEDICATION

I dedicate this piece of work to my father Mr. J. J Kandwe who has been my role model and Dulcie D Mushambi Kandwe, my special wife.

ACKNOWLEDGEMENT

I would like to sincerely acknowledge the contributions of the following individuals who enabled me undertake and successfully complete this study.

First and Foremost to Almighty God who has blessed me with wisdom and a sound mind. Special thanks also go to my supervisor Dr S Ruturi for his continuous guidance and encouragement. I am grateful for your invaluable advice, direction and support. I also acknowledge all the judicial managers for allowing me to undertake the research and the respondents from other organisations who took time off their busy schedules to fill the questionnaire. Special mention goes to my brother William Mandinde for showing me my calling .Finally to my Family, for your continued love, support and sacrifice, it made all the difference. May the Almighty God greatly richly bless you.

ABSTRACT

Many companies are facing financial distress in Zimbabwe and it is a cause for concern that most companies that have gone under Judicial Management, which is supposed to be recuperative, have failed to recover. Studies indicate that more than 80% of companies under Judicial Management end up in liquidation. This study therefore sought to assess the corporate turnaround strategies implemented by Zimbabwean companies under Judicial Management as well as the impact of the strategies in transforming the companies into viable entities. The research also sought to understand the impact of the judicial manager's skills and competencies on the performance of the companies placed under judicial management.

The researcher's personal experience with a business failure ignited interest in corporate turnaround. At the same time, as an academic and turnaround consultant the researcher has a preference for pragmatism. To mitigate his biases and subjectivity, a structured data-gathering method ('questionnaire) was used to collect data form 52 respondents drawn from a sample of judicial managers, senior managers, junior managers and owners of companies under judicial management in Harare. The data that was analysed using SPSS shows that the most commonly utilised strategies are reorganisation of business processes, strategic alliances, reduction of wages and other incentives. Only financial strategies and operational strategies were shown to have a statistically significant impact on post judicial management order performance. Portfolio and managerial strategies had no statistically significant impact on the performance of companies under judicial management and yet they were the most utilised. This therefore offered a part explanation as to why the success rate of judicial management is low. The findings point to the need for companies to urgently consider breaking away from the past and effect radical not incremental change in critical areas such as cost, quality and response time. The skills and competencies of the incumbent judicial manager seemed to have an insignificant impact of the performance, maybe because of the low practice of Top Management Team (TMT) change as a strategy.

Keywords: Corporate turnaround strategy, judicial management, post judicial management order performance, liquidation

TABLE OF CONTENTS

DECLARATION ii
DEDICATION iii
ACKNOWLEDGEMENT iv
ABSTRACT v
TABLE OF CONTENTS vi
LIST OF TABLES x
LIST OF FIGURES xi
LIST OF ACRONYMS AND ABBREVIATIONS xii
CHAPTER 1 1
INTRODUCTION 1
1.1 Introduction 1
1.2 General Overview 1
1.3 Background of the study 4
1.4 Problem Statement 5
1.5 Research Objectives 6
1.6 Research Questions 7
1.7 Research Hypotheses 7
1.8 Significance of the Study 8
1.9 Delimitation of the study 8
1.10 Structure of the dissertation 10
CHAPTER 2 11
LITERATURE REVIEW 12
2.1 Introduction 12
2.2 Quest for the perpetual enterprise-corporate turnaround 12

2.3 Financial strategies....14
2.4 Operational strategies....17
2.5 Managerial strategies....18
2.6 Portfolio strategies....20
2.7 Leadership in turnaround-Key skills and competencies....21
2.7.1 Entrepreneurship....22
2.7.2 Team builder....23
2.7.3 Education and Experience....23
2.7.4 Ability to lead from the front....23
2.8 Previous models....24
2.9 Research gap....24
2.10 Conceptual Framework....25
2.11 Chapter Summary....25
CHAPTER 3....27
RESEARCH METHODOLOGY....27
3.1 Introduction....27
3.2 Research design....27
3.3 Research philosophy....28
3.4 Research Strategy....29
3.5 Population and Sampling Techniques....30
3.5.1 Population....30
3.5.2 Sampling frame....30
3.5.3 Sampling procedure....31
3.6 Data Collection....32
3.6.1 Sources of data....32
3.6.2 Questionnaire design....33
3.7 Data Credibility....33

3.7.1 Reliability..33
3.7.2 Validity 34
3.8 Data Analysis 34
3.9 Research Ethics 34
3.10 Research Limitations 35
3.11 Chapter Summary 35
CHAPTER 4 36
DATA PRESENTATION AND ANALYSIS 36
4.1 Introduction 36
SECTION A: DESCRPTIVE STATISTICS 36
4.2 Questionnaire Response Rate 36
4.3 Frequency Analysis...37
SECTION B: INFERENTIAL STATISTICS...44
4.4 Normality Test 44
4.5 Reliability..45
4.6 Further Validity 46
4.7 Correlation 46
4.8 Regression 49
4.9 Discussion 51
4.10 Chapter summary 56
CHAPTER 5 58
CONCLUSION AND RECOMMENDATIONS 58
5.1 Introduction 58
5.2 Conclusions 58
5.3 Validation of research proposition...61
5.4 Managerial implications...61
5.5 Recommendations..62

5.5.1 Recommendations to the policy makers: 62

5.5.2 Recommendation to turnaround practitioners.. 63

5.6 Areas for Further Research 63

5.7 Concluding Remarks.. 64

REFERENCES 65

APPENDICES 71

APPENDIX 1... 71

APPENDIX 2-INTRODUCTORY LETTER.. 72

APPENDIX 3-QUESTIONAIRRE 73

LIST OF TABLES

Table 3.2: Population and sample framework 31

Table 4.1: Gender of respondents 37

Table 4.2: Gender * Position in organisation Cross tabulation 37

Table 4.3: Position in organisation 38

Table 4.4: Normality test 45

Table 4.5: Cronbach's Alpha coefficient 46

Table 4.6: Correlation matrix 47

Table 4.7: Model Summary 49

Table 4.8: ANOVA[a] 50

Table 4.9: Regression Coefficients[a] 50

Table 4.10: Hypotheses testing summary 52

LIST OF FIGURES

Figure 1.1: Judicial management 2010-2014 5

Figure1.2 Research Area 5

Figure 1.3: Dissertation structure 10

Figure 1.4: Research study 11

Figure 2.1: Conceptual framework 25

Figure 3.1: 4 box model of research 29

Figure 4.1 Judicial management strategies 39

Figure 4.2: Commonly used judicial management strategies 40

Figure 4.3: Financial strategies pie chart 41

Figure 4.4: Operational strategies pie chart 41

Figure 4.5: Managerial strategies pie chart 42

Figure 4.6: Portfolio strategies pie chart 43

Figure 4.7: Skills and competencies pie chart 43

LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA –	Analysis of Variance
CTC –	Competition and Tariff Commission
DIMAF –	Distressed and Marginalised Areas Fund
DIP -	Debtor in Possession
GDP –	Gross Domestic Product
JM-	Judicial management
OP-	Organisational Performance
SPSS-	Statistical Package for Social Scientists
TMT-	Top Management Team
UET-	Upper Echelon Theory
VRIO-	Valuable, Rare, Inimitable, Organisation
VUCA-	Volatile, Uncertain, Complex, Ambiguous
ZEPARU –	Zimbabwe Economic Policy Analysis and Research Unit
Zim-Asset -	Zimbabwe Agenda for Sustainable Socio-Economic Transformation

CHAPTER 1

INTRODUCTION

1.1 Introduction

The study analyses corporate strategies implemented by Zimbabwean companies under Judicial Management as well as the effectiveness of these strategies in transforming the companies into viable entities. The objective of this research is to find out the strategies employed by the current Judicial Managers of these companies and analyse the effectiveness of the strategies in corporate turnaround. This being the case the author seeks to analyse the range of Judicial Management strategies employed by companies that apply for Judicial Management under Section 299 of the Companies Act [Chapter 24:03] and examines their impact on the firms' performance.

The remainder of this section will set the macro and micro context for the research in the background. The problem statement will be highlighted followed by research questions addressing the identified sub objectives that will answer the main objective which is assessing the strategies being implemented by companies in judicial management as well as the impact of these on corporate renewal. The section will conclude by giving the conceptual framework from which the research proposition will be developed.

1.2 General Overview

Strategy authors generally agree that strategy is a strongly contextual concept which means that in our bid to evaluate strategy, we do so in the appropriate context. It is therefore imperative that we consider the macroeconomic environment as well as the internal factors that affect strategic choice for companies experiencing corporate ill health. The 2015 Midterm Fiscal Policy Review highlights that global economic growth is projected at 3.3% in 2015, slightly lower than the 3.4% recorded in 2014. The outlook for advanced economies is showing signs of improvement owing to the boost to disposable incomes from lower oil prices, continued support from accommodative monetary policy stances and more moderate fiscal adjustments.

The Zimbabwean economy has over the years fallen short of its targeted growth rate which is currently at 1, 5 % from 3, 2%. This is in stark contrast to Africa's gross domestic product (GDP) growth which is expected to strengthen to 4.5% in 2015 and 5% in 2016 (African Economic Outlook, 2015).

Five years since the adoption of the multicurrency system, the Zimbabwean economy is deteriorating. Most Zimbabwean products have become uncompetitive in terms of quality and price. The current business models of most companies have been put under immense pressure and a great number is failing to meet their obligations as they become due and payable. This has led to the widespread corporate ill health among Zimbabwean companies. Based on a comprehensive analysis of current concepts available in the theoretical literature and in empirical research, corporate decline can be viewed as a heterogeneous and dynamic process with diverse characteristics that invoke a number of economic signals. Therefore in essence, the term corporate ill health appears to encompass all forms of distress that prevent an enterprise from becoming a viable concern or at least a going concern.

To escape attachment of their assets for failure to meet their obligations to creditors, the majority of stressed firms are seeing the courts as their saviour, giving them temporary relief from marauding creditors through the Judicial Management process. Judicial Management is a process whereby the principles of company law regarding the management of a normal company, as well as the principles appertaining to the liquidation of a company are combined to ensure the optimum benefit of creditors and members. In Zimbabwe the procedure is governed by section 299-321 of the Companies Act {Chapter 24:03}. Since 2004, the World Bank has recorded more than 100 insolvency regime reforms. In 2011–2012, Belarus, Germany, Greece, Kazakhstan, Lithuania, Moldova, Poland, Serbia, the Slovak Republic, Spain and Uzbekistan established or promoted reorganization, liquidation or foreclosure procedures (World Bank-Doing Business Report, 2012)

The most notable reform in recent years is South Africa's adoption of Business Rescue in 2011. The reform is of interest because South Africa had been using an insolvency regime which is the same as what the Zimbabwe companies Act is currently using; Judicial Management.

The purpose of judicial management is to enable companies suffering a temporary setback due to mismanagement or other special circumstances to return to viability (Cilliers et al 2007). Beuthin and Luiz (2000) further qualify the procedure by stating that the objective of the procedure is not to save every company from liquidation but only those which show a reasonable probability of survival.

The rate of success in turnaround of Judicial Management companies is so low that no meaningful trend can be picked up, there is need to understand why there is such a low rate of success. The most common reasons cited have been inadequacy of the legal framework governing appointment of the Judicial Manager and lack of a clause that compels the Judicial Manager to present a rescue plan that is presented to the creditors. Other reasons include the perception problems that companies under Judicial Management face as they fail to get post Judicial Management order financing from the banks or suppliers

The success rate of Judicial Management in Zimbabwe is reported to be very low. In a study carried out by the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) in collaboration with Competition and Tariff Commission (CTC) in 2013, the report notes that Judicial Management proceedings have been criticized as continuing for too long and eventually fail to put companies back on solid financial footing for the tenure of the proceedings. The report further highlights the lack of a rescue plan that is consistent with the causes of the decline. Ultimately companies have emerged from Judicial Management only to return to it again several years later. Alternatively, they have moved from judicial management to winding-up (Fitzpatrick et al 2013). The failure of Judicial Management as a business rescue initiative has been shared between the Judicial Managers and the procedure's framework. Literature on Judicial Management locally has done justice on the latter. Very little if anything has been done on the former, therefore there is need to further understand how Judicial Managers have formulated and implemented the turnaround strategies in a bid to avoid liquidation.

1.3 Background of the study

The interwoven economic challenges that include harsh economic conditions characterized by absence of cheap capital for recapitalization, stiff competition from imports and subdued consumer demand have seen hundreds of firms tinkering on the brink of collapse.

Gumbe and Kaseke (2010) showed that from 2005-2008, firms which were reluctant in adopting survival strategies collapsed. The study revealed that survival strategies included retrenchment and various cost cutting initiatives. The private sector is now synonymous with massive retrenchment strategies to maintain a lean staff and streamline operations.

Following adoption of the multicurrency regime, most companies failed to recapitalise and service their debts. As obligations became due and payable, it became increasingly difficult for most firms to continue operations. To escape attachment of their assets for failure to meet their obligations to creditors, the majority of stressed firms are seeing the courts as their saviour, giving them temporary relief from marauding creditors through the Judicial Management process. So common have Judicial Management applications become that the High Court has expressed worry on possible abuse by companies of the court sanctioned process, which allows beleaguered companies to pursue alternate survival routes to avoid liquidation without harassment from creditors. (Newsday, 15 January 2015)

Data obtained from the Master of High Court shows that a total of 87 companies were liquidated in 2014 compared to 44 in the previous year while companies under Judicial Management rose from 44 to 60. In 2011, 20 companies were under Judicial Management, with the figure rising to 27 in 2012 and 51 in 2013. Figure 1.1 overleaf shows the number of distressed companies since 2010. The number of companies that are currently applying for Judicial Management is on the rise. The Companies Act {Chapter 24:03} does not give definitive time regarding duration of the moratorium neither is the operational and strategic component of corporate rescue package clearly articulated. Judicial management is premised on the ‘fresh start’ principle and the conviction that an enterprise’s going concern has more value compared to liquidation. The procedure also assumes that a company’s demise is due to mismanagement hence the need to replace the existing management.

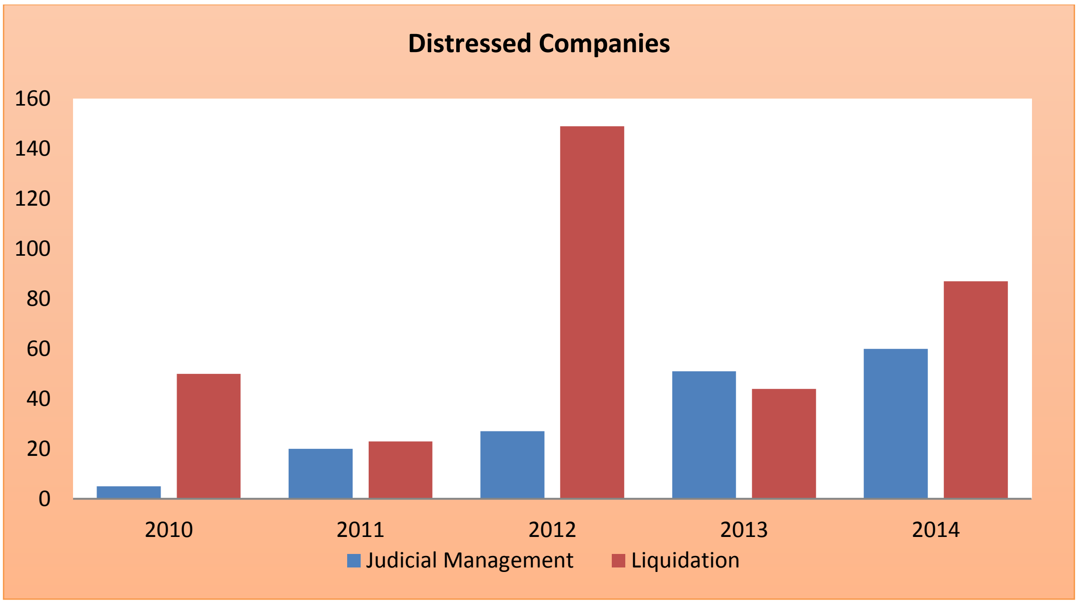


Figure 1.1: Judicial management 2010-2014

1.4 Problem Statement

The overall research problem addressed in this study is that despite an increase in Judicial Management cases, little has been done to analyse the benefits of placing the companies under Judicial Management. Many companies are facing financial distress and it is a cause for concern that most companies that have gone under Judicial Management; which is supposed to be recuperative, have failed to recover. Studies indicate that more than 80% of companies under Judicial Management end up in liquidation. Information obtained from the Master of the High Court suggests that a total of 87 companies were liquidated in 2014 compared to 44 in the previous year while companies under Judicial Management rose to 60 from 44.

When a company is placed under Judicial Management, the directors are divested of all their powers and the judicial manager takes custody of the company’s assets. It is imperative to not only preserve the company’s assets but put them to the most effective and efficient use for the benefit of all the stakeholders. Judicial Managers are people appointed based on accounting, legal or estate administration background, suggesting that these are not management or strategy experts per se. Despite their lack of immense exposure in the managerial field, Judicial Managers are required to craft turnaround strategies in order to transform the ailing companies. Nevertheless, their influence in rendering corporate surgery has hardly been analysed.

If the issue of companies under Judicial Management ending up in liquidation is not treated with the urgency it deserves and its increase curbed the main objective of the procedure which is to preserve the asset value and ensure continued employment remains in danger of not being achieved. The stakeholders who should have benefited from recovery of the companies such as raw material suppliers, shareholders, employees and the community are heavily disadvantaged. If companies under Judicial Management are not assisted in adopting the right corporate renewal strategies, Government initiatives such as Distressed Industries and Marginalised Areas Fund (DIMAF) and Zimbabwe Agenda for Sustained Socioeconomic Transformation (Zim-Asset)- are doomed to fail. This in the long run will make it difficult for Zimbabwe to achieve sustainable economic growth – projected to be 2.7% in 2016, let alone socio tragedies that could befall stakeholders who benefited from the company's going concern.

1.5 Research Objectives

Overall objective: The overall objective of this study is to assess the impact of turnaround strategies being implemented by companies in Judicial Management.

Specific Objectives:

1. To assess the impact of financial strategies on the performance of companies under judicial management.
2. To measure the extent to which operational strategies impact the performance of companies under judicial management.
3. To determine the impact of managerial strategies on the performance of companies under judicial management.
4. To investigate the impact of portfolio strategies on the performance of companies under judicial management.
5. To understand the impact of the judicial manager's skills and competencies on the performance of companies of companies under judicial management.

1.6 Research Questions

The overall question: What strategies are being implemented by companies under Judicial Management and what impact do these strategies have on post judicial management order performance?

The research seeks to address the following questions:

1. What is the impact of financial strategies on the performance of companies placed under judicial management?
2. How do operational strategies impact the performance of companies under judicial management?
3. What is the impact of managerial strategies on the performance of companies under judicial management?
4. How is the performance of companies under judicial management affected by portfolio strategies?
5. Do the skills and competencies of judicial managers have an impact on the performance of companies under judicial management?

1.7 Research Hypotheses

The researcher presents the following research hypotheses, the first being derived from the topic and five sub hypotheses derived from the objectives.

The overall hypothesis: H_0: Companies placed under judicial management improve performance and ultimately exit judicial management to be profitable entities.

$H_{1:}$ There is a positive association between financial strategies and the performance of companies under judicial management.

$H_{2:}$ Operational strategies positively impact the performance of companies under judicial management.

$H_{3:}$ Managerial strategies positively impact the performance of companies under judicial management.

H_4 Portfolio strategies have a positive impact on the performance of companies under judicial management.

H_5 Key competencies and skills of the Judicial Manager have a positive impact on the performance of companies under judicial management.

1.8 Significance of the Study

Given the growing number of company closures, Judicial Management applications and liquidation cases, there is a heightened need for studies to be conducted in the area of Judicial Management in order to avert imminent economic collapse emanating from rampant company failures.

This is probably the first research offering an examination of strategies and strategic options being used by companies in Judicial Management because the study is amongst the few that analyses firms that are confirmed to be failing by court judgement. The research provides evidence based strategic frameworks that policy makers and business turnaround practitioners can use to make informed decisions

The findings of this study will serve as foundation for interesting and innovative additions to the existing body of literature on Judicial Management and corporate renewal. Practising Judicial Managers stand to benefit together with policy makers because the research offers an evidence-based view on effective business turnaround and recovery strategies thus making judicial management more pragmatic thereby increasing the chances of corporate turnaround in Judicial Management cases.

1.9 Delimitation of the study

The study will be carried out on companies under Judicial Management in Harare. The research will rely on population of companies under Judicial Management from the Master of the High Court.

The area of interest lies in the intersection between the legal component and strategic/operational components of Judicial Management in Zimbabwe. Figure 2 overleaf presents the two possible scenarios for a company experiencing corporate ill health in Zimbabwe.

A company can go straight to restructuring (route 2 in figure 1.2 overleaf) or take route 1 which will involve application for Judicial Management to escape marauding creditors and litigation that have a negative impact on realignment.

This research will focus on route 1 because in principal it should be easier to turnaround a company in Judicial Management since there is a temporary moratorium which gives reprieve from creditors. The object of Judicial Management is to avoid the drastic remedy of winding up when a company is in financial difficulties due to mismanagement or some other cause but there is a reasonable probability that under more carefully controlled management it will surmount its difficulties.

It is logical to therefore view judicial management as a two pronged approach to corporate rescue, involving the legal process which is consummated on issue of the final Judicial Management order and the operational and strategic process which should end when the company is brought back to profitability. The diagram below clearly articulates the research area of interest as being the operational and strategic aspect of Judicial Management.

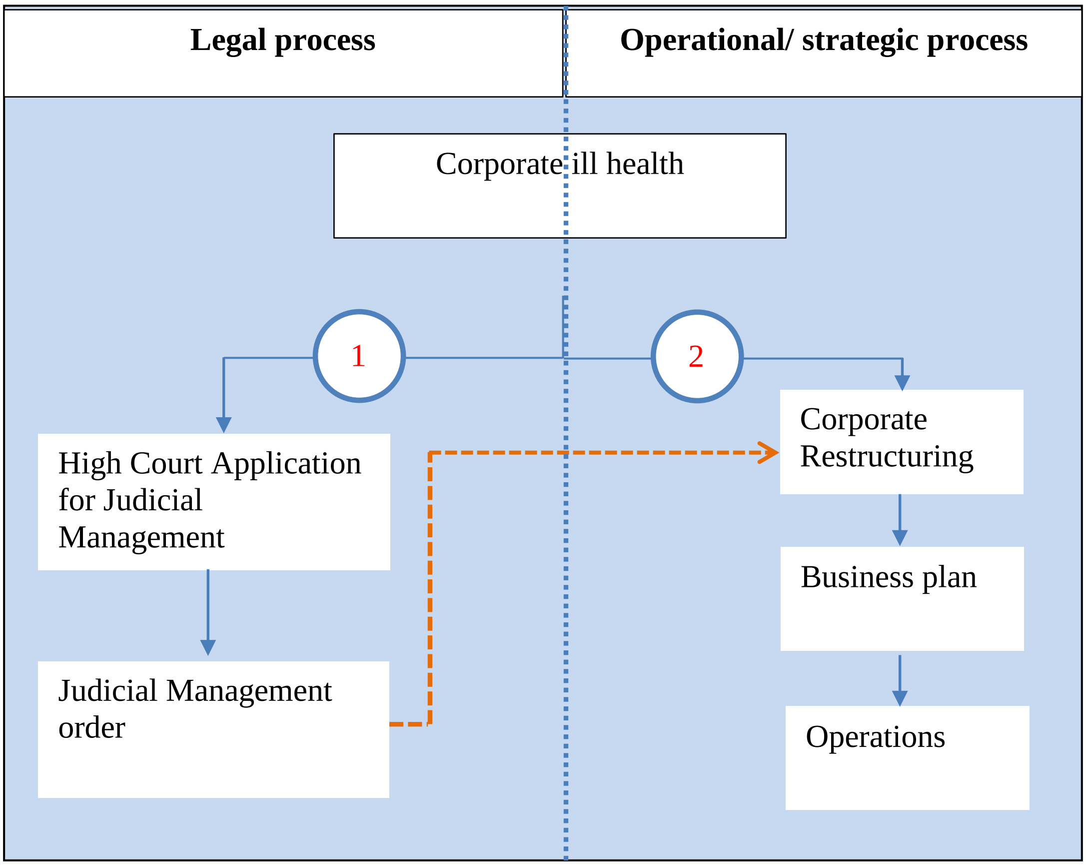


Figure1.2 Research Area

1.10 Structure of the dissertation

This dissertation will be divided into five chapters and presented as follows;

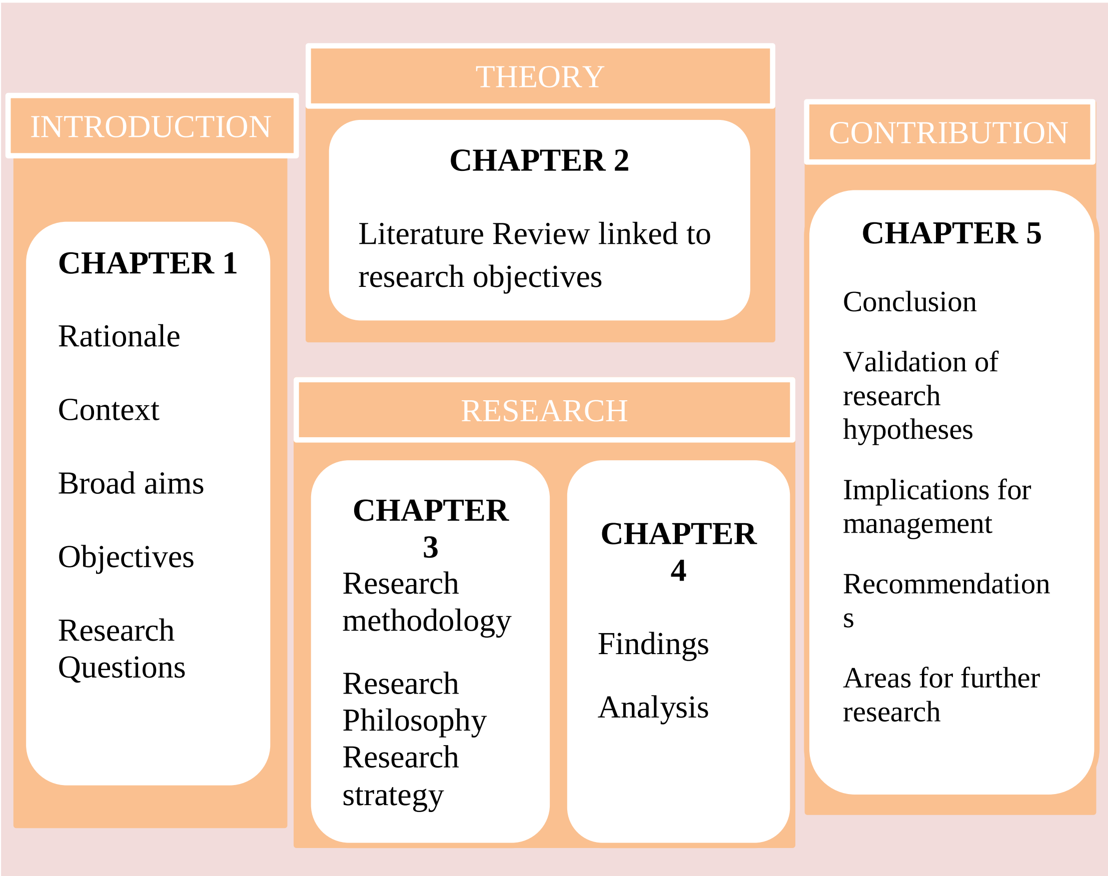


Figure 1.3: Dissertation structure

1.11 Research study framework

The structure of the dissertation given in figure 1.3 overleaf dealt with the presentation of the whole dissertation. This section elaborates the essential constructs that will be addressed starting from the research topic right through to how the conclusions will be reached in chapter 5. Figure 1.4 below is therefore a conceptual framework of the whole study; it is a map of theoretical constructs that shape the study and how they will flow to answer the research problem.

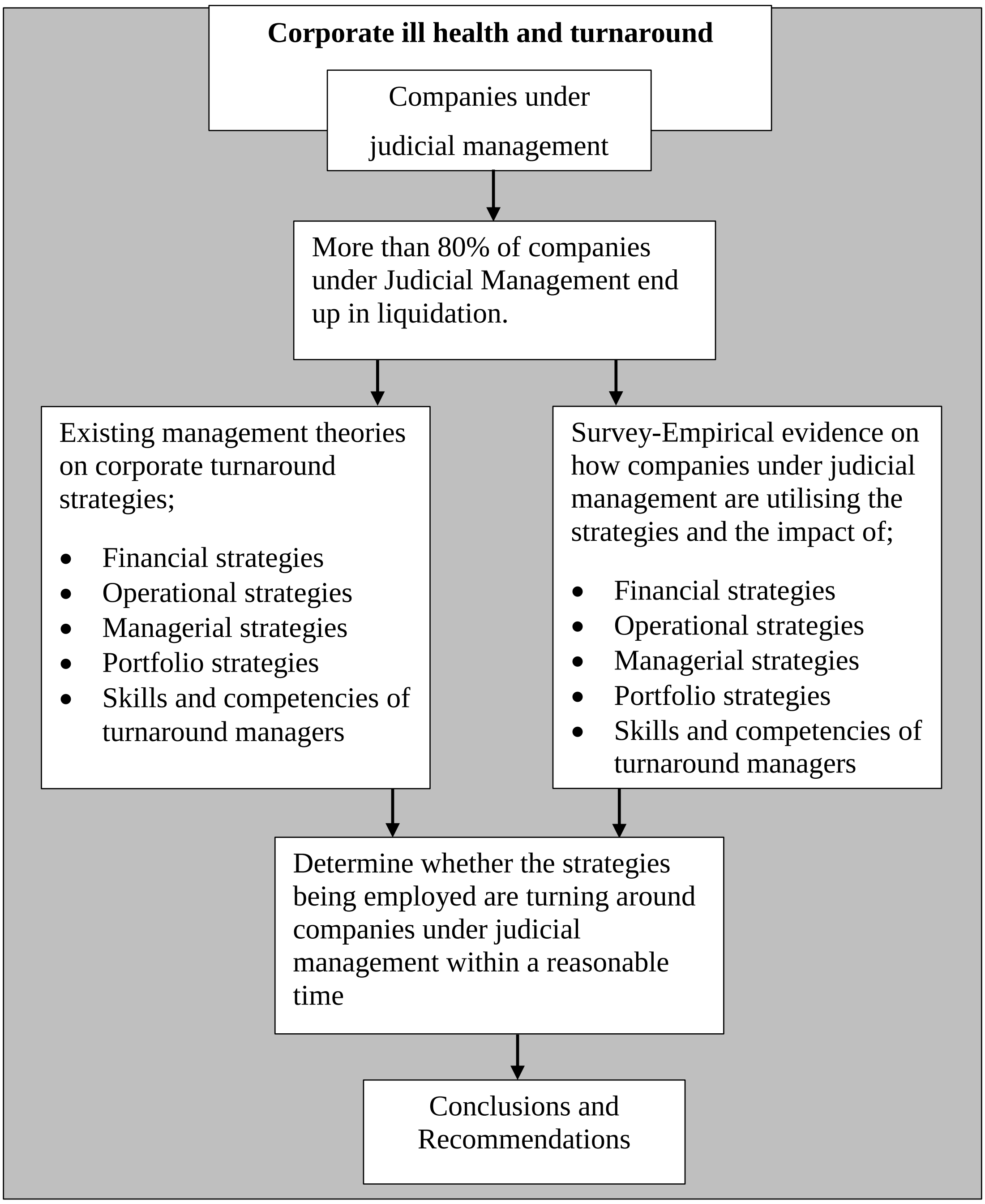


Figure 1.4: Research study framework

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

A critical review of literature was conducted wherein the researcher sought to delineate critical contemporary literature on the subject of corporate turnaround strategies utilised by judicial managers of companies confirmed ill by judgement of court. The chapter therefore begins with a review of the need for turnaround followed by the types of strategies identified in literature. The author identified financial strategies, operational strategies, managerial and portfolio strategies. The ideas of key thinkers in corporate turnaround are synthesized as the researcher looked at both positive and negative literature regarding the subject. The skills and competencies of those tasked with the responsibility to turn around the failing corporates are reviewed in the last section before tying it all together in the chapter summary.

2.2 Quest for the perpetual enterprise-corporate turnaround

Having understood the challenges of the modern enterprise, economies cannot allow companies to die. Corporate turnaround has become a common phenomenon in managerial practice in recent years due to factors such as recession and the global financial crisis of 2008. Commenting on Finland’s Enterprise Restructuring Act, (Collet et al, 2014) note that most developing nations should learn to preserve their SMEs. They argue that big multinational companies can relocate when the going is tough, but the local company has to adapt and survive. In essence Companies that are performing poorly need a turnaround strategy to get them back on their feet more so if they are small.

The purpose of a turnaround is to stop a company’s decline and return it to health. The need for strategic turnaround arises when a company’s competitive advantage is shrinking and there seems to be no room for proper response using the current business model.

Such strategic constraints typically require changes not only in ‘‘how’’ the company is performing but also the ‘‘what’’ of its business portfolio should be focused on (Bachman 2009).

A commonly held point of view is that a company can be considered to have been turned around when it has recovered from a decline that threatened its existence to resume normal operations and achieve performance acceptable to its stakeholders. The way this return to viability is ensured could be through reorientation of strategy, structure, control systems and the firm’s leadership which is essentially Mckinsey’s 7S framework. The 7S model is based on the theory that for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance. The proposed turnaround definition therefore implies that a declining firm can be rescued by carefully considering the hard and soft elements of the framework.

Goetsch and Davis (2006), define world class organisations as those that are competitive on the global market place. The authors give 15 strategies and strategic practices that are consistent with world class organisations and these include innovation, business partnerships and alliances, outsourcing and contracting, quality control and assurance. In Rosabeth Moss Kanter’s Post entrepreneurial Model, the author identifies restructuring to find synergies, opening up boundaries for strategic alliance, creating new ventures from within, and encouraging innovation and entrepreneurship. (Burnes 2009).

Taking the above models as the benchmark for success it follows that any turnaround should be able to deliver not just a going concern but competitiveness to ensure viability and sustainability. The centre point of all the definitions seems to be reversal, restoration and recovery of former glory.

A key observation has been the fact that until now the recovery of former glory had not been clearly defined. This has led to a new construct in turnaround management, referred to as competitive viability or building for the future. Essentially turnaround should be a way to ‘reinvent’ or renew an organisation by first stopping the haemorrhage and creating sustained competitive advantage for an enterprise in spite of the existing environmental constraints.

Several categorisations of turnaround actions have been proposed in literature, for example strategic and operational actions (Hofer, 1980), entrepreneurial and efficiency actions (Hambrick and Scheter, 1983).

Some authors contend that turnaround strategies can be classified according to functional areas, such as financial strategies, operational strategies and managerial or human resource strategies. (Sudarsanam and Lai, 2001; Panicker and Manimala ,2015). The concept of turnaround has to address all the functional areas as defined by the authors, because for a company to be experiencing ill health profitability may be low, competitive advantage maybe fast becoming competitive disadvantage or the cost structure too high making the firm uncompetitive. It would thus appear reasonable to classify turnaround strategies as such. Smith and Graves (2005) make a significant contribution to literature by defining a turnaround process as a series of integrated steps involving the decline stemming and the recovery phase. The following classification propagated by Sudarsanam and Lai (2001) still stands out.

2.3 Financial strategies

It is generally agreed that a company requires turnaround because it is facing an existence threatening decline. The company is unable to generate surplus cash flow to meet its obligations; therefore any attempts for turnaround should start at generating such cash flows.

(Scherrer, 2003) among a number of other authors suggest that financial strategy in corporate turnaround is in essence developing the financial strength of the business as a resource that can generate competitive advantage. Literature identifies financial strategies as strategies that address how the business is funded. The strategies can therefore be debt or equity based. (Sudarsanam and Lai, 2001). To this end it is a reworking of the company’s capital structure to relieve the strain of interest and debt repayments and is separated into two strategies: equity-based and debt-based strategies.

2.3.1 Debt restructuring

Typically, the term "restructuring" is used to mean a restructuring of the debtor's financial obligations in response to a change in economic conditions. A restructuring usually takes the form of a rescheduling, compromise, conversion of debt into equity or a combination of all three.

(Gilson, 1990) defines debt restructuring as a transaction in which an existing debt is replaced by a new contract, with one or more of the following characteristics: (1) interest or principal reduced; (2) maturity extended; (3) debt-equity swap. The major benefits of debt restructuring is that it allows the company to focus on operational improvements and strategic issues

2.3.2 Liquidation of extra assets

(Morrow *et al*, 2007) reckon that firms that are experiencing corporate decline should perform an honest audit on their operations to determine if operational efficiencies can be made and whether or not it is more economical to divest the asset completely rather than allowing it to continue operating at subdued levels. Such a realisation is agreed in literature to be a result of thorough situational analysis during turnaround. Thompson et al (2010) Gladwell (2002) state that although the assets are profitable, sometimes they must be liquidated to contribute to the strategic focus.

(Filatotchev and Toms, 2006) echo the view of a number of turnaround practitioners that the efficacy of asset retrenchment in corporate turnaround depends on the firm's ability to generate cash flow from the disposal of such assets. Literature on turnaround notes that asset specificity, liquidity in the second hand market and exit barriers pose the greatest challenges to a seemingly simple exercise of disposing extra assets.

This strategy is identified by some authors as retrenchment strategy (Robbins and Pearce, 1992; Pretorius, 2008). Francis and Pett (2004) further concur that retrenchment incorporates the basic reduction of assets and expenses within the firm and necessitates many tempestuous actions such as human resources rationalisation or divestments. To this, Slatter and Lovett (1999) add that a positive operating cash flow must be established as quickly as possible where asset retrenchment involves the disposal of aging assets.

Heggde and Panikar (2010) suggest that as severity of decline increases, retrenchment strategies should transform from cost reduction to asset reduction strategies. The view among other authors is also that sale of assets should be accompanied by replacement with new, state-of-the-art assets for example investing in new plant, equipment or technology. The view among a few is that the cash received from the sale of such assets should be used to pay creditors (Gladwell 2002). This view could perhaps be promulgated by the need to maintain stakeholder support, a concept that is thought to be essential in turnaround by some authors such as Smith and Graves (2005).

2.3.3 Reduction of wages, salaries and other incentives

Synonymous with what normally characterises the beginning of typical turnarounds, these actions are normally associated with efficiency improvements and are called belt tightening or decline stemming strategies (Schoenberg et al, 2013; Smith and Graves, 2005; Arogyaswamy et al, 1995). According to several other researchers, cost cutting and financial restructuring leading to lean management form the bedrock of any successful recovery bid (Igor, 2006). This view seems to be supported by Schmitt and Raisch (2013) in their research on the nature of the retrenchment–recovery interrelations as well as their importance in corporate turnaround. As much as turnaround scholars such as (Morrow et al, 2004) distinguish between asset retrenchment and cost retrenchment it would appear that the most recent studies agree that in whatever form, retrenchment activities are important for any successful turnaround.

The general trend among great thinkers in this field is that turnarounds need to be analysed in context, particularly the financial obligations and other obligations. Authors argue that if you consider companies in financial distress, it is evident that they need aggressive cost and asset reductions to improve their fate (Igor and Toms, 2006). The author specifically identifies slashing labour costs, operational costs, selling and administrative expenses, R&D expenditure, and financing costs. The contribution by some authors like Schoenberg et al (2013) that the pursuit of cost efficiencies carries some risks. Some authors have warned that solely cutting costs can reduce employee morale and commitment, resulting in increased staff turnover.

(Sudarsanam and Lai, 2001) further stress that cost efficiency activity should be discontinued as soon as signs of stability begin to appear to avoid depletion of assets or resources that are required to maintain the core focus of the firm.

2.3.4 Stakeholder management

A comprehensive definition of stakeholder is given by Slatter and Lovett (1999) who define a stakeholder as any party with an interest, financial or otherwise, in a company, and hence have an ability to influence the outcome of a turnaround. This definition therefore includes equity and debt providers, bankers, suppliers, customers, employees and government regulatory institutions. Support from each group of stakeholder is a prerequisite for any turnaround to be successful. These diverse stakeholders have different aspirations and the objective is to gain stakeholder confidence and support by demonstrating a viable strategy, which is responsive to their aspirations. (Smith and Graves, 2005) propose a turnaround model that has two key phases, namely decline stemming and the recovery phase. The first among the decline phase actions is stakeholder support. The author contents like many others that maintaining or renewing support from suppliers of raw materials and capital is an important corporate turnaround strategy.

2.4 Operational strategies

Operating turnaround strategies are referred to in literature as short-run tactics that are aimed at arresting the decline and bringing an organisation from negative to breakeven. For this reason operating strategies can also be called efficiency strategies as the primary focus is efficiency improvement. Authors contend that these strategies entail a company doing what it has done in the past, only with enhanced efficiency. (Arogyaswamy et al, 1995; Smith and Graves, 2005) refer to these as decline stemming strategies and they include cost cutting and asset reduction and general efficiency improvement. Operational restructuring comprises cost reduction, revenue generation and operating asset reduction strategies to improve efficiency and margin by reducing direct costs and slimming overheads in line with volume (Slatter, 1984). A broad classification of operational strategies has been proposed, and they are identified as retrenchment strategies (Panicker and Manimala, 2015).

2.4.1 Revenue generation

The principle of efficiency enhancing strategies seems to be both revenue maximization and input minimizing. It is of a fire-fighting nature and differs from restructuring aimed at the longer term competitive positioning and performance of the firm. (Hofer, 1980) was among the first to propose that revenue generating strategies through market or product refocusing may be used together with retrenchment strategies form the basis of turnaround. Revenue generation is pursued by focusing on existing lines of products, initiating price-cuts (or raising prices where products are price insensitive) and increasing marketing expenditure to stimulate demand. Pretorius (2008) further contends that revenue generation will depend like any other strategic practice on the availability of resources; a theory the author calls resource munificence theory. The same sentiments are shared by Smith and Graves (2005) who identifies the resources as ‘free’ assets.

2.4.2 Managing cash flow

Smith and Graves (2008) agree with Slatter & Lovett (1999) that crisis stabilisation should be the first among the cocktail of strategies in corporate turnaround. Various other authors such as Arogyaswamy et al (1995); Sheppard and Chowdhury (2005) and Pretorius (2008) agree that a company in distress seeking turnaround has to generate enough cash to survive the short term and establish not just a going concern but profitability. While other researchers content that this cash may be used to pay wages and creditors which may be due, the view according to Filatotchev and Toms (2006) is that the cash freed up should be used to reinvest in new technology to improve operational effectiveness.

2.5 Managerial strategies

The general consensus in turnaround literature is that reinvigorating the firm’s leadership and retrenchment are among the top most successful turnaround strategies for companies experiencing corporate ill health (Collet et al, 2014; Schoenberg, et al, 2013).

2.5.1 Changes in the top management

Corporate literature identifies managerial action or inaction as top on the list of causes of corporate ill health. According to a study conducted by the Association of Insolvency and Restructuring Advisors only 9% of failures are due to influences beyond management's control and to sheer bad luck. The remaining 91% of failures are related to influences that management could control, and 52 % are internally generated problems that management didn't control (Collard, 2011).

As early as the 1980s, (Hoffman, 1989) boldly states that the analysis of causes of decline is a primary component of the turnaround literature and Collet et al (2014) further contend that up to 80% of corporate failure is due to management failure. For this reason, it is no surprise that Bibeault (1998) stresses the need for new and competent management by changing the top management team (TMT) (Lohrke et al, 2012) introduced the TMT scanning behaviours approach to corporate turnaround. The authors further agree that the first stage of a turnaround is a situation analysis, hence the need for new and competent management with awareness, motivation and capabilities to enable turnaround. It is generally agreed that top management teams (TMTs) are critical resources based on Barney's VRIO framework. Barney and Hesterly (2012) contend that an organisation yields sustained competitive advantage by how it combines its tangible and intangible resources that are Valuable, Rare, Inimitable and can be organised within the firm.

(Abbe, 2009) goes further to assert that the effect of top team composition on corporate turnaround varies depending on the environmental context. CEO change has been linked to firms experiencing corporate ill health and 75% of CEOs are appointed from outside the firm notes (O'Kane and Cunningham 2013), who further reckon that use of leadership changes in turnaround situations is by no means unanimous.

2.5.2 Retrenching employees

(Prasad, 2006) reiterates that corporate turnaround is a change initiative that requires a company's human resources to be strategic partners in the business inorder to corporately craft and implement strategies that nurture sustained competitive advantage. Literature on human resource strategies involves efforts to downsize workforce. (Cascio, 2003).

Firms in decline have been seen to adopt retrenchment strategies more likely than any other strategy. A different view is presented by some authors who argue that managers make firm-specific investments during their tenure with firms. This firm-specific knowledge may especially be required when a firm is in distress. Proponents of this view argue that if managers are going to be driven out when a firm files for reorganization not only will they be reluctant to file for bankruptcy but they also may lack incentives to make firm-specific investments in the first place. (Lee et al, 2007).

2.6 Portfolio strategies

An earlier definition of corporate ill health identified an economically distressed firm as one whose existing business model has become a source of competitive disadvantage; as a result the firm has become uncompetitive relative to competition hence becoming non-viable. Strategic turnaround strategies are therefore the grand, long- term initiatives referred to by Arogyaswamy et al (1995) as recovery strategies and by Panicker and Manimala (2011) as entrepreneurial strategies. The strategies include diversification, vertical integration, new market share thrusts and divestment. The core of strategic turnaround strategies is to remodel the business to stick to the knitting (the core business), reorient into different markets or divest from unprofitable markets. It involves identifying tenets that develop sustainable competitive advantage for the company identified as building for the future.

2.6.1 Reorganisation of business operations

A renewed focus on the firm’s core activities is another potent turnaround strategy repeatedly identified in the literature and frequently enacted in parallel with asset retrenchment (Boyne and Meier, 2009). This strategy entails determining the markets, products and customers that have the potential to generate the greatest profits or alternatively better buying power and refocusing the firm’s activities on these areas.

Authors agree that successful turnarounds are associated with a focus on product lines for which the firm has a competitive advantage or loyal customers. (Hambrick and Schecter, 1983; Sudarsanam and Lai, 2001).

(Beixin et al, 2008) further contends that reorganisation strategy often involves refocusing or eliminating non-core businesses**.** However, much of the empirical research for large firms has focused on diversification strategy.

Despite the differences highlighted, literature seems to agree that a declining firm has to first of all adopt strategies that stop the haemorrhage and bring the entity to stability. As the general findings in the turnaround literature suggest, declining firms attempting turnaround not only have to engage in cost-cutting/asset reduction, but also need to focus on improving the firm's competitiveness in the market

2.7 Leadership in turnaround-Key skills and competencies

A high rate of turnaround failures is often blamed on leadership, leadership literature concur that turnaround situations require management approaches unique and distinctly different from those of stable or growth management. Consequently, old management tenets lose their validity. There is need for new skills and competencies to effect change. Literature on the topic of leadership, turnaround strategies and case studies on specific individuals or organisations and the overwhelming element of importance in successful turnarounds appears to be that of leadership. It is important to note that, in the academic world, the weight of the strategic fit argument appears to be shifting from seeing strategy as a rational, mathematical process to seeing it as the outcome of the ability of an organisation's management to utilise its strengths and competencies in in competitive pursuit of success. (Burnes, 2009: 272).

This makes the need to assess skills and competencies of turnaround practitioners more compelling. A research by (Van den Steen, 2011) identified 10 attributes that can be considered as the essential attributes of a turnaround leader. There is a general agreement in literature that the important parts of turnaround strategy development and deployment are leadership, experience and expertise. Burnes (2009) contrasts between management and leadership, highlighting that management is fairly routine under stable conditions where there are established goals. Lymbesky (2011) reiterates that a turnaround leader must have many soft skills such as the ability to lead and motivate people who are frustrated, scared, and often without hope.

Transformational leaders in contrast seek to produce changes-often of a dramatic degree in a limited space of time in a turbulent and not so certain environment. According to Miller (2002), a turnaround leader should be extremely focused, be able to personally lead the implementation of change and understand that change is a contact sport. The same analogy of sport is used by (Kanter, 1989 in Burnes, 2009). The author identifies 7 skills and sensibilities of a business athlete. A synthesis of literature on turnaround leadership identifies the following key skills and competencies;

2.7.1 Entrepreneurship

(Hofer, 1980) mentions that skills of the top management team in a turnaround should match the strategy; the author further asserts that a more entrepreneurial top management team is required for a high-growth strategic turnaround, as opposed to a hard-nosed cost-cutting strategy. Though the potential for choice exists, the reality is that many managers appear not to exercise it, preferring instead to stick to tried and tested routine, orthodox tried and tested textbook approaches regardless of their suitability. It is important to note that, in the academic world, the weight of the argument appears to be shifting from seeing strategy as a rational, mathematical process to seeing it as the outcome of the ability of an organisation's management to utilise its strengths and competencies in in competitive pursuit of success. (Burnes, 2009: 272)

It would appear from a synthesis of turnaround literature that successful turnarounds require clear-thinking to quickly assess opportunities to determine causes of distress, develop strategies that develop sustained competitive advantage and implement plans to restructure the company. Such an argument describes the need for an entrepreneurial approach to corporate turnaround.

2.7.2 Team builder

The success of a turnaround plan rests with the people on the turnaround team and their ability and willingness to incorporate all of the company's management team and key employees in the process. It is important to have a process structure which can achieve this. (Kotter, 1990 in Burnes, 2009) further stresses the need for good people skills by noting that transformational leaders have a major communication challenge in getting people to understand and buy into the vision.

2.7.3 Education and Experience

A turnaround practitioner's short-term strategy is to ensure immediate corrective measures and a short-term turnaround plan that will be managed on a project basis. Longman and Mullins (2004: 58) are of the opinion that effective project management requires "the right people and skills". This statement emphasises the need for suitable experience and the appropriate academic background in a turnaround practitioner (Osthauzen, 2014). The educational qualifications of TMT have been studied by upper echelon theory (UET) researchers as an important demographic indicator that has a significant impact on strategic choice and outcomes. The expectation among theorists is that highly academic TMT members actively seek entrepreneurial remedies to performance decline. (Abebe, 2009).

(Lymbersky, 2011) further notes that in addition to the soft skills, a turnaround leader must also have a significant educational background in finance, strategy, process optimization, marketing, sales, business valuation, debt restructuring, stakeholder management.

2.7.4 Ability to lead from the front

Practitioners from different backgrounds such as (Stacey, 2003) have argued that strategy is not a process, but an outcome of a process: an outcome shaped by human creativity. Successful management is about knowing the business in its entirety not just specialist areas and an ability to manage through discontinuity (Morgan Witzel in Burnes, 2009). Leaders in a turnaround are required to set direction, define the context, produce coherence, give meaning, manage boundaries, inspire voluntary.

2.8 Previous models

A number of models have been proposed by a number of authors in corporate turnaround. (Smith and Graves, 2005 and Arogyaswamy, 1995) propose a model depicting the turnaround process as a series of integrated steps within two key phases: the decline stemming phase and the recovery phase. Ultimately, the severity of the financial distress, the amount of free assets available and the company's size, influence the company's ability to stem the decline. This particular model has similarities to the matrix proposed by Pretorius (2008). The model suggests that deterioration of a venture in decline is not necessarily linear, going through underperformance, decline, distress and then crisis as proposed by many authors. The author therefore proposes a matrix similar to Porter's generic strategies with two perspectives of resource availability and causality of distress.

2.9 Research gap

Primary data on corporate turnarounds is thin in practice, particularly in developing countries like Zimbabwe as failed firms simply disappear, while successes are attributed to leadership ability and consultants protect their strategies as intellectual property. In certain cases the information is found in newspaper reports which are often very subjective. Shepherd (2005) reiterates that even when the failed attempts are spoken about, the explanations are likely to contain a number of biases and generally developing countries have had to infer from other developed countries yet strategy applies in context.

That being the case there has not been much research on companies that have been declared to be insolvent by being placed under Judicial Management. Researchers have considered the procedure and not the entities/candidates of Judicial Management. To this end, a valuable contribution to research in this field must seek to redress this shortcoming, providing evidence based strategic frameworks that policy makers and business rescue practitioners can use to make informed decisions. This is probably the first research offering an examination of strategies and strategic options being used by companies in Judicial Management because the study is amongst the few that analyses firms that are confirmed to be failing by court judgement.

2.10 Conceptual Framework

The theoretical constructs concerning corporate turnaround were dealt with in the preceding section. Based on existing turnaround models, their components, and subsequent research contextualised for relevance to the Zimbabwean situation, the following theoretical model was proposed and later subjected to hypothjesis testing in chapter 4.

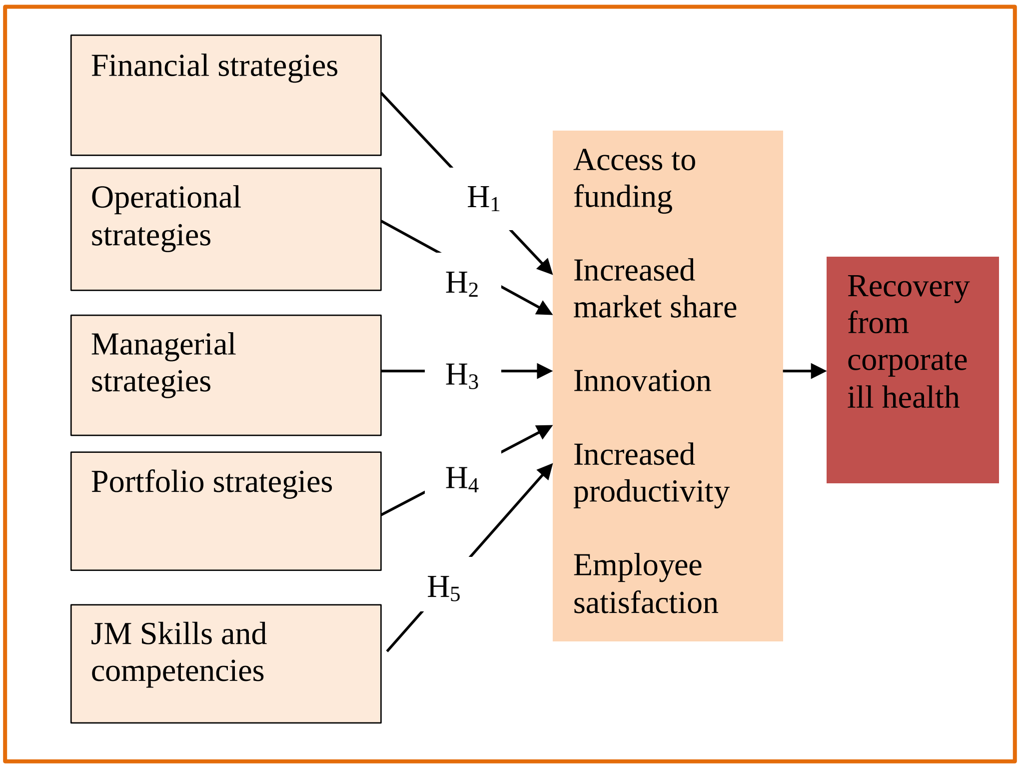


Figure 2.1: Conceptual framework

2.11 Chapter Summary

In summary, there seems to be no literature on post-judicial management order performance and turnaround strategies. The literature reviewed was instead literature on generic corporate turnaround strategies. The literature reviewed was mainly from European and US insolvency and bankruptcy cases with a few South African cases. The most important findings show that companies in decline require to be resuscitated by a mix of strategies that first stops the haemorrhage before a more forward looking strategy is adopted, referred to by some authors as building for the future.

Ultimately authors agree that the context of a turnaround and causality of distress are important determinants of performance together with the type of turnaround strategy adopted. Not much research has been done on companies that have been declared to be insolvent by being placed under Judicial Management. The literature available has dealt with the legal framework governing judicial management and not the essential elements of turnaround. The last section drew from the models identified in literature to come up with a proposed conceptual framework which shall be interrogated by hypothesis testing. The research focused on generic turnaround strategies suggested in the literature and compared them with practice in a Zimbabwean context.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In recapitulation of the objectives stated in chapter 1, the overall objective of this study was to assess the strategies being implemented by companies in judicial management as well as the impact of these strategies on corporate turnaround.

The previous chapter discussed essential theories underpinning this study. It constituted a literature review on corporate turnaround and leadership in turnaround. This chapter presents methodological issues that were followed to conduct the research. It therefore includes the nature of the research design, instruments used, population of the study, the sample size, sampling techniques, procedures for collecting data, data presentation and analysis procedures. The chapter begins by giving the framework governing the research followed by the theoretical constructs that shaped the research.

3.2 Research design

The overall research objective was to evaluate the impact of corporate turnaround strategies and the judicial manager's skills and competencies on the performance of companies in judicial management. Greener (2008) identifies research design as the blueprint of how the information to answer the research question will be gathered as exploratory, descriptive or explanatory (Saunders et al 2009). This section therefore looks to do justice to such. In attempting to answer the research question, the researcher was aware of his own methodological values, beliefs and philosophical assumptions. These assumptions could influence how the research was conducted.

The theory of knowledge (epistemology) of the researcher describes how one can discover underlying principles about social phenomena and how one can demonstrate knowledge. The researcher's personal experience with a business failure ignited his interest in business judicial management. At the same time, as an academic and turnaround consultant, pragmatism drove the research.

To mitigate his biases and subjectivity, the researcher used a structured questionnaire to collect the data. Ontological position comprises the researcher's view on the very nature and essence of the research reality. The researcher is an objective realist who believes that knowledge comes from facts associated with real-life cases and their context.

This research was designed as part descriptive, as chapter one portrayed the historical perspective on the efficacy of judicial management in Zimbabwe. The research was part explanatory in describing the current challenges faced by companies in judicial management and part exploratory as it sought to assess the strategies employed by companies in judicial management. The research was however predominantly explanatory because the objective was to assess the strategies being implemented by companies in Judicial Management as well as the impact of these strategies on corporate turnaround. Saunders et al, (2009) define an explanatory research design as a study that seeks to establish the casual relationship between variables.

3.3 Research philosophy

It was Kurt Lewin who famously wrote, "there is nothing so practical as a good theory" The researcher understood that if you want to create valid and practical techniques within the field of judicial management an approach is required which can bring together in the right proportion theory and practice. The Society for Industrial and Organizational Psychology eloquently put it as integrating science and practice at work. To bridge the gap that normally exists between those who generate new theories and those who consume it by practice; the researcher adopted the four box model of psychological research put forward by Anderson et al (2010). The authors combine two dimensions/ perspectives, one representing methodological rigour and the other representing practical relevance, to create an easy to understand four box matrix in articulating the background to the research.

The researcher used positivism to relay the nature of judicial management and liquidation in Zimbabwe. Realism was adopted in portraying real problems in the problem statement while phenomenology was followed in understanding the phenomenon of companies in judicial management failing to recover but slipping into liquidation.

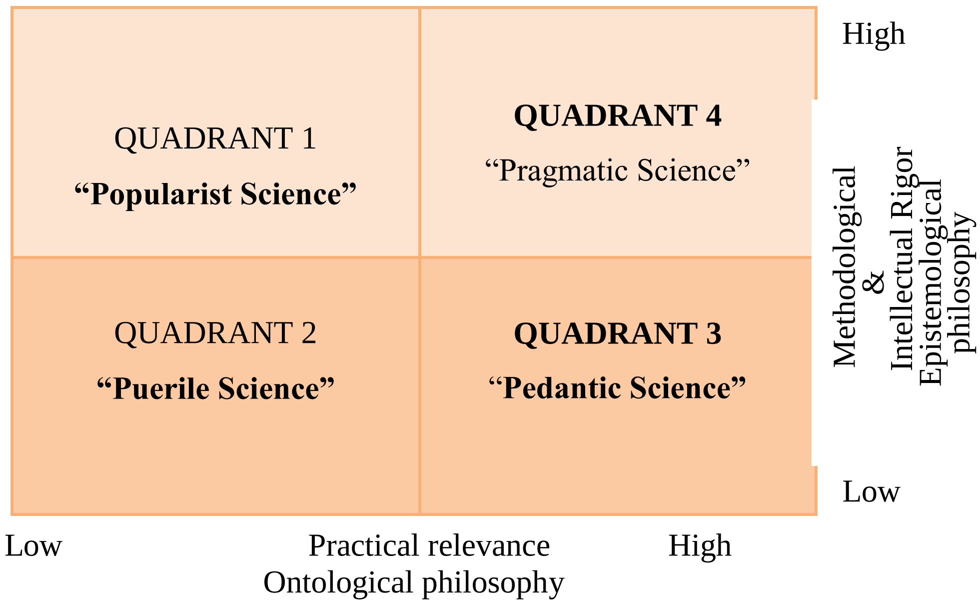


Figure 3.1: 4 box model of research-adapted from Anderson et al, 2001

The researcher chose quadrant 4. Here, high practical application was combined with high methodological rigour. The researchers’ findings and conclusions, based on sound research and valid theory will therefore be pragmatic, as sensible, pertinent, and relevant to the challenges confronting Zimbabwean companies.

3.4 Research Strategy

Saunders (2009) defines a research strategy as a general plan of how a researcher goes about answering the research questions. Research strategy choices are many and varied depending on purpose of the study. Yin (2009) notes that case study, survey, experiment, grounded theory, ethnography and action research are the common forms of research strategy. Quantitative research strategies include experiments, survey and case studies. Qualitative research strategies consist of action research, phenomenological approach, grounded theory, ethnography and archival research.

For purposes of this research, a survey and case study was used. A survey was selected as the research strategy to complement the quantitative approach for various reasons. The questionnaire based surveys have been the main tradition in corporate turnaround research and therefore adopting this approach makes it easier to make comparisons between this study and other studies.

Moreover a survey allows the researcher to enlist a large number of respondents including respondents with businesses of different sizes, in different sectors and different geographical areas (Saunders et al, 2009). Lastly, the survey method gives room for standardization of the questionnaire which carries with it easy evaluation of responses and gave the researcher more control over the study.

3.5 Population and Sampling Techniques

Having explained the ontological and epistemological perspectives, the researcher sought to identify the population and pick out a representative sample from the companies under judicial management. This section identifies the population, sampling frame and the sampling procedures used to obtain a representative sample.

3.5.1 Population

Saunders et al, (2009) defines population as the entire set of units for which the survey data are to be used to make inferences. The population for this study were all the companies in Zimbabwe that applied for Judicial Management under the Companies Act [Chapter 24:03] section 299.

3.5.2 Sampling frame

The sampling frame is the source list from which the sample is drawn and contains the name of all items (Kothan, 2004). The sample was drawn from the population of Zimbabwean firms that were placed under Judicial Management from 2010-2013. This period of data collection is most appropriate for a study of troubled firms as it follows the dollarization of the Zimbabwean economy in 2009. Data were collected by sending a questionnaire to all Judicial Managers during the period of analysis. The table below illustrates the population, sample and the sampling methods used to obtain a representative sample.

Table 3.2: Population and sample framework

POPULATION		SAMPLE			
Category	**Size**	**Gender**		**Size**	**Selection Method**
		Male	**Female**		
Companies	96			25	Simple random sampling
Judicial Managers	25	8	0	8	Stratified random sampling
CEO	36	5	1	6	Stratified random sampling
Senior Managers		16	6	22	Stratified random sampling
Junior Managers		9	5	10	Stratified random sampling
Shareholders	76	1	1	5	Stratified random sampling
Total		39	13	**76**	Stratified random sampling

3.5.3 Sampling procedure

The sample size usually depends on the population to be sampled. Although there are no general rules, thirty percent of cases are often considered sufficient for studies in which statistical analysis is to be done. The formula below was used for the calculation of the sample size for the research since it was relevant to studies where a probability sampling method is in use.

• Formula: $n \geq N / [1 + (Nd^2/10\,000)]$, where:

N= Total population

d= error estimate with a confidence interval of 95%

n= sample size

• Application:

_ $n \geq 93 / [1 + (812(5)^2/10000)]$

_ $n \geq 75.45$

Therefore, n = 76 respondents

3.6 Data Collection

This research was quantitative in nature; it therefore means all the data is geared towards numerical collection using structured data collection instruments. This section therefore articulates the sources of data on corporate turnaround and judicial management and gives details of the data collection instrument that was used to obtain quality data for analysis.

3.6.1 Sources of data

Quantitative studies require data that can be used in statistical analysis. The source of data can vary widely from historical documents, government records, organisational records, interviews, and questionnaires developed as part of the research protocol for a particular study.

The source of primary data was self-administered questionnaires that were given to Judicial Managers and senior managers of companies in Judicial Management. Archival data from secondary sources such as newspaper articles, companies' financial records, and press release statements were also used to gain a better understanding of the background of Judicial Management in Zimbabwe.

3.6.2 Questionnaire design

A self-administered questionnaire based on "drop and collect", was chosen for this research. The researcher personally did the dropping and collecting. Although it is time consuming it offered the opportunity to get data from respondents in a cost effective way and respondents could complete the questionnaire at their own pace (Gary 2009).

A five point Likert Scale ranging from 1= Strongly Agree to 5= Strongly Disagree was used. The researcher adopted the Likert scale because it is simple to construct and easy to read and complete. The choice of the 5-point Likert scale as opposed to 3-point or 7-point was inspired by the need to control the central tendency disadvantage of the Likert scale.

The questionnaire had two major sections; section A which sought to understand the type of respondent and section B which was data collection. Each objective of the research comprised a section with between 3-12 questions. The whole section had 44 questions.

3.7 Data Credibility

The researcher used the questionnaire as explained in the preceding section to obtain random data and to help in the analysis of the random data, it is important to assess the credibility of the research instruments used. In order to be sure the research instrument collected the data which it was meant to collect, ensure repeatability of the findings and generalizability the following section addresses reliability and validity concerns.

3.7.1 Reliability

Reliability is in essence consistency or repeatability over time of the study. A research needs to be designed in such a way that is auditable (transparent and clear), so that the readers can either undertake the same method themselves and produce same results or at least the method is clear enough to instil confidence in the reader that the results were not exaggerated in any way (Greener 2008). Reliability of the research instrument was carried out using Cronbach's alpha coefficient.

Cronbach's Alpha Coefficient

Cronbach's Alpha is interpreted as a coefficient Alpha and its value ranges from 0 to 1. (Sekaran, 2010) advised that when calculating Cronbach's Alpha reliability coefficient reliabilities less than 0.6 are considered poor and reliabilities within 0.7 range are considered acceptable and those coefficients over 0.8 are considered good.

A reliability analysis was conducted to check random errors which tend to cause the measurement to fluctuate around the exact value. Cronbach's Alpha coefficient was used to measure the internal consistency reliability which gave a degree of relatedness of the individual items. It was found to be 0.858, showing that all the instruments used to collect the data are reliable.

3.7.2 Validity

To ensure validity, during design of the questionnaire consultations with seasoned judicial managers were carried out. In addition, a pilot study was carried out prior to the actual research. Pre testing the questionnaire was also done to obtain feedback to check if the questionnaire is effective and well understood by the respondents.

3.8 Data Analysis

The computerised software Statistical Package for Social Sciences (SPSS) was employed for processing and analysis of quantitative data. Descriptive analysis and inferential analysis were used to analyse the data. Microsoft Excel was also used to aid the descriptive analysis.

3.9 Research Ethics

According to Harwell (2007), in line with planning the research to be valuable, it should also be ethical. Ethical issues are important in conducting research and must include notifying the participants about the aim of the study (Bryman 2008). Anonymity of the respondents should be guaranteed in order to safeguard them from any potential harm or risk.

In addition confidentiality of information given by respondents should be granted and the information should only be used in the research conducted (Brotherton, 2011).

Firstly the researcher informed the participants about the aim of the study that it was purely academic. Secondly the researcher requested for the respondents' consent to take part in this research.

Thirdly the researcher guaranteed anonymity of respondents by the use of numbers on the questionnaires instead of their names which was essentially in respect of their privacy.

3.10 Research Limitations

The limitations of the study were time and money. The study was only carried out in Harare and yet the issue of strategy is also dependent on the context and cause of corporate decline. Furthermore the use of self-administered questionnaires was also a limitation because there was a possibility of misinterpretation of questions or statements as a result of researcher's absence. The researcher however managed to mitigate some of the problems by providing contact details on the questionnaires.

3.11 Chapter Summary

This chapter detailed how the data was collected and analyzed for purposes of testing the hypotheses. The chapter focused on data capturing, cleaning, processing of data and the statistical packages that were used to analyse data. The chapter closed by examining the reliability of the results and ethical issues considered during data collection. The next chapter will now focus on data analysis, presentation of findings and discussion.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

To facilitate deducible trends obtained from the findings, this section builds on the literature review presented in chapter two and the primary data collected from the questionnaires as explained in chapter three. This chapter presents the results and discusses the findings. The findings are explained and explored for improved understanding to answer the research question: ‘What is the impact of corporate turnaround strategies and JM skills and competencies on the performance of companies in judicial management?”. This chapter therefore focuses on the analysis, presentation and discussion of data collected from companies that applied for Judicial Management from 2010-2013. The use of statistical descriptions involving the construction of tables, line graphs, and bar charts was preferred. The results of the study are presented below in two sections. Section A will be descriptive while section B will develop further to test the relationships among the variables using inferential statistics.

SECTION A: DESCRPTIVE STATISTICS

This section starts with a description of the respondents. The section is a concise summary of the data by use of graphs, tables and pie charts.

4.2 Questionnaire Response Rate

The researcher administered 76 structured questionnaires from which 52 were successfully completed. This gives a response rate of 68.4 % which is satisfactory given that all sectors were represented in this sample. Table 4.1 below presents the response rate by gender.

Table 4.1: Gender of respondents

		Frequency	Percentage	Valid Percentage
Valid	Male	39	75.0	75.0
	Female	13	25.0	25.0
	Total	**52**	**100.0**	**100.0**

Table 4.1 above shows that 75% of the respondents were male and 25% were female. The greatest proportion was identified to be men due to how the companies are structured. It was found that most people in high positions within organisations are men.

4.3 Frequency Analysis

4.3.1 Demographics

The table below illustrates the distribution of gender in relation to positions within the organisations that participated in the research.

Table 4.2: Gender * Position in organisation Cross tabulation

		Position in organisation					Total
		Owner	Judicial manager	CEO	Senior manager	Junior manager	
Gender of respondent	Male	1	8	5	16	9	39
	Female	1	0	1	6	5	13
Total		2	8	6	22	14	52

A cross tabulation of the gender and position within the organisation is shown in table 4.2 above. The most striking statistic is that there was no female judicial manager. This could be due to the fact that in general most female entrepreneurs do not start up consultancy or audit firms from where judicial managers are drawn.

Table 4.3: Position in organisation

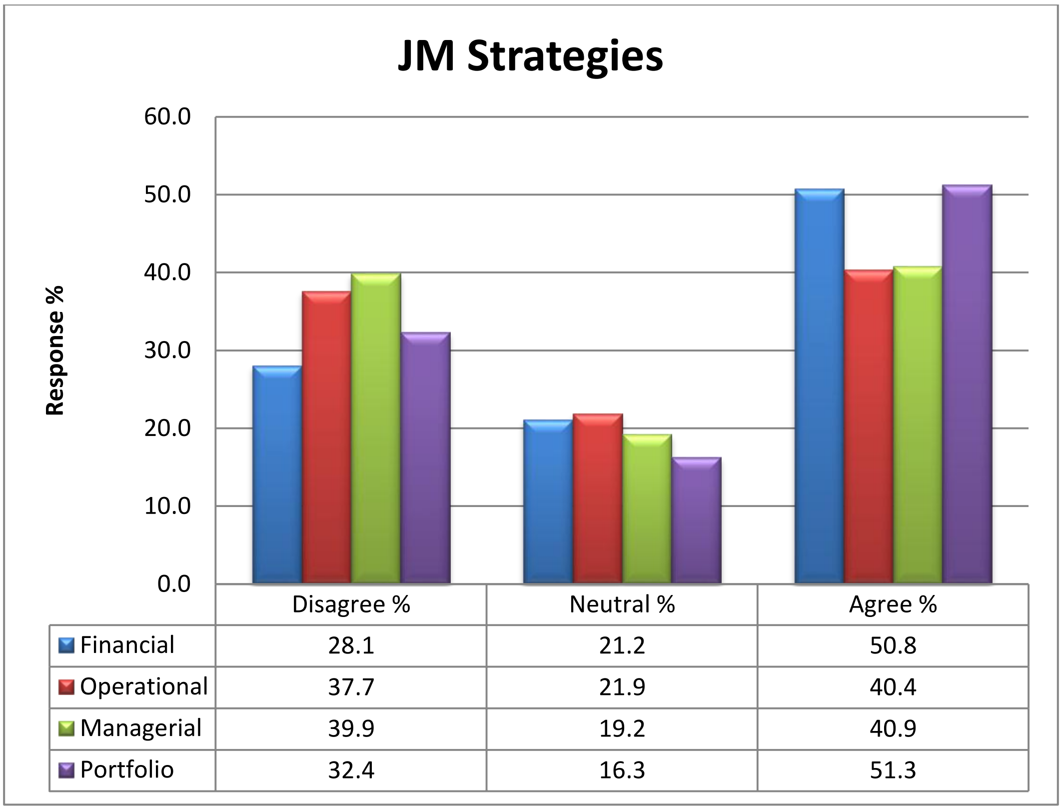
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	2	3.8	3.8	3.8
	Judicial manager	8	15.4	15.4	19.2
	CEO	6	11.5	11.5	30.8
	Senior manager	22	42.3	42.3	73.1
	Junior manager	14	26.9	26.9	100.0
	Total	52	100.0	100.0	

The majority of the respondents were senior managers who constituted 42.3%, followed by 26.9% junior managers. The idea was to ask respondents who were conversant with strategy planning and implementation.

4.3.2 Variables frequency analysis

The research identified generic corporate turnaround strategies in chapter 2; their use in a Zimbabwean context is assessed using descriptive statistics as a starting point.

The first part will present the frequency regarding use of the 4 generic turnaround strategies identified, financial, operational, managerial and portfolio strategies The graph overleaf is a summary of the findings regarding use of corporate turnaround strategies by companies under judicial management in Zimbabwe.

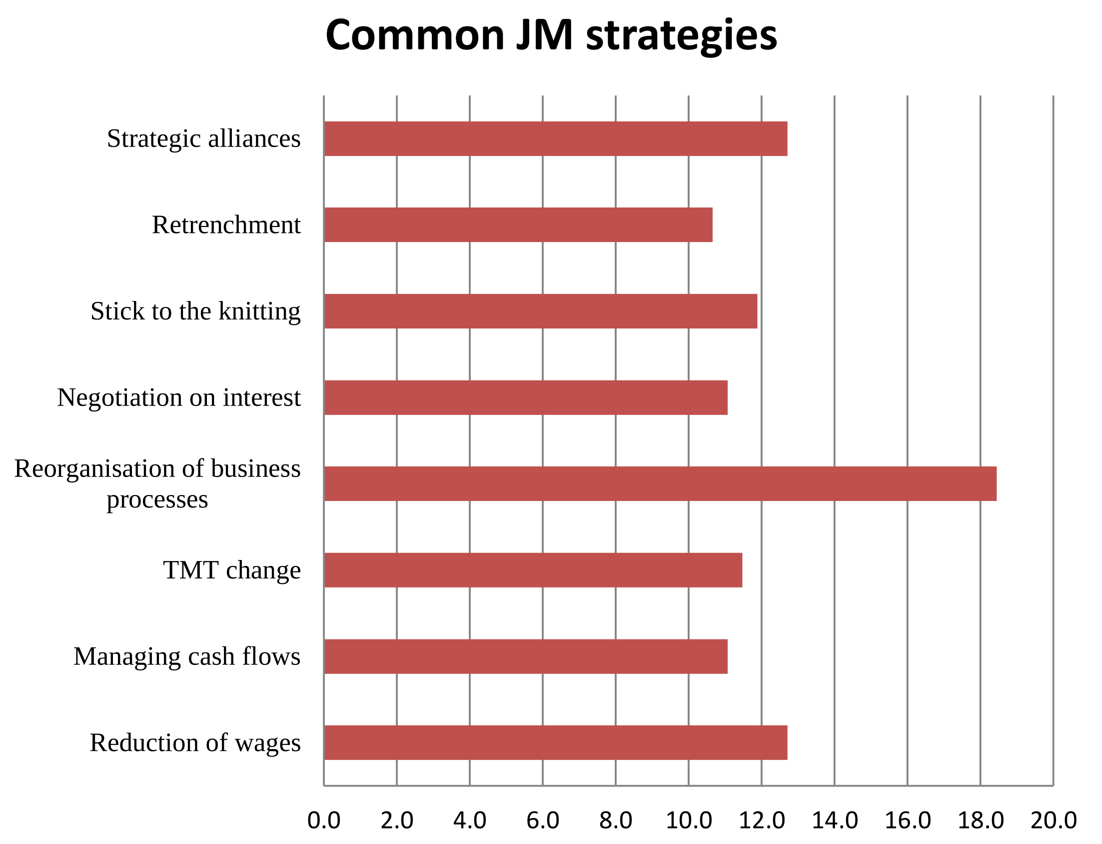


	Disagree %	Neutral %	Agree %
Financial	28.1	21.2	50.8
Operational	37.7	21.9	40.4
Managerial	39.9	19.2	40.9
Portfolio	32.4	16.3	51.3

Figure 4.1 Judicial management strategies

Considering the activities that make up the strategy classes presented by the researcher in the table above, the activities that seemed most common were reorganisation of business processes and retrenchment activities in their various forms. The findings are consistent with literature, particularly (Boyne and Meier, 2009) who reiterate that a renewed focus on the firm's core activities is another potent turnaround strategy repeatedly identified in the literature and frequently enacted in parallel with asset retrenchment.

Figure 4.2 below identifies the activities that appear to be most common among the companies in judicial management.



	Reduction of wages	Managing cash flows	TMT change	Reorganisation of business processes	Negotiation on interest	Stick to the knitting	Retrenchment	Strategic alliances
Common JM strategies	12.7	11.1	11.5	18.4	11.1	11.9	10.7	12.7

Figure 4.2: Commonly used judicial management strategies

As presented in the graph above, 50.8 % of the respondents agreed to using financial strategies in the companies under judicial management. The pie chart overleaf shows the most common financial strategies used by companies under judicial management.

4.3.2.1 Financial strategies

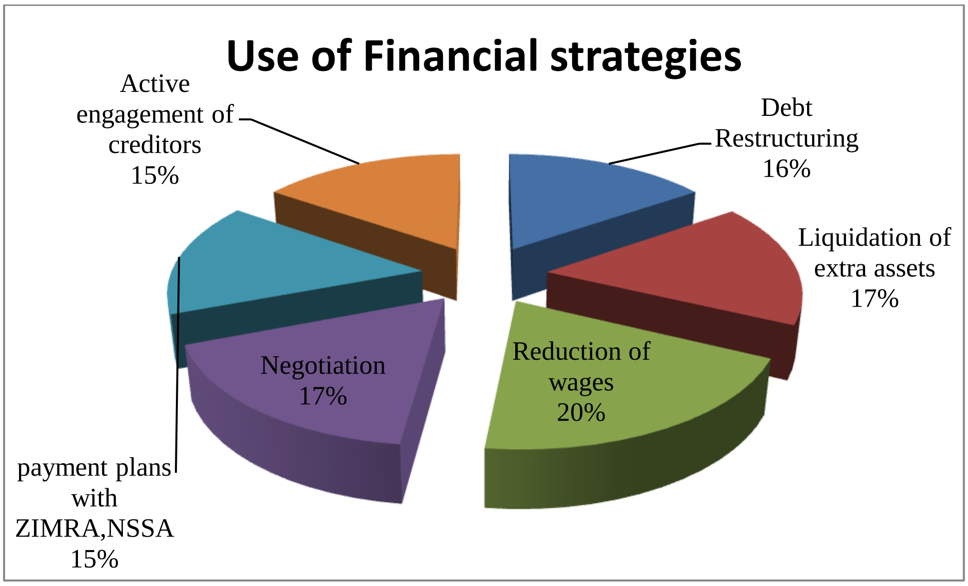


Figure 4.3: frequency of financial strategies

The majority of the companies used reduction of wages and liquidation of extra assets as a main strategy. This could have been because of the lack of working capital caused by inaccessibility of funding. This corroborates with Thompson et al (2010) and Gladwell (2002) who stress that although a company's assets are profitable, sometimes they must be liquidated to contribute to the strategic focus. Engagement of creditors and debt restructuring were marginally used.

4.3.2.2 Operational Strategies

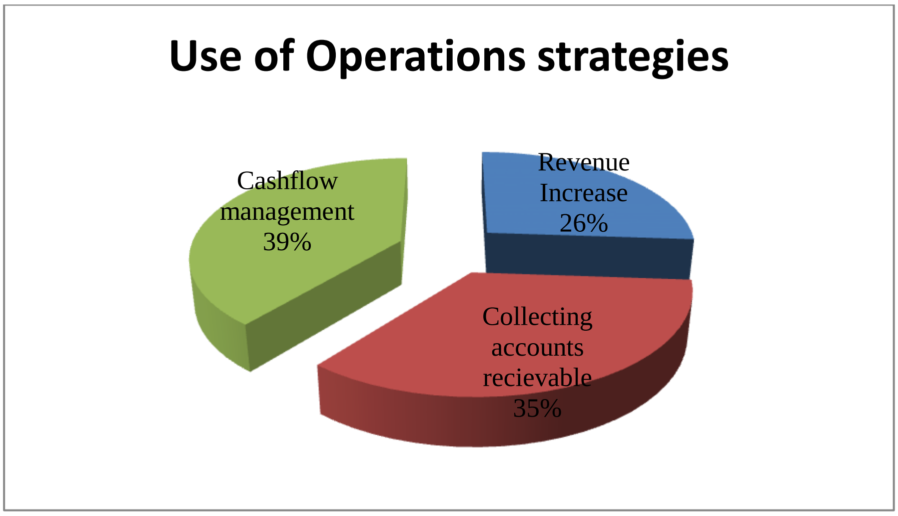


Figure 4.4: Operational strategies pie chart

The job of a Judicial Manager is to stop the haemorrhage, establish a going concern and ensure viability. The results presented in figure 4.4 above indicate that most Judicial Managers adopted a cash flow management strategy coupled with collecting and reducing accounts receivables.

4.3.2.3 Managerial strategies

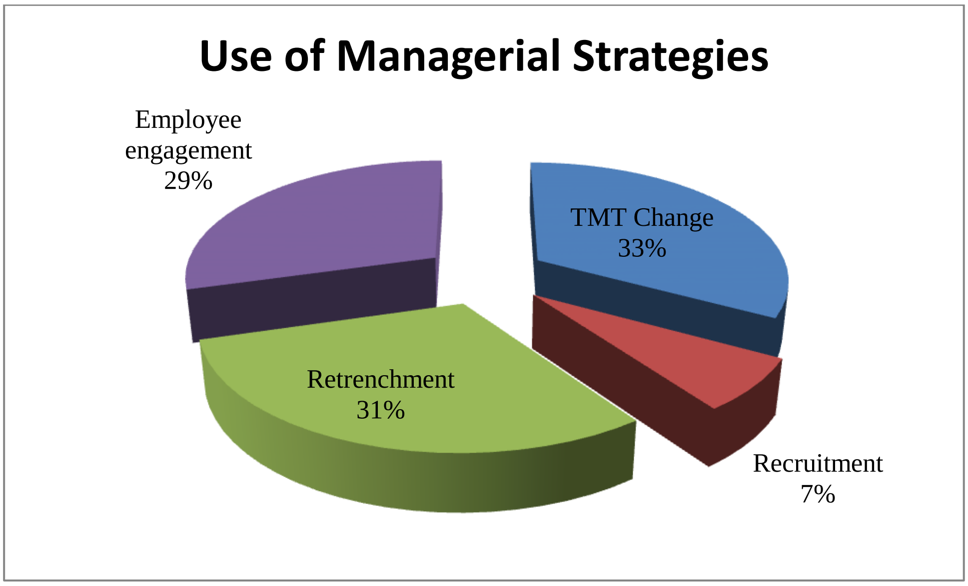


Figure 4.5: Managerial strategies pie chart

Figure 4.5 above shows that retrenchment and TMT change were the most common managerial strategies employed by Judicial Managers. The idea of retrenchment and TMT change stems from the principle that those who brought the company the current demise cannot be authors of the turnaround. Such is the argument for the management displacement insolvency regimes. It is widely accepted in turnaround literature that one of the most effective ways of initiating and managing a successful turnaround is a change in leadership. Only 7% of the companies used a recruitment strategy.

The pie chart in figure 4.6 overleaf summarises the findings relating to the use of portfolio strategies by companies under judicial management.

4.3.2.4 Portfolio strategies

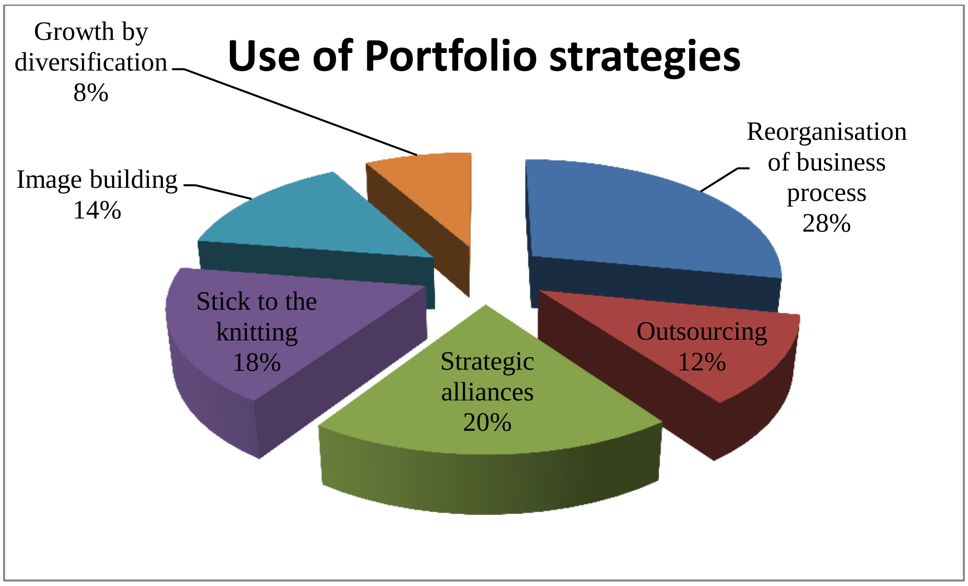


Figure 4.6: Portfolio strategies pie chart

It has been established that companies experiencing corporate ill-health have become uncompetitive and their business models require corporate surgery. It is no surprise therefore that most companies adopted reorganisation of business processes and strategic alliances as the main portfolio strategy.

4.3.2.5 Judicial manager's skills and competencies

The findings are graphically presented in the pie chart below, with the analysis thereafter.

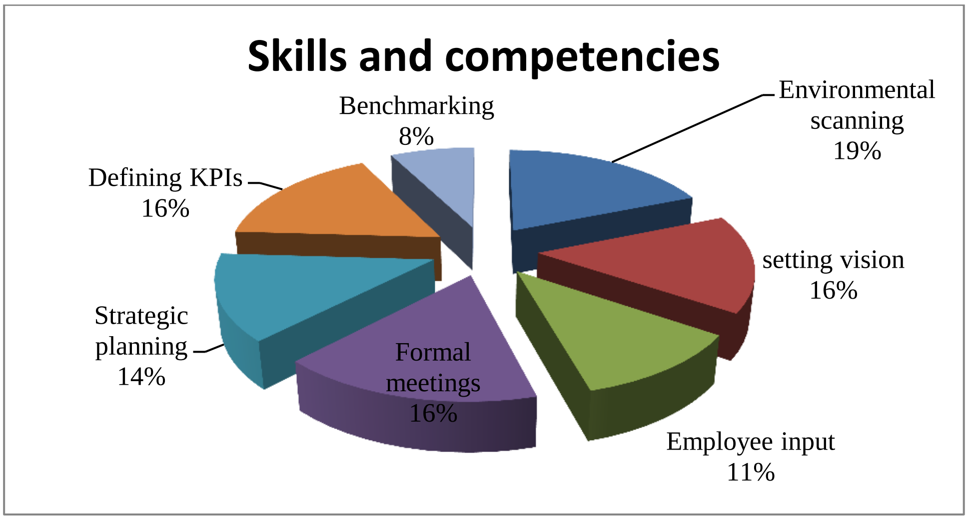


Figure 4.7: skills and competencies pie chart

The pie chart in figure 4.7 on the previous page shows an almost equal spread of the essential skills and competencies with none significantly more pronounced or prominent. There appears to be a low usage of benchmarking and other strategic planning tools possibly due to lack of resources to implement the strategies.

SECTION B: INFERENTIAL STATISTICS

Using the primary data obtained from the random sample described above, the researcher sought to draw inferences about the population of all companies under judicial management. To make this possible, it was necessary to first of all assess whether the data is normally distributed or unevenly distributed before relationships were tested using correlation and regression. The research hypotheses will be tested in the last section.

4.4 Normality Test

To answer our research questions, there was need to carry out inferential statistical tests on the data collected. The descriptive statistics carried out in the preceding section allowed the researcher to explain the nature of the respondents. The next section details the analysis of how the data was distributed, to check whether parametric or non-parametric tests are applicable depending on the p value.

The researcher used the Shapiro Wilk tests and the decision rule is that if the significance value (p-value) is greater than 0.05, then the dataset is normally distributed, while p values of less than 0.05 indicate that the data is unevenly distributed.

The table overleaf shows the results obtained from SPSS and are interpreted below.

Table 4.4: Normality test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial strategies	.154	52	.004	.917	52	.001
Operational strategies	.177	52	.000	.911	52	.001
Managerial strategies	.121	52	.055	.972	52	.263
portfolio strategies	.177	52	.000	.895	52	.000
JM skills and competencies	.201	52	.000	.932	52	.006
Post JM order performance	.087	52	.200*	.982	52	.632

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

The table above presents results from two well-known test of normality namely Kolmogorov-Smirnov and the Shapiro-Wilk test. The Shapiro-Wilk test is more appropriate for small sample sizes less than 2000. For this reason, this research used the Shapiro-Wilk test as the numerical means of assessing normality.

The Sig value of the Shapiro Wilk test is less than 0, 05 for 4 of our 6 variables, hence it can be concluded that the data is unevenly distributed and use of non-parametric testing is appropriate.

4.5 Reliability

The data was shown to be unevenly distributed, we therefore require an assurance of the degree of consistency or accuracy with which the research instrument measured the attribute it has been designed to measure.

The most commonly used measure for internal consistency when the research uses a multiple Likert questionnaire is the Cronbach’s Alpha. A Cronbach’s Alpha was run on a sample of 52 corporate turnaround respondents. Table 4.5 overleaf shows the overall Cronbach’s Alpha coefficient.

Table 4.5: Cronbach's Alpha coefficient

Cronbach's Alpha	N of Items
0.858	44

Cronbach's Alpha, as presented in table 4.5 above was found to be 0.858 which is well above the threshold of 0.7. Possible explanations for this high reliability stems from the fact that all the items were adapted from previous studies on corporate turnaround and performance giving an impression that they were tried and tested.

4.6 Further Validity

In principle, validity is the extent to which an instrument measures what we actually wish to measure. The researcher was concerned with internal validity and content validity. Internal Validity measures the extent to which the instrument is measuring what it is meant to measure while content validity measures the extent to which the instrument provides sufficient coverage of the topic in question.

To test these two types of validity, the researcher sought engaged seasoned researchers in the form of the supervisor and experienced judicial managers were engaged at the pilot testing stage of the questionnaire.

4.7 Correlation

Having established that the research instrument was valid and reliable, the researcher had the comfort to proceed to test the relationships among the variables. The relationship between corporate turnaround strategies and the performance of companies under judicial management was tested together with the relationship between the skills and competencies of the judicial manager and performance of the companies under judicial management.

Normality tests carried out proved that the data was unevenly distributed because 4 of the 6 variables had sig values less than 0.05, i.e. $P< 0.05$. For this reason, Spearman's rank correlation coefficient, a nonparametric measure of statistical dependence between two variables was used and is presented in table 4.6 below;

Table 4.6: Correlation matrix

	Financial strategies	Operational strategies	Managerial strategies	Portfolio strategies	JM skills and competencies
Financial strategies	1 52				
Operational strategies	.255 .109	1			
Managerial strategies	-.109 .443	.143 .313	1		
Portfolio strategies	.180 .201	.311 .025	-.107 .449	1	
JM skills and competencies	.396 .044	.598 .000	.008 .957	.591 .000	1
Post JM order performance	.385** .005	.368* .003	-.120 .397	.044 .757	.237 .090

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

Comment on table 4.6:

There is a moderate, positive and statistically significant relationship between financial strategies and post judicial management order performance as measured by benefits to stakeholders and effectiveness of strategies (0.385, $p<0.05$ at 5% level of significance). As shown in the correlation matrix in table 4.6.

There is a moderate positive statistically significant relationship between operational strategies and post judicial management order performance as measured by benefits to stakeholders and effectiveness of strategies. (0.368, $p<0.05$ at 5% level of significance) as shown in the correlation matrix presented in table 4.6.

There is a weak negative statistically insignificant relationship between managerial strategies and post judicial management order performance as measured by benefits to stakeholders and effectiveness of strategies. (-0.121, $p>0.05$ at 5% level of significance).

The relationship between portfolio strategies and the performance of companies under judicial management was analysed and Table 4.6 shows that there is a weak positive but statistically insignificant relationship between portfolio strategies and post judicial management order performance as measured by benefits to stakeholders and effectiveness of strategies. (0.044, $p>0.05$ at 5% level of significance).

With reference to the correlation matrix in table 4.6, there is a weak positive statistically insignificant relationship between the judicial manager's skills and competencies and post judicial management order performance as measured by benefits to stakeholders and effectiveness of strategies the relationship however is statistically insignificant as evidenced by the fact that the spearman's rho is 0.237 and $p>0.05$ at 5% level of significance

4.8 Regression

Associations between the independent variables (corporate turnaround strategies and skills and competencies of JM) and the dependent variables (post judicial management order performance) were tested above using spearman's rho. It became imperative to test the cause-and-effect relationships of the independent variables on the dependent variable.

The aim was to test the conceptual framework proposed at the end of chapter 2 of the research as well as validate the hypotheses proposed in the first chapter. The researcher therefore conducted multiple regression analysis to ascertain the impact of the identified corporate turnaround strategies and skills and competencies of judicial managers on the performance of companies under judicial management. Table 4.7 below is an excerpt from SPSS and illustrates the model

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.539[a]	.291	.214	.69388

a. Predictors: (Constant), JM skills and competencies, Managerial strategies, Financial strategies, portfolio strategies, Operational strategies

The results above show that JM skills and competencies, managerial strategies, portfolio strategies, operational strategies and financial strategies can explain 21.4% of post judicial management performance. The remaining 78.6% being explained by other factors which are outside the scope of this research, maybe the legal framework that governs the process of judicial management or the perceptions of stakeholders of companies in judicial management.

The test of overall significance of the regression model (F), also known as analysis of variance (ANOVA), determines the ratio of the explained to the unexplained variance, and therefore tests if the regression model is statistically significant.

Table 4.8: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.090	5	1.818	3.776	.006[b]
	Residual	22.147	46	.481		
	Total	31.238	51			

b. Predictors: (Constant), JM skills and competencies, Managerial strategies, Financial strategies, portfolio strategies, Operational strategies

a. Dependent Variable: Post JM order performance

The F- value ($F_{(5;\ 46)} = 3.776$, $p < 0.05$) demonstrates that the overall model is statistically significant, meaning the variables have a significant combined predictive effect on the dependent variable. Ultimately the model **Post JM order performance= k + FINs + Ops + Mas + PORTs + JM skills**, is fit to predict post judicial management order performance. The table below shows the regression coefficients of the model proposed above.

Table 4.9: Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.494	.802		1.862	.069
Financial strategies	.420	.178	.322	2.353	.023
Operational strategies	.339	.124	.430	2.735	.009
Managerial strategies	-.191	.154	-.159	-1.239	.222
Portfolio strategies	-.118	.153	-.121	-.773	.443
JM skills and competencies	-.069	.178	-.075	-.386	.701

a. Dependent Variable: Post JM order performance

Regression model:

Post JM order performance= k + FINs + Ops + MAs + ORTs + JM skills

Where k= constant

JM skills= Judicial manager's skills and competencies

MAs = Managerial skills and competencies

FINs = Financial strategies

PORTs = Portfolio strategies

Ops = Operational strategies

Post JM order performance= 1.494 + 0.322FINs+ 0.43Ops – 0.159MAs- 0.121PORTs -0.075JM skills

Given the p values of only two of the values are less than 0.05, the revised model becomes Post JM order performance= 1.494 + 0.322FINs+ 0.43Ops. This means that the performance of companies under judicial management is positively impacted by financial strategies and operational strategies. The performance is affected more by operational strategies because the beta coefficient is 0.43 meaning that for a unit of performance increase, there has to be 43% operational strategies and 32.2% financial strategies.

4.9 Discussion

A critical review of both theoretical and empirical literature in chapter two formed the basis for a conceptual framework that suggested ways of improving the success rate of corporate turnaround attempts. (Smith and Graves, 2005; Pretorius, 2008). The factors that were proposed as essential variables in determining the success of corporate turnaround were the context of the turnaround, severity of decline and types strategies employed. (Sudarsanam and Lai, 2001) The researcher sought to narrow down the focus to the turnaround strategies and the skills and competencies of the judicial managers forming the basis of hypotheses formulation.

The regression model shows that the important predictors of post judicial management order performance are financial and operational strategies. Such a finding correlates with literature on turnaround. (Holthauzen, 2011)

The following were the results of the hypothesis testing:

Table 4.10: Hypotheses testing summary

Hypothesis	**t-value**	**sig**	**Result**
$H_{1:}$ There is a positive association between financial strategies post Judicial Management order performance.	2.353	p=0.023;p<0.05	Accepted
H_2 : Operational strategies positively impacts post Judicial Management order performance	2.735	p=0.009;p<0.05	Accepted
$H_{3:}$ Managerial strategies positively impact post judicial management order performance.	-1.239	p=0.222;p>0.05	Rejected
$H_{4:}$ Portfolio strategies have a positive impact on post judicial order performance.	-0773	p=0.443;p>0.05	Rejected
H_5: Key competencies and skills of the Judicial Manager have a positive impact on post Judicial Management order performance.	-0.386	p=0.701;p>0.05	Rejected

Hypothesis 1: There is a positive association between financial strategies and the performance of companies under judicial management.

Decision: There is a positive association between financial strategies and the performance of companies under judicial management, therefore accept the null hypothesis and conclude that there is a positive association between financial strategies and the performance of companies under judicial management.

The majority of the companies used reduction of wages and liquidation of extra assets as a main strategy. This could have been because of the lack of working capital caused by inaccessibility of funding. This corroborates with Thompson et al. (2010) and Gladwell (2002) who stress that although a company's assets are profitable, sometimes they must be liquidated to contribute to the strategic focus

Engagement of creditors and debt restructuring were marginally used. The low usage of these strategies stems from the fact that such strategies are reserved for large companies which have stakes high enough to warrant schemes of arrangement or debt equity swap. The smaller companies can only negotiate for interest on outstanding debt and make payment plans. This is in line with Collet et al, (2013), in their research on the Finnish restructuring Act. The researchers note that Finnish firms threatened by imminent bankruptcy can either apply for liquidation, sale the firm or enter into voluntary agreement with creditors. The authors further add that voluntary agreement with creditors seemed to be available mainly to large firms that had the power to bargain with creditors. Gumbe and Kaseke in their study of survival options available for Zimbabwe manufacturers in the hyperinflationary period (2005-2008), also reckon that most frequently used strategies were the marketing and financial strategies.

The implication for management is that for enhanced performance judicial managers should strongly consider adopting financial strategies such as debt restructuring, retrenchment and stakeholder management.

Hypothesis 2: Operational strategies positively impact the performance of companies under judicial management.

Decision: Operational strategies have a positive impact on the performance of companies under judicial management therefore accept the null hypothesis and conclude that operational strategies positively impact the performance of companies under judicial management.

The results presented indicate that most Judicial Managers adopted a cash flow management strategy coupled with collecting and reducing accounts receivables. Such strategies are adopted to meet the initial requirements of Judicial Management that is to establish a going concern.

Revenue increase as a strategy seemed to be adopted to a lesser extent because of the need to establish a viable business model before revenue can be increased.

(Schmitt and Raisch, 2013) identify a two stage recuperative model which starts by stabilising the organisation before adopting strategies for revenue generation and ultimately increase. These findings corroborate the findings of (Pretorius, 2008) and Panicker and Githar (2010) who suggest that the sickness of public and private sector organization was due to external and internal organization structure and therefore the strategies aimed at dealing with structure are likely to help in turnaround.

The managerial implication again is that judicial managers should prioritise operational strategies such as increasing revenue, cash flow management and reducing and collecting accounts receivable.

Hypothesis 3: Managerial strategies positively impact the performance of companies under judicial management.

Decision: Given that managerial strategies have a negative impact on judicial management and $p>0.05$ we fail to accept the null hypothesis and conclude that managerial strategies have a negative impact of the performance of companies under judicial management.

(Blayney, 2011; Wild, 2010) reckons that in turnaround management is one which affects real people, hence any change will affect how the people approach work. Sudarsanam and Lai (2001) point to empirical evidence of an inverse relation between the probability of management change and a firm's stock performance. Thus effectiveness of managerial restructuring in turnaround is yet to be conclusively established. (O'Kane and Cunningham, 2013). In a research on turnaround strategies implemented by construction materials manufacturing companies in Zimbabwe post dollarisation by Kaseke (2014), the author notes that CEOs and top management change are essential for an effective turnaround. Panicker and Githa (2010) found that retrenchment (rationalization of work force) as a key successful turnaround strategy found in public and private sector organization.

The managerial implications of the findings are that managerial strategies have a negative impact on post judicial management order performance and should therefore be cautiously implemented.

Hypothesis 4: Portfolio strategies have a positive impact the performance of companies under judicial management.

Decision: we fail to accept the null hypothesis and conclude that portfolio strategies have a negative impact on the performance of companies under judicial management.

Schoenberg et al (2013) show the opposite of these findings, as they identify the turnaround of Harley Davidson. The authors quote firm's CEO as having said "Focusing our investment behind the uniquely strong Harley-Davidson brand provides the most attractive path to sustained, long-term growth".

In Tom Peters and Roberts Waterman's culture, sticking to the knitting is identified as one characteristic of excellent companies. Rosabeth Moss Kanter in her post entrepreneurial model identifies strategic alliances as one way of increasing profitability. This contrast in findings could be explained by what was alluded to by Schoenberg et al (2013) that the majority of research on corporate turnaround has been done in European and US firms, therefore conclusions are likely to only be applicable to firms operating in these territories. Zimbabwean companies may not have access to the funding required for the turnaround and hence may be forced to either withhold dividends or dispose other assets to finance the proposed turnaround.

To this end, portfolio strategies will negatively affect performance because of lack of stakeholder support and depletion of productive assets.

Hypothesis 5: Key competencies and skills of the Judicial Manager have a positive impact on the performance of companies under judicial management.

Decision: we fail to accept the null hypothesis and conclude that key competencies and skills of the Judicial Manager have a negative impact on the performance of companies under judicial management.

The implication is that judicial management requires diverse set of skills and competencies because they aid in the performance of the organisation. The findings of (Abebe, 2009) are that educational qualifications of is an important demographic indicator that has a significant impact on strategic choice and outcomes.

The expectation among theorists is that highly academic TMT members actively seek entrepreneurial remedies to performance decline. Lymbesky (2011) goes further and notes that a turnaround leader must have many soft skills such as the ability to lead and motivate people who are frustrated, scared, and often without hope.

These findings seem to contradict the findings in literature, possibly due to the differences in the context within which the turnaround is being analysed. A judicial manager is normally engaged at the crisis point and in all the companies; workers form a substantial portion of the creditors. The soft skills become apparent more than just the educational qualification, because all the judicial managers had postgraduate degrees. This research was however quantitative in nature and capturing the soft skills would have probably required a qualitative research.

4.10 Chapter summary

The findings of this study show that 51.3% of the respondents agreed that one of the portfolio strategies was used in their organisation. These strategies include reorganisation of business processes, strategic alliances, streamlining business operations and outsourcing. It was also noted by regression that portfolio strategies and managerial strategies have a statistically insignificant impact on post judicial management order performance.

These findings seem to indicate that companies under judicial management concentrate on strategies that have no impact on turnaround, offering part explanation to why there is a low success rate on judicial management. The explanation is in part because the model was shown to explain only 21.4% of post judicial management order performance. Financial strategies such as debt restructuring and reduction of wages and salaries were used by 50.8% of the respondents. Managerial and operational strategies were 40.9% and 40.4% respectively. These findings are to the effect that Judicial Managers are concerned with funding and the structure of the business model. These results show that most companies that applied for judicial management had their strategies wrong and their business models required urgent change. Reduction of wages could have been due the need to regularise salaries and wages to match the productivity.

The overall regression model: **Post JM order performance= 1.494 + 0.322FINs+ 0.43Ops** shows that post judicial management order performance is affected by financial and operational strategies. The implication is that Judicial Managers need to consider operational strategies first followed by financial strategies. These findings are consistent with the findings of (Schmitt and Raisch, 2013), (Smith and Graves, 2005) who emphasise the need for decline stemming strategies to establish profitability before major recovery strategies are adopted.

The initial premise of judicial management is to establish a going concern and pay back all the creditors then return the company to its owners. Only 10% of the respondents agreed to have been making regular payments to creditors, while only 8% have improved their image since the commencement of Judicial Management. An estimate of the efficiency of these strategies can be derived from the above information, showing a mere 2%. This is derived from the fact that the model proposed can explain 21.4% of post judicial management order performance, the rest being explained by other factors. Scholars argue that a simultaneous focus on both turnaround retrenchment and recovery activities is problematic due to a lack of organizational resources (Lohrke et al, 2012) and the increased level of managerial complexity (Sheppard and Chowdhury, 2005).

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Having discussed the findings of the research in the preceding chapter, this chapter now gives a summary of the research outcomes, reintroducing the research problem and aim of the study before concluding the study. Practical and hypothetical contributions of the discoveries are deliberated. Ideas for perfecting the study as well as recommendations for supplementary research are made. The chapter therefore begins by reintroducing the research problem before the findings of this study are summarised. Recommendations for policy makers, Judicial Management practitioners and researchers follow before areas for further research in corporate turnaround are suggested.

5.2 Conclusions

This research attempted to identify the strategies being used by companies under Judicial Management as well as their effectiveness in instituting corporate turnaround. To achieve this, the research had 5 questions that it sought to find answers to in order to address the research problem. Each question raised in the introduction will be addressed below.

Question1: What is the impact of financial strategies on the performance of companies placed under judicial management?

The findings show that financial strategies have a statically significant positive impact on the performance of companies under judicial management. The majority of the companies used reduction of wages and liquidation of extra assets as a main strategy. Engagement of creditors and debt restructuring were marginally used.

The conclusion is that most companies under judicial management should debt restructuring, liquidation of extra assets and stakeholder management strategies to enhance performance. Stakeholder support plays an important part in an economy were the cost of capital is high and access to capital is problematic.

Question 2: How do operational strategies impact the performance of companies under judicial management?

Operational strategies were shown to positively impact on the performance of companies in judicial management. The most prominent among the operational strategies was cash flow management strategy coupled with collecting and reducing accounts receivables. Such strategies are adopted to meet the initial requirements of Judicial Management that is to establish a going concern. Increasing revenue seemed to be an unpopular strategy, probably because of the overriding need to establish a viable business model before revenue can be increased. We can conclude that there needs to be more inclination towards efficiency oriented strategies such as increased revenue generation and cash flow management more so in this current liquidity strained economy.

Question 3: What is the impact of managerial strategies on the performance of companies under judicial management?

The findings indicate an inverse relationship between managerial strategies and the performance of companies under judicial management. The conclusion is that changes in top management team, retrenchment of employees, employee engagement and recruitment are not potent strategies for turning around companies in judicial management. Probably because of the current labour laws in Zimbabwe which make it difficult to retrench. The fact that there has been so much use of these strategies yet they have a statistically insignificant impact on performance could also help explain the low success rate of judicial management.

Question 4: How is the performance of companies under judicial management affected by portfolio strategies?

Portfolio strategies where shown to have no statistically significant impact on the performance of companies under judicial management, therefore portfolio strategies have no impact on the performance of companies under judicial management.

The conclusion is that for companies in judicial management reorganisation of business processes, outsourcing, restructuring and image building as turnaround strategies for Zimbabwean companies under judicial management are not effective strategies. This may be due to the fact that most of the portfolio strategies require an injection of capital which is in dire shortage in the companies under judicial management.

Question 5: Do the skills and competencies of judicial managers have an impact on the performance of companies under judicial management?

The skills and competencies of judicial managers were shown to have no statistically significant impact on the performance of companies under judicial management. This follows that whether or not a judicial manager has very good academic qualifications it will not improve the probability of a company turning around. We can therefore conclude that in judicial management there is need for a more comprehensive set of skills than just educational qualifications.

The overall question: What strategies are being implemented by companies under Judicial Management and what impact do these strategies have post judicial management order performance?

The findings indicate that the most common strategies are reorganisation of business processes, reduction of wages and salaries, strategic alliances, TMT changes, managing cash flows and streamlining of business operations to stick to core business. The findings also point to the fact that most companies in judicial management are mature organisations that had previously taken up too many activities and dissipated their energies hence the need for re-focusing on the core activities through reorganisation of business processes and retrenchment.

Strategies that top the list of judicial management strategies in practice are those that have been shown to have a statistically insignificant impact on the performance of companies under judicial management. These strategies include reorganisation of business processes, strategic alliances and reduction of wages, salaries and other incentives. This could explain why most of the companies have failed to turnaround because there is so much of movement as regards strategy but no progress.

5.3 Validation of research proposition

The overall hypothesis: Companies placed under judicial management improve performance and ultimately exit judicial management to be profitable entities.

The strategies being used seemed ineffective as 90% of the companies were unable to pay their creditors and the image of the business failed to improve in 90% of the companies. The overall regression model: **Post JM order performance= 1.494 + 0.322FINs+ 0.43Ops** shows that post judicial management order performance is affected by financial and operational strategies. The implication is that Judicial Managers need to consider operational strategies first followed by financial strategies. There is need to consider stabilising the firm by efficiency oriented strategies working in tandem with other strategic choices of financing for sustainability.

5.4 Managerial implications

The regression model proposed has the following implications for management;

- Post judicial management order performance is impacted more by financial and operational strategies hence management should concentrate on debt restructuring, liquidation of extra assets, active engagement of creditors and cash flow management.
- Managerial strategies such as changes in top management and retrenchment of employees have a negative impact on post judicial management order performance. Management should therefore consider employee engagement to retain some tacit knowledge inherent in long serving employees.
- It is imperative for management to determine major causes of the corporate decline to avoid taking on companies that are liquidation candidates which will not respond to the prescribed strategies

5.5 Recommendations

Having concluded the research findings above, the Researcher hereby proposes the following recommendations for policy makers, managers and turn around practitioners.

5.5.1 Recommendations to the policy makers:

- Companies under Judicial management are failing to access funding and improve their image due to the stigma associated to Judicial Management. Policy makers should therefore consider remaining the process to a more palatable business term such as business restructuring or enterprise restructuring.
- The key determinants for improved post judicial management order performance have been identified in this research as financial and operational strategies.
- The current Insolvency Act should be amended to provide a timeframe for turnaround

5.5.2 Recommendation to turnaround practitioners

- The turnaround strategies adopted should be complemented by a bid to restore the company’s reputation in order to attract investment.
- Over reliance on liquidation of extra assets can erode the viability of the company if the liquidation is not complemented by acquisition of new assets.
- Consider the use of benchmarking and other strategic planning tools.
- Stakeholder management was identified as a key component of a successful turnaround strategy therefore management should focus on stakeholder engagement particularly employees and trade creditors.
- To improve organizational performance and recover from corporate decline, managers are advised to use one or more of the following turnaround strategies:
    - i. Debt restructuring
    - ii. Liquidation of extra assets
    - iii. Stakeholder management
    - iv. Management of cash flows

5.6 Areas for Further Research

There are areas that the current research has not been able to cover due to time constraints and other exogenous factors. A lot more needs to be learned on the understanding by stakeholders of the Judicial Management process and outcome. Further research on reasons why companies apply for Judicial Management is necessary. The length of time a company spends in judicial management seems dependent on a number of factors, some attributed to the judicial manager. Therefore future research may also need to refine its methodology and understand why companies are taking long in judicial management.

5.7 Concluding Remarks

Causality of distress is not simple and turnaround is even more complex because the as time passes, more and more areas of the business are affected and a quick fix is seldom the solution to the problems. With growing globalisation, the need for Zimbabwean companies to be competitive globally has become more compelling now than ever. It is no surprise that business restructuring has become a fast growing profession.

The process of turning around a troubled entity is admittedly complex. This is made more difficult by the multiple stakeholder constituencies involved, all of whom have different interests. Suppliers of capital want a return of their invested capital, while creditors want their money and employees want their jobs and benefits. With this, the need for corporate turnaround has inevitably increased as huge amounts banks' money remains inaccessible and unproductive in companies experiencing corporate ill health. The case of companies under judicial management and whether they come out of it or are liquidated is of profound importance to those firms, their stakeholders and the economy at large. The principle of Judicial Management is that the going concern of a business is worth more than its liquidation value. Judicial Managers should therefore put in place strategies that not only preserve the value but also create value for the stakeholders of the company. Companies in Judicial Management need turnaround strategies that can bring them out of decline.

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APPENDICES

APPENDIX 1- Academic Research letter

APPENDIX 2-INTRODUCTORY LETTER

08th January 2016

Dear Sir/Madam

RE: MBA Research Questionnaire

The researcher is a final year student studying for a Master in Business Administration Degree (MBA) with the University of Zimbabwe. The researcher is conducting a research which seeks to: "**Assess the strategies implemented by companies experiencing corporate ill-health, in particular companies under judicial management"**. This research is an issue of great importance within Zimbabwe and yet little is currently known about the procedure and its effectiveness. You are one of a small number of people who are being asked to give your opinion on this issue. The researcher would greatly appreciate it if you could assist by completing and returning the attached questionnaire as soon as practicable. If you have any questions you wish to ask or there is anything you wish to discuss, please do not hesitate to contact the researcher using the details given below.

All information you provide will be totally confidential and will not be disclosed to third parties without your permission. You will notice that your name and address will not appear on the questionnaire and that there is no identification number. This is purely an academic research and all the information received will be treated in the strictest of confidence.
Thank you in advance for your assistance in this matter.

Yours Faithfully,

…………………………………………………………….

Cuthbert Kandwe
Cell: +263 772 368 920
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APPENDIX 3-QUESTIONAIRRE