



Effect of Turnround Strategies on Organizational Renewal: Evidence from Selected Commercial Banks in Kigali, Rwanda

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Abstract: *Over the last few years, the banking industry has witnessed numerous changes, some of which were triggered by the financial crises, regulation by governments and the demand to digitalize. Similar to other organizations, Commercial Banks face challenges in their attempt to renew their business models and sustain their future growth. The aim of the study was to establish the effect of turnround strategies on organizational renewal; evidence from selected commercial banks in Kigali, Rwanda. The study adopted a cross sectional research design. Respondents in three commercial banks; Equity Bank, ECOBANK and KCB were selected to participate in the study. Regression coefficients were calculated for testing hypotheses. Results of the study show that there is a statistical positive significant effect of turnround strategies on organizational renewal. Therefore, to remain competitive, banks should constantly review their cost structure, redeploy/divest idle assets and most importantly, establish new portfolios for profit generation. Such initiatives should be done in-line with the bank's strategic plan/agenda.*

Keywords: Cost, Asset, Reduction strategies, Revenue generation, Business turnaround, Organizational renewal

How to cite this work (APA):

Kule, J. W., Uwodukunda, C. M. & Olar, R. (2022). Effects of turnround strategies on organizational renewal: Evidence from selected commercial banks in Kigali, Rwanda. *Journal of Research Innovation and Implications in Education*, 6(1), 83 –99.

1. Introduction

The last two decades have witnessed a growing gap between corporate turnaround theory and empirical evidence. Turnaround strategy is a set of consequential directive, long term decisions and actions targeted at the reversal of a perceived crisis that threatens the survival of a firm (Mintzberg, 2010). Scherrer (2010) defines turnaround strategy as the process by which a business with inadequate performance is analyzed and changed to achieve desired results.

Corporate failure is a well-known global problem. Since the advent of the global financial crisis, banks have struggled to build their stability. The upturn of the global banking industry has been as dramatic as its turn down

(Ranu. Ruther,Peter, Tang,2010). In most parts of the world, incidences of organizational performance decline have been reported (Witteloostuijn, 1998, Cameron et al. 1988a ;). As such, the need for renewal was recognized worldwide as a measure to respond to emerging threats facing commercial banks/financial institutions. In the US, the 1893 depression saw the suspension of operations by major banks. In Australia, financial institutions were also not spared during the financial instability of 1977(Jon, 2010). On the other hand, the Korean financial crisis of 1997 challenged not only banks, but also stressed the economy. The severe global financial crisis of 2007–2008 forced a number of banks to go under. In Africa, Nigeria experienced financial shocks resulting from effects of the global economic crisis (Akinyere, 2016). These occurrences require financial institutions to make constant

assessment of the current conditions of the financial system, their potential risk to institutional stability as well as an examination of operations to ensure financial soundness.

A number of studies on the on turnround strategies have been conducted and some suggest that, achieving organizational renewal requires new strategic focus. Managers need to go beyond financial controls and focus on strategic turnround issues for effectiveness while innovatively responding to such crises (Ravi, Ethan, Celent, peter et.al, 2015). PWC (2016) argued that, in a declining situation, cutting out the low performing business and inefficient operations('bad costs') that waste resources, securing the competitive degree of difference from effective strategic cost reduction would be among options to achieve renewal. Banks can as well compete with increasing competitive forces in the financial-services by capitalizing on every opportunity to reduce costs while increasing internal efficiency (ubm Lcc, 2013).

In Uganda, renewal of the banking industry was achieved through operational efficiency and improvement of employee's serving culture, while in Nigeria, the government acknowledged that adopting financial innovation become inevitable for banks to embark on renewal, hence initiated cashless policy and strategies (Odumeru, 2013).

In Rwanda, the development of the financial sector was very slow before the 1994. In its post conflict turnaround journey, the government of Rwanda set up an empowering environment to support banking institutions. One of Rwanda's post turnaround successes on restructuring of financial institutions was the increase in number of banks. The banking system in Rwanda has recovered from a period of restructuring that was undertaken between 2007 and 2008. These initiatives left many banks better capitalized, provisioned, and liquid.

Further, significant changes in the banking landscape have been reported, beginning with the transformation of commercial banks such as BPR from a union of cooperatives into a commercial bank (NBR Annual report, 2008). In most countries, turnround strategies adopted by banks were reduction of operation cost by closing some unprofitable business, reducing headcount, while introducing digital and modern system as a replacement to aging technology and introducing new products. Chowdhury (2002) argues that, it will be invalid to treat upturn actions and outcomes as simultaneous events. Therefore, the evaluation of the interactive effect of upturn actions is necessary to know the expected result of each proposed turnround strategy measure (Dial and Murphy, 1995)

Despite posting positive industry performance, the banking sector is facing new challenges which impede its drive to consolidate and increase its footprint (Derreumaux, 2009). The Rwanda financial sector

strategic plan 2013/2018 identified key challenges that require adoption of more effective strategies. These include: Rwanda's low savings rates as a result of low savings culture; limited access to banking products and services in the rural areas with low incomes that translate into low savings. Some commercial banks reported losses in 2013 (e.g., ECOBANK and BPR) and NBR revealed the need to put more effort in raising customer's awareness on the saving culture for banks to increase their revenue and recover their operational costs (NBR, 2015; NBR, 2016). Although sector efforts have been channelled towards turnround strategies, research findings on their impact on organizational renewal are mixed, with different divergent conceptualisation. With the lack of convergence in research findings and conceptualisation, it is challenging to conclude that turnround strategies have an effect on organizational renewal. Worse still, research studies have failed to agree to the specific sources of organizational decline (Byole & Desai, 1991, Baum 1989 and LeBreton, 2005). Therefore, the lack of unanimity in the definition, source and effect of turnround strategies calls for further research.

To respond to the above problem, three hypotheses were formulated;

- a) H₀₁: There is no significant effect of cost reduction strategies on renewal of commercial banks in Kigali, Rwanda
- b) H₀₂: Asset reduction strategies and renewal of commercial banks in Kigali, Rwanda are not significantly correlated
- c) H₀₃: There is no significant effect of revenue generation strategies on renewal of commercial banks in Kigali, Rwanda

2. Literature Review

Turnround deals with reversing organizational decline and refocusing the organization to improve its performance. Like in other disciplines, research on organizational turnround and renewal is confusing and sometimes uneven in definition, conceptualization and conclusion. Despite differences in opinion among researchers, turnround and organizational renewal are widely discussed topics in strategic management research. Navarro (1998) conducted a research on turnaround and renewal of the Bazan Shipyard in Spain and established that, firms can renew through innovative competitive strategies which increases the velocity of change, ensure learning potential and produce greater value for customers. Christine (2008) associated bank's renewal as adoption of new strategies by enhancing existing products and building new areas of proficiency. Protiviti (2015) emphasized the role of cost efficiency on renewal journey. In Priotiviti's study, cost efficiency can be achieved through modernization of aging system with more advanced system that allow the firm to respond to the customer demand. This can be achieved through a combination of effective low-cost technological platform and application rationalization.

Ravi et. al, (2015) related renewal with provision of innovative solutions that consider and integrate the use of updated technology by giving value to customer taste and preferences with an advanced strategic pace of leading competition and early adopters capabilities to continuously take advantage of the resulted first mover advantages by means of; modernization for standard purpose, automated banking process and outsourcing to allow banks focus on core business activities. In their study, Ravi et al (2015) further argues that, redefinition of the bank for easy collaboration of the ecosystem while allowing members to contribute to inimitable banking ingredients based on core competences can help commercial banks to ensure business efficiency and effectiveness. Raj & Rob (2016) noted that, modernization can provide long term cost saving and those costs can be rebalanced for new investment. This kind of modernization, new investment while promoting continuous improvement for customer satisfaction creates competitive advantages of a company translating into profitability and sustainable growth.

Chowdhury (2002) developed a four-stage model to guide in understanding organizational turnaround. The model emphasizes the process approach instead of content approach. Content approach tends to focus on the reasons for variations in outcomes of turnaround, while the process approach focuses on how firms move away from deteriorating performance to revitalising the organization to success or even, enduring eventual failure. As opined by Bacharach (1989), both process and content approaches provide an in-depth understanding of renewal. Implicit in a content approach is the process. Therefore, process and content are inseparable and interlinked ((Van de Ven & Huber, 1990, Pettigrew, 1992).

Nilkant and Ramnarayan (1998) provided an explanation that the earlier an organization identified failure or its symptom, the higher the possibility to get victory in turnaround management. Decline is the first stage of the turnaround process. The source of decline is explained by two theoretical perspectives: *K-extinction*. This opines that organizational decline is a function of external factors (Pfeffer & Salancik, 1978). In the *strategic contour*, decline entails a process and as such, an organization can

initiate corrective measures at each stage. If measures are initiated in the early stage of organizational decline, renewal might be realised. In stage 2, Chowdhury (2002) called it initiation. In this stage, Chowdhury emphasized the fact that, it is easy to reverse the decline at its preceding stages through strategic measures, such as cost-cutting, superior employee efficiency and asset reduction. He further argued that, when decline becomes more complicated, major changes in strategic position regarding product/market refocusing are compulsory.

In the 3rd stage, Chowdhury introduced transition, where organizations must highlight the need for a set of strong function that must split into an open range of approaches that give many choices to the implementer or the strategic designer depending on the situation to reverse the situation. These forces are mainly specific to certain situations and may include resource commitments; sub unit policies and programs; structure; rewards and people management (Hambrick and Cannella, 1989), including also a collection of variables such as: the style to manage, governance structure, strategic orientation, experience of the industry, organizational culture and leadership qualities of the top management combined with actions, characteristics and skills of individuals (Chowdhury, 2002).

In the last stage (outcome), the performance measure determines whether a turn round has been complicated or has been achieved. Management of the organization must take steps to undertake an in-depth assessment of the various approaches used in attaining the measure and whether there is hope for renewal, or collapse.

3. Methodology

The study adopted a cross sectional research design. Banks were stratified into large, medium and small. Each category was represented by one bank. 72 respondents were purposively selected from the three commercial banks. The selection of the 3 commercial banks was based on; asset value, time spent in Business and initiatives undertaken to revitalize their operations (turnaround).

Table 1: Sample size per selected bank

RESPONDENTS	SELECTED BANKS			TOTAL
	LARGE ECOBANK	MEDIUM KCB	SMALL EQUITY	
CEO	1	1	1	
CFO	1	1	1	3
CHRO	1	1	1	3
COO	1	1	1	3
Managers	15	15	15	45
Directors	5	5	5	15
TOTAL	24	24	24	72

Primary data was obtained through questionnaires, while secondary data was obtained from different reports including but not limited to; monthly and annual financial reports, strategic plan and National Bank of Rwanda annual reports.

In terms of modelling and model specification, CR represented cost reduction, AR represented asset reduction, revenue generation was represented by RG, while culture change as one of dependent variable (organization renewal) was presented by the term CC while profit generation a construct of the dependent variable (organization renewal) was represented by PG.

To analyse data, the model below was specified. This model treats turnaround strategies as the independent variables while the dependent variable was organizational renewal.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mathcal{E}$$

Where by

- Y = Organizational Renewal
- α = Constant term
- β_0 = Beta coefficient
- X1 = Cost reduction
- X2 = Asset reduction
- X3 = Revenue generation
- \mathcal{E} = Error term

Thus, the econometric model in terms of independent and dependent variables was stated as;

$$Y_{(CC,SC, RG)} = \alpha + \beta_1 CR + \beta_2 AR + \beta_3 RG + \mathcal{E}$$

Whereby β_1, β_2 and β_3 are slopes coefficients representing the influence of the associated independent variables over the dependent variable. β_1 describes the relationship between cost reduction (CR) strategies and organizational renewal, β_2 describes the relationship between asset reduction (AR) strategies and organizational renewal, β_3 describes the relationship between revenue generation (RG) strategies and organizational renewal while \mathcal{E} describes the value of the model that does not fully represent the relationship between the independent variables and the dependent variables.

4. Results and Discussion

Questionnaires were distributed to 72 respondents. From the 72 questionnaires, 67 were filled and returned, giving 93% response rate. This compares well with Goldstein (2006) study in which of the 100 questionnaires sent out, 92 were returned giving 92% response rate. The response rate was adequate for analysis and discussion of findings.

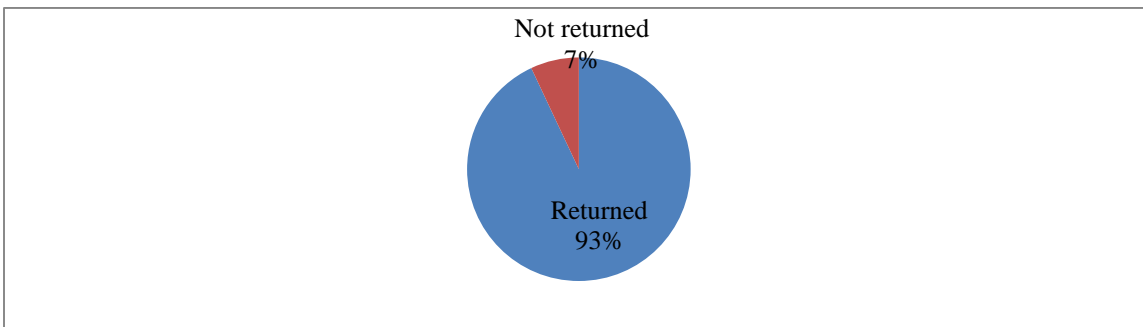


Figure 1: Response rate

4.1 Descriptive statistics on turnaround strategies and organizational renewal

4.1.1 Descriptive statistics on cost reduction

As presented in table 2 below, it was established that, marketing costs were reduced by moving towards target activities had the lowest standard deviation while the bank moved from manual to automation had the highest standard deviation. It seems, majority of the respondents agreed with the statement that refocusing marketing to

target activities yielded the much-needed organizational renewal. On the other hand, the study revealed that, the mean observed on all variables is between 1 and 2. Overall, there was not much deviation in agreement on how cost reduction strategies influence organizational renewal. These findings are supported by Vicent and Irene (1997) analysis in which they opine that, a turnaround attempt focusing on increasing efficiency through tactical changes such as cost cutting, asset reductions and sales push campaigns can reverse the performance gap

Table 2. Respondent’s views on Cost Reduction Strategy initiatives

Cost reduction strategies	Max	Min	Std. Dev	Mean
The bank reduced operating cost by eliminating redundant positions resulting in laying off excess employees	4.000	1.000	0.962	1.881
Only key items were outsourced	4.000	1.000	0.847	1.642
Marketing costs were reduced by moving towards target activities	4.000	1.000	0.724	1.448
Customer activities were shifted out of the branch	4.000	1.000	0.984	2.03
The bank moved from manual to automation to reduce some operational and service costs while enhancing service delivery	4.000	1.000	1.051	2.045
Our bank reduced staff benefits and bonuses	4.000	1.000	1.000	1.97
Adoption of cost reduction resulted into employees becoming cost conscious, thus enhancing staff collaboration	4.000	1.000	0.903	1.821
Adoption of cost reduction strategies resulted into a change of internal processes and procedures, resulting in a change in reporting line	4.000	1.000	0.808	1.657
Adoption of cost reduction strategies increased our profit	4.000	1.000	0.857	1.687
Average			.904	1.798

4.1.2 Descriptive statistics for asset reduction strategies

As reflected in table 3, respondents were requested to indicate the extent to which they consider the effect of asset reduction strategies on organizational renewal.

Table 3. Respondent's perception of Asset Reduction Strategy initiatives

Asset reduction strategies	Max	Min	Std. Dev	Mean
The bank disposed off non-core assets	4.000	1.000	0.893	1.925
The bank closed off unprofitable business	4.000	1.000	0.953	2.003
The bank established efficient approaches to enhance recovery and reduce bad debts	4.000	1.000	0.855	1.896
The bank adopted leasing of certain assets	4.000	1.000	0.851	1.821
The bank reinforced credit control processes to minimize the occurrence of bad debts and non- performing loans	4.000	1.000	0.659	1.537
The bank restructured loans to reduce number of defaulters	4.000	1.000	0.775	1.776
Bank employees commitment improved as a result of asset reduction	4.000	1.000	0.690	1.642
Asset reduction resulted into a change in internal processes, thus reducing costs while enhancing profit	4.000	1.000	0.969	2.000
Overall, the adoption of asset reduction strategies increased the bank's profit	4.000	1.000	0.77	1.731
			0.824	1.818

As presented in table 3, results of the study revealed that the bank's reinforcement of credit control processes to minimize the occurrence of bad debt and non-performing loans had a standard deviation of 0.659, while the adoption of asset reduction strategies enhanced employee commitment with a standard deviation of 0.690. On the other hand, the disposal of non-core assets had the highest

standard deviation (0.893). It should also be noted that although standard deviation denotes the degree of data spread, an average deviation of 0.824, which is closer to 0 was not very distinct, implying greater agreement among respondents that the disposal of non-core assets is important in turning round organizational decline.

4.1.3 Descriptive statistics on Revenue Generation Strategies

Table 4. Respondent’s views on revenue generation strategy initiatives

Revenue generation strategies	Max	Min	Std. Dev	Mean
The bank introduced new products such as loans, mobile money, foreign exchange services, money transfer, ATMs, credit cards internet banking and agency banking	4.000	1.000	0.9292	1.99
Our bank invested in core businesses to expand our operations	4.000	1.000	0.8871	1.97
The bank initiated new marketing program to expand the business and customer base	4.000	1.000	0.9692	2
Encouraged non-branch transactions that increase interchange revenue	4.000	1.000	0.982	2.22
Our bank introduced new service charges such as; ATM withdrawal charges, bidding charges, withdrawal changes	4.000	1.000	0.8573	1.85
The bank increased interest rate and penalties	4.000	1.000	0.9118	1.96
Revenue generation strategies help to create an efficient culture and collaboration	4.000	1.000	1.0121	2.72
The bank realised a new change in processes and procedures to ensure effectiveness	4.000	1.000	0.895	2.96
Through the new initiatives, more revenue was realised	4.000	1.000	0.9253	1.850
Revenue generation initiatives improved our profit	4.000	1.000	0.4997	1.194
A culture of work collaboration and a cost-conscious culture developed due to the pursuit for revenue generation	4.000	4.000	0.7324	1.36
Renting out some of our assets helped to generate new revenue	4.000	1.000	0.6116	1.25
Average			0.8551	1.9428

As shown in table 4, majority of the respondents agreed that revenue generation initiatives improved the bank’s profit with a standard deviation of 0.4997. On the other hand, the statement; we encouraged non-branch transactions that increase interchange revenue had a standard deviation of 0.982 while the average standard deviation for all respondents was 0.8551. Looked at carefully, the standard deviation among respondents was not very high, suggesting a relatively low dispersion of data (convergence). From the analysis, one can descriptively conclude that revenue generating strategies have enhanced the banks renewal initiative.

4.2 Inferential Statistics

This section presents the effect of turnaround strategies on organizational renewal. The model below was developed to determine the effect on turnround strategies on organizational renewal.

$$Y_{(CC,PG)} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

$Y_{(CC,PG)}$ represent organizational renewal with two constructs; culture change, and Profit. X_1 represents cost reduction, X_2 represents asset reduction and X_3 represents revenue generation strategies. Regression analysis was used to establish the value of R-squared. F probability was used to ascertain the goodness of the model and unstandardized coefficient (β_i) for the significance of the effect, with i depicting variation between 0 and 3. For the start, each variable was individually analysed.

4.2.1 Effect of Cost Reduction on Organizational Renewal (Culture Change-CC)

Hypothesis one of the study was; **H0: There is no significant effect of Cost reduction strategies on renewal of commercial banks in Kigali, Rwanda**

The effect of cost reduction strategy in the joint model was analysed against each construct of organizational renewal. Elements of culture change such as being cost conscious and establishing organizational norms to drive the organizations strategic agenda were considered. To

analyse the effect of cost reduction strategies on culture change, the model below was established.

$$Y_{(cc)} = \beta_0 + \beta_1 X_1 + \epsilon_1$$

From table 5 below, R² is equal to 0.790, which indicates that 79% of variations in culture change are explained by the model used while the remaining 21% of the variance

on culture change are unaccounted for. The unstandardized coefficient (β_1) is equal to .722 this indicates that a unit (1) change in cost reduction causes an increase of .722 in organizational culture. Therefore; the resultant regression equation is as presented below:

$$Y_{CC} = -0.45 + 0.722(CR)$$

Table 5. Summary model on the effect of cost reduction strategies on culture change

Model	Unstandardized Coefficients		Stand. Coef.	t	Sig.
	B	Std. Er.			
1(Constant)	-45	.174	Beta	264	.007
Cost Reduction	.722	.131	.768	5513	.000
R-squared	0.790				
AdjustedR-squared	0.769				
F-statistics	37.680				
Prob(F-statistics)	0.000				

Dependent Variable: Culture change

Table 6: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.889 ^a	.790	.769	.433862	.790	37.680	6	60	.000

a. Predictors: (Constant), The Bank reduced some staff benefit and bonuses. , The Bank reduced operating cost by outsourcing only key items and services, The Bank reduced marketing cost by moving towards targeted activities from mass marketing in promoting its products, The Bank moved from manual to automation while enhancing excellent service delivery., The Bank Shifted customer activity out of the branch to reduces cost-to-serve, The Bank reduced operating cost by eliminating redundant positions thus, laying off some employees.

b. Dependent Variable: Adoption of cost reduction strategies improved habit and traditions of bank's employees to work effectively with cost conscious culture, thus improved staff collaboration

From table 6, the probability of F statistics Prob (f -stat) =0.000 which is less than $p < 0.05$ at a 95% confidence interval implying that, the model is appropriate for the data. Reading from the table (6), P -value is equal to 0.000 which is less than 0.05 (P-value <0.05), this indicates that cost reduction has a significant effect on organizational culture for commercial banks in Kigali, Rwanda. These results are confirmed by Shields and Young (1992) whose analysis shows that in times of uncertainty, when business models are challenged, leaders are bound to cut costs, to make organisations more agile and robust, and adaptable to change. The use of cost-cutting and improvement strategies aims at aligning costs with business strategy, to lower costs, focus on the aspects of the business that are

controllable and free up and re-direct resources. Chenhall et al. (2011) argues that research has shown that a firm's culture affects its performance. Research indicates that such a cost culture is a basic condition for a successful cost reduction (Shields and Young, 1992).

4.2.2 Effect of Cost Reduction on profit

A regression analysis was used to evaluate the effect of cost reduction on profit. The resultant model is presented below.

$$Y_{(P.G)} = \beta_0 + \beta_1 X_1 + \epsilon \quad (4.4)$$

Where $Y_{(P.G)}$ represents profit generation and X_1 cost reduction strategies.

Table 7: Correlation analysis of Cost Reduction on Profit

Model	Unstandardized Coefficients		Stand. Coef.	t	Sig.
	B	Std. Er.			
1(Constant)	.422	0.235		1.197	.007
Cost Reduction	.635	.181	.713	3.506	.001
R-squared	.744				
Adjusted R-squared	.553				
F-statistics	12.390				
Prob(F-statistics)	.000				

a . Adoption of cost increased our profit

Table 8:Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.744 ^a	.553	.509	.600340	.553	12.390	6	60	.000

a. Predictors: (Constant), The Bank reduced some staff benefit and bonuses. , The Bank reduced operating cost by outsourcing only key items and services , The Bank reduced marketing cost by moving towards targeted activities from mass marketing in promoting its products , The Bank moved from manual to automation to reduce some operating and serving expensive while enhancing excellent service delivery., The Bank Shifted customer activity out of the branch to reduces cost-to-serve, The Bank reduced operating cost by laying off some employees while eliminating redundancy positions

b. Dependent Variable: Adoption of cost strategies increased profit

From table 8, the summarized model provided an output of R²= 0.553. This means that 55.3% of variation in profit is explained by cost reduction. The model also shows that F-statistic=0.000 which is less than $p < 0.05$ at a 95% confidence interval, implying that the model fits well the data. The results also show that there is a positive unstandardized beta coefficient of 0.635 and $\beta_0=0.422$ as indicated by the coefficient of cost reduction strategies(table 7). This indicates that a unity change in cost reduction can increase profit by 0.635 units from 0.422. From the above, results of the model below were computed.

$$Y_{PG} = 0.422 + 0.635(CR)$$

Further, table 8 shows that P-Value is equal to 0.001, which is less than 0.05 (P-value=0.000<0.05). This indicates that there is a statistically significantly effect of

cost reduction on profit generation for commercial banks in Kigali, Rwanda.

4.2.3 Effect of asset reduction on culture change
Hypothesis two of the study was; H0₂: **Asset reduction strategies and renewal of commercial banks in Kigali, Rwanda are not significantly correlated** Table 3 presents descriptive statistics.

To establish the effect of asset reduction on culture change, the study correlated asset reduction on organizational renewal. Renewal was measured in terms of culture change and profit generation. To establish whether there is a relationship between asset reduction and culture change, the model below was established

$$Y_{(CC)} = \beta_0 + \beta_2 X_2 + \epsilon$$

Table 9. Correlation Coefficient Analysis of Asset Reduction on Culture Change

Model	Unstandardized Coefficients		Stand. Coef.	T	Sig.
	B	Std. Er.	Beta		
1(Constant)	0.479	.158		3.043	.003
Asset Reduction	0.476	.180	.535	2.639	.011
R-squared	0.550				
AdjustedR-squared	0.505				
F-statistics	12.232				
Prob(F-statistics)	0.000				

Dependent variable: Culture change

Table 10: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.742 ^a	.550	.505	.485197	.550	12.232	6	60	.000

a. Predictors: (Constant), The Bank restructured loan to reduce number of defaulters , The Bank closed unprofitable business , The Bank adopted leasing of some services , The Bank enhanced efficient and quick recovery to reduce and eliminate bad dept , The Bank disposed off none core asset, The bank reinforced credit control process to minimize occurrence of bad dept and None performing loan

b. Dependent Variable: Adoption of Asset reduction strategies improved habit and traditions of bank’s employees to work further effectively with cost conscious culture whereby they also improved staff collaboration, the way they care about customers and serve them.

Regression analysis was conducted to investigate the statistical effect of asset reduction strategies on organizational renewal. From table 9 and Table 10, R² is equal to 0.550. This means that 55% of variation in organizational renewal is explained by the variance in asset reduction strategies with only 45.0% of the variation in culture change being associated with other factors. From table 10, the Probability of f statistics was Prob (f-stat)=0.000 < 0.05. This means that the model reasonably fits well the data.

We also have unstandardized beta coefficient β_0 equal to 0.479 and β_2 equal 0.476. This indicates that one unit change in asset reduction will increase culture change by 0.476 from 0.479. The resultant model is represented below as:

$$Y_{CC} = .479 + 0.476 (AR)$$

The results in the coefficient table 9 also show the P – value equal to 0.011. This therefore means that there is a statistically significant effect of asset reduction strategies on culture change within commercial banks in Kigali, Rwanda since $p=0.011$ which is less than $p<0.05$ at a 95% confidence interval.

4.2.4 Effect of Asset Reduction on Profit generation

The regression analysis was conducted to investigate the effect of asset reduction strategies on profit for commercial banks in Kigali, Rwanda. The general model of the regression is:

$$Y_{(PG)} = \beta_0 + \beta_2 X_2 + \mathcal{E}$$

Table 11. Correlation Coefficients Analysis of Asset Reduction on Profit Generation

Model	Unstandardized Coefficients		Stand. Coef.	T	Sig.
	B	Std. Er.	Beta		
(Constant)	.106	.091		1.165	.024
Asset Reduction	.997	.105	.990	9.535	.000
R-squared	0.882				
AdjustedR-squared	0.870				
F-statistics	74.666				
Prob(F-statistics)	0.000				
Dependent variable: profit Generation					

Table 12. Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Change Statistics R Square	F Change	df1	df2	Sig. Change	F
1	.939 ^a	.882	.870	.281235	.882	74.666	6	60	.000	

a. Predictors: (Constant), The Bank restructured loan to reduce number of defaulters , The Bank closed unprofitable business , The Bank adopted leasing of some services , The Bank enhanced efficient and quick recovery to reduce and eliminate bad dept , The Bank disposed off none core asset, The bank reinforced credit control process to minimize occurrence of bad dept and None performing loan

b. Dependent Variable: Adoption of asset reduction strategies increased profit

As per the summary in table 12 above, R² is equal to 0.882, this indicates that 88.2 % of variation in profit generation are explained by the model used, while 11.8% of the variation in profit are unaccounted for by the model. The probability of f-statistics is equal to 0.000 which is less than 0.05. Therefore, the model is appropriate for the data. In the same table (12) we observe that β_2 equals to 0.997. This indicates that a unit change in asset reduction will increase the profit by 0.997 units from 1.106 units. The above summary model also indicates that the P-value is equal to 0.000, P-value=0.000<0.05. In conclusion, there is a statistically significant effect of asset reduction strategies on profit of commercial banks in Rwanda. The resulting model is presented below

$$Y_{PG} = 0.106 + 0.997(AR)$$

4.2.5 Revenue Generation and Culture Change

Hypothesis three of the study was; **H03: There is no significant effect of revenue generation strategies on renewal of commercial banks in Kigali, Rwanda**

Regression analysis was conducted to investigate the statistical effect of revenue generation strategies on culture change in Rwanda. The model below was specified:

$$Y_{(CC)} = \beta_0 + \beta_3 X_3 + \epsilon$$

Table 13: Correlation Coefficients Analysis of Revenue Generation strategies and Culture change

Model	Unstandardized Coefficients		Stand. Coef.	T	Sig.
	B	Std. Er.	Beta		
1(Constant)	2.170	0.377		5.753	.000
Revenue Generation	1.348	.008	1.238	1.611	.011
R-squared	0.264				
Adjusted R-squared	0.190				
F-statistics	3.584				
Prob(F-statistics)	0.004				

Dependent Variable: culture change

Table 14. Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. Change	F
1	.514 ^a	.264	.190	.91081	.264	3.584	6	60	.004	

a. Predictors: (Constant), The Bank increased interest rate and Penalties , Our bank invested in core business to expand their services, Encouraged non-branch transactions that increases interchange revenues, Our bank introduced other service charges and maintenance charges i.e ATM cards charges ,withdraw charges, bidding charges, , The Bank initiated new marketing program to expand the business and customer base, Introduced new products i.e New loan, mobile money, school loan, foreign exchange services, Money Transfer, ATMs, credit cards, internet banking, agent services, swift, T24.

b. Dependent Variable: Adoption of Revenue Generation strategies improved habit and traditions of bank’s employees to work further effectively with cost conscious culture whereby they also improved staff collaboration, the way they care about customers and serve them

From the summary model presented in the tables above (table 13 & 14), R² was 0.264. This means that, 26.4% of variation in culture change is explained by the variance in revenue generation strategies, while 73.6% of the variation in culture change is a result of other factors. From the same table, the probability of F-statistics is equal to 0.004, this indicates that the model reasonably fits well the data since Prob (F-statistics =0.004<0.05

The results also show that, there is a positive unstandardized beta coefficient of β_3 of 1.348 and β_0 of 2.170 which indicates that a unit change in revenue generation strategies will increase culture by 1.348 from 2.170 units. The P-value of the model is equal to 0.004 which is less than 0.05, with P-Value=0.000<0.05. Therefore, there is a statistically significant effect of

revenue generation strategies on culture changes in commercial banks in Rwanda. The resultant equation to understand the relationship is:

$$Y_{CC} = 2.170 + 1.348 (RG)$$

4.2.6 Revenue Generation on Profit

Regression analysis was conducted to investigate the statistical effect of revenue generation strategies on Profit (as one of organization renewal constructs) in commercial banks in Rwanda. Related result were summarized in the modal summary below presented in table 15 and the general equation for the model is represented by:

$$Y_{PG} = \beta_0 + \beta_3 X_3 + \mathcal{E} \quad (4.11)$$

Table 15: Correlation Coefficients Analysis of Revenue Generation strategies on Profit

Model	Unstandardized Coefficients		Stand. Coef.		
	B	Std. Er.	Beta	T	Sig.
1(Constant)	.226	.192		1.173	.024
Revenue Generation	1.230	.344	1.212	3.571	.001
R-squared	0.771				
Adjusted R-squared	0.748				
F-statistics	33.625				
Prob(F-statistics)	0.000				

Dependent Variables: adoption of cost reduction strategies increased our profit

Table 16: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.878 ^a	.771	.748	.46463	.771	33.625	6	60	.000

a. Predictors: (Constant), The Bank increased interest rate and Penalties , Our bank invested in core business to expand their services, Encouraged non-branch transactions that increases interchange revenues, Our bank introduced other service charges and maintenance charges i.e ATM cards charges ,withdraw charges, bidding charges, , The Bank initiated new marketing program to expand the business and customer base, Introduced new products i.e New loan, mobile money, school loan, foreign exchange services, Money Transfer, ATMs, credit cards, internet banking, agent services, swift, T24.

b. Dependent Variable: Adoption of revenue generation strategies increased our profit

As presented in table 16, R² is equal to 0.771 indicating that 77.1% of variation in profit is explained by the variance in revenue generation strategy, with 22.9% of the variation in profit being accounted for by other factors. As per the information presented in the table above, the probability of f statistics Prob (f-stat) =0.000< 0.05 which demonstrates that the model realistically fits the data. In table 15, we have $\beta_3 = 1.230$ and $\beta_0 = .226$. This means that a unit change in revenue generation will increase profit by 1.230 units from .226 units. The resulted equation to explain the relationship is as presented below:

$$Y_{(P,G)} = .226 + 1.230(RG)$$

4.3 Joint Model: Turnaround Strategies on Organization renewal

In seeking to determine the joint effect of all constructs of the independent variable (cost reduction, revenue generation and asset reduction) on organizational renewal, a multiple regression model was established to determine the joint effect of all constructs of the independent variable on the dependent variable. In the study, R-square was generated to determine the quantity of the variance

predicted. In table 17, the Prb(F-statistics) was below 0.05, thus the model was appropriate for the data . β coefficient also were found and assisted in evaluating how turnaround strategies contributed to organization renewal. The model below was established.

$$Y_{(CC,PG)} = \beta_0 + \beta_1(CR) + \beta_2(AR) + \beta_3(RG) + \mathcal{E} \quad (4.13)$$

4.3.1 Turnaround strategies on Profit generation

Multiple Regression Analysis was conducted to investigate the statistical effect of Turnaround Strategies (Cost Reduction Strategies, Asset reduction strategies and Revenue generation strategies) on profit as a construct of organization renewal. As shown in the summary model above (table 17), R² was 0.794. This means that 79.4% of variation in organization renewal (measured in terms of profit) are explained by turn-round strategies.

Based on the equation above CR strategies, AR strategies and RG strategies, the operational model below was established

$$\beta_1 = 0.684, \beta_2 = 0.457, \beta_3 = 0.573 \text{ while } \beta_0 = 2.795, \text{ this resulted in the model: } Y_{(PG)} = 0.751 + 0.740(CR) + 0.366(AR) + 1.093(RG)$$

Table 17: Effect of Turnaround Strategies on Profit Generation

I. Variable: TS	Coefficient		Std.Coefficient	t-Statistics	Prob.
	B	Std. Error			
1(Constant)	0.751	0.385		2.563	0.000
Cost Reduction	0.740	0.191	0.831	2.534	0.003
Asset Reduction	0.366	0.192	0.366	2.482	0.001
Revenue Generation	1.093	0.761	1.186	2.321	0.011
R-squared	0.794				
AdjustedR-squared	0.631				
F-statistics	4.562				
Prob(F-statistic)	0.000				

Dependent Variable: Profit Generation

With $\beta_1 = 0.740$ as presented above, it means that a unit change in cost reduction strategies will cause an increase of 0.740 units on profit from 0.751 while other variables are kept constant. Since $\beta_2 = 0.366$, we can conclude that a unit change in asset reduction will cause an increase of 0.366 units on profit while other variables remain constant. $\beta_3 = 1.093$ indicates that a unit change in revenue generation strategies will cause an increase of 1.093 units while other variables are kept constant. We

further realise that $\beta_3 > \beta_2 > \beta_1$. This implies that the implementation of revenue generation strategies contributed more than any of the remaining two variables on revenue generation and; cost reduction strategies and lastly asset reduction respectively.

4.3.2 Effect of turnaround strategies on organization renewal (culture change)

Multiple Regression Analysis was conducted to investigate the statistical effect of Turnaround Strategies on culture change.

Table 18 .Effect of Turnaround Strategies on Culture Change

Model summary

Sample: 72

Included Observations:67

I. Variable: TS	Coefficient		Std.Coefficient	t-Statistics	Prob.
	B	Std. Error			
1(Constant)	.321	.220		1.459	0.001
Cost Reduction	0.725		0.772	6.642	0.000
Asset Reduction	1.064		1.007	3.031	0.004
Revenue Generation	1.648		1.696	3.790	0.000
R-squared	0.944				
AdjustedR-squared	0.892				
F-statistics	21.963				
Prob(F-statistic)	0.000				

Dependent Variable: Culture change

As presented in table 18, R^2 was 0.944, indicating that 94.4% of variations in culture change are explained by the model, while the remaining 5.6% are unaccounted. Result in the coefficient table show that unstandardized coefficients were; $\beta_1=0.725$, $\beta_2=1.064$, $\beta_3=1.648$ with $\beta_0 = 0.321$. Thus, the identified equation describing the relationship was stated below;

$$Y(CC) = 0.321 + 0.725(CR) + 1.064(AR) + 1.648(RG)$$

$\beta_1=0.725$ shows that a unit change in cost reduction will cause an increase of 0.725 units on culture change from 0.321 while other dependent variables are kept constant. Indeed since $\beta_2=1.064$, this means that a unit change in asset reduction will cause an increase of 1.064 units on culture change while other variables remain constant. With $\beta_3=1.648$, this indicates that a unit change in revenue generation strategies will cause an increase of 1.648 units on culture change while other variables are kept constant. We also realised that $\beta_1 < \beta_2 < \beta_3$. Therefore, the management of Revenue Generation strategies will contribute more in terms of culture change than others, followed by Asset reduction Strategies and then lastly Cost reduction strategies. In a study by Jin, Dehuan and Zhigang (2014) in commercial banks China, results of their study support the above findings. Their research established that banks that employed asset consolidation strategies realised substantial increases in gross sales, operating margin, and return on investment, but there was little proof of any significant effect on the turnover ratio of assets.

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5. Conclusion and Recommendations

The study examined the effect of turnaround strategies on performance of commercial banks in Kigali, Rwanda. As indicated by the results of the study, there is a significant effect of turn round strategies on the performance of commercial banks in Kigali, Rwanda. Whereas studies indicate a relationship between turn round strategies and organizational performance, challenges still exist in terms of conceptualising the causes of decline which turn round strategies should respond too. Further, different researchers use different measures of bank performance. None-the-less, organizational decline requires a system analysis of the decline, identification, and formulation of appropriate actions to avert the decline. From the study, it appears that, effective turnaround should focus on internal strategic activities to create an alignment with the desired course of direction. This view is supported by Carter and Schwab (2013) who argue that operating turnaround strategies involves a set of consequential, directive decisions and actions aiming to reverse a declining business as quickly as possible through asset reduction, cost cutbacks and revenue generating.

As opined by Whitney (1987), turnaround strategies require firms to undertake market analysis to undertake actions aimed at organizational recovery. This naturally implies that, effective turnaround strategies should adopt both, outside-in and inside out- transformation. This is premised on the understanding that turn-round strategic actions respond to the source of organizational decline, which might be internal, external or both.

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