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Turnaround Strategies and Performance of Commercial Banks in Nairobi City County, Kenya

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ABSTRACT

Global financial markets have experienced significant volatility over the past decade, compelling commercial banks to adopt turnaround strategies for survival and growth. In Kenya, the banking sector has faced notably challenges, with performance indicators declining sharply during the COVID-19 pandemic and liquidity issues leading to multiple bank receiverships. This study examined the effect of four turnaround strategies;cost reduction, asset management, diversification, and modernization;on the performance of commercial banks in Nairobi City County, Kenya. The research employed a descriptive design, collecting primary data through structured questionnaires from 64 senior managers and strategic planners across 38 commercial banks, achieving a 91.43% response rate. Bank performance was assessed through non-financial indicators including customer loyalty, service quality, customer satisfaction, and product variety. Multiple linear regression analysis revealed that the four turnaround strategies collectively explained 53.7% of variance in bank performance ($R^2 = .537$, $F(4, 59) = 17.083$, $p < .001$). Cost reduction emerged as the strongest performance predictor ($\beta = .619$, $p < .001$), demonstrating that strategic cost management through selective resource reallocation rather than blanket expense cuts significantly enhances performance. Asset management showed moderate but significant positive effects ($\beta = .204$, $p = .044$), though concerns about inadequate risk management raised sustainability questions. Unexpectedly, diversification demonstrated non-significant negative relationships with performance ($\beta = –.047$, $p = .641$), suggesting that extensive diversification may dilute organizational focus and spread resources too thinly across unfamiliar territories without requisite expertise. Similarly, modernization showed no significant performance impact ($\beta = .102$, $p = .331$), indicating that when all banks pursue similar modernization strategies, these investments become competitive necessities rather than performance differentiators. The findings challenge conventional assumptions about turnaround strategy universality and highlight that implementation quality, environmental fit, and organizational capabilities critically determine strategy effectiveness. The study contributes valuable insights for banking practitioners and policymakers, demonstrating that successful turnaround requires carefully selecting and integrating approaches that align with organizational strengths, market conditions, and competitive dynamics within Kenya's evolving banking landscape rather than merely implementing multiple strategies simultaneously.

Introduction

In the past decade, global financial markets have encountered significant volatility, prompting commercial banks to adapt and innovate continually. Rapid technological advancements and shifts in consumer demand have underscored the banking environment's precarious nature, while economic downturns have pressured businesses globally, leading to declining sales, rising production costs, and increased creditor discontent (Rizal et al., 2024; Balkan, 2021; Kazozcu, 2011). Historically, many companies fail within their first five years due to strategic mismanagement, highlighting the critical need for effective turnaround strategies (Wilson, 2016). In Kenya, the banking sector has mirrored these global trends, grappling with challenges including operational inefficiencies, economic recessions, and disruptive innovations from competitors (Kiemo& Kamau, 2021). The sector has faced significant turmoil over the past decade, aggravated by the COVID-19 pandemic, leading to a steep decline in performance indicators such as Earnings per Share (EPS), which dropped by 33.6% in 2020 from a growth of 9.0% in 2019. Moreover, liquidity issues and insufficient capital have led the Central Bank of Kenya to place an average of ten banks under receivership within the last decade, including notable institutions like Dubai Bank Kenya, Imperial Bank of Kenya, and Chase Bank.

Despite the implementation of various turnaround strategies, significant gaps remain in understanding their specific impacts on bank performance in the Kenyan context. Research by Ondimu (2019) has shown that while Kenyan commercial banks have adopted various measures, including top management changes and technological advancements, there exists a substantial gap in harnessing these strategies towards enhancing distribution channels and customer acquisition. Furthermore, studies by Mutunga (2016) and Wandera (2018) investigated the efficacy of turnaround strategies in different sectors, revealing mixed outcomes that underscore the need for sector-specific investigations. This study was therefore chosen to address these contextual and conceptual gaps by examining how turnaround strategies specifically influence commercial bank performance in Nairobi City County, where banks employ various approaches to mitigate financial dips and position themselves for recovery and growth.

Turnaround strategies are comprehensive plans that organizations adopt when facing declining earnings, incurring losses, or decreasing profitability levels, aiming to achieve long-term recovery and sustainability (Wamiti, 2021). These strategies vary significantly in the banking sector and are often

categorized into operating reconstruction strategies, which include intense marketing, restructuring, and cost-cutting, and nonclinical innovation turnarounds, which focus on adopting new technologies and business models (Wanda, 2018). Four key turnaround strategies have gained prominence in Kenya's banking sector: cost reduction, asset management, diversification, and modernization (Ochieng, 2023). Cost reduction focuses on enhancing operational efficiency by minimizing non-essential expenses (Santana et al., 2017), while asset management encompasses maximizing returns from existing assets to improve overall business efficiency (McGee, 2015; Shi, 2021). Diversification mitigates risks by branching into new markets or product areas (Nyagiloh&Kilika, 2020), and modernization involves updating organizational processes and systems to align with technological standards and market demands (Wandera et al., 2017).

This study employed a descriptive research design to investigate the effect of these four turnaround strategies on the performance of commercial banks in Nairobi City County, Kenya, covering the period from 2017 to 2021. Bank performance was assessed through strategic management perspectives focusing on customer loyalty, service quality, customer satisfaction, and product variety; measures chosen because they directly impact a bank's ability to compete and thrive in the turbulent financial sector. Primary data was collected through structured questionnaires administered to bank managers and frontline employees across commercial banks operating within Nairobi City. The specific research questions guiding this investigation were:

i. How does cost reduction strategy affect the performance of commercial banks in Nairobi City County, Kenya?

ii. How does asset management strategy affect the performance of commercial banks in Nairobi City County, Kenya?

iii. How does diversification strategy affect the performance of commercial banks in Nairobi City County, Kenya?

iv. How does modernization strategy affect the performance of commercial banks in Nairobi City County, Kenya?

2. Literature Review

The theoretical foundation for examining turnaround strategies and organizational performance draws from three complementary perspectives that collectively explain how banks navigate decline and achieve recovery. Mason and Bain first presented the market-based view theory of competitive advantage in 1950, positing that an organization's performance is influenced more by its external environment than internal characteristics. This theory relies on Porter's five forces, which influence costs, prices, and investments across all markets, with buyers having bargaining power to influence prices and suppliers affecting the cost of raw materials and other inputs (McGee, 2015). Philip and Jonas (2020) identified trends and market orientations as external factors responsible for company performance, emphasizing that organizations must position themselves correctly in the market to gain competitive advantage. McGee (2015) states that organizations should first diagnose industry conditions before implementing turnaround strategies, helping them gain competitive advantage by implementing the right plan. In current market conditions, focusing on cost reduction, asset management, diversification, and modernization is essential to lead organizations toward success, as reducing production costs increases profits, proper asset management provides longevity of assets, diversification allows broader customer reach, and modernization enables adaptation to current trends (Srivastava, 2001).

Complementing this external focus, contingency theory, proposed by Austrian psychologist Edward Fiedler in 1964, is based on the belief that an organization's performance depends on the fit of its resources, environmental conditions, organizational structure, and available strategies. According to Mung'ei (2017), the theory outlines two leadership styles; task-motivated and relationship-motivated; that may affect the adoption of changes in the business environment. Northouse (2016) states that a leader may be ineffectual in certain situations and effective in others, and to be a good leader, it is essential to evaluate if your leadership style suits the current situation. Various situations in the workplace will at some point face a leader, and contingency theorists assume that each leader responds to variables in different ways, with success often affected by factors such as personalities, tasks at hand, and the general characteristics of organization team members (Jennifer, 2011). Contingency theorists argue that to develop an effective turnaround strategy, organizations need to define the causes of decline, making this theory practical for turnaround strategies and situations that directly affect their relationship with performance (Keneth, Nyagiloh& James, 2019).

Jay Barney first proposed resource-based theory in 1991 to explain differences in organizational performance despite all firms occupying the same business environment. According to Cecil (2011), the firm is viewed as concerned with achieving strategic alignment with its environment through tangible resources such as physical capital, organizational capital, human capital, and financial capital, as well as intangible resources including routines, organizational culture, and employee knowledge, which are often more potent in attaining competitive advantage. Resource-based theorists believe that for a firm to turn around successfully, its resources must be rare, valuable, difficult to imitate, and not easy to substitute, with successful firms aligning resources to suit their needs while reducing resource base in areas where they are no longer essential (Balgobin, 2017). Deviss and Dewitt (2021) state that resource-based view as a theory is essential in turnaround as it helps firms understand how to use resources productively to acquire economic rents and characteristics of resources that can allow them to yield profits consistently.

Empirical evidence on cost reduction strategies reveals mixed findings across different contexts. Chemutai (2017) investigated the impact of agency banking on financial performance of commercial banks in Kenya, finding that agency banking significantly reduced costs associated with building physical bank branches while introducing new security and transaction costs, though the study was limited to agency banking and did not cover other banking operations forms. Sylvia and Mulyungi (2018) explored cost management's impact on Rwanda's commercial banks, specifically the Bank of Kigali, indicating a significant positive correlation between administrative and operational cost control and bank performance, though the geographical focus on Kigali limited generalizability. Ochande and Babu (2019) researched organizational cost structure and financial results of commercial banks at

the Nairobi Securities Exchange, establishing a negative correlation between variable costs and return on assets, suggesting that a change in the cost of a unit led to reduced profit margins.

Research on asset management demonstrates varied impacts on banking performance. Chowdhury and Akhtar (2017) assessed how cost control, operational effectiveness, and asset management influence financial performance of commercial banks in Bangladesh from 2011 to 2015, finding that operational efficiency positively affected both returns on assets and equity, while asset management had mixed impact with positive effects on ROA and negative on ROE. Oganda et al. (2020) explored the effects of asset and deposit management on commercial bank performance in Kenya, indicating a negative impact of customer deposits on bank performance while asset base had a positive relationship with performance. Sazir et al. (2020) investigated capital management's impact on the Bank of Kigali's performance, demonstrating significant impacts of capital management on capital adequacy and asset quality, though the study was limited to one institution.

Diversification strategies have generally shown positive effects on bank performance across different markets. Makokha et al. (2017) conducted a study on portfolio diversification in Kenya's commercial banking sector, finding a significant positive relationship between portfolio diversification and financial performance, explaining 68% of the variance in bank performance. Worku (2018) investigated the impact of investment diversification on financial performance of 17 Ethiopian commercial banks from 2013 to 2017, finding that diversified investments positively influenced bank performance, although interest and exchange rate volatilities negatively impacted it. Pisedtasalasai and Edirisuriya (2020) gathered data from 17 registered commercial banks in Sri Lanka between 2001-2016, revealing a highly substantial, reciprocal association between performance and diversification.

Studies on modernization and innovation present contradictory findings requiring clarification. Mung'ei (2017) examined innovation's impact on financial performance of commercial banks in Kenya, finding that innovations negatively impacted financial performance, with elements like teller machines and mobile banking customers negatively correlated with banks' return on assets. Conversely, Nekesa and Olweny (2018) researched how financial performance is impacted by financial innovation in deposit-taking savings and credit cooperative organizations in Kajiado County, revealing that product, process and organizational innovations positively influenced financial situation. Muturi and Odollo (2019) analysed the impact of various turnaround strategies including diversification, restructuring, modernization, and retrenchment on commercial bank performance in Kenya, indicating that all examined strategies significantly positively affected bank performance, though further research could explore long-term sustainability and applicability across different economic cycles.

These studies collectively reveal significant contextual, methodological, and conceptual gaps that warrant further investigation in the specific context of Nairobi's commercial banking sector, given the unique regulatory environment, competitive dynamics, and economic conditions that characterize Kenya's financial landscape.

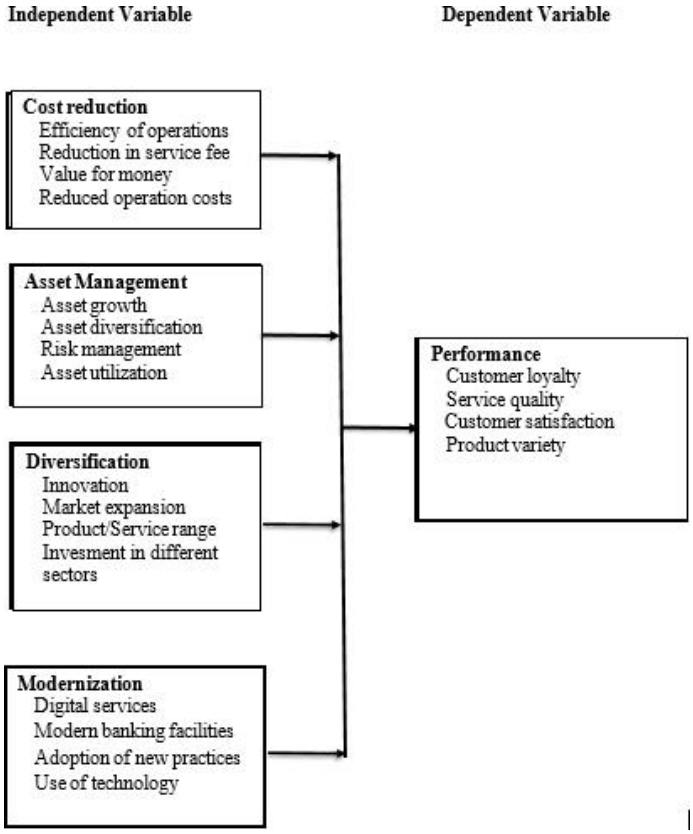

Figure 1. Conceptual framework

3. Research Methodology

3.1 Research Design

The study adopted a descriptive research design, which is structured to observe and describe the behavior of a subject without influencing it in any way. According to Jovancic (2020), descriptive research design cannot be categorized as purely qualitative or quantitative as it entails both aspects, attempting to explain what exists using research questions. This approach was ideal for assessing the current state and effectiveness of turnaround strategies in commercial banks, allowing for systematic documentation of how cost reduction, asset management, diversification, and modernization strategies influence bank performance indicators such as customer loyalty, service quality, customer satisfaction, and product variety.

3.2 : Target Population and Sampling

According to the Central Bank of Kenya Directory, 38 commercial banks were operating by the end of 2021 in Nairobi City County. The study focused on senior management and strategic planning heads within these banks, totaling approximately 250 individuals directly involved in implementing and observing the effects of turnaround strategies. Stephanie (2019) defines target population as a complete set of units for which survey data will be utilized to make inferences, ensuring that study conclusions apply appropriately to these units.

Purposive sampling was employed to meticulously select respondents intimately involved in strategic decision-making processes, specifically targeting senior managers and strategic planners. Purposive sampling is a non-probability sampling technique used to gather data from a specific population segment that meets predefined criteria (Etikan, Musa, &Alkassim, 2016). This method was chosen to ensure that collected data was highly relevant and directly corresponded to research objectives, focusing on individuals possessing critical knowledge about formulation and execution of turnaround strategies. A total of 70 participants was targeted, divided between senior managers and strategic planners, providing a robust dataset capturing both operational and strategic perspectives.

Table 1. Sampling Frame

Category	Population (Frequency)	Sample Size
Senior Managers	100	30
Strategic Planners	150	40
Total	**250**	**70**

Source: Study Data (2023)

3.3 Data Collection

Primary data was collected using structured questionnaires administered through Qualtrics survey platform. The questionnaire was crafted to include three key sections: demographics, independent variables, and dependent variables, ensuring detailed understanding of both context and specific details required for the study. The demographics section captured information about respondents' roles, length of service, and specific responsibilities relating to turnaround strategies, helping to contextualize responses and allow for nuanced analysis.

The questionnaire incorporated both closed-ended and open-ended questions to capture comprehensive data. Closed-ended questions utilized a five-point Likert scale to measure respondents' perceptions regarding cost reduction, asset management, diversification, and modernization strategies, as well as bank performance indicators. The Likert scale format (ranging from 1 to 5, with varying anchors such as "Strongly Disagree" to "Strongly Agree") enabled standardized quantitative measurement and statistical analysis of relationships between variables. Open-ended questions complemented quantitative data by asking respondents to describe in their own words the most effective measures, implementation challenges, and critical factors determining bank performance, providing rich qualitative insights that numerical scales could not adequately represent.

Data collection was conducted over two months following official authorization from the National Commission for Science, Technology and Innovation (NACOSTI) and a research permit as required for conducting research in Kenya. Snowball sampling techniques were employed, with the researcher leveraging existing professional networks through the university and banking industry associations to identify initial respondents who subsequently recommended colleagues in similar strategic positions. Each respondent received the questionnaire via email and WhatsApp, with a cover letter explaining the study's purpose, voluntary participation, and confidentiality assurances. Respondents were given two weeks to complete the questionnaire, after which all data was immediately anonymized using unique identification codes.

To ensure validity, content validity was established by ensuring questionnaire relevance and comprehensiveness (Smith & Jones, 2018), while construct validity ensured accurate reflection of theoretical constructs intended for measurement (Lee & Kim, 2020). A pilot test was conducted following

recommendations by Alvarez (2016), involving a small group of senior managers and strategic planners not part of the main study sample, allowing identification and correction of ambiguities. Reliability was evaluated using Cronbach's alpha coefficient, with values above 0.7 indicating sufficient internal consistency in measuring intended constructs (Gupta & Rani, 2020).

3.6 Data Analysis

The study employed both descriptive and inferential statistical techniques to analyze quantitative data, alongside thematic content analysis for qualitative data. Descriptive statistics summarized data through measures of central tendency (mean, median, mode) and dispersion (standard deviation, variance), visually represented through tables and charts. Multiple linear regression examined relationships between turnaround strategies and bank performance, structured as:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where Y represents bank performance; β_0 is the intercept; β_1, β_2, β_3, and β_4 are coefficients; X_1 represents cost reduction; X_2 corresponds to asset management; X_3 represents diversification; X_4 denotes modernization; and ε is the error term.

Qualitative data analysis involved systematic examination of open-ended responses through thematic content analysis, with responses transcribed verbatim and coded inductively to identify recurring themes and patterns. All quantitative analyses were performed using IBM SPSS Statistics Version 26, ensuring precision and reliability, with results discussed within the context of Market-Based View Theory, Resource-Based Theory, and Contingency Theory to validate observed patterns.

4. Research Findings and Discussion

4.1 Response Rate and Demographics

A total of 70 questionnaires were distributed to senior managers and strategic planners across commercial banks in Nairobi City County, of which 64 were completed and returned, yielding a response rate of 91.43%. This high response rate enhances the study's credibility and ensures adequate representation of the target population.

The demographic profile revealed that male respondents constituted the majority (75.0%, $n = 48$), while female respondents comprised 25.0% ($n = 16$), suggesting male-dominated representation in strategic decision-making positions within the commercial banking sector. Age distribution showed that middle-aged professionals dominated the sample, with respondents aged 36-45 years comprising the largest group (42.2%, $n = 27$), followed by those aged 26-35 years (39.1%, $n = 25$). This indicates that 81.3% of respondents were between 26-45 years, representing the core working-age demographic in banking. Regarding organizational positions, strategic planners constituted the majority (57.8%, $n = 37$), while senior managers accounted for 42.2% ($n = 27$), ensuring representation from key decision-making levels. Experience analysis revealed substantial banking sector expertise, with 68.8% having 6+ years of experience, specifically 11-20 years being most common (37.5%, $n = 24$), followed by 6-10 years (31.3%, $n = 20$), indicating that the sample consisted of experienced professionals capable of providing informed perspectives on turnaround strategies.

4.2 : Reliability Analysis

The internal consistency of the research instrument was evaluated using Cronbach's alpha coefficient. The overall reliability analysis for all 20 items yielded a Cronbach's alpha of $\alpha = .799$, exceeding the recommended threshold of .70 (Taber, 2018), indicating good internal consistency for the entire scale. Split-half reliability analysis showed Part 1 (10 items) achieved $\alpha = .681$, while Part 2 (10 items) demonstrated higher reliability with $\alpha = .795$, with correlation between forms of $r = .351$. These findings confirm that the scale demonstrates acceptable reliability, suggesting that questionnaire items consistently measured the intended constructs of turnaround strategies and bank performance.

4.3 : Diagnostic Tests

Prior to regression analysis, various diagnostic tests were conducted to ensure data met regression assumptions. The histogram and normal P-P plot indicated that residuals were approximately normally distributed, with mean close to zero ($M = –5.31E-16$) and standard deviation near one ($SD = 0.968$), confirming normality assumption satisfaction. The scatterplot of standardized residuals against predicted values showed residuals randomly and evenly dispersed around zero with no clear pattern, satisfying homoscedasticity assumption. Collinearity statistics indicated multicollinearity was not a concern, with all tolerance values exceeding 0.10 and all Variance Inflation Factor (VIF) values remaining well below 10. The Durbin-Watson statistic of 2.121 fell within acceptable range, confirming no significant autocorrelation concerns.

4.4 Regression Analysis

Multiple linear regression analysis was conducted to examine the collective effect of turnaround strategies on commercial bank performance. The model included four predictor variables: cost reduction strategy, asset management strategy, diversification strategy, and modernization strategy, with firm performance as the dependent variable.

Table 4.1: Multiple Regression Analysis Results

Model Statistics	**Value**
Multiple R	.733
R^2	.537
Adjusted R^2	.505
Standard Error	.640
Durbin-Watson	2.121
F-statistic	17.083***
df	4, 59

Predictor Variables	***B***	**SE**	**β**	***t***	***p***	**Tolerance**	**VIF**
(Constant)	.373	.631	—	.591	.557	—	—
Cost Reduction	.469	.081	.619	5.777	< .001***	.684	1.462
Asset Management	.261	.127	.204	2.060	.044*	.801	1.249
Diversification	–.059	.125	–.047	–.469	.641	.779	1.284
Modernization	.119	.121	.102	.980	.331	.730	1.371

Note.N = 64. ***p*< .001. **p*< .01. *p*< .05.

The regression model was statistically significant, $F(4, 59) = 17.083$, $p < .001$, indicating that turnaround strategies collectively predict commercial bank performance significantly better than chance. The model achieved $R^2 = .537$, showing that 53.7% of variance in commercial bank performance was explained by the four turnaround strategies, with adjusted $R^2 = .505$ remaining substantial after adjusting for predictor numbers.

Cost reduction strategy emerged as the strongest predictor of firm performance (β = .619, $t = 5.777$, $p < .001$), with unstandardized coefficient $B = .469$ (SE = .081). This finding supports Hypothesis 1, confirming that cost reduction strategy has significant positive effect on bank performance. The standardized coefficient indicates that for every one standard deviation increase in cost reduction strategy implementation, bank performance increases by 0.619 standard deviations, holding other variables constant. This substantial effect size demonstrates that cost reduction strategies remain the most powerful driver of performance improvements, aligning with Resource-Based Theory's emphasis on efficient resource utilization (Barney, 1991) and supporting Sylvia and Mulyungi's (2018) findings in Rwanda that cost control positively affects bank performance.

Asset management strategy demonstrated statistical significance (β = .204, $t = 2.060$, $p = .044$), with unstandardized coefficient $B = .261$ (SE = .127), supporting Hypothesis 2. While significant, this effect is notably weaker than cost reduction, suggesting that asset management plays a secondary role in driving performance improvements. This finding aligns with Resource-Based Theory's principles that effective resource deployment drives organizational performance (Barney, 1991) and supports Chowdhury and Akhtar's (2017) findings in Bangladesh and Oganda et al.'s (2020) research in Kenya, demonstrating that asset management strategies effectively enhance bank performance across different contexts.

Diversification strategy showed non-significant negative relationship with firm performance (β = –.047, $t = –.469$, $p = .641$), with unstandardized coefficient $B = –.059$ (SE = .125), failing to support Hypothesis 3. The negative coefficient, though not statistically significant, suggests that diversification efforts may actually detract from performance rather than enhance it. This unexpected result contradicts Market-Based Theory's assumption that diversification enables organizations to reach broader customer bases (McGee, 2015) and contrasts sharply with Makokha et al.'s (2017) finding that portfolio diversification explained 68% of variance in Kenyan bank performance. However, their focus on portfolio diversification

within financial instruments differs fundamentally from this study's examination of strategic diversification across business lines and sectors, suggesting that diversification type and scope matter critically.

Qualitative insights illuminate this counterintuitive finding, with 73.4% of respondents citing lack of specialized expertise as a barrier, 64.1% reporting regulatory restrictions, and 59.4% experiencing resource allocation conflicts. Resource-Based Theory provides insight, emphasizing that successful diversification requires resources that are valuable, rare, and difficult to imitate (Barney, 1991). The negative relationship may indicate banks are diversifying into areas where they lack distinctive competencies, diluting competitive advantages rather than leveraging them.

Modernization strategy similarly demonstrated no significant relationship (β = .102, t = .980, p = .331), with unstandardized coefficient B = .119 (SE = .121), failing to support Hypothesis 4. Despite strong descriptive performance in customer-facing modernization, these substantial investments do not translate into measurable performance improvements. This finding challenges Resource-Based Theory's premise that unique resources create competitive advantage (Barney, 1991) and aligns with Mung'ei's (2017) research finding that banking innovations negatively affected financial performance in Kenya, suggesting local market conditions may create situations where modernization investments fail to produce expected returns.

When all banks pursue similar modernization strategies, these investments cancel out each other's advantages, transforming modernization from competitive differentiator into baseline customer expectation. Market-Based Theory helps explain this pattern: when all competitors adopt similar strategies, no one gains relative advantage (McGee, 2015). Contingency Theory offers a compelling explanation, emphasizing that strategy effectiveness depends on implementation quality and environmental fit (Fiedler, 1964). The critical disconnect between customer-facing excellence and operational technology utilization revealed in descriptive statistics exposes fundamental implementation failures—banks invest in visible improvements while neglecting back-end operational integration that drives efficiency gains.

The regression equation is expressed as: Firm Performance = 0.373 + 0.469(Cost Reduction) + 0.261(Asset Management) – 0.059(Diversification) + 0.119(Modernization)

These findings demonstrate that among the four turnaround strategies examined, only cost reduction and asset management significantly influence commercial bank performance in Nairobi City County, with cost reduction exerting substantially stronger effects. Diversification and modernization, despite high implementation levels revealed in descriptive statistics, fail to produce measurable performance improvements, suggesting that implementation quantity differs fundamentally from implementation quality and strategic effectiveness. The results underscore Contingency Theory's core premise that strategy effectiveness depends on environmental fit and execution quality rather than universal prescriptions (Fiedler, 1964), highlighting that successful performance requires not merely implementing strategies, but carefully integrating them with attention to organizational capabilities, competitive context, and genuine operational improvements rather than superficial implementations.

5. Conclusion

This study examined the effect of turnaround strategies on the performance of commercial banks in Nairobi City County, Kenya, focusing on cost reduction, asset management, diversification, and modernization strategies. The research employed a descriptive research design, collecting data from 64 senior managers and strategic planners across 38 commercial banks through structured questionnaires. Multiple linear regression analysis revealed that the four turnaround strategies collectively explained 53.7% of variance in bank performance (R^2 = .537, F(4, 59) = 17.083, p< .001), though individual strategies demonstrated varying effectiveness levels.

Cost reduction emerged as the most powerful performance driver (β = .619, p< .001), demonstrating that strategic cost management significantly enhances bank performance when implemented through selective resource reallocation rather than blanket expense cuts. Asset management showed moderate but significant positive effects (β = .204, p = .044), though concerns about risk management effectiveness raise sustainability questions. Unexpectedly, diversification demonstrated non-significant negative relationships with performance (β = –.047, p = .641), suggesting that extensive diversification may dilute organizational focus and spread resources too thinly across unfamiliar territories. Similarly, modernization showed no significant performance impact (β = .102, p = .331), indicating that when all banks pursue similar modernization strategies, these investments become competitive necessities rather than performance differentiators.

These findings challenge conventional assumptions about turnaround strategy universality and highlight the critical importance of implementation quality, environmental fit, and organizational capabilities in determining strategy effectiveness. The study's limitations include its cross-sectional design, which captures only a single time point and cannot establish causal relationships or long-term effects; reliance on perceptual self-reported data subject to social desirability bias; measurement of performance using only non-financial indicators without incorporating financial metrics; and geographical restriction to Nairobi City County, limiting generalizability to other regions.

Despite these limitations, the study contributes valuable insights for banking practitioners, policymakers, and researchers, demonstrating that successful turnaround requires not merely implementing multiple strategies, but carefully selecting and integrating approaches that align with organizational strengths, market conditions, and competitive dynamics within Kenya's evolving banking landscape. Future research should examine long-term strategy impacts, implementation processes, and regional comparative dynamics to deepen understanding of effective turnaround approaches in emerging market contexts.

6. About Authors

a. Irene Wairimu Kamau

Irene Wairimu Kamau is a dedicated program specialist and MBA candidate at Kenyatta University, specializing in Strategic Management. She holds a Bachelor of Science degree in Forensic Science from the same institution and has over eight years of professional experience managing humanitarian and social impact programs. Irene's work has focused on driving operational efficiency, fostering stakeholder collaboration, and ensuring program alignment with strategic objectives.

Her academic and professional interests lie in the intersection of strategy, organizational performance, and sustainable development. Motivated by a passion for effective leadership and evidence-based decision-making, Irene's research; ―Turnaround Strategies and Performance of Commercial Banks in Nairobi City County, Kenyal; explores how strategic management approaches influence institutional resilience and success. She is committed to applying her insights to strengthen organizational performance across sectors and contribute to Kenya's broader socio-economic growth.

b. LindaKimencu

Linda Kimencu is a Lecturer in the Department of Business Administration at Kenyatta University, Nairobi. She holds a Doctor of Education in Leadership Studies from West Virginia University, USA, and an MBA in Business Administration from the University of Nairobi. Dr. Kimencu's research interests span organizational leadership, human resource management, and higher education management. She has published widely on topics such as leadership orientations, organizational performance, and trends in private higher education in Kenya.

7. Conflict of interest

The authors declare that they have no conflict of interest

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