Top Executive Characteristics, Turnaround Strategies, and Firm Performance: Insights From Kenya's Manufacturing Industry

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Abstract

In today's turbulent business environment, manufacturing firms face persistent challenges ranging from regulatory pressures and global competition to supply-chain fragility and post-pandemic disruptions. These dynamics often result in organizational decline, manifested in reduced profitability, weakened competitiveness, and operational inefficiencies. Corporate turnaround strategies have therefore become critical in reversing such decline and restoring firm performance. While much of the existing literature explores turnaround strategies, limited attention has been paid to the mediating role of leadership particularly CEO characteristics within emerging economy contexts such as Kenya. This study undertakes a systematic review of theoretical and empirical literature to examine how CEO attributes shape the effectiveness of turnaround strategies in manufacturing firms. Drawing on the Resource-Based View and Upper Echelons Theory, the paper conceptualizes CEO characteristics as tenure, educational background, age, gender, and nationality as pivotal mediators influencing the link between strategic interventions and firm outcomes. Turnaround strategies are operationalized through four dimensions: financial restructuring, strategic repositioning, market refocusing, and organizational reconfiguration. Firm performance is assessed across financial, operational, and innovation-based indicators such as return on investment, product quality, market growth, and competitiveness. Findings highlight that while turnaround strategies provide a pathway for recovery, their success is significantly contingent upon the strategic vision, decision-making capacity, and adaptability of CEOs. Case illustrations from the Kenyan manufacturing sector, such as Mumias Sugar, Eveready East Africa, and Bidco Africa, demonstrate how leadership stability, experience, and foresight can either hinder or accelerate organizational recovery. By proposing a theoretical framework that positions CEO characteristics as mediating variables, this study advances understanding of the interplay between leadership and strategy in turbulent environments. The paper contributes to strategic management scholarship and offers practical insights for policymakers and industry leaders seeking to revitalize Kenya's manufacturing sector in line with the Bottom-Up Economic Transformation Agenda (BETA). Future empirical research is recommended to validate and refine the proposed model across diverse contexts.

Keywords: CEO characteristics, restructuring strategy, repositioning strategy, market refocusing, reorganization strategy, firm performance

1. Introduction

The current environmental turbulence in the business landscape has forced many firms to strategically evaluate and select the best choices to ensure survival. Changing patterns in the company value chain system, stiff competition due to globalization, shifting employment patterns, and increasing demands for diversity and inclusivity are among the salient developments in business management (Oduor and Kilika, 2018). Hossari (2007) suggests that the turbulent environment in which businesses operate introduces multiple dimensions complex, chaotic, multifaceted, fluid, and interlinked that shape work design, resource allocation, and organizational systems. Contemporary studies reinforce this view, noting that environmental turbulence is now amplified by digital disruption, geopolitical uncertainty, and sustainability pressures, requiring organizations to continuously adapt to remain competitive (Bennett & Lemoine, 2019; Wenzel, Stanske & Lieberman, 2021). Businesses are therefore engaged in dynamic and ongoing efforts to reconfigure their processes, capabilities, and strategies in order to maintain performance in rapidly changing contexts.

The compounding effects of turbulence have often resulted in organizational decline, manifested as a gradual deterioration of performance due to persistent resource erosion. This deterioration affects financial stability, employee capacity, and operational effectiveness, ultimately undermining competitiveness and productivity (Francis, Desai & Pett, 2021; McKinley et al., 2014). Recent research highlights that decline is increasingly associated with digital lag, climate-related risks, and global supply chain fragility, making proactive resilience-building strategies even more essential (Doz, 2020; Linnenluecke, 2017).

To address this, the management of state corporations, in consultation with governments such as that of Kenya, has explored turnaround strategies to reverse declining performance and achieve sustainable recovery. Turnaround strategy involves a series of critical, long-term decisions and actions designed to reverse a crisis that threatens organizational survival (O'Kane & Cunningham, 2014). It is commonly defined as the process of creating sustainable positive change in business performance to achieve desired outcomes through restructuring and renewal (Roberts, 2015). The specific strategies adopted vary depending on organizational context, but typically include financial restructuring, leadership renewal, and operational reorientation (Trahms, Ndofor & Sirmon, 2013). Recent evidence emphasizes that successful turnaround strategies increasingly require digital transformation, stakeholder engagement, and embedding sustainability practices into recovery plans to ensure resilience and long-term competitiveness (Wenzel et al., 2021; Latham & Braun, 2020). In line with Mburu's (2016) view, effective turnaround initiatives must be implemented rapidly to stabilize market share, enhance efficiency, and restore organizational visibility in turbulent environments.

Turnaround strategies in strategic management literature are often categorized into retrenchment and recovery approaches. Retrenchment strategies emphasize cost-cutting, asset reduction, and downsizing, and are typically viewed as the immediate or standard response in turnaround situations. Pearce and Robbins (1993) advocate this method as a first step, suggesting that the underlying causes of decline should only be addressed in subsequent recovery efforts. In contrast, recovery strategies focus on repositioning the organization through competitive reorientation, innovation, and capability renewal. Scholars such as Barker and Duhaime (1997) and Ndofor et al. (2013) highlight the importance of recovery strategies, particularly when organizational decline stems from misalignment with the external environment or weaknesses in internal capabilities.

While retrenchment may provide temporary relief, relying on it exclusively can undermine organizational resilience, reduce employee morale, and erode long-term competitiveness (Datta et al., 2010). Contemporary research underscores the importance of balancing retrenchment with recovery. For example, Schmitt and Raisch (2013) argue that firms facing decline from both internal inefficiencies and external turbulence achieve stronger outcomes when they combine retrenchment with recovery strategies. Recent studies also point out that successful turnarounds increasingly require strategic ambidexterity the ability to exploit existing resources efficiently while simultaneously exploring new growth opportunities (Wenzel, Stanske & Lieberman, 2021; Latham & Braun, 2020). Thus, an effective turnaround approach is often multifaceted, encompassing financial restructuring, market refocusing, organizational reconfiguration, and strategic repositioning to address both operational inefficiencies and strategic misalignments.

Firm performance remains the central measure of the success of turnaround strategies. Oduor and Kilika (2018) define performance as the totality of organizational activities reflected in outcomes such as return on investment, return on equity, customer responsiveness, and service quality. Similarly, Taouab and Issor (2019) describe performance in terms of managerial capacity to enhance competitiveness, efficiency, and effectiveness across organizational processes. Performance is therefore viewed through the dual lens of efficiency and effectiveness in resource utilization (Siminica et al., 2008). More recently, Machumu (2023) contends that performance encapsulates activities that drive growth, profitability, productivity, efficiency, and competitiveness. Empirical studies, such as those by Mutungi, Oduor and Oduol (2023), further demonstrate that appropriate resource allocation, consistent execution, and quality service delivery are crucial dimensions of measurable outcomes. Finally, Oduor, Kilika and Muchemi (2022) conceptualize organizational performance as the extent to which objectives are achieved despite resource constraints, emphasizing the alignment between strategy, resource deployment, and value creation.

Though turnaround strategies have the potential to enhance firm performance, their effectiveness often faces challenges when CEO characteristics are overlooked (Nandakumar, Ghobadian & O'Regan, 2010; Michel & Hambrick, 1992). Hambrick and Mason (1984) argue that CEO characteristics play a critical role in shaping organizational behaviour and determining whether a firm can successfully transform declining performance into recovery. Scholars investigating this variable acknowledge its intermediation role in the relationship between turnaround strategies and firm performance. However, inconsistencies persist in how CEO characteristics are conceptualized and operationalized.

Some studies confine the construct to demographic traits such as education level, CEO functions, and tenure. Others expand the definition to include tenure, age, functional background, and duality (Johan & Handika, 2017; Oduor & Kilika, 2018). This study operationalizes CEO characteristics to include tenure, educational background, and age. These dimensions were selected because they influence outcomes in turnaround efforts and are extensively examined in the upper echelon's literature within strategic management (Carpenter et al., 2004). It is therefore valuable to investigate these attributes in the context of corporate turnarounds.

1.1 The Manufacturing Industry Context and Economic Impact

The manufacturing industry serves as a critical pillar for economic development, driving industrialization, employment, and technological advancement. In developed economies such as the USA, Japan, Germany, and EU nations including France, Italy, and the UK, manufacturing contributes between 15–20% of GDP and accounts for a significant share of exports, ranging from 25–35% of traded goods (OECD, 2022; Eurostat, 2021). These nations benefit from robust manufacturing ecosystems that integrate advanced production technologies, skilled labor, and strong policy support, enhancing productivity and competitiveness.

Similarly, Pan-Pacific economies including Taiwan, South Korea, Singapore, and Hong Kong have leveraged manufacturing as a strategic growth engine, enabling rapid industrialization and global trade integration. By contrast, Africa's manufacturing sector, while growing, remains underdeveloped relative to these advanced economies. Between 2005 and 2016, African manufacturing output more than doubled from $73 billion to $157 billion, with an annual real growth rate of 3.5% (Signe, 2018), illustrating both potential and persistent structural challenges.

In Kenya, manufacturing is a cornerstone of the Vision 2030 development agenda, contributing approximately 7.6% of GDP. Despite its strategic importance, the sector faces structural constraints such as high production costs, competition from cheap imports, limited innovation capacity, and regulatory uncertainty. Post-pandemic disruptions, currency volatility, and evolving trade dynamics have further exacerbated these challenges (Kenya Association of Manufacturers, 2023). In this context, CEO characteristics including tenure, education, and age emerge as critical determinants of a firm's capacity to implement effective turnaround strategies and sustain performance amid turbulent conditions.

Empirical evidence from Kenyan firms underscores the pivotal role of CEO characteristics in turnaround outcomes. Mumias Sugar Company, for example, experienced prolonged decline due to governance weaknesses, mismanagement, and policy uncertainty. Frequent leadership changes disrupted continuity and delayed recovery initiatives. Similarly, Eveready East Africa, historically a market leader in battery production, struggled with cheap imports and market shifts; delayed strategic diversification due to leadership indecision impeded its turnaround efforts. Conversely, firms such as Bidco Africa illustrate how strong, visionary leadership, combined with strategic repositioning into new product lines, can foster resilience and drive performance recovery even amid sectoral turbulence.

Comparatively, EU and UK firms operate in more stable environments characterized by predictable regulatory frameworks, advanced industrial infrastructure, and access to high-value markets. Kenyan firms, by contrast, face heightened operational and strategic risks, emphasizing the critical importance of CEO strategic competencies. In Kenya, turnaround strategies must address not only internal operational inefficiencies but also navigate complex external pressures to align with competitive opportunities.

The policy environment further amplifies the significance of this investigation. Kenya's Bottom-Up Economic Transformation Agenda (BETA) identifies manufacturing as a priority sector for driving inclusive growth, employment, and industrial competitiveness. The agenda emphasizes value addition, export promotion, and industrial innovation as levers for sectoral revitalization. Achieving these national objectives requires not only supportive government frameworks but also capable firm-level leadership to execute effective turnaround strategies. By examining CEO characteristics within this context, the study links firm-level recovery initiatives to broader national economic priorities, providing insights into how leadership can mitigate turbulence, enhance competitiveness, and promote sustainable industrial growth.

Thus, investigating CEO characteristics in Kenya's manufacturing sector deepens understanding of how leadership attributes interact with corporate turnaround strategies to restore firm performance. The findings contribute to the global literature on corporate turnarounds while offering practical guidance for policymakers and industry leaders seeking to revitalize Kenya's manufacturing base in alignment with BETA's vision for sustainable and inclusive economic transformation.

2. Statement of the Problem

Globally, manufacturing firms face persistent challenges, including customer dissatisfaction with products and services, inadequate research on market trends, poor understanding of consumer behavior, micromanagement, and slow adaptation to technological advancements that could enhance systems and processes (Harrigan, 2017; Schoenberg, Collier & Browman, 2013; Oduor, Kilika & Muchemi, 2021). These challenges have intensified following the COVID-19 pandemic, leading to declining performance across the sector. In response, corporate turnaround strategies have emerged as a viable approach to reversing decline and restoring profitability.

Despite the extensive body of work on turnaround strategies, several gaps remain. First, much of the research has concentrated on the service and financial industries, with comparatively little attention given to the manufacturing sector (Sije, Omwenga & Iravo, 2016). Second, inconsistencies in research design and statistical rigor make it difficult to generalize findings. Studies vary widely in approach, ranging from longitudinal case studies to cross-sectional empirical work, limiting replication and practical application (Njuguna et al., 2018; Duygulu et al., 2016; Wassmer et al., 2017). Third, very few studies have examined the effectiveness of turnaround strategies in the specific context of Kenyan manufacturing firms (Tenkasi & Kamel, 2016; Hitt, 2011). This lack of contextualized evidence creates uncertainty about the strategies' effectiveness in driving firm performance within this critical sector.

Another limitation in the literature is the insufficient exploration of the compounding effects of environmental dynamism on the relationship between turnaround strategies and firm performance. In particular, the role of CEO characteristics during turbulent periods remains underexamined, despite evidence that leadership traits significantly shape organizational response and recovery during crises (Hambrick & Mason, 1984; Nandakumar, Ghobadian & O'Regan, 2010). Neglecting CEO attributes such as tenure, educational background, and age leaves a critical gap in understanding how leadership mediates the link between turnaround efforts and performance outcomes.

This study seeks to address these gaps by investigating how CEO characteristics influence the relationship between corporate turnaround strategies and manufacturing firm performance in Kenya. Anchored in the Resource-Based View (RBV), the study argues that firm performance is not only determined by strategic choices but also by the capacity of leadership to leverage organizational resources in navigating turbulence. By integrating RBV with insights from behavioral and transformational leadership perspectives, the study extends current theory and enriches understanding of how CEO characteristics interact with turnaround initiatives to shape firm outcomes.

The significance of this inquiry is twofold. Theoretically, it contributes to strategic management scholarship by highlighting the interplay between turnaround strategies, CEO characteristics, and firm performance within a turbulent environment. Practically, it provides insights for policymakers and industry leaders in Kenya, particularly within the framework of the Bottom-Up Economic Transformation Agenda (BETA), where manufacturing is prioritized as a driver of job creation, innovation, and economic growth. By clarifying the role of CEO characteristics in successful turnarounds, the study offers actionable knowledge to strengthen leadership practices and improve the competitiveness of manufacturing firms.

3. Methodology

This study undertakes a systematic review of both theoretical and empirical literature on corporate turnaround strategies, CEO characteristics, and firm performance, with a particular focus on the manufacturing sector in Kenya. The review was guided by the key terms CEO characteristics, corporate turnaround strategy, and firm performance, aligning directly with the study's objectives. To ensure scholarly rigor, the review was restricted to peer-reviewed journal articles, deliberately excluding conference proceedings and book chapters, consistent with established best practices in systematic literature synthesis (Boiral et al., 2020; Thorpe et al., 2005; Petticrew & Roberts, 2006).

A desk review methodology was employed, leveraging secondary data sources to achieve a comprehensive understanding of the research topic. Data were sourced from authoritative databases, including industry reports (OECD, 2021; McKinsey & Company, 2020), government publications (Kenya Ministry of Industrialization, 2022), and statistical repositories such as Statista and World Bank Data. Peer-reviewed scholarly articles were selectively consulted to establish theoretical grounding and to ensure alignment with contemporary strategic management discourse (Smith et al., 2019; Johnson & Lee, 2020; Simoes et al., 2021).

The desk review approach facilitated the identification of prevailing trends, case studies, and policy gaps within Kenyan manufacturing firms, providing a foundation for developing a contextually relevant conceptual framework. This focus on Kenya addresses a notable gap in the extant literature, as much of the prior research on corporate turnaround strategies and CEO characteristics has centered on service industries or developed economies (Sije, Omwenga & Iravo, 2016; Hitt, 2011; Mutungi et al., 2023). By systematically synthesizing empirical evidence within the Kenyan context, the study captures unique operational challenges such as resource constraints, market volatility, regulatory uncertainty, infrastructural limitations, and post-pandemic recovery pressures.

Furthermore, the review elucidates how CEO characteristics such as tenure, educational background, and age interact with turnaround strategies to influence firm performance in this environment. This approach not only advances theoretical understanding of corporate turnarounds in emerging economies but also provides actionable insights for policymakers, corporate leaders, and investors aiming to enhance organizational resilience, competitiveness, and sustainable growth within Kenya's manufacturing sector (Oduor & Kilika, 2018; Nyagiloh & Kilika, 2020).

4. Theoretical and Empirical Foundation

This study provides a conceptual and theoretical analysis of corporate turnaround strategy, CEO characteristics, and manufacturing sector firm performance, examining the interplay among these constructs. The framework integrates insights from both theoretical and empirical literature to elucidate how strategic choices, leadership attributes, and organizational resources interact to influence firm outcomes.

4.1 Corporate Turnaround Strategy

A corporate turnaround strategy refers to a systematic set of managerial actions aimed at restoring a declining firm to profitability (Nyatsumba & Pooe, 2021; Pandit, 2000). Effectively implementing a turnaround requires managers to diagnose the causes of decline and craft targeted strategies to reverse underperformance (Prasad et al., 2006). Broadly, a turnaround seeks to restore financial and operational stability, recover stakeholder confidence, and achieve sustainable growth (Butar-Butar, Sadalia & Irawati, 2019; Ghazzawi, 2018).

Turnaround strategies are typically classified into efficiency-oriented and entrepreneurial-oriented approaches. Efficiency-oriented strategies address operational inefficiencies, involving cost reduction, asset downsizing, and workforce optimization. In contrast, entrepreneurial-oriented strategies emphasize innovation, strategic repositioning, and market adaptation in response to changing industry dynamics (Nyagiloh & Kilika, 2020). The study operationalizes the entrepreneurial-oriented approach through four dimensions: financial restructuring, repositioning, market refocusing, and organizational restructuring (Oduor, Kilika & Muchemi, 2021).

Financial restructuring involves altering a firm's capital structure to reduce interest burdens and debt obligations, often through equity or debt-based interventions (Sudarsanam & Lai, 2001; DeAngelo & DeAngelo, 1990). Equity strategies are typically reactive, distributing risk between debt and equity holders, whereas debt strategies can be both preventive and corrective (Gertler & Hubbard, 1991; Wruck, 1990). This study defines financial restructuring as including asset reduction, refinancing, dividend cuts, and debt-equity swaps, all aimed at mitigating financial distress.

Repositioning strategies are deliberate efforts to align organizational operations with dynamic market conditions and emerging trends (Oduor, Kilika & Muchemi, 2021; Boyne et al., 2004). Such strategies may involve revising the firm's mission and vision, targeting new markets, introducing innovative product portfolios, or rebranding existing offerings. Effective repositioning requires systematic management of consumer perceptions, ensuring that prior brand positioning is gradually replaced with the new strategic identity (Newman et al., 2015). Continuous monitoring of customer satisfaction and market responses is critical to assess the effectiveness of repositioning initiatives.

4.2 CEO Characteristics

In the evolving business environment, the CEO office represents a critical strategic locus, where decisions are formulated and implemented that determine the trajectory of the firm. CEO attributes are fundamental enablers that shape their capacity to deliver value, which, in turn, influences firm performance. Strategic management literature consistently highlights a strong linkage between CEO characteristics and organizational outcomes. Various studies have examined dimensions such as gender, tenure, educational background, nationality, duality, and ownership, emphasizing that these attributes significantly affect decision-making quality and leadership effectiveness (Jadiyappa et al., 2019; Saidu, 2019).

This study specifically examines gender, age, tenure, nationality, and educational background as core dimensions of CEO characteristics, using them to shape the sub-hypotheses and explore their interactions with corporate turnaround strategies and manufacturing firm performance.

4.2.1 CEO Gender

Literature suggests that gender differences among CEOs influence decision-making and strategic orientations. Female CEOs are often characterized as more conservative and risk-averse, whereas male CEOs are generally more risk-tolerant and aggressive in strategic decision-making (Shen et al., 2021). These distinctions affect how turnaround strategies are conceived and executed, impacting the firm's ability to recover from performance decline.

4.2.2 CEO Age

The age of a CEO is a critical determinant of leadership style, strategic vision, and risk propensity. Younger CEOs tend to exhibit higher cognitive abilities, greater motivation, and an enhanced willingness to engage in risk-taking behaviors. Their managerial approach is often influenced by contemporary lifestyle preferences, technological savviness, and innovative thinking, which collectively affect decision-making and organizational performance (Hambrick & Mason, 1984). Conversely, older CEOs may leverage experience but may also demonstrate risk aversion and slower adaptability to dynamic environments.

4.2.3 CEO Tenure

CEO tenure has a complex relationship with firm performance. Longer tenure can provide deep organizational knowledge, stronger relational networks, and enhanced decision-making capacity, supporting strategic execution (Oduor & Kilika, 2018; Darouichi et al., 2021). However, extended tenure may also lead to overconfidence, entrenchment, and reduced adaptability, limiting responsiveness to competitive and environmental challenges (Hambrick & Fukutomi, 1991). Accordingly, this study operationalizes tenure as a key variable influencing the effectiveness of corporate turnaround initiatives (Brochet et al., 2021).

4.2.4 CEO Educational Background

The educational qualifications of a CEO are strongly associated with strategic thinking, analytical capabilities, and managerial competence. CEOs with advanced education are better equipped to make informed, high-quality decisions that align with organizational objectives (Oduor & Kilika, 2018; Child, 1972). Education also shapes managerial perspectives and supports the implementation of complex turnaround strategies, enabling firms to enhance operational performance, competitiveness, and long-term sustainability (Hitt & Tyler, 1991).

5. Corporate Turnaround Strategy, CEO Characteristics, and Manufacturing Firm Performance

The manufacturing industry provides a compelling context for investigating corporate turnaround strategies and CEO characteristics due to its central role in economic development, industrialization, employment creation, and technological advancement. In developed economies such as the USA, Japan, Germany, and EU nations including France, Italy, and the UK, manufacturing contributes between 15–20% of GDP and accounts for 25–35% of exports (OECD, 2022; Eurostat, 2021). These countries benefit from robust industrial ecosystems, advanced production technologies, skilled labor, and supportive policy frameworks, enhancing competitiveness and productivity. Similarly, Pan-Pacific economies, including Taiwan, South Korea, Singapore, and Hong Kong, have leveraged manufacturing as a strategic growth engine, enabling rapid industrialization and global trade integration.

By contrast, Africa's manufacturing sector remains underdeveloped relative to advanced economies. Between 2005 and 2016, African manufacturing output more than doubled from $73 billion to $157 billion, with an annual real growth rate of 3.5% (Signe, 2018), reflecting both potential and structural constraints. In Kenya, manufacturing contributes approximately 7.6% of GDP and is a cornerstone of Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA), which prioritizes inclusive growth, industrial competitiveness, and job creation. Yet the sector faces persistent challenges, including high production costs, limited innovation capacity, regulatory uncertainty, post-pandemic disruptions, and foreign competition (Kenya Association of Manufacturers, 2023).

These structural and environmental challenges underscore the critical role of corporate turnaround strategies in restoring firm performance. A turnaround strategy comprises top management actions aimed at reversing declining performance and repositioning the firm competitively in a turbulent environment (Wandera, Sakwa, & Mugambi, 2017; Nyatsumba & Pooe, 2021). Turnaround strategies typically include financial restructuring, market repositioning, operational efficiency, and organizational reorganization (Sudarsanam & Lai, 2001; Oduor, Kilika & Muchemi, 2021). Evidence suggests that well-implemented strategies can successfully restore profitability and operational effectiveness (Pandit, 2000; Butar-Butar, Sadalia & Irawati, 2019).

However, the effectiveness of turnaround strategies is contingent on CEO characteristics—including tenure, education, age, and experience which mediate the relationship between strategic interventions and firm performance (Boone et al., 1996; Hambrick & Mason, 1984). CEOs with relevant experience and advanced education are more likely to exercise strategic foresight, make entrepreneurial decisions, and mobilize resources to navigate complex challenges (Robinson, 1987; Dhifi & Zouari, 2024). In Kenya, case evidence illustrates this dynamic: Mumias Sugar Company's prolonged decline was exacerbated by frequent CEO changes, disrupting continuity and delaying recovery, while Eveready East Africa struggled with market shifts due to delayed strategic diversification.

Conversely, Bidco Africa's strategic repositioning under visionary leadership demonstrates how effective CEO attributes, coupled with entrepreneurial-oriented turnaround strategies, can drive resilience and growth.

From a theoretical perspective, this interplay aligns with the Resource-Based View (RBV), which posits that a firm's internal resources including leadership competencies are essential for achieving sustainable competitive advantage (Barney, 1991; Oduor & Kilika, 2018). CEO characteristics function as both enabling and stabilizing forces that shape the success of turnaround strategies, particularly in high-risk environments characterized by market volatility, infrastructural gaps, and policy unpredictability.

6. Theoretical Review

Strategic management scholars and practitioners have extensively examined corporate turnaround strategies in relation to manufacturing firm performance, with growing interest in the mediating role of CEO characteristics. This discourse underscores the need for robust theoretical frameworks to explain the mechanisms linking leadership, strategy, and firm outcomes. In this study, three key theories inform the conceptual framework: the Multistage Model of Turnaround, the Upper Echelons Theory, and the Resource-Based View (RBV).

6.1 Multistage Model of a Turnaround

Bibeault (1998) proposed a multistage perspective on organizational turnaround, emphasizing that successful recovery requires a structured, sequential approach. The first stage focuses on halting decline and restoring operational stability, achieved through retrenchment and strategic repositioning (Oduor, Kilika, & Muchemi, 2022). Retrenchment in this framework extends beyond mere cost-cutting to include reconfiguring internal operations, optimizing resource allocation, and addressing immediate financial and operational vulnerabilities. Commonly employed measures include workforce rationalization, asset divestment, cost reduction, and selective market or product adjustments. This stage lays the groundwork for long-term stability, enabling firms to regain control over their resources and operations in turbulent business environments.

The second stage emphasizes growth and recovery, guiding firms toward market expansion, product development, brand repositioning, mergers, and acquisitions (Bibeault, 1998; Oduor, Kilika, & Muchemi, 2022). Effective execution of initial retrenchment measures is critical, as financial stability and operational alignment provide the foundation for sustainable growth. The sequential nature of the model highlights the interplay between internal operational adjustments and strategic realignment, reflecting how firms in different contexts whether in Kenya, other African nations, or the EU must tailor turnaround strategies to available resources, market conditions, and leadership capacity.

In Kenya, manufacturing firms face constraints such as high production costs, policy uncertainty, and market volatility, where the staged implementation of retrenchment followed by strategic growth can support both firm recovery and broader economic objectives, including employment and industrial diversification (Kenya Association of Manufacturers, 2023). By contrast, EU and UK manufacturing contexts benefit from stable regulatory frameworks, advanced infrastructure, and high-value export markets, allowing retrenchment and growth strategies to be implemented with relatively lower operational risk and higher efficiency (OECD, 2022; Eurostat, 2021). Across these settings, the model illustrates that turnaround strategies are not only tools for firm-level recovery but also mechanisms with potential macroeconomic impact, influencing industrial productivity, competitiveness, and national economic growth. The model also implicitly underscores the role of CEO characteristics in driving turnaround success. Leadership decisions regarding the timing, sequencing, and intensity of retrenchment and growth initiatives can significantly affect outcomes. Tenure, education, and strategic vision are particularly relevant in contexts with high environmental turbulence, such as Kenya, where leadership stability and capability can determine whether firms effectively navigate operational challenges and align with national industrial priorities.

By framing retrenchment as a proactive and strategic enabler, Bibeault's model integrates operational efficiency, strategic repositioning, and leadership decision-making into a cohesive framework, linking firm-level interventions to broader economic and industrial implications. Consequently, this multistage perspective provides a robust lens for understanding how corporate turnaround strategies, moderated by CEO attributes, influence manufacturing firm performance across diverse economic environments.

6.2 Upper Echelons Theory

Hambrick and Mason's (1984) Upper Echelons Theory (UET) posits that CEO attributes such as gender, age, tenure, educational background, and functional experience play a critical role in shaping organizational outcomes. The theory emphasizes that the cognitive base and values of top executives influence strategic decisions, ultimately affecting firm performance. When CEOs exhibit diverse characteristics, they are better positioned to make informed strategic choices, anticipate environmental challenges, and implement initiatives effectively (Carpenter et al., 2004).

In the context of corporate turnarounds, UET underscores the mediating influence of CEO characteristics. Individual attributes, including cognitive ability, experience, and emotional intelligence, interact with corporate turnaround strategies to determine the pace and effectiveness of recovery in declining firms. For instance, in Kenya, manufacturing firms such as Mumias Sugar and Eveready East Africa illustrate how leadership instability and limited CEO experience can undermine strategic repositioning and market recovery. Conversely, firms like Bidco Africa demonstrate that stable and competent leadership, drawing on the CEO's tenure, education, and strategic foresight, can successfully drive turnaround initiatives despite market volatility (Kenya Association of Manufacturers, 2023).

Comparatively, in EU and UK contexts, CEO attributes still influence firm performance but within more stable regulatory and infrastructural environments. Firms operating in Germany, France, or the UK benefit from structured corporate governance, robust market data, and predictable policy frameworks, which can amplify the positive effects of diverse CEO characteristics on strategic decision-making (Eurostat, 2021; OECD, 2022). Across these diverse environments, UET highlights that CEO characteristics are a critical lever for aligning strategic initiatives particularly turnaround strategies with firm-level performance and broader economic outcomes.

6.3 Resource-Based View (RBV) Perspective

The Resource-Based View (RBV) of the firm, initially conceptualized by Penrose (1959) and later expanded by Wernerfelt (1984) and Barney (1991), posits that sustained competitive advantage arises from the firm's unique resources and capabilities. The RBV emphasizes that organizations achieve superior performance by leveraging internal strengths, neutralizing weaknesses, exploiting opportunities, and mitigating external threats (Hofer, 1990). Resources that are valuable, rare, imperfectly imitable, and organized (VRIO) allow firms to capture value and secure competitive advantage (Barney, 1991).

In the context of corporate turnaround strategies, RBV provides a framework for understanding how internal resources financial, technological, human, and organizational interact with CEO characteristics to drive recovery. Effective CEOs can orchestrate resource reallocation, optimize operational processes, and innovate to reposition declining firms strategically. For Kenyan manufacturing firms, limited access to advanced technology, skilled labor, and robust supply chains necessitates strategic alignment of resources under capable leadership to achieve turnaround objectives (Kenya Ministry of Industrialization, 2022).

In contrast, EU manufacturing firms operate within resource-rich environments, with access to advanced production technologies, skilled labor, and well-integrated supply networks (OECD, 2022; Eurostat, 2021). While the RBV logic holds universally, the extent to which internal resources can be leveraged depends on contextual factors. In African contexts, firms face additional constraints such as infrastructure gaps, policy uncertainty, and market volatility, making CEO decision-making and resource orchestration even more critical for successful turnarounds (Signe, 2018).

By integrating RBV with UET, this study highlights that corporate turnaround strategies are most effective when CEOs strategically leverage unique firm resources to restore performance. This combined perspective emphasizes the interplay between leadership attributes and internal capabilities, providing a theoretical basis for understanding how manufacturing firms in Kenya, and by extension other emerging markets, can recover from decline while contributing to industrial growth and economic development.

6.4 Conceptual and Theoretical Issues

The literature on corporate turnaround strategies, CEO characteristics, and manufacturing firm performance provides a robust foundation for understanding how organizational outcomes are influenced by both strategic actions and executive attributes. Research consistently highlights that the effectiveness of turnaround initiatives is contingent not only on the strategies employed but also on the capabilities and characteristics of the CEO, who plays a pivotal role in navigating complex organizational challenges.

Corporate turnaround strategies can be broadly categorized into financial restructuring, repositioning, market refocusing, and reorganization. Financial restructuring involves debt management, cost-cutting, enhanced cash flow, and strengthened internal controls. Repositioning encompasses rebranding, market penetration, pricing strategies, and strategic collaborations to redefine market positioning. Market refocusing emphasizes customer centrism, brand equity, portfolio optimization, and evidence-based market research. Reorganization pertains to improving internal systems and processes, adopting technological innovations, engaging stakeholders, and ensuring ethical and regulatory compliance. These strategies collectively aim to restore organizational viability, competitiveness, and long-term sustainability.

CEO characteristics represent the intrinsic attributes that shape cognitive frameworks and decision-making processes. Factors such as gender, age, tenure, educational background, and nationality are operationalized to assess their influence on strategic choices. When effectively aligned with organizational needs, these characteristics enable CEOs to make high-quality decisions that drive firm performance, mitigate risks, and exploit emerging opportunities. Empirical studies underscore that CEO traits significantly shape resource allocation, innovation adoption, and strategic agility, all of which are critical for successful turnaround implementation.

Firm performance, conceptualized as the organization's ability to achieve its mission and vision within the constraints of limited resources, is multidimensional. Key performance indicators include financial outcomes (e.g., return on investment), market-based metrics (e.g., market growth and share), and innovation-oriented dimensions (e.g., product quality, creativity, and leadership in innovation). The literature emphasizes that performance emerges from the effective mobilization of organizational capabilities, particularly during periods of strategic transformation.

Empirical evidence reinforces the interdependence of strategy and leadership. Nyangilo and Kilika (2020) highlight that successful turnaround strategies are contingent upon an organization's historical experiences and intrinsic capabilities. Likewise, Santanaa, Vallea, and Galan (2017) argue that well-structured strategic frameworks should precede drastic measures such as layoffs, ensuring that cost management does not undermine long-term value creation. Studies on CEO characteristics, such as Edi, Basri, and Arafah (2020), further illustrate that executive attribute, including experience and competence, enhance firm reputation and performance, particularly in complex post-merger environments where resource orchestration and stakeholder trust are critical.

Theoretical perspectives provide additional insight into these dynamics. The Upper Echelons Theory emphasizes that organizational outcomes reflect the cognitive and demographic characteristics of top executives, while the Resource-Based View (RBV) highlights how effective integration of valuable, rare, and inimitable resources drives sustainable competitive advantage. The convergence of these theories suggests that the alignment of CEO attributes with strategic resources enables firms to implement turnaround strategies more effectively, thereby improving performance outcomes. Leadership frameworks, when integrated with RBV principles, underscore the importance of executive vision, decision-making capability, and strategic adaptability in leveraging organizational resources to achieve superior performance.

7. Call for a Theoretical Model

The preceding conceptual, theoretical, and empirical discussions underscore the necessity for a new theoretical model. The diversity of operational indicators and the varying epistemological foundations of key constructs corporate turnaround strategies, CEO characteristics, and manufacturing firm performance highlight the limitations of existing frameworks in fully capturing the complex interplay among these variables. Within the field of strategic management, it is essential to critically examine the determinants and contributions of each concept to the empirical literature. This examination reveals the need for a model that can be empirically tested to clarify the relationships between these constructs.

Developing such a theoretical model requires a nuanced integration of both theory and practice. By grounding the model in established frameworks, while incorporating contemporary insights from empirical studies, it is possible to advance the ontological and epistemological understanding of strategic management phenomena. The proposed model and its associated propositions will not only provide a structured approach for empirical testing but also enhance knowledge of how CEO characteristics interact with corporate turnaround strategies to influence firm performance.

The importance of a systematic approach to theory development is reinforced by Lee (1989), who defines scientific methodology as a framework of established rules and procedures that guide research and assess knowledge claims. This framework evolves as researchers refine methods of observation, analysis, and inference, ensuring the continuous advancement of knowledge. In the social sciences, these methodological advancements have led to institutionalized rules of inquiry, supported through the rigorous exchange of ideas and critique.

Theory occupies a central role in this knowledge progression. As Fawcett (1991) notes, theory bridges conceptual models, operational definitions, and empirical indicators, providing a coherent structure that links abstract constructs to measurable outcomes. In the context of corporate turnaround and strategic management, theory thus offers a means of connecting CEO characteristics, organizational strategies, and performance outcomes in a manner that is both conceptually rigorous and empirically testable.

7.1 Proposed Theoretical Framework

The proposed theoretical framework highlights the pivotal mediating role of CEO characteristics in shaping the effectiveness of corporate turnaround strategies on manufacturing firm performance. Turnaround strategies operationalized through financial restructuring, strategic repositioning, market refocusing, and organizational reconfiguration are posited to derive substantial leverage from the distinctive qualities and leadership styles of the CEO. Attributes such as cognitive diversity, risk tolerance, and strategic vision are critical for fostering innovation, enabling adaptive decision-making, and ensuring strategic coherence during periods of organizational distress (Carter et al., 2022). Beyond tactical execution, the CEO's strategic orientation fundamentally determines the alignment between turnaround initiatives and long-term performance objectives. This alignment is crucial, as the CEO's decisions and leadership approach directly influence the quality of decision-making processes, impacting financial outcomes, organizational stability, and market competitiveness (Knight, 2023). Consequently, this framework contributes both theoretically and practically: it advances understanding of how executive characteristics mediate strategy effectiveness, while offering actionable insights for leadership selection and strategic formulation in high-stakes contexts such as corporate turnarounds (Anderson & Lee, 2023).

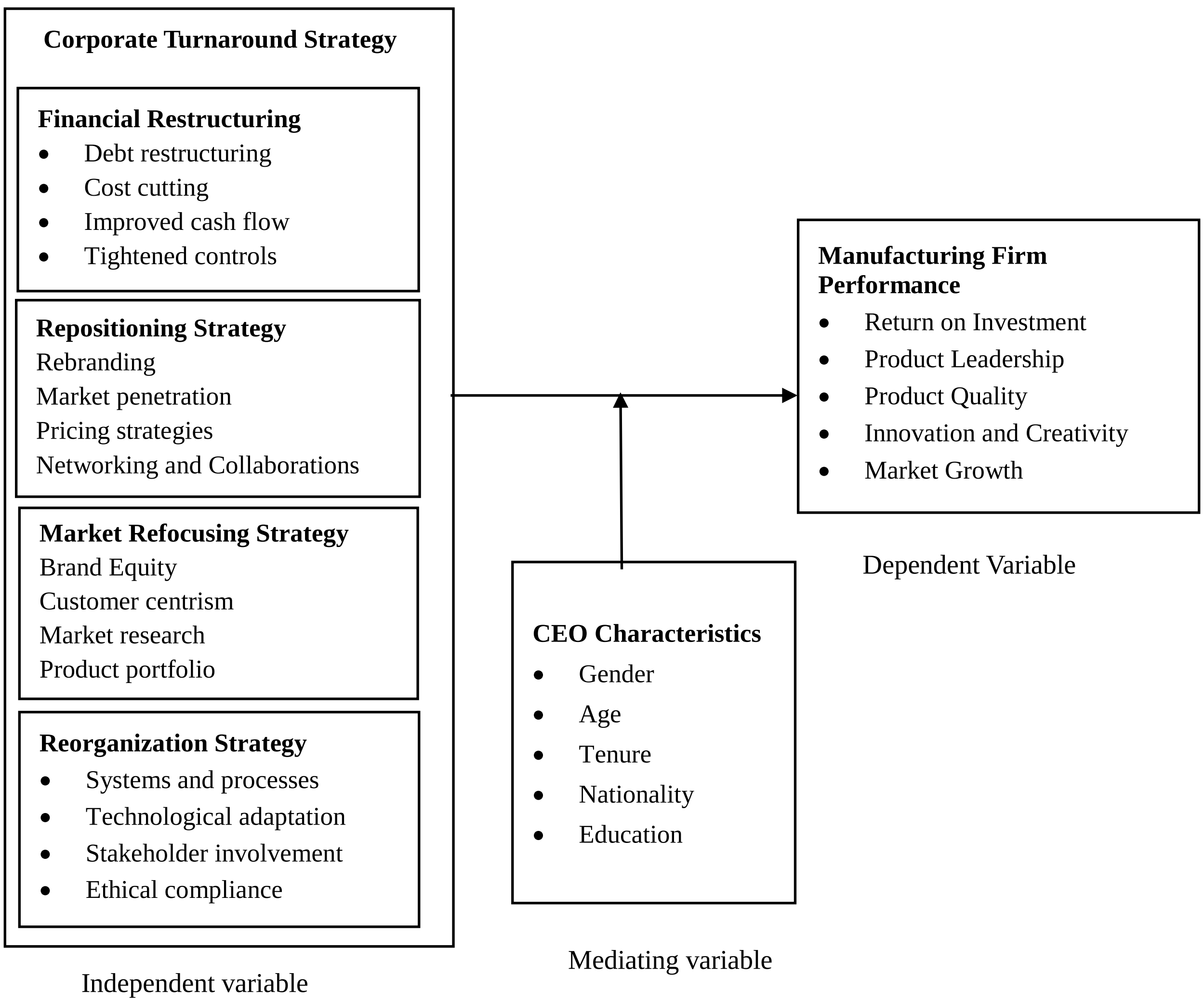

Figure 1. A proposed theoretical model delineates the mediating influence of CEO characteristics on the association between corporate turnaround strategy and the performance of manufacturing firms

8. Corporate Turnaround Strategy and Manufacturing Firm Performance

The contemporary business environment has generated considerable debate within strategic management literature regarding the role of corporate turnaround strategies in reversing declining firm performance and restoring sustainable growth. Turnaround strategies are typically examined across multiple dimensions, including financial restructuring (e.g., debt reorganization, cost reduction, and cash flow improvement), repositioning (e.g., rebranding, market penetration, and pricing strategies), market refocusing (e.g., enhancing brand equity, customer-centric approaches, and market research), and organizational restructuring (e.g., system improvements, technological adaptation, and stakeholder engagement).

This study draws on Bibeault's (1998) two-stage model of corporate turnaround, which outlines a sequential approach to recovery: first, stabilizing finances and operations, and second, implementing growth-oriented strategies to foster sustained improvement. Bibeault emphasizes that effective leadership is critical to ensuring that these stages not only reverse decline but also establish the foundation for long-term organizational success.

Grounded in these theoretical, conceptual, and empirical insights, this study proposes the following:

Proposition 1: *A strategically configured and effectively executed corporate turnaround strategy will positively influence the performance of manufacturing firms.*

8.1 Moderating Role of CEO Characteristics

The epistemology and antecedents of corporate turnaround strategy, which connect strategic interventions to enhanced organizational performance, are well established in both theory and practice. However, the success of these strategies is contingent upon the leadership characteristics of the CEO responsible for their execution. The CEO's attributes play a critical role in shaping strategic decision-making, ensuring alignment with organizational objectives, particularly during periods of turbulence and uncertainty.

This study focuses on observable CEO characteristics that are instrumental in steering manufacturing firms toward improved performance. Drawing on Upper Echelons Theory, key attributes include gender, age, tenure, nationality, and education. Literature suggests that when these characteristics are effectively configured, a CEO's capacity for sound and timely strategic decision-making consistent with John Child's (1972) strategic choice framework is significantly enhanced, ultimately contributing to sustained firm performance. Moreover, these attributes, when aligned with organizational resources and capabilities as emphasized by Burney (1991), become critical for firms operating in highly competitive and dynamic markets, where adaptive leadership and strategic foresight are essential.

Building on these theoretical foundations, the study proposes the following:

Proposition 2*: A well-configured set of CEO characteristics, when effectively leveraged in decision-making, positively influences the performance of manufacturing firms.*

9. Conclusion

This study undertook a comprehensive review of conceptual, theoretical, and empirical research to examine the intersections among corporate turnaround strategies, CEO characteristics, and manufacturing firm performance. By synthesizing contemporary approaches to corporate turnaround, it highlights foundational theories and practical insights that anchor these constructs within strategic management literature. The analysis demonstrates that while turnaround strategies operationalized through financial restructuring, strategic repositioning, market refocusing, and organizational reconfiguration are essential for reversing declining performance, their effectiveness is significantly influenced by the characteristics and leadership qualities of the CEO.

Critical gaps in the literature were identified, particularly the limited integration of executive attributes with strategic interventions in explaining performance outcomes. In response, this study developed a theoretical model positioning CEO characteristic as a pivotal mediating factor in the relationship between corporate turnaround strategies and firm performance. This model provides a structured framework for understanding how strategy, leadership, and performance dynamically interact and offers propositions for empirical validation.

While the propositions are theoretically grounded, empirical testing is necessary to validate and refine the model. Future research could adopt primary data collection from manufacturing firms across diverse contexts to examine the mediating role of CEO characteristics more rigorously. Additionally, integrating psychological and behavioral traits of CEOs, such as emotional intelligence, resilience, and cognitive complexity, would provide a more nuanced understanding of executive influence on turnaround strategies. Expanding the investigation to other industries and sectors could assess the model's generalizability; while exploring the interaction between external environmental factors such as market dynamism and regulatory pressures and CEO attributes could further illuminate the conditions under which turnaround strategies succeed. Longitudinal studies would also be valuable to capture the temporal effects of CEO decisions and strategic interventions on firm performance.

Limitations of this study include its reliance on secondary literature, which may not fully capture emerging practices or sector-specific dynamics. The focus on observable CEO characteristics (e.g., gender, age, tenure, nationality, education) may overlook deeper cognitive or behavioral factors, and the emphasis on manufacturing firms may limit generalizability to other sectors.

Despite these limitations, the study advances theoretical understanding by integrating strategic management, leadership, and performance perspectives. It provides practical insights for managers and policymakers navigating high-stakes organizational transformations and establishes a solid foundation for future research to empirically test, refine, and extend the proposed model. By embedding future research directions within the discussion, this study not only highlights knowledge gaps but also guides the next steps for scholarly inquiry into the critical interplay between corporate strategy, executive leadership, and organizational performance.

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No additional data are available.

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