

**FINANCIAL DISTRESS AND TURNAROUND STRATEGIES:
EVALUATING THE CASE OF AGRIBUSINESS INC. (U) LIMITED**

BY

**MARTHA TIMUGIIBWA
2016/HD06/1325U**

SUPERVISED BY DR. KIWALA YUSUF

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF BUSINESS
AND MANAGEMENT SCIENCES IN PARTIAL FULFILMENT FOR THE
AWARD OF A MASTERS OF BUSINESS ADMINISTRATION DEGREE BY
MAKERERE UNIVERSITY**

NOVEMBER, 2018

ABSTRACT

The study set out to examine the causes of financial distress and challenges in implementing the turnaround strategies with a view of developing recommendations/mechanisms for strengthening implementation of the turnaround strategy. A case study design using qualitative approach was adopted. This study majorly relied on key informant interviews. Interviews were conducted for members of the board of directors, senior management, accountant, external auditors and company secretary.

The failure of Agribusiness Inc. (U) Limited was a result of both internal and external factors. Specifically, internal factors include; corporate governance weaknesses majorly characterized by failure to exercise board oversight, inappropriate investment decisions with zero returns, high dependence on debt financing, and poor accounting policies leading to financial distress in Agribusiness Inc. (U) Limited. Drastic decrease in Coffee prices, inflation and political instability in South Sudan were the external factors that lead to financial distress in Agribusiness Inc. (U) Limited. The challenges in implementation of turnaround strategy in Agribusiness Inc. (U) Limited included strategy mismatch, lack of commensurate logistical, financial and human resources.

The study recommends better corporate governance practices, including re-orientating the board of Directors, issuance of performance targets for the board and annual performance appraisals. The board should also appoint one member as an Executive Director to be responsible for day to day management oversight before the board meeting. It is also recommended that the board meets quarterly to adjudicate on board and management matters. The board should advise management to pursue a defender strategic orientation. In using the defender strategy, the company should not aggressively pursue new markets but concentrate on particular & sustainable market niche and satisfy its needs and demand. The CEO in liaison with the departmental heads should develop functional plans and incorporate plans into three or five year strategic and investment plan for board approval. It is also recommended that management adopts the use of Balanced Score Card for strategic management and performance management. Benchmarking on board and management operations with similar highly profitable companies in the industry could be sought.