Chapter 2

Literature Review and Research Methodology
This chapter reviews different perspectives on organizational decline and discusses the methodology of research undertaken for the study. The section on literature review integrates significant underlying factors into a conceptual framework that takes into consideration the definition, symptoms and causes of decline in organizations.

2.1 Literature Review

The entire literature review on turnaround management has been categorized into different sub types. These are turnaround concept, strategies, leadership, causes, process models, types, triggers, performance, and research methodology and can be seen in the form of conceptual map given in Figure 2.1.

2.1.1 Turnaround Concept

P. N. Khandwalla (2001) defined “turnaround management as the systematic and rapid implementation of a range of measures to correct a seriously unprofitable situation.” It might include dealing with a financial disaster or measures to avoid the highly likely occurrence of such a disaster. Turnaround schools and practitioners have probed several questions, such as:

- What management actions in turnarounds are worth studying? There may yet be no consensus, but the actions listed in different studies do sometimes overlap to same extent.
- How do successful turnarounds differ from failed or less successful turnaround attempts?
- How do turnarounds get started? How do they proceed? Do turnarounds have distincting stages or phases? What are the important processes during a turnaround?
- Are there alternative strategies of turnaround? Do these depend on the depth / causes of sickness?
Are there different types of turnaround? Does each type consist of a distinctive set of turnaround actions?

D. E. Schendel and G. R. Patton (1976) describe poor performance as a growth rate in net income which is less than the growth in gross national product (GNP), and turnaround as a growth rate in income which is greater than GNP growth rate. According to them, the firms that made turnaround suffered a more severe performance...
failure during the decline phase than non-turnaround firms. During the subsequent turnaround period, turnaround firms had greater increase in sales and also were able to lower their ratio of cost of goods sold to sales as compared to non-turnaround firms. Their conclusion was that turnaround firms are able to generate new business, either internally or through acquisition, and are able to operate these businesses efficiently.

V. Ramanujam (1984) extended the study of turnaround by examining differences in organizational and environmental contexts, including environmental volatility, industry growth, concentration, capital intensity and leverage. Poor performance was defined as “three or four years of monotonically decreasing return on investment (ROI), with an ROI at the end of this period below 5 per cent. If this period of poor performance was followed by four years of monotonically increasing ROI, with ROI exceeding 5 per cent, the company was labeled a turnaround”. According to Ramanujam, turnaround firms came from growing industries and therefore were able to expand sales and reduce cost of sales and capital intensity.

D. Whetten (1980) took a different approach to analyzing organizational decline. He described two types of decline- decline as stagnation and decline as cutback. Decline as stagnation is evidenced by organizations that are bureaucratic, passive, and insensitive. Decline as stagnation may or may not result in loss of revenues and is more likely in periods of abundance or during periods when the environment contains few true competitors. Whetten defined decline as “cutback in terms of size dimensions due to a reduction in the total market or a decrease in the organization's ability to compete with others in the market. During periods of scarcity of customers, reduced need for the product or a lack of ability to deliver a product acceptable to the customer, cutback in size occurs.

K. S. Cameron et al. (1988) pointed out that decline "involves restricted resources and pressures to cut back." While cutback in terms of size does not necessarily diminish the organization's ability to survive, a decrease in the organization's ability to compete in viable markets most certainly will. Perhaps cutback is improperly considered as a type of decline. However, cutback may be a temporary adjustment that is an
appropriate response to the environment and enhances, rather than diminishes, long-term viability.

L. Greenhaigh (1983)\textsuperscript{27} defined decline as deterioration in the organization's ability to adapt to its environment: "Decline occurs when the organization fails to maintain the adaptiveness of its response to a stable environment, or when it fails to either broaden or increase its domination of a niche which has diminishing carrying capacity." In this definition, decline is defined as the opposite of successful adaptation. However, organizations may fail to maintain the adaptiveness of their response because of forgiving (e.g., munificent) or supportive environments. Environments are usually in a state of flux: the critical issue is to ascertain the magnitude and speed of organizationally relevant change. For each organization there is a need to know when its response to the environment is sufficient. In a slowly changing environment, an adaptive or reactive response may be sufficient. In the face of rapidly changing environmental demands, a proactive or anticipatory response is required. The concept of a stable environment may therefore be a dangerous myth.

V. Ramanujam (1984)\textsuperscript{28}; and D. E. Schendel and G. R. Patton (1976)\textsuperscript{29} identified the changes in corporate financial characteristics and/or environmental contexts that were associated with turnaround. These studies have attempted to determine what aspects of the business, besides profitability, undergo change while attempting turnaround.

P. N. Khandwalla (1992)\textsuperscript{30} defined “turnaround as a process, a happening, spread over many moons, full of passion and drama, tragedy and triumph. It is also a structure, architecture of management actions which hang together in distinctive edifices”. According to him, one has to understand the concept of turnaround in order to explore the constituents which will lead to building these distinctive edifices.

N. R. Pandit (2000)\textsuperscript{31} defined a corporate turnaround simply as the recovery of a firm’s economic performance following an existence-threatening decline.
2.1.2 Turnaround Strategies

A number of studies have sought to identify alternative turnaround strategies. One group of studies has sought to differentiate between strategic and operational turnarounds. The basic idea is that if decline is because of strategic failure (wrong choice of business or technology or markets or wrong competitive strategy), then turnaround management would need to focus on strategic responses, and if the decline is because of failure in operational efficiency, then operational improvements would be needed (Hoffman, 1989). A few important literatures on this subject are reviewed as follows:

**G. S. Heggde and S. Panikar (2011)** identified the critical strategies appropriate for the successful situations in public and private sector organizations. They were of the view that “the sickness of public and private sector organization was due to external and internal organization structure and therefore the strategies aimed at dealing with structure was likely to help in turnaround”. The turnaround management should take into consideration all the factors such as external and internal i.e., marketing, finance, HR, production etc. responsible for decline and accordingly design strategies for bringing the turnaround. According to them, turnaround management should be treated with in-depth understanding as there are a few predominant causes which are specific for the sectors and also that the turnaround strategies differ depending on the sector and individual company.

**G. Kow (2004)** opined that there are only four types of people in organizations: those employees who understand the need to the shift in behaviors and the rationale behind it, and therefore, support it; those employees who do not understand the expectations for change in behaviors and the reasons why, those employees who do not have the needed skills to ensure a successful shift in performance behaviors, and those who simply do not want to change. According to him, it is very important that for successful turnaround, the CEO deals with the issue of “those who do not want to change”.

**B. S. N. Raju (2011)** stressed on the importance of providing very congenial environment to enhance the employees’ competencies and achieve its strategic aims. As
a result of this, employee productivity is enhanced and cost of production is declined. The author attributes this to high commitment and motivational levels amongst the employees. This study is an empirical one and takes into consideration the factors responsible for increasing and sustaining employees’ commitment and motivation for bringing the turnaround at *Rashtriya Ispat Nigam Ltd* (RINL). Since this study covers only one organization, the generalization of these findings becomes limited in term of time, situation and other internal and external factors.

G. Schiuma et al. (2008)\(^{36}\) stated that “the main aim of turnaround should be to identify the key knowledge assets involved in a turnaround program and then focus on the impact intellectual capital (IC) has on turnaround actions” through an extensive review of the literature on IC and along with a case study of the Ducati Motor Holding, one of the leading world brands in the sportive motorcycles’ manufacturing.

This provides insight for developing other more in-depth empirical studies. It does not investigate how the definition of a specific combination of key knowledge assets, through a turnaround program, allows the definition of an organization context-specific cognitive atmosphere which can drive workforce imagination and creativity as well as higher business performance. The findings highlight important implications both for theory and practice, and reveal interesting relationships that suggest further effort should be placed on the development of a knowledgebase view of company’s turnaround and on the analysis of the dynamics that links knowledge assets and successful change management programs.

Sim (2009)\(^{37}\) said that “there is limited research on turnaround in Asian context, particularly from a contextual perspective”. The article reports the findings of an exploratory study of turnaround strategies and management at the level of the firm in Malaysia using a case study approach. The contextual impact along dimensions such as ethnic/cultural background, ownership types and the role of Government has been examined in seven case studies of Malaysian firms. The findings reveal some differences among the firms, as well as turnaround characteristics similar to those reported in recent literature on East Asian versus Western turnaround. However, the limitation of this study is that it is an exploratory study and limited to only seven case
study firms. Hence the size and randomness of the sample are limitations and the findings may not be generalizable beyond the case study firms and needs to be verified by a larger scale study.

H. M. O’Neill (1986)$^{38}$ used Hambrick and Schecter's combination strategies to study turnaround in the commercial banking industry. Turnaround was defined as three years of declining net income (a bank's net income growth is slower than the net income growth of the banking industry) followed by two out of three year's growth (greater than the growth of the industry). Because of the special composition of the bank assets, a retrenchment strategy was not included. O'Neill found that turnaround in the banking industry is dependent upon a combination strategy of cost control and revenue enhancement.

Studies that attempt to identify management actions leading to turnaround have generally been confronted by two limitations. First, omitting reports of statistical testing of differences between turnaround and non-turnaround firms leaves open the possibility that similar actions were undertaken in other poorly performing companies without similar results being achieved. Second, it is difficult for researchers to infer what actions were taken by management by examining only publicly available information.

M. Gort (1962)$^{39}$; and W. F. Mueller and R. T. Rogers (1980)$^{40}$ argued that industry growth influences entry by new firms and expansion by existing firms which adjust the scale of production to anticipated growth. Investment in research and development (R&D) can lead to consumer product innovations as well as productivity improvements. Such innovations can result in industry disequilibrium, for example fluctuation in demand volume or product substitutes, allowing some firms to expand their businesses as the market is adjusting to competitive changes. They were of the opinion that turnaround firms are more likely to operate in high growth industries, and it is more likely in an industry with substantial investment in R&D.

H. M. O’Neill et al. (2004)$^{41}$ studied the impact of different types of ownership structures on turnaround (or crisis coping) in a sample of 28 Thai firms. They found
significant differences between privately held enterprises (PEs) and state-owned enterprises (SOEs) in terms of corporate entrepreneurial behaviour and in work efforts. Privately held enterprises (PEs) were more innovative and proactive in their entrepreneurial actions than SOEs. In terms of work effort (for example, motivation), PEs had higher levels than those in Mixed Enterprises (MEs), while work efforts in MEs were higher than those in SOEs. Their conclusion was that ownership structures have impact on a firm’s turnaround, with government owned or linked firms more likely to be restricted in their recovery efforts. The authors argued that changes in ownership (for example, from SOEs to PEs, or in another word, privatization) could be a ‘potential means for triggering organizational changes’.

G. D. Bruton et al. (2001)\textsuperscript{42} uncovered some differences between western and Asian turnaround in turnaround actions such as problem recognition, the use of retrenchments, replacement of the chief executive officer (CEO) and the speed of turnaround. For example, they found that in the firms surveyed in Hong Kong and Thailand, the recognition of problems took longer, and the use of retrenchment was limited. There were more limitations on CEO replacement, and the turnaround effort would be slower when compared to that in western firms. Their study was based on interviews of a sample of Chinese owned firms and consultants in Thailand and Hong Kong. Extending their study to an empirical study of 90 Chinese firms in Hong Kong, Singapore and Taiwan, he concluded that the ‘utility of the predominantly U.S. model of firm turnaround has limits in East Asia. The East Asian context placed constraints on their use, limiting their applicability outside western countries.

D. E. Schendel et al. (1976)\textsuperscript{43} studied the turnarounds of 54, mostly large US firms during the 1952-1971 period. They identified eight different classes of turnaround actions, with sub-categories for several of them. A most frequently used category was organization and management changes. Others reflected an external orientation: marketing program changes, product diversification and geographic diversification. The most commonly used sub- categories were general management changes, new products and R&D, acquisitions, diversification abroad, new plant construction, and internal product development. Interestingly, cost-cutting programmes, new control systems,
divestiture of divisions or product lines, modernization and decentralization were relatively less frequently used.

S. Slatter (1984)\textsuperscript{44} studied 30 successful British turnarounds of the 1960s and 70s and compared them with 10 turnaround failures. Most companies were medium sized rather than large. Slatter identified 10 categories of ‘strategic’ turnaround elements. Of these the top six most widely used elements in successful turnarounds were asset reduction, change in management, financial control, cost reduction, debt restructuring/financial, and improved marketing. Each of these was used by at least 50 percent of the successful terms. There was very limited overlap between the frequently used actions in the Slatter study and the Schendel et al study. According to him, the turnaround cultures of the American firms were quite different from those of the British ones. Management change was the only common strategy in both studies, but that was about it.

D. B. Bibeault (1982)\textsuperscript{45} studied 81 US turnarounds. Many of the companies were quite large. The most important management factors that came out were: instituting tight controls, changing people’s attitudes and understanding business better. Absolute control to management and visible leadership were seen as slightly less important, while a strong financial executive and a more active board were seen as clearly unimportant.

C. I. Lee et al. (1998)\textsuperscript{46} studied 50 Canadian and 182 British companies that had taken actions following two years of stock price erosion. They utilized nine categories of actions. These were asset sales, employee layoffs, executive replacement, acquisitions, debt restructuring, bankruptcy filing, dividend cut, financing and merger.

P. N. Khandwalla (1992)\textsuperscript{47} conducted a study of 10 Indian turnaround attempts. He analyzed the cases in terms of 10 categories of turnaround action. These included both internal and external focus actions. The internal focus actions were: top management changes, credibility building actions by the new management, initial attempts by the new management to control finances and operations, mobilizations of the staff for turnaround, coordinating of activities, quick payoffs projects in various functional areas.
and quick cost reductions. The external focus actions were: negotiation of support of outside stake-holders and neutralization of external pressures, revenue generation and asset liquidation for generating cash.

P. N. Khandwalla (2001)\textsuperscript{48} reported a study of 42 ‘complete’ turnarounds and 23 ‘break-even’ turnarounds all over the world. He utilized eight major categories of turnaround actions for analyzing each of these turnarounds. These were: personnel changes, diagnosing and troubleshooting, stakeholder or people management, operations management, management systems and structure, financial management, strategic management, and miscellaneous. Personnel changes, especially at the top seemed to be primarily an initial phase action. But so were disciplining the staff, communications downwards to co-opt the staff into the turnaround, and roping in other stakeholders. Control seizing and cost cutting, too, seemed initial actions. Somewhat later came the use of incentives and other staff motivation mechanisms, attempts to bring the organization together for unity of purpose, revamping of the plant, and more vigorous marketing. Longer-term strategic actions like diversification and changes in product mix seemed to be later phase actions.

2.1.3 Change in Leadership

D. B. Bibeault (1982)\textsuperscript{49}; S. Slatter (1984)\textsuperscript{50}; and J. M. Stopford and B. Charles (1990)\textsuperscript{51} found that successful recoveries tend to follow a path of top management change, simplification through retrenchment and, growth built on new-built capabilities. This area is potentially the most fruitful for practicing managers faced with turning around an organization and deserves more attention in future research.

2.1.4 Causes of Turnaround

D. Whetten (1980)\textsuperscript{52} referred to four sources which could give rise to organizational decline. These were organizational atrophy, vulnerability, loss of legitimacy, and environmental entropy. He followed Levine's (1978) typology for public sector organizations\textsuperscript{53}. 
M. I. Tushman et al. (1986)\textsuperscript{54} identified three sources of pressure that can translate into organizational decline: industry discontinuities, product life-cycle shifts, and internal dynamics. Internal dynamics includes any challenges to the continuation of the organization that come from within. Some causes of failure related to growth, such as crises of leadership, autonomy, control, and bureaucratic red tape, were suggested by Greiner (1972)\textsuperscript{55}. Under the conditions created by problems such as these, failure is due to lack of attention to efficient management of basic operations or a lack of regard for constituency satisfaction.

Meyer (1982)\textsuperscript{56} suggested that anticipation and successful management of activities to prevent the various crises are, in effect, an avoidance of decline. Challenges also come from the external environment as "environmental jolts". Whether the challenges are internal or external, decline occurs if the organization lacks sensitivity and fails to anticipate and respond to unfavorable conditions.

S. K. Maheshwari (2000)\textsuperscript{57} examined the reasons for organizational decline in his article and suggested that the turnaround process should be context specific. “The decline is primarily an outcome of inaction of managers and inappropriate actions of managers in response to environmental reality”. The causality variables to explain inaction and inappropriate actions are of two types. The first one is specific to an organization like past experiences, specialized assets, sunk investment, bureaucratic control, managerial commitment to status quo, internal political and cultural constraints. The second one is specific to the environment like political, legal, economic and social constraints. The turnaround process of declining organizations needs to be tailored to match the contextual reality.

2.1.5 Turnaround Model

K. S. Cameron and D. A. Whetten (1983)\textsuperscript{58} suggested a useful conceptual framework for analyzing the external forces leading to decline and predicting how decline will occur. Organizations stagnate if their environmental niche gradually erodes with predictable changes in niche size and shape. If the changes in niche size or shape are
unpredictable and diminish through contraction, organizations face a threat to their existence. When there is a gradual shift in the shape of the niche from one form to another, or dissolution, conflict develops about what direction the organization should take. With rapid, extensive, unpredicted change, the niche collapses, and confusion and chaos result.

The managerial actions related to these conditions are as follows: in the face of conditions of erosion, managers are expected to spare expenses and take steps to increase efficiency. When managers face the unusual situation of a rapid or sudden reduction in the resource base, as in contraction, their behavior becomes more autocratic and the risk to the organization's survival increases. In the face of dissolution, managers begin to question existing technology, which leads them to look for new or different methods to accomplish tasks or opportunities to enter some new market niche with existing technology, or both. Finally, under conditions of collapse, managerial behavior becomes reactionary or experimental, since the imminent dissolution of the organization is a very real possibility. Because there are serious time constraints, little planning is done, and less than efficient decisions are accepted, in the hope of finding a correction (McKinley, W. 1993)\(^59\).

**P. H. Grinyer and P. McKiernan (1988)**\(^60\) opined that ‘the process of inducing major and sustained improvements in companies that are stagnating is of fundamental and lasting importance.’ They studied 25 UK cases of ‘sharp-bending,’ that is, companies that underwent transitions to much higher performance. Although sharp-benders may not all lead to turnarounds from decline, the processual insights of the study can have implications for turnarounds. According to their model, sharp-bending seems to begin dramatic crisis, a situation triggered by internal dissatisfaction over the gap between corporate aspirations and realized performance.

**J. M. Stopford and B. Charles (1990)**\(^61\) examined the renewal processes of six British manufacturing organizations in disastrous straits. They distinguished between ‘turnaround,’ which they defined as oriented largely to financial solvency and efficiency, and ‘rejuvenation,’ in which system-wide changes in strategy, structure, management systems and processes culminate in a metamorphosis and powerful new
business capability. They developed a model of decline as a process that begins before financial signals become evident, and show the stages in which decline is reversible if appropriate corrective action is taken. Because an organization's internal dynamics and its relationship with the environment are extremely complex phenomena, a description of organizational decline as occurring in discrete stages is, of course, a simplification. However, if approximate sets of characteristics can be linked to various periods of decline, this may provide a useful framework for additional research and for assisting leaders in conducting realistic organizational assessments. A model of stages of decline has been developed to draw attention to these problems of downturns in performance.

W. Weitzel and E. Jonsson (1989) developed a model to describe how organizational decline passes through five stages. In the first stage, the organization is blind to the early stages of decline; in the second stage it recognizes the need for change but takes no action; in the third stage it takes action, but the action is inappropriate, in the fourth stage it reaches a point of crises; and in the fifth stage, it is set to dissolve.

G. Boyne and J. M. Kenneth (2009) developed a new and more comprehensive model of turnaround that incorporated three main sets of explanatory variables. First, examination of changes in the munificence and complexity of the task environment during a turnaround attempt was examined. Second, the model included changes in the human resources of organizations that were attempting to recover from decline. Third, measures of retrenchment and repositioning which has been the traditional concern of turnaround researchers were also incorporated. The authors of this article deliberated that the extent of recovery from decline is influenced not only by these strategic, but also by changes in task environments and human resources. However, the general validity of these conclusions is, of course, limited by the sectoral and temporal setting of study. This paper suggests further studies on changes in human resources, structures and processes of organization.
2.1.6 Turnaround Types

D. C. Hambrick and S. M. Schecter (1983) attempted to identify turnaround types or designs in their study of the turnarounds of 53 US businesses operating in mature industrial products industries. Through cluster analysis they identified three designs, two of which they had anticipated and one they had not. The largest cluster of 28 firms was the one they had not anticipated, the one they called piecemeal productivity turnaround. This was relatively high on capacity utilization and employee productivity. The second largest cluster of 19 firms was labeled selective product/market pruning. This type of turnaround appeared to be secured by generating cash by liquidating receivables and inventories, possibly to reduce borrowings, cut in expenses like marketing, a push on higher productivity and quality. The third cluster of only six firms labeled as asset and cost surgery appeared to be achieved by sharp cuts in R&D, divestiture of the older plant and equipment, liquidation of inventories and capacity utilization.

P. N. Khandwalla (2001) divided 42 ‘complete’ turnarounds into roughly two equal groups. The first was known as surgical turnarounds involving substantial layoffs and the second one was known as non-surgical turnarounds involving virtually no layoffs.

2.1.7 Triggers for Initiating Turnaround

Some researchers argue that a triggering event or events need to shock incumbent management into realizing that different action is called for. Such triggering events, or triggers, also play a role in the turnaround process by influencing strategies and inducing management changes. If the triggers are not identified in the earlier stages, the turnaround strategy will not match the causality and severity of the situation. The following section discusses some of the important literature on triggers for initiating turnaround.

F. Baden and J. M. Stopford (1992) illustrated that a gradual loss of competitiveness is often not reflected as a gradual deterioration in profitability. Rather, profitability may decline very slowly at first and then suddenly plummet. Similarly,
there may be a time lag between improvements in competitiveness and subsequent profit improvement. They explained the decline lag as the result of top management’s small-scale and partial response to the initial, admittedly weak, signs of impending failure. For researchers, the problem is exasperated by the tendency of managerial manipulation of accounting-based measures of profitability in declining performance contexts.

Thompson (1967)\(^\text{67}\) pointed out that under the assumption of rationality, organizations attempt to anticipate and to adapt to environmental changes from which the core technology cannot be protected. When changes in the environment are large, rapid, or hard to predict, the organization must be capable of rapid change if it is to survive. Failure to find the appropriate change leads to the organization's slide toward dissolution. An organization's inability to adapt has been linked to various indicators, which have then been used to define decline.

2.1.8 Turnaround Performance

S. D. Chowdhury and J. R. Lang (1996)\(^\text{68}\) analysis of US small firm (less than 500 employees) turnarounds in four 4-digit SIC industrial classifications over the period 1984-87 revealed that 153 (8%) of the 1,918 publicly traded small firms on the Dialog Information Services' Disclosure database were in need of turnaround according to their criteria (i.e., they were, on average, over a two year period, earning less than the opportunity cost of capital). Of these, only 27 (17.6%) recovered (i.e., average ROI over the subsequent two year period equal to or greater than opportunity cost of capital). On the basis of the studies that have attempted to establish the empirical importance of corporate turnaround, two conclusions may be drawn. Firstly, the incidence of turnaround situations is significant; and secondly, of those firms suffering significant and/or sustained declining performance, a greater number proceed to fail rather than recover.

D. K. Robbins and J. A. Pearce (1992)\(^\text{69}\) in their study of 32 small and medium sized US textile firms attempted to show that sick companies that had retrenched, that is, restructured, downsized, and down scoped, performed better than sick companies that
had not retrenched. But their findings were controversial, for Barker and Mone, using the data of Robbins and Pearce, attempted to show that the difference in performance of the retrenchers and the non-retrenchers was not significant for companies with comparable levels of decline or when the effect of depth of decline was controlled.

2.1.9 Design for Turnaround Studies

N. R. Pandit (2000) studied that despite the frequent incidence of corporate turnaround and over two decades of research effort, the understanding of the phenomenon is very incomplete. A review of forty-seven studies of turnaround reveals two main reasons for this state of affairs. Firstly, problems with research design: the phenomenon has been poorly defined resulting in unrepresentative cases being selected for analysis; many important research questions have either been ignored or asked too infrequently resulting in explanations that are simplistic; and, the validity of the findings of qualitative studies is limited due, on the whole, to poor methodological execution. Secondly, investigations have largely been ad hoc in that they have either proceeded without a priori theoretical guidance or have failed to relate findings to extant theory ex post. Recommendations for future research based on stronger research designs and stronger theory are advanced in the hope that rapid advancement will ensue. An interesting process issue that has been generally neglected is the identification of a general sequence of successful recovery actions.

2.2 RESEARCH GAP

From the literature review on corporate turnaround, it can be inferred that a lot of studies have been done on turnaround management and almost all of them yield rich fresh insights. However, most of the studies on turnaround were done in developed countries where the business context was entirely different from that of organizations functioning in developing economies as also pointed by Bruton, Ahlstrom and Wan (2003). Still, further research needs to be taken on the study of triggers that initiates the incumbent management into taking remedial measures. Moreover, most of the studies are qualitative in nature and only a few have empirical approach. The literature review also revealed that turnaround studies have received minimal examination in
Asia, with studies usually focusing more on the external environment or macroeconomic issues and less on the internal issues of Asian firms. This lack of examination has persisted despite the Asian economic crisis of the late 1990s, which pushed many firms into significant decline as also indicated out by Ahlstrom and Bruton (2004)\textsuperscript{72}. There was dearth of studies not only in Asian context but even lesser in Indian context. Further, research on HR perspective of turnaround management and that too in Indian context is minimal. So, the study undertaken by the researcher is an attempt to contribute to the knowledge of corporate turnaround by bridging this gap to some extent.

2.3 RATIONALE OF THE STUDY

There is a belief, held by many, that in free-market economics just as there is freedom to enter; there must be freedom to exit. This means that if an organization is not viable, it should be allowed to close down its shutters. But it's after effect will be that it will give rise to mass – unemployment, low-social security and a lot of hardships to the people losing means of livelihood. If turnaround could be brought in such organizations, not only the organization, but the individuals working in that organization and thereby, the entire society will be benefited.

Privatization of ‘inefficient’ public enterprises has become a rallying cry in many market economics. Turnaround management can curb the fluke of privatization of the public sector units as a remedy for the ills of the public sector.

If the turnaround of sick companies is done by involving and communicating with the employees from the very beginning, it can lead to a re-appraisal of the surgical method of turning around sick organizations i.e., pruning of the workforce. A study on all these can help draw the practical implications on the society as a whole.

The present research work aims at an in depth study of the turnaround efforts with special reference to HR interventions made at Rourkela Steel Plant. It tries to study the intensive efforts that have been made to revive the Rourkela Steel Plant, which had
been incurring losses since 1995-96. It also tries to find out the effectiveness of HR initiatives in turnaround process of RSP.

2.4 OBJECTIVE OF THE STUDY

This research is pursued with the primary objective to assess the HR perspective of turnaround management with a special reference to Rourkela Steel Plant. More specifically this study has been attempted to pursue the following objectives:

1. To find out the triggers that initiated the turnaround process.
2. To study the dimensions of managerial response to turnaround process.
3. To study the various HR interventions taken as part of the turnaround process of RSP.
4. To find out the effectiveness of HR initiatives in turnaround process of RSP.
5. To suggest a new model of HR interventions in turnaround process of any steel industry with reference to RSP.

2.5 RESEARCH METHODOLOGY

This study is based on a case study approach. Using the case study research method as an empirical inquiry an attempt is made to investigate a contemporary phenomenon within its real-life context where multiple sources of evidence are used (Yin, 1984). The study has been organized with the help of both secondary and primary data. All relevant secondary data have been collected from published sources and accessing different websites. The required primary data have been collected through field survey. For this purpose, a questionnaire was prepared. In order to prepare the questionnaire, the researcher has thoroughly read the annual reports and administrative circulars, and documents published by HRD Department and thoroughly consulted the company executives several times. The above mentioned study was in the nature of a pretesting from which the researcher obtained relevant idea for preparation of the questionnaire. The researcher also consulted other experts having expertise in the research of turnaround management while framing the questionnaire. The questionnaire prepared was comprehensive in terms of the problems of the organization and desired turnaround measures.
2.5.1 HYPOTHESES

During the course of this research, the researcher has formulated following hypotheses based on the above objectives: These are as follows:

**Hypothesis H1:** Bad public image of the company was the most important trigger for initiating turnaround at RSP.

**Hypothesis H2:** Managers score high on adequacy factor in comparison to other factors in responding to the problems during turnaround.

**Hypothesis H3:** Contribution of HR interventions to turnaround is significant.

**Hypothesis H4:** Sustainability of HR interventions post turnaround is significant.

2.5.2 SAMPLING DESIGN

The research was carried out using appropriate research methodology suitable for exploratory research such as structured questionnaire for collection of primary data and published documents, reports and websites for collection of secondary data. The researcher interviewed fifty executives of RSP of all levels who were involved in the turnaround process to identify the dimensions of turnaround and ascertain their opinion on the strategies for bringing change. At that point in time about 2200 executives were working out of which 953 executives were working at junior level, 711 executives at middle level and 536 in the top level. Executives working at E1, E2 and E3 level were categorized as Junior level, executives working at E4 and E5 were categorized as middle level, and executives working at E6, E7 and E8 were categorized as Top level. As a sample size of 10% was considered to have representative character for purpose of the study 250 executives were selected through the stratified sampling technique. The three strata were junior, middle and senior managerial levels. Further, there was stratification based on six functional groups i.e., HR, Finance, Operation, Maintenance, Technical Services and Administration (Table 2.1). Total executives of RSP at the time of study in 2009 and the details of the respondents taken for study are given in Table 2.1.
Accordingly, 250 questionnaires were prepared based on the identified dimensions. The questionnaire was personally administered to the executives of Junior, Middle and Top level of RSP in order to get responses from them. However, only 233 filled in questionnaires could be used for statistical analysis as responses from 17 executives to whom questionnaires were served were not valid in all respect due to incomplete data (Table 2.1). Hence, only 233 filled in questionnaires could be used for data analysis and it was considered adequate for the purpose of research. However, the relevant qualitative views of those respondents have been incorporated in the findings of the study.

### 2.5.3 METHOD OF DATA COLLECTION AND ANALYSIS

The secondary data were collected from published sources and accessing different websites. The required primary data were collected through field survey by using questionnaire.

In order to make the questionnaire free from errors, consultation with experts and pilot tests were conducted by administering the questionnaire to 30 RSP executives. Feedback on the questionnaire was also sought from five experts in the research field for gaining their insight for eliminating any discrepancy in the questionnaire. The respondents as well as experts gave their opinion on the following issues:

- The appropriateness of content of the questionnaire for the sample.
- The identification of the difficult and ambiguous words used in the questionnaire.
- The amount of time required to complete the instrument.
- The ease of self-administration.

ii) Test of Validity and Reliability

To test the validity of the questionnaires and the interview schedules that were used for this study, the researcher administered these instruments to five respondents for corrections. Before that, the researcher gave the questionnaire to the experts for judging the content validity. The researcher also re-examined the content of the questionnaire to determine the validity of the instrument and changed vague or difficult terminologies to simpler ones and also excluded some irrelevant questions. The validity of the questionnaires was allowed based on the changes that the mock-respondents gave. Once the questions were edited and some additional information on the possible gathered background was done, the mock-questionnaires were again given to another set of respondents who again tested the validity of the questionnaire. This was done again and again until the questionnaire was perfect enough to be distributed to the respondents.

The questionnaire was tested for reliability by administering the questionnaire to the same sample twice by maintaining a gap of three months in between.

iii) Confidentiality

The privacy of the respondents as well as the confidentiality of their responses was prioritised by the researcher. This was done through keeping their private information confidential and by merely using the information that they had given as part of the statistical information of the study. Moreover, it was ensured that the respondents knew the purpose and subject of this study in order to help them with the formulation of their own perspectives. It was thought that this reassurance lends to better and more accurate responses from the respondents as their reasons would be given better assessment and they would be less inhibited when it came to responding on the questions that may be based on some personal information.
iv) Data Analysis

The data collected through questionnaire were further processed through Statistical Package for Social Sciences (SPSS, version 16.0) in computer. The tools used for processing of data were descriptive analysis, Cross tabs, factor analysis and ANOVA (Levesque, 2007). The collected primary data were classified according to the required characteristics of the study and the necessary tables were prepared. The data collected through interview method were analyzed with the help of content analysis.

2.6 THESIS ORGANISATION

The thesis is presented in seven chapters including the present introduction chapter. The first chapter introduces the perspective of the research. Second chapter discusses the various studies undertaken by different scholars and authorities on the organizational decline and turnaround management and the research methodology adopted for the study. The third chapter gives a brief overview of Rourkela Steel Plant (RSP). The fourth chapter discusses the various HR interventions taken as part of the turnaround process of RSP from the year 2000-01 to 2004-05. The fifth chapter discusses the various HR interventions taken for sustaining the turnaround process of RSP from the year 2004-05 to 2007-08. The sixth chapter does the empirical evaluation and discusses the findings of the entire study. The seventh and the last chapter discuss the summary and conclusion along with recommendations.