## CHAPTER V

**FINDINGS, DISCUSSION AND RECOMMENDATIONS**

<table>
<thead>
<tr>
<th>Contents</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 The Study in Retrospect</td>
<td>211</td>
</tr>
<tr>
<td>5.2 Findings and Discussion</td>
<td>213</td>
</tr>
<tr>
<td>5.2.1 The Profile of Samples Selected for the Study</td>
<td>213</td>
</tr>
<tr>
<td>5.2.2 Turnaround Response</td>
<td>216</td>
</tr>
<tr>
<td>5.2.3 Turnaround Context</td>
<td>220</td>
</tr>
<tr>
<td>5.2.4 Turnaround Management Model</td>
<td>225</td>
</tr>
<tr>
<td>5.2.5 Problems Faced by Top Management</td>
<td>228</td>
</tr>
<tr>
<td>5.3 Suggestions and Recommendations</td>
<td>229</td>
</tr>
<tr>
<td>5.4 Conclusion</td>
<td>235</td>
</tr>
<tr>
<td>5.5 Scope for Further Research</td>
<td>236</td>
</tr>
</tbody>
</table>
FINDINGS, DISCUSSION AND RECOMMENDATIONS

This chapter carries a summary of the major findings and the recommendations made based on the findings. This chapter also discusses the areas for further research which may contribute immensely to the theory and practice of turnarounds in varied environments.

5.1 The Study in Retrospect

The growing menace of sickness in India especially in the Public Enterprises domain, if left unchecked, will have wide-ranging consequences. Turnaround management offers companies in sickness suitable remedies for turning around their businesses. Research on turnaround in the past has provided lots of vital information regarding the factors that contribute to turnaround. However, most of these studies were done in the western context and no studies have been conducted in the SLPE context of Kerala. Over the years, Central and State governments along with company management have taken lots of measures to turn around the performance of PEs especially the sick ones. These measures had succeeded in turning around the performance of many PEs, but failed in many other companies. The present study was undertaken to evaluate the turnaround attempts made in the SLPEs of Kerala. The objectives of the study were:

1 To examine the influence of ‘Turnaround Response’ in turning around the performance of SLPEs in sickness.

2 To evaluate the role of ‘Turnaround Context’ consisting of causes of sickness, triggering events or actions, and stakeholders in distinguishing the turnaround outcome.

3 To develop a Turnaround Management Model that would explain successful turnaround attempts.

4 To identify the various problems/constraints faced by Top Management of SLPEs during turnaround attempts.

5 To make suggestions and recommendations based on the findings of the study.
In accordance with the above objectives, the following hypothesis were formulated and tested:

**H\textsubscript{01}.** There is no significant difference between turnaround and non-turnaround SLPEs with regard to various turnaround responses.

**H\textsubscript{02}.** There is no significant difference between turnaround and non-turnaround SLPEs with regard to turnaround context consisting of causes of sickness, triggering events or actions, and stakeholders.

**H\textsubscript{03}.** The turnaround response factors do not significantly depend on turnaround context during the turnaround attempt.

**H\textsubscript{04}.** The turnaround context factors do not significantly depend on each other during the turnaround attempt.

**H\textsubscript{05}.** There is no significant difference between turnaround and non-turnaround SLPEs with regard to the various problems/constraints faced by the Top Management during the turnaround attempt.

The study made use of both primary and secondary data. The secondary data were collected from various published sources. The primary data were collected through a survey using Interview Schedule. The data came from 49 respondents belonging to 10 companies selected as per preset criteria. Of the 10 companies selected, seven were turnaround companies and three were non-turnaround companies. Of the 49 respondents 33 belonged to the turnaround category and 16 belonged to the non-turnaround category. The data collected were analyzed using statistical tools such as Mean, Cross tabulations, Independent samples t-test, Factor analysis, Discriminant Analysis and Step-Wise Regression. The statistical analysis was done using SPSS software.

The analysis of data covered mainly two aspects of the problem under study, the role of ‘turnaround response’ and ‘turnaround context’. In order to examine these variables in detail, the analysis was done at two levels. In the first level, the analysis focused on individual variables under each major head. Here, the mean scores of each individual variable were computed and then tested for any significant difference between turnaround and non-turnaround companies using Independent samples t-test. The
variables with mean scores greater than or equal to 3 were treated as ‘dominant contributors’ as a general rule. The hypothesis test brought out the individual variables that accounted for the difference between turnaround and non-turnaround companies. At the second level, the focus of analysis was the newly created scores using the factor analysis procedure. The mean scores of the extracted factors were computed and then tested using Independent samples t-test for any significant difference between turnaround and non-turnaround companies. The factors that were found significantly different were considered for further treatment using Discriminant Analysis and subsequent Step-Wise Regression Analysis. Discriminant Analysis brought out the factors that significantly discriminated between turnaround and non-turnaround companies. The statistically significant factors were then regressed using the Step-Wise method to understand their relationship and predictive capacity in respect of the hypothesized dependent variables.

The period of study for the collection of primary data was 2005-2007 and, the period of secondary data for the selection of turnaround and non-turnaround companies was 1990-91 to 2004-05.

5.2 Findings and Discussion

This section contains the major findings of the study. It contains a brief profile of samples selected for the study, findings related to Turnaround Response, Turnaround Context, the Turnaround Model, and the problems faced by the Top Management during turnaround attempts.

5.2.1 The Profile of Samples Selected for the Study

The study examined the profile of companies and the respondents primarily to understand the basic structure of samples which formed part of this study. The respondents of the study belonged to the top level management cadre called ‘Senior Executives’ consisting of people occupying the positions of Head of department and above. Their profile may also signify the nature of top management characteristics of the SLPEs today. Any difference in top management characteristics between turnaround and non-turnaround companies may point out the reasons for the success or failure of turnaround attempts. The main observations are:
1. Of the companies that achieved turnaround, 43 percent were from ‘moderate sickness’ category and 57 percent were from ‘severe sickness’ category. Of the companies that failed to turnaround, 33 percent were facing ‘moderate sickness and 67 percent were facing ‘severe sickness’. The content or proportion of severely sick companies in the non-turnaround category was comparatively higher. Hence, companies in severe sickness signify a lesser possibility of turnaround than companies in moderate sickness.

2. Of the companies in the turnaround group, 29 percent were large companies and 71 percent were small companies. Of the companies in the non-turnaround category, 67 percent were large and 33 percent were small. The content or proportion of small companies in the turnaround category was comparatively higher. Hence, small companies have a greater possibility of turnaround than large companies.

3. Among the 33 respondents in the turnaround category, 15 belonged to engineering, 6 to chemical industry and 4 each to Electrical, Plantation and Agro-based, and Traditional industries. Of the 16 respondents from the non-turnaround category, 12 were from Engineering and four from the Electronics sector.

4. The Majority (51 percent) of the respondents belonged to the group of 51-55 years. Besides, 63 percent of the respondents belonged to the age group of above 51.

5. 42 percent of the respondents in the turnaround category were graduates and/or post graduates in engineering, whereas only 19 percent of the respondents in the non-turnaround category had that level of education. One respondent of the non-turnaround category belonged to the Civil Service/ IAS. While 30 percent of the respondents of the turnaround category and 31 percent of the non-turnaround category possessed management degree, only 15 percent from the turnaround group and 13 percent from the non-turnaround group had professional qualifications like CA/ICWA/CS. Similarly, 18 percent respondents from the turnaround group and 25 percent from the non-turnaround group were graduates and/or post graduates in Arts, whereas 6 percent of the turnaround respondents and 19 percent of the non-turnaround respondents had Diploma and other technical qualifications. So, in terms
of educational background, respondents of turnaround companies were found to be ahead of non-turnaround companies in respect of engineering background and professional exposure.

6. All respondents except one (98 percent) reported that they had participated in the companies’ turnaround attempt, and were, therefore, in a better position to comment on the turnaround adopted in the company.

7. All the respondents from the turnaround and non-turnaround categories reported that they were not appointed with a specific mandate for turnaround. So, turnaround outcome was independent of the terms of appointment.

8. A major section of the respondents in the turnaround category (48.5 percent) and non-turnaround category (57.1 percent) were Department heads. The number was small for Managing Director and General Manager compared to other lower level posts as in any other organization.

9. It was found that 69.7 percent of the respondents in the turnaround category and 87.5 percent of the respondents in the non-turnaround category were selected to their respective posts by way of promotion. However, 27.3 percent of the respondents in the turnaround category were selected through direct recruitment, whereas in the non-turnaround category only 6.3 percent came directly. Therefore, compared to non-turnaround companies, respondents of turnaround companies reported a higher proportion of directly recruited people in top positions and a lesser proportion through promotion.

10. From 33 respondents in the turnaround category, only 6.06 percent and from the 16 respondents in the non-turnaround category, 18.75 percent had experience in the Government departments. The average experience was 1.5 years and 4.33 years for the turnaround and non-turnaround groups respectively. Hence, respondents from the non-turnaround group have more exposure in government departments than the respondents from turnaround companies.
11. Regarding the experience in companies, 60.61 percent in the turnaround group and 43.75 percent in the non-turnaround group had private sector experience. Hence, respondents from the turnaround group have more exposure in private sector than their counterparts in non-turnaround companies.

12. The average experience in PEs was 22.73 and 20.56 years for turnaround and non-turnaround groups respectively. The average experience in the present post was 5.33 years for turnaround and 4.5 years for non-turnaround companies. The average experience in the present industry was 20.97 years and 19.63 years for turnaround and non-turnaround groups respectively. With regard to professional practice, only 21.21 percent respondents from the turnaround category reported an average professional experience of 2.29 years.

13. 33.3 percent of the respondents in the turnaround group and 31.3 percent in the non-turnaround group were working in the finance stream. Only 12.1 percent from the turnaround group had marketing specialization. 24.2 percent from the turnaround group and 12.5 percent from the non-turnaround group belonged to the production stream. 9.1 percent of the respondents from the turnaround group, and 43.8 percent from the non-turnaround group belonged to the personnel function. Only 3 percent from the turnaround category belonged to the R&D function.

5.2.2 Turnaround Response

The study measured the relative contribution of 53 turnaround response variables that are likely to turn around the performance of companies under sickness. The analyses showed that 20 factors had a mean score greater than or equal to 3. They are as follows.

14. From the external response group, 3 dominant variables were found contributing to turnaround. They are:

- Increased demand,
- Government policy and
- Government support and facilitation for reforms.
15. From the internal responses, 17 dominant variables were found contributing to turnaround. Internal responses include strategic measures and operational measures.

- The dominant strategic measures are reaching new markets, New vision and mission of the organisation, and Introducing innovative & better quality products.

- The dominant Operational measures are Top Management commitment to reform, Utilizing existing facilities more efficiently/increased productivity, Team work, Top managements influence / ties at the government level, Leadership quality at the Top level, Customer satisfaction, Better communication within the organization, Effective management of working capital, Timely completion of statutory audit, Internal committees, task forces, etc., Management's influence with different Stakeholders, Risk taking & quick decision making, Enhanced capacity utilization & productivity, and CEO and Board mutual relationship and understanding.

16. In order to identify the variables that distinguished turnaround and non-turnaround companies, the collected data relating to 53 turnaround response variables were compared using an Independent Samples ‘t-test’. Significant difference was found with regard to 43 variables. From the external response category, 6 variables were found significantly different. They are ‘Increased demand’, ‘Government support and facilitation for reforms’, ‘Strengthening the Board with new skills and expertise’, ‘Professionalisation of management’, ‘New appointments at the CEO Level’, and ‘Ensuring fixed tenure for CEO’.

17. From the internal response group 37 variables were found significantly different, including 13 strategic measures and 24 operational measures.

- The Strategic Measures that were found significantly different are Reaching new markets, Deleting products or product lines, Shifting to lucrative niches, Redefining the business, New vision and mission of the organisation, New appointments at the middle level management, Introducing innovative, better quality products, Acquiring a new production technology / modernization, Innovation and R & D, Training and development, Building the culture of
commercial undertaking, Market orientation, and Use of consultants and experts from outside.

- The operational measures are Top management's influence / ties at the Government level, Resisting pressures, interference etc from inside/outside, Management's influence with different Stakeholders, Leadership quality at the Top level, Top Management commitment to reform, Risk taking & quick decision making, CEO and Board mutual relationship and understanding, Creating and restoring low cost structure, Optimizing capital structure/ financial restructuring, Effective management of working capital, Availability of internal fund, Sale of surplus/ excess fixed assets, Internal auditing, Utilizing existing facilities more efficiently, Enhanced capacity utilization & productivity, Team work, Participation / involvement of staff in decision making, Disciplining the staff, Internal committees, task forces etc, Job satisfaction, motivation & commitment among staff, Promotional measures (Advertisement, sales promotion, publicity etc.), Customer satisfaction, Serving existing customers more efficiently, and Better communication within the organization.

18. The factor analysis provided 11 turnaround response factors that accounted for 83.13 percent of the total variation. The factors identified are:

- Professional management
- Strategic focus with owner/ Government support
- Reorientation leading to customer focus
- Strong Board with a turnaround focus
- Resisting interference through sound personnel policies
- Disciplining and co-opting staff in decision making
- Timely auditing leading to enhanced managerial autonomy
- Focusing on core business with sound working capital Management
- Building liquidity to venture into new profitable markets
- Withdrawing the status of government department
• Management’s ability to bring the government to subscribe to the vision and mission of the organization

19. The t-test administrated on the factor mean score of turnaround and non-turnaround companies revealed significant differences with regard to Professional management, Strategic focus with owner/ Government support, Reorientation leading to customer focus, Strong Board with a turnaround focus, Resisting interference through sound personnel policies, Disciplining and co-opting staff in decision making, Focusing on core business with sound working capital Management, and Management’s ability to bring the government to subscribe to the vision and mission of the organization. The mean scores of all the significantly different factors were significantly higher for the turnaround companies than for the non-turnaround companies. The companies making concerted efforts especially relating to the above-mentioned factors increases the likelihood of turnaround success.

20. Among the 8 distinguishing factors identified, the most prominent variable that explained turnaround was explored with the help of Discriminant analysis. Using the scores of these factors, a Discriminant analysis was done to identify the relative importance of these factors. The pooled-within group correlations between discriminating variables and the functions are shown below in an order of decreasing importance.

• Disciplining and co-opting staff in decision making.
• Focusing on core business with sound working capital Management.
• Reorientation leading to customer focus.
• Strong Board with a turnaround focus.
• Professional management/ responsible leadership.
• Management’s ability to bring the government to subscribe to the vision and mission of the organization.
• Resisting interference through sound personnel policies.
• Strategic focus with owner/ Government support.
5.2.3 Turnaround Context

The study examined the role of context factors in explaining the turnaround outcome. The factors covered under this head were causes of sickness, turnaround triggers, and stakeholders.

Causes of Sickness

21. Of the 37 likely causes of sickness studied, 19 causes had a mean score greater than or equal to 3. Out of the 19 dominant causes, 6 were external, 12 were internal and 1 was internal cum external.

- The external causes were Lack of professionalism at the top management team, Weak board with lack of expertise, Lack of support and tolerance for risk taking, Lack of professionalism & bureaucracy at the Government level, Lack of managerial autonomy, and Adverse government policy / actions.
- The 12 internal causes were Poor Strategic Management practices, Heavy debt burden, High cost structure/mounting cost of production, Shortage of working capital, Non-availability of required funds, Lower productivity and capacity utilization, Lack of innovation and R&D, Poor job satisfaction, commitment, morale etc. among staff, Complacency and resistance to change from within, Absence of clarity regarding roles, duties etc among staff, Lack of training & Development of personnel, and Lack of commercial orientation. The internal cum external cause having a mean score of greater than or equal to 3 was ‘Delayed decision’.

22. A comparison of turnaround and non-turnaround companies showed that from the turnaround category, 20 dominant causes and from the non-turnaround category, 24 dominant causes were contributing to sickness. It indicates that as the number of causes increases the likelihood of turnaround tends to decrease. Again, a difference in the number of dominant contributors (12 Vs. 16) was found only with regard to internal causes indicating that the increase in the number of internal factors reduces the likelihood of turnaround success. An increase in the number of internal causes
may require more comprehensive measures and the lesser chance of success in such context might be the company’s failure to undertake such comprehensive measures.

23. The mean score of 37 variables considered under the causes of sickness were compared for any significant difference between turnaround and non-turnaround groups. The t-test conducted on the mean scores showed significant difference with regard to 9 variables, of which two were external causes, six were internal and one was internal cum external. They are:

- Lack of professionalism & bureaucracy at the Government level, Frequent change and no fixed term for CEO, Heavy debt burden, Poor industrial relations, Poor quality image, Outdated technology & unviable processes, Overstaffing & Poor Person-task fit, Outdated /non-competitive products/services, and Delayed decisions.

- The means were significantly higher for the turnaround category with regard to Lack of professionalism & bureaucracy at the Government level, Frequent change and no fixed term for CEO and Poor industrial relations - strikes, union rivalry etc. It suggests that companies which attributed more importance to these causes were more likely to achieve turnaround. It may be the outcome of the management’s ability to recognize the relevance of these causes in a turnaround context and taking steps to address the same during the turnaround attempt. Hence, a higher level of cognition towards ‘Lack of professionalism & bureaucracy at the government level’, ‘Frequent change and no fixed term for CEO’ and ‘Poor industrial relations seems to make turnaround a better possibility.

- Compared to the turnaround category the mean score of the non-turnaround category was found to be significantly higher with regard to Heavy debt burden, Delayed decisions, Poor quality image, Outdated technology and unviable processes, Overstaffing & poor person-task fit, and Outdated / non-competitive products/services. The companies which attributed more importance to these causes were less likely to achieve turnaround. The reason could be either the management’s failure to diagnose the dominant causes of sickness or their failure to pursue actions which could effectively address these causes.
24. The factor analysis done on the data relating to causes of sickness isolated 11 factors that accounted for 78.95 percent variation. These factors are:

- Absence of professionalism
- Inadequate finance / improper financial management
- Project Management deficiencies
- Management handicapped with unruly labour & scarce materials
- Confused leadership leading to delayed decisions
- Status of a government department.
- Weak competitive positioning
- Shaky control over staff
- Changing economic conditions
- Complacency and resistance under government umbrella
- Lack of spending on key areas like technology and personnel

25. The Independent samples t-test administered on the mean scores of turnaround and non-turnaround firms showed significant difference with regard to four factors which are given below in an order of their importance to discriminate between turnaround and non-turnaround companies.

- Project Management deficiencies
- Management handicapped with unruly labour & scarce materials
- Inadequate finance / improper financial management
- Status of a government department

The evidence, therefore, suggests that a higher level of perception towards the causes like ‘Management handicapped with unruly labour & scarce materials’ and ‘Status of a government department’ could increase the likelihood of turnaround. The increased possibility of turnaround might be the result of a better understanding of these causes and the subsequent actions to reverse the same. However, higher levels of sensitivity towards causes like ‘Project Management deficiencies’ and ‘Inadequate finance / improper financial management’ reduce the likelihood of turnaround. As these causes are more
fundamental in nature, management’s failure to address these causes might have lessened the possibility of turnaround.

**Turnaround Triggers**

The study measured the impact of about 12 events or actions that were likely to trigger turnaround actions. The actions or events that push a company to seriously pursue turnaround are called turnaround triggers. The findings related to triggers are given below.

26. Three actions/events had mean scores greater than or equal to 3. They are ‘Threat of closure’, ‘Financial crisis’ and ‘Pressure from internal stakeholders’.

27. The t-test conducted on the mean scores of turnaround and non-turnaround groups revealed a significant difference with regard to 3 variables, New/changed leadership at the Top level, Economic recession / Industrial downturn, and Threat of privatization. The mean scores of all these triggers were significantly higher for the turnaround category compared to the non-turnaround category. Hence, the important triggers that distinguished turnaround are (1) New/changed leadership at the Top level, (2) Economic recession / Industrial downturn, and (3) Threat of privatization. Companies adopting leadership change especially in the context of an enhanced perception regarding the consequences of recession and privatization are more likely to achieve turnaround.

28. Factor analysis extracted 4 factors which explain 68.28 percent total variation. The important actions and/or events that triggered turnaround are as follows.

- Government intervention
- Threat-driven pressure groups
- Financial cushion against new competitors
- Market-driven leadership change

The t-test revealed that only ‘Market-driven leadership change’ could significantly differentiate the turnaround outcome. The evidence, therefore, suggests that companies attempting turnaround with a new leadership in the context of falling demand could significantly increase the possibility of turnaround. Companies perceiving a higher level
of threat from the market and change in leadership in tandem with this perception had increased the possibility of turnaround. All stakeholders would put in their best effort and if quality leadership is made available, such companies could significantly improve their chances of turnaround.

**Stakeholders**

The interview schedule measured the relative contribution of 12 prominent stakeholders who are likely to play a dominant role during the turnaround attempt.

29. Two stakeholders reported mean scores greater than or equal to 3. They were ‘Trade Unions’, and ‘Employees’.

30. The t-test conducted on the mean scores of turnaround and non-turnaround groups found significant difference with regard to Trade unions, BIFR, and RIAB / ERC/ KIRFB. The mean scores of ‘Trade unions’ and ‘BIFR’ were significantly higher for the turnaround category compared to the non-turnaround category, whereas the mean scores of ‘RIAB / ERC/ KIRFB’ was significantly higher for the non-turnaround group. So, two main reasons for the success of turnaround attempt among SLPEs were found to be the increased contributions on the part of BIFR and Trade unions. An increased role of RIAB/ERC seems to contribute only a little to the turnaround of SLPEs.

31. The factor analysis provided 5 factors or stakeholder groups that accounted for 79.19 percent of the total variation. They are as follows:

- Motivated supplier group
- Outside Public through auditors
- Central Government agency in tie up with Financial Institutions
- Administrative department
- State government Agency with its own fund

The t-test revealed that only two factors, ‘Central Government agency in tie up with Financial Institutions’ and ‘State government agency with its own fund’ could significantly differentiate turnarounds and non-turnarounds. The mean score of ‘Central Government agency in tie up with Financial Institutions’ was significantly higher for
turnaround companies than for non-turnaround companies. The mean score of ‘State government agency with its own fund’ was significantly higher for the non-turnaround companies. So, external agencies like BIFR and Financial Institutions were found to play a key role in turning around companies in sickness. The greater chance of turnaround here may be the outcome of increased pressure exerted by these agencies even by threatening the very survival of companies which undertake turnaround with their support. State government agencies’ (RIAB and ERC) enhanced contribution seems to contribute only a little to turnaround. It appears that the State agencies might be looked upon by SLPEs as another government department with little pressure on them to turn around.

32. The Discriminant Analysis done on these significantly different factor scores revealed the power of these variables in discriminating the turnaround and non-turnaround companies. They are given below in the order of decreasing importance.

- State government agency with its own fund
- Central Government agency in tie up with Financial Institutions

### 5.2.4 Turnaround Management Model

Based on the evidence gathered and observations made, the researcher developed a hypothetical model (see figure, 4.9) showing the nature of likely relationships among the factors that were found significantly distinguishing the turnaround outcome, success or failure. However, the nature and extent of such relationship were not explicit. In order to measure the same, the conceptualized relationships in the model were examined using Step-Wise Regression method. The Step-Wise Regression administered on the collected data in respect of significant factors revealed the strength of relationship along with their prediction equation.
The model suggests that context factors like the causes of sickness, triggers and stakeholders can significantly influence the Turnaround Response and consequently the turnaround outcome. The model also suggests some interrelationships that exist among the context factors. The important findings are reported below.

33. Companies perceiving their causes of sickness as ‘Management handicapped with unruly labour & scarce materials’ and ‘Status of a government department’ contribute positively to the turnaround response, Professional management. Besides this, the triggering factor, Market-driven leadership change also increases Professionalism in management. However, the presence of State government agency with its own fund reduces the possibility of professionalism at the Top Management level.

34. The increased perception regarding the cause of sickness ‘Status of government department’ increases the possibility of the turnaround response ‘Strategic focus with owner/ Government support’. Market-driven leadership change also increases the possibility of the turnaround response ‘Strategic focus with owner/ Government support’.

35. The increased perception regarding the causes of sickness, ‘Management handicapped with unruly labour & scarce materials’ and ‘Status of a government department’ increase the chances of the turnaround response, ‘Reorientation leading to customer focus’. Market-driven leadership change also enhances the possibility of turnaround by increasing the chances of the turnaround response ‘Reorientation leading to customer focus.’

36. The increased perception regarding the cause of sickness, ‘Management handicapped with unruly labour & scarce materials’ increases the possibility of the turnaround response, ‘Strong Board with a turnaround focus’. Besides, ‘Market driven leadership change’ and involvement of ‘Central Government agency in tie up with Financial Institutions’ increase the turnaround response ‘Strong Board with a turnaround focus’.

37. The higher level of perception regarding the cause of sickness, ‘Status of a government department’ and the presence of the turnaround trigger, ‘Market-driven
leadership change’, increase the possibility of the turnaround response, ‘Resisting interference through sound personnel policies.’ However, the increased role of ‘State government Agency with its own fund’ reduces the possibility of turnaround by reducing the chances of the turnaround response, ‘Resisting interference through sound personnel policies.’

38. The increased perception regarding the causes of sickness like ‘Inadequate finance / improper financial management’, ‘Management handicapped with unruly labour & scarce materials’ and ‘Status of a government department’ increases the chance of turnaround by positively influencing the turnaround response, Disciplining and co-opting staff in decision making.’ However, the increased perception regarding the cause of sickness, ‘Project Management deficiencies’ lessens the chances of turnaround by reducing the possibility of the turnaround response, ‘Disciplining and co-opting staff in decision making.’ In addition to the causes of sickness, the triggering factor, ‘Market-driven leadership change and the Central Government agency in tie up with Financial Institutions’, was also found contributing significantly to turnaround by increasing the possibility of turnaround response, ‘Disciplining and co-opting staff in decision making’. However, the increased role of the state government agency reduces the possibility of the turnaround response, ‘Disciplining and co-opting staff in decision making’, and consequently lessens the possibility of turnaround.

39. The context of ‘Market-driven leadership change’ and the increased role of ‘Central Government agency in tie up with Financial Institutions’ increases the possibility of turnaround by significantly increasing the chances of the turnaround response, ‘Focusing on core business with sound working capital Management.’

40. While the increased perception relating to the dominant cause of sickness, ‘Project Management deficiencies’, lessens the possibility of response, ‘Management’s ability to bring the government to subscribe to the vision and mission of the organization’, the increased perception regarding the ‘Status of a government department’ increases the chances of turnaround response and consequently turnaround success.
Table 4.5 revealed how the context factors were significantly related to one another. The increased perception regarding the cause of sickness, ‘Status of a government department’, increases the possibility of the dominant turnaround trigger, ‘Market driven leadership change’ which, in turn, increases the chances of turnaround success.

42. The higher level of perception regarding the causes of sickness like ‘Inadequate finance / improper financial management’ and ‘Project Management deficiencies’ increases the likelihood of an active role by the ‘State government agency with its own fund’ which, in turn, reduces the possibility of turnaround success, whereas, ‘Management handicapped with unruly labour & scarce materials’ and ‘Status of a government department’ lessen the likelihood of an increased role by ‘State government agency with its own fund’ and consequently contribute to turnaround success.

43. An increased perception regarding the cause of sickness, ‘Management handicapped with unruly labour & scarce materials’, increases the chances of an active role by the ‘Central Government agency in tie up with Financial Institutions’ and thereby increases the possibility of turnaround success.

5.2.5 Problems Faced by Top Management During Turnaround

In the PE context, top management discharges its duties within a lot of constraints which often kills the initiative and entrepreneurial spirit of top level managers. The study measured the degree of 14 most likely problems faced by the top management during turnaround attempts.

44. The results showed six variables with a mean score greater than or equal to three. They are Delay in getting approval, fund, etc., from government, Non-availability of sufficient funds, Lack of enough autonomy in decision making, Lack of sufficient managerial talents, Bureaucratic approach of civil servants, and Absence of political will to take firm decisions.
The t-test administered on the data showed that only four problems differed significantly between turnaround non-turnaround companies. They are Delay in getting approval and fund from government, Absence of political will to take firm decisions, Audit & vigilance headache, and Corruption, serving personal interests and mistrust.

- The mean scores of problems faced by top management of turnaround companies were significantly higher with regard to problems like ‘Absence of political will to take firm decisions’, ‘Audit & vigilance headache’, and ‘Corruption, serving personal interests and mistrust’. However, the mean scores of the problem ‘Delay in getting approval and fund from government’ was significantly higher for the non-turnaround group. The reason for non-turnaround might be delay from the government side to support such companies during the turnaround attempt. It might be because of the management’s inability to bring government to the turnaround process. A higher level of perception regarding the problems they face including Absence of political will to take firm decisions, Audit & vigilance headache, and Corruption, serving personal interests and mistrust, enhances the possibility of turnaround. It might be because of the ability of top people to effectively neutralize the negative impact of these problems and take turnaround actions within the constraints.

5.3 Suggestions and Recommendations

Based on the findings of the study the following suggestions and recommendations are given for increasing the possibility of turnaround success among the SLPEs of Kerala.

1. The profile of companies selected and respondents belonging to these selected companies signify some general issues which could improve the chance of turnaround. In the turnaround group, the proportion of smaller companies is high, whereas in the non-turnaround group the proportion is high for larger companies. The higher ratio of small companies indicates that small companies possess greater possibility of turnaround. The lesser possibility for large companies might be because
the larger size puts lots of constraints on the company management, and at the same time requires more comprehensive measures and huge resources which they often failed to deliver. Hence the management of large SLPEs should undertake much more comprehensive turnaround measures than limiting themselves with some peripheral measures.

2. Since the present study covers respondents belonging to the top management cadre, the results of respondents’ profile analysis may signify the composition of top management team which exists today in the SLPEs. The information requiring special attention are as follows:

- The profile analysis of respondents revealed that none of them were appointed to their present post with fixed mandate for turnaround. Appointments to top level positions, if done with mandate for a certain performance level, could improve the performance of the company and the prospect of turnaround.

- The proportion of promotion people is high and the proportion of people coming through direct recruitment is low among non-turnaround companies. Therefore, increasing the proportion of direct recruits to the top level may increase the prospect of turnaround.

- The proportion of people having experience in Government departments is high in non-turnaround companies averaging 4.33 years, whereas the proportion of people with private sector background, and/or professional practice is high among the turnaround companies. Therefore, increasing the proportion of people with professional exposure and private sector background may enhance the likelihood of turnaround.

- The presence of graduates/post-graduates in engineering is considerably low in non-turnaround companies compared to their turnaround counterparts. Since all the selected companies belong to the manufacturing segment, the presence of such technical expertise at the top level seems essential to enhance the chances of turnaround. Therefore, steps should be taken for strengthening the top level with necessary technical expertise before undertaking turnaround.
The emphasis on marketing and R&D seems very low among non-turnaround companies. For turnaround to happen, more emphasis has to be given to marketing and R&D by recruiting adequate staff in the respective areas.

3. An important response variable that contributes to turnaround is the increase in demand which can occur either because of the improved products introduced as part of turnaround, or because of a cyclical favourable market condition which is outside the control of management. Influencing market with better products and services is a key element in turnaround. Therefore, companies shall take appropriate market bound measures to influence and manipulate demand through better products and services along the renewed promotional measures. More emphasis may be given to marketing function.

4. The nature of top management, especially with regard to the composition of Board with new skills and expertise, professionalisation of management, appointment of new CEOs and ensuring a fixed tenure for CEOs has been found contributing significantly to turnaround. Hence, the government as the owner of SLPEs must ensure that they provide the sick company with a professional management set-up with a strong Board, new CEOs with a professional background and with sufficiently long tenure of office. If appointment is done with a fixed mandate for performance, improvement/turnaround government can ensure accountability from the management.

5. The companies attempting turnaround may give greater importance to following Strategic Measures that are proved significant. They are Reaching new markets, Deleting products or product lines, Shifting to lucrative niches, Redefining the business, New vision and mission of the organisation, New appointments at the Middle, Introducing innovative, better quality products, Acquiring a new production technology / modernization, Innovation and R & D, Training and development, Building the culture of commercial undertaking, Market orientation, and Use of consultants and experts from outside. A greater stress on these elements may considerably increase the possibility of turnaround.
6. The following operational measures were found significantly contributing to turnaround. So, steps shall be taken to bring improvements/modifications with regard to Top management's influence / ties at the Government level, Resisting pressures, interference etc from inside/outside, Management's influence with different Stakeholders, Leadership quality at the Top level, Top Management commitment to reform, Risk taking & quick decision making, CEO and Board mutual Relationship and understanding, Creating and restoring low cost structure, Optimizing capital structure/ financial restructuring, Effective management of working capital, Availability of internal fund, Sale of surplus/ excess fixed assets, Internal auditing, Utilizing existing facilities more efficiently/ increased productivity, Enhanced capacity utilization & productivity, Team work, Participation / involvement of staff in decision making, Discipline among the staff, Constitution of Internal committees, task forces etc, Job satisfaction, motivation & commitment among staff, Promotional measures (Advertisement, sales promotion, publicity etc.), Customer satisfaction, Serving existing customers more efficiently, and Better communication within the organization.

7. The contribution of internal response is more in turnaround companies compared to external response. In the internal response group, the operational measures are found to have highest mean scores indicating their prominent role in increasing the prospect of turnaround. Hence, companies need to give special emphasis to operational measures and come out with quality products according to consumer demand.

8. The management may give special attention to the significant turnaround response factors. Improvements or modifications introduced as part of turnaround attempt with regard to Professional management, Strategic focus with owner/ Government support, Reorientation leading to customer focus, Strong Board with a turnaround focus, Resisting interference through sound personnel policies, Disciplining and co-opting staff in decision making, Focusing on core business with sound working capital Management, and Management’s ability to bring the government to subscribe to the vision and mission of the organization, can considerably increase the likelihood of
turnaround. Thus, companies undertaking turnaround may give greater importance to these factors for increasing the chances of turnaround success.

9. The nature of sickness could differentiate the success or failure of turnaround. Proper diagnosis of the causes and appropriate actions to address the same are essential to bring turnaround. SLPEs need to understand the urgency of assuming a strong commercial character by shedding the culture of a government department. The problems relating to inputs like electric power, shortage of raw materials and unruly labour which limits the possibility of different options in a turnaround attempt also should be addressed.

10. The analysis has revealed that ‘Market-driven leadership change’ is the only significant trigger that can distinguish turnaround outcome. Companies perceiving a higher level of threat from the market, and leadership change occurring in tandem with this perception can increase the possibility of turnaround. Therefore, the company management going for turnaround needs to ensure that such a threat situation prevails among the people and unless serious effort is made, the survival of the company will be at stake. Hence, adequate steps shall be taken to communicate such threats, if it is found that such a threat is not prevalent among the employees or other stakeholders. A leadership change is also an essential requirement of turnaround. It has also been found that Market-driven leadership change significantly influences the turnaround responses which were found significant. Hence, a company undertaking turnaround needs a leadership change or change in the leadership style which would increase the chances of turnaround manifold.

11. The evidence regarding the stakeholder contribution suggests that greater chance of turnaround is the outcome of increased pressure exerted by the BIFR and Financial Institutions, the institutions overseeing turnaround. A failure of turnaround attempt even threatens the very survival of companies that fail to effect turnaround. Enhanced contribution of State government agencies like RIAB and ERC lessens the chances of turnaround. It appears that the State agencies might be looked upon by SLPEs as another government department with little pressure on them to turn around. Therefore, SLPEs undertaking turnaround should be encouraged to take up
turnaround under the supervision of external agencies like BIFR and Financial Institutions. The increased monitoring by financial institutions occurs when SLPEs borrow funds from outside financial institutions. So SLPEs may be encouraged to borrow money from outside financial institutions.

12. ‘Central Government agency in tie up with Financial Institutions’ was found contributing significantly to turnaround and influencing turnaround responses positively. However, ‘State government agency with its own fund’ lessens the possibility of turnaround. Compared to the State agency, the Central agency is rather independent and is vested with more powers. Hence, constitution of an independent agency with adequate powers or empowering the existing agency, RIAB, with more powers and operational freedom completely detached from the government can be thought of.

13. As the likelihood of turnaround success increases when Management in harmony with Trade unions and employees undertakes turnaround measures, the management’s need to rope in their support before initiating any major turnaround attempt.

14. Since the government as a facilitator of turnaround can significantly contribute to turnaround, the government may take active steps to turn around companies in dire states. The government policy and mechanism to facilitate turnaround in sick companies need to be further strengthened. However, the government shall create an image that it will not continue to support companies that fail to turnaround. Such companies may be liquidated so that further drain of the state exchequer might be stopped. It will also convey a message that government actions are serious attempts and if the company fails to improve its performance the company ought to be liquidated. As part of turnaround support, the government may provide sick companies with tax concession, arrangements for one time settlements with financial institutions, etc.

15. It was found that many turnaround responses were related to the nature of sickness. The evidence suggests that higher levels of perception regarding causes like ‘Management handicapped with unruly labour & scarce materials’, ‘Status of a
government department’ and ‘Inadequate finance / improper financial management’ could increase the likelihood of turnaround responses and consequently the chances of turnaround. Hence, top managements of companies attempting turnaround may take steps to develop a greater level of awareness about the causes of sickness among their staff and pursue actions like ‘Professional Management’ ‘Strategic focuses with owner/ Government support’, ‘Reorientation leading to customer focus’, ‘Strong Board with a turnaround focus’, ‘Resisting interference through sound personnel policies’, ‘Disciplining and co-opting staff in decision making’ and ‘Management’s ability to bring the government to subscribe to the vision and mission of the organization.’ One possible way to develop such awareness is to undertake a proper diagnosis of the causes of sickness involving all stakeholders in turnaround.

5.4 Conclusion

The study has provided evidences relating to the factors that determine turnaround. The variables and factors considered proved that they could significantly influence the turnaround outcome. Both ‘turnaround response’ and ‘turnaround context’ were found contributing significantly to turnaround. The study has isolated the various ‘turnaround responses’ that were found significantly contributing to turnaround. Apart from the response factors, the context factors including the causes of sickness, turnaround triggers and stakeholders were found to have a significant role in deciding the success or failure of turnaround attempt. The study also provided a model showing the interrelationships among the significant factors along with their prediction equations. The model shows how the significant turnaround context factors influence the significant ‘turnaround responses’. It indicates that SLPEs’ ‘turnaround response’ greatly depends on the turnaround context. The factors in the turnaround context like causes of sickness, turnaround triggers and stakeholders also reported significant interrelationships among them, signifying the extent of dependence of one factor over another. The study has also given a list of problems encountered by top management during the turnaround attempt.
5.5 Scope for Further Research

Turnaround research, though not a new research domain, has not received the kind of treatment it ought to get. The knowledge generated could be of immense use to those companies which are in dire state. Sick companies may not be in a position to absorb the consequences of a wrong decision, especially during a turnaround attempt. The knowledge generated regarding the turnaround of companies in different environmental contexts could be of immense use to such sick companies. They may be able to implement proven turnaround measures with the least amount of risk. Towards taking turnaround research to new heights, there is an urgent need to extend its horizon across different environmental and organizational contexts.

- Owing to resource and time constraints, the present study could cover only 10 companies and 49 respondents. Hence, a study that replicates the present one by including more companies and respondents is worth attempting. It may allow a much more detailed analysis of data including financial data so that we may be able to get more insights to verify the findings of this work.

- Another aspect that seems worth exploring is the relevance of change, especially the extent of change experienced during the turnaround attempt with regard to various organizational characteristics or organizational culture using a before-after design. The influence of company characteristics prior to turnaround attempt on the selection of turnaround response, the impact of turnaround response on company characteristics, the rate of change on turnaround outcome, etc, can be explored, thereby taking research on turnaround to new levels.

- The applicability of the findings made as part of this research work could be tested with the SLPE turnarounds in other States and Central Public Enterprises in India.

- An important aspect which requires further exploration is the aspect of Turnaround process which requires a longitudinal research design so that we may be able to isolate strategies or actions taken at different stages of turnaround.