CHAPTER II

Review of Literature

Highlights on:

- Definitions of Turnaround
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The concept of turnaround and the significance of the study were briefly explained in previous chapter. A genesis of dairy industry as well as the dairy scenario of West Bengal in the perspective of national and international situations was also discussed. The chapter also briefly introduced all the dairy units under study. In connection with the content of previous chapter, the present chapter explores relevant literature on turnaround and dairy industry to find out supportive conceptual base for inking up the present situations of the sick dairy units of West Bengal. To achieve such purpose, various aspects in the fields of both turnaround dairy researches were reviewed on subject basis.

2.1 Definitions of Turnaround:

The field of turnaround has been enriched by the works of several turnaround researchers and academicians. They have defined turnaround in different ways. Khandwalla (2001) defines it as a popular way of recovery from a decline in performance, decline being relative to a benchmark like GNP growth or industry growth or previous performance of the organization. However, there are some troublesome questions about such definition of turnaround. How much decline is decline? How much recovery is recovery? Over what periods? Where decline and recovery are measured against industry performance, what is industry when a firm is diversified? And what is industry when it includes many more products? And so on. On the basis of such questions, he adopts a simple fairly unambiguous definition of turnaround as: turnaround is recovery to profitability from loss situation. To guard against transient or even fake turnarounds, a turnaround is successful if the company becomes profitable for at least two years after at least one year of losses. And, the net profit would be at least 2% of total revenues in at least one of those two years. Although this definition has not completely ruled out fake or transient turnaround, but very likely reduces such possibility. Sloma (1985) views a broad perspective of turnaround which includes any initiatives aimed to improve the performances of ailing companies. His definition includes the companies those are facing imminent bankruptcy as well as those are currently profitable but have hints of an impending future problem.

Another broad but more clinical view of a company turnaround is taken by Pant (1991) in her definition of turnaround efforts as one of which strives to achieve a substantial improvement in the firm’s return on asset relative to the average return of its
industry. There are also a range of definitions of organizational turnaround as adopted by other researchers, consultants and practitioners. Schendel, Patton & Riggs (1976) define it as a reversal of a firm's pattern of decline in performance. However, Furman and McGahan (2002) define it as a change in business segment profitability from the lowest quintile among all business in a specific year to the highest quintile among all business in any subsequent year covered in the dataset. Further, Sudarsanam & Lai (2001) have developed another definition of turnaround to compares the performances of the business segment of a company during both its early poor years and its later superior years with the performance of all other business, regardless of whether they are in a same industry.

2.2 Causes of Organizational Decline and Corporate Sickness:

Organizational decline as well as turnaround of sick organization is really an issue of great interest to the researchers, consultants and managers for which they are paying their attentions to this issue. The researchers like Bruton, Ahlstrom and Wan (2001), Chanda (2002), Collins (2001), Gerstner (2003) and Mone, McKinley & Barker (1998) have conducted several studies on corporate sickness and turnaround of sick companies. Presently, the attention of the researchers on turnaround is increasing due to greater incidence of firm decline. Cameron, Sutton and Whetten (1998), Kotter (1995) and Wittloostuijn (1998) have also conducted studies on turnaround and found from their studies that the greater incidence of firm's decline is arising due to increased competitiveness and openness of the global economy. The researchers like, Poston, Harmon and Gramlich (1994); Scherrer (2003) were also interested with identifying and understanding turnaround and triggers of turnaround unraveling turnaround strategies. Schendel, Patton & Riggs (1976), Hofer (1980), Slatter (1984), Pant (1987), Gowen & Tallon (2002) and Chanda (2002) have unraveled various turnaround strategies and developed turnaround models to appreciate stages and processes of turnaround. Pant (1991), Arogyaswami, Barker and Ardekani (1995) and Barker & Duhaime (1997) have studied the role of top management on turnaround of a distressed firm. Their studies uncover that there is an effective / influencing role of leadership of the top management in enabling turnarounds.

The causes of organizational decline are generally viewed by the researchers from two dimensions: external factors to the organizations and internal factors to the organizations. Cameron (1998), Kelly and Amburgey (1992), Khandwalla (1992), Mone, McKinley and Barkeer (1998) have observed from their studies that the organizational
decline is basically caused due to various adverse external factors faced by the organizations. Davis (1993), Hambrick and D’ Aveni (1988) have also found that the organizational decline is also caused by the adverse internal factors faced by the organizations. Past studies conducted by Schendel, Patton and Riggs (1976), Schendel and Patton (1976) initially proposed this dichotomy, arguing that a firm needs to understand the principle causes of decline since its response needs to be geared to the nature of problems that created the decline initially. The first of these views hold that the organizational decline comes from the factors external to the organization. Hannan and Freeman (1977) thus have argued from their study that there may be a change in environment that promotes new organizational forms. The study conducted by Christensen (1997) reveals that the inability to adapt with the changes in new dominant technologies is the main reason for organizational failure. Hamel (2000) also observes that the inability to adapt with the changes in new business models is another leading factor for the decline in firms. This view is also well articulated from different perspective of population research conducted by Baum and Singh (1994), Hannan and Freeman (1977). Porter (1980) has expressed his opinion in favour of such views from the findings of his research conducted on industrial economics.

The theory of population ecology proposes that the survival of organizations in decline facing such environments is problematic since such firms are usually unable to align their capabilities with environmental niche due to limited capacity and difficulty in making major changes. Such view as proposed by McKelvey and Aldrich (1983) suggests that the turnaround is very difficult which is heavily dependent on the changes in the industry and environment. So, Porter (1980) has asserted that the firms should have much more ability to respond to change by making/adjusting favourable changes or adapting with their changed environments. In contrast, Davis (1993), Hofer (1980) and Chanda (2002) have argued from their studies that the internal causes of decline focus attention on the operating problems of companies. The study of Collis and Montgomery (1995) suggests a common view to strategic thinking that the firms should have internal resources at their disposal and make choices about the utilization of these critical resources that impact success on business. Further, the studies of Chen and Miller (1994) and Hofer (1980) on organizational decline reveal that the causes of decline of organizations include excess assets, high costs, ineffective sales and marketing apart from operating problems. The study of Christensen (1997) indicates the unproductive new product development as one of the prime causes of organizational decline. This is further affirmed by the studies of
Collins (2001) and Porter (1980) who have suggested a more instrumental stance to management by indicating that the managers should have a significant amount of control over the business and can respond more directly to environmental changes. Christensen and Raynor (2003) have conducted similar works on turnaround; they have also observed that the management should have significant control over the business by responding more directly to technological changes as well.

From the aforesaid reviews, it is clear that the organizational decline is caused primarily either by the factors internal to the organization like mismanagement and or wrong strategy or primarily external to it (such as business recession, unfavourable changes in government policy, intensified competition, major technological changes etc.). Such type of organizational decline is generally characterized by lack of cost control, obsolete manufacturing processes and equipments, excessive debt and widespread mismanagement in fundamental technical business elements. All or some of all the items from the series of environmental factors including a workforce / labour strike, high interest rate, poor condition in various segments of economy, trucking industry deregulation etc. push the declining organization to the edge of extinction. Manjunath Hedge (1982) has classified the causes of organizational decline into five categories viz. autocratic management, conservative management, growth mania, lack of strategic planning and neglect of critical areas. Studies conducted by Argenti (1976), Bibeault (1982), Slatter (1984), and Dunbar & Goldberg (1978) identify the external causes of organizational decline those include increased competition in business, demand recession, adverse movement in input prices, interest rates, stagnant / declining prices of marketed products and strikes etc. They have also found a longer list of internal factors responsible for decline, those are mostly management related. Such as: inadequate general management and excessively conservative, unfamiliar, permissive, bureaucratic or authoritarian management with weak board and lack of management depth for manning senior and middle level managers; poor financial control and management information system; careless, reckless and odd-timed acquisition, expansion, joint ventures, diversification etc.; poor marketing, selling and distribution system; poor financial management; a selling mania and lack of proper ability of top management for sensing coming problems.

However, the study of Khandwalla (2001) identifies eight categories of external causes viz. recession, stagnation and fall of industry demand, intensified competition, adverse government actions / policies, sharp increase in bought out costs, adverse political situation like terrorism / instable government etc., adverse technological changes, and
other miscellaneous causes. The study also further identifies some other internal causes for organizational decline. These are: complacency, slackness, poor control, poor implementation of decisions / policies; lack of planning, foresight; bad industrial relation & strike; lack of professionalism, amateur or raw management, poor quality of decisions; odd-timed and improper expansion / acquisition; lack of responsiveness to market; poor coordination and too much conflict; excessively bureaucratic and rigid management; excessive conservatism; poor functional management; excessive authoritarian management; bad customer service; corrupt management and miscellaneous causes like management discontinuity, obsolete products / technologies, wrong pricing, theft etc.

The recent researches by Huang and Snell (2003), Liew (1999) and Steinfeld (1998) have looked into the political antecedents and consequences for firm decline. Peng, Lee and Wang (2005) observe the business groups as the creature of market imperfection, government intervention, and socio-cultural environments. As markets become more efficient and government intervention subsidies, business groups may lose their reason for existence and their influence cause for organizational decline. Practically, it is not uncommon that at times, a company may face an adverse business environment, for example, political unrest, unfavourable government policies, a slowly growing market, decline in market share due to entry of competitors, a change in customer preferences etc. Apart from these external factors, there can be internal issues too, that can generate the need for a turnaround. Erik Nolmans, (2005) have identified that major reasons for organizational failure are included with incompetent management, severe financial crisis due to recurring losses and huge debt burden, strained relation between labour union and management, too many employees, unsuccessful merger, obsolete product mix, outdated and very costly production process or a wrong strategy followed in the past. Though, poor management is generally considered as the primary cause for organizational failure, bad management always can not be an ugly reason for bringing down the companies.

Christian Chua (2005) observes that the immediate reason for grounding a company is a liquidity crisis. He have mentioned different ways of coping with the difficulties that the sudden, major and adverse changes inflicted upon corporations and show the range of options entrepreneurs have at their disposal in times of institutional transition - defined as fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations as players. In the phase of initial transition, only a selective transformation of business practice is taken place, but gradually open up to market-centered business strategy. However, Wendell L. French, Cecil H. Bell
Jr., and Robert, A. Zawacki, (2006) have referred a number of such external and internal factors those compel many companies to modify their strategies, reshuffle management and reshape the organizational structure to trigger a turnaround. Consulting to organizations can take many forms. For example, they mention Edgar Schein who describes three consulting models: the purchase if expertise model; the doctor-patient model; and the process consulting model. In the doctor-patient model, a leader or a group detects symptoms of ill health of some parts of the organization and call a consultant who diagnoses the situation, identifies the causes of problems and then, like a physician, describes a cure.

Different companies adopt different turnaround strategies depending on their respective suitability, applicability and business situations. Some of the major turnaround strategies are: (i) Retrenchment with a primary objective of cost reduction by cutting jobs, (ii) Reorganizing pay scale and allowances to minimize expenditure, (iii) Divestment to sell a business unit or its assets in last choice, (iv) Management reshuffle by reorganizing / restructuring management structure and management staff, (v) Strategic readjustment by splitting up a company into a number of business units / groups with specific assignments, (vi) Technological innovation in order to develop new products / product mix, value added products. However, these strategies are the first approach to turnaround for immediate effect to stop organizational bleeding. The second approach to turnaround is most important that focuses on the behavioural change of people and a change in the organizational culture in the long run. A. Roychowdhury (2006) suggests for adoption of those aggressive measures along with keeping an eye on the long term effect for changing the mindset of the people and developing a culture for long term sustainability of company along with immediate recovery from crisis. Fred. Weston (1998) explains that the CEOs very often take shelter under a “corporate restructuring” plan facing intense competition, market saturation, a financial crisis or a major failure by the management team. The summation of all these approaches provides a set pattern for attempting turnaround, though some of these techniques have been more aggressive than others to counter the immediate crisis.

2.3 Turnaround Strategy:

Turning around a sick organization from its critical stage usually requires a set of turnaround actions which constitutes turnaround strategies. Turnaround strategy is employed to arrest unit’s sickness, react to, or danger signals for corporate sickness and
take off to a growing status. Unfortunately, the development of proper turnaround strategy is a complex process which happens in a demanding context. Harker & Sharma (2000) critically state that timeliness is usually short as well as the need to build on a rapid analysis of the troubled organization is also usually acute. Besides, the turnaround leaders are seldom afforded luxury of time to prepare the ground of change since the crisis demands immediate attention and the related stakeholders seek assurance and results. The studies conducted by Gowen & Tallon (2002) and Kow (2004) identify different turnaround strategies and find that the turnaround organizations adopt different approaches in their respective context to turn around them. It is learnt from the study guide on Corporate Policies and Practices published (in 2003) by the All India Management Association, New Delhi that the operating turnarounds among all the turnaround strategies are easier. They are of four types, such as: revenue increasing strategy, cost cutting strategy, asset reduction strategy and combination strategy. The compelling reasons to go for such turnaround strategies are: lack of or inadequate financial controls, inadequate management, ineffective board of directors, competition, high cost structure, changes in market demand, lack of market effort, big projects and acquisitions, odd / unfavourable financial policy and over-trading.

However, there are also a number studies those have identified alternative turnaround strategies. One group of studies has sought to differentiate between strategic and operational turnaround. Schendel, Patton and Riggs (1976) examined the pattern of organizational decline and turnaround of 54 companies those had to compete with 17 different industrial sectors of the economy and 40 different industries. The findings of their study identify the basic principle / idea for such differentiation in turnaround strategies. They have found that if the sickness is due to strategic failure like wrong choices of business or markets or technology or wrong competitive strategy, then the turnaround strategy would need to focus on strategic responses. On the other hand, if the decline is caused due to operational deficiencies of the organization, then the turnaround strategies for operational improvements would be needed. Charles Hoffer (1980) have identified different turnaround strategies after analyzing 12 written cases of poor performing firms and classified these strategies into strategic strategies and operating strategies. In his study, he has further identified two strategic strategies viz. product-market refocusing strategy by addition of profitable products and deletion of loss making products, and dramatic market share increasing strategies through expansion and acquisitions. The operating strategies are classified into revenue increasing, cost cutting,
asset reduction and combination strategies. He has also advocated that the choice of operating strategies is dependent on how close the sick firm to its breakeven point. When the firm is operating just below of its breakeven point, then the choice of cost-cutting strategy would be effective since it would be possible to lower its breakeven point by cutting both fixed and variable costs. Revenue increasing strategies involving price cutting, increased advertising should also be appropriate when the firm operates moderately below of its breakeven point. Capacity utilization can also be expanded by increasing revenues and thus, it can save the sick companies. Finally, asset reduction strategies by divestiture of assets and or business are also recommended when the firm is operating far below of its breakeven point. The combination strategy is also used in less extreme cases.

This generalization was however challenged later by Chowdhary (2002) who suggested that a combination of strategies would be appropriate for a particular type of turnaround at particular stage of decline. Donald Hambrick and Steven Schecter (1983) have distinguished between the entrepreneurial strategies and the efficiency strategies after conducting a study on 260 US businesses in mature industrial product industries. They have proposed two entrepreneurial strategies and two efficiency strategies. One entrepreneurial strategy is revenue generating strategy in which the firm attempts to increase sales by product re-introduction, increased advertisement, increased selling effort and lowering prices. The second is product market refocusing strategy. The two efficiency strategies are cost-cutting strategy involving cuts in R&D, marketing, administrative and other expenses, reduced interest costs through liquidating receivables and inventories, and asset-reduction strategy involving divestiture of fixed assets like plant and building. They further suggest another category of turnaround strategy i.e. piecemeal productivity strategy which involves greater capacity utilization and higher employees’ productivity through downsizing, better incentives or greater training. However, employees’ productivity, relative market share and modernization of plant & machineries are seemed to make positive contribution to turnaround performance, out of which employees’ productivity is appeared as the strongest predictor of turnaround performance.

The study of D. Keith Robbins and John Pearce II (1992) conducted on 32 US medium sized and small textile firms suggests that retrenchment i.e. restructuring, downsizing and downscoping can improve the chances of turnaround. They have also argued that the nature of retrenchment depends on how deep the decline is. For example,
the asset surgery is likely to be used in case of deep decline; again, the cost retrenchment is likely to be used in less severe decline. In post retrenchment period, the firms may choose an efficiency recovery strategy or an entrepreneurial or growth-based recovery strategy. If the declines are caused by the internal causes, the efficiency recovery strategy would be applicable. But, if the decline is mainly due to external problems, then entrepreneurial strategy would be more appropriate. It is revealed in their study that the retrenchment is found to be more conducive to performance when decline is severe. And thus, retrenchment makes good sense for firms in deep holes. If the firm’s problems are primarily due to external factors, the entrepreneurial turnaround strategies like acquisitions, new markets, new products, greater market penetration etc. are suggested.

Again, if the troubles are primarily due to internal causes, then efficiency turnaround strategies like liquidation of assets, divestment, downsizing, elimination of products are advised. However, the conclusion of Robbins and Pearce II was also criticized later by Vincent Barker III and Mark Mone (1994) and they re-analyzed that reviving through retrenchment was achieved only when the sickness / decline of the firm was severe. They asserted that once such decline was controlled, then the retrenchment did not affect the performance of the firm any more. Thus, their study reveals that retrenchment makes sense to breakeven point from a deep decline, but not much sense for the firms whose decline is marginal. The general conclusions of Robbins and Pearce II have been stated by Kamala Arogyaswamy, Vincent Barker III and Masoud Yasai-Ardekani (1995) with a difference. They have identified two distinctive strategies, viz. decline-stemming strategy to reverse the decline and recovery strategy to yield a defensible competitive position. Both type of strategies need to be pursued for recovery from decline, so that both are really the only components of a more comprehensive strategy. Effective decline stemming strategies encompass not only retrenchment, but also effective management of the firm’s external stakeholders to get their support in turnaround. It also needs the effective management of internal processes to create a climate conducive for turnaround.

Therefore, development of turnaround strategies to turn around a sick organization is a complex process in a demanding context and the success of turnaround efforts is largely depends on the effectiveness of the strategies adopted. These underlying factors of effectiveness were identified by Sudarsanam and Lai (2001). They identified distress of declining firm by employing Z-score and studied 166 recovery and non-recovery firms.
Their study reveals an evidence to show that the recovered and the non-recovered firms employ almost similar set of strategies and the managers of non-recovered firms restructure more intensely than the recovered firms. The study further concludes that the recovered firms adopt growth oriented ‘external market focused strategies’ while the non-recovered firms engage in ‘fire fighting strategies’. Apart from the above, many business groups may face bankruptcy due to outflow of foreign capital, particularly the developing country’s company may face uncertainty and survival crisis. Sea-Jin Chang (2006) has observed that post crisis changes like bank and corporate restructuring programmes, corporate governance reforms, robustness of business group structure and developing divergent paths are essential under that situation.

2.4 Types of Turnaround:

Various types of turnaround actions / elements are utilized under different turnaround situations all over the world. Several researchers / scholars in the field of turnaround management have analyzed the particular characteristics of each of such actions / elements and tried to identify the turnaround types / designs. The observations of some of such studies conducted by the turnaround scholars and researchers are hereby discussed:

Hambrick and Schecter (1983) studied turnaround in 53 US business companies those were operating in mature industrial products industries. With the help of cluster analysis, they identified three types / designs of turnaround. These types are:

i. **Piecemeal productivity turnaround:** In their study, this type of turnaround was the largest cluster with 28 companies which they did not anticipate earlier. This was relatively high both on capacity utilization and employees’ productivity and just above average on 10-other variables.

ii. **Selective product / market pruning:** This type of turnaround was appeared to be secured by generating cash through liquidating receivables and inventories, possibly by reducing borrowings, cutting expenses like marketing, a push on productivity either through downsizing or incentives, and on quality, relatively premium priced products, even if this led to lower capacity utilization, suggestive of a niche positioning. In their study, they identified this type as the second largest cluster with 19 companies.
iii. **Asset and Cost Surgery**: This type of turnaround appeared to be achieved by sharp cut in R&D, divestiture of old plant & machineries and equipments, reduction in marketing expenses, liquidation of inventories and receivables to release further cash, and a variety of strong push for higher productivity, downsizing, and capacity utilization, that for a low cost market position.

Khandwalla (1992) has also grouped turnaround roughly into two types on the basis of his study conducted on 42-complete turnarounds in several countries. These are:

1. **Surgical Turnaround**: This type of turnaround involves substantial layoffs in the sick organizations, and

2. **Non-Surgical Turnaround**: Such type of turnaround virtually involves no layoffs.

He has further identified two sub-types of surgical turnarounds and two sub-types of non-surgical turnaround. Two sub-types of surgical turnaround are: surgical reconstructive and surgical productivity / innovation orientation. Two sub-types of non-surgical turnarounds are: non-surgical innovative orientation and non-surgical transformation.

Surgical reconstructive type is a classic slash-and-burn turnaround involving managerial overhaul, mass layoffs, divestiture, restructuring, sharp accountability, a market push and a product mix change. The surgical productivity / innovation orientation type also involves mass layoffs, managerial changes, product mix change and market push but much more comprehensive with greater emphasis on productivity and innovation. Conversely, the non-surgical innovative sub-type turnaround is relatively involved in changes at the top heavily along with innovation and product development, product mix changes, marketing push and cost reduction without resorting to mass layoffs. However, the most comprehensive and best performing of all four sub-types is the non-surgical transformation turnaround. It is deployed with as many as 14 turnaround elements (versus five by the non-surgical innovation, six by the surgical reconstructive and eleven by the surgical productivity / innovation turnarounds).

The non-surgical transformation turnaround is indeed highly participative in nature in which a determined effort is made to involve both the internal and the external stakeholders in designing as well as implementing the turnaround. There is also considerable effort in expert diagnosis of organization’s problems, professionalization of various management systems and emphasis on core values. The fundamental elements / actions to most of the turnarounds like restructuring, changes at the top, product mix
changes, cost reduction, marketing push, productivity push etc. are also not neglected in this non-surgical sub-type. But, it moves more than any other sub-types in creating a participatory revolution in functioning of the sick organizations.

2.5 Turnaround Process:

Process of turnaround is the sequence of steps through which turnaround proceeds. Several writers have tried to study the process model of turnaround. According to Peter Grinyer and Mckieman (1990), the process of turnaround management is the process of inducing major and sustained improvements in the companies those are stagnating. They studied 25 UK cases of turnaround and observed sharp bending as one important process for transition of the companies to much higher performance. Therefore, sharp bending seems to begin with a dramatic crisis, a situation triggered by internal dissatisfaction over the gap between corporate aspiration and realized performance on account of any of several internal or external factors. Then, the organization may follow a widening sequence of trying out options that can yield result.

Their study indicates that at initial stage, it may seek to analyze the function-wise operational problems and then adopt the cost cutting programme. If this measure does not achieve expected result, then it may go on to modest change of a strategic nature like some changes in markets. In spite of this, if desired results are not achieved, then the organization can seek radical changes, such as major changes in technology, market served, distribution chain and involving divestment, acquisitions, or unfamiliar diversification. However, it would then require the organization to adopt a new paradigm of beliefs, practices and methods for which the management can borrow existing recipe or learn to change by trial and error method. The mindset change may also require a new management team. Then the diagnostic work is initiated for analysis the position of the company in troubled situation.

It is fact that sharp-bending is not directly and automatically induced by declines, it requires triggers. Actually, declines are the causes for triggers which ultimately lead to the sharp-bending actions. Grinyer and Mckieman found links between various causes of decline and events triggering sharp-bending changes. If the causes of decline are external like changes in product technology or arrival of substitute product in the market, the triggering effect tends to be an intervention by external institution (say, financial institution). It is interesting that if intervention is made by external institution, such as the involved banks or stock market authorities, it usually looks the organization for cost
cutting actions rather strategic changes and product / service quality improvement. If the
decline is due to poor quality of management, the response / triggering action to poor
management is seemed to be sharper particularly when there is a change at the
management and / or there is a threat or actual change in the ownership. Threat or actual
change in ownership usually not only leads the organization towards cost-cutting, but also
looks towards fresh blood in the board and greater decentralization with tighter financial
control. In most of such cases, a new CEO tends to bring with him a new vision, attitudes,
beliefs and also tighter controls. It is apparently thought that attention is paid to quality
and service only when management initiates action on the basis of recognition of the
problems causing decline. The researchers identify the following primary steps in
triggering changes:

- Diagnostic work related to product market focus to stimulate a whole lot of
  strategic changes, like acquisition,
- Exit from non-core business, and
- Greater segmentation and differentiation.

However, it also triggers actions to improve quality and customer service and to
reduce production costs. In contrast, when profit incentives catalyze many other steps to
improve quality and service, they have no effect on strategic options. Another primary
trigger is decentralization of operating and innovative decisions which triggers new
investment to diversify into new markets, greater capacity utilization, rightsizing of the
offices and divestiture to reduce debt.

Now, it may be concluded that the study of Grinyer and McKieman highlights the
useful role of triggers in helping the organization to do something about decline by
pointing out the phases in sharp-bending. Their study suggests that it is not enough to
appoint a new CEO for sharp-bending success. The new CEO should rebuild the top team,
get a diagnosis on current product market strategy, get the management to recognize
problems, offer incentives, decentralize and tighten controls. However, prior researches
conducted by Bruton and Rubanik (1997), Bruton, Ahlstrom and Wan (2003) on
turnaround in developing countries indicate that there are a number of constraints on well
understood turnaround actions, such as limits on the ability to replace the CEO, as well as
additional avenues to turnaround like government participation that may be more available
in developing economies. Donald Bibeault (1982) has also studied 81 US turnarounds and identified five stages of turnaround process. These stages are:

(i) Moment of truth and of a change at the top,
(ii) An evaluation stage,
(iii) An emergency stage,
(iv) A stage of stabilization of the situation, and
(v) Stage of returning to normal growth.

The moment of truth and of a change at the top is the first crucial stage when the people in power, generally the board decides that something needs to be done, the existing top management may not be able to do it, and therefore a new helmsman is needed. However, change in management may not occur, if the cause of decline is identified as clearly external. Even, if the trouble is internal, the CEO is not replaced in every occasion. In that case, some other top executives are usually replaced. The new leader is likely to be an outsider if the problems are really tough and largely internal. For an outsider, it is likely to be more objective and have greater credibility than an insider who has been part of a team that wrecked the organization. Besides, an outsider can also be more ruthless hatchman for the existing people of the organization including the owners.

In the next stage, the new CEO usually takes some hard steps and scapegoats some other to send a message that the new CEO means business and that the actions taken are all rational in the circumstances. In this stage, evaluation work is essential if the new CEO is an outsider which is also good for credibility. The evaluation work consists of the identification of both long term and short term, severe and marginal problems with taking some crucial judgments. Some good brainstorming work can yield several good solutions and it is fact that in the initial period of turnaround, attempt is made to reach a realistic target to solve 80 percent of the relatively easily solvable problems.

Stage of emergency is the next i.e. fire alarming stage with stringent cash control. This is also usually accompanied by postponement of long term expenditures, downsizing and borrowing. Divestiture may also be followed in case of losing business. After losses are sharply cut in the emergency stage, the stabilization or settling down phase comes. Seeking of acceptable rate of return is the prime object in this phase. The final stage is the re-posturing stage in which the company initiates a planned exit from unprofitable business and takes entry into a high potential business. This often means divestiture
balanced by acquisitions, possibly by diversification and emphasis is normally given to the
growth and development (rather than retrenchment) and on stronger financial evaluation
system.

Mathew Manimala (1991) has developed a model of turnaround stages through
which the turnaround actions are implemented after conducting study on 28 Western and
over 12 Indian turnarounds. He has identified four stages of turnaround in addition to five
other stages as identified by Bibeault. These additional stages are: (i) arresting sickness,
(ii) re-orientation, (iii) institutionalization, and (iv) growth. Arresting sickness stage
involves credibility building by the turnaround leaders, mobilization of the organization
for turnaround through communicating task forces, collective diagnosis and deciding and
getting reprieve from external pressure. Arresting sickness also involves various cost
cutting and controlling actions, some staff reduction in non-strategic areas, quick payoff
projects and actions, asset reduction and inventory reduction. The reorienting stage covers
a wide range of refocusing actions, like redefining business, change in corporate identity
and image, rationalization of product mix, plant modernization, greater market orientation,
greater quality orientation, capital and debt restructuring, organizational restructuring and
changes in managerial cadre, training and retraining, greater use of incentives, incentive
dissemination, better public relation etc. The institutionalization stage involves culture
building through human resource development and system wide reorganization of roles,
functions, procedures, coordinating mechanisms and communication channels. Finally, the
growth stage covers introduction of new products, entry into new markets, related
diversification, focusing and strengthening of R&D, acquisitions and mergers. The study
of Manimala puts greater emphasis on human resource development, communications and
cultural change in the process of turnaround.

John Stopford and Charles Baden-Fuller (1990) have examined renewal processes
of six manufacturing organizations and distinguished between ‘turnaround’ and
‘rejuvenation’ in which system-wide changes in strategy, structure, management system
and process culminate in a metamorphosis and powerful new business capabilities. The
importance of metamorphosis is considered as a challenge initially posed by the CEO for
solving problems by breaking down organizational rigidities with new skills,
experimentation, innovation and learning. Rejuvenation is a three-staged process. Such as:
downscoping i.e. reduction in company’s scope of activities, acquisition of new skills and
information to speed-up learning in organization through questioning, experimentation and innovation, and re-complication of business that means enlargement of company’s scope.

2.6 Turnaround Performance:

In literature, many definitions of turnaround performance are available; most of them represent returns (profits) on capital employed or net worth or total revenues. From the perspective of international stories of turnaround, profitability is measured in terms of net profits as a percentage of total turnover or revenues. To compute turnaround performance, some specific mathematical formulas are available. Khandwalla (2001) advocates two fairly straightforward measures of turnaround performance those are adopted while measuring turnaround. These are: total turnaround in performance called turnaround rally and the rate at which the turnaround in performance is achieved, called rate of rally. Total turnaround in performance is defined as the difference between peak turnaround performance and peak pre-turnaround loss. Peak turnaround performance is the better of the performances in two years following the last loss year. On the other hand, peak loss performance is the worst loss situation prior to turning profitable. Schendel, Patton and Riggs (1976) have defined successful turnaround as the reversal of firm’s pattern of performance decline.

There are several studies on turnaround performance conducted by several turnaround researchers. Schendel and Patton (1976) conducted a study on 36 pairs of manufacturing firms of 20 different industries and observed that one firm in each pair suffered relative decline and then relative recovery than other firms those witnessed decline without revival. In the decline phase, the turnaround firms had lower income and sales rate change along with lower change in efficiency and profitability than the non-turned around firms. But in turnaround phase, the situation changed reversely. The superiority of turned around firms compared with decline phase as well as the non-turned around firms indicated application of multi-pronged turnaround strategies for better plant modernization, better use of installed facilities, higher productivity, better cost control and good financial management.

Khandwalla (1989) also conducted a comparative study on five relatively successful and five relatively failed turnarounds of Indian companies of same industries. It is revealed from his study that the successful turnarounds adopted six categories of actions than the unsuccessful turnarounds. These are: initial control, quick cost reduction, quick pay-off projects and action, revenue generation, organizational mobilization and internal
He found no significant differences between the successful and the unsuccessful turnarounds in initial credibility building, negotiation for outside support and pressure neutralization. New management with greater control over finance and operations on cost cutting, revenue generation, improved productivity, quality, mobilization of staff etc. were the underlying factors for successful turnarounds.

Hugh O’Neill (1986) studied turnaround on 51 US banks those experienced decline. His study states that among these banks, 31 banks were recovered because these turned around banks managed their banking operations (like investment, advances etc.) efficiently with better loan recovery, higher income from investment and interest, and lower operating expenses. Stuart Slatter (1984) also conducted a comparative study on 30 successful and 10 failed turnarounds to differentiate successful and unsuccessful turnarounds. It is observed from his study that the major differences between the successful and the unsuccessful turnarounds were asset reduction, debt restructuring, better financial management and financial control. There was almost found no significant difference in marketing system, cost reduction and change in management.

Robbins and Pearce (1992) also conducted a study on 32 small and medium sized textile companies in US. Their observations reveal that the sick companies performed better those were retrenched (i.e. restructured, downsized and downscoped ) than the companies those were not retrenched, although such findings were found controversial later by the study of Barker and Mone (1994). Barker and Barr (2002), Francis and Mariola (2003), Huang and Snell (2003) and Pandey & Verma (2005) have explained that the management has to play a central role to bring organizational turnaround, though it is very often seen that the existing management is changed to initiate turnaround process. Further, K. Pejunen (2006) has observed that the stakeholders are the integrated elements of an organization and there are some particular categories of stakeholders those are usually playing crucial role in the organization and influence organizational survival. He has stressed that the identification of the most influential stakeholders and the management of these stakeholders are seemed very crucial during turnaround. He has also demonstrated how stakeholders influence in organizational survival through direct resource dependence and structure based forms of power. He identifies these key stakeholders influencing on organizational survival as governing (G), potential (P) and minor (M).
2.7 Key Turnaround Actions / Elements:

A lot of studies / works on turnaround have been conducted across the world to bring back the sick companies from their death-bed. Schendel, Patton and Riggs (1976) studied turnarounds on 54 US firms during 1952 to 1971 and identified eight different classes of turnaround actions with several sub-classes of each. Their study indicates that the most frequently used category is the management changes while others are marketing programme change, product diversification and geographic diversification. The most commonly used sub-categories are changes in general management, new products and R&D, acquisition, diversification, new plant construction and internal product development. The cost cutting programmes, new control systems, divestiture of product lines and divisions, modernization and decentralization are found relatively less frequently used. Internal management change, aggressive marketing and enlargement of product portfolio for push sales are also found significant in the above turnaround studies. The sub-dominant turnaround actions are found much harsher those are involved with cost control, cost cutting, downsizing, divestiture coupled with decentralization and modernization.

Stuart Slater (1984) conducted a comparative study on 30 successful British turnarounds and 10 unsuccessful turnarounds. After conducting study, he identified 10 categories of strategic turnaround elements. It is found from his study that the widely used elements found in successful turnarounds are: asset reduction, changes in management, financial control, cost reduction, debt restructuring and improving marketing. Donald Bibeault (1982) studied 81 US turnarounds, mostly on the quite large companies. His findings suggest that the dominant turnaround pattern to be an authoritarian tight control oriented being supported with mindset change of the staff. He identified 7 key turnaround factors, out of which instituting tight control, changing people's attitudes and understanding business better were considered as the most important factors. On the other hand, absolute control on management and visible leadership were seen as less important management process factors while strong financial control and a more active board were seen as clearly unimportant. Bibeault also observed strong leadership, tight budgetary control, improvement of responsibility accounting, achieving viable visible core business and improvement of profit margin as top sub-factors. Redeployment of assets, improved cash flow, absolute control by management and change in success attitude were found as moderately important factors.
Besides, the study on 50 Canadian and 182 British companies by Lee, Mathur and Gleason (1998) suggests 9 categories of actions which they utilized. These are: assets sales, employee layoffs, executive replacement, acquisitions, debt restructuring, bankruptcy filing, dividend cut, financing and merger. Again, Khandwalla (1989) also explained 10 categories of turnaround actions after conducting study on 10 Indian turnaround attempts. These 10 categories of actions include both internal and external factors. The internal actions are: top management changes and credibility building by new management, initial attempts to control finance and operation by new management, mobilization of staff for turnaround, coordinating activities, quick payoffs projects in various functional areas and quick cost reduction. The external focused actions are: negotiation with outside stakeholders for necessary support as well as neutralization of external pressure, revenue generation and asset liquidation for generating cash.

Later, in a comprehensive study on 42 complete turnarounds and 23 breakeven turnarounds, Khandwalla further utilized 8-major categories of turnaround actions. These are: personnel changes, diagnosing and trouble shooting, stakeholders or people management, operations management, strategic management and miscellaneous. Interestingly, several categories of above mentioned actions are included with respective sub-categories of action. Stakeholder or people management is the largest category including 13 sub-categories. These sub-categories are: credibility building actions; securing stakeholders supports; increased training of managers and staff; public articulation by management of mission & goals etc; management communication with staff; lower level managers etc.; incentives, motivating, grievance redressal; example setting by top management; discipline; better organizational integration through participative management, emphasis on core values, etc. Operation management includes 5 sub-categories viz. significant retrenchment, cost reduction actions, plant modernization, retooling and reorganization for greater efficiency, quality, productivity, other efficiency-productivity-quality enhancing actions and market related actions. Two other areas have three categories, namely management systems, structure and strategic management. Again, personnel changes, diagnosing and trouble shooting and financial management have also respective sub-categories of each.

2.8 Building Blocks of Turnaround:

Turnaround is not a simple push-button exercise. It is already mentioned that usually a large variety of actions needs to be deployed in effecting a turnaround. Evidence
from past studies reveals that there are 46 categories of actions with 2 or more sub-categories with each of them. But it is really troublesome to work with all these long listed categories of actions. Khandwalla (2001) studied such actions and grouped these categories of actions under appropriate higher order categories for the purpose his study on 120 different types of sample organizations drawn from all over the world. To cut down the number of categories to manageable proportion, he adopted two steps. First, only those categories that were utilized by at least 25 percent of 120 turnarounds were retained. Secondly, the categories those were functionally related and fairly strongly correlated (correlation of 0.25 and above, statistically significant at 99 percent confidence level) were combined. In such a way all the categories of actions with 180 sub-categories utilized in turnaround were compressed into 10 categories of turnaround actions those were termed by Khandwalla as the turnaround building blocks. These building blocks are:

1. **Managerial Overhaul (MO):**
   At the CEO, reports of CEO, and other managerial / technical personnel level.

2. **Asset-Cost Surgery (S):**
   Significant non-voluntary downsizing (10 percent or over of staff strength), divestiture of assets, closure of uneconomic plants / facilities, spin offs, etc.

3. **Tighter Control and Financial Mending Actions (CF):**
   (a) Actions that quickly improve management’s financial / operating control, such as better control over cash disbursement, capital expenditure, purchases, logistics, credit and inventories.
   (b) Liquidation of current assets like stocks and debtors.
   (c) Reduction of current liabilities like creditors, deposit or advances taken.
   (d) Writing off non performing assets, deferred expenditures.
   (e) Reduction in longer term debt / liabilities.
   (f) Fresh finance through shorter and longer term borrowings, equity issues etc.

4. **Transformational Changes (TC):**
   (a) Expert diagnostic activities aimed at formation of turnaround strategy including diagnostic managerial meetings / retreats, internal diagnostic studies, use of external consultants, use of special diagnostic task forces, extensive interviewing of stakeholders by the top management etc.
(b) Attempts of co-opting outside stakeholders into the journey of turnaround like unions, financial institutions, vendors, customers, owners, government agencies and local community.

(c) Mobilization of staff for turnaround through communications by the top managers directly or through audio-visual, electronic or printed means to explain the sickness situations, use of external stakeholders like dealers to drive home the gravity of the situation to the staff, involving staff in formulating turnaround actions, training the members of the staff to act as change agents, etc.

(d) Attempts at more cohesive functioning of the organization through strongly stressing survival, forming new committees at top and at lower levels for better co-ordination, use of OD and team building techniques, creation of formal participative management, work structures like works councils, emphasis on reaching consensus before taking decisions.

(e) Attempts of changing the mindset of the employees of the organization by stressing one or more core values as customer service, quality, efficiency, productivity, economy, entrepreneurship, innovativeness, greater results and commercial orientation, greater adaptability and flexibility, greater professionalism, accountability, participative decision making, teamwork etc.

5. Restructuring and Empowerment (RE):

(a) Staff empowerment through better human resources management, improvements in recruitment, induction, placement, assessment and reward systems, upgrading of personnel through training.

(b) Managerial and specialist staff empowerment through greater decentralization and accountability via setting up of new SBUs, new departments, creation of new roles, greater delegation, de-layering, greater use of matrix structure etc.

6. Strategic Shifts (SS):

(a) Step up in growth through merger, acquisition, joint venture etc.

(b) Shift towards greater focus on core competencies, premium / high growth segments, higher technical products / services etc.

(c) Competing more aggressively on the basis of product development / differentiation, price leadership / market dominance, lower cost / price, market segmentation / niches.
(d) Step up in technological innovation, such as R&D emphasizing on process and / or product innovations, technology development partnership or acquisitions and contracts.

7. **Product Market Refocusing Action (PMR):**

Product mix changes involving deletion / de-emphasis of unprofitable products and addition / emphasis of / on lucrative products; capacity expansion that modifies the proportions of various products in the product mixes.

8. **Sales Push (SP):**

New advertising and promotion campaigns, price increases / decreases, increased incentives / pressure on salesmen / dealers, increased in distribution channels, seeking new markets, export drive, better services to customers etc.

9. **Actions for Operating Excellence (OE):**

Actions to raise operating excellence (OE) in terms of productivity, quality and efficiency include better plant maintenance, quality control, steps to reduce work and plant stoppages, incentives for higher productivity / quality / efficiency, debottlenecking; automation, retooling, plant modernization, business process re-engineering; computerization of operations; Kaizen, quality circles; suggestion schemes, campaigns to step up productivity / quality; bringing in more capable supervisors of operations; vendor development; standardization of processes; pruning of parts; better operations scheduling; ensuring better workplace discipline etc.

10. **Cost shedding (CS):**

(Excluding mass layoffs), through cuts in advertisement and promotions, in wage rates, cut in wage bill through small layoffs, reduction in plant maintenance and other operations related expenses, cuts in office and other administrative expenses, negotiated reduction in interest rates, reduction in R&D, reduction in rent, taxes, energy cost etc.

2.9 **Turnaround Model:**

Several turnaround pundits (researchers & scholars) have developed different models of turnaround after conducting extensive research and reviewing literature on
turnaround. Such turnaround models developed by Maheshwari (2000), Khandwalla (2001), Balgobin and Pandit (2001) and Chowdhury (2002) are available in existing literature. Among these four models of turnaround, the models of Maheshwari and Khandwalla are more comprehensive and based on theoretical concept and practical implication. However, in the model, Balgobin and Pandit (2001) have mentioned organizational decline and crisis, triggers for turnaround, formulation of strategies for recovery, retrenchment, stabilization and return to growth stages. They have also explained the role of both internal and external causes of decline as well as the role of triggers for initiating turnaround. Chowdhury (2001) also developed a model of turnaround with 4-stage theory. This theory suggests 4 stages of turnaround viz. decline stage, resource initiation stage, stages of transition and outcome; although no single stage theory can explain the processes of all turnarounds. He presented a host of variables in his paper which included management style, organizational culture and leadership quality of top management.

The turnaround model as developed by Maheshwari (2000) is exhibited in figure 2.1 in the following page. From the said model, it is clearly revealed that Maheshwari presented this model on the basis of extensive literature review. The striking point available from such model is the balance between two approaches i.e. the process approach and the content approach by following the process stages and the content in each stage. Maheshwari's contingency model emphasizes on the action choice perspective and suggests different organizational factors like group characteristics, organizational culture and leadership that affect turnaround actions initiated by change agents.

On the other hand, the model proposed by Khandwalla (2001) exhibits a comprehensive theoretical base and provides an elaborated understanding on transformational turnaround. The model of Khandwalla is presented in figure 2.2 of this chapter. According to this model, the process begins with a jolt that leads to credible diagnosis of problem followed by cooptation of outside stakeholders and mobilization of employees for turnaround and mindset change. All these things can lead together for better turnaround performance. This model proposes a two way communication with the staff on situational prognosis, vision, new operating paradigm, symbolic actions, setting up of new taskforces, brainstorming for innovation and identification as well as training of change agents.
Figure 2.1
Contingency Model of Organizational Decline & Turnaround Proposed by Maheshwari

Organizational Change

Environmental Change

Deterioration on organization environment fit

Reduction of resources within organization
- Severity
- Longevity

Reduced performance due to faulty actions
- Productivity
- Resource

Organizational Factors
- Group characteristics
- Ownership
- Corporate strategy
- Structure
- Systems
- Industrial Relations
- Culture
- Leadership

Environmental Factors
- Munificence
- Instability
- Complexity

Crisis

No Action

Impact on customers, suppliers, society, government, creditors, organizational members

Action Choice

Turnaround Actions
- Leadership changes
- Domain change
- Retrenchment
- Technology Upgradation
- Cost reduction
- HR intervention
- Social intervention
- Legal actions
- Commercial borrowings

Turnaround Performance
- Productivity
- Growth
- Resources
- HRD
- Stability
- Control

Figure 2.2
Model of Transformational Turnaround developed by Khandwalla

Jolt from Loss, Serious Decline

Credible Diagnosis
- Expert diagnosis
- Participative diagnosis
- CEO’s interaction with stakeholders to understand situation

Cooptation of external stakeholders
- Unions
- Financial institutions
- Vendors
- Customers
- Relevant government agencies

Cohesion for Turnaround
- Coordinating committees
- Incentive structure for needed behavioural change
- Team building
- OD

Platform of Transformation

Mobilization of staff for Turnaround
- Two way communications with staff on situation, prognosis, vision, new operating paradigm,
- Symbolic actions
- Taskforces for changes & innovations
- Group brainstorming for innovations
- Identification & training of change agents

Mindset change
- Widespread acceptance of new key values and orientation
- Language change
- Institutionalization
- Through reinforcement & actions compatible with needed orientation

Corporate Rejuvenation
- Changes in strategy, structure, management systems, operations

Turnaround Performance

2.10 Context of Turnaround:

Past research on organizational decline and turnaround indicates that the turnarounds of declining firms are viewed by several researchers under different contexts. Such contexts are: size of the organizations, type of the organizations i.e. whether the organizations are manufacturing or service providing or public sector or private sector, cultural / geographical nature of the organizations i.e. whether the organizations are third world or first world organizations, and so on. Such as:

**Turnaround in the Context of Size of Organization:**

Early studies conducted by the British researchers during 1960s, establish that the large organizations exhibit more of the features of bureaucracy as well as complexity than smaller ones. Such studies of Ernest Dale (1952), D.S.Pugh, D.Hickson and R.Hinings (1969) and Peter Blau (1970) reveal that the large organizations have relatively taller hierarchy, more standardized procedure, more formal interaction among employees, more specialization in functions and roles of the employees and more formal decentralization. Therefore, the large organizations are not free from various pathologies those are the common troubles of a bureaucratized organization. Large organizations tend to be more complex and bureaucratic than smaller ones having more numbers of stakeholders. These problems make it very difficult to bring about change in large organizations than the smaller organizations.

In fact, size of organization is a relative term. Generally, the size of an organization is decided on the basis of its employees’ strength which is denoted as corporate size. A major portion of corporate sickness is caused due to operating problems attributable to organizational size; such as poor interdepartmental coordination, inter-level hostility, staff alienation etc. Although, the research of Peter Blau (1970) indicates that the increasing size on organizational structure and functioning is not directly proportional, but takes place at a decreasing rate. However, sick larger organizations are more prone to use more tough and transformational turnaround strategies than the smaller organizations. The study of Khandwalla (2001) suggests that the turnaround of large organizations is likely to be more comprehensive than the turnaround of smaller organizations. Simultaneously, turnaround of the larger organizations can be tough and tender with greater use of both asset-cost surgery and transformational changes and restructuring & empowerment than the turnaround of smaller organizations. They can also be more fundamentally oriented
during turnaround with greater use of transformational changes, restructuring and empowerment and strategic shift. As a result, the large organizations become quite different in culture, strategic posture, structure and functioning at the end of the turnaround being transformed from their earlier state distress. On the other hand, smaller organizations become more effective during their turnaround, but they are less likely to become transformed. So, turnaround in large organization is like a revolution whereas it is relatively quick recovering from problems for the smaller organization. Although, it does not mean that the sick large organizations take much more time to turn around them than the sick smaller organizations.

Turnaround in the Context of Type of Organization:

The types of organizations have several connotations in the sense of ownership, nature of production, location of the company and the socio-economic culture under which the organization functions. From such angle, one organization can be viewed as a public sector or private sector organization, manufacturing or service providing organization and a third world or first world organization. Such differences in the type of organizations make it a compulsion to adopt different turnaround strategies to rescue the troubled organizations. Several works have been conducted by the researchers all over the world on such contextual perspective. Some of such works on this issue are hereby referred:

1. Public Sector vs. Private Sector Turnaround

Vast literatures from the studies of Murthy (1982), Ahmed (1978) and Choksi (1979) on turnaround claim that the management of public sector organizations is fairly different from the management of private sector organizations because of political and bureaucratic interference, monopoly power, social obligation and public accountability. There is almost a general consensus that the private sector organizations are superior to the public sector organizations. The report of World Bank also claims that the government organizations perform less than the private sector organizations in a host of activities, and further that in developing countries the inefficiency of the state owned firms is more acute. This is mainly for low capacity utilization, over manning, poor management control, poor financial control which leads to huge overtime payment, poor project planning and poor execution, discontinuity at top management, poor marketing management, poor cost control, high cost output, low employees’ morale and motivation, low productivity, high political and bureaucratic interference, and so on. In addition to these, the public sector
organizations have more public accountability on economic growth, nation building, social justice, poverty alleviation in communities, providing of employment opportunity and see more on employees’ welfare for housing, health, and education. On the other hand, private sector organizations have no such kinder / benevolent side of business. The private organizations have also no social accountability and therefore, they do not compromise with anything when it is concerned with making profit. In fact, a substantial literature claims that the private sector organizations are basically different from the public sector organizations in many ways. Ostroff. Frank (2006) observes that though in reality, many high performing government agencies do resemble well-run private companies, there are still profound differences in their purpose, cultures and contexts within which they operate. He has identified five principles those characterize successful public sector change efforts. These principles are: improvement in performance, win over stakeholders, creating a roadmap for change, taking a comprehensive approach and to become a leader, not a bureaucrat.

2. Service Organizations Turnaround vs. Manufacturing Organizations Turnaround

In many times, choosing appropriate turnaround strategies depends on the type of business functions of sick enterprise i.e. whether the enterprise is a service providing organization or a manufacturing organization. The observations of Thomas I. Barkin, J. J. Nahimy and Evan S. Van Metre (1998) reveal that there is a crucial difference between the services providing companies and the manufacturing companies, though both of them exhibit many common characteristics. The manufacturing companies can store what they produce, but the service providing companies can not do that; they have to perform sale and production of services simultaneously. Under this organizational characteristics, Balachandran (1993) and James A. Fitzsimmons (1994) find the human interfaces with customers in service companies very direct and significantly important. Therefore, the importance of excellent customer services is the prime factors for the service enterprises which are solely performed by the front line staff of the organizations those are further provided necessary supports from their supporting staff. Daniel I.Kaplon and Carl Reiser (1994) thus observe that the inability of storing services makes the treatment of human resources quite critical, especially in turnaround situations. Since the main objective of service organizations is to make the customers pleased through its employees, it is therefore necessary to make pleased the employees in turn. However, it does not mean that the manufacturing organizations will make their employees displeased, where the tight co-
ordination between producing units and delivering units is not essential like service organizations. Thus, service turnarounds can provide a useful lesson in managing human resources in all turnarounds.

**Turnaround of Manufacturing Organizations**

Study of Khandwalla (2001) on turnaround of manufacturing organizations reveals that the majority numbers of turnaround strategies applicable for manufacturing enterprises are almost equally applicable for service sector enterprises. Only three strategies namely, tighter controls and financial mending, strategic shift and sales push have significant use in manufacturing turnarounds. It is relatively speaking that manufacturing turnarounds need controls on inventories, purchases and production processes and tended to trade off sales push for tighter controls and financial mending and strategic shift. Strategic shift is an easy choice for any manufacturing turnarounds.

In respect of human resources management in manufacturing turnarounds, the study finds that there is very little or virtually no difference in restructuring and empowerment and among various components of transformational changes. The manufacturing turnarounds are tended to invest greater efforts in co-opting external stakeholders like government bodies, unions, customers, vendors, financial institutions etc. However, the studies of British researchers - Stephen J. Dorga, John Dowdy and Peter Whawell (2001) find that one of the major reasons for decline is the low labour productivity and growth of non-manufacturing sectors as well. But, unlike similar low performance in highly regulated domestic industries such as food retailing and hotel, the manufacturers face ominously fierce competition at home and export market alike. They argue if labour productivity is on at per with the competitors, output will be higher at no increase in cost, financial returns will improve and a new cycle of growth will be established.

**Turnaround of Service Organizations**

The study of Khandwalla (2001) indicates that there is practically no or very little differences in most of the turnaround strategies between the service turnaround and the manufacturing turnaround except **tighter control & financial mending, strategic shift and sales push**. In service turnaround, it is tended to trade off **controls on financial mending and strategic shift** mainly for **sales push**. The study finds a significant use of **restructuring & staff empowerment** in service turnarounds. The other thing is **transformational changes** which in service turnarounds is tended to invest relatively more in diagnostic activities as
Well as co-operation of the staff into turnaround. The service organizations are usually tended to probe their sickness deeper and with broader instrumentalities like external consultants, internal task forces, collective brainstorming, internal surveys, external surveys, benchmarking etc. and to mobilize their staff for turnarounds.

**First World Turnaround vs. Third World Turnaround:**

Past studies indicate that all turnaround strategies are not equally applicable for all sick companies under first world and third world situation. The causes of such differences are probably for the differences in economical, political, technological, social and cultural factors. The companies of the first world operate in mature market economy while the third world companies usually operate in emerging market economy. The technological advancement in the first world situation is more advanced than the third world situation. The political situations are also different in the first world and third world countries. In third world situation, the political obligations are viewed with prime importance. Besides, the first world countries are more politically stable and less politically disturbed in comparison to the third world countries. The first world countries are technologically advanced and the companies of these countries utilize latest technology in every sphere of operations for achieving higher productivity and high quality. In third world situation, there is also a bar in utilizing advanced technology pervasively for providing employment opportunity to the unemployed youths and poor people of the countries. This is a social obligation and the third world companies can not escape from this liability.

Ahlstrom & Bruton (2004) conducted study on turnaround under regional context to observe the influence of region on turnaround. It is observed from their studies that the Asian companies, while sharing many similarities, enjoy enough differences from the Western companies. There is a striking cultural difference between the first world and the third world countries which suggests that the model of turnaround for the west is not equally applicable in Asia. Culture and institutional environment coupled with different stages of development of Asian countries limit the application of such model developed from the studies of turnaround of developed economics. Bruton, Ahlstrom and Wan (2001) and Peng (2003) find from their studies that as a priori case, significant difference in turnaround in Asia is due to the part on different environmental, political and institutional settings in which the firms operate. The study conducted by Hofstede and Bond (1988) describes this cultural difference in Asia as Confucian Dynamism. Chen (2001) and Haley, Tan & Haley (1998) have stated about Confucian philosophy which has
widespread influence in Asia and impacts business practice around the region. The impact of this Confucianism is observed in a wide range of business and economics in Asia which is believed that the business in Asia is significantly different from the West. In addition, enablers of change and restructuring in Asia also differ, making different approaches of turnaround.

2.11 Exploring Other Sides of Turnaround:

The emergence of the domestic private sector, as well as the growth of foreign-controlled business sector has brought unprecedented challenges to the state enterprises. David A. Ralston, Jane Terpstra-Tong, Robert H. Terpstra, Xueli Wang and Carolyn Egri (2006) suggest that the need for improved efficiency epitomizes the performance mantra of the new SOEs. They further argue that as a part of the effort to reduce redundancy, extensive training and retraining programs are to be organized to help employees adapt to the challenges to new work demands. Change strategies are inevitable for many human resource strategies. D.K.Bhattacharyya (2004) refers various types of change initiatives out of which the turnaround change is financially driven to ensure corporate survival by reducing unprofitable products and services. It involves redesign of organizational structures, outsourcing of non-core activities and may be manpower redundancies. He also states that restructuring is the most common form of major organizational change. Restructuring need not be a defensive cost cutting process but rather a pro-active attempt to achieve innovative products and services. Chawla and Kelloway (2004) have developed a model for change management strategies which was tested on a sample of 164 employees that predicted openness and commitment to large scale change. But change is observed as a phenomenon under a different perspective. Ford and Ford (1995) have asserted that the intentional change is the matter of deliberately bringing into existence through communication, a new reality of social structure which brings desired change effectively.

Evidence from the studies by other researchers like; Maheswari (2000), Mezias & Starbuck (2003) and Pfeffer & Salancik (1978) on strategic management and making managerial decision show that the managers are often proved unable to account for environmental change due to resources constraints, inadequate information and inability of sensing to future environmental changes. There is also ample documentary evidence from the studies of Aldrich & Pfeffer (1976), Carrol (1984), Kelly & Amburgey (1991) and Mone, McKinley & Barker (1998) which state that the organizations experience varying
risk while undergoing change under unprepared conditions. Kantar, Stein and Jick (1992) suggest that the communication can play key roles to prepare the organizations by providing and obtaining information, creating understanding and building ownership. The role of internal communication during change has drawn attention of several researchers. In a published paper based on conceptual analysis Kitchen and Daly (2002) have explored the linkage between change, change management and internal communication.

Turnaround programmes indicate radical changes in organization i.e. transformation of organization. Stephen D. Page and Susan R. Pearson (2004) mention the fact of transformation in IT-industry stating that it is not just about development of skills. It is clear that training will be effective only as part of a more comprehensive programme that addresses a number of factors including process change; new tools and systems; motivation through performance management and aligned reward system; knowledge management; and the development of leadership talent. Successful change also requires effective leadership at the top. Strong leaders not only challenge people to develop their skills but also inspire them to do so. Developing leadership capability at all levels, as well as setting clearly defined performance objectives and the criteria for advancement are all part of transforming the workforce. The comprehensive programme of transformation is undertaken in the key aspects of processes, performance goals, competencies, behaviour and learning process after establishing the vision, objectives and scope of transformation with capable leadership.

James. R Lucas (2007) observes that the dying organizations choose to be blind to response to change. They can not see the change even when it is obvious. Their people have no passion and spend their lives just putting in time. Their attitude is, ‘it all pays the same’. They are the people who ask, ‘what happens’? Too many people live here. But the reactionary organizations those are trying to turnaround respond to change, but only after the pain has reached crisis proportions. Their only passion is to survive. They have little motivation to think about and restructure for the long term, so they find themselves with limited time and resources to react. He also states that the people of such organizations usually take desperate measures to respond to change. Thus, desired change in organizational culture through organizational transformation is very important for successful turnaround.

Corporate culture shapes the behaviour of people at all levels; they can strongly affect a corporation’s ability to shift its strategic direction. Franklin C. Ashby (2000) has
asserted that a strong culture should not only promote survival, but it should also create the basis for superior competitive position. He mentions that a culture emphasizing constant renewal may help a company adapt to a changing, hyper competitive environment. As such, if an organization’s culture is compatible with a new strategy, it is an essential strength. But if the culture is not compatible with the proposed strategy, it is a serious weakness. In that situation, all turnaround strategies will be meaningless in spite of desired change in mission, objectives and policies.

Barbara Thomas Judge (2006) observes that radical change in culture faces some challenges within the organization. The first challenge is to install new sense of purpose - a timely mission to restore environment. The next major change is more challenging i.e. to migrate the organization from public authority status, with a strong civil service based culture, to a business focused culture with innovative thinking, advanced planning and project management skills. It is also required the introduction of commercial know-how, essential for success in a fiercely competitive environment. A scanning of social and economic trends indicates that dramatic changes are unfolding in the demand and supply of knowledge-intensive jobs, products and services. Braddock (1999) states that the labour forces in industrialized countries are becoming more knowledge-intensive. Quinn, Baruch and Zien (1997) also observe that knowledge-intensive services have become the dominant form of technological innovation in the industrialized world. The growth of a knowledge intensive global economy and the emergence of networks of firms develop collective industrial infrastructures for sustained competitive advantages. Van de Ven (2004) suggests that individual firms should focus on building distinctive competencies, outsource the rest and play niche roles as nodes in value chain networks. The successful firms will ‘run in packs’ rather than ‘go it alone’ to develop knowledge-intensive technologies.

Rosabeth Moss Kanter (2003) refers about two dozens of turnaround situations in which the organizational leaders brought their distressed organizations back from the brink of failure and set them on a healthier course. She observes that each of these executives restored their peoples’ confidence in themselves and in one another- a necessary antecedent to restoring investor or public confidence. They inspired and empowered people to take new actions that could renew profitability. In short, each had to lead a psychological turnaround. Open dialogue exposes facts and tells the truth, but a successful corporate turnaround depends on relationship as well as information. It is
tempting for a new regime to exact revenge and punishes those responsible for past mistake. But it would only continue organizational pathologies. Turnaround leaders must move people toward respect; when colleagues respect one another’s abilities, they are more likely to collaborate in shaping a better future. It is also asserted that despite differences in strategies and tactics, all turnaround leaders share the overarching task of restoring confidence through empowerment replacing denial with dialogue, blame with respect, isolation with collaboration and helplessness with opportunities for initiative.

2.12 Turnaround Leaders:

Mark Potts and Peter Behr (1989) have discussed about some essential ingredients of leadership. They mention that the new generation of chief executives comes from a variety of backgrounds, but most of them have common traits. They are more knowledgeable about their companies and they tend to put a premium on being flexible and moving quickly to fit in the fast changing environment. They also tend to be aggressive and unafraid to make change what they believe needed for keeping their companies on the leading edge. Most of these executives have far-reaching vision for their companies with deep intuition, involvement and capability for assessing changing environment. The literature on change delves on leadership styles of change leaders. Pandey and Verma (2005) have analyzed Worldcom case to uncover such two contrasting leadership styles i.e. Bernard Ebbers who insisted to show double digit growth and increase in revenues. Merger and acquisition policy adopted by him put the company on the track of blind expansion that made the company a hot favourite on the Wall street. On the other hand, Michael Capellas who joined a bankrupt and corrupt company rejuvenated the demoralized workforce and enforced a code of ethics at every level of the company. However, Barker and Patterson (2005) have also observed that there is a growing evidence of changing leadership for attempting turnaround.

A. Chandra Mohan and G. Rajesh Kumar (2006) argue that corporate success depends on dynamic and effective leadership. In the present era of LPGS (Liberalization, Privatization, Globalization and Stabilization) and ICE (Information, Communication, and Entertainment), the organizations having good leaders only do flourish and rest perish in the times of survival of the fittest. Leadership is essential for every organization whether success or failure, and the success or failure of an organization depends to a great extent on the quality of leadership; particularly in the posts of top management level. However, turnaround leaders have to play many other roles. The CEOs of the organizations mainly
play major role as turnaround leaders to achieve desired performance in turnaround efforts. Khandwalla (2001) has advocated for outside leader for effective turnaround who owns some special leadership qualities. He mentions the qualities of such successful turnaround leaders:

1. During a crisis the turnaround leaders have to act in numerous fronts. They have to articulate credible vision and strategic intent and to shape the concept and the structure which is implemented during the turnaround phases. They also act as the bridge between various stakeholders to involve all of them in turnaround. They tackle cash or other crisis with uncommon stamina and keep up the energy of the people by setting personal example.

2. The turnaround leaders take all efforts to involve all employees in turnaround move. The CEOs are very often become rigid in the sense of organization moving (i.e. fix it, sell it, or shoot it; improve corporate image, and that is it; VERC: Volume, earnings, returns, cash; "business do not fail, people do). But at the same time, they have to reserve flexibility in action.

3. The turnaround leaders have to take risky actions very often. Sometimes the turnaround leaders act authoritarian on assumption that people in general like to be led and the CEOs lead them with command and direction.

4. The turnaround leaders have to discriminate between what is good for the organization and what is good for its employees, especially the non-performing ones. They can not afford to be soft and sentimental but need not be callous either. Some turnaround leaders have to take stern actions, like punishment against some employees to send a message to others that nothing will be compromised in the way of turnaround.

5. The turnaround leaders have to break-up the big organization-wide problems in to smaller manageable ones and pinpoint the core problem. They have to withstand many tough questions and adverse situations with patience and cool mind. They have to communicate efficiently to involve all the stakeholders of the organization in its revival activities.

6. The turnaround leaders have to manage anxiety and insecurity of the staff, and return them into constructive action through straight talk, consultation, credible plan of actions, incentives, decisiveness, tolerance for honest mistake and new skill.
7. The turnaround leaders have to co-opt the doubters, the indifferent, even the adversaries, into a team inspired by a common purpose, the turnaround leaders have also to empower people down the line to take decision.

The turnaround leaders often face a problem of balancing long term and short term strategies for their companies, which one should be emphasized more - the long term strategy or the short term planning for the next quarter? That dichotomy is one of the most frustrating to American management today. On one hand, the executives of leading edge companies are trying to chart a long - term course, trying to make the changes and the investments needed to adapt their companies to a changing world. On the other hand, the investment community are pressuring for instant results – in the form of improved earnings. Mark Potts and Peter Behr (1989) state that the long term / short-term dilemma is now sharper, with so many companies having to make hard choices affecting their survival at a time when economic and competitive challenges have never been greater. The task is made even harder by the short-term unpredictability of such vital factors as tax policy, energy prices, and foreign exchange rates. How to resolve this long-term / short-term issue has long been debated in the corporate world today. Some managers bow to the pressures, forego needed investments, and play straight to the stock market, pumping out high quarterly earnings and inflating price of their stock until they bleed the company dry and force new management to take pain-staking steps to restore long term opportunity.

Abad Ahmed and O. P. Chopra (2005) explain the importance of inspiring leadership. Inspiring leadership refers to the individuals or collectivity of persons who influence and inspire people in organization at different levels, irrespective of the formal position that they are holding. Inspiring leadership appears to be instrumental in the organization to create pro-active and positive mindset, passion and ambition, competency building and winning paradigm, clear vision and mission, outstanding leadership, openness, learning and change. It is people centric and team-based approach providing empowerment and commitment with simplicity, knowledge, values and character.

2.13 Cultural Change during Turnaround:

Hickson & Pugh (1995), Hofstede (1991), Orru, Biggart & Hamilton (1997) and Pye (2000) explain the impact of cultural effect on organizational activities. Although, there is a consensus regarding the importance of organizational culture as a key ingredient for organizational effectiveness, Martin and Frost (1996) have asserted the organizational culture as diverse, with conflicting theoretical and methodological research perspectives
that reflect the perennial methodological debate. However, organizational decline and turnaround are both challenging and significant to the managers who face such situation. Under such situation, Bruton, Ahlstrom and Wan (2003) have observed that it is critically needed to pay attention to variations in causes of decline and responses to address the causes owing to the cultural variation paradigm.

Franklin C. Ashby (2000) elaborately discusses about analyzing and assessing the ‘as-is’ condition of organizational culture which is must before initiating cultural change. It is necessary to understand the current culture and determine what problems exist and how seriously they affect productivity, quality of product or services, the morale of the workers, and the overall efficacy of the organization. The tangible statistical figures on sales volume, market share, payroll etc. are not sufficient to express the real situation of an organization because the vital information like employee attitudes and morale, the currency of the skill of their people, the willingness of their people to cooperate and the commitment of staff at all levels etc. are very much difficult to understand by simple way. To understand these, various diagnostic techniques are employed out of which the O-MRI (organizational MRI) is a recently introduced innovative technique. For rendering proper treatment, physicians use a variety of techniques like blood test, ECG, X-ray, other pathological tests to evaluate the health condition of a patient. But, in our body, there are many critical problems which may not be diagnosed by these routine medical tests. Therefore, the doctors in recent times use sophisticated diagnostic technique / equipment to know the hidden problems of human body. MRI- Magnetic Resonance Imaging is one of such latest diagnostic technique which helps the doctor to look deep into the human body for focusing on problem areas from various angles. Similarly, O-MRI provides a multidimensional view which not only examines a specific aspect of an organization, but seeks the origin / sources of problem by thorough scanning which is usually conducted by an outside consultant appointed by top management who finally brings the real problem by continuing questioning to all people of the organization.

Supriya Kurane (2003) observes that creating a new work culture is easier said than done. For necessary transformation, a company may choose a back-to-basics approach: performance managements systems are put in place, merit-based promotions are initiated, training needs are identified, new people are hired and a retirement policy is started. The organizational environment is also changed from paternalistic environment to
meritocratic organization and the focus is not just on managing performance. It is backed up with initiatives on learning, relearning and organizational renewal.

At a time when organizations are becoming increasingly global and finding it ever more challenging to compete within rapidly changing market environment, companies are constantly searching for ways to get a leg up on the competition and enhance the bottom line. Watson Wyatt Communication ROI Study, 2003-04 indicates that effective communication programmes do make a difference. Organizations those communicate effectively earn significantly higher shareholder’s returns and are associated with lower turnover rates than other organizations. This can become a key differentiator in today’s highly competitive business environment. It is true that effective communication facilitates change and, therefore, the organizations that communicate effectively can handle major changes more effectively. Effective communication means developing a strong foundation by creating formal processes, leveraging technology, integrating total rewards and using employee feedback. It drives organizational change as well as desirable change in employees’ behaviour at all levels and translates it into improved business performance. Thus, effective communication can make a difference to the overall success of the organization. Meyer (2004) describes organizational turnaround as a change effort that requires the change of individual behaviour of a large number of stakeholders. Therefore, proper coordination among stakeholders is an important element for bringing radical environmental change during turnaround. Beckhard & Pretchard (1992), Beer, Eisenstat & Spector (1990) and Proctor & Doukakis (2003) suggest that the role of communication is seemed to be an urgent tool to facilitate change organization-wide. It is considered as a critical element in enabling people to change their attitudes and behaviours. There is also found evidence from literature that all segments of an organization be included with free flow of information to stop decline where communication play an important role. Therefore, Sloma (1985) suggests that to make a turnaround successful, the plan should be properly documented and communicated. Three types of communication strategies are elaborated by Moorcroft (2003) viz. master strategic plan, operating plan and project plan to address various needs of corporate recovery.

Basically, in many cases, the declining state of any organization is originated from the problems concerned with its people and work system. Low morale, lower productivity, poor quality, interpersonal and intergroup conflicts, ill defined and inappropriate goals, defective organization structure, poorly designed tasks, inadequate
response to environmental changes, poor customer relationship, inadequate alignment among organization’s strategy, structure, culture and processes may be mentioned in this regard. HR policies still assume that most if not all people who work for a company are employees of that company. But Peter Drucker (2002) observes that it is not absolutely true. There is no wonder if the employers complain bitterly about their employees and say that they have no time to work on products and services, on customers and markets, on quality and distribution. Instead, they work on problems- that is, on employee regulations. They no longer chant the old mantra “People are our greatest asset”. Instead, they claim “People are our greatest liability”. What made the traditional workforce productive is the system, whether it is Frederick Winslow Taylor’s “One best way”, Henry Ford’s “assembly line”, or W. Edward Deming’s “total quality management”. The system embodies knowledge. The system is productive because it enables individual worker to perform without much knowledge and skill.

Organizational downsizing, restructuring, re-engineering and redesign are very common management tools to improve the profitability of organizations for turning around them from losses. But, Seth Allcorn, Assistant Dean and Chief Financial Officer of Texas Tech University, Health Sciences Centre describes these turnaround tools as the cultures of organizational violence. In particular, with the effect of such organizational aggression, employees may be readily made to feel marginalized, disposable, replaceable and threatened. Micklethwait and Woolridge (1998) also state that during the last decade of twentieth century there emerged management fads driven by a legion of consultants who espoused the theory that in order to save the organization you first had to destroy it.

Seth Allcorn (2006) further states that downsizing, rightsizing when combined with organizational restructuring, reengineering and redesign have been criticized for not achieving useful result since these changes are usually followed by additional change. In many of such cases, the executives who create problem are left in their places and commit further destruction. And the persons who are not originally responsible become victims and out placed. These organizational dynamics are so destructive that the employees experience stress and emotional discomfort. More specifically, there emerges a sense of individual and organizational spiritual destruction affecting seriously the employee’s loyalty, trust and morale. In such situation, Organization Development interventions can play vital roles which are long term efforts, led and supported by top management to improve organization’s visioning, empowerment, learning and problem solving processes.
through an ongoing, collaborative management of organization’s culture with special emphasis on the culture of intact work teams and other team configurations. Keith Davis (1990) describes organizational development as an intervention strategy that uses group processes and focuses on the whole culture of an organization. It seeks to change beliefs, attitudes, values, structures and practices in order to survive and prosper. The process is system oriented which covers such steps as diagnosis, data collection, feedback and confrontation, action planning, team building, intergroup development, execution of plan and follow-up. The other beneficial effect includes improved motivation, higher productivity, quality of work, job satisfaction, team work and resolution of conflict.

Martin, Garry and Pear, Joseph (2002) describe about behaviour modification of the employees toward desired direction to improve the performance of individuals in a wide variety of organizational setting. They have observed organizational behaviour management as the application of behavioural principles and methods to study and control of individual and group behaviour of organization. Changing employees’ behaviour is necessary to improve productivity, sales volume, decrease tardiness and absenteeism, create new business, improve workers’ safety, reduce corruption and improve management-employee relation.

There are two basic sources for survival and growth of organization. One source of improvement is technology; the other is human system in organization. In view of relatively easy availability of technology, the focus is increasingly getting shifted to the human system as the major source of improvement. Organizations understand today that the critical difference between successful and unsuccessful organizations is only the quality of its people. P.N. Singh (2001) has stated that continuing education and training of the human resources has, therefore, become vitally necessary in a competitive business environment. Lynton, Rolf and Pareek, Udai (2000) suggest training as the most effective tool to bring desired change in people, particularly when organizational members see change happening or about to happen around them and some of them become concerned enough to prepare themselves to cope with or take advantage of the change. They are then internally motivated to learn, and the organization is sufficiently into the process of change that it offers opportunities to apply new learning on the job.

D. K. Bhattacharyya (2002) describes that high morale and motivation of employees no doubt are necessary to achieve productivity and functional effectiveness. But these alone can not sustain a dynamic organization unless efforts and competencies of
human resources are renewed constantly by developing an enabling organizational culture. An enabling organization culture is possible when employees of an organization are found to use their initiative, take risks, experiment, innovate and make things happen. Further, R.A.Sharma (1992) holds the opinion that an organization-wide planned effort managed from the top increases organizational effectiveness and health through planned interventions in the organization’s processes using behavioural science knowledge. It is a large scale, long range change effort focusing on groups rather than individual, though changes in individual attitude and values are involved for improvement in interpersonal competencies and diagnostic skill. People are assumed to have drives towards psychological growth and self actualization to be capable of positive change in personality and values. It is also assumed that the effectiveness of work groups can be improved by expression of emotions and openness of communication, as well as by considerable participation of members in problem solving and decision making processes. Several studies also indicate that the application of Total Quality Management can bring back the organization from the brink of depression. It is clear that HR professionals who adopt total quality become strategic partners in system analysis and improvement that will empower employees to control their own work across traditional organizational barrier in order to achieve greater performance. P, Joseph A and Furr, Diana S (1998) view this concept as a total system approach, not a separate area and an integral part of high level strategy. It works horizontally across functions and departments, involving all employees, top to bottom and extends backwards and forwards to include management system for continuous improvement in customer satisfaction.

Jain, Nitin (2001) finds that TQM is arguably the tertiary stage of quality improvement for food companies, following the consolidation of a Quality Assurance programme and the implementation of a Quality Management System. He also observes that American food companies follow TQM to achieve tangible benefits in (I) better management and integration of various functions in the supply chain getting the product to market faster and more efficiency, (ii) increasing capacity utilization of plant and machinery beyond the industry average of 50%, (iii) better training and development of employees at all levels, (iv) more management participation through total quality councils of key top managers, (v) vendor certification programmes, (vi) real time quality information systems that link process, vendor and customer activities, (vii) employees’ empowerment and self directed work force that provide employees with a sense of ownership for product and process quality.
2.14 Some Case Studies of Turnaround in Indian Perspective:

1. Case Study of Tata Motors:

The turnaround of Tata Motors is a remarkable incident of recent years in India. When Tata Motors came back into the black, after its record losses in 2001, the journey had just begun. Now, the company is closer to completing the third phase of its six year turnaround roadmap. Today, Tata Motors is the fifth largest commercial vehicle manufacturing company in the world. The commercial vehicle business unit (CVBU) is functioning with its three manufacturing units at Jamshedpur, Pune and Lucknow employing over 18000 people producing 150 products with 250 variants. Just five years back in 2001, the company was deep in the dumps with a loss of Rs. 500 crore.

Tarun Narayan (2006) has studied the comeback story of Tata Motors which was actually a six-year roadmap. The come back journey was chalked out and sequenced into three phases of two years each i.e. turnaround, domestic growth and international growth. Over the years, the turnaround has helped the company to double its revenues. The Tata Motor’s leadership adopted long term strategy with the vision of driving improvements throughout the organization. It recognized its people, suppliers and dealers as vital links in the process of transformation and brought improvements in management system and processes to establish itself as a high performing and learning organization. A measure for leadership effectiveness was also established and fast-trackers were identified and encouraged to take higher responsibilities. But crucially, Tata Motors took a couple of key strategies to move down the turnaround lane. The first plan was to derisk the business model and create a growth plan that would give it sustained profitability. This was achieved in different ways. First, the company adopted a crucial strategy to make a big push in non vehicle business that includes spare parts, finished products, and bus-body products. Second was a major thrust into international market and tapping of new business opportunity in both domestic and international markets. In addition to the above, the company emphasized on overseas acquisitions, alliances and technology partnerships, a sum of Rs. 10000 crore was freshly invested into manufacturing capacities and new products and prune export focus from 70 countries to 15-20 key countries.

An important component of this turnaround journey of Tata Motors is the Strategic Planning Process. The company enhanced its thrust on new product introduction with low cost approach but not compromising with its focus on fuel efficiency and world-class quality. The company believes on process management
approach keeping its aim towards continuous improvement. The effort has been to transform itself from a bureaucratic inward looking organization to a customer-centric one. Information Technology (IT) has been used to provide online information and services. The company also adopted the strategy for new technology roadmap instituting 19-top level process owners. It also introduced a new process management manual, implementation of balanced score card and benchmarking of processes with global best in the way of its turnaround.

2. Case Study of Indian FMCG sector:

Today, amidst good growth and steady economic performance, many companies face challenge for their continued survival. A fair number of Indian companies of fast moving consumer goods (FMCG) sectors including Hindustan Lever Limited suffered from continuously disappointing performances in the past. However, many of such companies were able to come back from the brink with turnaround strategies that they hope will stick. Tarun Narayan (2006) further observes the comeback story of the FMCG-sector which gives a lesson how it reshaped itself from the deep crisis situation. A key task of reviving was to bring back the cost and operational efficiency which realized that it was the time to redo the existing systems in supply chain and operations. At Hindustan Lever Limited, the entire supply chain of foods including sales force was targeted. The ice-cream factory at Nashik was equipped with facilities for producing squashes and jams, thereby upgrading the foods supply chain to international standards and optimizing the cost incurred in the entire chain. A shared service for planning, sourcing and production scheduling was also established with necessary restructuring in supply chain.

Godrej Consumers Products Limited also emphasized on supply chain management system which was termed as Sampark. The initiative of the company was also aimed at meeting business objectives and increasing visibility of stocks at both distributor levels and retailer levels. Tata Tea also undertook initiative of this kind to boost the market for its Tetley brand and commenced restructuring of certain aspects of Tetley’s supply chain. This led to the establishment of joint venture manufacturing in the US and reorganization in 2004-2005. Britannia Industries Limited focused on operational excellence and cost effectiveness by creating a culture where people work with clarity, energy and transparency. The company also adopted a segmented approach in how they entered into market. Marico Industries stressed more on the approach on marketing innovation, open and participative structure of management style and distribution.
In sum, the turnaround strategies adopted by our FMCG-sector for their continued survival are: (i) moving constantly with changes in markets that do not stand still, (ii) looking at mega changes with simultaneously keep making effort despite difficulties, (iii) looking at operational efficiencies more closely considering the importance of changes across the entire value chain, (iv) focusing on innovation in every aspect of business whether in market place, shop floor or in channel management and (v) never losing sight on smaller, day to day aspects while giving importance on big changes.

3. Case Study of Mahindra & Mahindra:

Mahindra & Mahindra’s tractor division (now the Farm Equipment Sector) may be a role model to the sick organizations for their transformation. The FES of Mahindra & Mahindra won the world’s most coveted award for quality- the Deming prize in 2003. But a few years ago, it had an insolent and insouciant work force with militant trade union and most destructive union leaders. Workers discipline was a nightmare and productivity, quality and efficiency were taboo. The operating processes were also inefficient. Arundhuti Dasgupta (2004) observes that after transformation, the workers had given up their traditional rigid attitude towards productivity and job rotation. All the workers, supervisors and management executives were trained in multiple skill and they were provided computers on shop floor. The result was surprising in improvement of quality and productivity. Costs were cut down by 15 percent, market share increased up to 27.3 percent and there was a 100 percent rise in workers productivity levels.

The transformation process was supported by top management to change company’s work culture. TQM was being applied, quality circles were formed, vendors and employees were routinely spoken to about importance of quality. It was started when company’s position was fragile with multinational threat and bad employees' relation. The company followed the basic tenets of Deming. “The prevailing style of management must undergo transformation. A system can not understand itself. The transformation requires a view form outside”.

The company appointed a Japanese professor and Deming scholar as consultant. The consultant emphasized on the improvement of process than direct result. It was group approach than being individualistic. He stressed on gradual, orderly and continuous improvement in work processes with complete employees’ involvement. The communication was continuous, bold and tailored to appeal to the workers sensibilities. Transformation was made through introduction phase, promotion phase and development
phase with desirable change in top management leadership and involvement, creating and maintaining TQM frameworks, quality assurance, management systems, human resources development, effective utilization of resources, understanding TQM concepts and values.

4. Case Study of a Delhi-based Dairy:

The dairy organizations under study are of no exception too. R.K. Mitra (2003) - a Ph.D scholar in management from Indian Institute of Technology, Delhi has represented a similar case study of a Delhi based Dairy Unit set up with the assistance of New Zealand Government in 1960. Since establishment, it was highly government subsidized and enjoyed a status of premier position, but over time it has lost its reputation. Price being highly subsidized, the product was not available to most customers and distribution system was highly non-transparent. The unit’s internal efficiency was badly affected by the lack of competition. All sorts of rigidities in operations and lack of performance anxiety lowered the competency of managers and workers alike. The organization being traditional, bureaucratic and hierarchical in nature, its structure was typically vertical with control and command playing a dominant role. It had one-way communication system with highly bureaucratic and rigid division of work.

He has mentioned two issues; ‘fixing quality of product’ and ‘marketing of milk with rising price’ in the event of withdrawal of government subsidy. For failure, no individual employee or work group i.e. department took responsibility, rather blamed other department(s) avoiding their own role. He felt the necessity of flexibility both for individual and organization in stead of rigidity. Here, rigidity means a mindset which registers only one way of thinking or perceiving, interpreting or communicating. Flexibility on the other hand, is a mindset capable of registering multiple options, perception and interpretation with deep psychological roots. For organization’s improvement, being flexible of oneself is not adequate; flexibility has got to be organization-wide.

5. Case study of Orissa Milk Federation:

Dr. Hrusikesh Panda, Chairman-cum-Managing Director of Orissa Cooperative Milk Producers’ Federation Limited has presented a paper on Re-engineering and Re-construction of A Co-operative Dairy Federation in XXXV Dairy Industry Conference (November, 23-25), 2006 held at Kolkata. In the said paper, he has narrated his experience of re-functioning of dairy business in Orissa under co-operative set-up. Though, the Orissa
Co-operative Milk Federation (OMFED) started its operation since 1981 as a part of Operation Flood Programme, its activities were limited within the districts of Cuttack, Puri, Dhenkanal, Keonjhar, Sambalpur and Ganjam till 2003. The management of the milk unions and dairy plants was run by the District Collectors until it was handed over to OMFED in 2000.

The dairy scenario of Orissa Co-operative Sector in the last decade during 1994 to 2003 was very frustrating. Milk procurement which was increased marginally was declined in 1994, 1995 and 1999. Marketing was higher than procurement, implying that milk powder was procured from outside state for reconstitution of milk which clearly indicates that the dairy farmers of Orissa lost milk markets. Besides, the dairy market of Orissa was stagnated during 1998-2003. Despite such low and stagnated operation levels, milk holidays for farmers were declared on Saturdays / Sundays during rainy season. Lastly, the quality of raw milk was indifferent: one reason behind this was that testing of raw milk at primary milk producers' co-operative societies was not done. After joining in OMFED, Dr. Panda tries to identify the area of immediate crisis which needed management intervention. He identified that very small quantity of milk is marketed per day since people of Orissa had lost their interest in drinking milk. Therefore, demand of milk procurement was limited for the milk federation for which OMFED observed milk days and refused to procure milk from the farmers on those days. Consequently, farmers incurred loss and thereby the milk producers' cooperative societies also incurred loss and ultimately the OMFED had to incur loss. Again, due to low procurement of raw milk, OMFED purchased skim milk powder with high price and usually produced double toned milk with very low fat percentage to adjust the cost of production. Thus, it lost its acceptance to a greater part of consumers for producing low quality milk. To turn the situation, Dr. Panda adopted certain strategies. These strategies are:

(i) Introduction of Whole Cow Milk – Advertisity as Opportunity:

The management shifted to the production of whole cow milk (of better quality) suspending production of double toned milk (with less fat content) to make it a household product. Due to suspension DTM followed by absolute discontinuation of production of double toned milk, the requirement of costly SMP (Skim Milk Powder) was drastically reduced and thus, it lowered the cost of production. In other way, it increased the demand of raw milk which helped the farmers of Orissa in marketing their produced milk. The concept of milk holidays was also gone away, and thus it increased the interest of the dairy
farmers. Conversely, whole cow milk generated demand of milk in the household segment of market and thus, the people of Orissa became more and more interested in drinking milk. A few products with high market potential were innovated and introduced using automatic process which lowered labour cost and packaging cost. Lower cost of production turned in higher volume of sales and thus, milk procurement went up dramatically after a decade of stagnation achieving 50% growth in just one year.

(ii) Internalization of New Strategies:

To internalize the new concept / strategies among all stakeholders, the management produced three documentary films as a powerful communicator to break up universal resistance to change. The second film Ghasa was made to promote fodder cultivation and dairy farming in stead of loss making paddy cultivation. The third film Sanjukta helped more in extension works which cleared all sorts of misconception of the consumers about the functioning of a dairy plant. After Sanjukta was telecasted, the demand of OMFED milk began to soar up.

(iii) Packaging Issue: From the Elitist to the Consumer Point of view:

Usually, the shops in Orissa prefer to have their signboard in english, even in remote corners of the state. With the same culture, the english language was used on the milk packets describing necessary information which had no effect to the major consumers who do not know english. Besides, the rates in the packet printed were complex varying place to place. This system was totally changed and oriya language was fully used replacing english and uniform price regime was implemented throughout the area. This had a very positive impact in the dairy industry of Orissa.

(iv) Extension Area of Operation and Changes in Management:

After the end of milk holidays tradition, there was increase in milk procurement and marketing, then the Government of Orissa handed over the management of all milk unions and dairy plants to OMFED. Professional Managing Director was appointed in place of collectors i.e. bureaucratic control was shifted to managerial control. As a result, all milk unions and dairy plants including the small ones having 50 to 500 litres processing capacity per day and the loss-making plants came under a common parent organization and the average performance was improved. For producing more raw milk, the farmers of Orissa were encouraged to maintain high yielding cows. In addition to this, the quality aspect of milk production was strictly maintained introducing raw milk testing at village level to prevent adulteration. At the same time, step of ensuring regular payment to the
farmers was also taken. The management also developed cold chain at MPCS level. For
the above purpose, OMFED intelligently used the fund aided by the Government of India
for the programme of Clean Milk Production (CMP) and Women and Child Welfare
Programme.

In that way, Orissa Co-operative Milk Federation (OMFED) has turned around in
an advantageous position enhancing its milk marketing of around 3,50,000 litres per day
which was only around 90,000 litres in 1997-98. The milk procurement has also been
increased at about 3, 50, 000 litres per day from about 75,000 litres per day in 1997-98.

6. Case Study of Mother Dairy Delhi:

Vinod Mahanta (2003) observes Mother Dairy Delhi as a recent example of
transforming itself from its week co-operative entity to a corporate powerhouse. Being a
wholly-owned subsidiary of National Dairy Development Board, it had to follow the
principles of co-operative activities. But the situation for the dairy was not in favour of it
due to both domestic and international competition from several national and multinational
players like AMUL, NESTLE, PARAS, GOPALJEE, GAGAN, BRITANNIA and
FONTERA. They were gradually penetrating in the market of fluid milk and other dairy
products. On the other hand, the internal functioning of Mother Dairy Delhi was also not
good. There was an alarming concern due to growing gap between the milk procured from
farmers and the milk sold to consumers. In 1997-98, 130.71 lakh litres of milk was bought
from farmers every day and by 2001-02 it had grown 34 percent to 176.02 lakh litre per
day. However, the sale of liquid milk in that period grew less than 19 percent from 112.94
LLPD. to 134.23 LLPD. The issue for co-operatives like Mother Dairy was that, if they
did not figure out ways to increase milk sale to keep up with supply over supply of raw
milk would eventually lower prices and prompted farmers to switch over other activities.
That, of course, would be the defect of the organization. To overcome such situations and
to survive, Mother Dairy Delhi adopted some striking strategic alliances in a bid to
transform itself. Such as:

Getting Customer-Friendly:

To boost sales, Mother Dairy Delhi was tracking consumer demand more closely
by strengthening its’ service levels. Increased customer interface led Mother Dairy to remove
“pain points” in reaching the customers who were beginning to complain about poor
proximity of its booths. Mother Dairy tackled this by adding 1000 outlets and 150 bulk
vending machines. The organization also focused its attention on the backend, ensuring
that the milk reaches to the consumers every day. It also set up a consumer research group to redress the complaint of the consumers by meeting their needs.

Expanding Markets:

The key to Mother Dairy’s future growth was market expansion. Its new marketing subsidiary, Mother Dairy Food Limited (MDFL) tried to expand marketing activities by tying with other state federations involving co-branding the milk. It also introduced various types of innovative and value-added dairy products and tried to facilitate the movement of these products for better marketing through joint effort.

Cutting Costs:

To protect farmers’ prices and to keep the cost of its products competitive, Mother Dairy Delhi slashed its own manufacturing expenses with the help of better management and improved productivity. Despite a 5-6 percent increase in producer cost, it managed to keep its retail price for milk at Rs. 13 per litre.

Improving Quality:

To fight multinational and domestic rivals, it tried to improve both the taste and packaging of its products by improving the performance at operator level. A Kaizen (continuous improvement) movement encouraged its employees to identify improvements in their areas of work. A recent total productive maintenance (TPM) initiative turned its focus on Zero breakdowns and defects. Such initiative helped to improve employee satisfaction too, which has gone up from 66 percent in 1998 to 83 percent 2001-02.

Building the Brand:

To get greater customer attention, the Mother Dairy Delhi made investment in re-enforcing the appeal of its brand. Because, it felt that milk was not simply a commodity, rather it was the matter of competitive fighting where brand building acquired a new place of importance.

2.15 Others: Conference Presentations on Indian Dairy Industry:

1. Behavioural Science Intervention plays a major role in recovering an organization from its crisis enhancing organizational effectiveness. Dr. Pallab Bandyopadhyay, Chief People Officer of Cambridge Solution Limited, Bangalore has presented a paper in the XXXV Dairy Industry Conference (November 23-25, 2006) held at Kolkata on that issue/topics. He mentioned the importance of behavioural science
intervention for enhancing organizational effectiveness emphasizing human resources as the main differentiating factor above all other aspects of organizations. He has also presented a set of examples of such work conducted on various Indian corporations. Such as: Sethi et.al (1995) conducted study in four different NGOs and experienced such thing. Vikas, an Ahmedabad based NGO reached a stage where it had developed cracks in its team and found it difficult to cope with the complexities of its environment. It was at this stage that the behavioural science intervention was used and the NGO was able to manage the crisis constructively and turned itself around.

Dr. Bandyopadhyay has mentioned the experience of Daniel and Benjamin (1992) who worked with NDDB in applying OD interventions on its cooperative organizations. Their experience of behavioural science interventions used in five cooperative organizations includes (a) identifying strengths and weaknesses of the organization, (b) defining the forces affecting managerial effectiveness, (c) determining team characteristics, (d) developing mission statements, (e) clarifying individual roles and (f) holding specific training sessions such as conflict resolution, communicating leadership, motivation etc. to produce greater self-awareness. With a view to achieve enhancement of organizational effectiveness through human resources, Dr. Bandyopadhyay mentions certain essential pre-requisites. These are: (a) adequate support from top management including CEO, (b) development of internal facilitator as a long term strategy, (c) collaboration with line managers, (d) rapport between consultants and clients, (e) readiness of the organization, (f) avoiding of unrealistic expectations and (g) continuous follow-up.

2. In XXX All India Dairy Conference held on 8-9 December, 2000 at Kolkata on the theme “Paradigm Shift in Dairying - its impact on Indian Dairy Industry”, Dr. Raja R., General Manager, Mother Dairy Calcutta have discussed the turnaround process of Indian dairy organizations. He has mentioned that in the present context of globalization and international competition, the turnaround process should lead to improve quality efficiency which does not mean chemical or bacteriological data of the product. Here quality indicates to the management system for quality of product, quality of continuous service and quality of awareness keeping all efforts to the customer satisfaction because the success and growth of any organization depend on the level of customer satisfaction about quality. Turnaround process can be achieved with product, procedure and people. Customer-centric product-mix, value-added products as well as optimization of quality output at all levels can help to achieve material value in organization.
The quality management system approach provides the basis for turnaround through procedure which depends on Management Responsibility, Resource Management, Product / Service Realization and Measurement, Analysis and Improvement. Quality improvement of the organizations can be done with the steps of (1) finding gap between internal climate and customer requirement, (2) mission and vision of organization, (3) following quality policy and good manufacturing practice, (4) complying ISO & HACCP- certification, (5) total quality system, (6) performance management, (7) accreditation system, (8) productivity enhancement system and (9) environment management system.

The other factor - ‘People’ is the most important which includes producers, consumers and employees. The producers who supply raw materials to the organizations are the backbone. They need training, education, guideline and technical support in addition to best sales price of raw milk. Developing leadership among them with long vision, commitment, and organizational value is necessary in the process of quality improvement. Customer satisfaction is also important in the process of turnaround through better customer relation, product and services. Finally, the success of any organization depends on its employees’ involvement. They need to be educated, motivated and empowered at their levels through various HRD training, reward and recognition system. Proper culture need to be created along with improvement of internal climate to bring energy in the turnaround process.

3. P. N. Reddy (2002) have suggested almost same thing with a view to win the customers and thereby not losing the business. More emphasis is given on Human Resource Management along with TQM, ISO-9002, HACCP, performance management, environment management etc. The basic objectives are: to develop competent and satisfied people to bring about transparency in the system, to optimally use the potentiality and creativity of people, to develop effective feedback system for improved skill and enhanced performance and to recognize good performance. Effective human resource management can be achieved through training, participative management, job rotation, career planning, restructuring of organization and by taping ideas at top and lower levels.

4. R.P. Aneja and B.P.S Puri (1997) have mentioned a three fold challenge before the Indian Dairy Industry development in the perspective of quality, product development and global marketing. They call for upgrading, on a sustained basis, the managerial and
professional skills and update knowledge. Conscious R&D efforts are also needed to improve the quality of dairy products which is the most important factor in dairy business. They have also suggested that the expansion of existing capacity and innovation in the fields of packaging, transportation and distribution are equally important for survival and growth of the dairy organization.

5. It is fact that in the ever increasing dairy market, knowledge driven market strategy and capable human resources will be the key for survival. S.K. Datta (2002) observes that the largest dairy undertaking of Sweden – ‘The Arla Group’ is very successful in its unique way of handling its mission, members (stakeholders), manpower, management and money. Arla’s mission is to defend and reinforce its position in old and new markets, alike. Some of the major programmes it has adopted are: self inspection programme to ensure quality production; members are induced to undertake the systematic and efficient planning of transportation with active cooperation of Dairy Production Managers; and improvement of members’ involvement through contact meetings, seminar and workshop. Involvement of employees in all organizational activities improves their efficiency which is the major internal strength for an organization for its survival and growth. Imparting trainings to the employees in different areas of dairy activities is certainly the right instrument here which in turn enhances productivity and plant efficiency.

In inaugural address of XXXI National Dairy Industry Conference –2002, Dr. V. Kurien, the ‘Milkman’ of India and pioneer of Indian white revolution has seriously looked at the quality of governance, corruption and incompetence. He has rightly commented that it is the time to look into the quality of our governance, to look at the corruption and also to look at the incompetence. And it is this we have to put right for turnaround of our sick dairy units.

Conclusion:

A broad perspective of turnaround after exploring various conceptual writings and research findings of several turnaround scholars, writers and researchers has been narrated in this chapter. The chapter also presented the summery of valuable research findings and conceptual thinking of the field of dairy.

Based on such relevant literature reviews, the next chapter is dealt with necessary methodological approaches to link up the objectives of this research.