CHAPTER 10
SUMMARY AND CONCLUSIONS

In the previous chapter evidences from the case survey was cross validated/verified with case illustrations. The present chapter contains a summary of the study along with findings and conclusions drawn and its management implications.

10.1. Introduction

This research was conducted in order to understanding the internal and external causes of organisational sickness and the key differences in turnaround strategies adopted by public and private sector organisations in India. Accordingly, the researcher designed a scheme for developing major inferences on these differences through content analysis of published case studies from all over India (in order to ensure generalisability of these inferences) and then illustrating those using case studies developed on both public and private sector organisations in Karnataka. The answers elicited from the case studies were analysed using mean, t test and were then analyzed by hierarchical factor analysis. Results were then presented in graphs and tables to facilitate the analysis.

Need of the study

There is a need for studies on successful turnaround strategies, with reference to public and private sector organisations in India. The reason being there have been a lot of studies done in the Western context on public and private sector organization based on few case studies.

Review of Literature

Literature on causes of sickness and turnaround strategies in public and private sector was analysed.
Variables of the Study

The study mainly concentrates on industrial sickness and turnaround strategies. There are many internal and external causes for industrial sickness and there are many turnaround strategies based on functional classification.

Hypothesis of the study:

The following were the hypothesis of the study

Hypothesis-1: External causes of organisational sickness can adversely affect an organization’s health only if the organisation is internally weak with respect to the systems and competencies in dealing with the developments in the external environment.

Hypothesis-2: Multiplicity of causes can be a major reason for turnaround failures; organisations that are afflicted by one or a few causes are likely to experience greater success in turnaround.

Hypothesis-3: Lean management strategy is likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis-4: As the most characteristic feature of a sick organisation is the cash crunch, Cost management strategies are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis-5: Refocussing on core business as well as customers is likely to be used more by all turnaround efforts in an attempt to regain their erstwhile market position. However, finding and developing markets make be more characteristic of successful turnarounds.

Hypothesis-6: Strategies for increasing operational efficiencies in the existing operations are likely to be used more or less equally by both successful turnarounds and unsuccessful turnarounds. However, investments in R&D for improving existing technologies and/or developing new technologies are likely to be used more frequently by the successful ones.
Hypothesis-7: Corporate restructuring and image building are likely to be used more or less equally by both successful and unsuccessful turnarounds.

Hypothesis-8: Sickness in the public sector may be caused more by exogenous factor such as governance structure, stakeholder complexities and resource inadequacy, whereas in the private sector the causes may relate more to internal inefficiencies aggravated by general economic conditions.

Hypothesis-9: Employee engagement strategy is likely to be used more frequently by public sector turnarounds than private sector ones.

Hypothesis-10: Since public sector organisations often have monopoly positions in the market they are traditionally known to be lethargic about product quality and promotion. However, in a turnaround situation they have to have special focus on these two critical aspects for regaining market acceptance. Hence, we propose that there would be a greater focus on changing product mix, pricing and promotion in the public sector compared to private which have been active in these matters.

Hypothesis-11: Public and private sector organisations are unlikely to differ in the substantive turnaround strategies relating to cost and lean management strategies, focus on core business, investments in markets and R&D and image building.

Sampling details

A sample size of 110(102 case surveyed+8 cases developed) companies which failed during the twelve year period 1998-2010 from public and private sector organizations in India was taken. Out of which 68 Indian companies which failed and successfully turnaround was studied. Of which 23 were public sectors companies and 45 were private sector companies and the remaining 33 Indian companies were unsuccessful in their turnarounds. In addition, 35 Indian companies which are unsuccessful were also studied, out of which 12 were public sector companies and 23 were private sector companies.

Sources of data collection
The data was collected from published case studies and PROWESS database during the period 1999-2009. Most of these were published in Business India under Corporate reports column during 1998-2009. A few stories were from Business World. A list of cases used for the study is given in Appendix I. The constructs in the areas of study are deduced from the cases of all the companies included in the sample.

**Data collection tools**

A rough draft of above 120 questions in the questionnaire was prepared in consultation with experts and people in the field. The draft copies were further given to experts in the management field for validation. Based on the suggestions the draft copy has been refined and then it was administered to a smaller group as a part of pilot study. Based on the response of the same, it was refined. Finally, the refined questionnaire consisted of 120 questions with three point scale of yes, no and doubtful.

**Data analysis techniques**

Data was analyzed strategies through “t” test and a separate hierarchical factor analysis for identifying the major dimensions of causes as well as turnaround strategies.

‘t’ test- Student ‘t’ test is one of the most commonly used techniques for testing a hypothesis on the basis of a difference between sample means.

Factor Analysis- Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization.

**10.2. Findings of the Study**

Analysis of the data has shown that most of the hypotheses got supported in cases surveyed in chapter 4 and also case studies developed in chapter 9. As the hypotheses related to two different types of comparisons, namely, (a) Successful versus Unsuccessful and (b) Public versus Private, the findings are reported under these two sub-headings.

**a. Comparing Successful and Unsuccessful Turnarounds**
Hypothesis 1, which stated their relationship between internal and the impact of external causes, was supported, as the causes with the highest mean scores were mostly about internal problems.

Hypothesis 2, which was about the failure cases having large number of causes, was supported as it was found that failure cases had many causes with high mean scores.

Hypothesis 3, which stated that lean management as a strategy was used more frequently used by highly successful turnarounds than the unsuccessful turnarounds was supported with t value highly significant at p=0.000.

Hypothesis 4, which was about the likelihood of cost based strategies used in all turnarounds was supported, as there was no significant difference between the two groups in their cost management strategies. However, there was a difference in the investment strategies, which was significantly different for the successful turnarounds. The finding supports the second part of Hypothesis 4.

Hypothesis 5, which was about the efforts by all turnarounds to regain their position in the market, was supported, as there was no significant difference between the two groups in the strategy of aggressive promotion of products in markets. However, there was a significant difference in the investments made in markets, which shows that the successful turnarounds were keener on developing markets.

Hypothesis 6, which was about the commonly used strategy of increasing operational efficiencies, was supported, as there was no significant difference on the strategy.

Hypothesis 7, which was about the commonly used strategy of corporate restructuring and image building, was supported, as there was no significant difference on this strategy.

Hypothesis 8, which was about the predominance of exogenous cases in public sector sickness, was not supported even though it is oft repeated theory in the literature. This may be because most of the prior studies were conducted in the pre-liberalization environment. After the liberalization, which has happened in most countries, it is possible that the difference in the environmental conditions and autonomy between public and private sectors has diminished, and
hence the hypotheses proposed in prior studies may no longer be relevant. However, the second part of this hypothesis, which was about the private sector getting more affected by external causes because of their not getting any public support, was supported, as we found a significant difference between the two groups on operational inefficiency and recessionary conditions as the causes of sickness.

b. Comparing Public and Private Turnarounds

Hypothesis 9, which proposed that the public sector would be using employee engagement strategies more frequently than the private sector, was not supported. This could also be because of the changes in the employment market because of economic liberalization. The situation and attitudes of employees in both the sectors are more or less comparable now, because of which there could be some kind of uniformity in employee-related strategies.

Hypothesis 10, which was about public sector coming out of their lethargic position in product quality and promotion, was supported, as we found that there was a significant difference in favour of the public sector with reference to the two relevant strategies, namely: changes in product mix and pricing and aggressive promotion of products in markets.

Hypothesis 11, which was about the lack of differences in a few substantive turnaround strategies (namely, cost and lean management strategies, focus on core business, investment in markets and R&D, and image building), was supported, as there were no significant differences between the two groups on these dimensions.

10. 3. Conclusions

Since the present study is based on the published interviews and case illustrations of eight organizations in public and private sector organisations from Karnataka, it is unlikely to be free of the self-serving biases of the presenters. Hence the findings of the study should be treated as indications rather than inferences.

Overall, the support that we present suggests that the inclusion of variables that capture strategic and operating turnaround initiatives are that which enhances the explanatory power of successful turnarounds for sick firms.
10.4. Emerging issues: Relevance and Implications

Emerging issues

The findings of the present study may be relevant to two streams of research, namely, research on turnaround strategies, and research on causes of industrial sickness. The specific ways in which this study may enrich the development of knowledge in these fields are briefly discussed below:

1. As it is pointed out earlier that there are only very few large-sample studies of turnaround management and turnaround strategies, particularly of successful organisations and unsuccessful organisations. The present study is an effort to fill this gap. There is no claim, however, that this research gap is adequately filled. It is hoped that the hypotheses generated by the present study may lead to more rigorously executed studies on turnaround strategies in public and private sector and turnarounds in general.

2. The study has moved away from turnarounds strategies which have focused more on human resource aspect, which has been the dominant approach in recent years. The present study shifts its focus to not only the human resource aspect but all the functional turnaround strategies in public and private sector organisations. This is because when the causes of sickness for example, are production in nature the strategies also tend to be production.

3. A major part of the present effort was devoted to identification of causes of sickness and turnaround strategies in public and private sector organisations, and the subsequent reduction of causes into two and five types of turnaround strategies. The theoretical and practical implications are discussed in the subsequent subsections succeeding.

4. It was found that the causes of sickness and turnaround strategies of successful and unsuccessful public and private sector organisations were different to a certain extent. There have also been strategies which are common for both the sectors. Thus, it is possible that different kinds of turnaround strategies are needed for public and private sector organisations. The present study thus highlights the need for developing different theories for different types of turnarounds, and finds empirical support for Khandwalla’s argument (2001) for a human and harsh type of turnaround strategies.
It is hoped that the findings of the research are helpful in strategic and policy decisions of the Organisations. The research suggests prioritization of the factors that influence the turnarounds in public and private sector organisations. This would help the Organisations and other players to take steps to enhance the measures of the factors. Since Karnataka has organisations which are sick and which can be turned around, it is possible for organisations in Karnataka would be benefited. The following suggestions are drawn from the values of the factors that influence the turnaround strategies which is prominent in public and private sector organisations in Karnataka which could be used for theoreticians and practitioners.

a. Implications for theory

As stated above, there are two findings for the study which may have immediate implications for turnaround theory. One is the causes of sickness focusing on internal and external factors and the other turnaround strategies based on functional and general classifications.

While, the findings of the present study highlight the relatively greater impact of strategic choices on the turnaround successful firms, they have pointed out the need for making a separate analysis of the influences of internal and external factors both within and outside the organisation. The discussion, thus, can move in a different direction and possibly explain the influences external environment and the organisation, giving due weightage to, and integrating sometimes the several, sometimes conflicting, empirical evidence.

b. Implications for practice

Comparison of public and private sector organization is a great challenge because they both operate in totally two different environments. One is under the support of Government(socialist), while the other is open to the environmental challenges(Capitalist). Policy setting provides the outer frame for organisational level operations and therefore also provides the framework for corporate turnaround attempts. Corporate turnaround includes providing a platform that allows sick firms with a substantial and a viable business model to recover from the performance decline. Similarly, the restructuring and turnaround of sick industries or sick industry sectors is in the interest of policy setting – particularly if the industries are of high relative importance.
10.5. Limitations of the study

1. The study does not make any attempt to generalize or theorise as it focuses on exploring the internal and external causes of industrial sickness and turnaround strategies for recovery and growth.

2. The sample size selected is not equal accordingly the findings may not be uniform. Further, the organisation under study is heterogeneous in nature and the findings vary respectively.

3. As the study focuses on strategic management perspective the findings of the study does not pay much attention to behavioral factors of sick firms.

4. Non-financial parameters such as ethical aspects have not been emphasized or considered in the general understanding of identifying industrial sickness phenomena.

5. Non-financial parameters such as ethical aspects, which can be identified with the sickness of the corporate, have not been considered.

6. The study does not discuss the stage theory rationales underlying the performance or sickness of both public and private sector companies as the case studies may not represent the general, the issue of generalisability looms larger here. Case studies are a prototype for explanation.

7. Case studies lend themselves to both generating and testing hypothesis. The case study is a research approach situated between concrete data taking techniques and methodological paradigms.

10.6. Scope for further research

The discussions above, and the hypothesis generated, suggest several aspects on which further research could be undertaken. Since, the use of strategies in a turnaround situation is a relatively unexplored area of enquiry, especially in India; it may be explored in all kinds of industries, not only in public and private sector organisations. Interestingly, unusual suggestions came up during discussions, there could be studies on strategies used by government officials, trade union leaders, suppliers, etc. These and similar suggestions testify to the vast potential of further research that may be stimulated by the present study. This section, however, does not go into
those areas, but limits itself to listing some obvious areas of further research on successful and unsuccessful turnaround strategies.

1. A field study with a more complete list of strategies, a more randomly selected sample and a finer measurement scale, could be undertaken so as to ascertain successful, unsuccessful and common turnaround strategies more fully and accurately.

2. Turnaround strategies used by organisations during different stages in their organisations life cycle could be studied. Causes of industrial sickness and turnaround strategies of successful and unsuccessful organisations during the various stages of the life cycles of their respective organisations may offer interesting comparison.

3. There could be a comparative study of the causes of industrial sickness and turnaround strategies of organisations in different industries, and across different sizes and types of organisations.

4. Finally, cross-cultural comparison of causes of industrial sickness and turnaround strategies could be made.