Literature Review

Lot of books, papers, and research topics are written on ‘Turn around’ aspect. We are hereby reviewing some of the literature published of some of the International as well as Indian prominent authors.

The title of literature, we intend to introspect may not have ‘Turnaround’ word but basic theme and essence will be to find out strategies at the time of trouble, sickness, uncertainty and in crisis:

2.1 Concept of turnaround

(Pradeep Khandwala, 2001) in his book ‘Turnaround Excellence’ defined the Turnaround aspect “Turnaround is recovery to profitability from a loss situation. To guard against transient or even fake turnarounds, a turnaround was successful if the company was profitable for at least two years after at least one year of losses. And the net profit had to be at least 2 percent of total revenues in at least one of these two years.”

(R.A. Yadav, 1992) The word ‘turnaround” has been gaining significance in the world of business in the context of increasing phenomenon of business failure. Turnaround means a substantial and sustainable positive change in the performance of a unit through determined efforts. To put it in simple words, it implies producing a noticeable and durable improvement in performance from down to up, from not good enough to better, from unsatisfactory performance to acceptable and from losing to achieving. It is an attempt to revitalize an enterprise whose performance both in financial and non-financial terms is below the level projected or which stands out of line with the general run of the business in the same industry group.

(Slatter, 1984) defines turnaround as sustainable recovery of sick firm. He explains. “Sustainable recovery involves achieving a viable and desirable business strategy, supported by an adequate organization and control structure.”
In a study of 54 American companies (Schendel, Patton and Riggs, 1997, p.3) turnaround is defined as decline and recovery in performance. It refers to a four years of increase in income relative to Gross National Product (GNP), following a four years of decline in income relative to GNP with two years stabilization period between the downturn and upturn phases.

(Schendel, Patton and Riggs, 1971) studied the turnarounds of 54, mostly large US firms during the 1952 -1971 period. They identified eight different classes of turnaround actions, with sub-categories for several of them. A most frequently used category was organization and management changes. Others reflected an external orientation: marketing program changes, product diversification and geographic diversification. The most commonly used sub-categories were general management changes, new products and R&D, acquisitions, diversifications abroad, new plant construction, and internal product development.

(Study Material of AIMA, 2002) on Strategic Management put forth the circumstances in which Turnaround Strategy is implemented:

There are four cells in the diagram, of which Cell: 1 may be said to represent the most favorable situation with numerous environmental opportunities and substantial internal
strengths, Aggressive growth-oriented strategies are indicated in this type of situation. On the other hand, the situation represented by Cell: 2 the most unfavorable one call for strategies involving withdrawal or reduced operation in the product-markets. The least favorable situation is obvious in Cell 2 with major environmental threats and critical internal weakness indicating defensive strategies. Chrysler’s turnaround under the leadership of Lee Iacocca in the early 1980’s from the verge of bankruptcy is typical of a successful strategy developed on the basis of SWOT analysis revealing major external threats and critical weakness of the Chrysler Corporation.

Cell 4: Represent a mixed situation with substantial internal strengths combined with major environmental threats. Diversification strategies are indicated for this type of situation involving the use of current strengths to exploit long-term opportunities in other product-markets. A mixed situation of another kind is represented by Cell 3: A firm facing this situation has environmental opportunities but constraints of severe internal weakness do not permit immediate gains to be derived from the opportunities. A two-fold strategy is thus indicated—eliminating the weakness along with more effective pursuit of market opportunities.

Different researchers have put forth their views about ‘Turnaround Management’ concept; our point of view is that ‘Turnaround’ is a status whereby effective management skills are deployed in loss making concern to revamp its balance sheet into profits. The process to convert losses into profits can be termed as ‘Turnaround Management’; but it is only feasible when there are opportunities available to grow, compete and prosper either yourself or with some strategic alignment with stronger partner (financially, technologically or Marketing Tie-ups).

Restructuring internal resources to get optimum business/profits have become prime objective: but at the same time audit/inspection/assessment of our internal weaknesses are prime requisite for any turnaround process. There may be chances that because of ‘Environmental-opportunities’, any company may get certain advantage for short term; but in long run, turnaround is possible only through re-hauling up company’s internal
resources, infrastructure, various faculties of management varying from Engineering, Administration, H.R., Marketing and Finance and that too from top management to the lowest level of employee in the organization structure of hierarchy.

2.2 Turnaround – International Scenario

Market conditions are very different in international scenario; Things have changed in last 15 years. Every Corporate house is trying for effective and successful strategy development in current scenario of fast changing market place.

- Technologies are copied more frequently.
- ‘Customer’ is put on as a prime focus in any agenda of transformation.
- Scale plays a pivotal role; but it may not necessarily be always advantage. The global spread has now made it even more difficult for a corporate head quarter to manage the company.
- Borders and boundaries have collapsed-geographically as well as commercially.
- Emergence of low cost competitors, Information technology has brought revolution in the total business scenario.

(Gary Hamel Prahlad) in their book ‘Competing for the future gave the insight of international economic scenario:

When a competitiveness problem (stagnant growth, declining margins and falling market share) finally becomes inescapable, most executives pick up the knife and begin the brutal work of restructuring. The goal is to curve away layers of corporate fat jettison under performing business and raise asset productivity. Executives who don’t have the stomach for emergency room surgery, like John Akers at IBM or Robert Stempel at GM soon find themselves out of job.

Masquerading under names like refocusing, de-layering, de-clustering and right-sizing (one is tempted to ask why the “right” size is always smaller) restructuring always has the
same result: fewer employees. In 1993, large U.S. firms announced nearly 6,00,000 payoffs – 25% more than had been announced in 1992 and nearly 10% above the level of 1991, which was technically the bottom of the recession in the United States. While European companies had long tried to put off their own day of reckoning, bloated payrolls and out of control employment costs had, by the early 1990’s made downsizing inevitable in Europe as it was in the United States. Some European Companies such as Volkswagen, eager to preserve industrial peace sought to maintain employment levels by reducing the number of hours worked by each employee.

The depressing assumption seemed to be that because there was no hope of raising output, the only solution was to share fewer jobs among more people.

Despite the excuses about global competition and the job-destroying impact of productivity-enhancing technology, the fact was that most of the employment contraction in large U.S. companies was caused not by foreign competitors intent on “stealing U.S. jobs” but by U.S. Senior managers who had fallen asleep at the switch, for the most part the companies that have been most aggressive in reducing head count won’t make it on to anyone’s “most admired” list (see table 1-1), these companies tend to be rogue’s gallery of under managed or wrongly managed companies.

<table>
<thead>
<tr>
<th>Table 2.1: Some Companies Reducing Head Count in 1993</th>
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</thead>
<tbody>
<tr>
<td>Reduced Head Count between 5% and 10%</td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>BASF</td>
</tr>
<tr>
<td>Data General</td>
</tr>
<tr>
<td>Westing House</td>
</tr>
<tr>
<td>Baeden</td>
</tr>
<tr>
<td>Dresser</td>
</tr>
<tr>
<td>Bethlehm Steel</td>
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<tr>
<td>General Motors</td>
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<tr>
<td>Honeywell</td>
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</table>


Though many scholars have conveyed their views as mentioned above regarding Turnaround in International perspective; however we feel that in Today’s troubled world economy has created a vital need for practical solutions that start at the grass root level.

Study of Turnaround Strategies of Indian Corporate Sector
Virtually all companies across the world are feeling the effect of current economic conditions. Many are already bankrupt.

Global economy is passing through unprecedented times. In a history perhaps we have never recorded such magnitude of crisis and forces that threatens the future of both humanity and planet. Financial meltdown has triggered a global economic crisis and thus unemployment and poverty position is on alarming position.

To overcome the current global crisis that engulf the planet ‘Turnaround management’ can pull not only companies away from the trial of bankruptcy, but also nation economy can also be turnaround. A crisis is a terrible thing to waste; it exposes mediocrity and tells us where we need to improve. It forces us to take tough decision and eliminate the unnecessary.

What we eliminate in tough times should be something we can do without when business gets better. We have to resist the temptation to add back the things we remove.

2.3 Turnaround in Indian context

Satisfactory Underperformance is pervasive in India (Sumantara Ghoshal, Gita Piramel, Christopher A. Bartlett, 2000) In the room were about thirty-five managers from different Indian companies, belonging to both the private and the public sectors. Some were from multinational subsidiaries. All of them occupied very senior positions, including three who were CEOs. A number of them represented organizations that are household names in the country.

‘How satisfied do you feel with your company’s performance over the last three years?’ we asked them. We focused on the word ‘satisfied’, to rap into their hones feelings. We put up a simple five-point scale, in which 1 represented ‘complete satisfaction’ and 5 indicated ‘total satisfaction’. Total satisfaction does not mean that everything is perfect and all that needed to be done has been done.’ We explained.’ All it means is that
company is dealing with the right issues and making progress in the right direction at the right speed.' Complete dissatisfaction stood for the opposite. We asked all the managers to pick their satisfaction scores—not for the part of the company they worked for, but for the overall company.

The response followed a predictable near-normal distribution with a skew to the right. Twenty-one managers gave their companies a 3, there were nine 4s, and five 2s. No one rated his or her company either 1 or 5.

‘Now’, we asked them, ‘what do 3 mean for you? After all, if 5 is excellent and 1 is abysmal, 3 lies somewhere in the middle—sort of OK performance. What is OK? We put up a blank chart, with return on capital employed (ROCE) on the horizontal axis, and annual revenue growth on the other. What was ‘OK’ for each of these two key performance parameters?

The first remarkable discovery was that most of the managers had no clue about their company’s ROCE. They knew about their annual profits, but not about their annual profits, but not about either the asset base or the capital employed. These were senior level managers—typically among the top ten people in their company—and they had no knowledge about their company’s ROCE! In fact many had not confronted the term earlier.

Once we got past explaining what ROCE meant, we could get back on track: what was ‘OK’ ROCE in their minds? With weighted average cost of capital (WACC) varying from 15 percent to 21 percent, the different participants suggested numbers between 18 and 30 percent. Eighteen was the minimum—anything below that would not be ‘OK’, they felt.

Then we turned to growth: what average rate of annual growth was OK? We emphasized that what we are seeking was their emotional response, not just intellectual one. ‘What growth rate makes you personally feel OK—not great, not lousy, but acceptable?
Influenced by the specifics of their own industries, the different managers came up with different numbers—for some in IT based industries, for example, 40 percent growth was OK; for others, it was 15 to 20 per cent. Once again, 15 per cent was the lowest number—anything below that wouldn’t do.

We then put up a chart showing the performance of the companies represented in the room—we had worked it out ahead of time (see figure). We drew thick black lines at 18 percent for ROCE, and at 15 percent for growth. Then we shaded the top right-hand box—where performance exceeded the minimum acceptable level for both of these parameters. Anything outside of this box was not OK; according to the participants’ own definition of acceptable performance. There was not a single company in the room whose performance could find a place in that top right-hand box. Not one! There were a few who had grown rapidly, but their returns were relatively poor. There were others whose returns were acceptable, but not growth. And, for a vast majority of companies represented in the room, both growth and returns were below acceptable minimum.

The point is simple. While all the thirty-five managers loudly claimed that their companies needed to change, and change quite radically, to respond to the changing economic and competitive situation in India, deep in their hearts none of them felt the

Study of Turnaround Strategies of Indian Corporate Sector

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urgency they were professing. Without that urgency they were professing. Without that urgency in their hearts and without their own belief about the possibility of radical change-of radical performance improvement-no one in their organizations was likely to develop that sense of urgency or that belief. People do not listen to what their senior managers say they look into the eyes of the managers too see the conviction and passion that lie behind the words. Without the energy of their own convictions, what chance did those managers have of leading change in their organizations?

The problem of industrial sickness has become a worldwide Phenomenon. In the U.K. over 10,000 units are estimated to fail each year and, one out of five firms listed on the stock exchange turns sick (Slatter, 1984) and of these only one in four manages a successful turnaround. During the decade, 1967-76, one in four companies listed on the U.S Stock exchanges had turned sick and only one-third of them got recovered (Bibeault, 1982), West Germany, once acclaimed the locomotive economy of Europe, alone reported over 12000 bankruptcies in 1982 (The Economic Times, February 10, 1986).

(R.A Yadav, 1992) The death toll of industries in developing countries like India has been more alarming, Banks once the citadels of commercial credit, have now become the intensive care centers for critically and terminally sick industrial units.

In India, growing phenomenon of industrial sickness has been one of the persisting problems, Industrial sickness, with in large and small scale industry, has assumed serious dimensions in recent years. It has affected industries of all types, sizes and in all regions of the country. Substantial amount of loan able funds of the bank and financial institutions are locked up in the sick industrial units, causing not only wastage of resources but also affecting the healthy growth of the economy. It is matter of grave concern for banks and financial institutions because of its far-reaching implications for the entire economy and the industrial sector in particular.

(Pradip N. Khandwalla, 2001) Many companies, large and small, fall by the wayside by the thousands every year. One estimate is that in the US one in four companies listed in
US stock exchanges turned sick during the decade 1967-76 and only a third of those that fell sick recovered. In India during the 1980s, the number of sick units grew some ten times, from around 22,500 at the end of the 1970s to over 200,000 ten years later. Several financial institutions were facing grave illness because the monies they had lent to these companies were practically irrecoverable. Should we let sick companies die and should society suffer the consequences? We do treat sick humans, and many do recover. Should we not also treat sick companies and help them recover?

(Pradip Chanda, 2000) The ‘liberalization’ of the Indian economy, that includes making the rupee convertible for revenue expenditure such as technology fees, royalty and import of capital goods and raw materials, lowering of import duties, and removing restrictions on imports and exports, and allowing part or full ownership of business (this was withdrawn in 1974-75), gained some serious momentum in the mid-nineties. The resultant sudden availability of international quality goods has imposed on Indian business houses the urgent need to become globally competitive. As India faces the new millennium as a player in an integrated world economy, its industries need to address the challenges posed by diminishing cross-border restrictions on the movement of capital and technology.

### Appendices 2.2: Pre-Liberalization v/s Post-Liberalization

<table>
<thead>
<tr>
<th>Pre-liberalization</th>
<th>Post-liberalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compulsory license from Govt. for setting up any industry</td>
<td>Licensing abolished in all industries. Except alcohol, cigarettes, pharmacy, and defense equipment</td>
</tr>
<tr>
<td>2. Restriction on foreign ownership</td>
<td>Automatic approval for 51% foreign equity in most industries</td>
</tr>
<tr>
<td>3. Restriction on capacity expansion</td>
<td>Removal of such restrictions.</td>
</tr>
<tr>
<td>4. High import and excise duties.</td>
<td>Import duties in line with SA countries.</td>
</tr>
<tr>
<td>5. Controls on imports</td>
<td>Free imports</td>
</tr>
<tr>
<td>6. Restriction on raising funds from the market.</td>
<td>Companies free to tap capital.</td>
</tr>
<tr>
<td>7. High personal taxes.</td>
<td>Tax rates slashed</td>
</tr>
<tr>
<td>8. Restriction on downsizing/ closure</td>
<td>No change</td>
</tr>
</tbody>
</table>

Indian business, having operated for 50 years in a highly-regulated economy, that protected them not only from international competition but also from domestic...
competition, as a result of controls on capacities well below market needs, that created seller's markets, are digesting the new realities.

The Indian business have correctly diagnosed obsolete technology, over-manning and low per-capita productivity as the prime causes restricting Indian companies from achieving international quality and cost output. Now that other constraints on becoming globally competitive have been removed, Indian business houses are making strident demands for an exit policy, which is being projected as an essential element of business restructuring.

This is a paradox. For long any business or company in India, once incorporated, was anointed with permanence. Exiting failed enterprises is neither a social nor a political heritage in India. Since 1947, when India became independent, the stress has been on continuance at any cost, be it a private enterprise or a state-run public sector unit. Reconstruction banks, financial institutes and various State Industrial Development Corporations have been set up from time to time to extend support, often without justifiable cause, to prevent closures. Providing continuing employment has overridden any other consideration. The resultant maze of laws against any logical rationalization of business units or manpower, have left most industrialist wounded in battle, a situation well exploited by trade unions.

(P.K. Matoo, 1998) Indian Corporate entities particularly those concerned with economic activities, after having operated in a totally protected environment for decades at end, are finding themselves ruthless pushed into background by their far more sophisticated and far more resourceful multinational competitors. Many well established Indian brand names have almost been pushed out of the directory of locally available products. Many others are on their way out................. Corporate decision makers and management experts from newly globalizing countries including India will have to shed all inhibitions about the so-called weakness of corporate managements of their own countries, to identify the strong points of their management systems, to study how their pioneers established their presence even in restrictive environment of yester years and to develop
schools of management thought which can reflect the realities of life and living in their countries and provide the best solutions for moving forward in a highly competitive if not a heartless world.

(Peters T, 1992) in his book, ‘Liberation Management’ writes - India has the capacity to directly leap into the 21\textsuperscript{st} century instead of going through all the evolutionary steps of the past decades. Indian industry boasts of a many a competent CEO, but only a handful of them have earned the status of being leaders of management thought. Good services and good products are not enough to keep a corporation going. Creativity innovations and leadership are needed in ample measure to maintain progress and growth. There has to be some movement towards empowerment of people and end of hierarchical organizations.

(Mr. Ranjan Das and Mr. Udayan Kumar Basu, 2004) in their book ‘Corporate Restructuring’ convey- With liberalization and opening up of the Indian Economy since the middle of 1991, Indian corporate sector felt the need to reposition itself quickly in order to effectively respond to emerging competition and also exploit the opportunities that were expected to unfold in the coming years. Repositioning became a critical necessity since most Indian companies flourished till that time under a protectionist umbrella and got used to business models that were hopelessly out of tune with the requirements of an intensely scenario. Some of the glaring inadequacies were in relation to lack of customer focus, diversified portfolio, unprofitable product lines, outdated technologies, uneconomic capacities, poor productivity, and efficiency in asset utilization, slow and unwieldy business processes, over Manning, huge overheads, high gearing etc. Fortunately, a consensus soon emerged among corporate, chamber of commerce, consultants, and academicians, that Indian companies will need to reposition themselves very quickly through series of well planned corporate restructuring initiatives that would help overcome not only the weakness, just mentioned, but also build new capabilities to exploit emerging opportunities. Seen from this angle, corporate restructuring really meant combining both defensive and offensive stances taken by Indian firms to reposition themselves in the new competitive space.
So many researchers have taken up the cases of Indian companies’ turnaround; but India as a large itself passing through a turnaround phase; it is on path of economic growth. We expect that that in year 2009, growth will be around 7%. All countries have eye on India’s economic pace of growth. In some or the manner they would like to be part of India’s Economic success story.

Though India’s manufacturing sector is facing difficult times, but the right mix of policies, right leadership and above all a vision about where India will be, we think it’s possible for India to steer these difficult times with the help of talented pool of managers, their skill of turnaround experts has trailed out the country from recession and its look healthy compared to other elements hit by recession.

Turnarounds are the key to tomorrow’s business success stories. Turnarounds take the wisdom of many and translate that knowledge into an action.

2.4 Sickness Analysis

(R.A. Yadav, 1992) each sick unit starts throwing up signals and symptoms in operational areas of management, which need to be identified and monitored before the unit, becomes gravely sick.

<table>
<thead>
<tr>
<th>Causes of sickness</th>
<th>No. of sick units</th>
<th>% of sick units</th>
<th>% Contribution of the cause to sickness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of good management</td>
<td>36</td>
<td>16.1</td>
<td>22.19</td>
</tr>
<tr>
<td>Poor implementation</td>
<td>56</td>
<td>25.1</td>
<td>21.70</td>
</tr>
<tr>
<td>Marketing Problems</td>
<td>29</td>
<td>13.1</td>
<td>15.81</td>
</tr>
<tr>
<td>Non-availability of raw materials</td>
<td>53</td>
<td>23.8</td>
<td>13.45</td>
</tr>
<tr>
<td>Shortage of working capital</td>
<td>03</td>
<td>1.4</td>
<td>7.2</td>
</tr>
<tr>
<td>Labour trouble</td>
<td>12</td>
<td>5.4</td>
<td>5.74</td>
</tr>
<tr>
<td>Techn. operational problems</td>
<td>13</td>
<td>5.8</td>
<td>5.55</td>
</tr>
<tr>
<td>Other Causes</td>
<td>21</td>
<td>9.4</td>
<td>8.36</td>
</tr>
</tbody>
</table>

(Bibeault, D.B., 1998) Corporate Turnaround (NewYork:Mc Graw Hill) He listed the following reasons for why a turnaround became necessary- bad luck (1 percent), external
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factors (23 percent), combination of internal and external factors (24 percent), internal problems (52 percent).

Study Material, (AIMA, 2002) on topic of Strategic Management describes the compelling reasons to go for turnaround strategies:

1. Lack of or inadequate financial controls.
2. Inadequate management.
3. Ineffective board of directors.
4. Competition.
5. High cost structure
6. Changes in market demand
7. Lack of market effort.
8. Big project or acquisitions
9. Financial policy
10. Overtrading

2.41 People – (Gerald Ross, Michael Kay) in his book ‘Toppling the Pyramids’ - There is tremendous lack of knowledge in business about what everyone in the company does. In most organizations, the people are so split up and the walls between them so great that they are profoundly ignorant of each other’s problems. If you don’t know what someone does, you’re bound to resent to him or her. But since you don’t want to be hostile, you keep the distance and smile a lot. It’s a condition we call “terminal politeness.” People survive by not throwing rocks at each other- in public. In the end, the business collapses because its problems are too important and sensitive to talk about.

2.42 Poor Management – (Schendel, Patton and Riggs, 1976) in their study Corporate Turnaround Strategies observed, “Management actions appear to dominate the upturn phase. Turnarounds appear due to much more management actions than to favorable environmental events and the key to upturn is explicit action by management”.

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(Argenti, 1967) in his book *Corporate Collapse: The causes and symptoms* pointed out that the prime cause of failure is bad management. Good managers will seldom make the same fatal mistakes as poor managers, but if they do make them, their managerial ability will protect the company from their worst consequences. He described six top management structural defects by which a bad management can be identified: One-man rule, non-participating board, and unbalanced top team, lack of management depth, weak finance function and combined chairman-chief executive.

In an article-‘Decision Making-Going forward in Reverse’ (Einhorn and Hogarth) Harvard Business Review on Managing Uncertainty, Busy Managers analyze many situations and make hundreds of decisions every day. Why, for example, are sales up in one city but down in another? Would an investment in new equipment mean higher productivity or greater confusion? Is now a good time to look for a joint venture partner, or is better to wait? Rarely, however, do we stop to think about how we think. Each decision is the outcome of a complex process that usually involves two different kinds of thinking: looking backward to understand the past and looking forward to predict the future.

Thinking backward is largely intuitive and suggestive; it tends to be diagnostic and requires judgment. It involves looking for patterns, making links between seemingly unconnected events, testing possible chains of causation to explain an event, and finding a metaphor or a theory to help in looking forward.

Thinking forward is different, Instead of intuitions, it depends on a kind of mathematical formulation: the decision maker must assemble and weigh a number of variables and then make a prediction. Using a strategy or a rule, assessing the accuracy of each factor, and combining all the pieces of information, the decision maker arrives at a single, integrated forecast.
Although managers use both types of thinking all the time, they are often unaware of the differences. Moreover, this lack of awareness makes decision makers stumble into mental traps that yield bad decisions; we can recognize these traps and improve our decisions.

### 2.43 Lack of Proper Information and Reporting System

(R.A. Yadav, 1992) it is observed that lack of proper information and reporting system, especially accounting information, is the significant factor associated with poor management that contributes sickness. The several deficiencies noticed concerning the information and reporting system are: (a) no or poor cash flow planning; (b) no or poor costing system; (c) no or poor budgetary system; and (d) the poor reporting of faults, break-down and sales. The lack of adequate information and reporting system decreases the ability of the management seeing the approaching disaster; with the result corrective measures are not taken in time. It results in management’s inability to respond to changes, which then becomes a major cause of sickness, and keeps on increasing from incipient stage to grave situation.

### 2.44 External / Internal causes of sickness

Pradip N. (Khandwalla, 2001) Stories of turnaround usually refer to ailments the sick company suffered from. Some of the afflictions may be external to the organization; others internal. Although journalistic writers of turnaround stories tend to focus more on the sizzle of current turnaround actions, their comments on what caused the organization to be sick, simplistic and biased though they might often be, may provide clues to how turnaround actions are related to their activating causes. In this connection it is useful to differentiate between external causes of sickness and internal causes.

External causes can be turned to advantage by the management by creating external villains- competition, recession, adverse government action and policies, adverse technological change, infrastructural problems, adverse exchange rate movements, higher interest rates, etc. When losses occur, and the management can show that it was not at fault, stakeholders may more easily extend support to the management of turnaround-
without demanding its head. But when there are internal factors causing sickness, stakeholders such as the board, the financial institutions, some-times the unions and the lower level managers are likely to demand a scapegoat, usually the head executive(s). If the CEO is not sacked he or she may be seen as partisan, or even as part of the problem. and may find it quite tough to cobble together a coalition of major stock holders in order to mount a turnaround effort. On the other hand, a replacement, especially from outside, is likely to be seen as neutral, and therefore given a period of grace to prove capability. A replacement may, therefore be able to galvanize support through persuasive communications and energetic or off-beat actions.

There is another dimension of causes of sickness worth nothing. This is their diversity; diverse causes of sickness usually require diverse ameliorative actions. That is management needs to take recourse to many turnaround elements. This diversity of actions may, in turn pull the organization in many different directions, and may therefore require powerful ways of keeping actions coordinated. This need does not necessarily mean an iron hand at the top. Fairly tight co-ordination can be secured by other means as well, such as consensus building through dialogue and participative decision making, focus on core values and corporate mission/ vision, a strong HRD/ OD for building cohesiveness and collaborating skills etc.

In-depth analysis of Industrial sickness were tried to be evaluated by many authors; but we feel that to avoid these industrial sickness in India require a comprehensive approach to weed out the reasons, which makes any organization weaker, sincere and quick approach is required to identify the reasons of recurrence of cash loss.

An early warning system is mandatory to determine sickness at incipient stage. It is always advisable to take preventive measures as soon as we find the initial symptoms of sickness. Delay in identifying or faulty assessment may affect the measures/actions to restore the financial viability and hinder the very earnest desire to turnaround the unit. Initial symptoms of any industrial sickness may be due to:
• Erosion of the net worth of the unit
• Continuous cash losses
• Persistent default in making payments to clear financial debts, supplier payment, timely disbursement of employee salaries.
• Dividends are skipped, decline of share prices.
• Slippage of market share and decline of share prices.
• Worsening of Debt-Equity Ratio.

Growing competition and fast changing economic environment with the impetus of frequent technological upgradation also often lead to corporate failures. No economies are perfect to absorb these market resilience or the social disturbances occurs due to these corporate business losses. Thus it is imperative to have quickly and thorough analysis/audits and introspection of our all sphere of activities, whether it is financial, technological, personal or on marketing front, on regular basis.

2.5 Turnaround Process

Successful Turnaround strategy demands corrective actions in many deficient areas of the firm. Turnaround process must ensure that all actions are integrated with no contradiction to each other. Turnaround process involves many perceptual and attitudinal changes at all the levels of employees. Human change processes become sensitive when the firm is in a crisis. Hence change in leadership or active intervention from outside may be a must as a part of turnaround process.

Slatter suggested turnaround strategies against various causes of decline; some of them are explained below:
Appendices 2.3: Cause of Decline v/s turnaround strategies

<table>
<thead>
<tr>
<th>Cause of Decline</th>
<th>Turnaround Strategies</th>
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<tbody>
<tr>
<td>Poor Management</td>
<td>New Management</td>
</tr>
<tr>
<td></td>
<td>Organizational Changes</td>
</tr>
<tr>
<td>Inadequate Financial Control</td>
<td>New Management</td>
</tr>
<tr>
<td></td>
<td>Improved Financial Control</td>
</tr>
<tr>
<td></td>
<td>Decentralization</td>
</tr>
<tr>
<td>High Cost Structure</td>
<td>Cost Reduction</td>
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<tr>
<td></td>
<td>Product-Market Synergy</td>
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<tr>
<td>Lack of Marketing Effort</td>
<td>Improved Marketing</td>
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<td>Competitive Weakness</td>
<td>Product-Market</td>
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<td></td>
<td>Cost Reduction</td>
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<td>Improved Marketing</td>
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<td>Asset Reduction</td>
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<td>Growth Via Acquisition</td>
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<td>Big Projects Acquisitions</td>
<td>Asset Reduction</td>
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<td>Financial Policy</td>
<td>Asset Reduction</td>
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<td></td>
<td>New Financial Strategy</td>
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Study of Turnaround Strategies of Indian Corporate Sector
Similarly Grinyer and Spenders suggested the model for a turnaround process as shown

While the turnaround process is expired for proper implementation of turnaround strategy, relevance and application purely depends on a particular situation or requirement.

On turnaround process many books are been written, there are lot of research been taken place; but we feel that any turnaround is not possible unless the key/top officials are really willing to divulge the exact status/seriousness of the problems to stake holders or sometimes manipulated facts and figures are been produced by the management to safeguard their vested interest. We feel any initiative taken can be fruitful only and until there is an earnest desire and will to change/turnaround.
Basically ‘turnaround’ process can be defined as a “Blue-print of flow of activities, the way any company would like to implement to convert their existing loss making firm into profitable venture.” We feel that for any successful turnaround following steps are required:

1. Willingness to except the mistakes and readiness to divulge complete information.
2. Stimulation of positive energy across the organization to generate the confidence and to unite all, at the time of crisis to accept the challenge and to re-impose the trust that turnaround is possible.
3. Commitment and vision of management to be clarified and defined as well.
4. Evaluation of firm’s potential areas of risk and firm’s capabilities to chalk out the basic focus areas on which team have to work upon. This also should take care of current industry trend, practices and environmental business risk/threats.
5. Involvement, re-structuring, re-engineering of all the faculties of organization in accordance to work on doted focused line of working.
6. Generating confidence among stakeholders and company’s image-building-exercise for public, suppliers and as well as for market too. To garner the support of financial institutions & suppliers, without which rehabilitation would not be possible.
7. Fixing up small profit centers (SBU) and assigning them defined period to act upon and measuring the results on regular intervals.
8. Feedback of the actions and to take corrective measures to make amendments in strategies, if required to best suit the organizational interest. Supportive and guiding attitude will help in getting faster results.

2.6 Turnaround Strategy

(P.K.Matoo, 1998) in his book ‘Corporate Restructuring - An Indian Perspective’ described the Common Accepted Strategic Options: Economic and Administrative liberalization of recent years have dramatically changed the situation and have substantially increased the number of strategic options which can be taken into consideration by decision makers while developing the restructuring plans of their units. The more commonly accepted options are as follows:
1. Cost Leadership Oriented Options
   - Capacity expansions,
   - Takeovers
   - Mergers,
   - Hiving off.

2. Product Excellence Oriented Options
   - Strategic alliances and collaborations, and
   - Joint ventures

3. SWOT Oriented Options
   - Diversifications
   - Globalization, and
   - Splits

(R.A. Yadav, 1992) Strategy is a comprehensive and integrated blueprint or plan to design for getting the organization where it wants to go. It refers to the determination of basic goals and objectives of the organization and the course or courses of action by analyzing the strength and weakness of the firm and matching them with external opportunities and threats as illustrated-

**Appendices 2.5: Environmental and Firm’s Resource Analysis**

- Economic
- Technological
- Political
- Social
- Competitive
- Demographic

![Environment Diagram](image)

- Financial
- Manpower Product
- Technology
- Markets

Study of Turnaround Strategies of Indian Corporate Sector
Corporate Strategy has mainly two aspects i.e. one formulation of strategy and second its implementation. Strategies should center on pinpointing the strong and weak aspect of the business and spelling out what actions are to be taken to eliminate weakness and to build on strengths.

Turnaround strategy is carefully evaluated action plan which is aimed at stemming the declining trend in the operations of an enterprise through identification of causes resulting in performance decline and initiation of concrete steps for improved financial and productive results leading to normal growth of business. Turnaround strategy is aimed at what is to be done, who is to do it, how it is to be accomplished and when it is supposed to completed. Turnaround strategy is required when there is a substantial and sustained declining trend in the performance of a unit normally measured in terms of profit. It may be caused by external factors and internal factors. The turnaround strategy is aimed at reversing the trend of declining performance immediately and stabilizing it leading to normal growth of the business in the long run. The thrust of turnaround strategy is either at increasing the operational efficiency or strategic decision or both.

(P.K.Matoo, 1998) The customer, the competition, and the corporation are the three basic players in the arena of business strategy. The strategist has to secure the best value for the customer while the same time ensuring that his strategy matches the endowments of the corporation. Strategy defines the manner in which corporation should differentiate itself from its competition using its relative corporate strength to better satisfying customer needs. Changes in socio political environment of a corporation induce changes in the relative position of the strategic triangle of a company comprising the customer, the competition, and the company. Customer needs are the key issues which keep on undergoing sure even though slow changes over time. These changes have to be very carefully evaluated and viewed objectively so that competition does not get the opportunity of challenging the status quo and the current standing of a corporation.

(Gerald Ross, Michael Kay) in their book ‘Toppling the Pyramids’ writes - Everyone has to decide to take the climb and get away from stage1. They all needed to get strong top
management cooperation and an agreement that the old world could no longer solve the problems. As they moved to Stage 2 they put teamwork and cooperation in place. People learned how to work in teams and gained a broader alignment around common strategy and destination. In Stage 3, they started to explore the implication of mass customization technology. Teamwork became cross-operational as they sought to mold themselves to a range of customers in different segments. In Stage 4, they faced up to the managerial assumptions that were preventing true customer focus. By installing such ideas as market focused communities, they started to break up the monolithic management approaches of the past. By Stage 5, they had created the conditions under which they could use their ability to create variety at low cost as a strategic weapon. These stages have become familiar to us in many different situations and recognizing their existence is almost a critical success factor needed for making the transition.

However, no journey can be taken without leadership at all places in the organization. This change cannot be mandated. Nor is it restricted to those at the top. You are at the top. You are part of it regardless of where your position in the organization or what nominal title you hold. Everyone is a part of this change.

(Hamel Prahlad) wrote in his article ‘Competing for the future’, It is a view of strategy that firm must unlearn much of its past before it can find the future. It is a view of strategy that recognizes it is not enough to optimally position a company within existing markets: the challenge is to piece the fog of uncertainty and develop great foresight into whereabouts of tomorrow’s markets. It is a view of strategy that recognizes the need for more than instrumentalist, annual planning rain dance; what is needed is strategic architecture that provides a blue print for building the competencies needed to dominate future markets.

It is a view of strategy that recognizes that companies not only compete with boundaries of existing industries, they compete to shape the structure of future industries. It is a view of strategy that recognizes that competition for core competence leadership precedes competition for product leadership, and that conceives the corporation as a portfolio of
competencies as well as a portfolio of businesses. It is a view of strategy that recognizes that competition often takes place within and between conditions of companies, and not only between individual businesses.

It is a view of strategy that recognizes that product failures are often inevitable, but nevertheless provide an opportunity to learn more about just where the mother lode of future demand may lie. It is a view of strategy that recognizes that to capitalize on foresight and core competence leadership, a company must ultimately pre-empt competitors in critical global markets; that the issue is not so much time to market, but time to global preemption.

High (Courtney, Jane Kirkland, Patrick Viguerie) - Strategy under Uncertainty. A different kind of analysis should be done to identify and evaluate strategy options at each level of uncertainty. All strategy making begins with some form of situation analysis – that is, a picture of the world will look like today and what is likely to happen in the future. Identifying the level of uncertainty thus helps define the best such an analysis can do to describe each possible future an industry faces...............At the heart of the traditional approach to strategy lies the assumption that by applying a set of powerful analytical tools, executives can predict the future of any business accurately enough to allow them to choose a clear strategic direction. In relatively stable business that approach continues to work well. But it tends to break down when the environment is so uncertain that no amount of good analysis will allow them to predict the future.

Levels of uncertainty regularly confronting managers today are so high that they need a new way to think about strategy. It offers a discipline for thinking rigorously and systematically about uncertainty. On one plane, it is a guide to judging which analytical tools can help in making the decisions at various levels of uncertainty and which cannot. On a broader plane, our framework is a way to tackle the most challenging decisions that executives have to make, offering a more complete and sophisticated understanding of the uncertainty they face and its implications for strategy.
(Al Ries Jack, Trout, 2003) in his book Marketing War-fare - The way to develop strategy, some companies believe, is to assemble three or four of their best people and lock them up in a room until they come with the answer. "The ivory-tower think tank approach," it is often called.

Other companies are fond of taking their entire senior management team to conference center (or preferably a Caribbean island) to formulate plans for the future so as to "get-away-from-the-phones, get-away-from-it all" approach.

Both approaches attempt to get long long-term strategic thinking as far away as possible from day-to-day tactical decisions. Both approaches are wrong.

**Strategy follows tactics:** As form should follow function, strategy should follow tactics. That is, the achievement of tactical results is the ultimate and only goal of a strategy. If a given strategy doesn’t contribute to tactical results, then the given strategy is faulty, no matter how brilliantly conceived or eloquently presented. Strategy should be developed from the bottom up, not the top down.

Only a general with deep, intimate knowledge of what happens on the battlefield itself is in a position to develop an effective strategy.

Strategy should evolve out of the mud of the market place, not in the antiseptic environment of an ivory tower.

There is lot of literature available on management turnarounds of different cases across the world; but each country has specific intra-firm and environmental factor, thus it is not possible that strategy adopted by one company in particular country may stand true with another company of even of same country or for that sake even in other country as well. We have tried to explore the possibilities to look into the common strategies adopted by the 10 industrial corporate houses for their turnaround.
As far as, from our point of view ‘Turnaround Strategy’ has basically two aspects:

- Human Aspect
- Restructuring Aspect

There is no magic in turning around a failing business. It is a question of hard work and thorough planning and fast actions. The decisions need to be taken democratically but to be implemented dictatorially.

**Human Aspect:** For any sick industry, employees’ morale remains shaken with the bleak future, non-payment of salaries. In these circumstances, to get the team job from the depressed work-force remain a greatest challenge for any leader.

For making a successful turnaround, nothing is more important than leadership. Leader is driving force, he does not only inculcate the confidence but provide with the ray of the hope for survival with demonstration of his vision-plan and engaging and involving ‘Top to bottom every one’ for only one mission that is turnaround.

Though leader provides a blue-print; but decision is to be taken by entire team so not only does the team take the plan seriously, but also they act upon seriously being party/member to the consultation process of decision making.

**Re-Structuring Aspect:** Any leadership and strategy can work upon only when there is an ‘action’ without which any successful turnaround cannot take place.

There is big question, how any distress company approach and act upon the process of repairing their broken process, this re-structuring process may differ company to company and from situation to situation; but here we think following common factors are part of any revival plan:

- Vision and Mission Plan: For achieving any turn around management is supposed to define their ‘Vision and Mission plan’ in an advance, blue-print should be prepared for future actions.
• Seek support and help: Re-build confidence of stakeholders, whether they are equity partner or financial institution. Let them be also partner in re-building the organization and be member of the implementation team of ‘Vision-Plan’.

• Change of leadership/management: This is a situational action; but people working in any sphere of activity for a long chunk of years, in some organization and culture get immune and accustomed to stereotype of working with pre-conceived set-thought of mind. It becomes imperative to change the leadership/management team in most of the cases.

• Redefining Focus: This involves re-assessment of company’s business, its marketing policies, product portfolio and demographic area/channels, whereby products & services are sold. Fresh approach, out of the box thinking and speedy action are required to revamp the business by adjusting the product mix and re-positioning of product, if necessary.

• Cutting Cost/divesting Assets: Non-performing assets are blocked money and higher cost is barrier for the growth as you cannot be competitive unless you trim the fats got built up in the organization with the time. Non-performing assets liquidation helps in re-deploying the funds generated through its sale for re-paying debts.

• Improving Productivity: Any troublesome business should find ways to increase employee productivity. Employees are the most vulnerable assets any company has. They have to be kept abreast with the changes occurring and this helps in providing speed on the process as each employee being ‘change-agent’ himself.

• Improving Profitability: Profit is ultimately an objective of any business organization, to do this company has to take following steps:
  1. Each sub-unit of the organization has to work as individual profit centre.
  2. Tightening finance controls and reducing unnecessary overheads.
  3. Whenever necessary, shed off excess labour/officers/managers.
  4. Investing on labour serving equipments.
  5. Better Inventory control and by managing debt on low rate of interest.
• Alliance for betterment: In some cases, it is advisable to shake hands with another potential strong business partner; it may make sense to establish a strategic alliance with another company, if one finds it fruitful to re-build its business.

2.7 Rationale of Turnaround Management

(Pradip Khandwalla, 2001) eminent writer on Turnaround subject writes in his book ‘Turnaround Excellence’ there is something very robust about turnarounds for they represent the capacity of the organization –a human collectively-to revive itself from its deathbed. Turnarounds have, perhaps, the same robustness as social revolutions; only the scale is smaller. Every successful turnaround reaffirms the capacity of human collectivities to rebuild what is decayed and transform it for a fresh lease of life.

(Rajesh Mascarenhas, 2005) Turning around a troubled company is by no means an easy task. It requires skill foresight, perseverance. That is why there are more failures than success. That is why there is lot to be learned from companies that have turned around successfully.

(Hugh Courtney, Jane Kirkland and Patrick Viguerie) The framework can help managers determine which analytic tools can help in problem solving under uncertainty and which can not. If we look into a wider perspective, it offers executives a discipline for thinking rigorously and systematically about uncertainty and its implication for Strategy.

(R.A.Yadav. 1992) It is well-established fact that earlier the trouble is detected, more easily and economically it may be countered.

The companies do not go burst ‘overnight’ as many people think. The process of sickness can take years and thus seeds of sickness may be discernible very early in the story of a company’s rise and decline.

An early warning signal of probable failure will enable both management and investors to take preventive measures: operating policy changes, reorganization of financial structure.
and even voluntary liquidations will usually shorten the length of time losses are incurred and thereby improve both private and social resource allocation.

(Sumantra Ghoshal, Gita Piramal and Christopher A. Bartlett, 2000) Described the dynamics of Satisfactory Underperformance -

There is a highly predictable process through which the pathology of satisfactory underperformance takes hold of a company

Appendices 2.6: The Dynamics of Satisfactory Underperformance

![Diagram of the dynamics of satisfactory underperformance]

By luck, change or foresight and courage, a company develops an effective and successful business strategy. The strategy fits the market demands, and matches the company’s strengths. As a result, the company becomes highly competitive, with growth and profits as the ensuing rewards.
With growth and profits come recognition and celebration, Top managers of the company start seeing their face on the covers of business journals. The Harvard Business School writes a case on their success, soon they start believing all that is being said of them—They are the best. It is their brilliance that caused it all. They go on the lecture circuit to tell others how they did it, despite great odds.

With growth comes the perceived need for better control. After all, if they did all, then they must continue to do it all, to protect the success and build on it, as the company becomes bigger, to do it all they need support to collect all the information, to bring all the important choices and decisions to them. So, they hire layers of staff, as instruments to leverage their own brilliance in the expanded organization. The staff joins the business press in telling them how good they are, and it all becomes a positive reinforcement cycle.

(Sumantra Ghoshal, Gita Piramal and Christopher A. Bartlett, 2000) In a deregulated, competitive economy driven by the cruel logic of markets, a company that fails to change fast enough can and will die—as is manifest in the slow march to extinction that has already become inevitable for some of India’s great old companies. At the same time, in this deregulated market economy, a determined can transform a company much more quickly and much more effectively than was possible in the past.

(John Humphrey, Raphael Kaplinsky, Prasad V.Saraph, 1998) The policy environment has been transformed through liberalization, exposing companies to the pressures of global sing economy. Competition is fiercer than ever before. At the same time, the nature of competition in manufacturing is changing across the world. Competition based on price is being replaced by competition based on a broader range of factors, including Quality, rapid response to customers and speed of innovation……. Globalization, in its many forms, has become the name of the game. Whether it is in confronting new forms of competition in the domestic market or in surviving in fiercely competitive external markets, producers are facing the increasingly icy winds of global competition..........................
This has given a new edge to international competition, forcing new patterns of production on producers operating in fiercely competitive markets. Surviving in the modern global economy is not just a matter of producing inputs or products for users in another location, but doing so in a context of intense competition-both from low-wage rivals in developing countries and high-wage and technologically sophisticated rivals in the IACs (Industrially advanced countries).

‘Rationale’ as the word itself implies to find out the ground, basis and justification of the very existence of turnaround. Lot many authors have tried to put their pen down to explain it; but we feel that rationale for any turnaround has very genuine reasons:

1. Should we wait and watch?: Whether any sick industry can afford to wait for the right time when all factors whether intra-firm or environmental will be in her favour? No there is greater uncertainty about the future. It may be marginally helpful to borrow some time; but putting up our hands down, will be more disastrous. Predicting about the future is completely unpredictable.

   We have to bury uncertainties and push our self to evolve compelling case for ‘turnaround strategy’.

2. Sickness paves low morale: Since industrial sickness involves vast public funds, it not only provides mental trauma and business loss for any entrepreneurs; but also snatches bread and butter from the hands of managers, employees, suppliers. Many households get on the brink of road due to the closure of ancillary units engaged with the principal unit, which turned down to be sick.

   The sickness not only dampens the spirit of society but also slow down the industrial growth. We have to strive hard to combat from this ugly situation and black days.
It is not only important to detect the very reason of sickness on time; but also to take preventive measures and managing turnaround of the sick unit, and thus it has very rationale for the best interest of the society at large.

3. Losing Business effects economy: The economy as a whole gets affected due to industrial sickness, large scale of unemployment. Non-availability of goods leads to high cost, large public funds also gets involved.

Re-payment of bank loans gets due, in turn financial institution performance gets affected resulting to decline of overall economy of the nation. Hence it has very reason to look for pragmatic alternatives to the ineffective organization working and to explore the possibilities for revival of the units, whose financials are at stake.

4. Failures are the pillar of success: In a fast changing world, nothing is permanent. Even the factors effecting any unit to be sick, may also not last longer. whether it is external factors like Government rules and policies, market competition, scarcity of resources or may be internal factors like-wrong chief executive or poor management. Most of the time, we find solutions to the problems. Healthy unit may become sick temporarily and may recover vice versa.

Every turnaround is lesson for the corporate. It is not the end. It is new beginning of new road for the future prosperity, well being for all, contribution for the society and nation as well.

### 2.8 Types of Turnaround

(AIMA, 2002) on Strategic Management-Turnaround Strategy is to arrest unit’s sickness, react to, or danger signals for corporate sickness and take off to a growing status.

In the turnaround strategy operating turnarounds are easier. They are four types.
1. Revenue Increasing
2. Cost cutting strategies
3. Asset reduction strategies
4. Combination strategies

2.81 Customer- oriented approach for turnaround

(Gerald Ross and Michael Kay) Toppling the Pyramids - ‘Redefining the way companies are run’ This book change the mindset, It question whether a pyramid with the boss on top, Couple of very senior managers beneath him, some senior managers below them, and so on down the line until you actually reach the people who do the work.

This traditional pyramid structure works if market conditions are stable and in a business where things don’t change quickly. In present scenario market conditions are volatile and it is fast changing companies need to respond quickly. Customer wants they want when they want it. Everything is fast changing; there is a flux now. All around us there is dislocation, stress and break-up of the established orders, this book focuses to the need to change our image of the organization from the rigid pyramidal form to bottom-up approach, where customer is Supreme.

In the bottom up molecular organizations business operations molded up in a way to fit the customer. Anything that does not add value to that customer is eliminated or adjusted and thus if requires a tremendous knowledge of the customer and need a structure where organization should flow with the way people really work and the people who are in continuous touch with customer directly.

In this world, empowerment of the operating people and customer is not an option. It is the only way you can get the flexibility you require. The old conservative pyramidal, Top-down structure will not allow you to act fast enough, it is a time to delight your customer-to wins and hold their loyalty.
(AIMA, 2002) study material on subject ‘Strategic Management’ Being customer-oriented means devising all the organizational plans, strategic and tactics by keeping customer at the focal point. It then knows what their customers are and what they require, what are their cherished dreams and nightmares?

2.82 Cost Control:

Gerald Rose, Michael Kay (Toppling the Pyramids, page.33) when every component of the business has its own economic base, the game is not over. Even though an individual factory may be efficient on its own, the costs of shared facilities and overall management coordination can make it uncompetitive. The customer is not willing to pay extra to maintain a fancy head office, baroque administrative systems and the other costs of management integration.

How low do these costs have to go? The bar that multi Niche Company has to get under is the management costs set by the efficient niche competitors who are not carrying those costs of management. There can be no other market. Neither cost reductions nor operational flexibility can be achieved without very different behavior.
Command and control is dead. Empowerment is one manifestation of a wider behavioral approach that includes self-management and the automatic regulation of costs, in a world of little management, self-regulation of action, costs and accountability is the only way to stop the business from going bankrupt. In this world, not only are people responsible for their actions through membership on a team, but also they have to carry the costs of serving the customer directly to ensure effective control of these costs.

2.83 People /Change of mind-set:

(Gerald Ross, Michael Kay) Key to implementing change program is making the people in charge of the change figure out what needs to be changed. Forcing them to do the work results in their truly understanding the issues plaguing the company, even better; it compels everyone to think strategically.

This is important because the key people in the organization will become the missionaries for the change process. They will develop from students to teacher. The only way be able to do that is by truly understanding how their company operates, what works well and what needs changing. They will never gain that understanding by merely listening to some consultant present a report. They need to come out of this with “their answer”, not ours. They had to “own” it.

(R.A. Yadav, 1992) Overstaffing has been found as one of the major problems in the case of sick units. The management of surplus manpower and lay off of employees in divested activities are the basic concerns in this regard. The former may be managed by the manpower reduction strategy. It should be resorted to only when the survival of the unit is at stake on account of high amount of wages, since it is difficult politically and socially to retrench employees in most of the cases. An important aspect of this strategy is the retrenchment of surplus manpower and its management. It calls for evolving fair and acceptable separation, adequate compensation and effective communication both within and outside the unit.
health, turnaround are seldom needed, though some firms in such position will undertake actions plans to significantly improve their operating efficiencies.

When the business is strong operationally but weak strategically, a strategic turnaround is almost always indicated. When both operating and strategic health are strong, turnaround strategies are seldom needed, except, perhaps to improve the firm’s asset utilization, which may sometimes lag. The type of turnaround strategies to be pursued, on the basis of a firm’s operating and strategic health, are shown in the matrix given on the next column.

Appendices 2.8: Matrix showing the Turnaround

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<thead>
<tr>
<th>Firm’s Operating Health</th>
<th>Weak</th>
<th>Strong</th>
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<tbody>
<tr>
<td>Liquidation or Both strategic &amp; operating</td>
<td>Strategic Turnaround strategy</td>
<td>Weak</td>
</tr>
<tr>
<td>Operating Turnaround Strategy</td>
<td>No turnaround Strategy is needed</td>
<td>Firm’s Strategic Health Strong</td>
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</table>

Keeping the above discussion in mind, there seems to be five generic approaches to business level turnarounds.

1. A fundamental rebuilding and repositioning of the enterprise via major revisions in business strategy.
2. Revenue increasing/generating strategy
3. Cost cutting/reduction strategies
4. Asset reduction strategies
5. Combination effort strategies

Study of Turnaround Strategies of Indian Corporate Sector
and equipment, land patents, divisions and inventories and ii) through retrenchment-pruning of marginal products, closing and sale of older plants, a reduced work force, withdrawal from outline markets, cutback in customer service and the like.

The final strategy is a combination effort. This one is pursued in a grave situation where fast action on a broad front is required. Under combination strategies, cost reducing, revenue generating and assets reductions pursued simultaneously and in, relatively balanced proportions. Combined actions, frequently, come into ply when the turn around effort entails bringing in new management and it is given, relatively, free hand to make whatever changes it deems fit in restoring the business to a good condition. Attempts to retrench, rebuild and reposition a business in the market place, nearly always, have to draw upon a multi-prong approach rather than a single category of turnaround actions.

When a business faces a down turn in its performance, some turnaround efforts are taken. However, all turnaround efforts do not prove successful. Many companies have found that the turnaround strategies require different kinds of experience, managerial focus and leadership styles. Sometimes they have “turnaround specialist”, managers who are put in charge of units needing turnaround or take charge at times when a turnaround strategy is required.

Turning around any sick industry is a challenging task. Lot many experts, analysts and authors have tried to put their views about the ‘Turnaround Strategies’ to be adopted for revival of any sick industry; but we feel that there is no uniform formula to find out exact solutions for any ailing industry for its rehabilitation. Each situation and circumstances differs with each other. It is a complex task for any turnaround-specialist. We feel that to evolve right kind of strategies, one is supposed to take following step-wise approach:

1. **Winning Confidence of Top Management** and their interest and involvement in any turnaround are mandatory. Generally owner/top management gets so tired of the routine situations like, facing day to day payment reminders call from bankers/financial institutions for clearing old over dues demand for disbursement.
(Schendel, Patton and Riggs, 1973) have examined the pattern of decline and turnaround of 54 companies in seventeen different industrial sectors of the US economy and forty different industries.

They categorized the type of turnaround situation as follows:

2.84 Efficiency/ Profitability decline-

The first type of turnaround situation relates with organizational efficiency/profitability decline. This is usually, measured by declining net income after taxes. Sometimes, net cash flow and earning per share are also used as indicators of this situation.

2.85 Stagnation or Decline:

The second type of turnaround situation relates with stagnation or decline in organizational size or growth. This type of turnaround receives high priority in terms of management attention.

The reason for such attention is partly, because of the obvious link between size, growth and net income and partly from the research findings linking profitability to relative market share. In most of these turnaround situations growth is measured in absolute terms. There are certain instances, where market share has also been used as measure of growth at the business unit level.

2.86 Assets Utilization:

The third type of turnaround situation relates with organizational assets utilization. These situations have not received much management attention in the past. However, assets utilization turnarounds are likely to receive far greater attention from top management in future.
There are few studies which have dealt comprehensively with the objective to analyze the type of turnarounds. However it will be difficult to generalize the ‘types’ which are used for turnaround; but we may find out most common trend of turnarounds.

Type of turnaround action depends upon

- The objectives pursued by the business
- The business and the characteristics of the sector in which it is competing
- Relative strength of the business and the competitive conditions

There are many types of turnarounds in differing circumstances, some of them are:

- Cost cutting exercise
- Marketing approach of turnaround
- Disinvesting non-performing assets and last but not the least
- Turnaround through management reshuffling and through change of mind set

Any organization with the time, built up fat during the days company trailing through its best of time, health and profitability. Organization when keeps growing and sailing is smooth, there is less change as far as management is concerned, inefficiency start creeping in, and management gets sleepy.

But with the change taking across the global market scenario also getting changed. It becomes difficult for any old company with consistent profitable history to change. Mindset of old employees are also gets dull and not accustomed to change as desired. In absence of capability to introspect and comfort with new ideas and vision, there remains status quo and thus there is a need to reshuffle/change the culture, mindset and some time even top management or middle management also, if they are not in line and party to the process of change.

Sleepy management, those who are unwilling to adapt to change and loosely running the enterprise is replaced by new management that introduces tighter controls and a tougher management style.
Not one of the turnaround remains like any other and each had very different requirements that lent themselves to different solutions and they required different kinds of people too.

2.90 Turnaround Strategies and their Selection

(Kaleem Mohammad Khan, M. Khalid Azam) in their article on Response to Turnaround situations: A study of the selected Indian firms - When business faces decline in organizational performance in terms of efficiency, profitability, stagnation or decline in organization growth or size, management has to decide the type of turnaround strategy that should be pursued in a particular situation. The goal of these strategies is to arrest the decline, and to turn the company around as quickly as possible. The foremost task, before pursuing and strategy, is to diagnose the situation. This means identifying the reasons of poor performance requiring a detailed analysis of the company’s operations as well as of the structure of the industry in which it operates. Once these assessments are completed, one can turn to the task of selecting the turnaround strategy to be followed. Broadly speaking, there are two types of turnaround strategy to be followed. Broadly speaking, there are two types of turnaround strategies that can be followed according to the current operating and strategic health of the firm. In operating turnarounds the emphasis is on increasing revenues, decreasing assets or a combination effort. The same strategies can also be used in strategic turnarounds. However, in strategic turnarounds, the focus is on the strategy changes sought. Performance becomes the derivative of the strategy change. In the operating turnarounds, the primary focus is on the performance targets to be achieved. Any action that can help achieve them is to be considered, whether they make good long-term strategic sense or not. In practice, of course, the distinction between strategic and operating actions and turnaround becomes blurred. The distinction still relevant, though because of the different priorities and trade-offs with short term versus long-term actions. In the two types of strategies, with weak operating position and a moderate or strong strategic position, an operating turnaround strategy is needed. With an average operating position and an average or weak strategic position, strategic turnaround is normally indicated. When a firm has strong strategic position and average operating
The first strategy is pursued, when the cause of poor performance is diagnosed as bad strategy can take different forms:

I. Shifting to a new competitive approach and, thus, trying to reposition the business,
II. Overhauling key functional area strategies to produce better support to the basic overall business strategy.
III. Merger with another firm, and
IV. Reducing product mix and customers are more closely matched to firm’s strength, which of these cures are more appropriate depends on conditions prevailing in the industry and on the firm’s strengths and weakness vis-à-vis the competitors. Usually, a turnaround had to be based on a firm’s strength and what is best at doing.

The second strategy, i.e. revenue generating, is focused, primarily, to increase sales volume on its existing lines of products. Sometimes it may reintroduce those products which were discontinued. In addition, the company may produce some products that may help in utilizing its facilities more fully. Some major efforts such as price-cutting, increased promotion or increased direct sale efforts would be undertaken that were not related to business long-term direction. This becomes a strategic approach, when there is a little or no room in the operating budget to cut back on expenses and still reach breakeven.

Cost cutting turnaround strategies work best when the organization cost structure is flexible enough to permit radical surgery, when operating efficiencies are identifiable and readily rectifiable and when the firm is relatively close to its current points or its sale are about 60 to 80 percent of its break even. Accompanying a general belt tightening, an increased emphasis is laid on budgeting and cost control, elimination of jobs and hiring. At times, existing plants and equipments are modernized in order to gain greater productivity and sales.

The fourth strategy, i.e. assets reduction, is necessary when cash flow is a critical consideration and especially, if the business is close to bankruptcy. The most practical way to overcome this situation and to generate cash is i) through sale of some of the plant
(Michael De Kare-Silver) in his book 'Strategy in crisis' wrote. - It is my observation and experience that the key lies in the people in the company. It's people that make the difference. If they understand the strategy, see how it will be indeed put them at a competitive advantage in the industry, how it's stretching but achievable, and have a commitment themselves to making it happen, then it will. (See Figure, down below)

\[ \text{Strategy Identification} + \text{People} = \text{Market success} \]

It's about sharing the strategy ideas, communicating what they mean, why they're important. What are the benefits? It's about instilling that sense of passion and excitement in the goals that are set that is often seen around successful founding entrepreneurs. It’s getting people to develop that sense of ownership and personal responsibility that we have seen at Wal-Mart, British Airways, and Hewlett Packard....Research has suggested a number of key success factors which drive this people-orientation. Assuming an effective strategy has been developed that is properly grounded and credible, then we can explore six factors in total that have been identified that enable people to make the difference. They are particularly about increased employee involvement and sharing in the ideas and values that drive the organization and in the rewards that come through when success is realized:

- Sharing the strategy
- Sharing the values
- ‘Symbolic egalitarianism’
- Sharing the information
- Training
- Sharing the benefits

Let’s look at each of these in turn and then briefly explore the typical roadblocks wining companies have also had to overcome in order to create the environment where people actually can unleash their energies productively and practically go forward and make that difference.
of salaries on time from employees, suppliers stop supplying raw materials because of delayed payments and failing to achieve stakeholders’ expectations to sustain profitability. It’s so happen quite often that top management become so hopeless and tired of fighting with the circumstances thus starts losing a confidence for any revival or turnaround.

In this situation to convince any management about your team, its ability to turnaround, is a herculean task. Any activity, any step further may not be possible unless one takes his management into confidence.

2. Situation assessment with the method of dialogue process to diagnose exact problems and its gravity:

- Balance sheet assessment
- Effectiveness of operations
- Systems and procedures
- Production and its productivity
- Market strategy & pricing
- Unit-wise, department-wise and process-wise profit analysis
- Introspection of non-performing assets
- Financial burden and interest cost liabilities
- Appraisal of Management-quality and their effectiveness
- Environmental factors such as market-competition & Government policies
- Review of infrastructure available and install capital machineries
- Assessment of fixed and operational losses
- Interdepartmental co-ordination and conflicts
- R&D’s ability
- Support, willingness & interest of stakeholders
- Working capital & Cash-flow status
- Sales forecast v/s capacity utilization
3. To define & mission plan Defined blue-print of action plan ensure participation of all (Top to bottom) for its execution and implementation.

In next point of ‘Literature-review’, we have tried to cover-up this point of ‘Vision & mission’ in depth.

4. Identification of focus areas to be addressed and execution of mission plan:
   - Once problem is identified, key-executives or think-tank of the organization, sit together to chalk-out the focus areas to achieve a vision plan of turnaround.
   - Core team consisting of all faculties from Marketing, H.R., Finance & Accounts, R&D and Production should be formed, headed by turnaround leader.
   - Focus and mission plan should be splitted to small-strategic-business units so as to enable the faster and effective implementation of turnaround mission.

5. Execution of Focused mission, down to the line:
   - Turnaround leader should not only convey his vision and mission plan to each and every body down the line ; but make it sure their effective participation by involving for the purpose.
   - Control, checks and feedback of the process are pre-requisite, measuring the performance on regular intervals, providing deadlines, amending course of action, looking into the need of situation, are some of the other steps of implementation of the focus approach of turnaround.

2.10 Vision and Mission for the Turnaround organization

(Pradip Chanda, 2000) has described the need of vision and mission for sick units in following manner:
The Vision
The vision for an under achieving or sick company is unlikely to be clear, primarily because in the early days of rehabilitation, a number of issues that could determine its future roadmap, will remain unresolved. That apart, resource constraints will restrict the management's ability to look for enough ahead to delineate a meaningful role for the company in the present business. The problem is exacerbated if circumstances demand that the company redefine its business, and look for survival in a different business.

The Mission
The Mission in any company is dynamic.
This is truer for an under-achieving company or a sick company. During the turnaround process, it is often best to break down the task ahead into small measurable steps, and then progress one step at a time. The immediate goals set are per force modest. Only after the first milestone is achieved, the company can aspire to reach the second milestone, which in all probability will call for a re-assessment of potential and ability.

The mission therefore, necessarily evolves over period of time. It needs constant updating and re-focusing, based on the experience gained during the early days, when the first few rehabilitation initiatives deliver positive results. While writing the mission statement, the management will have to determine the time frame for which this will be valid, and be prepared for an update at the end of this period.

(Gary Hamel Prahlad) it is not the future, just what is occupying senior management's attention? In two words - restructuring and reengineering. Whereas downsizing and core process redesign are legitimate and important tasks, they have more to do with shoring up today's business than creating tomorrow's industries. Neither is a substitute for imaging and creating the future. Neither will ensure continued success if a company fails to regenerate its core strategies. Any company that succeeds at restructuring and reengineering, but fails to create the markets of the future, will find itself on a treadmill, trying to keep one step ahead of the steadily declining margins and profits of yesterday's businesses.

Study of Turnaround Strategies of Indian Corporate Sector
(Hamel and Prahlad) urged senior Managers to look toward and ponder their ability to shape their companies, in the years and decades to come. Top Executives have more to do with sharing up today’s business than with building tomorrow’s industries. Restructuring tries to correct the mistakes of the past; reengineering mostly involves catching up to competitors.

Since change is inevitable, managers must decide whether it will happen in a crisis atmosphere or in a calm and considered manner, with foresight about the future of the industry; whether the agenda for change will be set by a company’s unique point of view about the future or by its more prescient competitors.

Too often it is observed that profound thinking about the future accurse only when present success has been eroded. To get a head of the industry change curve, senior managers must recognize that the real focus for their companies is the chance to compete the future.

(Gary Hamel Prahlad) wrote in his book ‘Competing for the future’ - For variety of reasons we prefer the word foresight to vision. Vision connotes a dream or an apparition, but there is more to industry foresight than single blinding flash of insight. Industry foresight is based on deep insights into trends of technology, demographics, regulation, and lifestyles that can be harnessed to rewrite industry rules and create new competitive space. While understanding the potential implications of such trends requires creativity and imagination, any ‘vision’ that is not based on a solid factual foundation is likely to be fantastical.

(Rajiv Shaw, 1997) A clearer understanding of the organization’s role will enable long-term survival. Even more importantly, this foreknowledge helps in predicting a future. For if you know what is going to happen tomorrow and you don’t like much, you can create conditions that prevent, forestall, or avoid the event. At worst damage limitation measures can help reduce impact.
At best, and I believe that this is worth striving for, however fuzzy and indistinct the vision is, You can shape a desirable future, by putting in place events and practices that pioneer the way. And this requires continuous work and development and change, because it is easy for competitors to copy and beat you as it is based purely on what they have to lose. So this innovative spirit has to be absorbed into the organization as a permanent effort, and that requires the establishment of an organization environment that promotes learning and creating culture.

A. Class elements: These are the most important, elements without which the organization cannot exist. This is your MISSION. This must stand the test of time and societal compatibility, and reflect core values, which govern the way you will conduct the business. These are long-range objectives, which must in detailed fashion, spell out the future seen by your values. These mission statements can be as long as you wish to make them. Just as a single photograph may not represent you satisfactorily (simply open your passport), use multiple perspectives.

B class elements: These elements are the desirable characteristics, which provide recognition to market (competitor and customer), vendor, finance, manpower, technology and such STRATEGY considerations. These are shorter range in focus and usually stretch from one year to four at most five years in the future.

C class elements: Shorter term Tactical advantage decision parameters such as launch profiles, timing, pricing, blitzes, segment focuses, loan licensing, specific acquisitions etc. constitute the C class elements. These objectives are edge oriented and are short term-usually under one year.

**VALUES** → **VISION**

| MISSION: long range, create competitive edge |
| STRATEGIES: medium range, a mix of creating and |
| TACTICS: Short-range, react competitively |

Study of Turnaround Strategies of Indian Corporate Sector
‘Vision and Mission’ being an objective of any organization. It is pre-requisite preliminary defined statement which reflects the management perspective about their future action plan. There is list of literature available by many scholars about it; but here we would like to put forth our views:

Vision reflects clear goal and it is one of the important and absolute essential ingredient for a turnaround. It provides a clear picture of leader/management of what they want and an honest assessment of the current reality of the situation that is.

First step to turnaround is to speak about your thoughts as a leader, ask about your thoughts as a leader addressing to all, ask about it and apply it. This all is nothing but called as a ‘Vision’, which creates an energy all its own.

Many ailing sick units take up turnaround strategies execution without any pre-conceived in-depth, thought-out-plan. For them turnaround may be either, ‘To cut costs to survive’ or ‘Enhancement of business to get more income’.

Turnaround is complex task which requires well thought, well discussed action plan whereby all positive and negative results has to be understood before taking any action. ‘Vision’ is the guiding drive for direction setting and use in creating the strategic business plan that will successfully direct the turnaround efforts.

Most turnaround attempts fail for want of clear, motivating and achievable objectives. The holy bible itself tells that “People without a vision will perish”, there is no fun of any existence, if we do not pursue clearly defined spelt out goals. Our endeavors of any turnaround are destined to fail in whatever we do or attempt to do.

‘Mission’ is a game plan to achieve vision. No turnaround can be achieved without plans, without deliverable objectives, without sense of time frame. Mission statement is more specific, action oriented and expressive. It outline the company’s outlook, what it does and for whom. It is reflecting company’s goal, business plan for a public at large with the intention to provide superior products or services to customer, and provide meaningful
job and development opportunities to employers and finally best of return on investment to stakeholders.

‘Vision’ is a source of inspiration, it is dream. Turnaround is a focus approach to resolve the problems and ‘Mission’ gives us focus on direction and focus on plan elements and resource utilization.

2.11 Turnaround/Transformational Leadership & Management

(R.A. Yadav, 1992) For successful turnaround, the company should be viable unit and should have management that is sensitive to internal as well as external challenges. Successful turnaround performance calls for in-depth management knowledge, penetrating ability, ruthless, adherence to objectives, a great deal of self confidence, hard work and human energy of a high order.

Turnaround Manager is an architect as well as an implementer of turnaround strategy. Hence he should be tough minded and have the qualities of self-confidence, decisiveness, objective orientation and an impatience to get something done. He should have certain skills such as an entrepreneurial instinct coupled with professional management skills, a broad business experience not necessarily in the same line and good negotiating skills to negotiate with the parties concerned such as creditors, bankers, labour unions etc. The turnaround leader’s personal style is more important during the period of turnaround than at any other time in corporate life. Personal traits inspire confidence in the ultimate survival of the sick unit, (Bibeault, 1982) in a survey of eighty-one turnaround chief executives has ranked the personal characteristics of turnaround leaders as under:

1. Objective oriented
2. Self-confident
3. Maintains positive outlook
4. Inspired confidence in others
5. Innovative and creative
6. Highly visible and active

Study of Turnaround Strategies of Indian Corporate Sector
In a study by (R.A. Yadav, 1992) conveys – Sound management and effective leadership had been at the root of most of the successful cases of turnaround. The finding of a suitable manager is perhaps the most difficult task of sick units, particularly where it is found that the sickness has been attributed to bad management or the management integrity and honesty has been doubtful. In India appears to be a shortage of top-level management personnel. The sick unit, which requires better management, becomes victim of this acute shortage. Managers of proven ability are usually absorbed by the healthy units. The sick units usually get a superannuated person with practically no stake for his career. It is hard to find good manager and very difficult to be loaned or deputed from a working industrial unit. The government and the financial institutions have now realized and agreed that a pool of experience turnaround managers should be constituted, but it is at yet not in existence. Needless to say that the greatest need of a sick unit is an effective top management who can put the unit back on the rails again.

(Pradip Chanda, 2000) in his book ‘The Second Coming’ there is some learning here. Assets do not seem to loose intrinsic values. Committed managers re-discover them and use these creatively. They exploit the same assets to drive turnarounds. They do not scrap plants; they modernize them. They do not reduce prices; they build low-cost capabilities to compete better. They do not continue to make what they always made; instead, they make what can be marketed profitably. The restructure the companies; they do not destroy them.

They are not happy with stopping losses; they build sustainable competitive advantages. They not only earn the right to live, but also the right to grow...Turnaround managers have to be entrepreneurs, visionaries, redesign architects and crisis managers-all rolled into one. They have to create resources out of liabilities, find opportunities where none is apparent and travel down uncharted paths to solve problems. They will embark on a value journey that will essentially reinvent the company. The only capital they will have at their disposal......................There are no short-cuts, no magic formulae. Turning a sick company around is a tough grind. It needs stamina to battle it out. Moments of achievements will be few and far apart. It needs a hunger to succeed and a will to win.
In a same book (Pradip Chanda, 2000), describes the qualities of Leadership- Federal Express has developed a leadership guide, which acts as an excellent reference manual to evaluate the leadership qualities required in a potential Turnaround CEO.

1. Charisma: This is by far the most difficult attribute to assess. Fed-Ex defines it as the person’s ability to make others proud to be associated with him or her. A person who is able to make everyone around enthusiastic about assignments. A person who is able to transmit a sense of Mission to the subordinates.

2. Concern for the individual: This is particularly relevant when dealing with shaky managers in an under achieving company. Typically, a good leader is known to coach, advice and teach. He or she treats each subordinate individually and as individuals, valuing each worker and respecting his or her contribution, however small. He is able to delegate but does not abdicate, which would only create anxiety and uncertainty. He or she is prepared to listen and makes time to provide a feedback.

3. Intellectual Stimulation: He is able to create an environment, which, which seeks reason and evidence. Asking “Why?” he or she encourages others to do so. He is not only able to provide new ideas but also able to make the subordinates think in the new ways.

4. Courage: He has courage of conviction and the tenacity to persist against all odds; above all, he has the courage to carry the can, if and when something goes wrong. He or she is not in the business to find scapegoats.

5. Dependable: He is consistent, and honors commitments. He or she is also accessible and available.

6. Integrity: He believes in code of ethics and is prepared to fight for principles. The company’s interest is always supreme and management privileges are not abused by him or her.

7. Judgment: His judgment is based on facts, reasoning and logic. Whenever a decision is taken on gut feel, he or she is able to explain why, normally with empirical evidence.
8. **Self-Motivated:** He has a high degree of self-motivation and sense of purpose.

9. **Energy:** He has very high levels of energy, both physical and mental, and brings an infectious enthusiasm for the task on hand.

‘**TRAITS OF VISIONARY LEADER’,** were described in Study Material of *(AIMA, 2002)* on the subject of Strategic Management visionary Leaders are people who are open to new ideas, concepts and ways of thinking. They plan it in such a way that they are able to spare time to meet people who want to see them. They have an open-door policy. Very often such people do not have their telephones screened nor do they put red light on their door. They are warm, supportive and expressive, always communicating to all, saying, “We are together like family.” They convert their vision into an easy-to-understand philosophy that integrates strategic direction with cultural values. They continuously motivate their employees to embrace and support the vision. They make contact with them at all levels so that can understand employees concerns. They would like to know what perceptions people have about vision and its impact on their lives. They translate the vision into a philosophy by continuously relating the vision to individual cares, concerns and work.

Such persons always remain at the center of action positioned as fine shaper of the vision. To show their belief in the vision, they set an example to others, showing their belief. They would always concentrate on the major strengths within the organization that will ensure success of the vision. They would measure the success of the organization in terms of its ability to fulfill the vision. They act as the torchbearer of the vision.

The failure is a self-fulfilled prophecy, in an environment, whereby business is closed. The people in-charge or engaged with it become disheartened and the low morale spreads. In these circumstances to turnaround the business is a great deal, it requires a visionary/charismatic leadership.
So many authors have tried to put their views about ‘Turnaround Leadership’. Turnaround leaders can be termed as ‘Change Agents’. In whatever manner we can highlight about their traits, it will be fruitful for the coming generations and that is why, I thought to put my pen down on this particular subject i.e. ‘Turnaround Leadership’.

Leader making the tough calls, even his position always remain on risk, suppose to keep the morale of his team and fellow members high. He is supposed to gain the confidence of company’s stakeholders as well. These all requires great confidence, visionary approach, determination and special traits, which we have tried to enumerate down below:

- Focused with clear vision
- Ruthless in initial stage of turnaround process
- Team builder and developing other leaders
- Pressure builder and guide/coach
- Acceptable personality. Confidence-generator and inspiring
- Accountability Definer
- Performance Evaluator
- Decisive, tough but patient
- Versatility to change and handle variety of assignments

2.12 Relevance of Turnaround

‘Corporate Restructuring’ book written by (John Humphrey, Raphael Kaplinsky, Prasad V. Saraph, 1998) Relevance of changes in the Indian economy for other developing countries. Clearly, India has some special features. It’s very large size, with a market of over one billion potential consumers, means that it is most likely to be more inward-oriented than other, smaller, restructuring economies. India is also distinctive in that its pursuit of import substituting industrialization was not only unusually autarchic in nature (for example, heavily prescribing the role to be played by foreign direct investment), but that it also emulated the soviet model by placing emphasis on the capital and intermediate goods industries. In some respects, too, firms in India face particularly disadvantageous
conditions for restructuring. It has a poor physical infrastructure, a population with low levels of education, and poorly developed supply chains of small and medium enterprises (Pradeep Khandwalla, 2001) Turnaround Management has a special relevance in the twenty-first century. The globe is becoming a single, seamless market place, full of opportunities but also full of traps and pitfalls. Corporate sickness is likely to mushroom in this hyper competitive, hyper-turbulent environment. Many organizations, possibility most, will lose out at some time or the other. Should they be allowed to die, thus causing large social financial and human losses? Turnaround Management provides ladder to rise from the pit.

(Rajiv Shaw, 1997) Crisis promotes learning, and that is what India is going through. Those who learn will be truly strong, capable of taking on the world. By the same logic, you can create your own testing situations, which cause the organization to reach above the ordinary, and thus create winners.

(Pradip Chanda, 2000) Turnarounds aim to contain the high social costs of closure by redefining businesses, improving productivity, retraining work forces and competing on Quality.

The painful fact in India, unfortunately, is that, historically, industries in the private sector, though large in number, have been marginal player in its economy. Government – owned public sector undertakings that control banking, insurance, telecommunication, mines and metals, steel utilities, airlines, railways, ports, and road works, are the basic drivers of the economy. And these units have, over period of time, absorbed large resources in terms of money, effort, time and manpower. Nationalization of ailing industries e.g. jute and companies making bicycles to biscuits, has added to numbers. The country can ill-afford to ignore the vast resources sunk in these ventures. Nor it can afford to ignore the plight of a large number of private enterprises that have become unviable because of country’s historical policies. Consequently, turnaround attempts must from an integral part of its economic well-being, by putting to productive use the
vast resources tied up in such corporations. A recent estimate puts the figure of non-performing assets of banks (almost entirely with nationalized banks), i.e. loans given to companies unable to service such loans or repay them at a staggering 30 percent of loans outstanding.

(Michael De Kare-Silver, 1997) The market place has now become saturated with competition. New products and new competitors are emerging with increasing frequency in every industry. Mapping the way through this market maze is an enormous challenge. The winning companies we will describe are ones who are seizing that challenge firmly in both hands and with every effort. It's zero-sum game. Companies of often-equal strength are arrayed on all sides. What will distinguish the winner? What steps will enable one company to take advantage of the opportunities an ahead of another?

The path suggested here must be taken by the leaders of the company. Lasting success is so fragile that the challenge of effective strategy development cannot be left to others alone to initiate and pursue. The generals must marshal their troops.

(P.K. Matoo, 1998) in his book ‘Corporate Restructuring’ emphasized the relevance of restructuring/turnaround - In the new era of liberalization and globalization when protection provided by high tariffs and other trade barriers is no longer available, it is not enough for a unit to be able to yield a steady output of goods, services and even profits year after year. Improvements in quality of goods and services produced, reduction in costs and maintenance of prices of outputs at competitive levels, have also to be taken care of. The health and vigour of a corporation in today’s fast changing world depend to a large extent on the manner in which its management is able to recognize the gross as well as subtle changes taking place in the work environment and put them to use further the objectives of the unit. Under normal circumstances changes in the attributes of the work environment take place in a gradual and predictable manner and enough time is available to access the impact. But when change assumes the velocity of a hurricane, routine tinkering with policies, structures and practices is of no use. It has to give place to a result-oriented approach which can keep the enterprise on course and enable to target new
destinations and new heights of achievement. Corporate restructuring provides the management with a steady, reliable way of meeting the challenges both of time as well as opportunity.

(Ranjan Das, Udayan Kumar Basu, 2004) Corporate Restructuring became a key starting 1992 when extensive economic reforms, undertaken by the Government of India, led to greater competition (including competition from MNC’s) with simultaneous opening up of more opportunities. During this period, the Indian industry also felt the pressure from various stakeholders to pay greater attention to such areas as enhancement of shareholder value, ensuring focus in business portfolio, acquiring greater market power and size in every product category, building brands and distribution capability, professionalization of family business and privatization of public sector enterprises. All these signaled the need for extensive restructuring of the Indian corporate sector. The scale and size of corporate efforts that we have seen in India, particularly during the last five to seven years, have far exceeded the level that was experienced during the pre-1991 phase. However, a lot more needs to be done if India Inc. Wishes to become globally competitive and shareholders are to be rewarded handsomely.

(Rita Gunther Mcgrath and Ian C. Macmillan) Business lore is full of stories about smart companies that incur huge losses when they enter unknown territory—new alliances, new markets, new products, new technologies.............................Why do such efforts often defeat even experienced smart companies? One obvious answer is that strategic ventures are inherently risky: The probability of failure simply comes with territory. But many failures could be prevented or they’re cost-contained if senior managers approached innovative ventures with the right planning and control tools.

Economy is trailing through uncertain phase, not only in India, but globally. In some part of the world, it was unheard recession, they have ever faced. Big empires also trembled downed. Now it is a time to introspect and turnaround the situation.
This declining trend in business is a cause of concern for everyone else-employer, employees, stakeholders and for Government itself. Any failure is not an end, it is another fresh beginning. Let us learn by our mistakes, amend our strategies and act upon for significant recovery. Even after successful recovery, turning around is a learning lesson for any organization and they would like improvement as ongoing routine process.

In current business scenario, one requires unique and more effective strategies. Thus better understanding and exploring better alternatives so that organization can reach full recoveries. Though is a challenging task; but this turnaround is quite relevant in prevailing circumstances.

To save nation wealth, Non-performing assets can be re-deployed in profitable manner. It provides lesson to all, studies of this turnaround explore some facts/truth about organizations decline, downfall, recovery and its resurrection. It compels society at large to have cautious approach and help them to take preventive measures so that these types of failures can be avoided in future.

In current scenario of global business, when economy still could not able to recover from the shock of ‘Recession’, most of the business organizations are seriously looking for the long term solutions to face the circumstances of these type of declining trend, they want answers to face such state and worried to safe guard their business interest so that it may not occur again in their business tenure. Though question is quite relevant but to get the remedy may not seems to be so easy.

While going through Literature review we observed that lot many scholars have tried to evaluate the sickness and tried to explore their turnaround strategies; but specifically there is very rare literature is available of Indian industry specifically. If there are any literature is available in Indian perspective, either it pertains to such an aged period which has no relevance in present conditions of internal and external environments of business or the studies are so complex and theoretical that it looses its basic purpose of finding out easy, simple, smooth and clear understanding of most common root causes of industrial
sickness and the most common route of turnaround strategies of the Indian Corporate sector. Thus their remains a gap in research studies undertaken till yet. This only induced me to take up this study of turnaround cases of some of the most reputed Indian corporate industries in an era of post-liberalization.

Earlier there were some studies been taken for about 120 Indian industrial units, varying from small to middle and large scale of industrial units; but small & middle industries have their own set of problems, which may differ from large giant industrial houses. Small companies otherwise are suppose to work under so much of constraints resources and limitations, hence it will not be fair to analyze the facts on the combined consolidated data of all the industries. Looking into this gap of the literature available as far as Indian context is concerned, we took these studies specifically of only 10 big Indian Corporate houses so as to find more accurate, practical findings through our research paper. To make enable our Indian commercial establishments to evaluate the causes which are making our industries sick and to facilitate them for finding out some of the most common route of successful turnaround strategies.