Research design and Methodology

3.1 Research Objective:

In an era of business turmoil, there are lots of Industries who got sick or on verge of collapse. Nation wealth is on stake; lots of assets becoming non-productive, lot of retrenchments are taking place. Uncertainty, Unemployment, law and order problems have crept in. The subject taken ‘A Study of Turnaround Strategies of Indian Corporate Sector’ is a quite relevant topic. It contributes to the society and in turn nation as well.

The main objective of the research undertaken is as follows:

(1) To diagnose the sickness and intensity of the industrial disease?
(2) What were the reasons for the particular sickness?
(3) What were the focus areas for the turnaround strategies?
(4) What were the major constituents of turnover strategy, Vision Statement of the company and style of leadership expected from turnaround leader/Manager?

Our objective of the research is to provide in-depth analysis into why do companies fail and how successful turnaround can be achieved. We will examine and try to provide insights on the following specific issues:

- Why do commercial organizations fall into financial losses/sickness?
- How to diagnose and predict financial losses/sickness?
- Measures taken to turnaround these losses/sick units?
- What turnaround strategies are been adopted in common by most of the turnaround cases?
- What was the most common focus area of turnaround Strategy?
3.2 **Research Methodology:**

Change is inevitable; Turnaround has become mandatory, for individual, for corporate and as well as for the nation.

The studies taken up here are of exploratory nature. The type of research we have adopted can be termed as ‘Descriptive’ and ‘Applied’ Research. In a Descriptive Research, we make ex-post-facto studies. As our case-studies of ‘Turnaround’ are for the tenure of post-economic-liberalization era, our observation/report is about as what has happened or what is happening?

Other type of research we have adopted is Applied Research, whereby our aim is finding a solution for a grave problem of industrial sickness faced by society in large or specifically by industrial/business organization.

We have conducted the research on following stepwise approach:

3.21 **First Step: Selection of Companies**

In current situation of borderless economy, foreign players with financial and technical muscles are entering in Indian markets. Indian industries who built up fats with the time in easy going sellers market, found suddenly themselves with the enhanced production capacities around the world, thus resulting to lower margins and subsequent challenges faced by technologically more innovative and competitive product range. We have tried to evaluate through this study as how this whole liberalization process has affected our Indian industrial conglomerates? How our industries got them prepared to face the challenges of global economy.

We selected particularly those cases whereby the respective industries had major market share in their respective trade and are known for their professionalism
These selected industries also had history of constant profit path; but than slipped down to losses? Why this happened to the industries with best of the professional abilities, with best of the talents available and with the best of their financial and market abilities.

If ‘losses’ can grip to these best run conglomerates, what may be the future for ‘Medium’ and ‘small-scale’ units. It is not a fear; but surely it is an alarming-bell to stand upon and acts to face the challenges of this millennium.

We took up about 10 cases of turnarounds, Especially in Indian context. We tried to select cases from different sphere of fields, Starting from fast moving consumer goods, consumer durable companies, Process Industries, Chemical Industry, Financial institutions, Heavy industries, Electronic industries and capital-intensive industries as well. Our efforts are to have assortment of Public Sector and Private Sector; but we tried to select the cases that are the most prominent in their respective field/industry so as to awaken the insight and draw the attention of all.

Thus sampling is been from best possible sources to get the fruitful conclusions through research paper. We have collected information data and turnaround case histories of following Indian units:

1. TATA Motors
2. Crompton Greaves
3. Arvind Mills
4. Steel Authority of India
5. Gujarat Alkalies and Chemicals Ltd.
6. Gillette India Limited
7. Dena Bank Limited
8. Thermax India Limited
9. Philips India Limited
10. Siemens India
It is evident with the above cases taken up that efforts are been made to take up:

- Varied industries from Automobile, Consumer durables, Chemicals, Steels, telecommunication, Textile, Consumer Electronics and as well as of financial institutions.
- Small sector to large sector Industries.

To get the best of the results, Our endeavor is to extract information, analyze strategies from the various industries of operations, so that we can dig out best of the results from our studies.

3.22 Second Step: To ascertain the stage of sickness/Financial Losses

Revival of any sick industries is possible only after analyzing the critical stage of sickness. To make it easier and to take appropriate decision, We have categorized following three stages of sickness:

i) Initial Symptoms
ii) Incipient Sickness
iii) Gravely Sick
iv) Critical-No Chance of sickness

**Initial Symptoms**: The first appearance of the sickness is measured in terms of declining in sale, Erosion of profit, loosing market share, and negative working capital and cash losses.

**Insipient Sickness**: In spite of initial symptoms, Industry is on Road of continuous decline, financial institution started loosing faith on credit worthiness, Skipping of dividends start making worried to the investors and share holders, Suppliers start getting pinch of delayed or non-payments of bills. Employees are been sacked for
or non-payment of their salaries.

**Gravely sick:** Mismanagement, Declining market share with least hope of revival, Talented manpower leaving the organization, Institution start exercising their power for credit squeeze, Supplier stop supplying, Constant Union agitation and labour problem. Owner interest to divert out most of the funds at earliest possible. In this situation the erosion of net worth is more than 50 percent, Insufficient cash flow, lack of working capital becomes order of the day.

**Critical:** It is the situation when the erosion of the net worth is of more than 100%, Investor or shareholder start diverting their maximum sum, Government policies, Market conditions not favorable, persistent labour strike for higher wages and bonus. No funds for salaries and purchase of raw material and no willingness from any financial Institution for any assistance. Even BIFR drop the consideration for its revival.

3.33 **Third Step:** Sickness Analysis

Sickness Analysis – There may be internal and external reasons or it may be combination of both the factors.

Every turnaround cases has been in-depth analyzed for their following internal and as well as external sickness:

- **Internal Causes:**
  1. Poor Management
  2. Financial Indiscipline
  3. Lack of market driven approach
  4. High Cost
  5. Over expansion/Big Projects
  6. Over trading/Adverse Product Demand
7. Technical/Product failure
8. Labour trouble
9. Others reasons, if any

External Causes:
1. Lack of resources – Raw material/Skill Manpower
2. Government & Statutory obligations
3. Environmental/Climate factors
4. Other reasons – if any

3.34 Fourth Step:

Among all the cases, what were the most common areas, which helped them in turnaround process:

- Focus areas: In this portion of study efforts are been taken to evaluate the focus areas / approach adopted by the management for turnaround looking in to:
  - The Customer approach
  - The Financial Restructuring
  - The Processes
  - Man Power Restructuring
  - Any other- if any

- Vision Statement: Vision is blueprint of any organization for its turnaround; it is a path-map on which company trails out its battle. It is worth to analytically study the Vision adopted by the visionary leaders of this turnaround institutions.

- Major constituent of Turnaround Strategies: There are basically four main constituents on which, any Turnaround battle is fought. We have analyzed
in respective company (of the selected cases), which were the main thrust instruments of turnaround strategy, on which management banked upon the most –
- People
- Product
- Profits
- Customer

- Style of leadership: Depending upon the situations/Internal and External Environment, management adopts different leadership style. For making the study more useful, We have categorized the leadership in following manner-
  - Authorative
  - Consultative
  - Democratic

- Turnaround Strategies adopted: There is never a single formula to win for all the turnaround cases, different strategies are adopted in different situations and in different circumstances and in different industries; but here we have broadly classified different activities in following four aspects-
  - Marketing Aspect
  - Financial Aspect
  - Technical Aspects
  - Financial aspect

3.4 DATA SOURCES:

- Secondary Data: Cases drawn from journals, books, Websites and research papers. These are the major source of conducting this research study.
- By observation: Collection of information by way of investigation, through questionnaire and by own observation. The information pertains to what is currently happening by either mailing structured questionnaire, taking interview through personal meetings/telephonic with turnaround leaders or
gathering data in accordance to the questionnaire format from various sources so as to get the proper report in scientific manner.

3.5 **Sampling Plan:**

- Sample Unit: Successful turnaround visionary leaders /entrepreneurs and turnaround consultant approach, their actions and observations are recorded.
- Sample Size: About 10 successful turnaround cases representing different segment such as MNC’s, Pvt. Sector and Small Scale Industries, Samples will be undertaken across the country.
- Sampling Procedure: By observation method or through E-Mail, hence questionnaire will be specific, Point wise in relation to the subject.

3.6 **Analysis of Survey Result**

Properly tabulated data with an adequate rating as per the defined scale are analyzed to confirm the most common reason of sickness and strategies mix for turnaround statistical techniques to present the quantitative observations.

3.7 **Expected contribution of the Study:**

Basic requirement for any turnaround is the change of mindset, with the fast pace of change at market place, Companies are also suppose to response in well co-ordinate manner. It requires drastic changes in company’s thinking process and its approach towards problem solving.

The cases undertaken for the research are conducive to current situation; It is analytical study and practical approach as how to achieve successful turnarounds. Industrial sickness is causing anxiety and lot of funds getting blocked. Whether it is Employer, Employee, Investor or Government, Economy as a whole is adversely
affected. Retrenchment of services, not only dampen the spirit of human life; but it also brings lot many other problems.

Theft, Law And order problems, illegal trafficking etc. Mr. Jawahar Lal Nehru, India’s first Prime Minister rightly said that Industries are the temples of Modern India.

It is not only important for any nation to call upon more foreign investors or to call upon more entrepreneurs to put on more industries, It is also equally important to provide education, consultancy and support to existing units so that they may not get sick with emerging competition or with upgradation of technologies. If one side we think for putting up more industries and on other side our public funds are getting dead, Industries should work as national wealth creator rather than destroyer.

This research taken here is an effort to awaken the spirits and mindset of the yesterday’s entrepreneurs/Mangers to combat the competition war. The examples of prominent cases are highlighted to evaluate the basic common problems of sickness and the effective strategies to turnaround.

We have tried with our this research paper to evoke new dimensions for the mindset. Our in-depth survey will help the industries, Institutions and nation to believe for the need of the change of mindset of all the employees and faculties of the organization to adopt to the demands of the new environment and perform to best of their abilities.

3.8 Limitations of this Study:

There cannot be any single formula for turning around the sick unit, Every industry have different type of internal and external problems.
The causes of sickness may vary from industry to industry, trade to trade and may also be different on the basis of Geographically, Climatic and on environment point of view. Availability of skilled and unskilled manpower, Law of the land and Government policies are some of the other aspects, Which is not in control of any manager /any industrialist.

Thus to conclude any single strategy. Which will be worth for turnaround, in all circumstances and for all the industries, is not possible; However we have tried to evolve here the basic common route of strategies taken in Indian perspective by all the industries (the cases taken for the research) for their successful turnaround.

We hope that in spite of the limitations narrated above, The study undertaken will be of immense useful for the practicing manager and industrialist to help them evolving right paths and strategies for their units with some alteration or modalities of changes in Strategy undertaken best suited to their internal and external problems.

Another limitation, which we foresee, will be the scarcity of time with our visionary leaders and consultants, to spare themselves for our interview and E-mail questioning response. It may also be possible that companies will not like to divulge their internal weakness or information; but all the cases taken here are from the best known companies, for which all data are available through journals, through company website and through internet.

There may be chances that the said companies for the sake of their business image may give misleading information or may not at all share the data or may not like to fulfill the questionnaire designed, then researcher with his acumen, experience and availability of information, has fulfilled the requirements of research.