5 Analysis and Observations

Analysis is an important aspect of this research; we would ascertain different analysis through the graphical presentation of the data gathered through case studies and questionnaires.

We would be analyzing following details through this study:

1. Reasons for industry ailment - Internal Reasons
2. External Reasons for industry sickness
3. Focus areas for the turnaround strategies adopted
4. Major constituent of turnaround strategy
5. Vision Statement adopted by turnaround industries
6. Style of Leadership
7. Marketing aspect of turnaround strategy
8. Turnaround through financial restructuring
9. Technical process adopted for turnaround
10. Human Resource activity undertaken for turnaround

5.1 REASONS FOR INDUSTRY AILMENT – INTERNAL REASONS:

The industries chosen for analysis are one of the best in their respective trade; but their sudden downfall and losses were surprise for all and no one even dreamt of it.

Why companies went into losses in spite of years together constant good performance and especially when they are equipped with best of the machinery, plant and that too supported by best professional management.

With this research paper we have tried to locate the common routes/ symptoms that drag any industry into the losses and adversely effect their profitability and performance.
First we have tried to identify the different ailments of individual industry, we have undertaken for the study. Following are some of the prominent reasons (defined with the percentage of chances), which make any industry sick.

- High Cost
- Lack of market driven approach
- Over Expansion / Big Project
- Financial Indiscipline
  - Poor Management
- Lower Profitability

![Graph 5.1: Company wise Internal Sickness Analysis](image)

**Sickness Analysis-Internal Reasons**

These are some of the reasons, which are to be effectively checked, and if industry takes timely actions and effective measures, the sickness could have been appreciably reduced.

With the depiction of following chart, we have tried to highlight the %age reasons of sickness, which are common in all the 10 industries we have undertaken for the study.
26% High Cost: It is evident that most common reason of sickness is due to high cost. It is often observed that when going is good, Industry add up fat through large manpower, large inventory, luxurious offices, free lunches, fleet of vehicles, parties and trip of officials with families for abroad vacations.

Attention towards profit/ cost is hardly there. Executive are not been trained or they are not aware as what ROCE or ROI means; but as going gets tough, market share gets declines. Customer demands more discounts. It ultimately affects the bottom line. Then only management gets awaken to think about cost-cutting exercise.

In fact our new breed of managers should have been trained and been taught that how useful it is to be cost effective from the day one. In era of competition, the organizations that are thin and lean may find easier to trail out and conquer the marketing war.
High Cost is not mere the product manufacturing cost. It may be high administrative or marketing expense even. It may be because of low productivity, low efficiency or may be because of high inventory or may be because of high interest cost on debts. Cost gets higher even when purchases are not effectively controlled.

High wastage and less attention towards savings are some of the other factors that endanger the symptoms of High Cost.

If costs of operations are least, the organization will be stronger enough to face the eventualities and competition more calmly and peacefully.

**16% Lack of Market driven Approach:** It is customer only who decides the fate of the company. A single rupee earned by any company comes from customer. Any organization that works to envy them has to face the consequences. It is not only the responsibility of marketing department to keep their market intact or to satisfy the needs of customer. Unless all the faculties of industry whether it is production, Finance, Quality Control or personnel department, all won’t focus on market driven approach, there may be chances that company may slip down from track of prosperity.

No matter how professional, superior technocrat or financial sound the company may be; but if they fail to satisfy the customer or fail to provide them value for money, there are all chances to get held up. Here it is been calculated that 16% chances are there for sickness due to the reason of ‘Lack of Market-driven-approach’.

**11% Financial Indiscipline:** Time is a great teacher; it may be that company does not look into the depth about its financials in blooming period. It is in fact human tendency to get accustomed to fancy and easy life in the days of comfort. One think of the exercise of cost Reductions, disposal of non-performing assets, inventory control, curbing expenditures, implementation of budgets at the time going gets tough. Thus our study also observed that Financial Indiscipline signifies 11% reasoning for internal cause of sickness.
10% over Expansion/Big Projects: Among ten companies, there were 5 companies which were hurt by over expansion. It is often found that with the industry or even with the individual too that every one wants to reach a heights where no one has reached. To achieve high esteem, to gain number one position, industry thrive for the largest volumes of production; but at the same time they forget that in same industry, somewhere else in the world or in their own country some one else may also be aspiring to expand the business in same trade with the intention to be in number one position.

It is also because of stage of Product life cycle and because of global competition built up in the recent past these companies finds their position vulnerable to face the losses due to expanded capacities. With the combine ranking of all these companies it is found that over expansion has 11% chances of sickness.

‘Decision of expansion’ and time when it is to be taken are extremely important factors, once you start your expansion work it is difficult to stop in between.

Sometimes it is also observed that higher motivated or nefarious thinking management remain interested only to plan high expansion, place orders of machinery, plants and materials for their vested interest.

10% Lower Profitability: Mostly it is found that with the intention to woo more and more consumers, Company keep their prices low and forget to control other way of reducing the costs so as to safeguard company’s profitability.

Lower profitability also lower down the morale and also effect decision making especially for publicity and for creating brand awareness, for introducing new innovative products to produce quality products and scope for research and development and for modernization and upkeep for plant and machinery. A symptom of lower profitability is like slow poison and it has 10% chances for creating sickness in industry.
8% Poor Management: Some of the basic reasons for company failure are autocratic management, resistance to change, lack of control, over-diversification or it may be because of too much decentralization, Management support for promoting accounting manipulations for their personal self vested interest.

One-man rule, non-participating board, Unbalanced top management team, Lack of managerial depth and poor policy are some of the factors of poor management.

Enterprise may get sick due to mismanagement of one kind or the other – Faulty project planning, Wrong choice of technology or collaborator, diversion of funds, Conflict and infighting between executives and inter-department rivalry, lack of foresightedness, lack of project information and reporting systems and due to siphoning of funds by the owner themselves.

CONCLUSION: 81% of the reasons for the sickness are due to following six facts:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Cost</td>
<td>26%</td>
</tr>
<tr>
<td>Lack of Market Driven Approach</td>
<td>16%</td>
</tr>
<tr>
<td>Financial Indiscipline</td>
<td>11%</td>
</tr>
<tr>
<td>Over expansion</td>
<td>10%</td>
</tr>
<tr>
<td>Lower Profitability</td>
<td>10%</td>
</tr>
<tr>
<td>Poor Management</td>
<td>8%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

The other reasons of sickness of 19% are because of:

- NPA Provision 6%
- Over Trading: 5%
- High Interest: 4%
- Manpower Turnover: 1.5%
- Cost & Time Over run of Project: 1.5%
- Labour Trouble: 0.5%
- Technical Failure: 0.5%
5.2 REASONS FOR INDUSTRY AILMENT-EXTERNAL REASONS:

Each Individual firm of the selected cases when evaluated for the various external reasons of sickness, it was observed that mostly the reason for ailment is due to Global Competition.

External Reasons are beyond management control. It may be due to

- Lack of resources
- Government rules and regulations
- Climatic factors
- Recession in the industry or due to
- Global Competition

Study of Turnaround Strategies of Indian Corporate Sector
We have tried to analyze the fact on the basis of the data gathered from the question raised to various turnaround leaders to rank their external sickness factor mentioned above. We have tried to depict individual industry wise % age of external sickness reasons along with the overall view of common factors of these external factors of sicknesses, which are represented in graphical presentation in next page itself:

**Sickness Analysis-External Reasons**

**45% Global Competition**: Indian Government with open heart opened the doors for foreign investment, foreign technology, import of plant and machinery. They made the custom and tax rules easier, Indian economy after having an experience of protection for years together, has to face war from these MNC’s, FDI’s who have better financial muscle power with better R&D’s better technology and superior products.
It is this reason that even the Indian giant industries could not withstand with the competition emerged.

Global competition is the most visible and urgent face of challenge. Corporate India endeavours to revitalize to meet the challenge of new world without boundaries where goods and services will traverse freely and where world-class competition will eliminate the weak and inefficient.

Indian companies are facing following challenges because of global competition:

- Foreign competition meant more and cheaper imports.
- Opportunities to the MNC’s to raise and takeover Indian Enterprises.
- Indian companies inability to meet the challenges from MNC’s due to their weak economic strength.
- MNC’s have advantage of size because their presence in global market.
- The cost of capital for Indian company is much higher than their foreign counterparts.
- Foreign companies have enormous financial muscle power to bear the losses and make Indian companies position vulnerable and then ultimately grab the control of these companies that got sick in process.
- Indian labour laws are quite stringent while on the other hand MNC’s are equipped with modern technologies and with lesser labour and employee cost.

It will not be out of context to narrate the quotes of famous personalities of Indian corporate world about Global competencies:

➢ “Pressures of companies will force Indian companies to shape up or ship out, the government will be forced to cut the cost of governance and put more resources into social infrastructures. Our economy actually is benefited by the entry of global competition. There have been very success stories of MNC’s that has done well here
as nation, we always need the challenge to rise to the task my inmate belief is that we are capable of the best in the world, when roused to the job.”

- Onkar Singh Kanwar, Vice Chairman & MD, Apollo Tyres

➢ “Global competitiveness demands a major change in mind set, it also calls for organization vitality, backed by substantial investments in modernization, and such strategic investments would naturally entail gestation drags that would severely test managements for their staying in power and commitment to their business.”

- V.C. Deveshwar, Chairman, I.T.C.

Global competition is one of the symptoms of industry sickness, which has 45% chances of getting the industry sick.

18% Government and Statutory Obligations: City, State, Federal laws, regulations, Taxes, Services, Court Systems and political factors are some of the factors, which effects the operations of any business unit.

Government policies significantly affect the business it operates. This is particularly true also in 10 core studies we have undertaken, these business units got sick because government keep playing several roles, which had a bearing on the functioning of the firms. Some of the instances are enumerated here below:

➢ In some areas Governments are large purchaser of goods and services, their slight change in procurement policies effect particular industry operations.
➢ Change of Government policies to subsidize firms or particular industry.
➢ Government liberal policies to promote liberalization.
➢ In some cases governments happen to be producers and therefore function as competitors to other producers.
➢ Internal taxes like excise etc. are quite high; but at the same time imports are made so liberal that custom duty contrary to those goods which are produced on our own lands costs higher than imported goods.
Some time Government stringent and bureaucratic style of working hampers the operations.

There are some other factors also, which effect business operations like the interest rate for capital borrowings, the taxes imposed on raw materials, Excise duty and Sales/ Value added taxes on finished goods. This may lead to uncompetitive price for the homegrown products than the products available globally in international market.

These Government rules and statutory obligation have 18% impact in getting industry sick.

Conclusion:

Only two external reasons and Government rules has 63% chances for making the industry sick, while other reasons are –

- Recession in the industry: 17%
- Environmental/Climatic factors: 14%
- Economic Reforms: 3%
- Lack of Resources: 3%

These are the reasons whereby management has very little role to play. Though Government has large role to play in revamping industry; but it is the internal reasons whereby any management can exercise better control.

5.3 FOCUS AREAS FOR THE TURNAROUND STRATEGIES ADOPTED:

In this study, we have tried to evaluate that in process of turnaround which are the most common and influencing focus areas whereby companies have put forth their energies for their revamping exercise.

It is observed that as per the rating, the priorities of focused areas differ; we are analyzing it below in chronological order from highest to lowest:
1. **Financial Restructuring**: It got highest rating of 75 points, some of the main actions taken up in this sphere of activity are as follows:

- Liquidation of non performing assets
- Reduction of high interest on borrowed funds.
- To expedite cash in-flow.
- To arrange funds on less interest with the facility of repaying it on long term period.
- Defer expenditure.
- Restructuring of debt.
- Settlement with creditors.
- Budget Control.
- Curtail capital purchases.
- Expedite Recoveries and proper cash flow management.
- To keep investors/ share holders/ financial institutions aspirations and expectations intact.
2. **The Customer Approach**: Marketing is just like a war; but one basic difference is between war and marketing, in war you have to suppress your enemies to conquer while in marketing you have to woo your customer by satisfying their aspirations.

Customer approach has got 2\textsuperscript{nd} highest rating i.e. 73 points. The basic functions of this approach are

- Launching new innovative products, satisfying needs of customer
- Efforts to sell proper product mix.
- Arrangement of easy accessibility of the product through proper logistic arrangement.
- To search out for unexplored high return and high growth markets.
- Evolving customer/dealer oriented scheme.
- To create brand awareness.
- To take care of better customer care and efficient after sales service.
- To create value for money for customer.

3. **Manpower Restructuring**: ‘Manpower restructuring’ function acquired total 60 points and remain third on priority. It has following roles to play:

- Downsizing of manpower, it is one of the most important aspects, which is been adopted by most of the organization.
- Reshuffling of staff to re-organize their function and to put right people at right place.
- In sick unit it is often found that company suffered because of one-man show, it lacked vision. Some times it becomes imperative to change the management with the induction of new top management with his liked minded team brings new life into the company.
- In initial phase of turnaround, management has to authoritative and supposes to prove their action right by creating example by their deeds.
• Change of mindset and culture is some of the other activities that become requisite with the change requirement of turnaround process.
• Training and upgrading the skill of employees. Employees are identified for training and for skill development on the basis of quality they are lacking.

4. The Process: Process remain on fourth on priority with 58 points. In this basic activities were-

• Adoption of new technology, technique to get new innovative superior products with low cost.
• To enhance better productivity, with implementation of industrial engineering, works and motion study.
• Better use of energy sources which increases efficiency.
• To implement better product design.

5. Cost Reduction: Though as per ranking this function has got 40 points; but it plays a major role in turnaround process, In fact respondents have thought explicitly to put forth special points to cost cutting, in fact cost cutting is a part of Financial restructuring exercise; but looking into turnaround leaders more emphasis on this aspect and their intention to give separately points for this function, we have considered it separately as well.

The industry that makes their operations lean and thin and remain cost effective, they find their going easy during recession and in era of competitive market. To provide better, technological superior products and best services with reasonable price and optimum profits to shareholders, it is necessary that cost of operations should be at minimal level and comparable to the standard of the trade/industry in which one is working.
The main actions for achieving cost effectiveness, following measures are undertaken:

- Evaluation of the cost – in which area, our costing is higher, whether it is raw material, employee cost, manufacturing cost, administrative expense or marketing cost?
- Productivity to be enhanced to reduce manufacturing cost.
- To make purchase cost at minimal, proper assessment of suppliers to be made and reorganize the suppliers on the basis of low price with efficient supplies and least burden to carry inventory.
- Proper layout of machines, Work and Motion Study to be adopted to lower down the cost of operations.
- Downsizing and re-shuffling of staff to get lower cost per unit.
- Proper check on Marketing and Administrative expense. Keep on monitoring the expense with the budget expense defined.
- To explore alternate raw material, source of energy, new technology or process to be adopted so that manufacturing cost gets lower.
- Whereby expenses within house are not competitive whether it is goods or services, it should be outsourced.

Here we would like to quote by Mr. N.R. Narayan Murthy, Chairman, Infosys Technologies:

"The key imperative before us is to become increasingly global, I believe globalization is about sourcing capital from where it is cheapest, producing where it is most cost-effective and selling where it is most profitable, all without being constrained by national boundaries."

Other areas of focus for turnaround has very insignificant role like change over naptha from gas got 8 points, Proper checks got 6 points, while Revamping Product line got 8 points, Recovery of NPA scored 9 while profit from treasury procurred 9.
5.4 MAJOR CONSTITUENTS OF TURNAROUND STRATEGIES:

This study is been undertaken to evaluate that among People, Product, Profit and Customer, which are main constituent of turnaround strategy. While opting for turnaround strategy, respondents are being asked that among all these four constituents, whom the have taken first as being important constituent? They have been asked to rank each one of them on the rating scale of 1 to 4, whereby 1 stands for better and 4 stands for worst.

When data for all the 10 relevant cases were assimilated following picture got portrayed, whereby the constituent scored least numbers, enjoyed better confidence and the one got highest score had least preference of turnaround strategiest.

Graph 5.6: Ranking of Major Constituents of Turnaround

Study of Turnaround Strategies of Indian Corporate Sector
The conclusion drawn is as follows:

- Customer being the most sought constituent of turnaround strategies being implemented and they ranked number acquiring total 22 points.
- While Profit, People and product remained second, third and fourth in consequence as per the preferred constituent of turnaround strategist.
- The above analysis reveals that ‘Customer and profits’ are the most sought criteria for opting for any turnaround strategy.

5.5 VISION STATEMENT:

It is also important to study the farsightedness of these turnaround firms, how they perceived their future and on what guide map they performed. Vision being the blueprint of future course of actions, imply the management outlook as how they would like to face the grim situation arise due to the reflection of losses by these units. We gathered the vision statement of all these 10 firms. Now if we have summarized the common vision statement of these firms, it may be inculcating following aspects:

- Cutting cost from all the fronts remained the major thrust area of all the companies.
- Profitable growth with satisfaction to stakeholders.
- Customer satisfaction and providing value for money to them with innovative product range time to time.
- To become world-class global dynamic and modern company.
- To serve the needs and interest of country and society with enduring ethics and values.
- Instead of just delivering the products/service, company has to play a role of ‘Solution Provider’.
5.6 STYLE OF LEADERSHIP:

Managers regularly confront uncertainty and tough competition. To trail out any business empire, as winner is not an easy task. How to shape up your industry? What type of leadership generally adapted to turnaround industry? It is a million dollar question, in this study we have tried to evaluate the type of leadership adopted by most of these successful turnaround leaders. We have categorized broadly Leadership into three types of categories:

**Authorative:** Some may term it as Autocratic Leadership. Here the leader take all the decisions of its own, believes more on formal communications. Leader is generally tough-minded and pays reward to achievers while reprimand for failures.

**Consultative:** In this type of leadership, leader consults his subordinates and then set goals. He takes major decisions of his own while leaves routine decisions to be taken by subordinates. He believes in two-way communications, here the control systems tend to be flexible and goal oriented. Consultative leader puts more emphasis on rewards than on punishments.

**Democratic:** In this leadership style relation between the managers and subordinates are cordial and friendly communication system is completely open. Goals are set and work related decisions are to be taken by the subordinates. Group supervises and control, besides economic rewards, feeling of worth & importance is inculcated.

Indian industries biggest problem in the years to come is not going to be lack of capital or technology or in the infrastructure; it is going to be the lack of effective leaders.

Leadership cannot be taught in business schools, it has to be taught by the practitioners. The stories that turnaround leaders tell to the next generation invariably communicate certain values and impact. They also generate fresh ideas and energize the future managers in a way pure theory never can. The best stories also have an edge – they talk
of battles, how they fought and tough decisions got implemented, how they faced eventualities and trail out their empire successfully.

Through our study, we have tried to evaluate as which of the style of leadership best suited to any turnaround leader? Our analysis reveals that among 10 cases of successful turnaround, In 5 cases the leadership style adopted is of Consultative, We may term this leadership activity as group approach for solving the problem; but here we also observed that respective leader takes his own decision with his acumen, experience and farsightedness after consulting with every one else.

Two companies have adopted Democratic style of leadership while one company had Authorative style of leadership.

**Conclusion:** We conclude that companies should adopt ‘Consultative’ style of leadership. Turnaround actions are executed in effective manner only when all team members get involved to achieve the defined objective, turnaround gets faster. From top
to bottom everyone thinks and act on one unilateral focused direction. Of course as all the fingers are not of the same size, there may be chances that few persons may work adverse to the turnaround requirement or they may not in accordance to the basic purpose or as per the individual industry culture or the mindset, there only we should act as ruthless to these stubborn attitude people or we may have to use Authorative style of leadership for this particular segment.

I shall like to summarize this conclusion with the words of Mr. Nandan Nilkerni, CEO-Infosys:

“I believe that the most important aspect of leadership is about raising the aspirations of the followers, it is about making people believe in themselves; it is making them confident about pushing people to achieve to their fullest potential. In essence leadership is about dreaming the impossible and helping followers to achieve the same. More over the dream has to be built on sound and context-invariant values to sustain the enthusiasm and energy of people over a long time.”

5.7 STRATEGIES FOR TURNAROUND:

“Strategy not being a lengthy action plan; but it is the evaluation of a central idea through continually changing circumstances.” – (Jack Welch, 2001) Chairman & CFO of General Electric.

There cannot be any single turnaround strategy that can be applied for all sick units’ revival. Each case has different type of sickness and accordingly different type of strategy to be made as per the requirement of situation; but here in our study we have split these turnaround strategies primarily in four blocks:

1. Marketing/ Customer approach
2. Financial aspect/ Financial Restructuring
3. Technical Aspects/ The Process
4. H.R. Aspects/ Manpower Restructuring
There are different elements of particular block of strategy, it is been tried out that for each element what is a ranking (in scale of 1 to 5) for implementation of a particular strategy.

5.71: Marketing/ Customer Approach:

Gone are the days when you were in sellers market, a decade ago, the term ‘Global Economy’ did not exist. No matter your company is professionally managed, have best of the plant and machinery, best of the technology, may be financially sound too; but that does not guarantee to have continuous profitable path and final difference get emerge in the market place. It is a customer who decides the fate and destiny of the company.

Marketing can be termed as open war, to woo customers, companies offering better products/services and that too at lesser prices. Organizations are operating at very thin margins or somewhere it is in losses too.

In this marketing war, companies must pursue to find out the best of the strategies for the survival and to overcome their competitors.

In this chapter, we have tried to evaluate that among the 10 Indian companies what were the major marketing strategies, which helped the enterprise to come out of the red. On the basis of survey, we have taken the ranking from 1 to 5 for the 13 marketing strategies implemented by various companies. We are putting forth the details here below:

- **Efforts to sell proper product mix:**

  By obtaining 40 points, this is one of the strategies which topped among all the preferences, but other three actions such that ‘Recovery of old over dues, billing based on credit worthiness and Inventory Control’ stood the same
ranking of 40 points. ‘Efforts to sell proper product mix’, emphasis on following points-

- Most profitable product-mix evolved to enrich the gains.
- Considering the geographical needs and customer preference, proper product-mix was decided.
- Some of obsolete ranges were discarded, new product introduced to keep an edge on competitors and to satisfy customer needs.
- On the basis of market survey new products identified, which had better value to customer and more margins for the company. These products were developed and proper product-mix evolved to get optimum profits.
• Billing based on Credit-Worthiness:

This strategy of marketing got 40 points and scored highest level of priority. To get high volume of sales it is often found that companies keep on billing the material to customers, neglecting the system of monitoring credit ability/worthiness of customer, which results to high debts and some time it becomes slow recovery or bad debts too.

In process of turnaround this strategy helps in overcoming the losses by taking following precautions:

- Billing limit fixation of each purchaser on the basis of his credit-worthiness and ability to make payments.
- Credit Periods are defined, Control and checks are implemented to safeguard company interest, so that billing to dealer/consumer is avoided, in case his payments get delayed.

• Inventory Control through logistic management.

This sub category of marketing strategy also secured 38 points; large inventory blocks huge funds results loss of an opportunity and enhances the interest cost.

Through proper sales forecasting and with proper inventory control, not only one can utilize the funds in proper manner; but also saves energy, labour and godown space and its rent, which otherwise organization has to spend.

There are examples that some companies operate on zero day inventories. Company should try to operate on minimum number of days inventory
and thrive to monitor and keep check as where do they stand as per trade standard and against their competitor.

- **Recovery of Disputed/ Old overdue:**

  When going gets tough, company faces a situation whereby payments get blocked and outstanding reaches to an alarming situation. Management found them in a fix. You cannot bill the materials to the party already carrying overdue and high outstanding.

  This strategy of marketing activity has scored 35 points and had very important role to play by implementing following actions:

  - Categorizing the outstanding, age wise that means overdue have to be segregated on the basis of number of days outstanding. Payments that are within 90 days, 90-180 days and payments pending beyond 1 year have to be identified.

  - Payments which are approaching for 3rd year of outstanding, drastic actions to be taken for its recovery otherwise it will be time bar and even any legal action also be difficult to be taken.

  - Bad debts, Slow recovery, Legal cases and recoverable outstanding has to separated so that for particular outstanding, necessary action can be taken on fast and effective manner.

- **Periodic Cash projection/Monitoring:**

  It has score of 35 points; this strategy is implemented by monitoring regularly the cash flows from different sales units to corporate office. Now a days, to reduce number of transit days of collection, companies have
started opening their bank accounts in district headquarters, whereby their
day today collections are deposited either by their company’s own
staff/Sales Representatives or by their dealers/distributors and this funds
are the electronically remitted in company’s corporate H.O. bank
accounts. Thus cash-in-flow is substantially expedited.

- **Evolving Customer/ dealer oriented scheme:**

  This sub category of marketing strategy remain on priority by acquiring 34
  points, some of the main functions of this strategy are:

  - **Too woo customer attractive scheme are given like -** With one
    purchase another gift free. Some time Scratch-Coupon schemes are
    given. Sometimes to lure consumer for large quantity purchase,
    schemes like ‘Purchase 3 and get 1 free” offers are also made.

  - **For new product launching some special discounts are offered or**
    free trial or free sampling are some of the way to get more
    customers into your fold.

  - **Accessibility of the product, is one of the another important aspect**
    of marketing, if product is not available or dealer is not interested
    to promote your product, all the efforts may be futile to attract
    customer. Considering this point companies evolve dealer oriented
    schemes like better shelf display of product, foreign trip scheme or
    big gifts on purchase of large quantity, Some companies even offer
    commission to the counter sales man of the dealers shop.
    Companies even take pain for conducting training workshop for
    sales and service personnel of dealer shop.
• **Launching New Products, satisfying needs of customer:**

This strategy also scored 33 points. A customer has now plenty of choices; they are more aware about the varieties and range available in market. Companies are bound to innovate and keep on introducing new product to satisfy the quench of customer.

Consumer looking for more frills and better designs, attractive packaging, satisfying their status ego. Company cannot afford to bank upon on single product line. Competitor is providing full range of products; company has to be competitor oriented along with their efforts to satisfy customer needs.

We would like to quote a passage written by Mr. Al Ries Jack Trout in his book ‘Marketing War fare’: “You have to go back to twenties when business was production-oriented, This was the heyday of Henry “You can have any colour you want as long as it’s black Ford.

In the Production era, business discovered advertising, Mass advertising creates mass demand which makes mass production possible,’ said the advertising experts.

In the aftermath of World War II, the leading companies became customer-oriented. The marketing expert was in charge and the prime minister was marketing research.

But today every company is customer-oriented. They know what the customer’s wants. American Motor’s problem is not the customer; American Motor’s problem is General Motors, Ford, Chrysler, and the imports.”
• **Reduction of Marketing Expense:**

This strategy has got 31 points, under this strategy, Checks and controls are exercised on various marketing expense like

~ Branch expenses
~ Employee Cost
~ Transportation Cost/ Freights
~ Rent on hiring Godowns/offices
~ Traveling Expenses
~ Advertising and Sales Promotion Expenses

• **Rationalizing Pricing Policy:**

It is not always true that with lower price, you can generate better market share, even if you are successful to retain it then how long you can sustain and at what cost? It is often found that in a cut throat competition most of the companies, in blind race keep on lowering their prices, which is the easiest way to keep your market share intact; but ultimately it affects the bottom line.

With thin margins company find it difficult to put funds on advertisements, publicity, for research and developments, to develop new innovative products, to provide better and efficient sales and service. Thus you start loosing your sales and market share in this competitive era.

‘Rationalizing Pricing Policy’ is one of the sub categories of marketing strategy that scored 31 points; under this category company rationalize their pricing considering the following facts:
- Prices are kept rationalized on the basis of competitor-orientated rather than on customer-orientated approach.

- Some times for liquidation of some non-moving and dead stocks, prices of particular items are kept low.

- Wherever product is in high competition zone and has large volume of sales, company is constrained to keep its price low.

- Whenever it is found that product has less competition and company is among the few to supply particular item, prices are kept high.

- **Searching for unexplored high return and high growth markets:**

  This activity has got 31 points. This is very basic strategy of marketing function; but what is important that company has to keep an eye upon high margins/ high return-products/markets.

- **Disposal of Slow Moving/ Dead Stock:**

  This strategy scored 31 points. Non-moveable stock not only blocks huge funds; but also acquires unnecessary space in godown, which ultimately reflects high rents also. Appropriate actions helps industry to utilize block funds and utilize the opportunity which otherwise lost.

- **Modification in Dealer’s incentive scheme:**

  Dealers are company’s channel partners, to woo them management keep on amending their incentive scheme to keep them intact with them. To in cash their loyalty some companies organize incentive schemes like
- Family trip to abroad destinations
- Gold Scheme
- Exchange of consumer durable against Sales quantity/ Sales points earned

In this fierce marketing battlefield each company wants that goods should be sold through best dealer/distributor network. This strategy of marketing has scored 23 points.

- Appointment of Distributors/Dealers:

To enhance more channels of sales, it is one of the strategies, to appoint more distributors/dealers. This strategy has scored 20 points.

5.72: Financial Aspect/ Financial Restructuring

| Graph 5.9: Actions priority of Financial Restructuring |

![Graph showing actions priority of Financial Restructuring]

Study of Turnaround Strategies of Indian Corporate Sector
Cost Reduction:

This strategy is ranked 1\textsuperscript{st} in sub category of financial restructuring with 47 points. It is one of the major exercises, which consist of:

✓ Reduction in Manufacturing Cost

➢ Exploring energy saving devices and reducing power consumption.
➢ By use of better material handling equipment and facilities.
➢ By implementation of Work and Motion Study.
➢ Retrenchment of excess manpower.
➢ Simplifying Purchase procedure and effective control on it.
➢ By enhancing productivity.

✓ Reduction in marketing expenses

➢ By reducing inventory and outstanding.
➢ Control on advertising and sales promotion expenses.
➢ By reducing rent on hiring premises.
➢ By exercising control on traveling expenses.
➢ By reducing transport freight.
➢ By redefining Sales/Trade discounts.
➢ Proper deployment of human resources so that employee cost can be reduced.

✓ Cost Reduction in Human Resources:

➢ Reduction in fringe benefits to managers.
➢ Strict control on fresh recruitments.
➢ Elimination of some operating units and service departments.
➢ Reduction in managerial posts.
Cost Reduction through Finance and Accounts functions:

- Re-organizing debtor funds so that interest burden can be reduced.
- Arrangements to be made for fast inflow of cash and delay in outflow of funds disbursements.
- Tight control on expenditure and for capital purchases.
- System should be evolved to have regular checks and control on costs.
- Implementation of Budgetary control system.

Expedite Recovery:

Faster turnaround of funds leads to better profits. The fast recovery of outstanding creates prestige in market and leverage more funds into company’s kitty so that it can be deployed for more profitable purpose. In our research analysis this action of turnaround strategy has scored 42 points.

Disposal of Non-Performing Assets:

In case company’s financial position is critical, they have to depend more on borrowed funds with high rate of interest, it is advisable to get rid of these debts by deploying funds generated through selling non-performing assets. This strategy has scored 41 points in the process of turnaround.

- Units with loosing propositions to be identified, basically they are roadblocks in the path of turnaround.
- Non performing assets like building, plant, machineries and scraps to be identified.
- Process should be started for liquidating these non-performing assets on best prices.
 Funds generated through selling can be redeployed for better returns or for repaying the debts which were borrowed on high rate of interest.

**Budget Control:**

To safeguard company interest, Budget is pre-defined for any operational activity in the organization. It provides parameter to monitor the actual involvement of funds with budgeted one. In competitive market environment ‘Rupee saved is rupee earned’, thus in our study we observed that it has scored total 41 points.

**Inventory Control:**

In any organization, Inventory plays a pivotal role as company’s substantial funds get involved in it, the effective control on stock not only leads to saving in form of the interest on capital deployed; but also provides funds availability which could be otherwise utilized and deployed for more productive and profitable use. Here our study reveals that ‘Inventory’ scored total 39 points, and thus it shows that it has to be controlled in well manner, whether it is Raw material or finished stock of inventory.

**Revenue Generation:**

An activity of ‘Revenue Generation’ scored 38 points and it is a prime factor of financial restructuring for any business enterprise. Organization can generate revenue by selling non-performing assets, selling products and services and through accruing interest on the bank deposits, by investing on mutual funds and by getting dividends on the amount invested on other company’s shares.

Rests of the strategies enumerated are the sub categories of financial restructuring, we have put it down below in chronological order as per their significance being concluded in the research study, though they have ranked less; but all the actions are needed for an effective turnaround of any loss making enterprise:
Finance Generation for long term period (37 points)
Finance Generation on less interest (33 points)
Restructuring of Debts (32 points)
Settlement with creditors (30 points)
Curtail expenditure (28 points)
Deferred Expenditures (23 points)

5.73: Technical Aspect/ the Process:
Increasing Labour Productivity:

This strategy has scored 42 points and ranked top for the actions initiated for turnaround, it has following requirements to handle:

- Proper deployment of labour, right person to be placed at right job.
- Training and upgrading the skills of workers. They are been apprise with the techniques of TQM and JIT, they are been made responsible to produce correctly first time only and let them keep it monitor and apprise their own performance.
- The processes of quality improvement, stock reduction are regular features and never ending, it involves attention to detail and continuous minor improvements.
- 'Suggestion Box' also plays pivotal role in reducing the cost. Direct production workers are been asked to submit their proposal by which cost can be reduced. Good suggestions are reciprocated with awards and cash incentives.
- Workers participation and Total Employee Involvement (TEI) are some of the other techniques, which enhance the productivity.
- Plant-level industrial relations are kept in harmony and with better negotiations and collective bargaining; management can look forward for better outputs from the labour union.
- Labour welfare schemes generate loyalty and belongingness with the organization.

Reduction in Manufacturing Cost:

The more efficient you are to produce products at lesser cost, more funds can be spared out for research and development, product innovations, incentive to employees to produce higher quantity, better advertisement and sales promotion. This all will lead help in generating better profits. This strategy has scored 39 points and remained 2nd highest on the ranking chart.

Manufacturing cost can be reduced by implementing following actions:
✓ Re-locating your firm, where tax exemptions are available, labour and skill labour are available at reasonable wages, transportation cost is lesser and works is nearer to selling point.
✓ By upgrading manufacturing process and by adopting new technologies.
✓ By applying more proactive approach to supplier development, involving a significant restructuring in the number of suppliers and an upgrading of their capabilities.
✓ An introduction of new products which generate better profitability.
✓ Increase in labour productivity.
✓ By applying industrial engineering techniques, production to be enhanced for full capacity utilization.
✓ To shed out excess manpower.
✓ Keeping cordial industrial relations.
✓ Keeping proper control on inventory/material management.

Purchase Control:

This strategy of technical process has scored 37 points, its activities consist of:

✓ Re-organizing vendors.
✓ To establish e tendering.
✓ Implementation of systems for keeping check and control on inventory levels.
✓ To put constraints on high capital purchases till organization start showing profits.
✓ Some times companies go for backward integration to produce components and raw materials of their own to get the cost reduced.
✓ Approval of Inventory requisition is made through two/three tier system

Besides the above important techniques, following are some of the other technical aspects of the turnaround strategy, which are enumerated in chronological order as per their significance of their scoring:
Providing new, innovative and technically superior products (35 points)
By achieving efficiency in manufacturing (34 points)
Proper maintenance of plant and machinery (32 points)
Work and Motion Study for proper job allocation (26 points)
Use of better material handling equipments (26 points)

5.74: H.R. Aspects/ Manpower Restructuring:

Training and Upgrading the Skills:

Management should identify like-minded, willing and able employees who will rise to the challenge, efforts should be taken in keeping in view the raising of performance by imparting training and upgrading the skills of these identified employees. This strategy of HRD has scored 37 points.
Downsizing Staff:

It is one of the critical decisions, which has implication on society. Though it has scored 36 points; but this strategy implementation is painful and not an easy task, especially in a country like India, which has a large population. It has ramification on social values. The act of downsizing staff has impact on community at large; but for the larger interest of company’s health and for society and manpower livelihood, management is suppose to take harsh decision for retrenchment or for golden handshake.

Stubborn, arrogant and roadblocks in the process of turnaround are to be first to be shunt out. Even some amount is invested in voluntary-retirement-scheme; it is found that these expenses are recoverable in few years with profitable working.

Implementation of two-way communication (36 points)
Implementation of Participative Approach (36 Points)

In any organization, unless top to bottom all work in one unilateral mission, nothing is possible and that is why ‘Two-way communication and participative approach played a vital role in turn around. It scored total 36 points each.

Promoting Corporate Culture and to change the mindset:

This strategy has got 35 points. With continuous working of years together on profits, for any company existing employees, it is hard to digest that the company in which they are working, is on path of losses. There is great resistance to accept the changes.

To change the mindset turnaround leader has to create examples with his own deeds, concept of profit centre should be introduced with decision making power within. Involvement of all the employees to achieve defined task is mandatory. This would inculcate a feeling of belongingness and encourage every individual to put in his or her best efforts for the organisation.
Some of the other strategies adopted for Manpower Restructuring are:

Resolving the issues relating to centralization and organizational conflict (33 Points)
Punishment and Reward policies (33 Points)
Concept of Profit Center introduction with prescribed decision making power (31 Points)
Change of Management (28 Points)