
Tesis doctoral

The Suitability of Turnaround Strategies for Non-Crisis Situations

Sharon Gotteiner, CPA



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The Suitability of Turnaround Strategies for Non-Crisis Situations

Sharon Gotteiner, CPA

Thesis

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Supervisors: Dra. Marta Mas-Machuca and Dr. Frederic Marimon

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1. Introduction

Most organizations face, at some time in their existence, a major decline in performance (Hofer 1980). Some recognize the impact of such decline early and respond more effectively than others, by implementing the necessary changes (Armenakis & Fredenberger, 1997; John et al., 1992). But many companies do not recognize the need to restructure, or do not respond, before crisis becomes obvious. As the organization nears bankruptcy, it becomes increasingly more difficult for the firm to extricate itself from the impending financial disaster (Daily & Dalton, 1995, Gopinath, 1991). At such a point fewer options remain, radical renewal efforts are required, and saving the company is not guaranteed (Bibeault, 1999: p. 96; Huff et al., 1992; Lymbersky, 2014: p. 33, 71; Sudarsanam & Lai, 2001: p. 197; Trahms, 2013). In fact, most of the turnaround attempts fail (Hofer 1980).

Corporations do not have to reach the edge of a cliff, to turn around. Over the past Four decades, turnaround practitioners have indicated the opportunity of implementing turnaround strategies *before* crisis situations evolve. It has been suggested that by adopting turnaround strategies early enough, recovery can take place without the traumas usually associated with a crisis situation (Midanek, 2002; Slatter & Lovett, 1999; Whitney, 1987a). Academia soon validated such field observations. It has been confirmed that if a company followed the voluntary route, success would be much more easily achieved as there would be no need for urgent short-run measures to prop up the financial position (Grinyer et al., 1990). Well planned, goal-based, gradual, incremental, surgical implementation of downsizing, rather than a quick-hit, grenade-type one, were found to predict effective turnaround efforts (Cameron, 1994). Voluntary, preemptive restructuring was observed to generate more value than restructuring carried out under the imminent threat of bankruptcy or a hostile takeover (Donaldson, 1994).

As the concept of early, preemptive, routine implementation of turnaround strategies gained traction, practitioners and researchers also indicated the *type* of turnaround activities which could suit a non-crisis business routine. It was generally suggested that the management practices that could cure a troubled company, could have also kept it well (Whitney, 1987b). Specifically, it has been suggested that actions such as collecting receivables, cutting inventories, stretching payables, reducing costs, increasing prices, focusing on high-margin products, and selling-off surplus assets should almost always be pursued, even if the financial situation is not in danger (Hofer, 1980; Lymbersky, 2014: 453-456). Some change-management practices which are used during turnarounds were identified as applying to both crisis and non-crisis situations (Armenakis & Fredenberger, 1995). It has been suggested that the leadership approach used by turnaround practitioners is required in order to achieve results, *whether or not* a given organization is in financial distress (Slatter et al., 2006: p. xii), and the same reasons for divestment decisions were found to play a role in both turnaround and non-turnaround companies (Bibeault, 1999). However, no empirical findings have been presented, relating to the extent of support such turnaround practices win at non-crisis situations.

Based on the predominant literature, the wind of voluntary, preemptive implementation of turnaround strategies did not gain wide traction in practice, as a new managerial best practice. Further research observed that even when the need to restructure is identified before crisis evolves, financial restructuring is usually avoided, rejected, and resisted until a crisis becomes obvious, a takeover is likely, or even bankruptcy is possible in the near future (Arogyaswamy et al., 1995; Denis, Denis & Sarin, 1997; Staw et al., 1981; Sudarsanam & Lai, 2001). Contemporary research suggests that much of the advice from the turnaround literature has tended to be generic, and finely grained research is required to allow the development of evidence-based, including risks-based, *contingency models* (Schoenberg et al., 2013). If such contingencies applied to the mainstream turnaround research, it would also explain the challenge in getting the business

community to adopt a new best-practice of taking early, preemptive turnaround steps, when crisis is not yet expected.

If some turnaround practices were identified as suiting non-crisis situations, “imported” from the field of turnaround management and adopted by the non-crisis, business community as preemptive, “Anti-Decline” best practices - both management science and organizational stakeholders would gain valuable benefits.

As far as “Anti-Decline” managerial skills are concerned, the field of management science has been waiting for future research since the late 1970s. Whetten (1980) pointed out the urgent need for retooling our theoretical orientations, research agendas, and teaching priorities so that they would more closely reflect the need in managing decline. Finkin (1985) supported that concept by observing that traditional management practices did not suffice, for these had been responsible for bringing companies to mortal jeopardy in the first place. Maheshwari (2000) proposed a model for identifying the need in using *turnaround strategies*, but that model did not include identification of the specific strategies to be used. Grunberg (2004) concluded that: (a) firms consider the need for improvement and approach consultants only upon a crisis situation; and that, (b) this suggests a basic lack of managerial competence. Serra et al. (2012) reiterated the notable scarcity of research on organizational decline. Schoenberg et al. (2013) pointed the need in such a tailored model as a future direction for turnaround research. Safrudin et al. (2014: p. 25) reiterated that business transformation is still under-specified in terms of methodologies and techniques. Lymbersky (2014) has even extended the definition of *turnaround* to (hopefully) include firms that are not experiencing liquidity problems but have recognized that they need a turnaround to stay competitive and/or profitable in the future (p.31-32). But in practice, transformation is, *still*, much more commonly a reaction to changing — and challenging — circumstances (Reeves et al., 2018).

If such a research produced valid and useful observations for leading management to take early, preemptive turnaround steps, a major piece of missing management-science-theory would be contributed. The business community would also benefit from such a research, for no company is immuned from stagnation or declining performance (Hofer, 1980). Managers accustomed to more “normal” business conditions usually lack an adequate understanding of the special techniques that are necessary to accomplish a turnaround and, as a consequence, many such efforts are unsuccessful (Finkin 1985). While most managers are trained to manage a profitable operation, different planning and control processes are needed to manage a losing one (Fredenberger, 1997). Therefore, a significant advancement in “Anti-Decline” theory may give birth to a new generation of management-education programs and traditional (non-turnaround) managers. Such new generation of “Anti-Decline”-educated managers would be more equipped with tailored, anti-decline tools, best practices, and capabilities of coping with challenges which may hit them sooner or later.

Research Objectives

The objective of this research is to test managements’ support of early, preemptive turnaround steps at non-crisis business situations, and to lay empirical foundations for related theory. Such a theory would help companies to identify steps, originally taken from the field of turnaround management, which could suit their business situation and improve their firms’ financial performance, even although their survival is not in question.

The Research Question

Which turnaround practices are supported by managements at non-crisis situations, and under what circumstances?

2. Literature Review

The following literature review presents the predominant research about organizational decline and crisis, and responses to these stages through a range of turnaround strategies. Each type of strategy shall detail commonly used, specific activities (tactics), associated risks, and the specific turnaround stage in which such strategies are used. Finally, barriers to early, preemptive implementation of turnaround strategies shall be presented and discussed.

2.1. Organizational Decline, Crisis and Turnaround

2.1.1. Lifecycle Stages and Definitions

All types of organizations are living entities, subject to a continuous change-process and lifecycle (Samuel 1996). Until 1983, most of the predominant organizational models ignored organizational decline and death, and as such did not introduce complete life cycles (Quinn & Cameron, 1983). But most organizations face, at some time in their existence, a major decline in performance (Hofer 1980; Pretorius, 2008), following either internal (managerial) reasons, and/or external ones (market or industry related) (Lymbersky 2014b; Stopford & Baden-Fuller, 1990). Lifecycle stages identified by today's predominant research include: (1) Existence; (2) Survival; (3) Success; (4) Renewal; and (5) **Decline** (Lester, Parnell & Carraher 2003). On top of these stages, it has been suggested to add turnaround stages which are presented in the next sections, namely add the Crisis stage, Stability stage, and Recovery stage after the Decline stage (Fredenberger & Bonnici, 1994).

Organizational **decline** is a condition in which a substantial, absolute decrease in an organization's resource base occurs over a sustained period of time (Cameron et al. 1987). This stage is experienced by most, if not all firms (Trahms et al., 2013). Reasons for which organizations enter the Decline stage are either external, such as adverse changes in total market demand, and more intense competition; or internal, such as lack of marketing/sales effort; poor management; inadequate financial control; high-cost structure; acquisitions; and big projects that fail (Grinyer et al., 1990). Pretorius (2008) classified business situations by 4 stages: (1) Performing well; (2) Underperformance; (3) Distress; and (4) **Crisis**. "Distress" was characterized by abundant resources but declining sales. **Crisis** was characterized by a more advanced stage of decline, where scarce resources and the pressure on cash becoming more pronounced. **Crisis** is also the stage at which firms mostly attempt **turnarounds** (Arogyaswamy et al., 1995; Denis, Denis & Sarin, 1997; Lymbersky, 2014: p. 71; Pretorius, 2008; Slatter & Lovett, 1999; Staw et al., 1981; Sudarsanam & Lai, 2001).

Crisis is a situation in which companies lose one of the two fundamental equilibria in the business: the economic equilibrium – reflecting their medium and long-term ability to yield returns for shareholders; or the financial equilibrium – reflecting their balance of working capital, assets vs. liabilities, and cash flow (Tron et al., 2018). Crisis situations threatens high-priority values of the organization, present a restricted amount of time in which a response can be made, and is unexpected or unanticipated by the organization (Herman, 1963).

Corporate **Turnaround** refers to the set of short-term, corrective actions aimed at recovering a firm from existence-threatening decline, back up towards sustained profitability and growth (Naresh 2000; Pretorius 2008; Roman 2010; Slatter & Lovett, 1999). The types of corporate turnarounds and set of commonly used and effective corrective actions executing as a part of turnarounds, are widely reviewed on the following sections. Ideally, transformation should have been undertaken

preemptively, but in practice it is, *still*, much more commonly a reaction to changing — and challenging — circumstances (Reeves et al., 2018).

In the context of Crisis, Organizational Resilience should be noted as an evolving field of research. Organizational Resilience basically relates to organizations' ability to positively adjust to, and overcome challenging conditions such as scandals, crises and shocks, supported by their ability to investigate, to learn, and to act (Vogus & Sutcliffe, 2007). As such, Organizational Resilience reflects an organizational-behavior approach for dealing with crisis, which is different from the Corporate Turnaround approach, that focuses on financial and operational management.

2.1.2. Crisis and Non-Crisis Determinants

To be able to research non-crisis situations, crisis determinants are required. The predominant research puts potential bankruptcy as the worst-case result of crisis, as such crowning negative cash flow as its messenger. Some researchers emphasized that a firm's net cash-flows must be positive, in order to pay its operating expenses, service its debt, and pronounce a crisis as over (Bibeault, 1999: p. 98; Fredenberger, 1991, 1997; Fredenberger & Bonnici, 1994). Other researchers observed the value of cash flow data and ratios in predicting bankruptcy, and proposed models to facilitate such prediction (Aziz & Emanuel, 1988; Dickinson, 2010; Hofer, 1980).

But a negative cash-flow does not mean, by itself, that bankruptcy is around the corner. The firm may have enough cash reserves, or other assets it could liquidate, to survive for quite a period, despite its negative cash-flow, and such situations should not be classified as "crisis". Indeed, other researchers found cash flow data and ratios to lack any power in predicting corporate failure. Rather, a combination of accrual-based measures was found to be more accurate in attaining such

prediction (Casey & Bartczak, 1984, 1985; Schellenger & Cross, 1994). The classic of this genre (Eidleman, 1995), is Altman's Z-formula, predicting the evolvement of bankruptcy situations based on multiple financial ratios (namely: Working Capital / Total Assets, Retained Earnings / Total Assets, Operating income / Total Assets, Market Value of Equity / Total Liabilities, Sales / Total Assets) (Altman, 1968, 2000).

However, despite the breakthrough in bankruptcy prediction achieved by Altman's Z formula, it has been criticized for being biased and empirically-derived, rather than theory-based (Plat & Plat, 2002; Scott, 1981). As such, new lines of research were launched over the last decades, to improve the performance of existing bankruptcy models (Blanco et al., 2015). Such research addressed more tailored bankruptcy models, based on firms' features such as size (Altman & Sabato, 2013) industry (Chava & Jarrow, 2004), and ownership (private / listed) (Basel recommendation).

It seems that the last word about bankruptcy prediction, i.e. identification of a foreseen crisis, has not yet been spoken or widely validated. As such, [case selection](#) for the purpose of this research will follow the observation of those researchers who characterized Crisis as a situation at which *pressure on cash becoming more pronounced* (Pretorius, 2008; Slatter & Lovett, 1999). Such an observation acknowledges the role of negative cash-flow in leading to crisis, leaves room for it to be present without declaring a Crisis, if there is no pressure on cash yet, and avoids the usage of fixed financial ratios which have been criticized, or not yet widely validated.

2.2. Introduction to Turnaround Strategies

2.2.1. Turnaround Types

Turnarounds are widely and consistently classified as either Operating (efficiency-oriented), or Strategic (entrepreneurial) (Hofer, 1980; Scherrer, 1988; Robbins & Pearce, 1992; Arogyaswamy et al. 1995; Bibeault, 1999: 226-238; Trahms et al., 2013; Safrudin et al, 2014):

- Operating turnarounds mainly include cost retrenchments (e.g. production, R&D, marketing & sales, and workforce downsizing) and asset retrenchments, whether short-term (e.g. accounts receivable, inventory) or long-term (e.g. fixed-assets liquidation, divestment of product lines). They are triggered by internal factors, such as poor management, inefficient cost-structure, non-optimal debt-structure, over expansion, or poor control-environment. They aim at recovering from poor performance. A company is capable of running a core business, but it is not running it very efficiently. Operating turnarounds include strategies such as cost cutting, and asset reduction.
- “Strategic” turnarounds aim at either achieving a better competitive position in the same business, while keeping or extending market share, or at entering a new business. The firm is either running the wrong business, or not running the right businesses, or not achieving a satisfactory sales volume. Strategic turnarounds center on off-loading businesses and increasing market position in the businesses a firm has chosen to retain. They are built around a firm’s key skills in marketing, production, and/or engineering. Turnaround efforts typically include the investment in, and execution of strategic repositioning steps, such as acquisitions, new products, new markets, and increased market penetration. They are triggered by external factors, such as industry or social, or macro-economic, or technology related.

Most transformations were found to be triggered by internal factors, i.e. operating turnarounds were applied (Safrudin et al., 2014, Scherrer, 1988). That reconciles

with the finding that managements typically respond to turnaround situations with an operating strategy, since they usually have fewer opportunities to improve their operating efficiencies, rather than their strategic position (Hofer 1980).

However, that distinction between operating and strategic turnarounds was also observed to have limited applicability at the business level, and therefore was not always used (Hambrick & Schechter, 1983).

2.2.2. Selecting Turnaround Strategies

Operating turnarounds are appropriate for firms experiencing decline due to internal reasons, and strategic turnarounds are appropriate for firms experiencing decline due to external reasons (Hofer, 1980, Pearce & Robbins, 1992, 1993). Selecting the wrong type of turnaround makes it likely to fail (Hambrick & Schechter, 1983). Figure 1 visualizes the process selecting a turnaround plan based on the firm’s diagnosed Strategic and Operating health (Hofer, 1980; Bibeault, 1999: 226-238):

		Strategic Health		
		Strong	Average	Weak
Operational Health	Strong	No need for a turnaround	Strategic turnaround is needed	Strategic turnaround is needed
	Average	turnaround is seldom needed	Strategic turnaround is needed	Strategic turnaround is needed
	Weak	Operational turnaround is needed	Operational turnaround is needed	Potential bankruptcy (Liquidate)

Figure 1. Strategic or Operational turnaround?

Although the above figure presents a clear-cut selection of the type of turnaround plan, *both* Strategic and Operational turnaround plans may be essential to recovery (Arogyaswamy et al., 1995). Combinations and appropriate mix of strategies can and should be pursued simultaneously (Hofer 1980; Hambrick & Schechter, 1983, Kow, 2004; O'neill, 1986; Robbins & Pearce 1992). On top of the consideration of a firms' pressure on cash, or strategic position, additional factors may impact the selection of turnaround strategies, such as its pre-distress leverage and managerial holdings (Ofek, 1993), and its capital structure, bank relationship, block shareholders (Sudarsanam & Lai, 2001; Kang & Shivdasani, 1997). For example:

- Higher pre-distress leverage increases the probability of operational actions, particularly asset restructuring and employee layoffs (Ofek, 1993).
- Higher pre-distress leverage also increases the probability of financial actions, such as dividend cuts (Ofek, 1993).
- Higher levels of investors' activeness (Leveraged Buyouts, LBOs) increase the speed of efficiency-oriented steps (Jensen, 1989).
- Higher managerial holdings *reduce* the probability of operational actions, especially those that do not generate cash (Ofek, 1993).

At any case, management's proponent goal must be to retrench until it can stop the decline and achieve stabilization. Then turnaround, completed by a more appropriate business strategy, is essential for the competitive repositioning of the firm (Pearce & Robbins, 1993, 2008).

2.2.3. Turnaround Stages

Predominant literature describes 5 main stages of a turnaround process: 1) The management change stage; 2) the evaluation stage; 3) the emergency stage; 4) the stabilization stage; and 5) the return to growth stage. A company can be involved in tasks and activities that apply to more than one stage at a time, or only

some of them, as per the circumstances and the turnaround manager's judgment (Bibeault, 1999: p.91-92).

The Management Change Stage

The purpose of this stage is to bring in a new management for taking advantage of the following benefits: (a) a fresh perspective on the business's problems; (b) infusion of additional or more appropriate managerial competencies; (c) positive signaling to concerned business stakeholders; and (d) infusion of motivational resources lacking in the organization's culture (Castrogiovanni et al., 1992; Hartnell et al., 2016; Nystrom & Starbuck, 1984; Schuler & Jackson, 1987).

The Evaluation Stage

The purpose of this stage is to evaluate a firm's reasonable recovery-prospect (Pretorius, 2018) and support selection of a turnaround plan, which will best suit the firm's situation, by diagnosis a firm's strategic health and operating health (Arogyaswamy et al., 1995). Such diagnosis should also identify the source of decline (O'neill, 1986; Robbins & Pearce, 1992).

The Emergency Stage

The objective of the emergency stage is to stop cash bleeding and generate a positive cash flow, in order to ensure the firm's survival. As such this stage ends as soon as a firm does not longer suffer of a negative cash-flow (Bibeault, 1999: p. 92).

The Stabilization Stage

The objective of the stabilization stage is to improve profit and earn an acceptable ROI. It usually takes a company from the point of positive cash-flow through its first year of turnaround. Typical strategies at this stage are: divestment, product-mix enhancements, operations improvement, and business re-posturing (Bibeault, 1999: p. 237). After losses have been eliminated, it is evaluated for its ability to generate sustainable profits in the long run. Efforts are made to run existing

operations better, and to build a sound platform for medium-term growth. The emphasis is on profit improvement. Decisions now are a refinement process. The company's core business, which will provide a platform for the future, is protected, cultivated, and purified. Control systems are begun or refined including routines which will get out the red flags on repeated problems. A refined withdrawal from unprofitable products, services, market segments, and territories should take place. Diversification makes a careful comeback: Alternative business – attractive from both profitability and future growth standpoints – should be developed or acquired. For example, either the company should look for future growth in an additional territory, or it should concentrate on developing a higher quality, higher priced product range, or it should recognize the ability to sell custom-made products profitably and devote more resources in this direction. If all such steps do not generate an acceptable profitability, the business should be sold as a going concern to a company which may be capable of better utilizing the operations (Bibeault, 1999: p. 92).

The Return-to-Growth Stage

The objective of the return-to-growth stage is to achieve growth and enhance market share. It takes a company from its solid profit base back to normal growth. Typical strategies at this stage are: Acquisition, new products, new markets, and increasing market penetration (Bibeault, 1999: p. 237). It includes pursuance of fast-growing, high-margin business, identification of ways to broaden the base of the existing business, increasing market penetration. Revenue growth again becomes a corporate priority, this time without sacrificing margins. New products are selectively added, additional markets developed, selling effectiveness increased, and customer service improved. The balance sheet also gets attention, aimed at optimizing the firm's capital structure. A company has not really turned around unless it has achieved a solid basis of future growth (Bibeault, 1999: p. 92).

There is little agreement about the best way to pinpoint the beginning and end of each stage of the turnaround process, although financial data was found useful in

identifying transition between turnaround stages (Pearce, 2007). As such, the predominant literature can be summarized by Figure 2, presenting how financial characteristics are linked with turnaround stages:

<u>Financial Determinants</u>	Diagnosis	Emergency	Stabilization	Return to Growth	A Healthy Firm
Cash-Flow	Diagnose	- Generate	+ Sustain	+ Sustain	+
Core Business Profitability	Diagnose	+ Protect	+ Protect	+ Expand	+
Non-Core Profitability	Diagnose	- Cut Losers	-/0 Refine	+ /0 Develop	+
Total Operating Profit	Diagnose	- Cut Costs	-/0 Improve	+ Sustain	+
Revenue growth	Diagnose	+/- Ignore	- Reverse	- Diversify	+

Figure 2. Turnaround Stages by Financials & Actions

2.2.4. Turnaround Strategies and Tactics

The literature reflects a two-level hierarchy of turnaround activities: Turnaround Strategies, representing “What needs to be accomplished”, and turnaround tactics, representing “How to accomplish” such strategies (Bibeault, 1999: p. 235, Hoffman, 1989). Such a distinction between strategies and isolated tactics is of central importance in developing hypotheses and selecting data analytic techniques (Hambrick & Schechter, 1983).

However, when it comes to specific examples of such courses of action, the border between Strategies and Tactics is rather dashed. While some activities, described as turnaround *strategies*, describe “what to achieve”, others are rather specific and isolated, and describe “how to achieve”:

Bibeault (1999), listed liquidation / divestment, product elimination, and headcount cuts as typical strategies at the emergency stage, while product-elimination addresses how the objective of [Strategic Focus](#) can be achieved, and headcount cuts describe how the objective of [Cost Efficiencies](#) can be achieved. Acquisitions, new products, new markets, and increased market penetration are listed as typical strategies at the Return to Growth stage, while the first three describe how to achieve the objective of [Building for the Future](#) (Bibeault, 1999: p. 237).

Slatter & Lovett (1999) list cost reduction, divestment, asset reduction, and product-market refocusing, addressing the WHAT question, next to stakeholder communications, outsourcing, quality improvements, and improved information and control systems, addressing the HOW question. Both share the title: “Generic Turnaround Strategies” (Slatter & Lovett, 1999: p. 77).

Differentiating turnaround Strategies from turnaround Tactics is important for the purpose of this research: The research aims at identifying Turnaround Strategies which are supported by CEOs for non-crisis situations. The research tool (questionnaires) uses one or more turnaround *Tactics* to represent each turnaround *Strategy*. In terms of results, one possible result is that a certain *Strategy* is suitable for non-crisis situations, as such providing a range of *Tactics* to choose from. Another possible result is that a certain *Strategy* cannot be taken as whole, but rather requires selective identification of *Tactics*, to suit non-crisis situations.

As such, a solid border-line is maintained throughout this research, using the following definitions:

Turnaround Strategies – The key set of activities employed to halt decline and stimulate the upturn cycle (Hoffman, 1989).

Turnaround Tactics - Specific, isolated, focused activities, employed to halt decline and stimulate the upturn cycle, specifying “how to accomplish” turnaround strategies.

2.2.5. The Generic Approach towards Turnaround Activities

Much of the advice from the turnaround literature had tended to be generic, with an implicit assumption that the strategies put forward would be effective for all firms, regardless of their particular context or circumstances (Schoenberg et al., 2013). Researchers and practitioners across the board consistently shared their knowledge in a structured, packaged, generalized way, to fit the challenges of most companies (Bibeault, 1999; Hoffman, 1989: p. 57; O’neill, 1986a; Slatter & Lovett, 1999; Sutton, 2002: p. viii). Such generalization was made not only regarding the practices used, but also regarding the *sequence* of such practices. For example, it was observed that cost cutting and/or asset reduction is done before any entrepreneurial activity (strategic turnaround) is undertaken (Hambrick & Schechter, 1983). Such generalization even included industries that clearly have their own unique characteristics, such as the commercial banking industry (O’neill, 1986b). And at the same time, while making such generalization, room has always been left to accommodate firms’ specific circumstances (Bibeault, 1999: p. 85; Slatter and Lovett, 1999: p. 77; Sutton, 2002: p. 286). This high tendency for generalization brought some researchers to call for balancing it with a certain level of contingency, based on either specific causes of decline (Arogyaswamy, 1995), or additional, non-generic turnaround strategies that need to be identified (Sudarsanam & Lai, 2001).

Possibly, it may only be the focus of academic research, aiming at generalizing cases-based insights. Such a focus on generic activities may be required in order to cope with a common concern about case studies - that they provide little basis for scientific generalization (Yin, 2009: p.15). However, as far as non-crisis situations are concerned, this research will put the generic approach on test, and will investigate how different non-crisis business situations affect the selection of turnaround strategies.

2.2.6. Structure of the Turnaround Strategies and Tactics

Figure 3 presents the structure of classification described above, which leads the order by which turnaround activities are presented hereby:



Figure 3. Hierarchy of Turnaround Activities

The figure presented above visualize the hierarchy, structure and classifications of turnaround practices used for the purpose of this research:

- ➔ The top-level distinction is between operational turnaround and strategic ones.
- ➔ The next, higher-resolution level go down to turnaround-process stage. The Emergency stage is considered as a purely operational one and

Return-to-Growth is considered as a purely-strategic one. The Stabilization stage includes both operational and strategic activities. Diagnosis is not considered as a part of the actual turnaround process, but rather as a preparation for that process.

- Under each turnaround stage there are one or more turnaround strategies, representing “what needs to be achieved”.
- Under each turnaround strategy there are one or more turnaround tactics, representing how to achieve the strategies.

The basic set of turnaround strategies will be based on the most effective turnaround strategies, as identified by Schoenberg, Collier & Bowman (2013). Their research is based on a synthesis of 22 mid 1970s to early 1990s empirical studies, covering turnaround and recovery strategies of almost 1300 separate firms. They identified six consistent and effective turnaround strategies. Four of these relate to the content of the turnaround, namely: (1) Cost efficiencies; (2) Asset retrenchment; (3) A focus on the firm’s core activities; and (4) Building for the future. Some more are related to accompanying change processes required for implementation: (5) reinvigoration of firm leadership; and (6) culture change (Schoenberg et al., 2013).

Schoenberg, Collier & Bowman’s research (2013) is chosen as the leading structure for this turnaround strategies review for the following reasons:

- It is a recent study which managed to reorganize the map of turnaround activities, based on an extensive coverage previous research. Adopting the “map” reached assures research continuity, while preserving earlier academic revelations.
- It identifies the most effective turnaround strategies across two decades of research, while filtering out ineffective strategies. As such it supports a more efficient future research.

- It does not confuse turnaround strategies with turnaround tactics. Each one of the strategies identified, represent a range of isolated, focused activities. As such it supports the strategy → tactic hierarchy used in this research.

At the same time, the map of effective turnaround strategies, as drawn by Schoenberg, Collier & Bowman's research (2013) requires some fine-tuning, as presented in this literature review.

Each of the strategies to be reviewed herein shall include examples of turnaround tactics related with it.

2.3. Management-Change

Stakeholders expect leaders to be in charge of their firms and will hold top managers responsible for firm performance (O'Neill, 1986a; Meindl et al., 1985). A firm's poor performance is used as a proxy for poorly performing management, i.e. its CEO and Top-Management-Team (TMT) (Grinyer et al., 1990). Firms who underperform are more likely to be targeted for takeover with the objective of removing target managers (Powell & Yawson 2007). Replacing the TMT is a common practice during turnaround, and frequently undertaken early in the turnaround process (Grinyer et al., 1990: 121; Schoenberg et al. 2013). The extent of TMT replacement was also found to be positively correlated with the extent of changes in strategy, structure, and control achieved (Barker et al., 2001). However, while some researchers observe it to be vital for a successful turnaround (Arogyaswamy et al., 1995; Hofer 1980), others observe that successful turnarounds can also be achieved without making such management changes (Clapham et al., 2005; Schreuder et al., 1991; Slatter & Lovett, 1999: p.24), particularly when TMT has demonstrated track record of successful implementation of the firm's strategy before (Barker et al., 2001). Whether beneficial or not, the desirability of, and pressure for a CEO change, increase as decline progresses (Castrogiovanni et al., 1992).

There are several reasons for such replacements: the current management holds a set of strong, unsuitable business beliefs that led to their blindness, inaction, and failure (Arogyaswamy et al., 1995; Hofer, 1980; Daily & Dalton, 1995; Gopinath, 1991); the failure stigmatizes the TMT and leads to them losing credibility and support by either important external stakeholders or firm employees, as such decreasing the TMT's access to additional resources, and increasing the likelihood of failure (Arogyaswamy et al., 1995; O'Neill, 1986a;); TMT changes are also a necessary part of the shock therapy that troubled companies require (Slatter et al., 2006: p. 24); a new CEO, particularly an outsider, may bring new, more accurate insights, prevent cognitive inertia, and may have little personal commitment to past

firm policies and strategies (Arogyaswamy et al., 1995; Barker et al., 2001); TMT changes eliminate resistance to the change to be led by the new CEO (Slatter et al., 2006: p. 24); and the replacement itself send the message of the firm being serious about recovery, symbolizes the decadence of incompetent management, and encourages staff and stakeholders to provide the resources and time required for recovery (Boyne & Meier, 2009).

The chain of reasons for TMT replacement may not stand when decline is attributed to uncontrollable, external causes such as cyclical recession, industry-wide decline or other events seemingly beyond management's control (Barker & Duhaime; 1997; O'Kane & Cunningham, 2012; O'Neill, 1986a), although this observation is in dispute (Schreuder, 1993).

Risks associated with the replacement of TMT include:

- The departure of key staff can make a turnaround extremely difficult to achieve, due to the industry-knowledge lost (Slatter et al., 2006: p.15), particularly if the decline is industry-based (Schonberg et al., 2013).
- High levels of internal disruption, due to the stressful introduction of new reporting relationships, and deterioration in informal communication channels (Friedman & Saul, 1991).
- The benefits of changing CEOs may be outweighed by the costs (Arogyaswamy, 1995);
- Rapid senior management turnover may be interpreted by informed readers / shareholders as a symptom of decline (Slatter & Lovett, 1999: p.16).

HR strategies and careful classification of managers should be implemented to minimize the resignation of key personnel needed for organizational survival and turnaround (Kow, 2004; Perry, 1984).

2.4. Evaluation

This stage includes an evaluation of the condition of the company for the purpose of selecting an appropriate combination of turnaround strategies (Bibeault, 1999: p. 95; Fredenberger 1997). Some key questions which should be answered at this stage are (Bibeault, 1999: p. 96; Midanek, 2008b; Pretorius, 2008; Slatter et al., 2006: p. 56):

- What business are we in and how do we fit?
- What customer need do we really fill?
- Is there a place in the market for our offering at an adequate profitability?
- How much time do we have turnaround, before we become insolvent?
- Does it suffer from operational issues, or strategic, or both?
- What are the company's key strengths and how are they being deployed?
- Is it necessary to seek repositioning of the product/service as a result?
- Where problem is really coming from?
- If the management is part of the problem, who is part of the solution? Who should be asked to leave immediately?
- Which one or two problems to tackle first, to achieve the highest effect?
- Are the firm's stakeholders (shareholders, lenders, management, employees, key suppliers) ready to fund and support a turnaround?

In their research, Robbins & Pearce, 1992 demonstrated the use of a questionnaire for supporting such a diagnosis, and demonstrated its impact on the turnaround strategies selected.

To be able to answer those questions, the evaluation process involves gathering reliable data and inputs, and processing it (Slatter et al., 2006: p. 56). Relevant information typically includes current data about financials, working capital, costs, expenses, personnel, assets, and market analyses (Fredenberger and Bonnici, 1994). Aspects to be covered should typically include short-term cash position, product / market position and potential sales versus the firm's break-even point, effectiveness of the marketing organization, competitive strategy, product

technology and quality, and production capabilities (Hofer, 1980; Bibeault, 1999: p. 220). However, one of the biggest challenges turnaround managers face upon taking an engagement is lack of information to diagnose, and the inappropriateness of existing information (Fredenberger 1997).

In cases of severe cash situations, when time is desperately short, the approach is “quick and dirty”. But no matter what the time pressure, an executive should resist change which lacks adequate evaluation (Bibeault, 1999: p. 96; Slatter and Lovett, 1999: p. 105).

The output of this stage is a detailed analysis of the firm’s situation and its future prospects: an integrated financial model, tying the cash flow to profit and loss and to the balance sheet, an analysis of its strengths and weaknesses, its proposition within the industry, the condition of the industry itself, and a range of alternative strategies (Midanek, 2002, 2008).

2.5. Financial Restructuring

A distressed firm that needs to avoid default must restructure the terms of its debt contracts, as an alternative for filing for bankruptcy. It specifically applies when more of the firm's assets are intangible, and relatively more debt is owed to banks (Gilson, 1990), unless it is a subsidiary of a healthy parent (Slatter & Lovett, 1999: p. 92; Bibeault, 1999: p. 271). Such a restructuring is a precondition for recovering from a cash situation and stabilizing a firm (Filatotchev & Toms, 2006). Specifically, firms can replace short-term debt with more stable bond and stock financing. The idea is to improve a firm's balance sheet so that other cost-cutting measures, that would be potentially more disruptive, become unnecessary as much as possible (Perry, 1986).

At the same time, this strategy has not won a consensus over its effectiveness: Predominate research on corporate turnarounds has not identified it as an integral component of corporate turnaround (Sudarsanam & Lai, 2001; Schoenberg et al. 2013). Higher proportions of *non-recovery* firms were focused on financial restructuring, comparing to recovery firms (Sudarsanam & Lai, 2001).

Risks indicated with regard to this strategy include the following:

- Getting more money when the firm is losing, will subsidize a bad business, institutionalize its problems, and postpone a fix. That will make recovery more difficult to achieve (Sutton, 2002: p. 27, 48).
- Leveraging beyond an optimal point, to a level where a company cannot service its debt, will start a chain of events leading to insolvency (Bibeabult, 1999: p. 58).
- Venture capital funding, specifically, may involve intervention by fund directors, who may lack successful experience (Whitney, 1987a:p. 80).

Financial restructuring typically includes two types of tactics: debt-based, and equity-based (Sudarsanam & Lai, 2001). These are presented herein.

2.5.1. Debt-Based Financial Restructuring

One of the first moves a turnaround manager would do is seeking to defer debt by restructuring short-term and long-term debts. Such restructuring buys precious time for the organization (fredenberger & Bonnici, 1994). Debt restructuring is defined as a transaction in which an existing debt is replaced by a new contract, with one or more of the following characteristics: (1) Interest or principal reduced; (2) Maturity extended; (3) Debt-equity swap; and (4) Partial debt forgiveness (haircut) (Bibeault, 1999: p. 215; Slatter & Lovett, 1999: p. 316)

The right debt level for a firm may be identified by setting a ten-year business disaster plan, and make sure it can still serve, or be supported by the debt level; or by using the opposite debt level used by competitors, or for enabling an overwhelming opportunity (Sutton, 2002: p. 126).

2.5.2. Equity-Based Financial Restructuring

Equity-based tactics include dividend reductions or omissions (DeAngelo & DeAngelo, 1990; Sudarsanam & Lai, 2001), share issues that is pushed into by creditors concerned with the security of their lending (Sudarsanam & Lai, 2001), and shares repurchasing at a low rate, presumably due to the financial distress (John et al., 1992),

2.6. Working-Capital (Cash) Improvements

Cash is the lifeblood of any business, and negative cash flow must be treated the way human-body bleeding is treated (Bibeault, 1999: p. 269). Stopping such a bleeding is the main objective of the Emergency stage of a turnaround, while focusing on “quick-wins”, in order to either stabilize finances in the short-term until more complex strategies are devised. Specifically, working-capital improvements are listed among the most prolific and first activities to be implemented at the Emergency stage (Schoenberg et al., 2013; Bibeault, 1999; Hambrick & Schechter, 1983; Hofer, 1980; Robbins & Pearce, 1992).

Working Capital, refers to a firm’s net, current assets. Mathematically, it is calculated by subtracting the firm’s current liabilities (e.g. accounts payable, short-term loans), from its current assets (e.g. cash, deposits, accounts receivable, and inventory) (Singhania et al., 2014). Traditional (non-turnaround) working-capital management aims at undertaking profitable projects (Boyle & Guthrie, 2003), reducing interest expenses, and reducing the cost of working-capital processes, such as accounts receivable and accounts payable (Sagner, 2011, 2012). But as far as turnaround firms are concerned, working-capital improvements provide opportunities to relief some of the cash pressure, make later fund raising from external sources easier, and free cash for investment opportunities (Teng, 2010: p. 82; Whitney, 1987a: p. 50; Slatter et al. 2006: p. 23).

Two observations must be noticed here:

- When referring to Working-Capital improvements, the turnaround literature actually means CASH increases through optimization of other current assets. Specifically, it should be noticed that higher Working-Capital does *not* necessarily mean an improvement: For example, if a given company is holding excessive inventory, Improvement shall mean turning such inventory into cash. Similarly, if Accounts-Receivable has increased – it may not mean an

improvement if the pressure on cash increased as well. In both these cases, Working Capital was improved, although it did not increase

- On the contrary, when dealing with non-cash-challenged firms, cash-investments in working capital can lead to an improvement, in the form of higher profitability: Holding large inventories are helpful in reducing supply cost, minimizing loss in sales due to probable stock-outs situations and also provide a good hedge against increase prices of inputs. Allowing credit sales may also increase firm's earnings as it allows for price discrimination and strengthens the long-term relationship between the firm and its customers (Rehman et al., 2017).

Therefore, given a zero-sum game at a given point of time, and tradeoff between cash, inventory and accounts payable, cash-challenged firms, and healthy ones, see "Working-Capital Improvements" very differently: The first group, seeking survival, will see *higher* cash and *lower* inventory and accounts payable as an improvement. The later will facilitate higher profitability by investing cash in higher levels of inventory and accounts payable.

Turnaround tactics that categorized as Working-Capital Improvement are presented herein.

2.6.1. Short-Term Cash Management

Although such a tactic seems more as facilitating cash generation, rather than actually generating cash, just introducing a short-term cash-management process, by itself, can usually improve cash flow (Slatter & Lovett, 1999: p. 130). Practically, it includes assessment of immediate cash requirements through rolling short-term cash daily to weekly forecast, development of an action plan for generating cash, and the implementation of emergency cash-management controls (Whitney, 1987a: p. 36-38; Slatter & Lovett, 1999: p. 130).

The risk involved with short-term cash-management is the work-load daily or weekly cash forecasting and control requires. For this reason, this tactic will also not be supported in non-crisis situations (Slatter & Lovett, 1999; Bibeault, 1999: p. 59, 340).

2.6.2. Emergency Freeze on Payments

Extreme cash situations may require an automatic freeze on all accounts payable and purchase orders that are not required for the firm's survival, until the cash position gets analyzed and clarified, and until the business plan is developed. Payments which may typically be put on hold are those related to capital and discretionary expenditure, and those that are not backed-up by purchase orders (Whitney, 1987a: p. 49, 114; Bibeault, 1999: p. 269; Slatter & Lovett (1999) p. 141; Slatter et al., 2006: p.23).

2.6.3. Reducing Investments in Inventory

Reducing inventory is another tactic which was found effective in facilitating a turnaround and ROI improvements (Hambrick & Schechter, 1983; Schoenberg et al. 2013; Hofer, 1980; Robbins & Pearce 1992). Practically, it includes maintaining inventory segmentation, by either lines of business or movement levels (fast, moderate, slow), and monitoring "months of supply at hand" for each segment (Bibeault, 1999: p. 281). Obsolete inventory should be recognized as such (Finkin, 1985). Following is a cash-recovery of such items, through either return to vendors, or liquidation (Slatter & Lovett, 1999: p. 140). As far as current, required inventory is concerned, the purchasing process should be improved to allow timely supply and lower inventory buffers, suppliers should be similarly pressed for shorter lead time, and inventory purchases should be replaced with consignment arrangements

as much as possible (Finkin, 1985). A side benefit of this tactic is the realization of savings on storage and carrying costs (Teng, 2010: p. 82). As such this tactic is applicable in both the Emergency and Stabilization stages (Bibeault, 1999: p. 303).

Applicable risks include lost sales due to stock-outs (Whitney, 1987a: p. 62; Teng, 2010: p. 82), dilution of the existing product range or brand (Slatter & Lovett, 1999: p.141), and financial reporting (P&L) hit if liquidated items have not been provisioned (Slatter & Lovett; 1999: p. 140). The stock-out risk may be mitigated by using or installing a system to balance the identification of inventory classification with forecasted sales (Whitney, 1987a: p. 62; Slatter & Lovett, 1999: p. 140).

2.6.4. Reducing Accounts Receivable

Reduction in receivables is another tactic that was found to be effective in facilitating a turnaround and improving ROI (Hambrick & Schecter, 1983; Schoenberg et al. 2013; Hofer, 1980; Robbins & Pearce 1992). Practically, this tactic include: accelerated efforts to collect over-due balances; establishment of policies and procedures to align subjects like credit checks, credit terms, billing schedule, and collection procedures; and systemic correction of internal processes causing late payments, such as compromised product quality or service levels, or loose collection processes. Extreme cash situations may include offering discounts or order prioritization to customers for early settlement, and entering into factoring arrangement with a finance house (Whitney, 1987a: p. 51, 77; Bibeault, 1999: p. 273; Slatter & Lovett, 1999: p. 136; Sutton, 2002: p. 289; Teng, 2010: p. 88)

One risk mentioned with regard to this tactic, is that worsening debtors' terms or factoring customer invoices may be exteranally interpreted by them as a symptom of decline (Slatter & Lovett, 1999: p.16).

Reducing debtors is applied in the Emergency and Stabilization stages (Bibeault, 1999: p. 303).

2.6.5. Selling Fixed Assets which can be Leased

Practically, this means replacing capital investments such as real estate, vehicles, plant and ICT equipment, with leasing contracts: selling capital investments where possible (notice bank-loan covenants), to free-up cash, and engaging in leasing contracts; preferring future leasing contracts as an alternative for capital investments, where possible (Whitney, 1987a: p. 64; Bibeault, 1999: p. 303)

2.6.6. Negotiating Extended Payment-Terms with Creditors

Extending creditors' payment terms is another tactic which was found effective in facilitating a turnaround (Hambrick & Schecter, 1983; Hofer, 1980; Robbins & Pearce 1992; Schoenberg et al. 2013). Practically, that means reviewing vendors' current payment terms, identifying potential cases for extension, and negotiating extended payment terms (Slatter & Lovett, 1999: p. 138; Teng, 2010: p. 86-87). Some vendors may accommodate extended terms, as an alternative for losing the customer or facing less favorable situations such as their customer becoming insolvent or being liquidated (Whitney, 1987a: p. 36, 56). Providing a vendor with a note payable bearing a future payment date may help getting the debt out of the vendor's past-due debt report, and prevent escalation, without requiring an immediate payment (Whitney, 1987a: p. 60). Additional stake-holders which can be approached to restructure debt or extend payment terms are banks (Whitney, 1987a: p. 36), and the tax authorities (Slatter & Lovett, 1999: p. 138).

Risks in applying such a tactic relate to vendors realizing that the firm is distressed, leading to responses such as reduced credit terms, or built-in "late pay" pricing by vendors, or even losing critical vendors. Risk mitigation emphasizes the need in

agreement with vendors over such extended payment terms (Slatter & Lovett, 1999: p. 16, 138; Teng, 2010: p. 86-87; Whitney, 1987a: p. 38-56).

Extending payment terms is applied aggressively in the Emergency stage, and selectively in the Stabilization stage (Bibeault, 1999: p. 303).

2.7. Cost-Reduction

Cost-Reduction refers to “belt-tightening” cutbacks in operating costs, for the purpose of quickly increasing profitability (reducing losses), or improving cash-flow, in order to stabilize the financial position. As such it is applied in both the Emergency and Stabilization stage of a turnaround. It typically includes reduction of expenses and labor costs in the fields of production, R&D, sales & marketing, administrative, and interest. This strategy is considered as the most common, effective, early-implemented, and indispensable in achieving turnaround (Finkin, 1985; Grinyer et al., 1990; Hambrick & Schechter, 1983; O’Neill, 1986a; Pearce & Robbins, 1993; Schoenberg et al. 2013; Sudarsanam & Lai, 2001). When severity of the financial situation is low, stability may be achieved through cost reduction, alone (Pearce & Robbins, 1992). But additional turnaround strategies will be required if its performance position is more severe (D’aveni, 1989; Hambrick & Schechter, 1983).

Although considered as the most common turnaround strategy, literature indicates of some contingencies with regard to its triggers and content:

- The cause of decline - While some researchers call for reducing costs regardless of the cause of decline (Robbins & Pearce 1992), others suggest that it could be harmful in industries where rival firms are expanding and investing in their strategic positions i.e. competing on growth (Barker & Mone, 1994).
- Focal points for cost reduction - Cost reduction in the emergency stage center on decreasing or eliminating expenditures that have no measurable payout. During the stabilization stage, cost reductions are refined, modestly upgraded, and concentrated on specific products and accounts (Bibeault, 1999: p. 290, 323).

Risks related to cost reduction basically suggest that it's a matter of balance:

- Solely cutting costs can reduce employee morale and commitment, resulting in increased staff turnover of the most talented employees (Barker & Mone, 1994).
- Over-perusing cost efficiencies may lead to unsuccessful turnaround efforts, and exacerbate the decline (Boyne & Meier, 2009).
- Lack of investment in new technology, people, capital - may be interpreted by city analysts as a symptom of decline (Slatter & Lovett, 1999: p.16).
- Reduction of R&D may weaken the firm for the future (Hambrick & Schechter, 1983).
- Cutting costs at the expense of quality or customer service can lead to rapid loss of sales (Roman, 2010: p. 177; Slatter & Lovett, 1999: p. 278). Moreover, cutting costs alone, without *improving* quality, will lead to an ineffective downsizing effort (Cameron, 1994).
- Cutting marketing and sales expenses would further damage the company's sales potential, and even strategic position (Slatter & Lovett, 1999: p. 278; Teng, 2010: p. 128).
- The lead-time of increasing certain activities is much longer than cutting it. For example, expanding sales-force requires much more time than cutting it (Slatter & Lovett, 1999: p. 278).

Tactics under this strategy are detailed herein.

2.7.1. Downsizing Excessive Workforce

Downsizing workforce has become a pervasive response to decline (Hitt et al., 1994). It includes the dismissal of unproductive workforce and/or the avoidance of hiring. Lay-off should better be planned by the management team and executed in one step. Such planning includes: i) A distinction between staff that are absolutely redundant, staff that have a future payout but are not immediately necessary, and

staff that are absolutely necessary to run the business; and ii) Elimination of obvious direct and indirect excessive positions, but excluding Finance functions that are critical for turnaround control; Elimination a mid-management layer by releasing managers with too-few reporting to them, and giving more responsibility to subordinates; consolidation of jobs and departments, and particularly support functions. Indispensable employees who must go can be rehired as on-demand consultants. Steps which can be considered for those who stay are: conversion of some full-time staff into part-time, combining job-functions; scheduling a shorter work week, early-retirement incentives, and using forced leave. (Bibeault 1999: 100, 248; Finikin, 1985: p. 18; Hitt et al., 1994; Kanter, 2003; Lymbersky 2014; Pearce & Robbins, 2008; Perry, 1986; Roman 2010: 149; Slatter & Lovett 1999: 147, 248; Sutton 2002: 239; Teng 2010: 70; Whitney 1987a: 182). Across-the-board layoffs, rather than analysis-based, predict an ineffective downsizing effort (Cameron, 1994).

While applying this tactic, alternatives for layoffs should be pursued, as much as possible, such as requiring everyone to take a 10% cut, or restricting overtime, or suggesting certain groups to stay at home every other Friday, or work half days, or taking unpaid leave (Cameron, 1994; Perry, 1986). If layoffs cannot be avoided, there is also a need in balancing considerations, by determining the required cut to affect the bottom-line, and yet not cripple the company's operations (Hitt et al., 1994; Teng, 2010: p. 68). There is also a need in simplifying processes and removing non-essential tasks, to ensure that remaining employees are not hit by unreasonable, additional workload. This will also prevent stress, and requests for more staff shortly after (Bailey & Szerdy, 1987; Cameron, 1994). The overall best practice, however, is to tailor workforce adjustments to the source of decline (Santana et al., 2017).

Related risks include the following:

- Downsizing requires cash (severance costs) (Slatter & Lovett, 1999: p. 147).
- An adverse effect on motivation (Bibeault, 1999: p. 193), although such an effect may be milder than expected (Brockner, 1988).
- The longer time required for increasing employees' productivity, comparing to downsizing, may lead to delivery defaults (Slatter & Lovett, 1999: p. 147).
- Downsizing writes-off valuable corporate experience and assets, . therefore may cause further deterioration (Teng, 2010: p. 70).
- Union response may have an adverse effect (Teng, 2010: p. 72).
- Morale, trust, and productivity suffer following downsizing (Cameron, 1994).

2.7.2. Cutting Non-Urgent Capital Expenditures

This tactic includes the avoidance or reduction of investments and non-current expenditures such as IT systems, office decoration or furniture, or replacement of company cars (Bibeault, 1999).

2.7.3. Cutting Non-Urgent Current Expenditures

This tactic includes the elimination and reduction of expenses which are not required for maintaining smooth operations. Examples are luxury expenses, non-urgent R&D, non-urgent IT, marketing (sponsorships, conferences, trade exhibitions, public relations, advertising), professional services and consultants, and external training. Rent expenses may be reduced by subletting empty office space or moving to a lower-rent area. Such a cost reduction should be based on an analysis should be carried out and include a classification of expenditures into three groups: i) those that are absolutely needed for current operations; ii) those that are not absolutely needed for current operations but that have a clear and sizable current payout; and iii) those that promise a future pay-out, if any (Bibeault

1999: 211, 248, 286; Lymbersky 2014; Slatter & Lovett 1999: 130, 149; Schoenberg et al. 2013; Sutton 2002: 12, 114, 172, 226, 289; Teng 2010: 86-90; Whitney 1987a: 66, 86, 162, 204)

Of all types of expenses identified as candidates for reduction, the following are mentioned as requiring special caution:

- Marketing and sales expenses require careful identification of the basis for sales, in order to avoid weakening it (Finkin, 1985: p.24). In addition, this type of expenses should be reduced only if the causes for decline are internal. If the causes are external, and specifically if related with macro-economic recession, it should be increased (Pearce & Michael, 1997).
- Reduction of costs supporting product quality and standards - should basically be avoided, if relevant to customer preferences (Finkin, 1985: p.24).

2.7.4. Negotiating Prices with Must-Continue Suppliers

This tactic includes negotiation of prices and trading terms with suppliers, particularly raw-materials providers, sub-contractors, landlord, and banks (Finkin, 1985; Slatter & Lovett, 1999: 149, 280; Teng, 2010: 86-90). It is advised to set monthly cost reduction targets for Purchasing Department and closely monitor their achievement (Sutton, 2002: p. 289).

2.7.5. Cutting Basic Salaries and Benefits, Adding Performance-Based Bonuses

This tactic entail cutting basic salaries, and adding monthly bonuses based on profits. The primary purpose is to get employees to row in the same direction, as required for the company. The secondary purpose is to cut employee benefits. Examples for benefits are coupons, company cars, and employee lunches charged

to the company. While executing this tactic, the company's pay scale should be compared to the market, and a percentage reduction should be applied; Employees' union-terms should be reviewed and negotiated, while acknowledging the importance of obtaining its cooperation; All employee groups should contribute to such pay cuts, to avoid resistance by over-contributing groups. Pay cuts should be carried out quickly and in one time, if practical (Finkin, 1985: p. 20-22; Grinyer et al., 1990; Lymbersky 2014; Perry, 1986; Scherrer, 1988; Schoenberg et al., 2013; Sutton 2002: 52; Teng 2010: 70, 85-86; Whitney 1987a: 66;). Generally, the potential hazards of pay cuts can be avoided when management signals that it will "make it up" to employees and keeps its word once conditions improve (Perry, 1986).

2.7.6. Outsourcing Processes and Converting Fixed Costs into Variable

Outsourcing either core or support processes allows for developing a more efficient or demand-responsive cost-structure. It also allows a firm to leverage the specialist capabilities of vendors, standardize processes, focus scarce internal resources on its core business, and avoid non-core distractions. The "Make" cost, quality, reliability, and flexibility should be compared to external "Buy" alternatives, for every part being internally manufactured. Outsourced functions may include full processes or any part of them, in fields like information-technology (infrastructure, code-writing, applications, technicians, help desk), accounting, payroll, logistics, catering service, facilities management (cleaning, security, office maintenance), Human-Resources, Legal services, call center, customer-service, production, and lead generation. Benefit from subcontractors' specialty and volume, set competitive cost, quality and time terms (SLA), set volume discounts, liquidate in-house facilities for cash (Finkin, 1985; Slatter & Lovett 1999: 239; Sutton 2002: 66, 147, Roman 2010: 167-185, Teng 2010: 75; McIvor 2013).

Risks involved with outsourcing include: lower quality or service levels that may damage a firm's competitive advantage, reputation, or customers' loyalty (Roman, 2010: p. 185), lower staff motivation, resistance from the functions affected, a firm's challenge in defining the service-levels required from potential vendors, and an adverse effect on core processes due to high levels of complexity and interdependencies with outsourced processes and functions (McIvor, 2013: p. 17-36).

2.7.7. Improving Cost-Controls

Improvement of cost-controls relates to changes in approval requirements for certain types of costs, or costs exceeding a certain amount. Examples include stricter approval requirements for new hires, salary increases or promotions, costs that are not absolutely required for maintaining smooth operations, new equipment, systems, development projects, purchase-orders exceeding a certain amount, or price increases from suppliers (Bibeault 1999: 283; Grinyer et al., 1990; O'Neill, 1986a; Slatter & Lovett 1999: 144; Sutton 2002: 288; Schoenberg et al. 2013).

2.7.8. Promoting Cost-Reduction Awareness, Involvement, and Innovation

This tactic includes two kinds of activities:

Executive symbolic actions - execution of symbolic actions to deliver the message that the organization has entered a period of "belt-tightening" and changes in process. Examples include the elimination of first-class travel for executives, usage of medical metaphors, such as a bleeding patient, to describe a situation, launch of rewarding cost saving competitions, and the elimination of low-value but visible perks, such as biscuits for internal meetings. Although the

immediate cost-saving is merely symbolic, top-dollars may be saved by leading employees to eliminating a portion of their orders (Armenakis et al., 1995; O'Reilly, 1989, Sutton 2002: p. 52, 290; Teng 2010: p. 84). Without such symbolic actions to complement retrenching decisions, it may be difficult to stabilize the firm's internal climate and decision processes. (Arogyaswamy et al., 1995).

Involving staff – Nomination of cost-saving, productivity, and quality committees to suggest ways of reducing costs. This practice is aimed at surfacing valuable information, increasing employees' buy-in, and reducing resistance, especially at unionized plants (Finkin, 1985).

2.7.9. Eliminate Specific, Non-Profitable Products within Viable Product-Lines

Most turnaround firms suffer of products proliferation within the product-market segment in which the company competes (Schreuder et al., 1991; Slatter & Lovett, 1999: p. 276). Specifically, applying a “full line” strategy can be the basis of excessive costs, therefore the lowest sales volume products of any product line, should always be candidates for pruning (Finkin, 1985). Such product proliferation is addressed in the Stabilization stage, by eliminating individual, low-margin products within sustainable product-lines. Simultaneously, promotion activities are refined, modestly upgraded, and concentrated on winning products and accounts. Sales force is refocused and right-sized accordingly (Bibeault, 1999:p. 320-323).

Practically, reduction of product proliferation requires a detailed sales and costs analysis, and decision taking based on direct product margins. The difficult cases, in term of decision taking, are those of positive gross margin but negative operating margin (after allocation of indirect overhead). One solution could be persuading customers to switch to standard, more profitable products. If it is argued that sales

of profitable products depend on offering of low margin ones, such an argument should be validated through data (Slatter & Lovett, 1999: p. 276).

One way of eliminating non-profitable products is to raise their prices and watch how the market is reacting. Sales department are expected to resist such a move, but it may reveal that such products were under-priced, and raising their price turned them profitable. If that's not the case, the firm will exit products which it shouldn't have offered (Finkin, 1985).

A specific risk in applying this tactic is the classification of individual products based on inaccurate profitability calculations (Bibeault, 1999: p. 320).

2.7.10. Redesigning Products and Manufacturability

Many firms have greatly improved their competitive position by improving the design of their products for cheaper manufacturing and delivery. That includes a higher degree of automation, light assembly, changes in materials, in product characteristics, and in number of component parts (Zimmerman, 1991: p. 100). This tactic was also found to be one of the main changes in firms that undertook voluntary restructuring steps (John et al., 1992).

2.8. Asset Reduction

If decline is severe and risks are high and imminent, a firm should sell its least-productive operations and assets, in order to stop a cash-bleeding and/or generate more cash for reducing long-term debt and derived interest expenses (Filatotchev & Toms, 2006; Fredenberger & Bonnici, 1994; Pearce & Robbins, 1992, 1993, 2008). That includes the liquidation or ordered selling of least-productive subsidiaries (Sudarsanam & Lai, 2001), and plant and equipment (Hambrick & Schechter, 1983; Robbins & Pearce, 1992). Such liquidations or divestments will be pursued in concert with, or immediately following other cash-generating strategies, such as working-capital improvement and cost-reduction (Schoenberg et al. 2013). The only assets that should be kept and protected are those that the firm will definitely use within the next year or two (Hofer 1980; Robbins & Pearce, 1993).

Practically, subsidiaries or lines of business should be classified by their gross margins, into one of three categories: Must Divest, Borderline cases, and Must Retain. Must Divest ones should be either sold off or milked by raising prices, as the firm cannot afford the time or expense to rehabilitate them. Borderlines should be evaluated for their possibility of getting recovered by applying cost efficiencies or better marketing. Must Retains should be protected from the adverse conditions affecting the other operations, such as policies regarding accounts payables, accounts receivable, pricing, quality control, and customer care (Bibeault, 1999: p. 116, 292, 212, 245; Roman, 2010: p. 137; Slatter et al., 2006: p. 29; Sutton, 2002: p.44, Teng, 2010: p. 63).

Fixed assets that may be good candidates for liquidation can be found on the firm's books. If the company has been in existence many years, assets like real-estate, machinery, and other equipment are usually deeply depreciated, but worth far more than their book value (Bibeault, 1999: p. 274). Mortgaging such assets may achieve a similar effect (Bibeault, 1999: p. 304).

2.9. Operational Revenue-Generation

An operational revenue-generation strategy is an attempt to stimulate revenue from existing lines of products, by some combinations of price changes, volume discounts, increased marketing expenditure, increased direct selling effort, and extended opening hours (Hambrick & Schechter, 1983; Hofer, 1980; Slatter & Lovett, 1999: p. 265; Sutton, 2002: p. 70; Whitney, 1987a: p. 30).

This strategy is used in the Emergency and Stabilization stages, with different focal points:

- *Emergency stage* – Efforts aim at generating cash by either reducing prices (Hofer, 1980), or by increasing prices if products are price insensitive (Bibeault, 1999: p. 319; Sutton, 2002: p. 9).
- *Stabilization stage* – Efforts aim at pushing profitability towards its breakeven point, specifically if the firm has low direct labor expenses or low fixed costs, which do not leave too much room for cost reduction. Such efforts will center on rigorous enforcement of margin requirements, while increasing prices, if there is a real demand for the level of quality the firm is producing (Hofer, 1980). The existence of demand allowing higher prices can be tested by experiment. If its sales stop, cut its price drastically. If volume makes it a profitable line, keep it. If not, let it die (Sutton, 2002: p. 70).

Practically, Sales-force should focus its efforts on the most profitable and cash-generating *existing* product-market segments (Bibeault, 1999: p. 252, 285). Pricing decisions must reflect the competitive situation, uniqueness of the product, and alternatives available to the customer - information which troubled firms often miss (Finkin, 1985). No price changes should be allowed and no discounts should be given without approval by the turnaround manager (Slatter & Lovett, 1999: p. 145). Sales-force performance measurement should be applied (Pearce & Michael, 1997).

2.10. Strategic Focus

Growth has been the executive focal point for decades, fueled by the perception that size is a desirable characteristic, allowing a firm to benefit from the economy of scale (Wheten, 1980). But along the way, most diversified companies have failed to think in terms of how they really add value. Recognizing past diversification mistakes, some companies initiated large-scale restructuring programs (Porter, 1988). The perceptions that growth is not unending, and that *bigger* organizations are *not* necessarily *better* have started to gain traction (Cameron, 1994). Expansion beyond a firm's managerial and financial resources was described as the most common error managements of troubled companies make (Hoffman, 1989: p.56). Paradoxically, competitive success may trigger organizational decline by encouraging complacency (Lorange & Nelson, 1987).

Indeed, focus on the firm's core activities was consistently found to be an effective turnaround strategy as far as the sources of decline are external (Boyne & Meier, 2009; Pearce & Robbins, 2008; Schoenberg et al., 2013). In consistence with that, the level of diversification was found to be negatively related with managerial equity ownership, a finding which suggests that agency problems are responsible for firms' value-reducing diversification (Denis et al., 1997). The timing of strategic-focus would typically be as soon as retrenchment strategies are completed (cost reduction, asset reduction) (Pearce & Robbins, 1993).

Strategic Focus reflects a return to the strategic-planning process, to adapting the firm to its changing market conditions, by refreshing its mission, objectives, goals, growth strategy, and product portfolio (Kotler, 1980). The company is forcibly reduced to its strengths, which match the current demand (Huff et al., 1992; Pearce & Robbins, 2008). Strategic focus is also the only strategy that is available to the turnaround firm in the short term, since it is unlikely to have the financial resources required for industry leadership based on either cost or differentiation (Slatter & Lovett, 1999: p. 235). As far as the industry declines rapidly and pervasively,

strategic focus provides companies with an opportunity to recoup at least some of their losses by selling early (Perry, 1986). However, although that is the predominant approach, it has also been suggested that firms in declining industries can adopt a market-share leadership or a niche strategy (Harrigan & Porter, 1983).

Focusing entails determining the markets, segments, niches, products and customers that have the potential of generating the greatest profits, and shrinking back activities towards these areas (Arogyaswamy et al., 1995; Hambrick & Schechter, 1993; Kow, 2004; Schoenberg et al., 2013; Sudarsanam & Lai, 2001). Determining these requires a firm to reach straight answers to tough questions such as: How and why are customers changing? What new needs do they have? Why is our value proposition less relevant? and What are competitors doing and how can we get ahead of them? (Day & Moorman, 2013). Answers to such questions lead to reducing market-share in less-profitable areas (Hofer, 1980).

From an operating standpoint, strategic-focus means divesting lines of business, eliminating personnel, equipment, and other costs related with non-profitable-core operations (Sutton, 2002: p.289). The divestment of non-profitable-core lines of business frees up scarce marketing, operational and financial resources for reinvestment in the profitable core (Hambrick & Schechter, 1983; Porter, 1988; Stopford & Baden-Fuller, 1990; Sudarsanam & Lai, 2001). Firms who have high capacity utilization are shifting to such areas of strategic focus, even if that means reducing capacity utilization (Hambrick & Schechter, 1983).

Risks indicated in literature include the following:

- The classification of product-lines based on inaccurate profitability calculations (Bibeault, 1999: p. 320).
- The loss of strategic value due to a line of business which was selected for divestment (Whitney, 1987a: p. 168).
- An increase in the firm's unit cost structure to increase, as a result of the divestment (Slatter & Lovett, 1999: p. 236).

2.11. Critical Process Improvements

Many performance-improvement methods arose over the years. Examples are the Total Quality Management (TQM), Kaizen, 5S, Lean, Theory of Constraints (TOC), Six-Sigma, Balanced Scorecards and more. But many of these methods do not give clear decision support as to which performance areas to improve, offer little support for measurement, may not result in improvements in overall performance due to ineffective measurements (Grunberg 2004, Robson 2004), or do not indicate alignment with competitive priorities (Carpinetti & Martins, 2001). Accordingly, success rates while applying such methods were found to be low (Smith, 2002).

As far as turnarounds are concerned, operational recovery is about “doing things better” (in contrast to Strategic recovery that calls for “doing better things”). Process improvements are aimed at improving: i) marketing and sales processes; ii) operational processes; and iii) key support processes. Each type of processes may be improved from a cost, quality, and time perspectives, as well as customer-orientation (Kow, 2004; Roman, 2010). This is achieved by making meaningful, operational information more available, on top of financial one, introducing measurement systems that would strongly affect the behavior of managers and employees (Bibeault, 1999: p. 217; Kaplan & Norton, 1992; Simons, 1994), simplifying administrative procedures (Lorange & Nelson, 1987), and develop specific measurements by which processes’ change and outputs could be evaluated (Cameron, 1994). Practically, that calls for mapping and analyzing all processes in the organization to eliminate inefficiencies, redundancies, non-value-added steps and resources, and to redesign work, rather than assuming that old processes must be maintained (Cameron, 1994). All these activities typically take place during the *Stabilization* stage (Bibeault, 1999: p. 305-315; Sutton, 2002: p. 244)

One risk which is indicated with regard to this strategy is the urge to push a stable, efficient process beyond its limits, up to a point where efficiency is challenged by the change (Roman, 2010: p. 265).

Here are some specific activities which take place while implementing each tactic under this strategy:

2.11.1. Improving Marketing and Sales Processes

- Gaining better understanding of the customers' needs, wants, satisfiers, dissatisfiers, and buying behavior, through improved monitoring of sales trends, and regular consultation with and focus on key customers (Bibeault, 1999: p. 305; Grinyer et al., 1990; Roman, 2010: p. 7, 91; Slatter & Lovett, 1999: p. 271).
- Emphasizing the process of prospecting (Sutton, 2002: p. 244).
- Displaying customer-contact metrics by salesperson (Sutton, 2002: p. 244).
- Improving the cost effectiveness of the marketing effort (Slatter & Lovett, 1999: p. 278).
- Improving sales-forecasting for more efficient supply-chain activities (Slatter & Lovett, 1999: p. 280).

2.11.2. Improving Operational Processes

- Improving demand and supply synchronization (Slatter & Lovett, 1999: p. 280).
- Reconsidering the lead times, planned stock levels and planned service levels offered to customers (Finkin, 1985; Slatter & Lovett, 1999: p. 280).
- Centralizing purchasing authority (Slatter & Lovett, 1999: p. 280).
- Moving to single or dual sourcing of supply, to benefit from volume discounts, based on cross-company spent with suppliers (Slatter & Lovett, 1999: p. 280).
- Moving suppliers to consignment agreements where appropriate (Finkin, 1985; Slatter & Lovett, 1999: p. 280).

- Focusing on buying only what is required i.e. focus on life-cycle cost (quantities, obsolesces considerations) rather than on lowest unit-price (Slatter & Lovett, 1999: p. 280).
- Adjusting the parameters built into the ERP system, such as minimum stock values that trigger orders (Slatter & Lovett, 1999: p. 280).
- Examining packaging requirements (Slatter & Lovett, 1999: p. 280).
- Improving technologies (Bibeault, 1999: p. 315).
- Reducing downtime by improving equipment-maintenance (Bibeault, 1999: p. 315).
- Improving transportation / logistics efficiency (Bibeault, 1999: p. 315).
- Managing inventory investments (Bibeault, 1999: p. 315; Finkin, 1985).
- Inspecting incoming stock (Bibeault, 1999: p. 283).
- Inspecting outgoing deliverables for quality and billing (Bibeault: 1999, p. 283).
- Eliminating “early quit” habits, of workers leaving shifts before they end, as such decreasing productivity by 20%-30% (Finkin, 1985).
- Rearranging plant layout by production sequence, to minimize material handling (Finkin, 1985: p. 21).
- Improving Customer Service, while finding ways to wow customers, for higher customer loyalty and service-based differentiation (Teng, 2010: p. 133).

2.11.3. Improving Key Support Processes

- Improving the availability of executive information related to challenged operational areas (Fredenberger, 1997; Slatter & Lovett, 1999: p. 289).
- Improving the accuracy of allocation of costs to business units and product lines (Finkin, 1985).
- Adopting a zero-based budgeting approach (Teng, 2010: p. 64).
- Improving controls over regulatory and contractual compliance, cash, budgetary targets vs. actual, pricing, product costs, margins, the achievement of managers’ targets, assets valuation or capitalization, and anti-fraud (Bibeault, 1999: p. 50, 305-307).

2.12. Culture Change

Organizational culture is not always a positive force (O'Reilly, 1989), and it is often addressed when recovering a firm (Schoenberg et al., 2013; Armenakis & Fredenberger, 1995; Armenakis et al., 1995), and has been found to affect organizations' performance (Midanek, 2008; Muczyk & Reimann, 1989). It aims beyond the financial survival steps, at embedding a new set of values, skills and behaviors, throughout the firm, which develop a firm's capability of responding well, and adjusting to a changing environment (Stopford & Baden-Fuller, 1990). The effect of culture on the organizational performance has been indicated for non-distress firms as well (Smith, 2002; Denison, 1984). The function it plays is that of "social control" over the notions related with a firm's strategy (O'Reilly 1989). Acceptance of Change is critical in a turnaround, as people often resist changes (Bibeault, 1999: p. 82). The CEO plays a critical role in triggering, signaling, and leading the change in past beliefs and behaviors (Schoenberg et al., 2013; Guiso et al., 2015).

The objective is to overcome a culture that has become counterproductive (Bailey & Szerdy, 1987). It requires that all managers and employees understand the need and the urgency in internalizing change (Kow, 2004), and change the way they perform their jobs (Armenakis & Fredenberger, 1997). In addition, such an evolution requires the intervention of a change agent who could be trusted by employees, and his or her leading them to believe that they are capable of turning the firm around (Armenakis & Fredenberger, 1997). Such a change agent can achieve the objective by executing persuasive communication methods, using external sources of information, and involving employees in creating such organizational changes (Armenakis & Fredenberger, 1997).

The following culture-related turnaround tactics are described herein:

- Destroying adverse behaviors
- Clarifying the organizational structure, roles, and responsibilities

- Implementing performance management
- Developing innovation

2.12.1. Destroying adverse behaviors

As decline evolves, adverse behaviors secretly create a culture that makes a bad situation worse (Kanter, 2003). That includes lack of a sense of urgency (Lorange & Nelson, 1987), organizational “walls”, non-committal attitude, negative mentality among the staff, internally-driven orientation (Teng, 2010: p. 110, 161), long, back-to-back, heavily staffed meetings (Sutton, 2002: p. 132), urgent non-emergencies, systematic overtime, the absence of constructive conflict, bad-mouthing the company, increased employee attrition, fear, cover-ups (Roman, 2010: p. 76, 83), the replacement of substance (business needs) with form (thick binders full of data), and an increased focus on reaching consensus, even at the price of compromised and non-timely decisions (Lorange & Nelson, 1987).

Adverse cultures should be treated as “corporate cancers” (Buffett, 2015: p.37). To survive, distressed organizations are first required for methodological destruction and forgetfulness, of old, low-value knowledge, which could be harmful to the sustainable transformational change (Nystrom & starbuck, 1984; Kow, 2004). They must (Slatter & Lovett, 1999: p. 70):

- Lose confidence in their old leaders before they will listen to new leaders.
- Abandon old objectives before adopting new ones.
- See that their old methods do not work before adopting new ones.

One of a turnaround leader’s tasks is to intervene and restore confidence through empowerment – replacing denial with dialogue, blame with respect, isolation with collaboration, helplessness with opportunities for initiative, and creating a winner’s attitude in people, even before the victories (Kanter, 2003).

2.12.2. Clarifying the Organizational Structure, Roles, and Responsibilities

Extraordinary growth and financial success can lead to organizational over-complexity, uncoordinated business units, duplicated efforts and investments, emerging coordination teams and vice presidencies, a massive increase in organizational hierarchy, and decrease in managerial responsibility. As a hierarchical orientation develops, various staff groups (legal, finance, public affairs) increase their influence to the point where the operating groups lose their client status. An increasing ratio of support-to-functional positions is often a good early indicator of excessive growth in support personnel's relative power (Lorange & Nelson, 1987).

Indeed, distressed companies often suffer of an unclear and complicated organizational structure, which contributes to their decline. This is particularly true in large companies with multiple business units in different geographies and/or different sectors. An important organizational change a new leader can often make is to simplify the organization structure. That includes the clarification of roles, responsibilities, and accountabilities across the organization (Slatter et al., 2006: p. 180; Bibeault, 1999: p. 171).

2.12.3. Implementing Performance Management

Tolerance of incompetence is one of the early signs of organizational decline (Lorange & Nelson, 1987). Managers and employees of turnaround companies often do not associate their own goals with the goals of the business in which they work (Bibeault, 1999: p. 195), and are not held accountable for results (Slatter et al., 2006: p. 32). Making them accountable for meeting budgets, targets, deadlines, etc., is the first step in building a performance or results-oriented culture (Slatter et al., 2006: p. 186).

Practically, what you measure is what you get (Kaplan & Norton, 1992). As such, every job should be pinpointed with goals, ownership, and accountability (Sutton, 2002: p. 124). Targets should be set for each and every employee, and be revisited periodically, in order to consider what worked and what didn't, and push the limits of success further (Bibeault, 1999: p. 249; Cameron, 1994; Roman, 2010: p. 190, 234). Measurements should capture customer stand point, internal processes, and financial results (Kaplan & Norton, 1992). Such coverage helps linking a company's long-term strategy with its short-term actions (Kaplan & Norton, 1996). Also, both group and individual performance should be captured to support cross-company (unit) team-work and peer-pressure, and prevent the creation of lone-wolves (Roman, 2010: p. 198; Sutton, 2002: p. 111). On top of the "cold" measurements, managers should handle the soft issues and win the hearts and commitment of the staff (Armenakis & Fredenberger, 1995; Denison, 1984; Slatter et al., 2006: p. 178). Performance-based rewards can help promoting and shaping such a culture, and fighting the phenomenon of managers becoming non-achievers (Armenakis & Fredenberger, 1995; Bibeault, 1999: p. 349; Muczyk & Reimann, 1989, O'Reilly, 1989; Slatter et al., 1999: p. 186, 257; Sutton, 2002: p. 111; Roman, 2010: p. 221). Appreciation should be expressed on top of financial rewards (Sutton, 2002: p. 111; Midanek ,2008; O'Reilly, 1989). These elements, supporting effective implementation of the Management-by-Objectives approach, were encapsulated in the OPTIMAL MBO formula, where OPTIMAL stands for the key ingredients of such implementation, namely: (O) Objectives, Outside-in; (P) Profitability (budget) related goals; (T) Target Setting; (I) Incentives & Influence; (M) Measurement; (A) Agreement, Accountability, Appraisal, Appreciation; and (L) Leadership Support (Gotteiner, 2016).

Cleaning out incompetent managers is a hot potato that upper-level managers often do not want to touch (Lorange & Nelson, 1987). But non-performers should expect either further job training, or reassignment, or termination (Bibeault, 1999: p. 349; Whitney, 1987a: p. 128). Ownership and accountability starts to gain

traction only when senior management is seen to deal with poor performance by removing individuals from their jobs (Slatter et al., 2006: p. 186).

2.12.4. Developing Innovation

The decline of many firms in mature industries has been caused by failure to adjust in a changing world, and improve their competitive edge by continuously innovating, whether their products, services, business processes, or strategy (Kow, 2004; Stopford & Baden-Fuller, 1990; Teng, 2010: p. 181). Innovation relates to the process of introducing new ways of doing things, and implementing them (O'Reilly, 1989). Some firms find it profitable to make innovation their grand strategy to support continuous creation of new product life cycles, and thereby make similar existing products obsolete (profitable cannibalization) (Pearce & Robbins, 2008).

Developing innovation is an organizational change requiring explicit managerial encouragement. Otherwise, fear of embarrassment and conflict, and hierarchical orientation lead managers to avoid "rocking the boat" (Lorange & Nelson, 1987) and join the organizational silence (Mansor & Shafie, 2017). One method suggested for generating innovative ideas, is to expose managers to other fields of operation, such as customer complaints and service calls, encouraging unconventional thinking, and recognizing innovative attempts (Sutton, 2002: p. 214). Such recognition can be expressed by rewarding innovative initiatives and avoiding punishment for failing innovative initiatives is critical for the success of this process (O'Reilly, 1989).

The risk involved with innovation is related with the unpredictability of success, low success rates, and investment costs involved (Pearce & Robbins, 2008).

2.13. Growth Strategies

Growth strategies are implemented when the immediate crisis has passed and the financial position has stabilized (Robbins & Pearce, 1992), i.e. at the *Return to Growth stage*. It includes an entrepreneurially driven reconfiguration of assets, to support the strong-core growth strategy that the firm has developed, such as broadening of a product line, or entering new geographies (Pearce & Robbins, 1993; Sudarsanam & Lai, 2001; Schoenberg et al., 2013). It has been seen as “re-complicating the business” by adding back some of the complexity removed during the retrenchment stages (Pearce & Robbins, 2008, Stopford & Baden-Fuller, 1990). Such a growth strategy requires more time and cash than available at previous turnaround stages, as such should be avoided as long as cash is short (Slatter & Lovett, 1999: p. 236 ; Teng, 2010: p. 139; Hofer, 1980).

Common tactics under this strategy include the following:

- Developing new product-market positions
- Adding or developing new distribution channels
- Expanding through acquisitions
- Extending joint-ventures, strategic alliances, and innovation partnerships

Risks indicated with regard to this strategy include the following:

- Acquisitions are prone to unsuccessful integration with existing operations (Pearce & Robbins, 2008).
- Joint ventures often limit the discretion, control, and profit potential of partners, expose partners to attempts to “steal” each other's expertise, and demand managerial attention and other resources that could be directed toward the firm's mainstream activities (Pearce & Robbins, 2008).
- Overexpansion beyond a company's financial resources can lead to excessive leverage (Bibeault, 1999: p. 58).

2.13.1. Developing New Product-Market Positions

Adding products (after eliminating others) was found to be a successful turnaround strategy (Schreuder et al., 1991). This tactic includes the development of new products, new customer segments, or new combinations of products and customer segments. New products refers to real product enhancement or modification rather than new packaging, advertising, sales promotion, and other augmentations associated with the Stabilization stage (Whitney, 1987a: p. 156). It may require new market research, product development, manufacturing, styling, packaging, sales training, marketing materials, market testing, advertising, promotion methods, inventories, and pricing strategy (Pearce & Robbins, 1993; O’neill, 1986a; Sudarsanam & Lai; 2001; Whitney, 1987a: p. 154).

2.13.2. Adding or Developing New Distribution Channels

Changes in distribution channels were found to be a significant differentiator between successful and unsuccessful turnaround firms (Schreuder et al., 1991). Special attention should be given to questions like: what are the market shares in the segments defined by current distribution channels? What are the channels used by competing companies? Where same channels are used by the company and its competitors – who’s products sell better? Why? What will it take to bring the poor performers up to the level of competing products? (Whitney, 1987: p. 165).

2.13.3. Expanding through Acquisitions

It may be beneficial for a stabilized firm to acquire another firm that could complement its operations, or improve its competitive advantage, or reduce its competitive disadvantage, or provide access to new distribution channels or new technologies, or help taking advantage of the economy of scale by combining operations, or improve its debt capacity (O’neill, 1986a; Slatter & Lovett, 1999: p.

226; Whitney, 1987a: p. 246). It has been found that higher proportions of recovery than non-recovery firms were focused on investment and acquisition (Sudarsanam & Lai, 2001). On the other hand, more acquisitions fail than succeed (Smith, 2002; Sutton, 2002: p. 66), and do damage to the shareholders of the acquiring company, as things are seldom what they seem (Buffett, 1995).

Three types of acquisitions are indicated (Pearce & Robbins, 2008):

- Horizontal acquisition – Refer to acquisition of a similar firm operating at the same stage of the production-marketing chain.
- Vertical acquisition – Refer to acquisition of a supplier, or a customer.
- Conglomerate acquisition – When the concern of the acquiring firm is purely the projected profit pattern of the target.

Specific risks related with acquisitions include lack of a strategic rationale; unrealistic expectations of possible synergies; inadequate due diligence; the acquisition of a firm whose financial or market position is weaker; the payment of a price that is too high; the over-leverage applied in order to finance it, conflicting corporate cultures; poor post-merger integration (PMI); and business diversification resulting from the acquisition (Bibeault, 1999: p. 54, 339; Slatter & Lovett, 1999: p. 228; Zweig, 1995).

2.13.4. Extending Joint-Ventures, Strategic Alliances, and Innovation Partnerships

This tactic includes notable collaborative-growth strategies include joint ventures (jointly held venture), strategic alliances (joint projects, licensing), and innovation partnerships (Pearce & Robbins, 2008).

2.14. Obstacles to Preemptive Implementation

Decline must reach some critical threshold of pressure and wave of adverse events before firms take restructuring and turnaround steps (Grinyer et al., 1990). But many companies recognize the need to restructure too late, by which time sales have already been declining for a significant time, the firm is either already in crisis or quickly approaching one, fewer options remain, and saving the company may be more difficult (Fredenberger & Bonnici, 1994, Lyubersky, 2014: p. 71). Alternatively, even when the need to restructure is identified before crisis evolves, financial restructuring is usually avoided, rejected, and resisted until a crisis becomes obvious, a takeover is likely, or even bankruptcy is possible in the near future (Arogyaswamy et al., 1995; Sudarsanam & Lai, 2001; Staw et al., 1981). Such a chronology also explains how simple failures can trigger a chain of event cycles that lead to complex failures, which ultimately may foreshadow catastrophic failure (McMillan & Overall, 2017). As such, bankruptcy and ultimate corporate failure, following a period of performance decline, is linked to management inaction, poor timing and rejection of turnaround strategies that could be detrimental, even to the CEO's own self-interest (Sudarsanam & Lai, 2001).

There is little guidance available to suggest when renewal will actually be initiated (Huff et al., 1992). Timely identification of circumstances that require executive response could be supported by using certain determinants, as used in this research for screening participants. But executive willingness to take preemptive steps still seems to be the main challenge. In order to reduce the unwillingness to act, the reasons that fuel it must be better understood. As such, a range of reasons for executive unwillingness to act is presented hereby:

- a. A Top Management Team (TMT) may not be aware of the challenge, as they were educated and trained to be focused on growth and size, rather than also on organizational decline (Serra et al. 2012; Weitzel & Jonnson 1989; Wheten, 1980).

- b. Regardless of their education, long-serving executives may be fixated on past (current), inertial, unsuccessful strategies, preventing them from accepting the need for change (Castrogiovanni et al., 1992; Gopinath, 1991; Huff et al., 1992; Lorange & Nelson, 1987; Slatter & Lovett: 1999, p. 70).
- c. Even if they were not mind-locked, many companies fail to process information effectively to avoid or reverse the process of decline (Fredenberger et al., 1997). Early warning signals are weak and rarely clear, or filtered by lower level managers, or treated as merely temporary decline, until threatening a firm's survival. As such they are not noticed or diagnosed unless proactively searched for (Bibeault, 1999: p. 6; Gopinath, 1991; Grinyer et al., 1990; Lorange & Nelson, 1987; Scherrer, 1988). Routine monitoring and amplification of early indicators of decline is suggested as a best practice, for timely response, but such a practice is not typically maintained by distressed firms (Lorange & Nelson, 1987; Midanek, 2008b, Fedorkova, 2018).
- d. Even if such early warning signals were observed, they are often ignored due to self-deception, or a "Reality Gap" between the perception of (or desire for) value in the company and its true value (Gopinath 1991; Slatter et al., 2006: p. 223; Scherrer, 1988).
- e. Even if a management would attain a realistic view of the situation, it may perceive the circumstances as beyond its control (Lohrke et al. 2004), or it may lack the appetite for taking difficult decisions, time-consuming, and risky frame changes, which upset the status quo (Huff et al., 1992; Slatter & Lovett, 1999: p. 290), although managements of highly-leveraged companies may get that appetite earlier, to avoid defaults (Jensen, 1989).
- f. Even when management would not mind about changing the status quo, they may consider current ways of doing things as serving institutional commitments which are beyond individual decision making (Huff et al., 1992). Alternatively, they may fear taking responsibility, or getting embarrassed, or getting into conflict for drastic steps (Lorange & Nelson, 1987; Whetten, 1980). For example, one possible consequence is an adverse effect on the productivity of employees who survived such steps (Belohlav & LaVan 1989).

- g. Even when ready to take responsibility for drastic steps, shareholders would not support it before suffering enough pain (Sutton, 2002: p. 10), or stress (Huff et al., 1992).
- h. Even if shareholders supported such drastic steps, individuals may block moves that threaten their interests, such as resources, power, or jobs, or reflect disloyalty towards the CEO (Tushman & Romomelli, 1986; Bibeault, 1999: p. 313; Gopinath, 1991; Sudarsanam & Lai, 2001; Lohrke et al., 2004). People may even resist organizational change which is in their best interest, for reasons relating to self and identity (Hultman & Hultman, 2018).
- i. Even if such moves were not blocked, the CEO who guided the company into this mess, cannot emotionally fix it, and would not get Board support and/or employees' trust (Sutton, 2002: p. 1, 10).
- j. Even if the CEO could relieve emotional attachment, he or she may not be willing or capable of adopting a short-term, results-oriented leadership style, required for generating a turnaround (Slatter et al., 2006: p. xii).
- k. Even if the CEO adopted the required leadership style, the TMT may be lacking required tools, competencies, and consensus over the content of turnaround program (Castrogiovanni et al., 1992; Gopinath, 1991; Lohrke et al., 2004; Pretorius 2013; Wheten, 1980). As such he or she may use too few turnaround strategies (Slatter & Lovett, 1999: p. 71).
- l. Even when a given strategy is used, it may be an inappropriate one (Grinyer et al., 1990; Weitzel & Jonnson 1989).
- m. Even when an appropriate strategy is implemented, it may not have enough time to take full effect (Grinyer et al., 1990), or it may not be implemented in sufficient depth e.g. cutting costs too mildly, or disposing not enough assets (Slatter & Lovett, 1999: p. 71; Sudarsanam & Lai, 2001; Tikici et al. 2011).
- n. The TMT keeps deteriorating further along the downward spiral of large corporate failures (Hambrick & D'aveni, 1992), as such further paralyzing decision making processes.
- o. Eventually, managers take desperate, painful, and disruptive steps to correct long-standing problems (Lorange & Nelson, 1987).

The detailed chain of contingencies may explain the commonness of leadership replacement, as a turnaround strategy (described above). But as far as crisis does not take place, top management teams will not voluntarily step down. It may be suggested that the key to triggering early, preemptive turnaround steps, may be providing managers with a new set of tools, commonly used by turnaround practitioners, while filtering out tools that may not fit non-crisis situations. That is also the objective of this research. An effective, early-warning, “Anti-Decline” monitoring system may complement such practices (Probst & Raisch, 2005; Ghazzawi, 2018).

2.15. Risk & Opportunity Management

Risks are descriptions of what could happen and what it could lead to, in terms of how objectives could be affected. In the past, it has been common for risk to be regarded solely as a negative event or downside consequences, that organizations should try to mitigate, as advised by early versions of ISO standards, as well as COSO ERM (Purdy, 2010; Gjerdrum & Peter, 2011). But upside risk, which might be better termed “opportunity,” cannot be ignored. Downside risk and upside opportunity are mirror images, and higher risk is compensated by higher expected returns (Coleman, 2011). That is also reflected by the ISO31000 standards, relating to risk management.

Managing risks is a process of optimizing the magnitude and likelihood of consequences, both positive and negative, to achieve a net increase in benefit (Purdy, 2010). It includes the identification, evaluation, control, mitigation, monitoring, and communication of risks (Dionne, 2013). To a large extent, it is about managing people, processes, data, and projects (Coleman, 2011).

Successful firms are those that effectively control the downside and exploit the upside. In a business context, it specifically relates to managing the variability of financial profits and losses (P&L), as well as liquidity (Coleman, 2011). This is why risk management is an inseparable aspect of managing change and other forms of decision making (Purdy, 2010).

The turnaround leader is put in a “risk if you do and risk if you don’t” dilemma, requiring a balance between immediate survival and stability and growth considerations (Whitney, 1987a: p. 161). There is also the risk of doing “too little too late” (Bibeault, 1999: p. 85). Weighing opportunities against the risks is an integral part of the turnaround manager’s decision-taking process. For example, one best practice for an effective downsizing effort is to approach downsizing as an opportunity for improvement rather than as merely a reaction to a threat or crisis

(Cameron, 1994). Therefore benefit / cost comparisons should be explicitly calculated before selecting a strategy, particularly when a combination of strategies is being considered (Hofer 1980). Practically, a turnaround plan presents predicted impacts on both profit and cash. Values can be either positive or negative, and are calculated by the target cost reduction (+), or additional cost (-), or cash in (+), or cash out (-), multiplied by the risk level (Slatter & Lovett, 1999: p. 204).

Upon evolvment of a crisis, traditional managers are motivated to work with what they have inherited, as current commitments become more-risky to change (Huff et al., 1992). But as far as non-crisis situations are concerned, this research will put the consideration of risks vs. opportunities, by traditional managers, on test (H1).

2.16. Summary

A comprehensive literature review has been presented in this section, to support the set of hypotheses that are about to be tested herein. Two main takeouts are to be used for this purpose:

- Turnaround strategies by turnaround stages
- Turnaround tactics by turnaround strategies

The combination of the above will be used to test which turnaround strategies and/or tactics are supported by traditional managers at non-crisis situations, while linking turnaround stages with their current business situations, and while using turnaround tactics in the research tool, as proxies for turnaround strategies.

2.16.1. Turnaround strategies by turnaround stages

Table 1. Turnaround Strategies by Turnaround Stages

Turnaround Strategy	Preparations	Emergency	Stabilization	Return to Growth
Business Diagnosis	+	+	+	-
Management Change	+	+	+	-
Financial Restructuring		+	-	-
Working-capital improvements		+	-	-
Asset Reduction		+	+	-
Cost-Reduction		+	+	-
Operational Revenue-Generation		+	+	-
Strategic Focus		-	+	-
Critical Process Improvements		-	+	-
Culture Change		-	+	-
Growth Strategies		-	-	+

2.16.2. Turnaround tactics by turnaround strategies

Table 2. Turnaround Tactics by Turnaround Strategies

Turnaround Strategy	Turnaround Tactic
Management change	Replacing senior, non-performing managers
Business Diagnosis	Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability
Financial Restructuring	Restructuring loans
	Reducing dividends
	Issuing or repurchasing shares
Working-capital improvements	Maintaining a rolling, weekly cash-flow forecast
	Freezing all payments that are not required for the firm's survival
	Reducing inventory to the minimum level allowing smooth operations
	Accelerating billing and collection processes
	Selling fixed assets which can be leased
	Negotiating extended payment-terms with creditors
Cost-Reduction	Downsizing excessive workforce
	Cutting non-urgent capital expenditures
	Cutting non-urgent current expenditures
	Negotiating prices with must-continue suppliers
	Cutting basic salaries and benefits, adding performance-based bonuses
	Outsourcing processes and converting fixed costs into variable
	Improving cost-controls
	Promoting cost-reduction awareness, involvement, and innovation

	Eliminate specific, non-profitable products within viable product-lines
	Redesigning products and manufacturability
Asset Reduction	Sell-off the least-profitable operations, and least-productive fixed assets
Operational Revenue-Generation	Change prices and discounts, and increase sales-force's effort and focus on the most cash-generating and profitable products
Strategic Focus	Reconsidering the products and customer segments that have the potential of generating the greatest profits, and shrinking back operations towards these areas
Critical Process Improvements	Improving marketing and sales processes
	Improving operational processes
	Improving key support processes
Culture Change	Destroying adverse behaviors
	Clarifying the organizational structure, roles, and responsibilities across the organization
	Aligning employees' compensation with the achievement of operational or financial or customer related targets.
	Encouraging innovation with regard to business processes, products, and services
Growth Strategies	Developing new products and/or new customer segments
	Adding or developing new distribution channels
	Expanding through acquisitions
	Extending joint-ventures, strategic alliances, and innovation partnerships

3. Hypotheses

This research aims at validating the suggestion, that the management practices that could cure a troubled company, could have also kept it well (Whitney, 1987b). The question is, to what extent healthy companies support such management practices, as a part of their healthy, business routine? Considering the risks associated with such turnaround practices, there is a room for this question: Healthy companies and companies in crisis (or just recovering from one) may not share the same risk-appetite. As such, healthy companies may not support the same practices crisis-firms do. On the other hand, if healthy companies, indeed, support such practices subject to some contingencies, then the field of turnaround management may clarify what successful management is all about. If that is the case, the field of corporate turnaround, together with some contingencies, if found, may offer a set of best-management practices.

Hypothesizing in this context is of an exploratory nature, because the attempt to combine the field of corporate turnaround with a “regular”, non-crisis, business routine – is uncommon – and empirical evidence is scarce.

Two alternative paths can be considered as reasonable while developing hypotheses regarding the adoption of turnaround practices at non-crisis firms:

- A “single-stage adoption process” – Such a path reflects support of practices, that aim at coping with *current* challenges only. The logic behind such an approach could be the desire to focused on current challenges, while avoiding distraction by other actions that do not add any value, or actions which require certain conditions which are yet to take place, and avoiding the risks associated with such actions. For example:
 - Cash-secured firms may not be interested in improving their cash further, and avoid the risk associated with cash-improvement practices. Such firms may also prefer to compromise their cash flow in order to

support further profitability or growth (i.e. support Stabilization-stage or R2G practices, reject Emergency-stage practices).

- Firms that are less-profitable comparing to their industries – may prefer bringing their profitability to common industry-level – before investing in growth. Such a preference may help it keep focus and resources on current challenges, before pursuing future ones (i.e. support Stabilization-stage practices, reject R2G practices).
 - Firms that are already enjoying industry-level profitability – may prefer keeping focus and investing in growth, rather than improving their profitability further, by starving the organization. They may even prefer, and afford, compromising their profitability for increased growth (i.e, support R2G practices, reject Stabilization stage practices).
- A “cumulative adoption process” – Such a path reflects support of practices of current AND PREVIOUS stages. The logic behind such an approach could be the desire to cope with current challenges, while preserving so-far achievements. For example:
 - Cash-secured firms may be interested in improving *both* their profitability and cash-position, while accommodating the risks associated with cash-improvement practices (i.e. support both Emergency and Stabilization-stage practices).
 - Already-profitable firms may be interested in improving *both* cash, profitability, and growth, while maintaining practices that helped them reach such a point (i.e. support Emergency, Stabilization and R2G-stage practices)

I chose to develop hypotheses based on the single-stage-adoption approach, for the following reasons:

- Much of the empirical crisis-management research has focused on a sequential, linear progression of response stages in the aftermath of a crisis event (Williams et al., 2017).

- The Single-Stage approach can generate a higher number of hypotheses, and of a higher level of resolution. As such, it has better chances of revealing decision-making-process contingencies.
- Unlike the single-stage-approach, the Cumulative-Stage approach may not be able to reveal the opposite decision-making process, and its contingencies. Whether Single-Stage-approach hypotheses are supported or rejected – results will clarify the decision-making process being followed by research participants.

As such, a set of hypotheses was developed, which can be classified by the following four groups:

- Financial-performance related
- Risk-management related
- Turnaround-facilitation related
- Internal / External-challenges related

3.1. Financial-performance related

Turnaround firms typically go through the entire scale of business situations and financial performance, from nearly bankruptcy on one end, to sustainable profitability and growth on the other. Their course of recovery basically crosses three (3) clinical stages, namely the **Emergency Stage**, the **Stabilization Stage**, and the **Return-to-Growth Stage**. Each one of these stages includes different turnaround strategies, and sometimes opposite ones, depending on the current stage of treatment (for example: strategic-focus at the Stabilization stage vs. growth strategies at the Return-to-Growth stage).

As such, it may be reasonable to hypothesize that some of the turnaround strategies, and specifically those who are typically used *after* the cash crisis is over, could suit “regular”, non-crisis companies. Since such strategies aim at improving profitability and/or growth, “regular” companies *should* be able to benefit

from implementing them, even though such firms were not forced to turn around. It would also be reasonable to hypothesize that managements will take advantage of such benefits, if there is a match between the objectives of such turnaround strategies, and the *current* financial-performance challenges of their firm. In other words, it is generally hypothesized that management will support the implementation of turnaround strategies if such strategies aim at improving fields that *currently* require improvement. “*Currently*” refers to the current cash-position and/or profitability, and/or growth – whether the firm suffered a crisis or not.

3.1.1. Emergency-Stage Strategies

Emergency-stage strategies aim at solving a cash position that threatens their survival. Since firms participating the research are *non-crisis ones*, as defined by the case-selection criteria, such firms are not cash-challenged. In terms of turnaround stages – their position is equivalent to once-troubled companies, which successfully completed the Emergency stage. As such, there is no benefit in applying turnaround strategies that relate to that stage, and the risk associated with such strategies can be avoided. As such the hypothesis is:

H1: Turnaround strategies that are used only at the Emergency stage of a turnaround would not be supported at non-crisis situations.

3.1.2. Stabilization-Stage Strategies

As soon as a cash crisis is over, a turnaround process moves on from the Emergency Stage to the Sabilization Stage. The Stabilization stage aims at reaching reasonable profitability. This turnaround stage is more relevant to this research population, which is healthy, non-cash-challenged companies. Although not cash-challenged, such participants may be either as profitable as other players

at their industry, or more profitable, or less profitable. Since the Stabilization stage aims at “fixing” low profitability, it would be natural to hypothesize that if a given participant is less profitable compared to its industry – it would support Stabilization-stage strategies. On the other hand, if a given participant is either as profitable, or more profitable compared to its industry – the Single-Stage approach for developing hypotheses dictates that unrequired strategies would not be supported, in order to focus on other, more relevant challenges, as well as avoid the risk associated with unrequired turnaround strategies. As such the following is hypothesized:

H2: Turnaround strategies that are used at the Stabilization stage of a turnaround would be supported at if the firm is operating below industry-average profitability levels.

H3: Turnaround strategies that are used at the Stabilization stage of a turnaround would not be supported if the firm is operating at industry-average profitability levels or higher.

3.1.3. Return-to-Growth Stage Strategies

As soon as reasonable profitability is reached, the focal point turns to be growth. According to the Single-Stage approach for hypotheses development, firms who have not yet reached reasonable profitability, will be focused on reaching reasonable profitability, adhere to strategies which aim at achieving it, and as such reject strategies that aim at other objectives – such as pushing growth. Other firms, who already reached reasonable profitability, will now focus on pushing growth, as such are expected to support Growth-related strategies. Therefore, the following is hypothesized:

H4: Turnaround strategies that are used at the Return to Growth stage of a turnaround would not be supported if the firm is operating below industry-average profitability levels.

H5: Turnaround strategies that are used at the Return to Growth stage of a turnaround would be supported if the firm is operating at industry-average profitability levels or higher.

Figure 4 summarizes the performance-driven hypotheses listed above (management will support = “+”, management will not support = “-”).

Profitability / Strategy Category	Below Industry Avg.	Industry Avg. or Above
Emergency Stage	- (H1)	- (H1)
Stabilization Stage	+ (H2)	- (H3)
Return-to-Growth Stage	- (H4)	+ (H5)

Figure 4. Hypotheses based on a Firm's Profitability

It should be noted that **profitability level** is the only parameter required for these hypotheses (neither cash-flow nor growth are relevant) for the following reasons:

- *Cash flow* is not required, since research participants will include only firms that do not experience, or recently experienced an extreme cash situation (“non-crisis firms”). Such firms may even suffer losses, but as long as that does not put their survival at question (example, if they got sufficient cash reserves), their cash position will be taken as irrelevant.

- *Growth* will be taken as irrelevant, because once reasonable profitability is reached, growth will be pushed whether a firm is growing or not. Even if it is growing, growth will be pushed further.

3.2. Risk-Management Related

Turnaround strategies involve their own specific risks, and turnaround managers are experienced with weighing such risks against underlying opportunities. But as far as business routine is concerned, “Opportunity Management” is only in its early stages of modeling and research. This research is hypothesizing that presenting traditional managers with methodological “risk vs. opportunity management” can lead traditional managers to be more likely to support the adoption of turnaround strategies, at non-crisis situations. In other words, it is hypothesized that managers who did not support specific turnaround strategies - will change their position after being introduced with a “risk vs. opportunity management” methodology.

H6: The introduction of a “Risk vs. Opportunity Management” methodology will be effective in encouraging managers to implement turnaround strategies, at non-crisis situations.

Now, independently of the performance-driven hypotheses, the following is hypothesized:

H7: Turnaround strategies shall be supported at non-crisis business situations, if their risk level is not high, and if their opportunity level is greater than their risk level.

Visually, it shall be examined if managers’ selections of turnaround strategies, for non-crisis situation, are positioned within the GREEN area, on a risk and opportunity matrix:



Figure 5. Support or Rejection of Strategies based on associated Risks and Opportunities

The above hypothesis does not necessarily relate to turnaround strategies but will be tested in that context. If supported, it may have wider implications, on risk-opportunity theory and research.

3.3. Turnaround-Facilitation Related

3.3.1. Management Change

Management Change typically takes place early in the turnaround process, at extreme cash situations. Since research participants – non-crisis firms - are not going to match that business situation, it is basically hypothesized that such a strategy would not be supported. One possible explanation for not gaining such support could be that no executives are currently classified as “non-performing”, whether such classification is right or wrong. If there were such non-performing executives, the explanation would be even more dramatic – that non-performing executives are not being replaced unless the firm is forced by external stakeholders to do so. On the other hand it could be, that there *were* such executives and they are no-longer employed (whether voluntarily or non-voluntarily). Such a possibility could be explained by the adoption of performance-management practices, and performance-driven culture, that typically take place at the Stabilization stage of a turnaround (no crisis, but profitability should be improved). If such non-performing executives were dismissed, it would support the rejection of the hypothesis. The research tool will have to provide the data required for making such high-resolution observations.

Although the above explanations differ from each other, they lead to the same hypothesis, which will either be supported or rejected, as such adding an exploratory aspect:

H8: Non-crisis firms would not support the dismissal of any incumbent executives for non-performance.

Hypothesis change after data collection:

As a part of the interviews, participants were not asked if any of their current officers is non-performing, and if so - if they supported his or her dismissal. Instead, participants were generally asked about their position – whether non-performing

officers, if exist, should be dismissed. The hypothesis that will match such a question is:

H8: Non-crisis firms support the dismissal of non-performing officers.

Both versions hypothesize that non-performing officers should be replaced: The first version hypothesize that CEOs will not support the dismissal of any CURRENT executive, as he or she would already be gone if existed. The second version hypothesize that non-performing executives WILL BE released if they do not perform.

3.3.2. Business Diagnosis

Business diagnosis is another facilitating strategy that sets the scene for clinical turnaround stages (namely: Emergency, Stabilization, Return to Growth). However, the predominant literature pin-points that long-serving executives are prone to fixation on past, inertial, unsuccessful strategies, preventing them from accepting the need for change. Such a situation supports the following hypothesis:

H9: Business diagnosis will not be supported, regardless of the firm's level of profitability.

Down the road, managements can also hold a more realistic view of the firm's position. That means responding, or preparing to respond to the firm's actual level of profitability, compared to industry levels. That sets the ground for the following hypothesis:

H10: Business diagnosis will be supported, if the firm is operating below industry-average profitability levels.

If the firm is operating at above-average profitability level, managements should feel confident enough with their way of diagnosing the firm's position over the years, and should not feel needy of such a business diagnosis. Therefore:

H11: Business diagnosis will not be supported if the firm is operating at industry-average profitability levels or higher.

3.4. A Firm’s Main Challenges

The predominant literature distinguishes Operating Turnarounds from Strategic Turnarounds: Operating turnarounds mainly include cost retrenchments, and are triggered by internal factors. Strategic turnarounds center on off-loading businesses and increasing market position in the businesses a firm has chosen to retain, and are triggered by external factors. Table 3 visualizes the categorization of turnaround strategies by either “Operating” or “Strategic” ones, while putting aside the “turnaround facilitating” ones, as follows:

Table 3. Categorization of Turnaround Strategies

Turnaround Strategy	Facilitating	Operating	Strategic
Business Diagnosis	√		
Management Change	√		
Financial Restructuring		√	
Working-capital improvements		√	
Asset Reduction		√	
Cost-Reduction		√	
Operational Revenue-Generation		√	
Strategic Focus			√
Critical Process Improvements		√	
Culture Change		√	
Growth Strategies			√

The above table clarifies that two turnaround strategies fit the path of either off-loading businesses or increasing market position, those are “Strategic Focus” and “Growth Strategies”. As such, the following is hypothesized:

H12: Strategic Focus, and Growth strategies, will be supported if a firm’s challenges are perceived to include external ones.

H13: Strategic Focus, and Growth strategies, will not be supported if a firm’s challenges are perceived to be internal only.

In addition, one case involving both the internal/external distinction described here, and the one relating to profitability comparing to other industry players – should be noticed: What would be a firm’s choice if its profitability level is lower than that of the industry, and at the same time, its management perceives the challenges to be internal? Specifically: Would Strategic Focus be supported? On one hand, Strategic Focus is categorized as one of the Stabilization stage strategies – used upon relatively low profitability. But on the other hand, it is also categorized as one of the tools used for Strategic turnarounds – when challenges are perceived to be external. Which trigger would be more dominant? Both hypotheses can be reasonably explained, therefore both shall be presented:

H14: Strategic Focus will be supported if a firm’s profitability is lower than the industry level, whether challenges are perceived to be internal or external.

4. Method

4.1. Research Design

4.1.1. The Theoretical Framework

This research aimed at exploring the question: **“Which turnaround practices are supported by managements at non-crisis situations, and under what circumstances?”** Existing theories which were identified as relevant for that purpose were related to the fields of: i) Turnaround Management; and ii) Risk Management.

4.1.2. The Research Method

This research used the quantitative-survey method. That method was considered as appropriate, for its goal, to collect data representative of a population, and use the information gathered to generalize findings back to a population (Kotrlik et al, 2001). Specifically, this research met the following characteristics, indicating when survey research is most appropriate (Pinsonneault & Kraemer, 1993):

- The central questions of interest about the phenomena are "what is happening?", and "how and why is it happening?" Survey research is especially well-suited for answering questions to a greater extent than is commonly understood, and particularly where research and theory are at their early, formative stages.
- Control of the independent and dependent variables is not possible or not desirable.
- The phenomena of interest must be studied in its natural setting.
- The phenomena of interest occur in current time or the recent past.

This research also has three (3) distinct characteristics that Survey Researches share in common (Pinsonneault & Kraemer, 1993):

- The purpose of this survey is to produce *quantitative* descriptions of some aspects of the study-population. The data collected about the subject being studied (turnaround tactics) was standardized, to support such a quantitative analysis.
- The way of collecting information was by asking participants structured and predefined questions. Their answers, which referred to the unit of analysis (turnaround tactics), constituted the data which was analyzed.
- Information was collected about only a fraction of the study population--a sample-- in a way that enabled to generalize the findings to the population. Usually such a way allows extensive statistical analyses – which was reached in this research - and produced statistically significant findings.

4.1.3. Unit of Analysis

The unit of analysis is each and every turnaround-tactic being surveyed. Each turnaround tactic was given a decision by research-participants (support / Reject) and was rated by research participants from a risk and opportunity standpoint. Following that, data analysis was conducted at that same tactic level. Each tactic was analyzed in order to identify the reasons for its being supported or rejected, based on the attributes of a given tactic (its turnaround-strategy category, its turnaround-stage category, its objectives).

4.1.4. Cases Selection

Cases selected for this research met the following criteria:

i) Private-sector organizations

This research is limited to private-sector organizations, i.e. for-profit corporations, as profitability is one of the key elements addressed by the corporate-turnaround process. Such a focus excludes any other types of organizations whose shareholders may be less-concerned about financial performance, such as governmentally or municipally-owned corporations. Such corporations do publish financial statements, including Profit & Loss statements, but are considered to suffer of different sources of organizational decline, comparing to private-sector ones (Heggde & Panikar, 2011).

ii) Medium or large size firms

This research is limited to medium and large enterprises. Small businesses share different characteristics comparing to medium and large ones, such as different dimensions of financial management (Ang, 1991), internal control systems (Frazer, 2016), entrepreneurship and innovation (sahut & Preis-Ortis, 2014). This distinction between small businesses and larger ones is even more relevant when researching the field of corporate-turnaround: declining small firms has been a much under-researched firm category (DeMartin et al., 2015) and theory related to organizational failure has not been applied to small business decline (Rasheed, 2005).

Given that all research participants were Israeli-based corporations, the qualitative criteria used to screen non-small businesses was based on

the definition used by the Israeli Ministry of Economics (Israeli Ministry of Economics, 2014: p. 21):

- An annual revenue exceeding 10 m NIS (New Israeli Shekels) ~ 2.7 m USD;
- Employment of more than 20 employees.

However, participants actually employed at least 50 employees, which is the threshold used by the European Investment Fund (EIF), owned by European Investment Bank (EIB), the European Union, and a wide range of public and private banks and financial institutions (Kraemer-Eis et al., 2017: p.2).

iii) Publicly traded companies or privately owned

Both publicly traded companies, and privately owned, were qualified participants. The predominant Turnaround literature does not distinguish publicly listed companies from privately owned ones, and the turnaround process applies to both types of ownerships.

iv) Non-Financial-Sector Companies

The financial-sector has unique characteristics of its own, such as distinguished capital orientation and regulatory requirements and supervision, comparing to other private-sector companies. For example, Altman's Z-score formula, which is noted earlier as a model to predict bankruptcy, is not intended for financial-sector companies. Therefore, financial-sector companies are excluded from this research.

v) Non "Startups" / Research & Development (R&D) Companies

This research is focused on mature companies i.e. "revenue-positive" ones. Such companies can provide a full range of business challenges,

including profitability and growth ones. Therefore, companies that do not generate revenues are excluded.

vi) Non-Crisis situation

Participants had to be “non-crisis” firms. The criteria followed the observation that crisis is a situation at which *pressure on cash becoming more pronounced* (Pretorius, 2008; Slatter & Lovett, 1999). **That meant that participants’ cash position had to be solid, without any indications of an upcoming cash-crisis.** However, there is a challenge in converting that qualitative criteria into quantitative determinants: Various statistical Financial Distress Prediction (FDP) models have been introduced over the years, but at the same time their validity has been criticized and put in question. For example, Altman’s Z-Score formula for predicting a cash-crisis based on financial ratios - has been repeatedly criticized over the years for its design, bias, and reliability (Zmijewski, 1984; Bemmann, 2005; Lin et al., 2014).

Contemporary Financial-Distress-Prediction research calls for preferring expert-recommendation methods over statistical ones. It is proposed that expert-recommendation methods have the advantage of being able to cope with the complex and unstructured nature of business problems (Lin et al., 2014).

Business problems and situations are indeed complex and unstructured. In this research’s context, various and very different combinations of profitability and cash flow can reflect a solid cash position. Here are some examples:

- The straight-forward scenario is a positive operating profit and a positive cash flow, for a decent period already.

- A firm can also have a negative cash flow, and still experience a solid cash position if it has decent cash reserves or secured credit lines. For example, at times of rapid growth.
- A firm can also have a negative operating profit, and still experience a solid cash position, if it intently aims at penetrating a new market, shake its competition, or if, once again, it has decent cash reserves or secured credit lines.

Therefore, the judgement, whether a given participant's cash position was solid, was based on several sources of information, and taken on a case-by-case basis, as described under the "[Data Collection Protocol](#)" section.

4.1.5. Sample Size

This research reached 30 participants, each one representing a single organization. In terms of unit-of-analysis i.e. turnaround tactics, that group of participants generated 496 observations (30 participants * 18 tactics asked – NA answers).

Judging the size of that sample is rather challenging, as the total number of all Israeli, private-sector, non-financial sector, revenue-positive, medium or large-scale companies, which are also in a solid cash position – is unknown to the researcher.

The number of participants was set on 30 to support a normal distribution of the results. Given the results, that number of participants could support a linear regression which produced statistically-significant results.

Some additional reference can be taken from ground-breaking studies in that same field of organizational decline / crisis management:

- Hofer (1980) built his ground-breaking model for selecting turnaround strategies, based on turnaround situations faced by 10 companies.
- Altman (1968) built his well-known, although criticized Z-Score formula, based on 33 firms which experienced financial distress.

4.1.6. Quality Control

Pinsonneault & Kraemer (1993) list five (5) important weaknesses applying the survey methodology: (1) single method designs where multiple methods are needed, (2) unsystematic and often inadequate sampling procedures, (3) low response rates, (4) weak linkages between units of analysis and respondents, and (5) over reliance on cross-sectional surveys where longitudinal surveys are really needed. Table 5 presents how these weaknesses were addressed:

Table 4. Quality Control Measures

Potential Weakness	Mitigation / Relevance
Single method designs where multiple methods are needed	Not applicable. Data collected form participants had only “one shot”, as a part of the face-to-face interviews. No other method for collecting data was identified.
Unsystematic and often inadequate sampling procedures	Getting agreement from participants was a significant challenge in this research. As such, participants’ inclusion was based on their volunteering to participate, rather than on any of a sample from any population. However, participants had to meet certain criteria in order to participate. That criteria reflected the research population, and therefore

	the group of participants can be considered as sample of that research population.
Low response rates	Not applicable. Once participants agreed to participate, they were considered as a sample, and that sample inherently had a response rate of 100%.
weak linkages between units of analysis and respondents	Participants were directly asked about their decision regarding the unit of analysis - turnaround tactics - and the risk / opportunity levels associated with each one of those tactics.
over reliance on cross-sectional surveys where longitudinal surveys are really needed	This research takes a photo of participants' positions and perceptions at a given point of time: A point of time at which their cash position is solid, and the face-to-face interview is conducted. As such, longitudinal data is not applicable.

4.2. Data Collection

4.2.1. Sources of Evidence

The source of evidence used in this research was face-to-face interviews.

Interviews with the CEOs of participating companies were used to facilitate case-study replications. The CEO is considered as the most appropriate role to represent a given firm, as that position holds the broadest view on a company's situation and ecosystem (employees, customers, vendors, bankers, shareholders, competition). Weaknesses of this source of evidence as per Yin (2009) are presented hereby, along with the way such weaknesses were mitigated:

Weakness: Bias due to poorly articulated questions

Mitigation: A pilot case study was used with a non-participating firm, before going ahead with data collection.

Weakness: Response bias

Mitigation: Participants were assured that their answers remain confidential and that only statistical analysis is to be published. In one case, a non-disclosure agreement was asked to be signed, and so I did. Other than that, participants were occasionally asked about the logic behind their answers and were given the impression that they may be "required" to explain their positions.

Weakness: Inaccuracies due to poor recall

Mitigation: Participants were asked about their positions / perceptions, rather than about historical events.

Weakness: Reflexivity – interviewee gives what interviewer wants to hear

Mitigation: The roles to be interviewed (CEOs) are not of a “Satisfier” type cast.

4.2.2. The Research Instrument

The questionnaire used in this research included two parts, as presented on Figure 6 and Figure 7 herein:

How would you describe the trend of <u>your</u> revenues?	
<input type="checkbox"/>	decreasing
<input type="checkbox"/>	Quite stable
<input type="checkbox"/>	Growing
How would you describe your profitability?	
<input type="checkbox"/>	unprofitable
<input type="checkbox"/>	around even
<input type="checkbox"/>	Profitable
The number of employees	
<input type="checkbox"/>	<=20
<input type="checkbox"/>	20< ; <=100
<input type="checkbox"/>	>100
Which companies could be considered as good ones to compare your company with?	
How would you describe the trend of aggregated revenues of <u>these</u> firms together?	
<input type="checkbox"/>	decreasing
<input type="checkbox"/>	Quite stable
<input type="checkbox"/>	Increasing
How would you describe your profitability, comparing to other firms in this field?	
<input type="checkbox"/>	Lower
<input type="checkbox"/>	Quite average
<input type="checkbox"/>	Higher
How would you describe your cash position?	
<input type="checkbox"/>	We need to focus on generating cash, to survive
<input type="checkbox"/>	We have enough cash to survive, but need more for maintaining smooth operations
<input type="checkbox"/>	We have enough cash for maintaining smooth operations, but need more to push growth
<input type="checkbox"/>	We generate enough cash for pushing growth further
Which type of challenges would you prioritize for addressing?	
<input type="checkbox"/>	Challenges relating to what we offer, and to whom
<input type="checkbox"/>	Challenges relating to the way we deliver orders, and control our operations
<input type="checkbox"/>	Challenges relating to making the business bigger
How involved are the shareholders in managing the company, comparing to other industry players?	
<input type="checkbox"/>	Less involved than usually seen
<input type="checkbox"/>	Similar to other players
<input type="checkbox"/>	More involved than usually seen

Figure 6. Part I of the Questionnaire: Preliminary Questions

Turnaround tactic	Would you support such a step? (y/n)	Your perception of the BENEFIT level? 1=Very Low; 2=Low; 3=Medium; 4=High 5=Very High	Your perception of the RISK level? 1=Very Low; 2=Low; 3=Medium; 4=High 5=Very High	If NOT matching one or more hypotheses: Why?
Replacing senior, non-performing managers, if existing				
Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability				
Restructuring loans				
Reducing dividends				
Selling unprofitable subsidiaries				
Selling unproductive plant and equipment				
Negotiating extended payment terms with creditors				
Accelerating billing and collection processes				
Cutting non-urgent current expenditures				
Cutting salaries and benefits, adding performance-based bonuses				
Changing prices, up or down, to maximize revenue (not profit)				
Shrinking back to the most profitable businesses and segments				
Improving marketing and sales processes				
Improving operational processes				
Implementing Performance Management including personal targets, measurements, and incentives				
Developing innovation				
Adding or developing new distribution channels				
Expanding through acquisitions				

Figure 7. Part II of the Questionnaire: Turnaround Tactics

Part I of the questionnaire aimed at both:

- Verifying that participants meet the criteria used for this research e.g. that they are not small businesses and are in a solid cash position and a positive outlook as far as the near future is concerned.
- Collecting opportunistic data which may be used in future studies (Eisenhard, 1989: p. 539).

Part II of that questionnaire road-shows selected turnaround tactics. For each one, participants were asked:

- If they support such activities (y/n).
- How high is the benefit that can be created by such an activity (1-5)?
- How high is the risk associated with such an activity (1-5)?
- Some free-style comments and explanations was encouraged. Such data was aimed to support alternative theory-building, in case decisions taken by participants turn out to contrast the predicted logic. That is to support modifications to theory, if needed, as per Yin (2009: p. 54). Also, discussing

one's considerations provides an opportunity to operate on two levels at the same time: satisfying the needs of the line of inquiry (Level 2 questions) while simultaneously putting forth "friendly" and "nonthreatening" questions in the open-ended interviews (Level 1 questions) (Yin, 2009: p.107).

The list of turnaround tactics which were included in that questionnaire does not include all the turnaround tactics known to date. That list had to be short-listed, to support a session that is not too long for participants to cooperate with. Altogether, the literature review mapped two (2) facilitating turnaround stages (Management Change, and Evaluation), and three (3) clinical ones, (Emergency, Stabilization, and Return to Growth). These stages encompass eleven (11) strategies that breakdown into thirty-six (36) tactics. As such, the following guidelines were applied to select tactics for inclusion in the questionnaire:

- Strategies represented by only one tactic (e.g. Strategic Focus) – that tactic was included in the questionnaire.
- Strategies represented by multiple tactics (e.g. Cost Reduction) – only two tactics were included. Selection within that group was made based on estimation of their potential applicability to a wide range of firms.

Table 5 presents the decision taken for each turnaround tactic:

Table 5. Turnaround Tactics included in the Questionnaire

Stage	Turnaround strategy	Turnaround tactic	Include / Exclude
Mng.	Mng. Change	Replacing senior, non-performing managers	Include
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability	Include
Emr.	Financial restructuring	Restructuring loans	Include
Emr.	Financial restructuring	Reducing dividends	Include
Emr.	Financial restructuring	Issuing or repurchasing shares	Exclude
Emr.	Asset reduction	Selling unprofitable subsidiaries	Include
Emr.	Asset reduction	Selling unproductive plant and equipment	Include
Emr.	Revenue generation	Changing prices, up or down, to maximize revenue (not profit)	Include
Emr.+Stb.	Working-capital Impr.	Managing short-term cash	Exclude
Emr.+Stb.	Working-capital Impr.	Freezing selected payments	Exclude

Emr.+Stb.	Working-capital Impr.	Selling fixed assets which can be leased	Exclude
Emr.+Stb.	Working-capital Impr.	Negotiating extended payment terms with creditors	Include
Emr.+Stb.	Working-capital Impr.	Reducing investments in inventory	Exclude
Emr.+Stb.	Working-capital Impr.	Accelerating billing and collection processes	Include
Emr.+Stb.	Cost-reduction	Downsizing excessive workforce	Exclude
Emr.+Stb.	Cost-reduction	Cutting non-urgent capital expenditures	Exclude
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	Include
Emr.+Stb.	Cost-reduction	Negotiating prices with must-continue suppliers	Exclude
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	Include
Emr.+Stb.	Cost-reduction	Outsourcing processes; converting fixed costs into variable ones	Exclude
Emr.+Stb.	Cost-reduction	Improving cost-controls	Exclude
Emr.+Stb.	Cost-reduction	Promoting cost-reduction awareness, involvement, and innovation	Exclude
Emr.+Stb.	Cost-reduction	Eliminating non-profitable products or services within viable product lines	Exclude
Emr.+Stb.	Cost-reduction	Redesigning products and manufacturability	Exclude
Stb.	Revenue generation	Changing prices, up or down, to maximize profit	Exclude
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	Include
Stb.	Critical process Impr.	Improving marketing and sales processes	Include
Stb.	Critical process Impr.	Improving operational processes	Include
Stb.	Critical process Impr.	Improving key support processes	Exclude
Stb.	Culture change	Destroying adverse behaviors	Exclude
Stb.	Culture change	Clarifying the organizational structure, roles, and responsibilities	Exclude
Stb.	Culture change	Implementing Performance Management including personal targets, measurements, and incentives	Include
Stb.	Culture change	Developing innovation	Include
R2G	Growth strategies	Developing new product-market positions	Exclude
R2G	Growth strategies	Adding or developing new distribution channels	Include
R2G	Growth strategies	Expanding through acquisitions	Include
R2G	Growth strategies	Extending joint-ventures, strategic alliances, and partnerships	Exclude

Altogether, since this research was engaged in theory building, complementing quantitative data with qualitative data helped understanding and explaining the quantitative results (Eisenhardt, 1989).

4.2.3. Data Collection Protocol

1. *Preliminary screening.* Potential participants were identified based on a match with the following criteria, as detailed under the [“Case-Selection”](#) section:
 - i) Private-sector organizations
 - ii) Medium or large size firms
 - iii) Publicly traded companies or privately owned
 - iv) Non-Financial-Sector companies
 - v) Non “Startups” / Research & Development (R&D) companies
 - vi) Non-Crisis situation – based on preliminary, available information, to be further verified based on shared or collected information.

2. *Solicitation.* CEOs were approached either directly or indirectly and offered to participate in this research. Indirect ways of solicitation included introduction through a common acquaintance, the use of social network (e.g. LinkedIn) and cold calls to their secretaries, asked to deliver an explanatory email. Each potential participant was provided with an explanation regarding the purpose of the meeting, and the time it should take. In addition, each interview was completed with a request to be introduced to another CEO, which the interviewee is in good connection with.

3. *Interview and data recording.* Interviews used the interview-forms prepared for data collection. I read the questions to the participant, without expressing my opinion about the turnaround-tactic presented, or its associated risk or benefit. Participants’ answers were recorded in the forms simultaneously. To finish the interview in an elegant way, participants were asked a “concluding question”: “What action may be the most effective right now, for increasing your profit” – which is not required for this research (but can be a lead for future research).

4. *Confidentiality*. All participants required that the information shared will be kept confidential, as expected. Some required that I sign a Non-Disclosure-Agreement (NDA) and so I did. It was made clear that any publication of the results will include aggregated / statistical data only, and that no information will be linked to any particular participant. Each interview-file was named by a code, indicating the initials of that company, their CEO, and the date of interview (Yin, 2009: p.182).

5. *Verification of the solid cash-position*. The judgement, whether a given participant's cash position was solid, was based on several sources of information, and taken on a case-by-case basis, as follows:
 - 5.1 Participants were asked to choose one of the following to describe their cash-position:
 - We need to focus on generating cash, to survive
 - We have enough cash to survive, but need more for maintaining smooth operations
 - We have enough cash for maintaining smooth operations, but need more to push growth
 - We generate enough cash for pushing growth further

 - 5.2 Participants who selected one of the first two options were excluded from the research.

 - 5.3 participants were also asked about:
 - Their absolute profitability (profitable? Non-profitable?);
 - Their relative profitability, comparing to other Industry players (higher / similar / lower?);
 - Their absolute growth (growing / steady / declining?);
 - Their relative growth, comparing to other Industry players (higher / similar / lower?);

5.4 Participants of a negative profitability (2) were asked about their cash reserves or sources of financing, given that level of profitability. The information provided supported a solid cash position.

5.5 That information was completed with financial-statements data (publicly-listed companies), private financial information that I was provided with (private companies), public information that was published regarding some of the companies in the media (both publicly-listed and large private companies), and credit-rating reports I was given access to (medium-size, private companies).

Altogether:

- All participants described their cash position as either “enough to maintain smooth operations, but need more to push growth”, or “have enough cash to push growth”.
- 28 out of 30 participants were profitable.
- 2 participants that were not profitable, described their cash position as “have enough cash to push growth” and were able to provide details supporting that status.

4.2.4. Database

Each interview generated 18 records (one record for each turnaround tactic, which was either supported or rejected, and rated in terms of risk and benefit). Altogether, the database was populated with about 540 records (30 participants * about 18 records per interview). Table 6 presents the structure of each data-record:

Table 6. Data Structure

DB Field	Range of Values	Remark
Participant Code	101-130	Numeric
Turnaround Stage		Textual
Turnaround Strategy		Textual
Turnaround Tactic		Textual
Would you support such a step? (y/n)	Y / N / NA	
Your perception of the BENEFIT level?	1-5	Numeric. 1=Very Low; 2=Low; 3=Medium; 4=High; 5=Very High
Your perception of the BENEFIT level?	1-5	Numeric. 1=Very Low; 2=Low; 3=Medium; 4=High; 5=Very High
Considerations	1-5	Textual. Free style

4.2.5. The Chain of Evidence

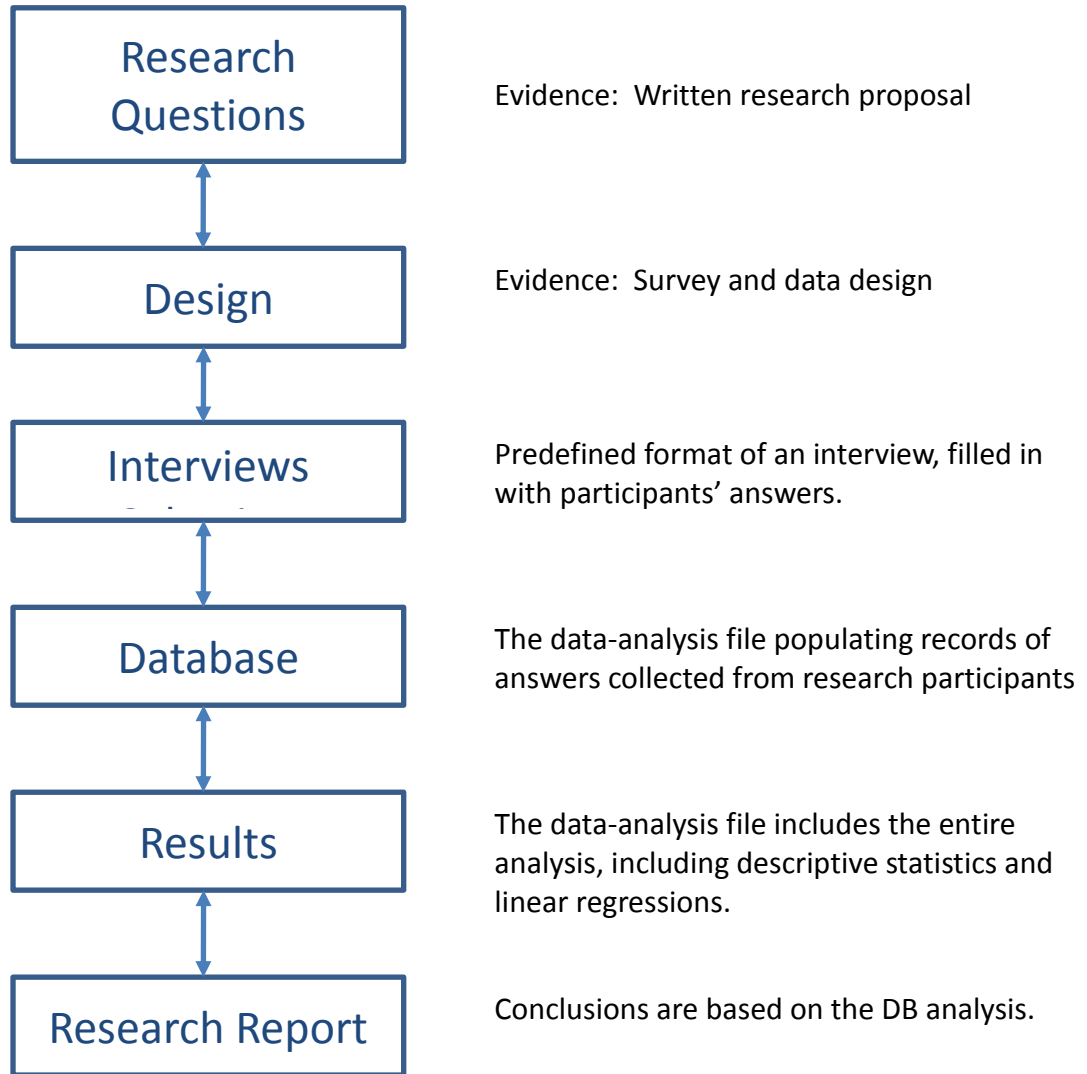


Figure 8. The Chain of Evidence

4.2.6. Human Subjects Protection – Checklist

The following table presents a list of human subjects' protection measures, as advised by Yin (2009: p.73):

Table 7. Human Subjects Protection – Checklist

HSP Measure	Implementation
Gaining informed consent from all persons who may be part of the case study	Participants took part in the research after volunteering to do so, and after being provided with explanation about the purpose of the research: exploring the suitability of turnaround strategies for non-crisis situation. The hypotheses were not shared in order to avoid potential influence on participants' answers.
Protecting those who participate in the study from any harm or deception	No harm. No deception.
Protecting the privacy and confidentiality of participants	Confidentiality was a great concern, given the sensitivity associated with this type of managerial actions: <ul style="list-style-type: none"> - Interviews were not recorded (Yin, 2009: p.109). - Database records used codes to identify participants, instead of their names. - Participants were assured that any information they share would remain confidential, and that any publication will use aggregated or statistical results. - Non-Disclosure Agreements (NDA) were signed by me whenever requested.
Taking special precautions that might be needed to protect especially vulnerable groups	No such groups are identified in this case.

4.2.7. Pilot Case Study

A pilot case study was used before going ahead with data collection, in order to verify correct understanding of the questionnaire.

4.3. Data Analysis

When survey-research is used for exploration, analysis frequently involves no more than developing the marginal and cross-tabulations for the variables and using simple descriptive statistics (Pinsonneault & Kraemer, 1993). That was the kind of analysis that, indeed, facilitated results analysis, and acceptance and rejection of hypotheses.

On top of that, the design employed the full logic of survey analysis, to support further data-exploration of any un-hypothesized correlation between the independent variables (risk and opportunity ratings), and the dependent ones (Supported / Rejected, and average support rates). Indeed, such further data analysis made use of linear regressions to identify correlations which were not hypothesized before the data-collection phase.

5. Results

5.1. Overview

The dataset used for analyzing research results is comprised of 30 interviews with CEOs of non-crisis firms. Each participant was asked for his or her opinion on 18 turnaround tactics, representing various turnaround stages and strategies. Specifically, participants were asked to indicate if they support or object the implementation of such tactics with regard to the firms they lead, and to rate the risk level, and opportunity level (1-5), related with such activities, as they saw it.

The results reflect wide support in turnaround strategies and tactics as a part of a business routine. Overall, turnaround strategies and tactics representing all turnaround stages, gained an average support rate of **79%**. Table 8 presents a breakdown of these results by turnaround stages:

Table 8. Results: Overview by Turnaround Stages

Turnaround Stage	Y	N	NA	Total Relevant	%Y
Evaluation	24	6	0	30	80%
Management Change	27	3	0	30	90%
Emergency	82	34	34	116	71%
Emergency + Stabilization	69	47	4	116	59%
Stabilization	139	9	2	148	94%
R2G	49	7	4	56	88%
Total	390	106	44	496	79%

The least-supported ones, in fact rejected, were strategies or tactics that are undertaken during both the Emergency and Stabilization stages of a turnaround (59%). The most supported were Stabilization-stage ones (94%).

Table 9 breaks-down these results into a higher level of resolution – by specific turnaround strategies:

Table 9. Results: Overview by Turnaround Strategies

Stage	Turnaround Strategy	Y	N	NA	Total Relevant	%Y
Evaluation	Evaluation	24	6	0	30	80%
Management Change	Management Change	27	3	0	30	90%
Emergency	Asset reduction	35	3	22	38	92%
Emergency	Fin. restructuring	31	18	11	49	63%
Emergency + Stabilization	Cost-reduction	33	26	1	59	56%
Emergency + Stabilization	Revenue generation	16	13	1	29	55%
Emergency + Stabilization	Working-capital Improvements	36	21	3	57	63%
Stb.	Critical process Improvements	58	2	0	60	97%
Stb.	Culture change	58	2	0	60	97%
Stb.	Strategic focus	23	5	2	28	82%
R2G	Growth strategies	49	7	4	56	88%
Total		390	106	44	496	79%

The least-supported, in fact rejected strategies were [Cost Reduction] and [Revenue Generation], both undertaken during the Emergency and Stabilization of turnarounds. The most-supported ones were [Critical Process Improvements] and [Culture Change], both undertaken during the Stabilization stage of turnarounds.

Table 10 presents the results at their highest resolution – by specific turnaround tactics:

Table 10. Results: Overview by Turnaround Tactics

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Mng.	Management Change	Replacing senior, non-performing m	27	3	0	30	90%
Eval.	Evaluation	Analyzing the firm’s operational and	24	6	0	30	80%
Emr.	Fin. restructuring	Restructuring loans	17	7	6	24	71%
Emr.	Fin. restructuring	Reducing dividends	14	11	5	25	56%
Emr.	Asset reduction	Selling unprofitable subsidiaries	17	0	13	17	100%
Emr.	Asset reduction	Selling unproductive plant and equip	18	3	9	21	86%
Emr.+Stb.	Working-capital Improve	Negotiating extended payment term	19	10	1	29	66%
Emr.+Stb.	Working-capital Improve	Accelerating billing and collection pr	17	11	2	28	61%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expendit	11	19	0	30	37%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding	22	7	1	29	76%
Emr.	Revenue generation	Changing prices, up or down, to maxi	16	13	1	29	55%
Stb.	Strategic focus	Shrinking back to the most profitable	23	5	2	28	82%
Stb.	Critical process Improve	Improving marketing and sales proce	29	1	0	30	97%
Stb.	Critical process Improve	Improving operational processes	29	1	0	30	97%
Stb.	Culture change	Implementing Performance Manage	29	1	0	30	97%
Stb.	Culture change	Developing innovation	29	1	0	30	97%
R2G	Growth strategies	Adding or developing new distributi	20	6	4	26	77%
R2G	Growth strategies	Expanding through acquisitions	29	1	0	30	97%
Total			390	106	44	496	79%

Data completeness check:

$$390+106+44 = 540 \text{ answers. } 540 / 18 \text{ tactics per questionnaire} = 30 \text{ participants.}$$

Altogether, 3 tactics were rejected: [Reducing dividends], [Cutting non-urgent, current expenditures], and [Maximizing revenue by changing prices]. Most of the rest of tactics (10) achieved support rates that ranged between 80% and 100%.

Lastly, Table 11 presents average levels of risk and opportunity associated with various turnaround tactics, as perceived by participants:

Table 11. Results: Average Levels of Risk and Opportunity

Row Labels	Avg Opportunity Level	Avg Risk Level
Evaluation	3.93	1.00
Evaluation	3.93	1.00
Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability	3.93	1.00
Management Change	4.53	2.47
Management Change	4.53	2.47
Replacing senior, non-performing managers, if existing	4.53	2.47
Emergency	3.67	2.06
Asset reduction	4.55	1.55
Selling unproductive plant and equipment	4.43	1.14
Selling unprofitable subsidiaries	4.71	2.06
Fin. restructuring	3.31	1.73
Reducing dividends	3.28	1.76
Restructuring loans	3.33	1.71
Revenue generation	3.14	3.28
Changing prices, up or down, to maximize revenue (not profit)	3.14	3.28
Emergency + Stabilization	3.17	2.21
Cost-reduction	3.31	2.41
Cutting non-urgent current expenditures	2.50	2.63
Cutting salaries and benefits, adding performance-based bonuses	4.14	2.17
Working-capital Improvements	3.04	2.00
Accelerating billing and collection processes	3.14	2.00
Negotiating extended payment terms with creditors	2.93	2.00
Stabilization	4.65	1.74
Critical process Improvements	4.77	1.40
Improving marketing and sales processes	4.77	1.53
Improving operational processes	4.77	1.27
Culture change	4.70	1.90
Developing innovation	4.73	2.50
Implementing Performance Management including personal targets, measurements, and incentives	4.67	1.30
Strategic focus	4.29	2.11
Shrinking back to the most profitable businesses and segments	4.29	2.11
R2G	4.43	2.77
Growth strategies	4.43	2.77
Adding or developing new distribution channels	4.15	2.35
Expanding through acquisitions	4.67	3.13
Grand Total	4.00	2.04

The main implications of such results on the set of research hypotheses are as follows:

- Hypotheses that predicted rejection of tactics due to irrelevant challenges – were not supported.
- Hypotheses that predicted support of tactics due to relevant challenges - were highly supported.
- The hypothesis relating to decision making based on risk AND opportunity management – was highly supported.

5.2. Results vis-à-vis Hypotheses

H1: Turnaround strategies that are used only at the Emergency stage of a turnaround would not be supported at non-crisis situations.

Table 12. Results: H1

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Emr.	Fin. restructuring	Restructuring loans	17	7	6	24	71%
Emr.	Fin. restructuring	Reducing dividends	14	11	5	25	56%
Emr.	Asset reduction	Selling unprofitable subsidiaries	17	0	13	17	100%
Emr.	Asset reduction	Selling unproductive plant and equipment	18	3	9	21	86%
Emr.	Revenue generation	Changing prices, up or down, to maximize revenue (not profit)	16	13	1	29	55%
Total			82	34	34	116	71%

This hypothesis is rejected, as pure-Emergency-stage tactics¹ gained a support rate of 71%, as seen on Table 12. It turns out that non-crisis firms basically support pure-Emergency strategies – strategies that aim at improving cash - although such firms are not desperate for cash. This result indicates the incremental-adoption. Such a result also supports the Cumulative-Stage approach (see the introduction to the hypotheses chapter).

¹ Excluding tactics that take place over both Emergency and Stabilization stages.

In addition, when drilling down to specific-tactics' support rates, a wide range is evident: [Selling unprofitable subsidiaries] got the highest support rate of 100%. On the other side of the scale, [Reducing dividends] and [Changing prices...] got the lowest support rates of 56% and 55% respectively; Such a range indicates a contingency that was not originally hypothesized. In this case, it can be observed that unlike the other tactic, both [Reducing dividends] and [Changing prices...] aim at improving a cash position, while compromising medium and long-term considerations. [Reducing dividends] compromises shareholders' interests, and therefore a firm's access to capital; [Changing prices...] compromises a firm's profitability. Indeed, all pure-Emergency tactics aim at improving cash, but these two, unlike the others, come with a price tag – compromising medium or long-term interests. As such, the contingency here is that such tactics are supported if not compromising medium or long-term considerations. This observation lead to adding hypothesis no.15.

H2: Turnaround strategies that are used at the Stabilization stage of a turnaround would be supported if the firm is operating below industry-average profitability levels.

Table 13. Results: H2 – Participants below common profitability levels

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Emr.+Stb.	Working-capital Improvements	Negotiating extended payment terms with creditors	3	0	1	3	100%
Emr.+Stb.	Working-capital Improvements	Accelerating billing and collection processes	4	0	0	4	100%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	2	2	0	4	50%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	3	1	0	4	75%
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	4	0	0	4	100%
Stb.	Critical process Improvements	Improving marketing and sales processes	4	0	0	4	100%
Stb.	Critical process Improvements	Improving operational processes	4	0	0	4	100%
Stb.	Culture change	Implementing Performance Management including personal targets, measurements, and incentives	3	1	0	4	75%
Stb.	Culture change	Developing innovation	4	0	0	4	100%
Total			31	4	1	35	89%

This hypothesis is supported, as participants performing worse than the industry - supported Stabilization stage tactics in 89% of the cases, as seen on Table 13. But given that, the question is: Would such practices be supported by participants

of higher levels of profitability, i.e. similar to or higher than the industry? To answer that question, the same data-processing was run for all profitable participants:

Table 14. Results: H2 – All profitable participants

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Emr.+Stb.	Working-capital Improvements	Negotiating extended payment terms with creditors	19	10	1	29	66%
Emr.+Stb.	Working-capital Improvements	Accelerating billing and collection processes	17	11	2	28	61%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	11	19	0	30	37%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	22	7	1	29	76%
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	23	5	2	28	82%
Stb.	Critical process Improvements	Improving marketing and sales processes	29	1	0	30	97%
Stb.	Critical process Improvements	Improving operational processes	29	1	0	30	97%
Stb.	Culture change	Implementing Performance Management including personal targets, measurements, and incentives	29	1	0	30	97%
Stb.	Culture change	Developing innovation	29	1	0	30	97%
Total			208	56	6	264	79%

As seen on Table 14, it turns out that although support level is lower, profitable firms support Stabilization-stage tactics regardless of their relative profitability, i.e. even when their level of profitability is similar to, or higher than the industry. That provides an additional indication that participants follow the Cumulative-Stage approach.

H3: Turnaround strategies that are used at the Stabilization stage of a turnaround would not be supported if the firm is operating at industry-average profitability levels or higher.

Table 15. Results: H3

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Emr.+Stb.	Working-capital Improvements	Negotiating extended payment terms with creditors	16	10	0	26	62%
Emr.+Stb.	Working-capital Improvements	Accelerating billing and collection processes	13	11	2	24	54%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	9	17	0	26	35%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	19	6	1	25	76%
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	19	5	2	24	79%
Stb.	Critical process Improvements	Improving marketing and sales processes	25	1	0	26	96%
Stb.	Critical process Improvements	Improving operational processes	25	1	0	26	96%
Stb.	Culture change	Implementing Performance Management including personal targets, measurements, and incentives	26	0	0	26	100%
Stb.	Culture change	Developing innovation	25	1	0	26	96%
Total			177	52	5	229	77%

This hypothesis is rejected, as relevant participants (average profitability or higher) supported Stabilization stage strategies in 77% of the cases, as seen on Table 15.

Such a result fit the results and discussion related to H2 above: Profitable firms support Stabilization-stage tactics regardless of their relative profitability, i.e. even when their level of profitability is similar to, or higher than the industry. As such, it supports the Cumulative-Stage approach.

H4: Turnaround strategies that are used at the Return to Growth stage of a turnaround would not be supported if the firm is operating below industry-average profitability levels.

Table 16. Results: H4

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
R2G	Growth strategies	Adding or developing new distribution channels	2	2	0	4	50%
R2G	Growth strategies	Expanding through acquisitions	4	0	0	4	100%
Total			6	2	0	8	75%

This hypothesis is rejected, as it got a support rate of 75%, as seen on Table 16. Although their profitability level is lower than the industry, non-crisis firms still support Growth strategies. This finding is rather interesting: From a first glance, it seems to supports the Cumulative-Stage approach, according to which the appetite for performance-improvement practices is not limited to the specific challenges faced. But from a second glance – it contradicts the logic of predominant turnaround-literature: Even if those participants were recovering from a crisis (i.e. turnaround firms), according to the turnaround literature they should have first reach reasonable profitability, and only then seek growth. It is possible that the low number of cases (4 participants who were operating below industry-level profitability, out of 30) – enables such a deviation. But it is also possible that such a result indicates of a common mistake, that too many companies do: Take courses of actions that they shouldn't have taken. According to the turnaround literature, investing in growth when you are not yet profitable enough – is one of them. Such mistakes do take place, and firms find themselves in challenging situations down the road, as well described by corporate-turnaround theory.

H5: Turnaround strategies that are used at the Return to Growth stage of a turnaround would be supported if the firm is operating at industry-average profitability levels or higher.

Table 17. Results: H5 - Participants of common profitability levels or higher

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
R2G	Growth strategies	Adding or developing new distribution channels	18	4	4	22	82%
R2G	Growth strategies	Expanding through acquisitions	25	1	0	26	96%
Total			43	5	4	48	90%

This hypothesis is strongly supported, as it gained a support rate of 90%, as seen on Table 17. Yet, another valuable view is the results of an even wider hypothesis, including the entire research population, without excluding firms having a profitability rate that is lower than Industry levels. Here is the data:

Table 18. Results: H5 - All Participants

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
R2G	Growth strategies	Adding or developing new distribution channels	20	6	4	26	77%
R2G	Growth strategies	Expanding through acquisitions	29	1	0	30	97%
Total			49	7	4	56	88%

The wider-population, alternative hypothesis has a support rate of 88%, as seen on Table 18, which is slightly lower than the original, more limited hypothesis. Given that, it is evident that the exclusion of lower-profitability firms, as hypothesized, achieved stronger validation.

It should be mentioned that the actual support rate of this hypothesis is even higher than measured: Deeper examination of the reasons for objection across the entire population (free-style, provided by 3 out of 5 objectors), is that firms already had all the distribution channels they thought they needed. As such, they should not actually be considered as objectors, and such objections could have turned into support, if the words “if needed” were added at the end of the tactic’s wording (“Adding or developing new distribution channels, if needed”).

Another valuable finding here is that 100% of the participants supported the tactic of expansion through acquisitions – including unprofitable firms.

H6: The introduction of a “Risk vs. Opportunity Management” methodology will be effective in encouraging managers to implement turnaround strategies, at non-crisis situations.

This hypothesis was tested on 6 participants only, and participants changed their answers in 2 cases only, out of 102. Given those results, it was dropped from later interviews, for its apparent low value, its load on interview dynamics, and its indirect linkage to the objectives of this research (turnaround rather than impact of risk vs. opportunity methodology on decision-making processes).

H7: Turnaround strategies shall be supported at non-crisis business situations, if their risk level is not high, and if their opportunity level is greater than their risk level.

The dataset included 390 “Yes” answers, i.e. supporting a given activity, and 106 “No” answers, i.e. rejecting a given activity. Altogether, the dataset includes 496 valid answers. Side by side to providing an answer, research participants rated the level of risk (1-5), and level of opportunity (1-5), related to any given activity.

- A “Yes” answer was classified as fitting the model if the opportunity level was higher than the risk level, and if the risk level was lower than 4.
- A “No” answer was classified as fitting the model if the risk level was either equal or higher than the opportunity level, or if the risk level was rated as 4 or 5.

As seen on Table 19, 488 answers out of 496 valid ones fit the model, i.e. 98%. This hypothesis is supported.

Table 19. Results: H7

Opp level/ Risk level	1		2		3		4		5		Total Answers	Fitting the Model
1	24		5		36		7		199		271	270
	Y	N	Y	N	Y	N	Y	N	Y	N		
	0	24	4	1	36	0	7	0	199	0		
	0%	100%	80%	20%	100%	0%	100%	0%	100%	0%		
2	5		5		1		1		12		24	24
	Y	N	Y	N	Y	N	Y	N	Y	N		
	0	5	0	5	1	0	1	0	12	0		
	0%	100%	0%	100%	100%	0%	100%	0%	100%	0%		
3	26		4		9		9		94		142	138
	Y	N	Y	N	Y	N	Y	N	Y	N		
	2	24	0	4	1	8	9	0	93	1		
	8%	92%	0%	100%	11%	89%	100%	0%	99%	1%		
4	3		2		2		0		22		29	28
	Y	N	Y	N	Y	N	Y	N	Y	N		
	0	3	0	2	0	2	0	0	21	1		
	0%	100%	0%	100%	0%	100%	#DIV/0!	#DIV/0!	95%	5%		
5	23		1		4		0		2		30	28
	Y	N	Y	N	Y	N	Y	N	Y	N		
	2	21	0	1	0	4	0	0	2	0		
	9%	91%	0%	100%	0%	100%	#DIV/0!	#DIV/0!	100%	0%		
	496											488
												98%

H8: Non-crisis firms support the dismissal non-performing officers.

Table 20. Results: H8

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Mng.	Management Change	Replacing senior, non-performing managers, if existing	27	3	0	30	90%
Total			27	3	0	30	90%

This hypothesis supported, as it got a support rate of 90%, as seen on Table 20.

H9: Business diagnosis will not be supported, regardless of the firm's level of profitability.

Table 21. Results: H9

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial plan	24	6	0	30	80%
Total			24	6	0	30	80%

This hypothesis is rejected, as it got a support rate of 80%, as seen on Table 21. The results for H9-H11 are jointly discussed below.

H10: Business diagnosis will be supported if the firm is operating below industry-average profitability levels.

Table 22. Results: H10

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability	2	2	0	4	50%
Total			2	2	0	4	50%

This hypothesis is rejected, as it gained only 50% support rate, as seen on Table 22. The results for H9-H11 are jointly discussed below.

H11: Business diagnosis will not be supported if the firm is operating at industry-average profitability levels or higher.

Table 23. Results: H11

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial plan for improving cash and profitability	22	4	0	26	85%
Total			22	4	0	26	85%

This hypothesis is rejected, as it gained a support rate of 85%, as seen on Table 23.

The results for H9, H10, and H11 clarify that as far as healthy companies are concerned, CEOs are open to learning new facts and trends. From a first glance, such results seem to surprise, and contradict the predominant, turnaround literature, which argues that top-managements are prone to fixation. But in fact, the turnaround literature relates to companies that experienced a crisis, as a result of such a fixation. The turnaround does *not* relate to healthy companies, that keep themselves from such deterioration. It turns out that the assumption that healthy

companies would act similarly to companies that are prone to decline – is mistaken. These finding also support the Cumulative-Stage approach. In this case, it means that participants supported Business Diagnosis regardless of their level of profitability, comparing to their industries.

H12: Strategic Focus, and Growth strategies, will be supported if a firm’s challenges are perceived to include external ones.

Table 24. Results: H12 - Internal and External Challenges

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	16	5	2	21	76%
R2G	Growth strategies	Adding or developing new distribution channels	16	3	4	19	84%
R2G	Growth strategies	Expanding through acquisitions	23	0	0	23	100%
Total			55	8	6	63	87%

This hypothesis is supported, as it gained a support rate of 87%, as seen on Table 24. It should be reminded that the wording “include external ones” was used in order to include both internal and external challenges. Deeper examination of the data reveals that if indications were limited to external only, the support rate would reach 93%, as seen on Table 25. Here is the data when filtering out “internal and external”:

Table 25. Results: H12 - External Challenges Only

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	7	2	1	9	78%
R2G	Growth strategies	Adding or developing new distribution channels	8	0	2	8	100%
R2G	Growth strategies	Expanding through acquisitions	10	0	0	10	100%
Total			25	2	3	27	93%

Such results make sense, because as far as turnaround companies are concerned, both [Strategic Focus] and [Growth Strategies] are used in strategic turnarounds, that address external challenges. However, sticking to the original hypothesis which covers companies facing both “External” and “Internal and External” challenges – will yield higher contribution: Based on the results, the original hypothesis will be relevant to a much bigger population (more than double), as such more generic.

H13: Strategic Focus, and Growth strategies, will not be supported if a firm's challenges are perceived to be internal only.

Table 26. Results: H13

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	7	0	0	7	100%
R2G	Growth strategies	Adding or developing new distribution channels	4	3	0	7	57%
R2G	Growth strategies	Expanding through acquisitions	6	1	0	7	86%
Total			17	4	0	21	81%

This hypothesis is rejected, as it got a support rate of 81%, as seen on Table 26. We have a group of companies here, facing internal challenges only, and choosing to support Strategic Focus and growth strategies, although such strategies aim at improving different challenges. This finding indicates that healthy companies' openness to performance-improvement activities exceeds the specific challenges they face, as supporting the Cumulative-Stage approach as well.

H14: Strategic Focus will be supported if a firm's profitability is lower than the industry level, whether challenges are perceived to be internal or external.

Table 27. Results: H14

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	4	0	0	4	100%
Total			4	0	0	4	100%

This hypothesis is strongly supported, as it got a support rate of 100%, as seen on Table 27.

5.3. Further Data Analysis

5.3.1. Further Analysis of the Overall Support-Rate

Given that turnaround strategies and tactics were widely supported by research participants, regardless of their current challenge, i.e. equivalent turnaround stage, further examination of the data provided an opportunity to fine-tune the findings. Such an examination was conducted by identifying the least-supported strategies and tactics, and consideration of attributes that differentiate them from other, supported strategies and tactics. The path followed is presented hereby.

Table 28 presents the turnaround strategies and tactics surveyed, along with support rates, while highlighting those which were rejected (<60% support):

Table 28. Further Analysis - The Overall Support-Rate by Tactics

Stage	Strategy	Tactic	Y	N	NA	Total Relevance	%Y
Mng.	Management Change	Replacing senior, non-performing managers	27	3	0	30	90%
Eval.	Evaluation	Analyzing the firm's operational and financial performance	24	6	0	30	80%
Emr.	Fin. restructuring	Restructuring loans	17	7	6	24	71%
Emr.	Fin. restructuring	Reducing dividends	14	11	5	25	56%
Emr.	Asset reduction	Selling unprofitable subsidiaries	17	0	13	17	100%
Emr.	Asset reduction	Selling unproductive plant and equipment	18	3	9	21	86%
Emr.+Stb.	Working-capital Improvement	Negotiating extended payment terms	19	10	1	29	66%
Emr.+Stb.	Working-capital Improvement	Accelerating billing and collection processes	17	11	2	28	61%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	11	19	0	30	37%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding headcount	22	7	1	29	76%
Emr.	Revenue generation	Changing prices, up or down, to maximize margins	16	13	1	29	55%
Stb.	Strategic focus	Shrinking back to the most profitable core	23	5	2	28	82%
Stb.	Critical process Improvement	Improving marketing and sales processes	29	1	0	30	97%
Stb.	Critical process Improvement	Improving operational processes	29	1	0	30	97%
Stb.	Culture change	Implementing Performance Management	29	1	0	30	97%
Stb.	Culture change	Developing innovation	29	1	0	30	97%
R2G	Growth strategies	Adding or developing new distribution channels	20	6	4	26	77%
R2G	Growth strategies	Expanding through acquisitions	29	1	0	30	97%
Total			390	106	44	496	79%

Altogether, 3 tactics were rejected by research participants:

- Reducing dividends

- Cutting non-urgent current expenditures
- Changing prices, up or down, to maximize revenue (not profit)

The common attribute of those tactics, is their *objective*: They all aim at improving a cash position. If tactics' objectives are found as a differentiator, let us identify the objective(s) of all other tactics. Table 29 presents the objectives identified:

Table 29. Further Analysis: Tactics and Objectives

Stage	Strategy	Tactic	Objective:			
			Change	Cashflow	Profitability	Growth
Mng.	Management Change	Replacing senior, non-performing managers, if existing	V			
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an ini	V			
Emr.	Fin. restructuring	Restructuring loans		V		
Emr.	Fin. restructuring	Reducing dividends		V		
Emr.	Asset reduction	Selling unprofitable subsidiaries		V	V	
Emr.	Asset reduction	Selling unproductive plant and equipment		V		
Emr.+Stb.	Working-capital Improvement	Negotiating extended payment terms with creditors		V		
Emr.+Stb.	Working-capital Improvement	Accelerating billing and collection processes		V		
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures		V		
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonus	V		V	
Emr.	Revenue generation	Changing prices, up or down, to maximize revenue (not profit)		V		
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments			V	
Stb.	Critical process Improvement	Improving marketing and sales processes			V	V
Stb.	Critical process Improvement	Improving operational processes			V	V
Stb.	Culture change	Implementing Performance Management including personal tar	V			
Stb.	Culture change	Developing innovation	V		V	V
R2G	Growth strategies	Adding or developing new distribution channels				V
R2G	Growth strategies	Expanding through acquisitions				V

Altogether, 4 objectives were identified for all surveyed strategies and tactics:

- Facilitate change
- Improve cash-flow
- Improve profitability
- Improve growth

As seen on Table 30, all rejected tactics are purely cash-improving ones. Let us put all purely-cash-improving tactics under a spotlight:

Table 30. Further Analysis: Cash-Improving Tactics

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Emr.	Fin. restructuring	Restructuring loans	17	7	6	24	71%
Emr.	Fin. restructuring	Reducing dividends	14	11	5	25	56%
Emr.	Asset reduction	Selling unproductive plant and equipment	18	3	9	21	86%
Emr.+Stb.	Working-capital Improvement	Negotiating extended payment terms with creditors	19	10	1	29	66%
Emr.+Stb.	Working-capital Improvement	Accelerating billing and collection processes	17	11	2	28	61%
Emr.+Stb.	Cost-reduction	Cutting non-urgent current expenditures	11	19	0	30	37%
Emr.	Revenue generation	Changing prices, up or down, to maximize revenue (not profit)	16	13	1	29	55%
Total			112	74	24	186	60%

Altogether we have 7 tactics that purely aim at improving a cash position. But only 3 of those tactics were rejected. That indicates that a given tactic's objective to improve cash – does not, by itself, lead to rejection. What differentiates those 3 rejected tactics, from other, supported cash-improving tactics?

Interestingly, it can be observed that while *all* cash-improving tactics have short-term benefits (i.e. improving cash with immediate effect), the 3 rejected ones have also medium and long-term downsides: They all compromise medium and long-term interests, while other, supported tactics – do not:

- **Reducing Dividend** makes the company less-attractive to investors, as such compromises its access to capital, and medium or long-term growth.
- **Cutting non-urgent current expenditures** compromises a firm's smooth operations in the medium or long term. For example, cutting on maintenance (production line, fleet) may save an immediate expense – but increase malfunction and shutdown incidents a few months later, and hit profitability.
- **Maximizing revenue rather than profit** will push margins down. For example, stock-dumping will lead and negative margins on existing stock (and indeed, liquidation is a commonly used tactic upon a cash-crisis situation).

These downsides are also reflected by [Opportunity Level] and [Risk Level] ratings provided by research participants for these 3 tactics, as seen on Table 31:

Table 31. Further Analysis: Selected Tactics' Risk and Opportunity Levels

Tactic	Avg. Opportunity Rating	Avg. Risk Rating
Reducing dividends	1.7	2.3
Cutting non-urgent current expenditures	1.5	3.0
Changing prices, up or down, to maximize revenue (not profit)	1.7	4.4
Average	1.6	3.2

While the average opportunity level and risk level were 4.00 and 2.04 respectively for all tactics together, values were 1.6 and 3.2 respectively for these 3 rejected tactics. In other words, while average opportunity-level ratings were double than

average risk-level ratings for all tactics as a whole – average risk levels were double than average opportunity levels for those 3 tactics that were rejected.

This finding reconciles with the difference between cash-challenged firms, and healthy ones, as reflected in the predominant literature: Cash-challenged firms, seeking survival, will see higher cash and lower inventory and accounts payable as an improvement. Healthy one will facilitate higher profitability by investing cash in higher levels of inventory and accounts payable. As such the logic being identified, that wraps-up the entire set of data, is as follows:

Turnaround strategies are supported at non-crisis situations, as long as not preferring cash-generation over medium or long-term consideration.

Applying this finding to the set of data collected, generated the following results, as presented on Table 32:

Table 32. Support rates when not compromising medium or long-term considerations

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Mng.	Management Change	Replacing senior, non-performing managers, if existing	23	3	0	26	88%
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial p	21	5	0	26	81%
Emr.	Fin. restructuring	Restructuring loans	16	5	5	21	76%
Emr.	Asset reduction	Selling unprofitable subsidiaries	15	0	11	15	100%
Emr.	Asset reduction	Selling unproductive plant and equipment	15	3	8	18	83%
Emr.+Stb.	Working-capital Improve	Negotiating extended payment terms with creditors	17	8	1	25	68%
Emr.+Stb.	Working-capital Improve	Accelerating billing and collection processes	16	8	2	24	67%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	18	7	1	25	72%
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	21	3	2	24	88%
Stb.	Critical process Improve	Improving marketing and sales processes	25	1	0	26	96%
Stb.	Critical process Improve	Improving operational processes	25	1	0	26	96%
Stb.	Culture change	Implementing Performance Management including personal targets	25	1	0	26	96%
Stb.	Culture change	Developing innovation	25	1	0	26	96%
R2G	Growth strategies	Adding or developing new distribution channels	17	6	3	23	74%
R2G	Growth strategies	Expanding through acquisitions	25	1	0	26	96%
Total			304	53	33	357	85%

This fine-tuning helped not only identifying an important contingency for managements' support of turnaround tactics as a part of the business routine, but also increased the average support-rate from 79% (including rejected tactics) to 85%.

Lastly, given that pure-cash-improvement tactics are the least supported ones (60%), another valuable view is the one that excludes them all – including some that were *not* rejected, as presented on Table 33:

Table 33. Support Rates when Excluding Cash-Improving Tactics

Stage	Strategy	Tactic	Y	N	NA	Total Relevant	%Y
Mng.	Management Change	Replacing senior, non-performing managers, if existing	27	3	0	30	90%
Eval.	Evaluation	Analyzing the firm's operational and strategic health, and an initial p	24	6	0	30	80%
Emr.+Stb.	Cost-reduction	Cutting salaries and benefits, adding performance-based bonuses	22	7	1	29	76%
Stb.	Strategic focus	Shrinking back to the most profitable businesses and segments	23	5	2	28	82%
Stb.	Critical process Improvements	Improving marketing and sales processes	29	1	0	30	97%
Stb.	Critical process Improvements	Improving operational processes	29	1	0	30	97%
Stb.	Culture change	Implementing Performance Management including personal targets	29	1	0	30	97%
Stb.	Culture change	Developing innovation	29	1	0	30	97%
R2G	Growth strategies	Adding or developing new distribution channels	20	6	4	26	77%
R2G	Growth strategies	Expanding through acquisitions	29	1	0	30	97%
Total			261	32	7	293	89%

As presented by the table above, when excluding all those tactics that aim at improving cash purely (including supported ones), turnaround strategies and tactics reach a record-support-rate of 89%, at non-crisis business situations.

5.3.2. Further Analysis of Support-Rates vis-à-vis Risk and Opportunity

Several linear regressions were run to test the correlation between Support-Rates each turnaround-tactic reached, and values of risk and opportunity as rated by participants. For that purpose, the following variable was defined:

$$\text{Net Opportunity} = \text{Opportunity Level} - \text{Risk Level}$$

The variable “Net Opportunity” reflects the perception that participants may weigh the Risk level against the Opportunity level, when considering a given tactic.

The Net Opportunity was calculated for each one of the 18 tactics, as rated by each the 30 participants. Table 34 presents the calculation made (NA answers were excluded):

Table 34. Tactics' Average Net Opportunity Levels

Participant	Replac	Analysi	Restruct	Reducing	Selling u	Selling u	Negotiat	Acceler	Cutting r	Cutting s	Changin	Shrinkin	Improvin	Improvin	Impleme	Developi	Adding o	Expandi
Participant	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	T12	T13	T14	T15	T16	T17	T18
101	2	4	3	-3	4	4	4	3	4	4	3	4	3	4	4	4	2	4
102	-1	1	-1	0	-4	4	2	2	2	0	0	3	4	4	4	4	-1	2
103	4	4	-1	-2	3	4	-2	-1	-1	-3	0	-1	0	2	2			2
104	2	2	1	4	4	0	-3	-2	0	0	1	-2	4	4	1	2		2
105	4	4	4	-1	4	4	-2	4	0	0	2	1	4	3	4	2		2
106	2	4					4	0	3	2		2	4	4	4	4	0	1
107	3	3			4		0	2	2	-4	4	4	4	4	4	1	1	2
108	2	4	4	2	2	4	4		4		4		2	2	2	2	4	1
109	2	4		0			-2	-2	2	4	1	2	4	4	4	2	4	1
110	2	4		2			-4	-2	-2	4	2	2	4	4	4	2	4	2
111	4	4	2	0	3	4	-2		4	-2	-4	4	4	4	4	4	4	2
112	2	4	1	4			1	1	3	4	1	-3	4	3	4	1	2	1
113	-2	2	2			3	2	0	-2	4	2	4	4	4	4	2	4	0
114	1	0	2	4		4	2	4	2	4	-2	1	1	3	1	1	1	1
115	2	4	1					4	2	4	4	4	2	2	4	2	2	1
116	2	4	0	4	2	4	2	0	0	4	4	4	4	4	4	2	2	2
117	2	0	0	0	1	0	2	2	-1	-4	2	2	4	4	2	2	0	2
118	2	2	1	4	4	4	4	4	2	4	-2	4	4	4	0	1	2	2
119	2	4	0	0		4	2	2	0	4	4	2	3	2	4	2	4	2
120	2	4	4	0	4	4	2	4	-2	2	-4	4	2	4	4	2	2	1
121	4	4	2	4	4	4	2	4	-4	2	-4	4	1	4	4	1	4	1
122	-4	0	2	2	2	4	2	-4	-4	-2	-4	4	4	4	4	-2	-2	1
123	2	4	4	0	2	-2	2	4	-2	2	-2	4	4	4	4	2	0	2
124	4	2	2	4			2	4	-2	4	-4	4	3	2	4	4	-4	-4
125	1	0		4			0	-2	-2	4	2	-1	3	4	4	2	4	4
126	4	4	2	2		4	4	4	-4	4	-4	4	2	4	4	2	2	2
127	2	0	0	-2	2	4	-2	-4	-2	4	0	-4	4	4	4	4	2	2
128	4	4	4	4		4	-2	-2	-4	2	-2	4	4	4	4	4	2	2
129	2	4	0	2	4		2	4	2	2	-4	-2	4	4	2	2	2	1
130	4	4				4	1	-1	-4	4	-4	2	4	4	3	4		2
Average Net Opportunity	2.07	2.93	1.63	1.52	2.65	3.29	0.93	1.14	-0.13	1.97	-0.14	2.18	3.23	3.50	3.37	2.23	1.81	1.53

Following that, an Average Net Opportunity could be calculated for each tactic, as presented in the bottom line of the table.

Table 35 summarizes the Average Net Opportunity and the Support-Rate for each turnaround tactic – the data to be used in subsequent linear regressions:

Table 35. Tactics Support Rates and Average Net Opportunity Levels

Tactic	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	T12	T13	T14	T15	T16	T17	T18
% Yes	90%	80%	71%	56%	100%	86%	66%	61%	37%	76%	55%	82%	97%	97%	97%	97%	77%	97%
Average Net Opportunity	2.07	2.93	1.63	1.52	2.65	3.29	0.93	1.14	-0.13	1.97	-0.14	2.18	3.23	3.50	3.37	2.23	1.81	1.53

“Average Net Opportunity” was used as an independent variable;

Support Rate was used as a dependent variable.

Tables 36 to 37 present the results of 3 regressions which were run.

Regression 1

Dependent (Y): Support Rate

Independent (X1): Net Opportunity

Main results: Support Rate is significantly and positively correlated with Net Opportunity. $R^2 = 68\%$.

Table 36. Regression 1 Data Set

Tactic	Average Net Opportunity	Support Rate
T1	2.07	90%
T2	2.93	80%
T3	1.63	71%
T4	1.52	56%
T5	2.65	100%
T6	3.29	86%
T7	0.93	66%
T8	1.14	61%
T9	-0.13	37%
T10	1.97	76%
T11	-0.14	55%
T12	2.18	82%
T13	3.23	97%
T14	3.50	97%
T15	3.37	97%
T16	2.23	97%
T17	1.81	77%
T18	1.53	97%

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.82193
R Square	0.67556
Adjusted R Square	0.65529
Standard Error	0.10717
Observations	18

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.38263	0.38263	33.3163	2.9E-05
Residual	16	0.18376	0.01148		
Total	17	0.56638			

	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.51594	0.05352	9.64074	4.6E-08	0.40249	0.62939	0.40249	0.62939
Average Net Opportunity	0.13731	0.02379	5.77203	2.9E-05	0.08688	0.18774	0.08688	0.18774

Figure 9. Regression 1 Output

Regression 2

Dependent (Y): Support Rate

Independent (X1): Net Opportunity

Independent (X2): Cash-Improving while Compromising? (yes=1 i.e. 3 tactics)

Main results: Support Rate is significantly and positively correlated with Net Opportunity. $R^2 = 75\%$.

Table 37. Regression 2 Data Set

Tactic	Cash Improving while Compromising	Average Net Opportunity	Support Rate
T1	0	2.07	90%
T2	0	2.93	80%
T3	0	1.63	71%
T4	1	1.52	56%
T5	0	2.65	100%
T6	0	3.29	86%
T7	0	0.93	66%
T8	0	1.14	61%
T9	1	-0.13	37%
T10	0	1.97	76%
T11	1	-0.14	55%
T12	0	2.18	82%
T13	0	3.23	97%
T14	0	3.50	97%
T15	0	3.37	97%
T16	0	2.23	97%
T17	0	1.81	77%
T18	0	1.53	97%

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.86497
R Square	0.74818
Adjusted R Square	0.7146
Standard Error	0.09751
Observations	18

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.42376	0.21188	22.2829	3.2E-05
Residual	15	0.14263	0.00951		
Total	17	0.56638			

	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.62283	0.0708	8.79689	2.6E-07	0.47192	0.77374	0.47192	0.77374
Cash Generation whi	-0.17073	0.08209	-2.07974	0.05511	-0.3457	0.00424	-0.3457	0.00424
Average Net Opportu	0.09776	0.02881	3.39303	0.00401	0.03635	0.15918	0.03635	0.15918

Figure 10. Regression 2 Output

Regression 3

Dependent (Y): Support Rate

Independent (X1): Net Opportunity

Independent (X2): Cash-Improving Purely? (yes=1 i.e. 7 tactics)

Main results: Support Rate is significantly and positively correlated with Net Opportunity. $R^2 = 80\%$. All variables are significant.

Table 38. Regression 3 Data Set

Tactic	Cash Improving Purely? (Y=1)	Average Net Opportunity	Support Rate
T1	0	2.07	90%
T2	0	2.93	80%
T3	1	1.63	71%
T4	1	1.52	56%
T5	0	2.65	100%
T6	1	3.29	86%
T7	1	0.93	66%
T8	1	1.14	61%
T9	1	-0.13	37%
T10	0	1.97	76%
T11	1	-0.14	55%
T12	0	2.18	82%
T13	0	3.23	97%
T14	0	3.50	97%
T15	0	3.37	97%
T16	0	2.23	97%
T17	0	1.81	77%
T18	0	1.53	97%

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.89421
R Square	0.7996
Adjusted R Square	0.77288
Standard Error	0.08699
Observations	18

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.45288	0.22644	29.9258	5.8E-06
Residual	15	0.1135	0.00757		
Total	17	0.56638			

	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.66759	0.06606	10.1057	4.4E-08	0.52679	0.8084	0.52679	0.8084
Cash Improving Only	-0.16116	0.05289	-3.04705	0.00815	-0.27389	-0.04843	-0.27389	-0.04843
Average Net Opporti	0.09245	0.02428	3.8071	0.00172	0.04069	0.14421	0.04069	0.14421

Figure 11. Regression 3 Output

5.3.3. Further Analysis - Summary

The additional analysis which was undertaken revealed that the most-significant contingency is related to turnaround tactics that purely aim at improving cash (without any direct effect on profitability or growth):

- When excluding such turnaround tactics, the average Support Rate covering all the rest of turnaround tactics reached the highest value of 89%.
- When adding a variable that “flagged” turnaround tactics that purely aim at improving cash, regression results reflected the highest correlation reached between Support Rates (dependent) and Net Opportunity (independent) – $R^2 = 80\%$.

These results clarify the strongest contingency revealed by this study:

Turnaround tactics are supported by non-crisis firms as long as not aiming at purely improving cash. In other words, turnaround tactics that aim at facilitating change, and improving profitability and growth - are supported by non-crisis firms.

6. Research Summary and Conclusions

To date, organizational-decline research is still far from understanding the dynamics and antecedents of this phenomenon (Ghazzawi, 2018). But for more than three decades, it is widely recognized that most organizations face a major decline in performance at some time in their existence, and that only some of them respond early and effectively (Hofer, 1980). Many companies do not respond before crisis becomes obvious. At such a point, radical turnaround attempts are triggered, and mostly fail (Gopinath, 1991; Daily & Dalton, 1995; Huff et al., 1992; Bibeault, 1999; Sudarsanam & Lai, 2001; Trahms, 2013; Lymbersky, 2014). Ideally, transformation should have been undertaken preemptively, and there *are* ways for managers to identify and amplify early signs of decline (Lorange & Nelson, 1987). But in practice transformation is, *still*, much more commonly a reaction to changing — and challenging — circumstances (Reeves et al., 2018). As such there is room, and potential valuable contribution, in exploring how organizational decline can be avoided.

Turnaround researchers over the past three decades have suggested that the management practices that could cure a troubled company, could have also kept it well, and indicated the opportunity of implementing turnaround strategies *before* crisis situations evolve. It has been argued that by adopting turnaround strategies early enough, recovery can be more easily achieved, without the traumas usually associated with a crisis situation (Whitney, 1987a; Whitney, 1987b; Grinyer et al., 1990; Donaldson, 1994; Slatter & Lovett, 1999; Midanek, 2002; Lymbersky, 2014). But as that concept gained traction, it has also been suggested that traditional management practices did not suffice (Finkin, 1985): While most managers are trained to manage a profitable operation, different planning and control processes are needed to manage a losing one (Fredenberger, 1997), and managerial competence lacked basic corporate performance-improvement skills (Grunberg, 2004). As such, enriching Management Science with such anti-decline research,

theory, tools and teaching programs, was pin-pointed as an urgent priority (Serra et al., 2012).

Corporate-Turnaround research has recently started to reach out to traditional Management Science, by calling troubled companies to respond earlier: It has been suggested to view Corporate Turnaround as a dynamic capability and process, which can be developed internally, without changing a firm's management (Schoenberg et al., 2013), and the definition of Turnaround was extended to include firms that are yet to experience liquidity problems (Lymbersky, 2014). But enriching Management Science with such anti-decline theory and tools requires it to, similarly, reach out to the field of Corporate Turnaround, by calling healthy companies to adopt Anti-Decline practices as a part of their business routine. In other words, calling companies that are *currently* healthy - to adopt a healthy business routine that will also keep them well. That is a *different* population of companies than the one addressed by the field of Corporate Turnaround. Bringing such companies to adopt anti-decline practices, to keep them well, is a challenge, though, as organizational-decline research is still scarce (Serra et al., 2012).

This research aimed at providing just that: Empirical evidence to support extension of Management Science to the field of Anti-Decline. Such an extension could potentially call for routine and preemptive implementation of practices to keep healthy companies well. In the spirit of that three-decades-old suggestion, that the management practices that could cure a troubled company, could have also kept it well, the types of practices which were chosen to be examined for their suitability for non-crisis firms – were common and effective corporate-turnaround ones.

This research started with an extensive literature review of predominant, corporate-turnaround research. Since that field is still empirically and theoretically fragmented, inconsistent, without much cumulative theory building (Trahms et al., 2013), and under-specified in terms of methodologies and techniques (Safrudin et

al., 2014), it was required to put corporate-turnaround practices in order: Turnaround types, stages, strategies, and tactics – were synthesized into an hierarchical and coherent structure, while fixing inconsistent classifications and suggesting a consistent terminology.

Once a coherent terminology, hierarchy and classification of turnaround-practices were reached, hypotheses regarding the suitability of such practices to non-crisis firms - were developed based on the predominant corporate-turnaround research. Developing hypotheses that relate to *non-crisis firms* – based on “*crisis-fighting*” literature that Corporate Turnaround research has to offer – may sound like mixing apples and oranges, but in fact, can make sense: Some stages of the turnaround process and activities deal with non-crisis situations, specifically Stabilization and Return-to-Growth ones. As soon as the Emergency stage – which aims at stopping cash bleeding - is over, firms are no longer facing a crisis. From that point on, turnaround firms continue with the turnaround process, by working on improving their profitability as a part of the Stabilization stage and increasing their profitable sales as a part of the Return-to-Growth stage. As such, there *is* room to explore test the extent to which non-crisis firms, which lack crisis experience, are open to adopting turnaround practices: Do “normal” firms support profit-improvement practices just as turnaround firms do as a part of the Stabilization stage of the turnaround process? Do such firms support growth-improvement practices just as turnaround firms do as a part of the Return-to-Growth process? Do such companies support cashflow-improvement practices, given that equivalent-stage turnaround firms – i.e. now-profitable ones – are already passed that?

Given that organizational-decline research is still scarce (Serra et al., 2012), there is no sufficient, predominant research and theory to support either answers. On one hand, healthy firms could be less attentive to such practices due to a different risk-level perception, comparing to firms which face a crisis or just recovered from one. Such a result could be supported by the predominant turnaround literature, according to which most companies are prone to a major decline in performance

at some time in their existence (Hofer 1980), due to late response to changes in business conditions (Staw et al., 1981; Grinyer et al., 1990; Fredenberger & Bonnici, 1994; Arogyaswamy et al., 1995; Sudarsanam & Lai, 2001; Lymbersky, 2014). On the other hand, healthy firms could also be supportive of such practices, as that's what keeps them healthy. That would be literally "walking the talk" that the management practices that could cure a troubled company, could have also kept it well (Whitney, 1987b). The set of hypotheses developed as a part of this research – were aimed at exploring the answers for these questions, and related contingencies.

Thirty (30) Israeli CEOs were interviewed over their support, or lack of support, of common and effective turnaround tactics, representing all stages and strategies of the turnaround process. Participating firms had to meet predefined criteria: Private-sector firms (non-governmental), medium or large scale (no small businesses), privately owned or publicly listed, non-financial sector, which are not cash challenged, i.e. non-crisis firms. As a part of those interviews, participants were also asked to rate the risk level, and opportunity level associated with each and every turnaround tactic, as they see it.

The results reflected wide support of most turnaround strategies and tactics, across all turnaround-equivalent stages. The overall, average support rate reached 79%.

From a turnaround-stages stand point, the most-supported strategies and tactics were those executed during the Stabilization (94%), Management Change (90%) and Return-to-Growth (88%) stages of the turnaround process. The least-supported ones, in fact rejected on average, were those executed during both Emergency and Stabilization stages (59%). However, that turnaround-stage breakdown requires higher-resolution fine tuning, as both Emergency and Stabilization related strategies and tactics were supported when analyzing each stage separately.

On the turnaround strategies level, most strategies were supported, except for two rejected ones - Cost Reduction and Revenue Generation – both executed during the Emergency and Stabilization of a turnaround. On the other hand, the strategy of Working-Capital-Improvements – also undertaken during both Emergency and Stabilization of a turnaround – was supported, although support-rate was low (63%). However, that strategy-level required fine-tuning too, not all tactics under the Cost-Reduction strategy were rejected.

The tactic-level analysis clarified that overall, three (3) turnaround tactics were rejected: Cutting non-urgent expenditures (37%); Maximizing revenue (not margins) through price adjustments (55%); and Reducing dividends (56%). The immediate attribute that these three tactics share in common is their objective: They all aim at purely, improving a cash position. But even that attribute required further fine tuning, as other purely-cash-improving tactics were supported. Interestingly, while *all* cash-improving tactics had short-term benefits (i.e. improving cash with immediate effect), the three (3) rejected ones had also medium and long-term downsides: They all compromised medium and long-term interests, while other, supported tactics – did not: Maximizing revenue through price-adjustments, regardless of margins, would compromise profitability and medium-term financial performance; Reducing dividends would make the company less attractive for investors and limit its access to capital; and cutting non-urgent current expenditures would compromise smooth operations (e.g. production-line maintenance)

These results provide an empirical evidence that non-crisis firms basically support turnaround practices, and that rejection of such practices is considered on the tactic level only – when already-cash-stable companies weigh more cash against other, medium or long-term interests. When excluding the three cash-improvement tactics that compromise medium or long-term interests, the overall support rate in turnaround tactics goes up from 79% to 85%. And when excluding all the tactics

that are purely cash-improving, even those that do not compromise medium or long-term interests, the overall support rate goes up from 85% to 89%.

The findings described above were also found to be consistent with those relating to Risk Vs. Opportunity Management: Indeed, turnaround practices were found to be supported at non-crisis situations as long as the associated risk level was not high, and the associated opportunity level was greater than the risk level (98%). On average, for those tactics which were supported, levels of opportunity were double than their levels of associated risk. And when cash generation had to be considered as an alternative for uncompromised medium or long-term interests i.e. for the three tactics being rejected – risk levels were rated as double, on average, comparing to the opportunity levels of same tactics.

Further regressions linked Support Rates and Net Opportunity values (opportunity rating – risk rating), and reconciled with the results described above: Support Rates were found to significantly and positively correlated with Net Opportunity values. Levels of correlation reached their highest values (R^2) when tactics that aim at generating cash purely (without improving profitability or growth) were flagged (i.e. were assigned with a variable).

The overall conclusion is that turnaround tactics are supported by non-crisis firms as long as not aiming at purely improving cash. In other words, turnaround tactics that aim at facilitating change, and improving profitability and growth - are supported by non-crisis firms.

It should be noted that these findings contradict suggestions raised before, that actions such as collecting receivables, cutting inventories, stretching payables, reducing costs, increasing prices, focusing on high-margin products, and selling-off surplus assets should almost always be pursued, even if the financial situation is not in danger (Hofer, 1980; Lymbersky, 2014: 453-456). Evidently, such suggestions are not supported by research participants, for non-crisis situations.

The piece of theory synthesized and empirically supported based on this research is as follows:

While most organizations are exposed to a major decline in performance at some time in their existence, some management practices are available, aiming at keeping them well. Originated in the field of Corporate Turnaround, such “Anti-Decline” practices aim at facilitating responses to ever-changing, internal or external conditions, and improving profitability and growth. Such practices are highly supported by CEOs of private-sector, medium and large-scale firms which are not facing a cash-crisis. Practices which aim at generating cash purely are less-supported and rejected if compromising medium or long-term considerations. That decision-making pattern is also highly correlated with CEOs perceptions of the risk and opportunity levels associated with such practices. Specifically, such practices are supported wherever associated risk levels are not high, and lower than associated opportunity levels.

Some companies overlook such Anti-Decline practices, and are more prone to decline, and a subsequent cash-crisis. Upon a cash-crisis, turnaround efforts are triggered and often preceded by a management change. The new leadership will first fight the cash-bleeding and then rigorously implement the same Anti-Decline” practices which could also keep the company well, if were routinely and preemptively maintained.

7. Research Contribution

7.1. Contribution to Management Science

*Empirically validating the idealistic, preemptive,
“Anti-Decline” approach*

Most organizations face, at some time in their existence, a major decline in performance (Hofer 1980). But many companies do not recognize the need to restructure, or do not respond, before crisis becomes obvious. As the organization nears bankruptcy, it becomes increasingly more difficult for the firm to extricate itself from the impending financial disaster (Gopinath, 1991; Daily & Dalton, 1995). That organizational phenomenon has been repeatedly observed over the past three decades as a challenge, without much of a concrete research to address it. To date, transformation is, *still*, much more commonly a reaction to changing and challenging circumstances (Reeves et al., 2018).

Turnaround practitioners over the past three decades have indicated the opportunity of implementing turnaround strategies *before* crisis situations evolve. It has been suggested that by adopting turnaround strategies early enough, recovery can take place without the traumas usually associated with a crisis situation (Whitney, 1987a; Slatter & Lovett, 1999; Midanek, 2002). Academia soon validated such field observations as a valuable direction: It has been proposed that if a company followed the voluntary route, success would be much more easily achieved as there would be no need for urgent short-run measures to prop up the financial position (Grinyer et al., 1990; Cameron, 1994; Donaldson, 1994). As that concept gained traction, practitioners and researchers also indicated the *type of turnaround activities which could suit a non-crisis business routine*. It was generally suggested that the management practices that could cure a troubled company, could have also kept it well (Hofer, 1980; Whitney, 1987b; Armenakis &

Fredenberger, 1995; Maheshwari, 2000; Slatter et al., 2006: p. xii; Lymbersky, 2014: 453-456). **However, empirical evidence regarding the suitability of such turnaround practices to a non-crisis business routine – has not yet been introduced. Up until today.**

This research is providing just that: An empirical evidence regarding the suitability of corporate-turnaround practices to a non-crisis business routine. By doing so, it validates the feasibility of the idealistic, preemptive, Anti-Decline approach: **The feasibility of the idealistic, preemptive, Anti-Decline approach – is now empirically supported.**

Fusing the preemptive, Anti-Decline approach with Corporate Turnaround research, and positioning them under the traditional Management Science – to fill some Organizational-Decline-theory related gaps.

The conclusions of this research also reflect a fusion of the preemptive approach, described here as “Anti-Decline”, with the field of Corporate Turnaround. In fact, that is the same fusion called for, by all those researchers who called for triggering turnaround efforts before crisis situations evolve. Such a fusion means that most of the turnaround practices are not reserved for crisis situations, but rather to *both* business routine and crisis. In other words, such practices should be maintained as a routine. If that was not followed – such practices would have to be executed with much higher rigor, along with some additional, cash-generation practices. Such an observation actually turns turnaround practices into routine ones, which need to be enhanced if crisis evolves. Such routines should not be exclusively “owned” by the field of Corporate Turnaround any more. Rather, this research calls for attributing the consolidated “Anti-Decline and Turnaround” framework to the traditional Management Science.

By supporting the enrichment of traditional Management Science with such an Anti-Decline theory and framework, this research addresses the general observation that traditional management practices did not suffice, for these had been responsible for bringing companies to mortal jeopardy in the first place (Finkin, 1985). From a more pragmatic standpoint, by doing so this research serves the need for retooling our theoretical orientations and research agendas, so that they would more closely reflect the need in managing decline – **a need that was pointed-out as an urgent one... almost four (4) decades ago (Whetten,1980).**



Figure 12. Anti-Decline is in our hands!

(the finger in the photo belongs to my son)

7.2. Contribution to the Business Community

From Theory to Practice

“Managers accustomed to more “normal” business conditions usually lack an adequate understanding of the special techniques that are necessary to accomplish a turnaround and, as a consequence, many such efforts are unsuccessful” (Finkin 1985).

While most managers are trained to manage a profitable operation, different planning and control processes are needed to manage a losing one (Fredenberger, 1997).

This research can help changing the situation described above, by providing the business community with an Anti-Decline toolbox and calling for adopting it as best management practices. By doing that, it supports a more-common, preemptive and earlier response to ever-changing business conditions. Such a response will hopefully help businesses perform better, for the benefit of their shareholders, employees, suppliers and lenders, and avoid the trauma which would otherwise hit them sooner or later.

7.3. Contribution to Educational Institutions

Supporting Anti-Decline Education

The urgent need for retooling our teaching priorities, so that they would more closely reflect the need in managing decline – has been pointed out for several decades (Whetten, 1980). Over time, that call was addressed directly to business schools, by pinpointing their responsibility, both to their students and to society, to deliver courses on renewing troubled companies and on the ramifications of bankruptcy (Platt, 1995). Specifically, it has been pinpointed that while most managers are trained to manage a profitable operation, different planning and control processes are needed to manage a losing one (Fredenberger, 1997). But educational programs in the field of Business Management have not been enriched accordingly, with organizational-decline knowledge and knowhow: Firms have continued to approach consultants in need of improving performance, and such performance-improvement competence left when the consultants left (Grunberg, 2004). To date, transformation is, still, much more commonly a reaction to changing and challenging circumstances” (Reeves et al., 2018). But that situation can be changed if “Anti-Decline” knowledge becomes an integral part of routine, best-management practices.

This research provides educational institutions with a noble, attractive, and highly interesting agenda, for assimilation in their Business Management programs. That agenda, described here as “Anti-Decline” can be covered as a part of traditional Business-Management programs, enrich such programs, and increase their attractiveness to potential students. Providing students with such Anti-Decline knowledge may give birth to a new generation of Anti-Decline-educated managers, who will better serve their future workplaces, as well as such workplaces’ employees and other stakeholders.

8. Research Limitations

This findings and conclusions of this research are limited to the following population:

- Private sector (for-profit, non-governmental corporations)
- Medium or large-scale companies (no small businesses)
- No cash-related challenge is expected
- Israeli-based companies
- Non-financial sector (no banks, insurance, credit, or investment companies)
- Revenue-positive (no startups, no development centers of any global corporations)

In addition, the findings and conclusions of this research may be limited by the following attributes:

- A limited number of turnaround tactics (18) was included in the questionnaire. That was done considering participants' limited time, assessment of their willingness to participate given the time required for such interviews, and assessment of the overall dynamics of such interviews. Given the need to restrict the number of tactics included, tactics were selected for inclusion in a way that assured the representation of each and every turnaround stage and strategy. However, many more turnaround tactics can be surveyed.
- Participants who supported given tactics were not systematically asked if they are actually using such practices now. For example, participants were not asked if they are now considering the acquisition of another company, or the extension of their channels, or if they currently consider the dismissal of any executive for non-performance. Actual use was not included in the design of questionnaire used, to avoid cases of refusals to carry on with an interview, due to suspicion of possible abuse by the researcher. To demonstrate that concern, some participants required a formal NDA to be signed, as a pre-

condition for the interview. As such, participants' support of certain tactics does not attest that they are also using such practices. The conclusions were articulated accordingly: "tactics are supported" rather than "tactics are used". Having noted that, it can be indicated that most of the participants felt free to provide examples of their actual use of such tactics, as a part of the free-style conversation – while keeping in mind that such information is not documented.

- Both publicly-traded and privately-owned companies participated this research. The size of population does not support differentiation between these two types of companies. Please refer to the section presenting directions for future research, for a detailed description of this limitation and proposal.

9. Opportunities for Future Research

The results and conclusions of this research open opportunities for several directions for future research, as follows.

A. Additional Types of Organizations

Public Sector and Non-Profit Organizations

This research was focused on the Business (“Private”) sector. Future research may cover companies that are owned by either governments or municipalities, as well as Non-Profit organizations. Like Business-Sector organizations (firms), Public-Sector organizations and Non-Profit ones are also exposed to organizational decline, that may evolve at some time of their existence. It can be valuable to test how open are such organizations, to respond voluntarily and preemptively, before any crisis evolves.

Public-Sector companies “enjoy the luxury” of deeper pockets of their shareholders – a government or a municipality. As such, their sense of urgency may be less developed, comparing to Business-Sector companies. Additional factors that may affect the level of responsiveness at such organizations, may be different types of collective labor-contracts, the commonness of labor Unions, political connections, and more. How motivated are such companies to stay alert and prevent the next cash-crisis?

Non-Profits are very different from Public-Sector companies: They do not have any deep pockets behind them, and they fight to survive, as a routine. Apparently, they *are* motivated to prevent the next cash-crisis, but they may face a different challenge: *Their mindset*. By definition, they do not seek profits. According to the Turnaround process and stages, profitability is the main the objective of the Stabilization stage. Following that terminology and logic, an organization that turns its back on profitability, may also turns its back on Stability. But don’t Non-Profit organization seek *stability*? If they do, how open are they to anti-decline practices? A more open question would be: Which anti-

decline practices suits their specific nature and spirit of non-profit organizations?

Small Businesses

This research was focused on medium and large companies. Small Businesses are another, very different sector (Ang, 1991, Sahut & Preis-Ortiz, 2014, Frazer, 2016), whose impact on countries' economies is not least. Therefore, a spotlight on small businesses, in a similar context, is proposed as a direction for a separate, future research.

Small Businesses' research in this context is of great importance, given their share in any country's economy, the general insufficiency of small-business research (DeMartin et al., 2015), and the specific scarce research of organizational decline related with this sector (Rasheed, 2005). Such a research will have different, but very interesting aspects: First, not all small businesses could fit the definition of "Organization". It will have to focus on firms that employ, say 5 to 20 employees. Second, it will have a unique set of considerations in the context of corporate turnaround, and anti-decline. For example, will the CEO (and owner) be ready to fire his mother, or daughters in law, to assure financial stability? How open will he be to his son's innovation? Will employees' performance be measured and managed? What would be the effect of next-generation considerations on voluntary, preemptive adoption of anti-decline practices? Which type of practices will be supported? Which will be rejected? How will the set of contingencies differ compared to medium and large-size businesses?

Financial Sector

This research excluded financial-sector organizations (e.g. banks, insurance companies, credit-card companies, and investment funds), for their unique characteristics. However, they deserve a dedicated anti-decline research too. Such a research may have its own unique aspects. For example, preventing a cash-crisis may be an even-higher concern, as there are no Banks from which

you can borrow, like other organizations have. Here, need in cash may mean a breach of regulatory requirements, or even a “bailout” which may lead government officials to step in and replace not only the management team, but also the current shareholders. The tolerance for a possible cash-crisis may be much lower compared to other Business-Sector companies.

This research discovered that cash-improvement practices were not supported as a part of the healthy business routine. But given that cash-requirements are put on a higher focus at financial-sector companies – how could such research results change?

B. The Effect of Capital Structure

Publicly Traded vs. Privately Owned Companies

This research included both publicly-traded and privately-owned companies. As such, it ignores the possible effect of the Agent Problem. The Agents i.e. CEOs of publicly-traded companies who participated this research, could have different sets of considerations and priorities, compared to CEOs of privately-owned companies. But the size of this research-population does not support such a differentiation.

Theoretically, the Agency Problem could affect the sets of considerations and priorities related with voluntary, preemptive implementation of anti-decline practices. Specifically, Agents may be more prone to short-term considerations, compared to CEOs who are also the main shareholders. It is easier for Agents to walk away and find another job, while Owners’ mobility is much more limited, and may require a sell-off to move on. Thus, given that any changes, and specifically anti-decline activities are likely to generate resistance and conflicts, Agents may be more prone to prioritizing short-term considerations, while compromising long-term ones. Owners may be more-ready to do whatever it takes, to secure the long-term performance and health. As such, a research that distinguishes publicly-traded companies from privately owned ones, is proposed as a direction for future research.

Highly Leveraged Companies

This research included companies regardless of their level of leverage. But the level of leverage may affect a firm's appetite for taking voluntary, preemptive anti-decline measures.

Highly-leveraged companies may get the appetite of responding to evolving crisis earlier, to avoid defaults (Jensen, 1989). At such a point, higher leverage also increases the probability of operational actions, particularly asset restructuring and employee layoffs, as well as financial actions, such as dividend cuts (Ofek, 1993). On the other hand, when distress is already present, higher leverage restricts the ability of taking certain types of actions, such as expansion to new markets, through additional channels, with some new products. If taken, such a path may actually reflect overexpansion beyond a company's financial resources (Bibeault, 1999: p. 58).

Given that higher leverage may impact the turnaround process at distressed companies, there is room to test its impact on healthy companies' decision-making process. As such, a proposed direction for future research is to test the appetite for / support of turnaround practices at healthy, but highly-leveraged companies, specifically.

C. Anti-Decline Routine as a Differentiator

More-Profitable vs. Less-Profitable Firms

This research required participants to be non-cash-challenged. The after-math is that such a requirement led the group of participants to mostly include companies of higher levels of profitability, compared to their industries. Given that, it could be valuable to test the same for firms of *lower* profitability levels, compared to their industries. That also includes non-profitable companies, as long as their cash position is solid.

Testing the same for companies of lower profitability levels, compared to their industry may help identifying isolated, specific, statistically-significant types of

practices that distinguish more-profitable companies from less-profitable ones. In other words, it may help clarify what more-profitable companies do, that less profitable ones don't? Such observations may provide another valuable clue of the much bigger and basic question: What are the best practices for running long-lasting, prosperous businesses. As such, less-profitable companies are proposed as a focal point for future research.

Share-Prices Returns

Last but not least, organizational phenomena are often tested in light of companies' share prices. In our context, that may mean comparing the returns of companies which maintain anti-decline routines, with companies that do not. If any statistically significant differentiation could be found, it may reveal another valuable linkage between management practices, and share prices. Such a finding may be ambitious to find, because it "skips" today's main trigger for share prices, which is financial performance. But there is a logic by which such a linkage could be existing: Management practices generate financial performance, which in turn generates share prices. Such a logic is not very different from its mathematical equivalent: If $A=B$, and $B=C$, then $A=C$. If such an argument is acceptable, then the next valuable research question is: **Can Anti-Decline routines predict higher share prices and returns?**

Thank You.

10. References

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