Strategic Management

Session No: 21

Strategy Implementation

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies, and policies are put into action through the development of programs, budgets, and procedures. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management. Strategy formulation and strategy implementation should thus be considered as two sides of the same coin.

Poor implementation has been blamed for a number of strategic failures. For example, studies show that half of all acquisitions fail to achieve what was expected of them, and one out of four international ventures does not succeed. The most-mentioned problems reported in post-merger integration were poor communication, unrealistic synergy expectations, structural problems, missing master plan, lost momentum, lack of top management commitment, and unclear strategic fit. A study by A. T. Kearney found that a company has just two years in which to make an acquisition perform. After the second year, the window of opportunity for forging synergies has mostly closed. Kearney's study was supported by further independent research by Bert, MacDonald, and Herd. Among the most successful acquirers studied, 70% to 85% of all merger synergies were realized within the first 12 months, with the remainder being realized in year two.

To begin the implementation process, strategy makers must consider these questions:

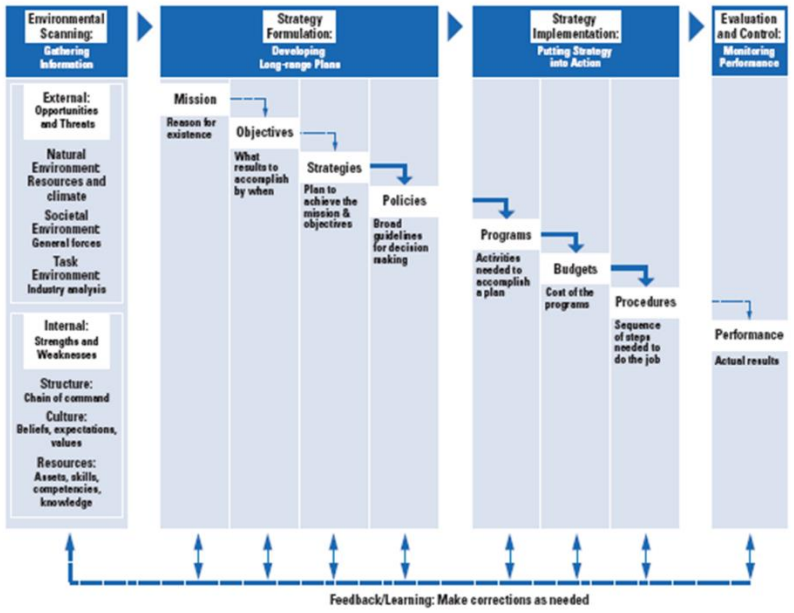
- Who are the people who will carry out the strategic plan?
- What must be done to align the company's operations in the new intended direction?
- How is everyone going to work together to do what is needed?

These questions and similar ones should have been addressed initially when the pros and cons of strategic alternatives were analyzed. They must also be addressed again before appropriate implementation plans can be made. Unless top management can answer these basic questions satisfactorily, even the best planned strategy is unlikely to provide the desired outcome.
A survey of 93 Fortune 500 firms revealed that more than half of the corporations experienced the following 10 problems when they attempted to implement a strategic change.

These problems are listed in order of frequency:

1. Implementation took more time than originally planned.
2. Unanticipated major problems arose.
3. Activities were ineffectively coordinated.
4. Competing activities and crises took attention away from implementation.
5. The involved employees had insufficient capabilities to perform their jobs.
6. Lower-level employees were inadequately trained.
7. Uncontrollable external environmental factors created problems.
8. Departmental managers provided inadequate leadership and direction.
9. Key implementation tasks and activities were poorly defined.
10. The information system inadequately monitored activities.

FIGURE 1–2 Strategic Management Model



Strategic Management

Session No: 22

The McKinsey 7 S Framework.

"Structure follows strategy"

Introduction

For optimum implementation, the organization should be structured in a manner that all the elements of the organization work towards the implementation of the strategy.

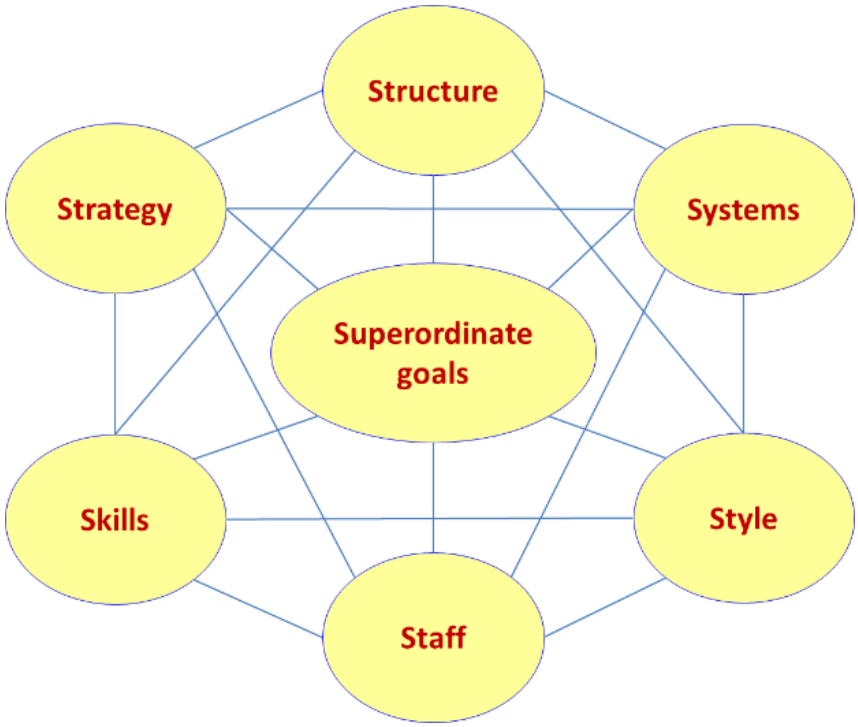
McKinsey 7-S Framework

Just as architects need a blueprint for building a house, leaders need blueprints for designing organizations, fitting the pieces of the organization together to guide the behavior of people — often large numbers of people — toward the accomplishment of the organization's objectives.

Developed by the McKinsey consulting company, the McKinsey 7-S framework highlights the importance of fit between not just strategy, structure and systems, but also with staff, style, skills and superordinate goals. All seven elements have to be configured together to achieve effectiveness. The elements can therefore serve as a checklist in any organizational design or re-design exercise, as follows:

Strategy

The ways in which competitive advantage will be achieved. By "strategy" we mean the actions that an organization takes to gain a sustainable advantage over the competition. It may, for instance, adopt a low-cost strategy through economical production or delivery systems that delivers greater value to customers than the competition. Another firm's strategy may involve sharply differentiating its products or services through distinctive product features or innovative sales and service approaches.



Structure

Structure refers to the ways in which tasks and people are specialized and divided, and authority is distributed, how activities and reporting relationships are grouped, and the mechanisms by which activities in the organization are coordinated. Also includes the way in which tasks and people are specialized and divided, and authority is distributed, the basic grouping of activities and reporting relationships into organizational sub-units. A key function of structure is to focus people's attention on what needs to get done. It does so by defining what work they do and whom they work with.

Systems

The formal and informal procedures used to manage the organization.

Staffing

Staffing refers to the people in an organization, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, promotes, and manages the careers of employees.

Skills

The distinctive competencies of the organization: what it does best along such dimensions as people, management practices, processes, systems, technology, and customer relationships.

Style

The leadership style of managers: how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions. Also, the organizational culture: the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (job titles, dress codes, informal meetings with employees, and executive "perks" such as executive dining rooms and corporate jets).

Superordinate goals - Shared Values / Shared Values

The core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important: vision, mission, and values statements that provide a broad sense of purpose for all employees.

Usually these values are communicated in simple ways, and may even seem trivial from the outside. But to the organization's members, they have great meaning because they help focus attention and provide a broader sense of purpose.

Identifying Opportunities for Improvement

- Leaders and consultants often use the 7-S framework to help them get their arms around the complex problem of capturing the multiplicity of factors that shape an organization's behavior and performance.
- The underlying theory of the model is simple: an organization is effective to the extent it is well-aligned; that is, each S is consistent with and reinforces the other S's.
- When the different parts of an organization are poorly aligned, the organization will often exhibit problems and perform below its potential.

Strategic Management

Session No: 23

Unlearning Curve

Unlearn the past to create the future -says Strategy Guru Prof. C K Prahalad

Every manager carries around in his or her head a set of biases, assumptions, and presuppositions about the structure of the relevant "industry", about how one makes money in that industry, about who the competition is or isn't, about who the customer are and aren't, about what customers want and don't want, about which technologies are viable and which aren't, and so on.

Almost by definition, in any large organization there is a 'dominant' managerial framework that defines the corporate canon.

Prof C K Prahalad says, although much in vogue, creating a "learning organisation" is only half the solution. Just as important is creating an "unlearning organisation". Why do children learn new skills much faster than adults? Partly because they have less to unlearn.

Prahalad says – "We need to bring back a dash of curiosity, creativity and imagination into the discipline of academic research. To create a future, a company must unlearn at least some of the past. We are all familiar with the 'learning curve' but what about the 'forgetting curve' - the rate at which the company can unlearn those habits that hinder future successes, our ability to spot emerging opportunities".

The point that is really being made is that a company must work as hard to forget as it does to learn. Creating the future doesn't require a company to abandon all of the past. Indeed, a critical question for every firm is: What part of our past can we use as a "pivot" to get to the future, and what part of our past represents excess baggage? Selectively forgetting the past is difficult to do for two reasons – one emotional, one economic. Senior managers typically have a lot of emotional equity invested in the past. It is argued that learning organizations must be willing to uncover their assumptions about themselves and their environment. Organizational learning is about more than simply acquiring new knowledge and insights; it requires managers to unlearn old practices that have outlived their usefulness and discard ways of processing experiences that have worked in the past. Unlearning makes way for new experiences and new ways of experiencing. It is the necessary precursor to learning.

Managers are understandably disconcerted when faced with the fact that the intellectual capital accumulated over a professional lifetime may be of little value in the radically changing industry environment. For those who built the past, the temptation to preserve it can be overwhelming.

Few companies are capable of regenerating the deep-down sense of what they are, what industry they are in, who their customers are, and what those customers want in time. For example, The Gap (the well known US clothing retailer) when it went from pile-them-high, sell-them-cheap retailer of Jeans to a retailer of trendy, value-priced fashion basics.

While every thoughtful person will concede this point at a conceptual level, unlearning won't begin unless every thoughtful person understands it at a visceral and emotional level.

If a top management team cannot clearly articulate the five or six industry trends that most threaten the firms continued success, it is not in control of the firm's destiny. Any company that wants to avoid a genuine profit crisis must create a quasi – crisis years in advance.

Strategic Management

Session No: 24

Strategy as Stretch and Leverage

Strategy as Stretch & Leverage ('coined' by Prahalad & Hamel – in their best seller book – 'Competing for the Future' – HBS Press – Boston, Massachusetts)

Based on the study of a large number of high performing companies in 1980s (many of them Japanese), Prof C K Prahalad and Hamel (1993) suggests that 'strategic fit' is not the most important factor to take into account. Rather it is a matter of 'strategic stretch', which means that the successfulness of firms

depends on the ability of companies to 'stretch' their available resources to achieve their objectives and intent. According to them, Stretch is a more important determinant of corporate success. Stretch can better explain why several agile but small companies often outperformed large companies in competitive markets.

Stretch, Leverage and Fit in Strategic Management

Subsequent to the idea of strategic intent, Prahalad and Hamel added the concept of ‘stretch’ and ‘leverage’. The “strategic fit” is central to the strategy school of positioning, whereas “Stretch is a misfit between resources and aspirations”

“Leverage can be defined as a way, a meager (less or insufficient in amount) resource base is stretched to meet the aspirations that an organization dares to have.”

Stretch conceptually - is quite opposite to the ‘’idea of fit” that deals with “positioning the firm by matching its organizational resources to its environment. “Under fit, the strategic intent would be seen to be more realistic, under stretch and leverage, it could be aspirational / idealistic”.

- Abundant resources alone won’t keep an industry giant on top when its hungrier rival practices the strategic discipline of stretch.
- The “stretch” views competition as encirclement rather than confrontation, an accelerated product-development cycle, tightly knit cross-functional teams, a focus on a few core competencies, strategic alliances with suppliers, programs of employee involvement, consensus — it does all this with the strategic discipline of stretch.
- Companies like NEC, CNN, Sony, Glaxo, and Honda were united more by the unreasonableness of their ambitions and their creativity in getting the most from the least, creating stretch, a misfit between resources and aspirations.

Material advantages are as poor a substitute for the creativity stretch engenders in Japan as they are in the United States or Europe.

Strategy as Leverage

Leveraging comes into the picture when a resource scarce firm is facing a wealthy rival. Wealth here refers to market share, financial resources and revenue. The challenger has a small market share, scarce resources, and little or no revenue. A challenger (a smaller firm) will exploit opportunities to change the rules of the game rather than follow the same rules that others in the game do. It will work for gaps in the bigger firms defences, rather than fight the competitor in well-guarded market segments. It will focus its investments in and on relatively fewer competencies, where it sees a chance of being a leader. It will also look for ways to reduce its manufacturing costs by following lean manufacturing methods that make it possible to do more with less.

Strategic Management

Session No: 25

Co-creation

Co-creation, in the context of a business, refers to a product or service design process in which input from the consumer plays a central role from beginning to end. Less specifically, the term is also used for any way in which a business allows consumers to submit ideas, designs or content.

Co-creation as a way of thinking about value

Prahalad & Ramaswamy, in their book The Future of Competition (2004), defined co-creation as the "joint creation of value by the company and the customer, allowing the customer to co-construct the service experience to suit their context.” Co-creation can be seen as a new way of thinking about the

economical concept of "value". Prahalad & Ramaswamy describe it as a "consumer-centric" view in opposition to the traditional "company-centric" view. In the traditional view, the consumer is not part of the value creation process; in the consumer-centric view the consumer plays a key role in it.

In the traditional view, the company decides on the methods and structure of the process, while in the consumer-centric view the consumer can influence those.

In the traditional view, the goal is to extract value from consumers in the form of money, while in the consumer-centric view, the goal is to create value together for both consumer and company. In the traditional view, there is one point of exchange controlled by the company, while in the consumer-centric view, there are multiple points of exchange where company and consumers come together.

The four building blocks of interaction

Prahalad and Ramaswamy suggested that in order to apply co-creation, the following fundamental requirements should be prepared in advance.

Terms	**Definition**	**Managerial Implication**
Dialogue	Interaction between customer	Two-way connection instead of one-way selling strategy
Access	Allow customer to access the data	Create value with customer, beyond traditional value chain process
Risk-benefit	To monitor risk and gaps between customer and firm	Share the risk of product development with guest/customer through communication

Advantages

Co-created value arises in the form of personalized experiences for the customer, and ongoing revenue, learning and customer loyalty and word of mouth endorsement for the firm.

Challenges:

If the ideas highlight negative sides of the firm's products or services, there might be a risk in losing out on the brand image.

The authors contend that the traditional view, that firms create value unilaterally in the form of products and services that get exchanged with the customers in the market place, is fast getting outdated. They propose that in the emerging scenario, the consumer and the firm are intimately involved in jointly creating value that is unique to the individual consumer and sustainable to the firm. These arguments are further developed along two dimensions – what firms can do to enable customers to co-create value and what they can do to make such co-creation of value sustainable to the firm.

Strategic Management

Session No: 26

Corporate Restructuring

Restructuring involves making radical changes in the composition of a company's business. Terms synonymous with restructuring include revamping, regrouping, rationalization and consolidation. Restructuring firstly means changes in composition of an organization's set of businesses in order to create a more profitable enterprise. Secondly it involves Financial restructuring which deals with changes in equity patterns, equity holdings and cross shareholding patterns, debt servicing schedules and similar issues.

Historically, divesting businesses from company portfolios and downsizing have accounted for a large percentage of firms' restructuring strategies. Commonly, companies focus on fewer products and markets following restructuring. Corporate Restructuring refers to increasing the corporate value by 'mobilizing assets'. Restructuring is a process of realignment, which is akin to a reawakening and rebirth.

Although restructuring strategies are generally used to deal with acquisitions that are not reaching expectations, companies sometimes use restructuring strategies because of changes they have detected in their external environment or have acquired new internal resources and capabilities. Corporate Restructuring is a comprehensive process by which a company can consolidate its business operations and strengthen its position for achieving its short-term and long-term corporate objectives. Corporate Restructuring is vital for the survival of a company in a competitive environment.

Globally, between the 1960s and 1990s, diversification became a common phenomenon in the world of business. Many companies diversified to such an extent that they became very unwieldy and unmanageable. Over-diversification led to an increase in bureaucratic inefficiencies, adversely affecting the performance of these companies. Consequently, there was value destruction and stock prices fell, making these companies targets for hostile takeovers. To minimize such risks, companies had to undertake restructuring activities.

Restructuring has been used as a proactive strategy by some companies to generate growth. At General Electric (GE), a diversified holding company, CEO Jack Welch between 1981 and 2001 sold 350 businesses for US$ 23.8 billion and acquired 900 businesses worth US$ 105.5 billion. Under Welch, restructuring became a continuous process resulting in consolidation of business, greater efficiencies, globalization of operations, profitable growth and creation of shareholder value.

While restructuring was a continuous process among companies in India, it accelerated after 1991 when liberalization acted as a major catalyst. Since Independence, Indian companies had grown in a haphazard manner due to licenses acquired to operate in unrelated industries. The influx of foreign companies with superior products, processes, technology and capital, post-liberalization required an appropriate response in correcting imbalances created by past over-diversification.

Tata Group’s restructuring started when in 1992 it came up with a restructuring plan to reduce the number of companies from 107 operating in 25 businesses to 30 operating in just 12 businesses. This led to divestment of cosmetics company Lakme to Hindustan Lever, and its paints division Goodlass Nerolac. Some businesses, like consumer electronics business Nelco, were shut down. Hindustan

Unilever (HUL) devised *Project Millennium* to consolidate its business under product categories and power brands. The number of brands in its portfolio was rationalized from 110 to 35 around the year 2005. To focus on its core businesses, HUL sold off its chemicals business and tea estates.

Churning and restructuring has been going on in family-owned business houses like Dalmia, Khaitan, Mafatlal, Khatau, Modi, Singhania, DCM, Thapar, Wadia and Walchand. Some of them, like Mafatlal and Walchand, have witnessed an unprecedented decline. Public sector organizations at both central and state levels have been slow to reform but have had to follow suit. SBI, SAIL, ONGC / Oil companies and PSU banks have modernized while many other like IDPL and Air India languish.

Strategic Management

Session No: 27

Corporate Restructuring –Types of Restructuring

There are various dimensions involved in restructuring which can be classified under three heads. They are as follows:

- **Portfolio Restructuring**: Changes in the asset base through divestitures, asset sales, spin-offs.
- **Financial Restructuring**: Changes in the capital structure (leveraged buyouts or debt-equity swaps).
- **Organizational Restructuring**: Includes downsizing, realigning of business units etc.

These can be summed up as follows:

1) **<u>Portfolio Restructuring</u>**:

This type of restructuring involves divesting some of the business lines which are considered peripheral to the long-term strategy of the firm. This may involve divestiture and acquisitions to have new configurations of the business lines. These can be categorized as follows:

a) **Divestiture**: It refers to the sale of a segment of the company to an outside third party. Assets, product lines, subsidiaries etc are sold for cash or marketable securities or even in combination thereof. Typically, the buyer is an existing firm, so that no new legal entity results. It simply represents a form of expansion on the part of the buying firm. It involves a single transaction.

b) **Spin Offs**: The Company distributes, on a pro rata basis, all the shares it owns in a subsidiary to its own shareholders. It involves the creation of a new entity but the new shares are issued to the existing shareholders. Unlike divestiture, it does not provide the company with additional funds. There is, however. a separation of control, and eventually the new entity as a separate decision-making unit may develop policies and strategies different from those of the original parent.

c) **Swaps:** This method replaces the two transactions of divestiture and acquisitions into one transaction of transferring assets between two companies.

2) **Financial Restructuring**:

Financial restructuring means infusion of debts. This may happen either due to leveraged buyouts or buy-back of stock (equity) or onetime payments of dividends. This form of corporate restructuring enables the firm to generate more cash for further investment in business. It tends to redefine the leverage ratio and the cost of acquiring capital from different sources. Following are some of the forms of financial restructuring:

a) **Equity Carve Outs**: When the parent company sells the equity of its subsidiary, the subsidiary becomes an independent entity. This process is known as equity carve out. This enables the subsidiary to have its own board and CEO and separate financial statements. In carve outs, full autonomy is given to the executives. Investors also benefit by having ownership of shares in a distinct, separate business.

b) **Equity Carve Ins:** Promoters try to consolidate their positions. Some of them try to improve their management, while others try to get a partner to act as a white knight.

c) **Changes in Capital Structure:**

(1) *Leveraged Buyouts (LBO):* LBO is defined as the acquisition financed largely by borrowing against all the stock or assets of a hitherto public company by a small group of investors. Buy-out specialists or investment bankers that arrange such deals may sponsor this buying group. In an LBO, debt financing typically represents 500% or more of the purchase price. The debt is secured by the assets of the acquired firm and is usually amortized over a period of ten years.

(2) *Debt Equity Swaps:* Corporates can swap their debt obligations to equity to reduce interest pressure and thus improve earnings. Lenders, banks or financial institutions enter into such deals to revive corporates.

3) <u>Organizational Restructuring:</u>

Organizational restructuring involves changes in the organizational structure to increase efficiencies. Sometimes it may involve divestiture and acquisitions. Organizational restructuring occurs due to environmental changes. Here the firm takes steps like reduction in the number of manpower, divisions, products, distribution channels etc.

a) Downsizing - manpower, divisions, departments, layers etc are reduced

b) Realignment of business units: redefine business to sharpen focus & accountability.

4) Other Forms of Restructuring

a) Expansion: Mergers, Acquisitions, Tender Offers & Joint Ventures.

a) *Mergers & Acquisitions*: Mergers are like a marriage. Usually there is a period of courtship leading to the joining of two or more separate entities into one

b) *Tender offer*: In a tender offer, one party - generally a corporation seeking a controlling interest in another corporation - asks the stockholders of the firm it is seeking to control to submit, or tender, their share of stock in the firm.

c) *Joint Ventures*: Involve only a small fraction of all the activities of the companies involved and usually for a limited duration of ten to fifteen years, or less. They may represent a separate entity in which each of the parties often makes cash and other forms of investment.

b) **Corporate Control**: The second form of restructuring is "corporate control". Premium buy-back represents the repurchase of a substantial stock-holder's ownership interest at a premium above the stock price (called green-mail). Often in connection with such buy-back, a standstill agreement is written. This represents a voluntary contract in which the stockholder who is bought out agrees not to make further attempts to take over the company in the future. When a standstill agreement is made without a buy-back, the substantial stock-holder simply agrees not to increase his or her ownership, which presumably would put him or her in an effective control position.

c) **Changes in Ownership Structure**: Changes in ownership structure represent another group of restructuring activities. One form is through exchange offers, which may be the exchange of debt or preferred stock for common stock, or conversely, of common stock for the more senior claims. Exchanging debt for common stock increases leverage; exchanging common stock for debt decreases leverage.

d) **Delisting of a company**: A favorite method is to delist a company from the stock exchanges. According to SEBI, a company can be delisted if the promoter acquires 80 percent or more of his company's stock. For instance, in the case of Shreyas Shipping and Bharat Telecom, though the promoters had a majority shake, they were threatened with takeovers. So, they opted for delisting the companies. /

e) **Preferential Issue**: Promoters try to increase their stake through a preferential issue in their own favor. For instance, Shree Pre-coated Steels, Lyka Labs, Modi Alkalies & Chemicals, Alembic Chemical Works and Indian Seamless & Steel Alloys.

f) **Creeping Acquisition**: Promoters are trying to increase their shareholdings through the creeping acquisition route. SEBI allows a promoter to buy up to two percent of his company's stock every year. For instance, the Dhoots have announced that they will buy two percent every year, for five years, to get a controlling stake in their Videocon International.

g) **Buy Back of Shares**: Another method is share buyback. This is not approved by SEBI. This method is to buy back the company’s shares from the market and then extinguish them. This will

automatically reduce the floating stock and increase the promoter's shareholding. Companies which are waiting for SEBI's clearance are the Khaitan group and the Jindal group.

h) **Liquidation**: Shut the company down and sell all its assets.

i) **Diversification**: When a company enters into a domain of related or unrelated products with the objective of extending its range of products and hence markets, it assumes the strategic diversification dimension.

j) **Automation of operations / Re-engineering**: Re-engineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.

Strategic Management

Session No: 28

Numerator and Denominator Management

In an economy that is slowing down or contracting, CEOs have two alternatives for maintaining profitability levels. First, reduce headcount and investment, and sell assets under a 'denominator-driven' belt-tightening program. This type of approach is called *denominator management.* Managers know that raising net income is likely to be harder than cutting assets and head count. Second is the option to increase profitability by improving productivity. This approach is referred to as *'numerator-focused' management*. CEOs can thus increase productivity by maximizing the components of the numerator, and minimizing the components of the denominator.

To grow the numerator, top management must have a point of view about where the opportunities lie, must be able to anticipate customers' changing needs, must have invested pre-emptively in building new

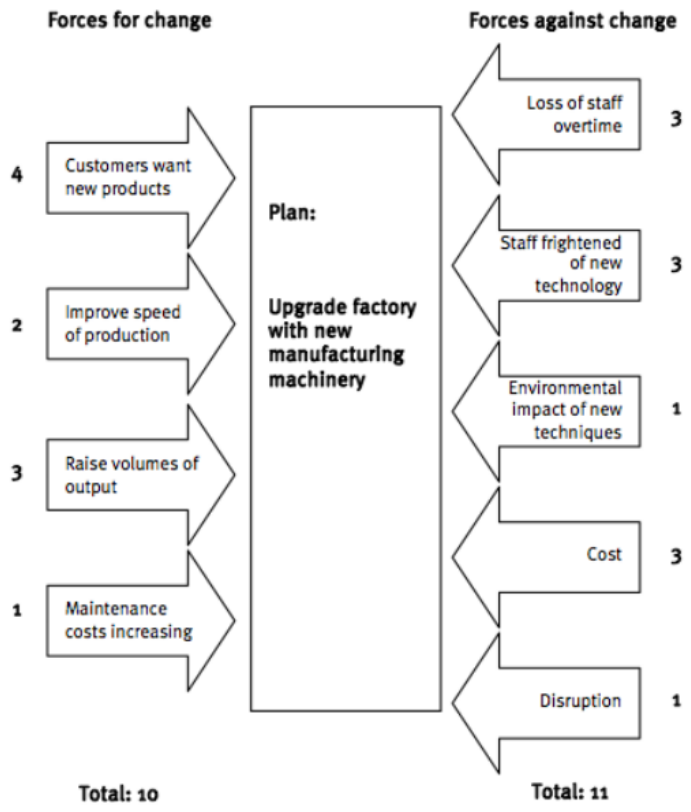
competencies etc. Under pressure to raise ROCE or ROI, managements opt for reducing the denominator which is easier. Denominator management is an accountant's shortcut to asset productivity. This is not the management's job.

Some CEOs are more proactive in adopting a healthy numerator focused management approach. This includes being creative in the use of the advertising budget and preserving technology leadership with small R&D budgets. They also explore cost effective methods for expanding distribution coverage and improving customer service.

Force Field Analysis

When managers make difficult or challenging decisions, it pays to use an effective, structured decision-making technique that will improve the quality of decisions and increase chances of success. Force Field Analysis is one such technique. Force Field Analysis was developed by Kurt Lewin (1951) and is widely used to inform decision making, particularly in planning and *implementing change* management programmes in organizations. It is a powerful method of gaining a comprehensive overview of the different forces acting on a potential organizational change issue, and for assessing their source and strength.

The idea behind Force Field Analysis is that situations are maintained by an equilibrium between forces that drive change and others that resist change, as shown in the figure below. For change to happen, the driving forces (forces for change) must be strengthened or the resisting forces weakened (forces against change and against a decision or a change).



Force Field Analysis helps you to think about the pressures for and against a decision or a change. The tool is useful for making decisions by analyzing the forces for and against a change, and for communicating the reasoning behind your decision.

Strategic Management

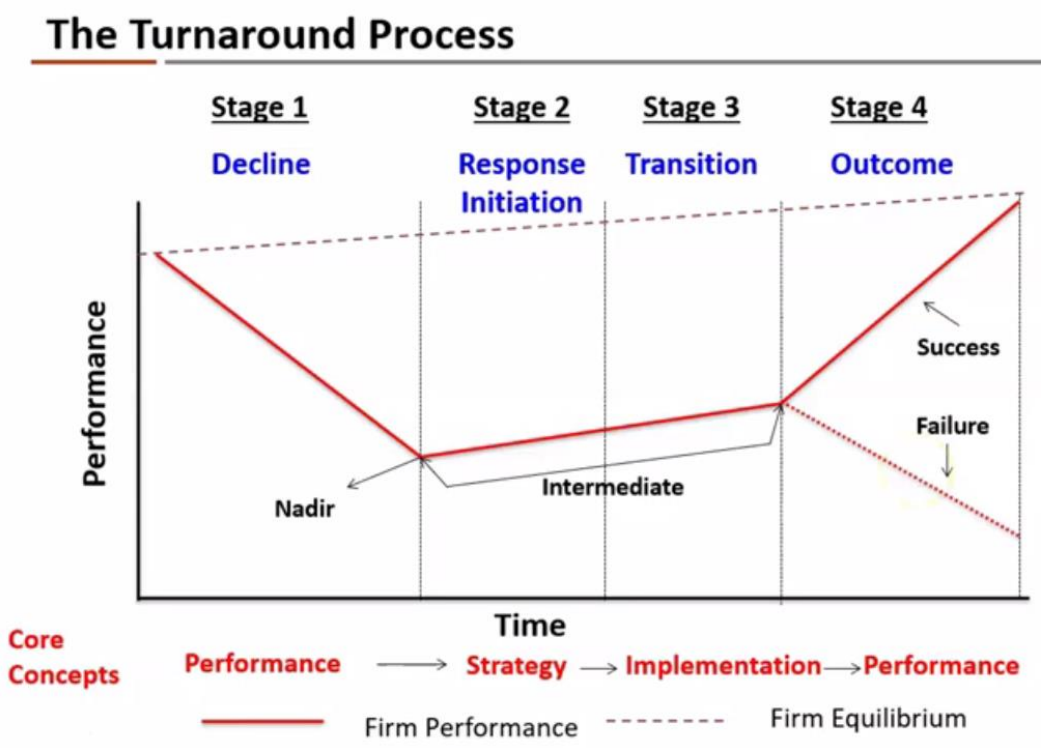
Session No: 29 & 30

Turnaround Management

Shamsud Chowdhury, Professor at Rowe School of Business, Dalhousie, suggested the use of a four stage theory to study Turnaround Management.

The four stages mentioned by him are.

1. Decline Stage
2. Response Initiation Stage
3. Transition Stage
4. Outcome Stage



<u>Stage 1 – Decline</u>

Decline starts from the firm's equilibrium and reaches a nadir.

This is based on:

a) **External Factors** – Macro or external factors related to the industry in general are responsible for the decline.
b) **Internal Factors** – The decline is due to reduction in resources within the firm, independent of the external environment.

It is necessary to:

a) Identify the various factors which have contributed to each type of decline.
b) Identify the sources of intervention that trigger action

Usually, more than one source of action or stimuli can be identified in a turnaround situation e.g. banks, creditors, stockholders, government etc.

Stage 2 – Response Initiation

Turnaround responses can be categorized into Strategic and Operating responses.

- **Strategic Response** – Changing or adjusting the business the firm is currently involved in. Examples are diversification, vertical integration, divestment etc.
- **Operating Response** – Changing how the firm conducts its business. This includes short-run tactics aimed at cost cutting and revenue generation.

The type of turnaround response used depends on the cause of the firm's decline.

a) If the decline is due to structural shifts in the market, a strategic response is used.
b) If the decline is due to inefficiency, an operating response is used.

Stage 3 – Transition

A substantial amount of time has to pass before results of the turnaround strategies show.

Stage 4 – Outcome

To determine whether a turnaround has been accomplished, a cut-off point for measure of performance can be used to determine this

The measures used to determine the outcome should be the same as were used to measure the decline

For example, the same ratios in ratio analysis should be used before and after the turnaround to measure the accomplishment.