

Successful and Unsuccessful Revival Strategies of Indian Organisations- A Case Survey

Dr. Sunita Panicker, Assistant Professor, Christ University, Hosur Road, Bangalore-560 029, India
*Email of the Corresponding Author: Sunitha.panikar@christuniversity.in

Abstract: Corporate failure is one of the major socio-economic problems of developing as well as developed nations. To combat this failure, it is necessary for organizations to identify revival strategies. The case survey research suggests prioritization of the factors that influence the revival successful and unsuccessful Indian organisations. This would help the Organisations and other players to take steps to enhance the measures of the factors, enabling these organizations to thrive.

Keywords: Organisation turnaround, Revival strategies, Case survey

1. Introduction

With growing industrialization of the Indian economy, the incidence of industrial sickness has also been on the rise and a huge amount of scarce resources of banks and financial institutions remain locked up in the sick unit (Singh.B.K 2007). Indian organizations and the managers are dealing with concerns of industrial sickness and revival. The impact of turnaround, the economic transition to an open market, as well as increased competition from internal and external sources has put pressure on all functions of the organizations. Certain revival strategies have been successful while many have not. This is due to changes in the Indian economy and the resulting effect of revival strategies in both the successful and unsuccessful organisations in relation to the corporate planning and functional areas of management.

2. Industrial sickness

The incidence of industrial sickness has been growing in India during the last decade. In India, consequent upon a number of companies falling prey to sickness, RBI has defined sickness as -“a unit is sick if it has incurred cash losses for one year and in the judgment of the financing bank, is likely to incur cash losses for current as well as for the following years, and/or there is an imbalance in the unit’s financial structure, that is when the ratio of the current assets to current liabilities is less than 1:1 and debt-equity ratio(total liabilities as a ratio of net worth is worsening” (Singh 2007). Schendel et. al (1976) initiated the attention of reason of the revival situation into the selection of right revival strategies. Arogyaswamy, Barker, and Yasai-Ardekani (1995) in an analysis of decline and revival literature view that decline and revival are strongly connected as successful revival effort have to manage together the decline and alter the firm’s strategy, and internal procedure to secure fresh resources to deal with the causes of decline.

3. Revival Strategies

Khandwalla’s (1992), study of the revival measures lead to four broad premise under the functional areas that are found across studies- Human resource strategies, Product/market strategies, Financial strategies, Production/operations and Technology strategies.

3.1 Human Resource Strategies-The human resources have to actively partner with the business leadership and develop strategies to create capabilities within the organization to speed up the execution of corporate revival (Prasad, 2006). Organisations experiencing depressing development of performance generally resort to cutback as the feasible revival strategies (O’Neill 1986, Pant 1991, Smith 1995). Change in top management is another well identified human resource strategy. Leaders are frequently a contributing cause of decline (Arogyaswamy et al., 1995).

3.2 Financial Strategies -The objective of financial strategy is to use the financial strength of the business as an asset and to restructure the business such as reduction in the par value of shares, reduction in rates of interest, postponement of maturity of debt, conversion of debt into equity (Kumar, 2003).. Studies identify financial restructuring as an essential constituent of Revival (Brown et al., 1993, DeAngelo and DeAngelo, 1990, Franks 1997, Igor 2006).

3.3 Marketing Strategies-Marketing is a very useful strategy for revival (Hofer 1980, Goldston,1992). In the organisational revival literature, though a number of writers laid emphasis on the significance of marketing in the rescue of ailing organisations (Goldston, 1992, Hofer, 1980). Sales function is another key process and involves four important elements which were more apparent in the successful firms such as :1) environmental comprehension; 2) market selection; 3) innovative market offers; and 4) managed relationships.(Bibeault 1982, Finkin 1985, Harker 1998).

3.4 Production/Operation Strategies-Hofer(1980) in a study of twelve cases of badly performing organizations, where he found for operating problems the solution is operating remedies and for strategic problems, strategic remedies. Thus, organisations that are failing due to operational causes opt for operational revival strategies and strategic causes opt for strategic revival strategies and rarely were operational failure addressed with strategic revival actions (Hambrick and Schechter, 1983).

3.5 Corporate Planning Strategy-Contraction and consolidation strategies for revival are implemented when a corporation's predicament are not all-inclusive (Pearce and Robinson, 1992). Corporate reorganization is a different revival strategy which frequently engages refocusing or eliminating non-core businesses. (Beixin et al 2008).

4. Methodology of the Study

4.1 Statement of the problem

Since this study aims at understanding the successful and unsuccessful revival strategies by organisations in India a scheme for developing major inferences on these differences through content analysis of published case studies from all over India (in order to ensure generalisability of these inferences) was designed .

4.2 Objectives of the study

The objectives of the study are:

1. To identify strategies of revival adopted by organisations
2. To compare the successful revival strategies with those of the unsuccessful ones.

4.3 Hypothesis of the study

Hypothesis-1: Lean management strategy is likely to be used more frequently by successful revival than unsuccessful ones.

Hypothesis-2: As the most characteristic feature of a sick organisation is the cash crunch, Cost management strategies are likely to be used more frequently by successful revival than unsuccessful ones.

Hypothesis-3: Refocusing on core business as well as customers is likely to be used more by all revival efforts in an attempt to regain their erstwhile market position. However, finding and developing markets may be greater characteristic of successful revival.

Hypothesis-4: Strategies for increasing operational efficiencies in the existing operations are likely to be used more or less equally by both successful revival and unsuccessful revival. However, investments in R&D for improving existing technologies and/or developing new technologies are likely to be used more frequently by the successful ones.

Hypothesis-5: Corporate restructuring and image building are likely to be used more or less equally by both successful and unsuccessful revivals.

The researcher scanned the published cases on revival management of 68 successful cases and 34 unsuccessful cases, which belonged to a thirteen-year period between 1998 and 2011. These were content-analysed to generate quantitative data, which were then statistically processed for testing the above-mentioned hypotheses. The criterion for including a case in the sample was the following rule of thumb: the case should have been such that they should have turned around during 1998-2011. The revival strategies were from the functional aspects like marketing, human resources, finance, operations/production and also other general strategies. Initially, it was proposed to restrict the study to successful revival in India. Later, to get an overall picture it was found appropriate that unsuccessful revival were also studied.

4.4 Sources of data collection-The data was collected from published case studies and PROWESS database during the period 1998-2011. Most of these were published in Business India under Corporate reports column during 1998-2011. The constructs in the areas of study are deduced from the cases of all the companies included in the sample. These variables were judgmentally combined into 30 strategy variables (by combining major functional area strategies together), which were then used for ratings and subsequent analysis.

Revival Marketing strategies- MS1- Innovative Marketing Strategies, MS2-reassessment of product mix, MS3-transition from seller market to buyers market, MS4-focus on core markets, MS5- entering newer markets, MS6-focus on promotional activities, MS7-aggressive pricing, MS8-entering newer markets.

Revival Financial strategies- The various revival financial strategies variables were FS1-Debt restructuring, FS2-Reduction in cost of assets, FS3-efficiency in short term financing, FS4-Infusion of funds, FS5-Cost cutting, FS6-Cost of reduction of funds

Revival Human resource strategies- The various revival human resources strategies variables were HRS1-Huge retrenchment, HRS2-employee training, HRS3-Change in the top management, HRS4-Incentives to employees, HRS5-Motivating employees, HRS6-Culture building, HRS7-Employee involvement, HRS8-information dissemination

Revival Production strategies- The various revival production strategies variables were POS1-Efficiency measures for operations, POS2-Investment in R&D, POS3-reduction in the cost of raw materials, POS4-modernisation, POS5- Technical collaboration, POS6- Improvement in process

Revival Corporate Planning strategies- The various revival other strategies variables were CPS1- Corporate social responsibility, CPS2-restructure the organization

Generating quantitative data on causes and strategies by using a quasi-interval scale ranging from 1 to 3 ('1' indicating the absence, '2' indicating doubtfulness, and '3' indicating presence of a particular cause/strategy)

4.5 Data collection tools

The questionnaire was divided in to two sections. Part I dealt with the background information. Part II of the questionnaire dealt with the various revival strategies which were marketing, finance, human resource, production/operations and others which were corporate planning strategies.

Reliability- To check the researcher’s prejudice if any, an inter-rater analysis was conducted. Two random samples of 10 cases each were chosen and were rated by two independent raters. One of these raters was trained in management (PhD in Management) and the other was not. The latter was a PhD in Sociology. The thought of having two raters, one trained and other untrained in management, was also to check the researcher’s prejudice due to the individual’s education, to look at the cases in terms of certain unnaturally forced frameworks. Each rater made a total of 1050 ratings (that is, 70 in case of revival strategies for 15 cases). The Karl Pearsons co-efficient correlation between the researcher’s ratings and the trained rater’s ratings was 0.904, and that between the untrained rater’s ratings was slightly lower at 0.855. Since, the inter rater correlations were very high, the reliability of the researcher’s ratings was judged to be good. As an additional check on reliability, a count was made of the identical ratings given by the researcher and other raters. The numbers were 990 out of 1050 between the researcher and the trained rater and 978 out of 1050 between the researcher and the untrained rater. This was compared with the number probable in case of random assignment of values. The chi-square values of 3382 and 3188 for untrained and trained raters respectively were far greater than the critical value of 14.95 at $p=0.005$. Thus, the reliability of the researcher’s ratings received additional support.

Validity-The data was collected from a comparable group of 8 organisations in Karnataka from 20 officials from both top and middle level management. The significant of the difference of means between the group and a random of 30 from the “Case-group “with respect to each variable was tested. Four out of 70 variables had significantly different (at $p< .01$) group means. That is, only 5.7% of the variable means were significantly different. Thus, there is some empirical support for the confidence that the cases provide valid data.

4.6 Tools for data Analysis - The major dimensions of strategies were identified through “t” test and a separate hierarchical factor analysis.

4.7 *Analysis of the study*- The analysis of the study is organised as under :

(i) ***Commonly Observed Strategies of Revival.***

Table-1: Means and standard deviations of revival strategy variables

Revival Strategies	Mean	Standard deviation
<i>MS2: Reassessment of product mix</i>	<i>1.5784</i>	<i>0.80144</i>
<i>MS5:Initiatives to increase revenues</i>	<i>1.5194</i>	<i>0.48650</i>
<i>MS6: Focus on promotional activities</i>	<i>1.5980</i>	<i>0.77408</i>
<i>FS5: Cost cutting</i>	<i>2.0784</i>	<i>1.00184</i>
<i>HRS7: Employee involvement</i>	<i>1.5588</i>	<i>0.75221</i>
<i>POS1: Efficiency measures for operations</i>	<i>1.7614</i>	<i>0.56944</i>

In order to further strengthen these inferences a two-stage factor analysis was performed on the variables with a view to identifying the principal dimensions of strategies.

Table 2: *Principal factors of strategy variables*

Strategy factor no. and name with variable descriptions	Cronbach Alpha
Factor-1 (S1): <i>Employee engagement</i>	0.665
Factor-2 (S2): <i>Aggressive promotion of old products in new markets</i>	0.421
Factor-3 (S3): <i>Cost management strategies</i>	0.361
Factor-4 (S4): <i>Investments in new markets and R&D</i>	0.360
Factor-5 (S5): <i>Focus on core business</i>	0.505
Factor-6 (S6): <i>Changes in product mix and pricing</i>	0.471
Factor-7 (S7): <i>Lean management</i>	0.571
Factor-8 (S8): <i>Image building</i>	0.670

It is clear from Table 2 that there were eight factors among the strategies, for which the Cronbach's Alpha ranged from 0.360 to 0.670. Though these values are not very high, they are in the acceptable range.

(ii) A Comparative Analysis of Successful and Unsuccessful Cases of Revival

Table 3: *Mean scores of strategy factors –*

A comparative perspective of successful and unsuccessful revival cases

Strategy factors	Mean scores (Successful)	Mean scores (Unsuccessful)
Factor-1 (S1): Employee engagement	1.23	1.19
Factor-2 (S2): Aggressive promotion of old products in new markets	1.44	1.48
Factor-3 (S3): Cost management strategies	1.59	1.43
Factor-4 (S4): Investments in new markets and R&D	1.42	1.64
Factor-5 (S5): Focus on core business	1.35	1.22
Factor-6 (S6): Changes in product mix and pricing	1.54	1.69
Factor-7 (S7): Lean management	1.24	1.08
Factor-8 (S8): Image building	1.06	1

In order to test these inferences further, the researcher conducted independent sample *t*-test, whose results are given in Table 4.

Table 4: Strategy factors – Test of difference between successful and unsuccessful cases

Strategy factors	Mean	Standard deviation	.t	Significance
Factor-1 (S1): Employee engagement	1.2316 1.1893	.40652 .23876	.594	0.544
Factor-2 (S2): Aggressive promotion of old products in new markets	1.4308 1.4817	.39700 .54980	-.534	0.594
Factor-3 (S3): Cost management strategies	1.5900 1.4866	.43321 .48693	1.090	0.278
Factor-4 (S4): Investments in new markets and R&D	1.4208 1.6204	.30389 .34575	-2.984	0.004
Factor-5 (S5): Focus on core business	1.3463 1.2472	.27712 .35859	1.540	0.127
Factor-6 (S6): Changes in product mix and pricing	1.5355 1.6763	.60683 .54509	-1.142	0.256
Factor-7 (S7): Lean management	1.2445 1.0869	.22643 .08339	3.921	0.000
Factor-8 (S8): Image building	1.0595 1.0043	.34036 .01775	.943	0.348

The *t*-tests also support the inferences made above from the visual examination of the means. It also supports the hypothesis 1, which stated that lean management as a strategy was used more frequently by successful Revival than the unsuccessful Revival was supported with *t* value highly significant at $p=0.000$

Hypothesis 2, which was about the likelihood of cost based strategies used in all Revival, was supported, as there was no significant difference between the two groups in their cost management strategies. However, there was a difference in the investment strategies, which was significantly different for the successful revival. Thus, supporting the second part of the hypothesis 2.

Hypothesis 3, which was about the efforts by all revival to regain their position in the market, was supported, as there was no significant difference between the two groups in the strategy of aggressive promotion of products in markets. However, there was a significant difference in the investments made in markets, which shows that the successful revival were keener on developing markets.

Hypothesis 4, which was about the commonly used strategy of increasing operational efficiencies, was supported, as there was no significant difference on this strategy.

Hypothesis 5, which was about the commonly used strategy of corporate restructuring, image building, was supported, as there was no significant difference on this strategy

5. Findings of the Study

The major eight strategies for revival are Employee engagement, Aggressive promotion of old products in new market, Cost management strategies, Investments in new markets and R&D , Focus on core business, Changes in product mix and pricing, Lean management, Image building

The successful organisations has higher scores on many strategy factors, especially the ones contributing to organisation development such as employee engagement, cost management, focus on core business and lean management.

The factor were there are no significant differences are focus on core business, changes in product mix and pricing, and investments in new markets and R&D, which implies that these strategies are equally used by both the groups. While these are functional strategies the problem with the unsuccessful group may be that they failed to build the organisation through the strategies mentioned above as characteristic of the successful group. Besides, the unsuccessful group had also tried to aggressively promote old products in new markets (Factor 2) where they have a significantly higher score. Lean management as a strategy was used more frequently by successful revival than the unsuccessful revival .

There was a difference in the investment strategies, which was significantly different for the successful revival. Cost management was more frequently used in successful revival..

It was found that revival strategies of successful and unsuccessful were different to a certain extent. There have also been strategies which are common for successful and unsuccessful organizations. Thus, it is possible that different kinds of revival strategies are needed for successful and unsuccessful organisations.

6 . Implications for practice

As stated above, there are two findings for the study which may have immediate implications for revival theory. One is revival strategies based on functional and other on the general classification. Comparison of successful and unsuccessful organization is a great challenge because they both operate in totally two different environments. Policy setting provides the outer frame for organisational level operations and therefore also provides the framework for corporate revival attempts. Corporate revival includes providing a platform that allows sick firms with a substantial and a viable business model to recover from the performance decline. Similarly, the restructuring and revival of sick industries or sick industry sectors is in the interest of policy setting – particularly if the industries are of high relative importance. It is hoped that the findings of the research are helpful in strategic and policy decisions of the Organisations.

REFERENCES:

- Arogyaswamy, K., Barker, V.L. and Yasai-Ardekani, M. (1995), “Firm Revival: an integrative two-stage model”, *Journal of Management Studies*, Vol. 32 No. 4, July, pp. 493-525.
- Arogyaswamy, K. and Yasai-Ardekani, M. (1995), “Organisational turnaround: understanding the role of cutbacks, efficiency improvements, and investment in technology”, *IEEE Transactions on Engineering Management*, Vol. 44, February, pp. 3-11
- Beixin Lin , Lee Zu-Hsu Lance G. Gibbs(2008) Operational restructuring: reviving an ailing business, *Management Decision*, Vol. 46 No. 4, pp 539-552.
- Bibeault, Donald B. (1982). *Corporate turnaround: How managers turn losers into winners*. New York: McGraw-Hill.
- Brown, D. T., James C. M. and Mooradian, R. M. (1993). ‘The information content of distressed restructuring involving public and private debt claims’. *Journal of Financial Economics*, 33, pp93–118.
- DeAngelo, H. and DeAngelo, L.(1990). ‘Dividend policy and financial distress: an empirical investigation of troubled NYSE firms’. *Journal of Finance*, 45, pp1425–31.
- Finkin, E. (1987), *Successful Corporate Revival*, New York:Quorum Books.
- Franks, J. and Mayer, C. (1997). ‘Corporate ownership and control in the U.K., Germany and France’. *Journal of Applied Corporate Finance*, 9, pp30–45.
- Goldston, M. R. (1992), *The Revival Prescription- Repositioning Troubled Companies*, New York:Free Press.Greenley,
- Hambrick, D. C. and S. M. Schecter (1983). ‘Revival strategies for mature industrial-product business units’, *Academy of Management Journal*, 23(2), pp. 231–248
- Harker Michael and Harker Debra(1998), *The Role of Strategic Selling in the Company Revival Process*, *Journal of Personal Selling & Sales Management*, Volume XV, Number 2, pp 55-67.
- Hofer, C. W. (1980). ‘Revival Strategies’, *Journal of Business Strategy*, Vol 1, No 1, pp. 19–31.
- Hofer, CW and D Schendel (1978). *Strategy Formulation: Analytical Concepts*. St. Paul, MN:West.
- Igor Filatotchev and Steve Toms(2006), *Corporate Governance and Financial Constraints on Strategic Revival* *Journal of Management Studies* 43:3
- Khandwalla, Pradip N. (1992), *Innovative corporate Revival*. New Delhi: SAGE Publications
- Kumar Ajit,(2003)*Industrial sickness:Causes and remedies; The Management Accountant*, the student edition
- O’Neill, H (1986). An analysis of the revival strategy in commercial banking. *Journal of Management Studies*, 23, pp165–188.
- Pant, L. (1991) ‘An Investigation of Industry and Firm Structural Characteristics in Corporate Turnaround’ *Journal of Management Studies* 28, pp 23-43.
- Pandit, N. (2000), Some recommendations for improved research on corporate turnaround. *Management*, 3, 2, pp. 25–37.
- Prasad Vara (2006), *Role of HR in Corporate Turnaround*, *HRM Review*, July, pp.11-29
- Robbins, D. K. and J. A. Pearce II (1992). ‘Turnaround: Retrenchment and Recovery’, *Strategic Management Journal*, 13, pp. 287–309.
- Schendel, D., G. R. Patton and J. Riggs (1976). ‘Corporate Revival Strategies: A Study of Profit Decline and Recovery’, *Journal of General Management*, Spring, pp. 3–11.
- Singh.B.K, (2007) ,*Industrial Sickness in India: Dimensions, Threats and Remedies*, *The ICFAI Journal of Managerial Economics*, Vol V ,No.2, pp63-88
- Smith C.Vince, Sohal S. Amrik and D’Netto Brian,(1995) , *Successful strategies for managing change* ,*International Journal of Manpower*, Vol. 16 No. 5/6, pp. 22-33.

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

