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Turnaround Strategy and Corporate Performance: A Study of Quoted Manufacturing Companies in Nigeria

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Abstract
The purpose of this study is to assess empirically the impact of turnaround strategy and corporate performance. The three measures of corporate performance which was the criterion variable in this study were profit, return on investment (ROI) and return on equity (ROE) correspondingly turnaround strategy which was the predictor variable was operationalized into three empirically referents namely: cost reduction, asset reduction and revenue generation. Adopting methodological triangulation, our data collection included the questionnaires and interviews. An eight item scale was developed from literature and validated to generate data on mediating influence of contextual factors. Also the Crobach's alpha value of the scale which was above the benchmark of 0.7 indicated that the scales used for the study were reliable. By means of the SPSS window editor, descriptive statistics were computed using Pearson correlation coefficient and regression coefficients were calculated for testing the hypotheses. The result of analysis shows that there is a positive and significant association between the empirical referents of turnaround strategy and corporate performance. The result and recommendations are extensively discussed.
Keywords: Turnaround Performance, Return on Investment, Return on Equity, Profit, Asset Reduction, Revenue Generation and Cost Reductions

INTRODUCTION
Businesses are confronted with unique challenges caused by rapid changes in financial and market conditions. The rapid growth conditions businesses experienced during the 1990's have been replaced with financial and market uncertainty. The business models of the 1990's are not applicable to businesses in the twenty first century. The current business environment is far more unpredictable and unstable and can lead a business into rapid decline, if its management does not understand the signals of business decline (Mirchandani, 2000; khandswalla2003; kazmi, 2003; Fubara, 2000). Businesses that were technology driven found themselves in a declining market where capital is scarce and venture capitalist are retrenching. The business world of the second decade of the 21th century is considerably different and more complex than those of the 80'sand 90's. E-commerce has changed the nature of business to its core. Thousands of strategic alliance and partnerships, even among competitors have been formed in recent years. Downsizing, rightsizing, reengineering and countless divestures acquisition and the liquidations permanently altered the cooperate landscape. To survive and prosper in the competitive business environment, organizations need to build and sustain workable strategy.

Business tends to come and go, indicating a high failure rate, particularly during periods of recession. A great deal of research attention has been given to business failures. Such failures can be prevented if declining businesses can be turned around and made viable again. In spite of these potential benefit of turning around businesses, relatively little research attention has been given to study how business can be turned around, particularly in the manufacturing business sectors where the failure rate has traditionally been high in Nigeria.

Understanding the process and determinants of turnaround in businesses will be of great value in formulating prescriptive strategies for businesses to prevent failure, recover from decline and attain sustained growth. Business decline warranting turnaround basically entails business which are facing crisis situation (e.g. cash and profitability crisis) and will become insolvent or go out of business unless appropriate actions are taken to affect a turnaround or recovery in businesses. Unfortunately, there is no hard and fast definition of a crisis or turnaround situation. If failures occurs in different stages as a process of decline in business performance, then a thousand is theoretically possible before the business has finally failed or is liquidated. Turnaround is generally concerned with how businesses get in and out of the failure track.

Imprecise definition of business decline warranting turnaround render it difficult to measure the magnitude of turnaround or recovery problems in a particular situation. The lack of unanimity in the definition calls for a clearer statement of a business declined scenario(s). Slater (1984) stated that business decline warranting turnaround occurs when a firm whose 'real' profit before tax had declined for three or more successive years; and a successive turnaround was defined as a firm whose real profits before tax increased after application of certain strategies such as asset reduction, cost reduction, and increase in revenue generation.

Bibeault (1992) used the existence of loss situation or a severe decline in profit of 80% or more in a single year as an indication of turnaround situation in his study of 4,000 studied companies. From these businesses situations, it would seem that the definition of a loss situations, in at least one year (excluding the start-up years) would be appropriate for assessing turnaround situations. In the turnaround literature, Bibwault found out that 27%

of firms faced turnaround situations and about one third were successfully turnaround. In Slater's study, 20% were found to be in need of a turnaround, and 24% of these turnarounds were successful ones. Stayner and Miner (1997) reported that 44% of companies in the Malaysian manufacturing sector were in need of turnaround; of these 48.8% were firms with 250 employees or less, indicating a significant proportion of manufacturing firm in turnaround situations. Another general indication of business turnaround situation can be taken from Williams' (1987) study of 10,570 business from 1985 to 2008 which reported that 47.35% of businesses failed less than 3 years. These data do indicate the importance of understanding the turnaround phenomenon in business.

STATEMENT OF THE PROBLEM

Corporate failure according to Webster, (2007) is a well-known global problem, and in recent times in Nigeria, it has been a subject of analysis. For instance, a good number of newspaper reports including Nigerian chronicle May 29th 2014; the Guardian 10th February, 2015; and business day 2nd July, 2015; have expounded on this problem.

On September, 2013, Lechman Brothers declared bankruptcy in 2012; Merril Lynch went bankrupt. And in 2014; Calabar Cement Company in Nigeria collapsed with massive retrenchment. Scholarly analyses of the problem revealed that escalated corporate crisis are common and damaging to organizations, costing significant time, energy, frustration and huge waste of human capital (Donovan, 1994; Lohrke and Bedeian 1998).

In 2015 between 20 to 30 percent of most companies in Nigeria were in need of a turnaround (Murphy, 2012). Industries are an integral part of a nation's economy, with growing industrialization. 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 sick units (Singh, 2007).

A recent study conducted to address operational insolvency problems of troubled companies was usually aimed to improve short-term performance focusing on operational measures in the effort to gain efficiency and improving margin by reducing cost and slimming overheads in line with volume (Chawdury 2011). This strategy usually involves taking actions to improve cash flow and restore profitability.

Escalated corporate crisis are common and damaging to organizations, costing significant resources, time, energy, frustration, and huge waste of human capital. The global economy has witnessed unprecedented turmoil in the manufacturing sector; of such big companies like National salt in 1991, the plastic giant, Flour Mill failed in 2000 and Roll Royce. Even the retail. Conglomerate Tantalizer with diversified market tentacles. In the banking sector, the rate is very alarming; the list is intimidating and cannot be enumerated in this work. Times of corporate distress present special strategic management challenges. Most research focused on successful organizations and the quest to identify success factors. But organizational decline has received far less attention in the management literature. Organizational decline represents substantial resource losses over time (Cameron, Whetten, and Kim, 1997) and can either be a gradual process or a sudden, unexpected disruption (Tushamn and Anderson, 1986). Substantial organizational decline leads to crisis where the survival of the firm is threatened.

On September 15, 2015, UNICEM Company was declared bankrupt, the largest bankruptcy filling in Cross river state history, which brought LAFARGE partnership. Also, in 2004, Merril Lynch the largest stock brokerage firm in the United States went bankrupt and was sold to bank of America. The irony is that Merril Lynch was the firm millions trusted with their wealth; the firm millions looked to for financial assistance. Managers tend to attribute performance decline and any resulting organizational crisis to external factors beyond their control, such as competition. Empirical studies however, show that very few business failure are the result of outside factors only (Boyle and Desai, 1991). Instead, organizational failure is frequently linked to internal problems like failure to update products, invest in core competencies, and control cost (Baum, 1989; Hedberg, Nystrom, and Starbuck, 1976; Starbuck, Greve and Hedburg, 1978).

Only a few empirical studies have investigated organizational decline and Turnaround Strategy. Miller and LeBreton Miller (2005) in their case studies of 40 successful large U.S. and European family business did report how several of them stumbled. They identified overconfidence and straying from successful business formula as the main causes for organizational decline. Similar arguments of success based overconfidence and the risks of altering fundamental organizational change as cause for organizational decline have also been made in the general management literature (Cyert and March, 1963; Levinthal and March, 1993).

Given the integrated nature of the contemporary global economy, international competition and ever changing information technology, business continuously strive to adapt to their environment. However, not all such attempts are successful. A significant number of firm facing this challenge fail to adapt and as a result experience serious performance deterioration. Consequently, performance decline are considered critical in achieving survival in a viable business entity (Lohrke and Bedeian, 1998; Ketchen and Palmer, 1999). Top executive are often charged with formulating and implementing effective turnaround strategies needed to reverse or declining organizational performance (Barker and Patterson, 1996; Lohrke *et al.*, 2004).

At any given time, between 20 and 30 percent of most companies in Nigeria are in need of a turnaround (Murphy 2001). Turnaround management is a process that involves establishing accountability, conducting diagnostic analysis, setting up an information systems, preparing action plans, taking action, and evaluating results

(Di Priomio 1988).

REVIEW OF RELATED LITERATURE

Theoretical Framework

Literature of corporate turnaround have shown that certain strategies such as cost reduction, asset reduction or restructuring were among popular strategies adopted by most troubled firms.

One of the reasons that these strategies were widely adopted by ailing business was perhaps better explained by survival-based theory. This theory argued that in order to survive, organization had to deploy strategies that should be focused on running very efficient operation and can respond rapidly to the ever-changing environment (Lynch 2003). However, in reality, not all of these companies which adopted this kind of strategies managed to successfully turnaround. As Shafter (1984) argued, only one out of five troubled companies managed to successfully turnaround itself. The lack of explanation provided survival - based theory, open up possibilities for other dimensions or theory of strategies management to lend itself in explaining the behavior of turnaround companies. Contingency theory as one of the most influential theories applied in strategy and organizational studies (Hofer, 1975) and one of which is widely adopted in strategic management (Miner, 1984), the suspected moderating effect is well within the boundary of contingency theory.

Literature in the field of turnaround strategy has been quite well developed for the last three to four decades. Since the earlier publication on the subject by Scheduled and Patton (1976), Turnaround strategies, include: debt restricting, operating turnaround strategy, strategic portfolio restructuring strategy, and market refocusing strategy (Hofer 1980; Trorik, Boissoneau and Pearson, 1998; Slatter 1994; Sudarsanam and Lai 2001: Chowdury, 2002; Chowdury and Lang, 1995; Hambrich and Schecter, 1983; O'Neill, 1986; Slatter and Lovett 1999). Although different scholars provided different technical term to these strategies, and sometimes found conflicting results, these terms are basically presents more or less the same meaning. Also, there are other non-strategic factors which influence performance of turnaround companies or somewhat influence strategy - performance relationship of turnaround companies different business practices between Western and Asian companies for example, were argued by Bruton, Ahtetron and Wan (2003) as given different effect on the turnaround effort of Asian companies which also supported from other fellow researchers (fisher, Lee and Johns 2004; Bruton, Alstron and Wan, 2001).

Therefore it would be quite interesting to seek out other differences which exist or being practice by turnaround companies in other parts of the world especially in Nigeria For the purpose of this study, two strategy-related factors, and two non - strategy factors, which will be treated as confounding factors, will be examined in the effort to further explain their influence on the improvement of performance of turnaround companies.

Early scholars in the field, sees operational-efficiency strategy, which arguably is among the first sets of strategies to be implemented by troubled firms (Robbins and Pearce, 1992; Hofer 1980). Literature on the field of corporate turnaround has found considerable support in the role of operational efficiency strategy in revitalizing ailing companies (Robbins and Pearce, II; 1992, Chowdury and Lang, 1996; Bruton and Rubanich, 1997; Tvorik, Boissoneau and Pearson, 1998). However there were several researchers who found conflicting results in this particular role of operation-efficiency strategy. (Barker III and Mone 1994; Castrogiovani and Bruton, 2000; Arogyaswamy and Yasai-Ardekani 1997). This strategy which is usually implemented to operational (inefficiency) problems of trouble companies was usually aimed to improve short-term performance focusing on operational measures in the effort to gain efficiency and improving margin by reducing direct cost and slimming overhead in line with volume (Tvorik, Boissoneau and Pearson, 1998; Hofer, 1980; Slatter, 1994 Chowdury, 2002). This strategy usually involves taken actions to improve operational cash flow and restore profitability by pursuing strict cost and operating asset reduction (Sudarsanam and Lai, 2001).

Turnaround Company usually pursues cost reduction, delayering, reducing cost of materials and also overheads, though the first are the most commonly mentioned. Scholars found conflicting evidence in the role of cost reduction to improve business performance. Most scholars found significant role of cost reduction in turning around ailing companies (Robbins and Pearce and Robanik, 1997; Tvorik Boissoneau and Pearson, 1998) though some other found the role was a bit vague (Baker III and Mone, 1994; Castrogiovani and Bruton 2000; Fisher, Lee and Johns 2004) Arogyaswamy and Yasai-Ardekani 1997) found that delayering and pay cuts were both done successfully and Bruton, Alstrom and Wan 2001) also argued that the viability of cost reduction in improving business performance is widely accepted by turnaround firms, such as the turnaround of IBM (Slatter and Lovett, 1999).

One of the ways in which turnaround strategy can be handle is when a CEO is replaced by another, the new incumbent can broadly follow two types of approaches: surgical and non-surgical or humane. Khandwaila, P. N. (1989), stated that the surgical approach to turnaround involves a tough attitude and the pattern of action followed is roughly the same everywhere. The new CEO quickly asserts his authority by issuing orders and directives for changes, centralizes functions, fires employees, and closes down plants and divisions. Then, the products mix may be changed, obsolete machinery replaced, R & D, marketing and strengthened, and accountability fixed until business shows signs of turning around.

The second dimension is non-surgical or humane, and involves understanding problems, eliciting opinions, adopting a conciliatory attitude and coming to negotiation/settlements among different functions. The emphasis is clearly on behavioural change and aimed at improving work culture and morale. Both the above dimension may succeed depending upon the circumstances, but the latter generally has greater potentials to succeed in the long- run (Khandwala, 1992). Finally, for turnaround strategies to be successful it is imperative to focus on the short-term financing needs (as banks and financial institutions do) as well as on strategic issue. A workable action plan for a turnaround should include:

1. Analysis of product, market, production process, competition and marketing segment positioning.
2. Clear thinking about the same market place and production logic.
3. Implementation of plans by target-setting, feedback and remedial action.

Given earlier observation that most of the causes of failure to be internal to the firm, the key missing element in many troubled businesses seems to be a lack of control over operations, their quest to build a company, many businesses operators pursue market opportunities, yet, lose sight of the absolute necessity to control the internal operations of their companies (i.e. the nuts and bolts of day to day managing).

The experience and expertise necessary for long time survival depends on an owner recognizing that the transition from small informal, owner-managed operations to larger productive capacity involves increased leadership and delegated control on the part of management (Grainer 1972). To successfully manage the transition from a small owner-operated company to a larger organization, one must add staff and build a hierarchy that has a well-defined division of labour.

Fubara (2000) stated that the death of a corporate entity may be through insolvency arising from the inability of a company to pay its bills when due or could be insolvency which might have given rise to bankruptcy, implying that a company's liabilities supersede a fair valuation of its assets-resulting in a negative network. Research Evidence (Altman, 1971) shows that inefficient management, unwise use of credits, dishonesty and fund misappropriation are major causes of business failures.

Scherrer (2004) maintained that, to survive in today's business environment, a company's management team must be able to react to changes in the internal and external environment. By understanding the business environments and how they affect your business, you can locate and correct problems before they become too great. This is an important first step in the management turnaround process.

The Nigerian Experience

In Nigeria, it was rare to see big companies fail. This is now a regular occurrence. Failure among companies and banks have assumed an unprecedented momentum since the introduction of the Structural Adjustment Programme (SAP), which deregulated the economy in 1986. Such big companies like the plastic giant, Mettaplastica failed. Even the retail conglomerate, Chanrai failed. Among the banks, the rate is very alarming. Of the 120 banks licensed in 1992, five have failed and are being liquidated. 47 banks in 1996 were adjudged distressed out of which 35 are critically distressed and may face liquidation while the remaining 12 banks are fairly healthy. The high court is everyday inundated with litigations on winding up of companies and banks. The list is intimidating and cannot be enumerated in this work.

There is, however seemingly ambiguity about the term "failure" as there are varying degrees of it. A company is said to be technically insolvent if it is not able to meet its current obligations. This type of insolvency is temporary and is caused by illiquidity. It be rectified over time. To do this, the company can:

i. Borrow to ease off its illiquidity.
ii. It can realize its investment such as stock of finished goods or raw materials.
iii. It can call its shareholders for more funds (if it is a private company).
iv. It can raise overdrafts from its banks.
v. It can raise more funds by issuing more shares or right issues to its existing shareholders.
vi. The company can get majority of its creditors to reschedule its debts in order to have relief from fixed charges. This is called extension.
vii. The company can pay its creditors on pro-rata basis either in cash or promissory notes.

On the extreme, a company is said to be operationally insolvent or insolvent in bankruptcy where its liabilities exceed its asset. In this case, the networth of the company is said to be negative. From the foregoing, it can be seen that the issue of failure of a company ranges from the two extremes of technical insolvency to bankruptcy. Like any other ailment, failure in companies can be cured depending upon how critical it is. The worst case that is adjudged irredeemable is allowed to be wound up liquidated. With some measure of strategic tactfulness and many failing companies can be reorganized; to the mutual benefits of all their stakeholders. Different terminologies can also to describe this reorganization i.e. turn around, restructuring, streamline, rehabilitation etc.

Turnaround Approaches

There are different types of operating turnaround strategies that can be applied, but we shall briefly look at a few of them:

1. Retrenchment strategies
2. Revenue increasing strategies
3. Cost cutting strategies
4. Asset reduction strategies
5. Combination strategies (Repositioning, replacement, renewal, etc.)

Retrenchment strategy is followed when an organization substantially reduces the scope of its activities. This is done through an attempt to find out the problem and diagnose the cause of the problems. Next steps are taken to solve the problems. These steps result in different kind of retrenchment strategies basically retrenchment strategies are a response to decline in industries and markets. An organization therefore needs to understand clearly, the cause of the decline and its consequences on order to provide an appropriate response to decline.

The first set of factors leading to a decline is external to the organization. Some of the major external factors leading to decline are as follows: new organizational forms, new dominant technologies, new business models, adverse government policies, demand situation, changing customers need and preferences, and emergence of substitute products.

The second set of factors leading to decline in internal to organization. Almost any significant operational problem that an organization faces internally could be a cause of decline. Some of the major internal factors leading to decline are as below: ineffective top management, inappropriate strategies, continual resistance to eternally imposed change, poor quality of functional management, wrong organizational design, excess assets, high costs, ineffective sales and marketing, and unproductive new product development. While these turnaround strategies might seem to correspond in some ways to the four different types of strategic turnaround noted above, attempts to make such a correspondence are really misleading, since the correspondence is more one of results than of means and as a consequences, usually exists only in the short term. A comparison of a typical one or two level share increasing operating turnaround strategy should help illustrate the differences. In the former instance, the business involved would normally develop a new line of products, perhaps change its methods of distribution, alter the basic character of its production system, invest heavily in R&D, and be slightly overstaffed in anticipation of future growth. In addition that growth would start slowly since however the growth rate would take off for a period of several years before it slowed as the firm reached its new share position.

In typical revenue generating operating turnaround, however the firm would keep its existing line of products although it might supplement these with products it used to make but had discontinued provided there was some indication the latter would boast current sales. Also, the business might produce some products that it has no intention of ever making long term if these helped utilize its facilities more fully in the short term. In addition R&D would be at moderate or low levels and staffing at low levels relative sales, while some major efforts such as price cutting, increased advertising, or increased direct sales would be undertaken to stimulate current sales. In a strategic turnaround designed to shift share position, there would be few activities undertaken that were not related to business's long-term direction. At the same time a balanced effort would be made among the two or three key success areas critical to the business. By contrast in the operating turnaround designed to increase revenues, almost total attention would be focused on short-term revenue generating actions with little or no attention to the other areas of the business. Moreover, a number of revenue generating actions undertaken might have a no bearing on the long term strategic health of the business. In short, strategic and operating turnarounds are really substantially different in character even though they sometimes appear to be a similarity in the short-terms result they produce.

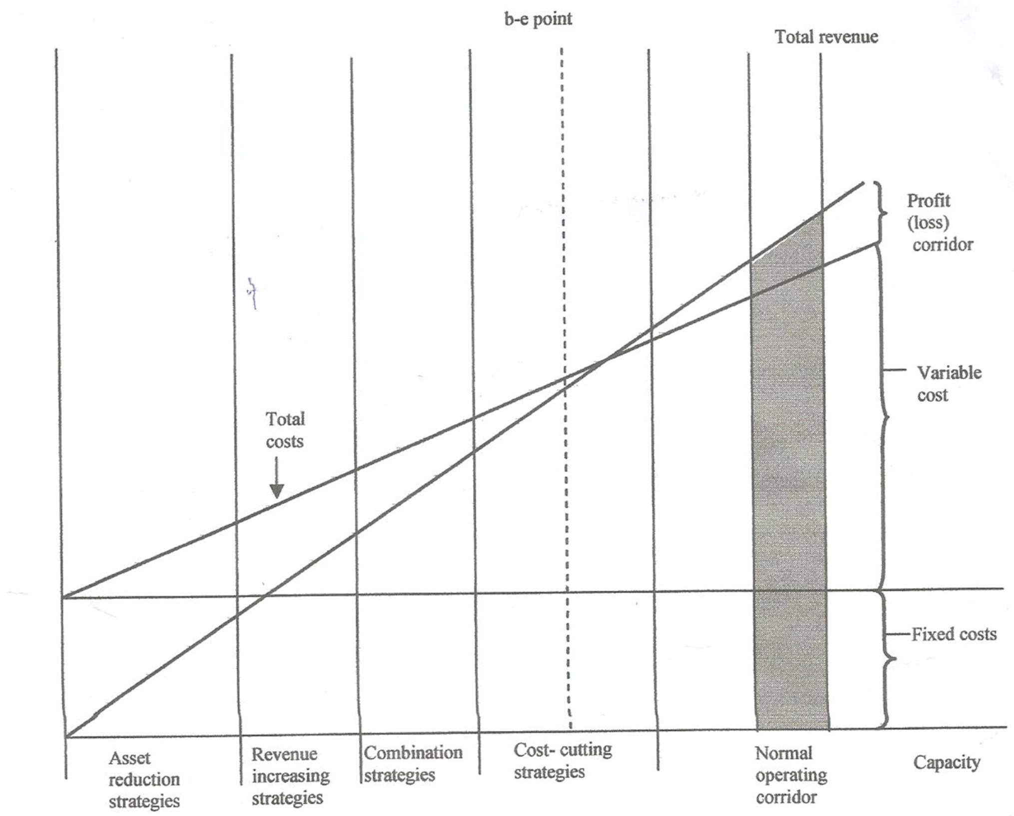
Because of the primary focus on the short-term operating actions, they first step in any operating turnaround should be to identify the resources and skills that the business will need to implement its long-term strategy so that these can be protected in the short-term action program that will follow. Once these resource have been identified, the type of operating turnaround strategy to be followed should be selected based primarily on the firm's current breakeven position, with adjustments being made depending on its price/cost structure and its current financial situation.

If the firms is close to its current break-even point or if it is in the combination strategy range, but has high direct labor costs, high fixed expenses, or limited financial resources, then cost cutting turnaround strategies are usually preferable because moderately large short-term decrease in costs are usually possible and because cost cutting actions take effect more quickly than revenue generation actions.

On the other hand, if the business is extremely far below its breakeven point (i.e. less than 33 percent of the break even or lower), then the only viable option is usually an asset reduction turnaround strategy, especially if the business is close to bankruptcy. In such instance, the principal question is which assets should be sold and which should be kept. The answer depends on the firm's present/future strategy and the salability of the different assets. As general rule, the only assets that should be kept are those that the firm will definitely use within the next year or two. Unless bankruptcy is imminent, though the sale of the remaining assets should be done with deliberateness rather than haste because the rushed or forced sale of assets will often reduce the price the seller will get by 100 percent or more.

If the business is substantially but not extremely below its break-even point (i.e.in the range of 40 to 70 percent below), then the most appropriate turnaround strategies are normally revenue generating asset reduction strategies because in these circumstances there is usually no way to reduce costs sufficiently to reach a new break-even and time and resources are usually not adequate to attempt a combination turnaround strategy. The choice between revenue generating and asset reduction strategies in such situation s depends primarily on the longer- term potential of the business after turnaround and on the criticalness of the firm's financial situation. If the potential is such that the potential capacity will be used within a year or two or the turnaround the finances are not yet desperate, then revenue-generating strategies should be pursued. If finances are critical but potential to be use existing capacity is also present then the firm should follow combination revenue generating asset and reduction strategy. The principal focus though should be on revenue generation with the sale of assets limited to the amount needed to meet the firm's cash flow needs of the next 3 to 6 months. If the longer-term sales potential is substantially less than the firm's present capacity, however, an asset reduction strategy should be selected with the total amount of assets to be sold being determine by the firm's long term potential.

The international level economic and geopolitical changes have led to a spree of economic reforms around the world. The composition and nature of market also changed causing the organizations to make an intense assessment and reorientation of their assumptions and mental models. It was clear that these would no longer work in the emerging environment context. What is needed is a new set of assumption and mental models that are synchronized with the context in which organization functions now. The need to realign organizations with the environmental realities thus arises. Such realignment is what we refer to as repositioning. Often, such repositioning is done through a combination of expansion strategies such as internalization or cooperation and renewal strategies of turnaround of divestment. Over diversification is sought to be reversed down scoping which involves reducing the scope of diversification by divestment of non-core business and creating a focused organization

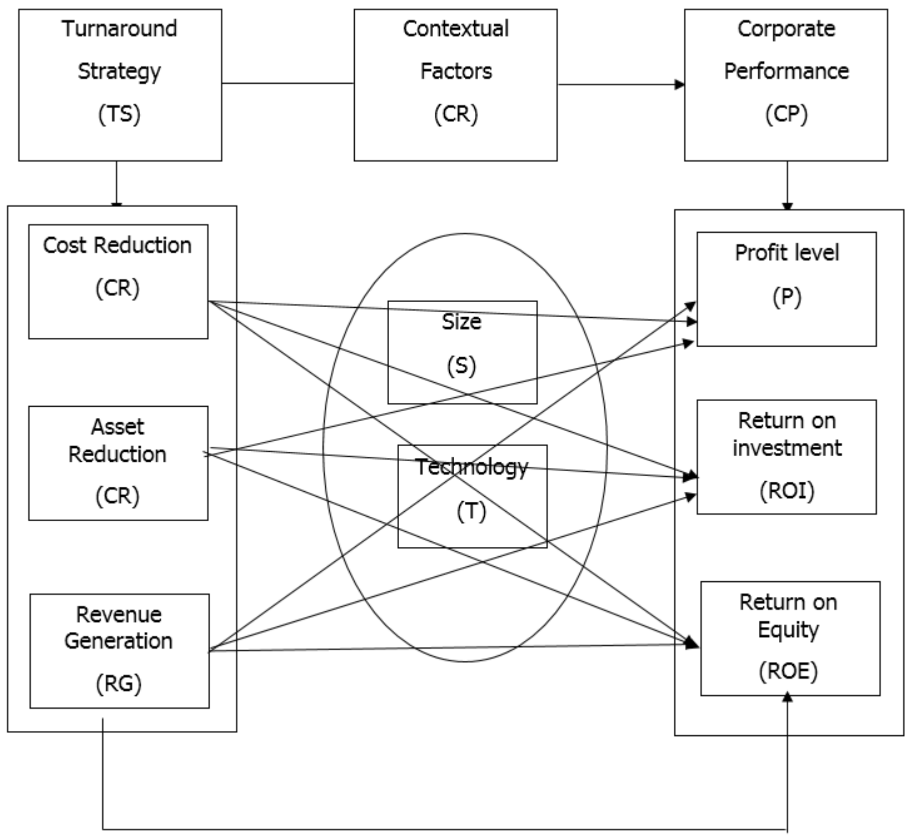


Source: Adopted from Strategic *Management and Business Policy* by Williams F. Glueck pp. 276.

In more intermediate position (i.e., when the business current sales are between 50 and 80 percent of its current breakeven point, combination strategies are usually the most effective, although when fixed costs or direct labor costs are low, revenue generating strategies are sometimes more effective under combination strategies cost reducing revenue generating and asset reduction actions are pursued simultaneously in relatively balanced proportion. The reason for this type of balanced effort is that the benefit ratio for the best cost reducing asset best revenue generating actions and conversely. Therefore the cash flow produced by a balanced effort is sufficiently higher than that which would be produced by a more narrowly focused effort so that greater complexities of managing such a balanced effort are more than compensated for. Such benefit cost comparison should be explicitly calculated before beginning a combination strategy, however because without a substantial dollar advantage, a single focused turnaround strategy is clearly preferable. The reason for this is the magnitude and urgency of the various tasks that must be done in any turnaround situation. There are quite simple more things to be done than there is time available to do them. Consequently, unless there is a clearly and ever present goal to guide one's actions such as revenue generation or cost reduction, it is quite likely that one may pursue unproductive task because of past interest or skills or suffer a means end inversion they may yield. Because of their lack of single clear cut goal, combination strategies are particularly susceptible to these problems. They should therefore be pursued only when their payoff more than adequately compensates for the additional managerial complexity and operational difficulties they entail.

No matter what type of operating turnaround strategy is followed, the limited financial resource and time urgency associated with most operational turnaround situations require particular attention be given to all the actions that will have a major cash flow impact on the business in the short term. As a consequence, actions such as collecting receivable, cutting inventories increasing prices when possible, focusing on high margin products stretching payables, decreasing wastage and setting off surplus assets should almost always be pursued. Some will be as a logical extension of the type of turnaround strategy selected. The others should be used only if the timing and total impact of their cash flow contribution warrants taking time away from the firm's chosen turnaround strategy. Among the best tools for addressing the latter questions are sensitivity, variability and elasticity analyses. Also useful are pro forma cash flow projection and donation system for assessing the speed with which the various resources can be converted to cash in financial emergencies.

Fig 1 Turnaround Strategy and Corporate Performance
(Operational Framework)



Source: Author's Research, 2016
NB: This shows how the hypotheses were derived

Operational Model

P=F(TS)CF……………………………………………………………………………………………… (1)
TS=CR+AR+RG…………………………………………………………………………………………….. (2)
CF=S+T ……………………………………………………………………………………………….…. (3)

.:CP=F (CR,AR,RG)(S+T)……………………………………………………………………………….(4)

Where:

CP= Corporate performance
TS =Turnaround strategy
CF = Contextual Factor
CR = Cost Reduction
AR = Asset Reduction
RG = Revenue Growth
S = Size
T = Technology

The aforementioned postulated the relation between corporate performance and the turnaround strategy and contextual factors; size and technology.

Hypothesis relationship is shown in figure 1, the diagram hypothesized a functional relationship between turnaround strategy measured in terms of cost reduction, asset reduction, revenue generation and corporate performance. This relationship is moderated by the influenced of organizational size and technology as a guide to the study.

Research hypothesis

According to Etuk (2003), research hypotheses are conjectural statement that explain relationship between dependent and independent variable. They are also called tentative answers to research problems until the veracity has been established empirically.

Logically, research hypotheses follow well-defined research questions. In connection with this study, the following research hypothesis were stated in null synopsis.

$H0_1$: There is no significant relationship between cost reduction and profit level of manufacturing companies.

$H0_2$: There is no significant relationship between cost reduction and return on investment of manufacturing companies

$H0_3$: There is no significant relationship between cost of reduction and return on equity of manufacturing companies

$H0_4$: There is no significant relationship between asset reduction and profits level of manufacturing companies

$H0_5$: There is no significant relationship between asset reduction and return on investment of manufacturing companies

$H0_6$: There is no significant relationship between asset reduction and return on equity of manufacturing companies

$H0_7$: There is no significant relationship between loss reduction and the profit level of manufacturing companies

$H0_8$: There is no significant relationship between loss reduction and return on investment of manufacturing companies

$H0_9$: There is no significant relationship between loss reduction and return on equity of manufacturing companies

1.8 Scope of the study

Content scope: the theoretical area covered in this study was restricted to literature on turnaround strategy and corporate performance.

Geographical scope: The study covered selected quoted manufacturing companies in Nigeria

Study Units: The study units for data generated were individual organizational members (key informants) in the manufacturing companies quoted in the Nigeria stock exchange (NSE).

Also, the study tends to cover mainly aspects relating to the turnaround strategy of manufacturing companies, and how this impact on the organization performance. Furthermore, within the selected companies, only respondents of the rank of supervisor and above were considered. The reason for this restricted selection of respondent bore directly on the presumed difficulties in understanding the subject matter of this research. Only respondents of that rank and above were adjudged adequately informed both educationally and through years of managerial experience to interact meaningfully in oral discussion and filling the questionnaires.

The proposed study is limited to the empirical investigation of the influences of turnaround strategy and corporate performance of the manufacturing companies in Nigeria. The study would be extended to manufacturing companies in other countries in West Africa. It is our utmost belief that the finding of the study will have equal applicability to the companies in the West African sub-region. Besides, there is unanimity of behaviour among the manufacturing companies with respect to structure, technology and management in Africa.

Methodology and analysis

Methodology adopted for this study was survey research which is aimed at determining the extent to which turnaround strategy affects corporate performance of quoted manufacturing companies. Data was analyzed using descriptive statistics and the hypothesis tested using Pearson's and stepwise regression analysis.

Test of hypotheses

Hypothesis one

H_{01}: There is no significant relationship between cost reduction and profit level of manufacturing companies

The test result is prepared in table 1. from the table, the correlation coefficient (r-value) shows there is a high positive correlation or association between cost reduction and profit level (0.93) which is significant at 5% level with this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between cost reduction and profit level of manufacturing companies

Table 4.8: Pearson's correlations between cost reduction and profit level

	Cost reduction	Profit level
Pearson correlation	1.000	0.933
Sig. (2-tailed)		0.05
N	244	244

Sources: SPSS Window output version 17.0

Hypothesis Two

H_{02}: There is no significant relationship between cost reduction and return on investment of manufacturing companies.

The Pearson's result in table 2. Shows there is a high positive association between cost reduction and return on investment (0.89) which is significant at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between cost reduction and return on investment in manufacturing companies.

Table 2 Pearson Correlation between cost reduction and return on investment

	Cost reduction	Return on investment
Pearson Correlation	1.000	0.888
Sig. (2 tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Three

H_{03}: There is no significant relationship between cost reduction and return on equity of manufacturing companies

The r value result in table 3 indicates there is a high positive association between cost reduction and return on equity (0.89) which is significant at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is significant relationship between cost reduction and return on equity of manufacturing companies

Table 3: Pearson's correlations between cost reduction and return on equity

	Cost reduction	Return on equity
Pearson's correlation	1.000	0.890
Sig. (2 tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Four

H_{04}: There is no significant relationship between asset reduction and profit level of manufacturing companies.

There r value result in table 4 indicates there is a high positive association between asset reduction levels (0.94) which is significant at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between asset reduction and profit level in manufacturing companies.

Table 4 : Pearson's correlation between asset reduction and profit level

	Asset reduction	Profit level
Pearson	1.000	0.939
Sig. (2 tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Five

H_{05}: There is no significant relationship between asset reduction and return on investment of manufacturing companies.

The r value in table 5 indicates there is high positive association between assets reduction and return on investment (0.99) which is significant 5% level with this, the null hypothesis is rejected, which therefore implies that there is significant relationship between asset reduction and return on investment of manufacturing companies.

Table 5 Pearson's correlation between Assets Reduction and Return on Investment

	Asset reduction	**Return on investment**
Person	1.00	0.985
Sig. (2-tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Six

H_{06}: There is no significant relationship asset reduction and return on equity of manufacturing companies.

The Pearson's correlation result in table 6 indicates there is a high positive association between asset reduction and return on equity (0.94) which is significant at 5% level. With this, null hypothesis is rejected, which therefore implies that there is a significant relationship between asset reduction and return on equity of manufacturing companies.

Table 6 Pearson's correlation between Assets Reduction and Return on Equity

	Asset reduction	**Return on Equity**
Person	1.000	0.939
Sig. (2-tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Seven

H_{07}: There is no significant relationship between loss reduction and profit level of manufacturing companies.

The Pearson's correlation result 4.14 points out there is a high positive association between loss reduction and the profit level (0.91) which is significant (0.05) at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between loss reduction and profit level in manufacturing companies.

Table 7 Pearson's correlation between Assets Reduction and profit level

	Loss reduction	**Profit level**
Person	1.00	0.913
Sig. (2-tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Eight

H_{08}: There is no significant relationship between loss reduction and profit level of manufacturing companies.

The Pearson's correlation result 4.15 points out there is a high positive association between loss reduction and the return investment (0.91) which is significant at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between loss reduction and return on investment of manufacturing companies.

Table 8 Pearson's correlation between loss reduction and return on investment

	Loss reduction	**Return on investment**
Person	1.00	0.910
Sig. (2-tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Hypothesis Nine

H_{09}: There is no significant relationship between loss reduction and return on equity of manufacturing companies.

The Pearson's correlation result 4.16 points out there is a high positive association between loss reduction and return on equity (0.96) which is significant at 5% level. With this, the null hypothesis is rejected, which therefore implies that there is a significant relationship between loss reduction and return on equity in manufacturing companies.

Table 9 Pearson's correlation between assets reduction and Return on equity

	Loss reduction	**Return on equity**
Person	1.000	0.955
Sig. (2-tailed)		0.05
N	244	244

Source: SPSS Window output version 17.0

Discussion and conclusion

The study found that there is positive and significant relationship between cost reduction, asset reduction and revenue generation on profit, return on investment, returns on equity in a turnaround management strategy. Therefore, performance was attributed to turnaround strategy as a management tool. It was serendipitously found that systemic corruption and deteriorating financial performance was as a result of maladaptive decision by management. This discovery came from a discussion in the interview across members of the investigating companies. The top management exhibit irrational behaviour which have a tendency to collapse their company or organizations. Such as misappropriation of funds, corrupt practices by way of clientele and prebendal influence.

6.4 Recommendation

As it has said earlier, each turnaround exercise is unique because of the unique nature and environment of the companies involved. However, certain basic processes must be undertaken in turnaround exercise. These are:

1. Diagnosis

One cannot cure what he does not know it cause. In other words, the starting point of any turnaround exercise is the examination of the basic cause of the decline in the fortunes of the company. This entails a historical reassessment of the company i.e. investigation into the causative factors. It is usually a combination of factors. It may be due to poor marketing, poor product line, poor management etc. it is essential that at least the most important causes must be identified before proceeding on any turnaround exercise.

2. Prescription

Having identified the causes of the problem the next step is proffering the appropriate solutions. It must be a simple and specific as ambiguities will create problems. The major areas of remedies are usually the management, marketing and finance and even the product itself. Most turnaround exercises require a change in management (which is the engine block or fulcrum of the company). The product and its marketing strategies need proper reassessment and re-shaping in line with the changed vision of the company. Of course, financial restructuring will necessitate cost reduction, asset reduction, and product/service deletion or injection of new capital and investment.

3. Monitoring

Having proffered the solutions the next phase is to monitor its implementation as it has been said earlier that any turnaround exercise. From the foregoing, most turnaround exercises entail a change of name and identity of the company, this extends to changes in visions, mission statements, objectives and targets. Other symbols of business identify like logos, flags, official letterheads, must be changed to reflect the new company. There is also the need for a change in the culture of the company. To succeed from the onset, the new management needs to acquire or instill the right culture. This is a system of shared values and beliefs that formalize the organizational structure and control mechanism that culminate in producing ethics prevalent in the company.

Researches have shown that a company's culture is real, strong and all pervading. It is inherent and comes within the company. It shows in the way and manner a company does its business. Although some scholars argue that a company's culture can neither be changed nor be acquired, the fact remains that a turnaround manager must make efforts to change the bad culture that he must have inherited. However, it must be pointed out that according to a research by Professors John Kotler and James Heskertt of Harvard Business School, a strong corporate culture can be great competitive asset in a commodity market or the like, but in a complicated dynamic market, culture has little effect on economic performance. For a company undergoing turnaround changing its name and identify serve to change people's (prospective customers) perception of the company from bad one to a good new improved company. For the staff of the company, it has the psychological effect of lifting their morale, motivating them and ensuring their security and commitment. For greater patronage, the new improved company should be aggressively marketed by its management and staff. Like they say action speaks louder than words. People must see improved products, services and structures to restore their loyalty. The pursuit of excellence in service and products must be the watchword of any company being turned around. It must be re-emphasized that apart from cutting cost, laying-off redundant staff to properly turn a company around, a critical look must be taken at the 'product'. The product should be repackaged, because it is the main revenue earner of the company. It is the good product that customers seek. The product should be produced, packaged and marketed to meet the changing needs and demands of the consumers. For companies with many products, they can do better by phasing out some of the non-viable ones. Turnaround requires a lot of fact and good timing. As the implementation goes on the turnaround manager needs to effect some changes in strategies as the need arises. Nothing is static since the operating environment itself is dynamic. There must be constant reviews of the progress made and the effecting of the effecting of the necessary changes at intervals or either monthly or quarterly. The trend must be appraised. As a rule, there must be bench-marking with its competitors in the market to assess how successful the exercise is. The level of the health of the company must be ascertained at determined intervals. A well planned turnaround strategy can be easily derailed if it is not consistently monitored.

Furthermore, for our surveyed companies to realize its objective of thriving in business which of course is profit making (as we found in this study). Cost reduction (an important element of turnaround strategy) plan must be properly implemented. We suggest that manufacturing companies should strictly adhere to cost reduction

programs. This can be achieved by utilizing different approaches.
A company can:
1. Reduce expenses, (existing expenses)
2. Eliminate unnecessary expenses
3. Modify business strategies which affect the types of business expenses
4. Replace higher expenses with lower expenses for same items.

If companies or organizations understands the importance of cost reduction as a tool to increase profitability, the company will have a much better chance of remaining profitable no matter what stage of the cost reduction is an effective tool that can be responsive to a company's need. Managing expenses is just as important as managing revenue.

1. It is evident from our findings especially in the discussion series that asset reduction is not much accorded due recognition in corporate sustainability. It is our intention to state clearly that asset reduction requires the company to cut investment in capital equipment or selling off non-performing assets to rehabilitate the organization. We strongly recommend asset reduction actions to be implemented. This may involve selling of surplus assets and of course disposing nonperforming assets to boost the company's liquidity profile.
2. An effective loss reduction plan can in particular, help reduce overhead cost, identify waste to improve efficiency and maximize exposure to possible losses from a system. Therefore, loss reduction is recommended for better performance. The concept of dynamic capabilities is an attempt within the field of strategic management to direct attention to how losses can be recover by decreasing wastage, create organization innovation and sustain competitive advantages.
3. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve rapid improvement in financial performance, regain stakeholders support, and overcome internal constraint and unfavorable industry characteristics as seen in this study, it is considered that the choice of what element to be emphasized as more critical to corporate payment we suggest should depend on the circumstances of the particular business.

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