

Turnaround Strategies Of Indian Companies- Case Study Of A Chennai Meenakshi Multispecialty Hospital Ltd.

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Abstract: *A Turnaround Situation Is One Where A Company Suffers Declining Economic Performance For An Extended Period Of Time, Such That The Performance Level Is So Low That The Survival Of The Company Is Threatened Unless Serious Efforts Are Made To Improve Its Performance. Achieving Turnaround Calls For A Totally Different Set Of Skills To Probe Into The Causes Of Decline And To Formulate Appropriate Strategies To Transform The Company For A Fresh Lease Of Life (Prasad, 2006). Different Organisations Adopt Different Strategies For Bringing About The Turnaround. Turnaround And Restructuring Of Companies Is An Issue Of Immense Management Importance. Sometimes, Organizations While Going Through Process Of Turnaround And Restructuring Start Almost All Over Again As New Organizations. The Turnaround Process Is Interesting But At The Same Time Extremely Challenging Management Issue. The Complexity Of The Organization, Situation Etc. Makes It Even More Difficult. Generally The Leadership At Top Creates All The Difference And Becomes The Driving Force In Turnaround Strategies. There Is Also Risk Associated With The Turnaround Process. One Wrong Move Can Result In Steep Decline Of Performance Of An Organization. Thus, It Is Important To Understand The Critical Steps In Turnaround Process Which Are Possibly Common To Majority Of Turnaround Cases. Similarly, It Is Equally Important To Understand The Most Challenging Aspects Of Turnaround Process, Which Needs To Be Handled Critically To Make Any Turnaround Process A Success.*

I. Literature Review

A Corporate Turnaround May Be Defined Simply As The Recovery Of A Firm's Economic Performance Following An Existence-Threatening Decline (Pandit, 2000; Walshe Et Al., 2004; Yandava, 2012). Khandwalla (1992) Defines A Corporate Decline As A Persistent Loss Situation, And Turnaround As Equivalent To Reaching At Least A Breakeven From The Loss Situation. Some Researchers Have A Much Wider Perspective On Turnaround Strategies And Describe In General Terms As Any Management Actions That Are Employed For Saving Organisations From Decline (Hofer, 1980; Zeni And Ameer, 2010). In A Similar Vein, It Is Also Suggested That Turnaround Management Is Relevant For All Mature Organisations (Miller And Friesen, 1984; Pascale, 1999), As They Are Likely To Experience Inevitable Decline, As Proposed By The Life Cycle Theory.

Turnaround Researchers Have Identified A Number Of Turnaround Actions And Strategies. There Are Several Ways In Which Researchers Categorize Turnaround Actions Such As Strategic And Operational Actions (Schendel Et Al. , 1976; Hofer, 1980), They Could Also Be Understood In Terms Of The Functional Areas Being Addressed By Them And So Could Be Classified Into Human Resources Strategies, Product/Market Strategies, Financial Strategies, Production, Operations And Technology Strategies (Khandwalla, 1992).

Several Researchers Have Proposed Stage Theories For Understanding The Turnaround Process. Prominent Among Them Are: First, Weitzel And Jonsson (1989) Who Proposed Five Stages Of Decline And Corresponding Turnaround Actions - Namely, Blinded Stage And Good Information, Inaction Stage And Prompt Action, Faulty Action Stage And Corrective Action, Crisis Stage And Effective Re-Orientation, And Finally Dissolution Stage Where No Action Is Possible; Second, Bibault (1982) Who Proposed Five Stages In Organisational Turnaround, Namely, Top Management Change, Evaluation (Diagnosis), Emergency Actions, Stabilization And Re-Posturing/Return To Normal Growth; Third, Chowdhury (2002) Who Identified Four Stages - Decline, Response Initiation, Transition And Outcome (Which Are Seen In Both Successful And Unsuccessful Turnarounds); Fourth, Arogyaswamy Et Al . (1995) Who Proposed A Two-Stage Contingency Model With Decline-Stemming Stage And Recovery Stage (The Former Focusing On Increasing Stakeholder Support, Enhancing Efficiency And Improving Internal Climate Depending On The Severity Of Decline And Availability Of Slack Resources And The Latter On Enhancing The Firm's Competitive Position); And Finally, Pearce And Robbins (1993) And Chowdhury (2002), Who Proposed Two-Stage Contingent Process Models Involving Retrenchment And Recovery Stages (The Former Focusing On Cost Reduction And Asset Reduction, And The Latter On Strategies Appropriate For The Causes - Entrepreneurial Strategies To Deal With External Causes And Efficiency Strategies To Deal With Internal Causes).

Khandwalla, P.N., (2001) Examined 120 Companies Which Were Considered As Successful And Unsuccessful Turnarounds In The Developed And Developing Nations. This Study Gathered Case Studies From These Countries And Was Analyzed Using Qualitative And Quantitative Techniques. The Study Identified Around 10 Turnaround Events Which Might Be Used In Public And Private Sector Turnarounds. Of Which The Strategies That May Perhaps Be Used For Public Sector Turnarounds In Common Were Enhancement Of Operational Efficiency, Excellence, Efficiency And Boost In Revenues. While, In Private Sector Turnarounds The Strategies Cantered Around On Tighter Controls On Operation And Spending, Liquidation Of Stocks, Debts, Other Assets, Etc. For Paying Off Debts And Other Financial Mending Actions, Strategic Shifts On Cutting Back Businesses To Areas Of Core Competencies Or Greater Market Segmentation, Or Sharper Competitive Strategy Or Greater Stress On Technological Innovation, Etc.

Ashay B. Desai And John D. Francis (2005) Considered The Concurrent Consequence Of Both Organizational And Environmental Character On Turnaround Result Alongside With A Variety Of Internal Resources And Strategies That Can Facilitate A Company To Recover From Downturn. A Sample Of 97 Companies Of Which 49 Were Turnarounds And 48 Non Turnarounds Companies In The Us Was Considered In The Study. The Outcome Shows That Contextual Factors Such As The Importance And Severity Of Downturn, Company's Efficiency And The Accessibility Of Slack Resources, And Companies' Retrenchment Can Decide The Capacity Of Sample Firms To Turnaround. Largely, Factors Under The Control Of Executives Add More To Successful Turnarounds Than Situational Distinctiveness. Thus, The Study Has Provided Supplementary Insight Into The Relative Significance Of Different Determinants Of Turnaround Results.

James Langabeer Ii (2008) Investigated Turnaround Strategies Of 100 Randomly Selected Organizations From Both Local Community Hospitals And Major Medical Centers In Us During The Years 2002-05. The Study Categorized Financial Downturn By Means Of The Altman Z Score For Service Business. The Broadly Pursued Models Are That Of Edward Altman (1993), Who Found An Mda Founded On Industry Collapse In The Manufacturing Segment Which Has Been Revised And Altered For Various Other Businesses. The Findings Were That Significant Characteristic That Divides Successful And Unsuccessful Turnarounds Seems To Be The Procedure Employed To Establish Which Facilities Or Amenities Are To Be Removed.

Unsuccessful Turnarounds Entail Comprehensive Cost Reductions And Cuts, While Successful Rejuvenation Verified Alert Efforts To (A) Rationalize Precise Agenda, (B) Reduce Loss-Making Service Lines, And (C) Associate With Close By Rivals Or Association Partners To In Cooperation Recommend Particular Services Or Other Aimed Incomes To Lessen Costs In Particular Areas. The Fewer Thriving Hospitals Usually Declared Their Strategies As Wide-Ranging Cutback Or Alert On Organization-Wide Operating Efficiencies. Supply Chain Expense Lessening Were The Principal Target In Unsuccessful Turnarounds, As Were Efforts To Act In Response Throughout Economic Reorganization Only.

Hermann Achidi Ndofo, Jeff Vanevenhoven, Vincent L. Barker Iii (2013) Conducted Study On Software Firm Turnarounds In The 1990s: An Analysis Of Reversing Decline In A Growing, Dynamic Industry. Study Aimed On Association Of Strategic And Retrenchment Actions In Facilitating Turnarounds In A Munificent Industry. Major Finding Of Study Show That Measures Of Strategic Actions—New Product Introductions, Strategic Alliances, And Acquisitions—Were Positively Associated With Turnarounds.

Conversely, Measures Of Retrenchment Actions—Layoffs, Asset Reductions, And Product Withdrawals—Were Negatively Associated With Performance Recovery. Richard Schoenberg, Nadine Collier, Cliff Bowman (2014) Conducted Study On, 22 Empirical Studies Of Business Turnarounds In Previous Recessionary Environments. Study Identified That There Are Six Effective Turnaround Strategies. Four Of These Relate To The Content Of The Turnaround, Namely Cost Efficiencies, Asset Retrenchment, A Focus On The Firm's Core Activities And Building For The Future And Two Relate To Accompanying Change Processes Required For Implementation: Reinvigoration Of Firm Leadership And Culture Change.

Sunita Panicker And Mathew J. Manimala (2015) Conducted Study On Successful Turnarounds. A Sample Size Of 64 Successful And 34 Unsuccessful Cases Which Belong To Twelve Year Period 1998-2010. Organizational Decline Caused By Multiple Factors (Which Is Usually The Case) Can Be Managed Effectively By Adopting A Variety Of Strategies; Hence A Single-Pronged Strategy Is Often Found To Be Ineffective. More Successful Turnarounds Had A Diverse Portfolio Of Strategies Including Those Of Institution Building, Often Employed In A Phased Manner, Consistent With The Stage Theories Of Turnaround. The More Frequent Uses Of The Strategies By The Successful Cases: Employee Engagement, Cost Management, Customer Refocusing, Lean Management, Operational Efficiency And Image Building.

From Above Literature Review These Are The Following Strategies Are Identified:

- Asset Restructuring And Cost Reduction: Significant Non- Voluntary Downsizing, Divesture Of Assets, Closure Of Some Plant Facilities, Spinoffs Etc.
- Business Restructuring And Strategic Shift In Business Focus
- Product Market Refocusing Actions
- Sales Push

- Action To Raise Operational Excellence In Productivity, Quality And Efficiency Tighter Controls And Financial Mending Actions
- Cost Shedding
- Management Overhaul: Top Management And Top Executive Level Changes
- Employee Empowerment
- Transformational Changes In Organization

In This Research Paper, The Researcher Has Identified Case Base On Pradeep Khandwalla Model And Has Analyzed The Case With Help Of Turnaround Strategies.

II. Research Methodology:

Case Study Research Approach Is Used For The Research Paper. For Selecting Case Pradeep Khandwalla (1988,1992,2001) Definition Of Turnaround Strategy Is Used.

Case Study

Chennai Meenakshi Multispecialty Hospital Ltd.

Turnaround By Management

Period Of Loss: 2009-2012

Period Of Turnaround: 2012-2014

Introduction Of A Company

Chennai Meenakshi Multispecialty Hospitality Was Incorporated In 1990 With 100 Beds Formerly Known As Devaki Hospital. Currently,The Hospital Has An Infrastructure Comprising Of 105 Beds, Including Intensive Care Unit Facility. The Company Provides Following Services:

- Cardiologist
- Cosmetic And Plastic Surgeon
- Diabetologist
- Diabetologist And Endocrinologist
- Dermatologist
- Dentist
- Ent
- Gastro Surgeon
- General Surgeon
- Gynecologist
- General Medicine
- Vascular Surgeon
- Minimal Access General And Metabolic Tumours Surgeon
- Neurologist
- Neuro Surgeon
- Orthopedics
- Pediatrician
- Pediatrician And Gastro Enologist
- Ophthalmology

These Services Are Provided By Experienced, Talented And Specialist Doctors And Experienced Support Staff. The Hospitalis Currently Well Equipped With Latest Medical Technology And Equipment. The Hospital Currently Employs 249 Employees.

Reason For Decline:

1. Foreign Direct Investment In Health Care Cause Immense Threat For Local Player
2. Government Introduced Various Healthcare Schemes For Below The Poverty Line People, Which Directly Impacts Profitability
3. Lack Of Poor Medical Infrastructure And Obsolete Medical Equipment
4. Insufficient Skilled Human Resources Support

It Was Observed That The Company Was Making Losses From Ay 2009. However, The Management Undertook Some Correcting Action To Improved Profitability. The Company Reached The Breakeven Point In Ay 2012.

Turnaround Strategy And Implementation

Comprehensive Turnaround Strategies For Chennai Meenakshi Multispecialty Hospitality Were Worked As Follows:

1. Change In Management

The Management Of Company Has Been Taken Over By Mr. A. N. Radhakrishanan From April 2008.

2. Sales Push

- a) New Management Focused On Aggressive Promotion And Branding. The Company Conducted Multiple Health Awareness Events Jointly With Health Insurance Companies.
 - b) To Enhance The Turnover, The Company Tied Up With Health Insurance Companies. It Is Observed From Annexure 1, The Company Was Paying Brokerage And Commission To Health Insurance Agent From Ay 2010 Onward.
 - c) The Hospital Also Focused On Medical Tourism. The Company Concentrated On Medical Tourism From Ay 2009. Annexure 2
 - d) The Company Revamped The Hospital By Replacing The Old Equipment's With Latest One. The Company Has Paid Approximately Average 2.75 Million Rs. For Ay 2010-2015 On New Equipment And focused On Repair And Maintenance From Ay 2010.
 - e) The Company Taken Help Of External Consultant To Enhance Financial Health Of The Company- From Annexure 1 Researcher Observed That Company Paid Around 6.75 Million Rupees As Professional And Legal Fees.
3. **Expansion** – The Company Introduced New Services And Specialists, Which Provided Edge Over Competition. Company Opened Lot Of Diagnostic Center In Potential Areas.
4. **Human Resources**- Since Health Care Requires Lot Of Expertise And Technical Knowledge, Human Resources Plays Major Role In Success Story Of Organization. Researcher analyzed That Employee Cost Increased From Approximately 15.86 Million In 2009 To 27.65 Million Ay 2010. Similarly Administration Cost Increased From 3.33 Million To 6.33 Million In The Same Period. So Researcher Observed That During Turnaround Period, The Company Focused On Recruiting More Specialist Doctor, Surgeon, Technician And Administrative Resources.

Performance Of Turnaround Strategy –

For Calculating Performance Of Turnaround Strategy, Researcher Is Using Pradeep Khandwalla Turnaround Model. Where Performance Of Profit /Lost With Respect To Revenue For Company Is As Follow For Ay- 2009-Ay 2014

Year	2009	2010	2011	2012	2013	2014
Revenue (B)	29.58	104.48	126.45	148.94	160.93	178.93
Profit/Loss (A)	(31.46)	(52.10)	(8.01)	0.70	6.87	4.46
A/B (%)	-106.35	-49.86	-6.33	0.46	4.2	2.49

From Above Data It Is Obvious That The Turnaround Was Complete As There Were At Least Two Years Of Profitable Operations Beyond The Last Loss Year Of Ay 2011. However, In Ay 2009 The Company Faced Significant Losses Of 106.35 Percent. Ay 2012 Was The Breakeven Year. In Ay 2013 Profitability Was 4.2 Percent So This Was Taken As Top Turnaround Performance Year. The Difference Between The Profitability Of The Turnaround Performance Year 2013 And The Worst Loss Year 2009 Was 110.55 percentage Points. This Difference Was Labeled As Turnaround Rally. The Number Of Years The Turnaround Took Was Five Years (2009-2013). Thus, The Annualized Turnaround Performance Or Rate Of Rally Was 22.11 percentage Points. This Indicates That The Company Planned And Implemented Strategy Well.

Learning From Case:

The Turnaround Was Triggered By The Change In Management. Focused On Marketing Activities And Tie Up With Key Stakeholders Helped The Company To Enhance Revenue. The Company Also Concentrated On Improving Human Capital By Recruiting Qualified Professional. This Helped The Company To Focus On Medical Tourism And Take Benefits Of Rising Healthcare Awareness. All The Above Strategies Resulted Into Profitable Revenue Growth For The Company.

III. Conclusion:

A Turnaround Is Essential To The Survival Of A Failing Business. Turnaround Is A Sustained Positive Change In The Performance Of A Business To Obtain Desired Results. A Successful Turnaround Is A Complex Procedure That Requires A Strong Management Team And Sound Business Core.

Over The Last Few Years On Account Of Volatile Business Environment There Has Been Continuous Pressure For Growth. Most Companies Have Both Expanded Their Product Lines Significantly And Indulged In

What Appears To Be Ever-Promotional Activity In An Effort To Stimulate Customer Interest And Gain Share. Other Companies Are Dabbling In Technology Or Similar Big-Ticket Expenditures For Ensuring Smooth And Revenue Generating Operations. All This Has Resulted In Enhanced Pressure On Companies In Maintaining Profitable Business Operations. In This Vuca World We Must Identify And Implement Turnaround Strategies Is Crucial For Companies. This Research Paper Tries To Showcase Importance Of Management Role In Successful Turnaround. Cause Of Decline Performance Of Companies Can Be Internal Or External But Identify And Implement Right Strategy Is Success Story Of The Company.

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