EAMR

EUROPEAN ACCOUNTING AND MANAGEMENT REVIEW

VOLUME 5, ISSUE 2, ARTICLE 2, 12-37, MAY 2019

Turnaround Types, Stages, Strategies, and Tactics: Putting Things in Order

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Received December 3, 2018; accepted March 5, 2019.

ABSTRACT

The turnaround research is still challenged by the inconsistent terminology, hierarchy, and classification of turnaround activities. This study aims to correct such inconsistencies and proposes a synthesized, coherent hierarchy of classifications, namely turnaround stages, strategies, and tactics. Turnaround tactics that are rarely covered by academic studies get indexed and linked to turnaround strategies and stages, while at the same time correcting inconsistencies within the predominant literature. The structure proposed herein can support empirical research of a higher resolution that will go down to specific turnaround tactics and contingencies, as well as support actual decision-making processes faced by executives in challenging business situations.

KEYWORDS

1. Introduction

Corporate turnaround research has developed dramatically over the past three decades, as it now offers a wide variety of practices for coping with organizational decline, the classification of such practices, observations regarding the sequence of implementation for such practices, along with case studies to support these observations. However, corporate turnaround research is still empirically and theoretically fragmented, inconsistent, lacking cumulative theory building (Trahms, Ndofor, & Sirmon, 2013), and under-specified in terms of methodologies and techniques (Safrudin, Rosemann, Recker, & Genrich, 2014). This situation may still be the result of inconsistent terminology and the inconsistent application of commonly used terms (Pearce & Robbins, 1993).

Inconsistent terminology and under-specified methodologies lead to confusion and challenge theory building and empirical research. On a basic level, the literature reflects a two-level hierarchy of turnaround activities: activity categories representing "what changes need to be accomplished", and specific activities representing "how to accomplish" such changes (Bibeault, 1999; Hoffman, 1989). The higher-level group is called by various terms, such as "strategies" (Schoenberg, Collier, & Bowman, 2013), "key set of activities" (Hoffman, 1989), "key ingredients" (Slatter & Lovett, 1999), and "sets of moves" or "gestalts" (Hambrick & Schecter, 1983). The lower hierarchy of more specific activities is also referred to by various terms, such as "tactics" (Bibeault, 1999), "isolated moves" (Hambrick & Schecter, 1983), just "activities" (Robbins & Pearce, 1992), and even "strategies" (Slatter & Lovett, 1999). Such confusion leads to a dashed border between the two levels. Thus, both "what changes should be accomplished" –such as cost reduction, divestment, asset reduction, and product-market refocusing – and "how to accomplish" such changes – such as outsourcing, quality improvements, and improved control systems–end up sharing the title: "Turnaround Strategies" (Slatter & Lovett, 1999). The following is the classification of specific activities like headcount cuts, product elimination, or acquisition as "strategies" (Bibeault, 1999), rather than tactics. When such inconsistency and confusion turn dominant, terminology becomes substance: the distinction between "what changes should be accomplished" and "how to accomplish" such changes is of central importance in developing a hypothesis and selecting analytic data techniques (Hambrick & Schecter, 1983). The need for consistency in terminology must be addressed to enhance the validity and reproducibility of future studies (Pearce &

Robbins, 1993). When these two hierarchies are consolidated, the identification of empirical findings specifically relating to either strategies or tactics becomes difficult.

Drilling down to the "How to accomplish" level, namely "tactics", lists of such tactics are difficult to find in academic studies. For some reason, few academic studies go down to this level of resolution. When they do, some misclassifications are noticeable. For example, tactics such as the reduction of inventories or accounts receivables were often classified under the "cost-efficiencies" or "cost-cutting" strategies, thus suggesting that the reduction of those could lead to immediate profit improvement (Hambrick & Schecter, 1983; Schoenberg et al., 2013). But inventory and accounts receivable are short-term assets rather than expenses. The liquidation of these assets does not directly affect a firm's income statement. While such tactics deserve a strategy of their own, call it "working-capital improvement", such a strategy has not been distinguished. Instead, a "consolidated" strategy was created and studied, named "Asset/Cost Surgery" (Hambrick & Schecter, 1983). When these two are not kept separate, it may become more difficult to reach significant empirical results, or to identify related contingencies. Similarly, very different types of assets were listed under "Asset Retrenchment". Both short- and long-term assets were included, namely cash and its equivalents, accounts receivable, inventory, plants and equipment (Hambrick & Schecter, 1983; Robbins & Pearce, 1992), and subsidiaries/divisions (Sudarsanam & Lai, 2001). But the reduction of short- and long-term assets serve very different objectives: the reduction of short-term assets aims at generating immediate cash in order to avoid bankruptcy, while the reduction of long-term assets, such as underperforming subsidiaries, would also serve the objective of improving profitability (Bibeault, 1999; Slatter, Lovett, & Barlow, 2006). As such, while the reduction of short-term assets would typically be applied at the emergency stage of a turnaround, the reduction of long-term assets would be applied at both the emergency and stabilization stages of a turnaround. These are material differences in terms of the turnaround-based change process. Mixing these two types of assets may challenge the ability of identifying empirical differences relating to the timing and sequence of reducing each type, for example. Therefore, mixing these two types of assets under the same category challenges both theory building, and empirical research.

Inconsistencies are also evident within the "what to accomplish" level, namely "strategies". Many studies provided valuable sets of such strategies over the years, but

the differences between such sets should be reconciled. For example, some turnaround strategies were widely distinguished, namely cost reduction, asset reduction, and strategic focus (Hoffman, 1989; Robbins & Pearce, 1992; Schoenberg et al., 2013). But other turnaround strategies were neither consistently mentioned nor consistently disputed, namely operational revenue-generation (Bibeault, 1999), culture change (Hoffman, 1989; Schoenberg et al., 2013), increases in strategic position (Hofer, 1980), and stakeholder management (Trahms et al., 2013). In other cases, alleged strategies like acquisitions, the development of new-products, increased penetration into current markets, and penetration into new markets (Hoffman, 1989; Robbins & Pearce, 1992) were consolidated into a single "building for the future" strategy by others (Schoenberg et al., 2013). If the earlier set of activities actually refers to turnaround tactics rather than strategies, then including them in future research in the wrong hierarchical level may challenge the identification of valuable empirical findings. Similarly, the "management change" strategy (Hoffman, 1989; Schoenberg et al., 2013) was identified elsewhere, not as a strategy, but rather as one of the stages of the turnaround process (Bibeault, 1999). Any study of turnaround stages and strategies, using the wrong classification or hierarchy, would be challenged to contribute valid empirical findings.

Finally, while studies across the board divide the turnaround process into several stages, little consistency is found over the identity of such stages. One common denominator includes the five stages identified by Bibeault (1999): the management change stage, the evaluation stage, the emergency stage, the stabilization stage, and the return-to-normal-growth stage. From this point on, the decline stage is added before these five (William B. Fredenberger, Lipp, & Watson, 1997). Alternatively, the emergency and stabilization stages are consolidated into the single retrenchment stage (Pearce & Robbins, 1993; Robbins & Pearce, 1992). Such lack of consistency will challenge any research using a set of turnaround stages that is different from the set of stages used by other studies is relies on.

The purpose of this road-show of inconsistencies and confusions surrounding the building blocks of turnaround research is this: to pinpoint and demonstrate the need for putting it all in order and reaching a coherent system of turnaround activities. It has already been indicated that definitional problems and inconsistencies in the field of turnaround research have slowed down empirical progress (Pearce & Robbins, 1993). If such a

coherent system of turnaround activities is reached, it will serve as a solid foundation for the next evolutionary stages of turnaround research. Specifically, that will support empirical research of higher resolution, that goes down to specific turnaround tactics and contingencies, as such capable of supporting executives with specific, practical advice.

This study is delivering just that: a reconciled, encapsulated synthesis of the common denominator of the structure and hierarchy of turnaround activities, namely turnaround types, stages, strategies, and tactics. Such a system is served while elaborating on these elements and the common turnaround activities they include.

2. Turnaround Types

Turnarounds are widely and consistently classified as either "operational" or "strategic" (Arogyaswamy, Barker, & Yasai-Ardekani, 1995; Filatotchev & Toms, 2006; Robbins & Pearce, 1992; Trahms et al., 2013):

- Operational turnarounds mainly include cost retrenchments and asset retrenchments, whether short-term or long-term. They are triggered by internal factors, such as poor management, inefficient cost structure, non-optimal debt structure, over expansion, or poor control environment, and they aim at fixing the same.

- Strategic turnarounds center on off-loading businesses and increasing market position in the businesses a firm has chosen to retain. They are often triggered by external factors, such as industry, social, macro-economic, or technological factors, and aim at either achieving a better competitive position in the same business or to enter a new business altogether. Such turnaround efforts typically include the investment in, and execution of, strategic repositioning steps, such as acquisitions, new products, new markets, and increased market penetration.

In practice, however, the distinction between strategic and operational turnarounds becomes blurred and not very useful when deciding on the type of turnaround to be selected for a particular situation, therefore, it is not always used (Hambrick & Schecter, 1983; Hofer, 1980). It could be valuable if future studies examined the usability of this

distinction between operational and strategic turnarounds by using empirical research over the past three decades. If such distinction is not empirically valuable, it is better to be eliminated rather than to stay and complicate the already-complicated hierarchical structure of turnaround types, stages, strategies, and tactics. If the elimination of unnecessary layers makes organizations more productive (Hitt, Keats, Harback, & Nixon, 1994; Slatter & Lovett, 1999; Sutton, 2002; Whitney, 1987), it may do just as well for the turnaround research.

3. Turnaround Stages

The predominant literature describes five main stages of a turnaround process: 1) the management-change stage; 2) the evaluation stage; 3) the emergency stage; 4) the stabilization stage, and 5) the return-to-growth stage. The first two stages are turnaround-facilitating ones. The other three relate to the actual execution of the turnaround strategies and tactics. A company can be involved in strategies and tactics that apply to more than one stage at a time or only some of them, as per the circumstances and the turnaround manager's judgment (Bibeault, 1999).

3.1 The Management Change Stage

Stakeholders expect leaders to take charge of their firms and will hold top managers responsible for the firm's performance (Hugh M., 1986; Meindl, Ehrlich, & Dukerich, 1985). Therefore, replacing the top management team (TMT) is a common practice during a turnaround and is frequently undertaken early in the turnaround process (Grinyer, Mayes, & McKiernan, 1990; Schoenberg et al., 2013). There are several reasons for such replacements: the current management holds a set of strong, unsuitable business beliefs that led to their blindness, inaction, and failure, and must be unlearned(Arogyaswamy et al., 1995; Daily & Dalton, 1995; Gopinath, 1991; Nystrom &Starbuck, 1984; Schuler & Jackson, 1987); the failure stigmatizes the TMT and leads to them losing credibility and support by either important external stakeholders or firm employees, as such decreasing the TMT's access to vital resources (Arogyaswamy et al., 1995; Hugh M., 1986); TMT changes are also a necessary part of the shock therapy, and change of culture, that troubled companies require (Hartnell, Kinicki, Lambert, Fugate, & Corner, 2016); a new CEO,

particularly an outsider, may bring new, more accurate insights, prevent cognitive inertia, and may have little personal commitment to past firm policies and strategies (Arogyaswamy et al., 1995; Barker III, Patterson Jr, & Mueller, 2001; Castrogiovanni, Baliga, & Kidwell, 1992); TMT changes eliminate resistance to the change to be led by the new CEO(Slatter et al., 2006); and the replacement itself sends the message of the firm being serious about recovery, symbolizes the decadence of incompetent management, and encourages staff and stakeholders to provide the resources and time required for recovery (Boyne & Meier, 2009).

However, while some researchers observed this stage to be vital for a successful turnaround (Arogyaswamy et al., 1995; Hofer, 1980), others have observed that a successful turnaround can also be achieved without making such management changes (Clapham, Schwenk, & Caldwell, 2005; Schreuder, Van Cayseele, Jaspers, & De Graaff, 1991). Specific contingencies proposed for this stage are when the TMT has demonstrated a track record of the successful implementation of the firm's strategy beforehand (Barker III et al., 2001), or when the decline is attributed to external, uncontrollable causes, such as cyclical recession or industry-wide decline (Barker III & Duhime, 1997; Hugh M., 1986; O'Kane & Cunningham, 2012).

3.2. The Evaluation Stage

Some key questions should be answered to support the selection of a turnaround plan, which will best suit the firm's situation (Arogyaswamy et al., 1995; William B. Fredenberger et al., 1997; Hugh M., 1986; Robbins & Pearce, 1992). Examples are (Midanek, 2008; Pretorius, 2008):

- How much time do we have to turn around before we become insolvent?
- What customer needs do we fill?
- Is there a place in the market for our offering at an adequate profitability?
- Where is the problem truly coming from? Which problems should be tackled first?
- Are the firm's stakeholders (shareholders, lenders, management, employees, key suppliers) ready to fund and support a turnaround?

3.3. The Emergency Stage

Cash is the lifeblood of any business, and a negative cash flow must be treated the way a bleeding person is treated. Stopping such a bleed is the main objective of the emergency stage turnaround, while focusing on "quick-wins" in order to stabilize finances in the short term until more complex strategies can be devised. This stage ends as soon as a firm no longer suffers the effects of a negative cash flow (Bibeault, 1999).

3.4. The Stabilization Stage

The objective of the stabilization stage is to improve profits. The typical activities it includes are: divesting from underperforming lines of business, operational improvement, low-risk diversification and withdrawing from unprofitable segments, territories, and products. Efforts are made to run existing operations better and to build a sound platform for medium-term growth, while still protecting and purifying the company's profitable core business (Bibeault, 1999).

3.5. The Return-to-Growth Stage

The objective of the return-to-growth stage is to achieve growth and the typical activities it includes are: acquisition, new products, new markets, and increasing market penetration. Again, revenue becomes a corporate priority, this time without sacrificing margins (Bibeault, 1999).

4. Turnaround Strategies and Tactics

The literature reflects a two-level hierarchy of turnaround activities: strategies and tactics. Turnaround strategies refer to the key set of activities employed to halt decline and stimulate the upturn cycle, representing "what needs to be accomplished". Turnaround tactics refer to isolated, focused activities, specifying "how to accomplish" such turnaround strategies (Hoffman, 1989). Each turnaround strategy can be assigned to one

or more turnaround stages, as presented in Table 1, and each turnaround tactic can be categorized under one of the turnaround strategies, as presented in Table 2. A review of the support for such a structure and classification will follow.

Turnaround strategy	Management change *	Evaluation *	Emergency	Stabilization	Return to growth
Financial restructuring	-	-	+	-	-
Asset reduction	-	-	+	-	-
Working capital Improvements	-	-	+	+/- **	-
Cost reduction	-	-	+	+	-
Revenue generation	-	-	+	+	-
Strategic focus	-	-	-	+	-
Critical process-Improvements	-	-	-	+	-
Culture change	-	-	-	+	-
Growth strategies	-	-	-	-	+

* These stages facilitate a turnaround and precede turnaround strategies.
**Selective liquidity improvements only.
Table 1. Turnaround Strategies by Turnaround Stages.

Turnaround Strategy	Turnaround Tactic
Financial restructuring	Restructuring loans
	Reducing dividends
	Issuing or repurchasing shares
Asset reduction	Selling unprofitable subsidiaries
	Selling unproductive plant and equipment
Working-capital Improvements	Managing short-term cash
	Freezing selected payments
	Selling fixed assets which can be leased
	Negotiating extended payment terms with creditors
	Reducing investments in inventory
	Accelerating billing and collection processes
Cost-reduction	Downsizing excessive workforce
	Cutting non-urgent capital expenditures
	Cutting non-urgent current expenditures
	Negotiating prices with must-continue suppliers
	Cutting salaries and benefits, adding performance-based bonuses
	Outsourcing processes; converting fixed costs into variable ones
	Improving cost-controls
	Promoting cost-reduction awareness, involvement, and innovation
	Eliminating non-profitable products within viable product lines

Turnaround Strategy	Turnaround Tactic
	Redesigning products and manufacturability
Revenue generation	Changing prices, focus on cash-generating and profitable products
Strategic focus	Shrinking back to the most profitable businesses and segments
Critical process improvements	Improving marketing and sales processes
	Improving operational processes
	Improving key support processes
Culture change	Destroying adverse behaviors
	Clarifying the organizational structure, roles, and responsibilities
	Implementing Performance Management
	Developing innovation
Growth strategies	Developing new product-market positions
	Adding or developing new distribution channels
	Expanding through acquisitions
	Extending joint-ventures, strategic alliances, and partnerships

Table 2. Turnaround Tactics by Turnaround Strategies.

4.1. Financial Restructuring

A distressed firm that needs to avoid default must restructure the terms of its debt contracts as an alternative for filing for bankruptcy (Gilson, John, & Lang, 1990). Some researchers consider this emergency-stage strategy to be a precondition for recovering from a cash situation and stabilizing a firm (Filatotchev & Toms, 2006), although there is no consensus as to its effectiveness (Schoenberg et al., 2013; Sudarsanam & Lai, 2001).

Restructuring loans: This tactic relates to transactions in which an existing debt is replaced by a new contract, with one or more of the following characteristics: (1) interest or principal reduced, (2) maturity extended, (3) debt-equity swap, and (4) partial debt forgiveness (haircut) (W. B. Fredenberger & Bonnici, 1994).

Reducing dividends: Distressed firms were widely found to either omit or reduce dividends, while preferring reduction over omission (DeAngelo & DeAngelo, 1990; Sudarsanam & Lai, 2001).

Issuing or repurchasing shares: Equity-based tactics include share issues that are pushed by creditors concerned with the security of their lending (Sudarsanam & Lai, 2001) and

share repurchasing at a low rate, presumably due to financial distress (John, Lang, & Netter, 1992).

4.2. Asset Reduction

If decline is severe and the risks are high and imminent, a firm should sell its least-productive operations and assets in order to stop cash-bleed and generate more cash (Filatotchev &Toms, 2006; W. B. Fredenberger & Bonnici, 1994; Pearce & Robbins, 2008, 1993; Robbins & Pearce, 1992). Tactics under this strategy refer to two different types of assets:

Selling unprofitable subsidiaries: Such subsidiaries should be sold off or milked by raising prices (Roman, 2010; Sudarsanam & Lai, 2001).

Selling unproductive plant and equipment: Fixed assets that may be good candidates for liquidation or mortgages can be found in the firm's books, especially deeply depreciated ones, if the company has been existed for many years (Hambrick & Schecter, 1983; Robbins & Pearce, 1992).

4.3. Working Capital Improvements

Working capital refers to a firm's net and current assets. Mathematically, it is calculated by subtracting the firm's current liabilities (e.g. accounts payable, short-term loans) from its current assets (e.g. cash, deposits, accounts receivable, and inventory) (Singhania, Sharma, & Yagnesh Rohit, 2014). It provides opportunities to relieve some of the cash pressure, make later fundraising from external sources easier, and free cash for investment opportunities (Slatter et al., 2006; Teng, 2010). Typical working-capital related tactics include the following:

Managing short-term cash: Although such a tactic seems to facilitate cash generation, rather than actually generating cash, just introducing a short-term cash-management process by itself can usually improve cash flow (Slatter & Lovett, 1999; Whitney, 1987).

Freezing selected payments: Extreme cash situations may require an automatic freeze on all accounts payable and purchase orders that are not required for the firm's survival, until the cash position gets analyzed and clarified and until the business plan is developed(Bibeault, 1999; Slatter et al., 2006).

Selling fixed assets that can be leased: Some capital investments can be replaced with leasing contracts. Such a tactic can be applied to both current investments and future transactions (Bibeault, 1999; Whitney, 1987).

Negotiating extended payment-terms with creditors. Extending creditors' payment terms is another tactic which was found effective in facilitating a turnaround (Filatotchev & Toms, 2006; Hambrick & Schecter, 1983; Schoenberg et al., 2013). This tactic is applied aggressively in the emergency stage, and selectively in the stabilization stage (Bibeault, 1999).

Reducing investments in inventory: Reducing inventory is another tactic which was found effective in facilitating a turnaround (Filatotchev & Toms, 2006; Hambrick & Schecter, 1983; Schoenberg et al., 2013). A side benefit of this tactic is the realization of savings on storage and carrying costs (Teng, 2010). As such, this tactic is applicable in the emergency and stabilization stages (Bibeault, 1999).

Accelerating billing and collection processes: A reduction in receivables is another tactic that was found to be effective in facilitating a turnaround (Filatotchev & Toms, 2006; Hambrick & Schecter, 1983; Schoenberg et al., 2013). This tactic is applied in the emergency and stabilization stages (Bibeault, 1999).

4.4. Cost Reduction

Cost reduction refers to "belt-tightening" cutbacks in operating costs for the purpose of quickly increasing profit (reducing loss) or improving cash-flow (Finkin, 1985; Grinyer et al., 1990; O'Neill, 1986; Schoenberg et al., 2013; Sudarsanam & Lai, 2001). It is applied in both the emergency and stabilization stages of a turnaround, although the focal point is different; cost reduction in the emergency stage centers on decreasing or

eliminating expenditures that have no measurable payout. During the stabilization stage, cost reductions are refined, modestly upgraded, and focused on specific products and accounts (Bibeault, 1999). Tactics under this strategy are detailed herein.

Downsizing excessive workforce: Downsizing workforce includes the dismissal of an unproductive workforce and/or the avoidance of new hiring (Finkin, 1985; Hitt et al., 1994; Kanter, 2003; Lymbersky, 2014; Pearce & Robbins, 2008; Perry, 1986).

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

Cutting non-urgent current expenditures: Expenses that are not required for maintaining smooth operations should be eliminated or reduced, while considering the potential impact of each type of cut (Finkin, 1985; Lymbersky, 2014; Schoenberg et al., 2013).

Negotiating prices with imperative suppliers: This tactic calls for negotiating prices and trading terms with suppliers who are critical for maintaining smooth and compliant operations (Finkin, 1985).

Cutting basic salaries and benefits, adding performance-based bonuses: The primary purpose of this tactic is to get employees to row in the same direction, as required for the company. The secondary purpose is to cut employee benefits (Finkin, 1985; Grinyer et al., 1990; Perry, 1986; Scherrer, 1988; Schoenberg et al., 2013).

Outsourcing processes and converting fixed costs into variable ones: Outsourcing either core or support processes allows for the development of a more efficient, demand-responsive cost structure. It also allows a firm to leverage the specialist capabilities of vendors, standardize processes, focus scarce internal resources on its core business, and avoid non-core distractions (Finkin, 1985; McIvor, 2013).

Improving cost controls: The improvement of cost controls relates to changes in approval requirements for certain types of costs or costs exceeding a certain amount (Grinyer et al., 1990; Hugh M., 1986; Schoenberg et al., 2013).

Promoting cost-reduction awareness, involvement, and innovation: Internalization of turnaround goals can be achieved by applying two kinds of activities that reflect the impact of new era leadership: symbolic executive actions expressing the need of "tightening the belt" (Armeneikis et al., 1995; Arogyaswamy et al., 1995; O'Reilly, 1989), and the nomination of staff-populated committees, with the mission of reducing costs and increasing productivity (Finkin, 1985).

Eliminate specific, non-profitable products within viable product lines: Most turnaround firms suffer from product proliferation within the product-market segment in which the company competes (Schreuder et al., 1991). Such product proliferation is addressed in the Stabilization stage by eliminating individual, low-margin products within sustainable product lines or by raising their prices and watching how the market reacts (Finkin, 1985).

Redesigning products and manufacturability: Many firms have greatly improved their competitive position by improving the design of their products for cheaper manufacturing and delivery. That includes a higher degree of automation, light assembly, changes in materials and product characteristics, and in the number of component parts (Zimmerman, 1991).

4.5. Operational Revenue-Generation

An operational revenue generation strategy refers to attempts to stimulate revenue from existing lines of products through combinations of price changes, discounts, increased marketing expenditures, increased selling efforts, and extended operational hours (Hambrick & Schecter, 1983; Hofer, 1980; Slatter & Lovett, 1999; Sutton, 2002). This strategy is used in the emergency and stabilization stages with different focal points:

- Emergency stage – Efforts are aimed at generating cash by either reducing prices (Hofer, 1980) or by increasing prices if products are price insensitive (Bibeault, 1999; Sutton, 2002).

- Stabilization stage – Efforts are aimed at pushing profitability towards its breakeven point, specifically if the firm has low direct-labor expenses or low fixed costs, which do not leave much room for cost reduction(Hofer, 1980; Sutton, 2002).

4.6. Strategic Focus

Focus on the firm's core activities was consistently found to be an effective turnaround strategy so long as the sources of decline are external (Boyne & Meier, 2009; Pearce & Robbins, 2008; Schoenberg et al., 2013). Focusing entails determining the markets, segments, niches, products, and customers that have the potential of generating the greatest profits and shrinking back activities towards these areas (Arogyaswamy et al., 1995; Kow, 2004; Schoenberg et al., 2013; Sudarsanam & Lai, 2001). The divestment of non-profitable, core lines of business frees up scarce marketing and operational and financial resources for reinvestment in the profitable core (Porter, 1988; Stopford & Baden-Fuller, 1990; Sudarsanam & Lai, 2001).

4.7. Critical Process Improvements

Many performance-improvement methods arose over the years. Examples are the Total Quality Management (TQM), Kaizen, 5S, Lean, Theory of Constraints (TOC), Six-Sigma, and many more, but many of these methods did not give clear decision support as to which performance areas needed improvement. Also, they offered little support for measurement, did not show an overall improved performance due to ineffective measurements (Grünberg, 2004; Robson, 2004), nor did they indicate alignment with competitive priorities (Carpinetti & Martins, 2001). Accordingly, success rates while applying such methods were found to be low (Smith, 2002). As far as turnarounds are concerned, operational recovery is about "doing things better" (in contrast to Strategic recovery that calls for "doing better things"). Three main tactics are called for across the board, these are: improving marketing and sales processes, improving operational processes, and improving key support processes. Each type of process may be improved

from cost, quality, and time perspectives, as well as customer orientation (Kow, 2004; Roman, 2010).

4.8. Culture Change

Organizational culture is not always a positive force (O'Reilly, 1989). It is often addressed during turnarounds (Armenakis & Fredenberger, 1995; Armeneikis et al., 1995; Schoenberg et al., 2013), and has been found to be effective in supporting recovery from poor performance (Muczyk & Reimann, 1989). Four key culture-related tactics regarding a firm's performance are described as follows:

Destroying adverse behaviors: As decline evolves, adverse behaviors secretly create a culture that makes a bad situation worse (Kanter, 2003). That includes lack of a sense of urgency (Lorange& Nelson, 1987), organizational "walls", and more (Lorange & Nelson, 1987). In order to survive, distressed organizations are required for methodological destruction and forgetfulness of old, low-value knowledge, which could be harmful to the sustainable, transformational change (Kow, 2004; Nystrom & Starbuck, 1984).

Clarifying the organizational structure, roles, and responsibilities: Extraordinary growth and financial success can lead to organizational over-complexity, uncoordinated business units, duplicated efforts and investments, emerging coordination teams and vice presidencies, a massive increase in organizational hierarchy, and a decrease in managerial responsibility. As hierarchical orientation develops, various groups of staff (legal, finance, public affairs) increase their influence to the point where the operating groups lose their client status (Lorange & Nelson, 1987). Such complicacy is often found at distressed companies and should be simplified and clarified (Slatter et al., 2006).

Implementing performance management: Managers and employees of turnaround companies often do not associate their own goals with the goals of the business in which they work, and they are not held accountable for results. Making them accountable for meeting budgets, targets, and deadlines is the first step in building a results-oriented culture (Bibeault, 1999; Slatter et al., 2006). Practically, the elements supporting such an organizational change were encapsulated in the OPTIMAL MBO formula, where

OPTIMAL stands for the key ingredients of such implementation, namely: (O) Objectives, Outside-in, (P) Profitability-related goals, (T) Target Setting, (I) Incentives and Influence, (M) Measurement, (A) Agreement, Accountability, Appraisal, Appreciation, and (L) Leadership Support (Gotteiner, 2016).

Developing innovation: Innovation relates to the process of introducing new ways of doing things and implementing them (Kow, 2004; Stopford & Baden-Fuller, 1990). Developing innovation is an organizational change requiring explicit managerial encouragement and recognition (Lorange & Nelson, 1987).

4.9. Growth Strategies

Growth strategies are implemented when the immediate crisis has passed and the financial position has stabilized (Robbins & Pearce, 1992), i.e. at the return-to-growth stage. It includes an entrepreneurially driven reconfiguration of assets to support the strong-core growth strategy that the firm has developed, such as broadening a product line or entering new geographies (Pearce & Robbins, 1993; Schoenberg et al., 2013; Sudarsanam & Lai, 2001). Such a growth strategy requires more time and cash than is available at the emergency or stabilization stages, therefore should be avoided as long as cash is short (Hofer, 1980; Slatter & Lovett, 1999).The following tactics are widely described under these strategies:

Developing new product-market positions: Adding products (after eliminating others) was found to be a successful turnaround strategy(Schreuder et al., 1991). This tactic includes the development of new products, new customer segments, or new combinations of products and customer segments (Hugh M., 1986; Pearce & Robbins, 1993; Sudarsanam & Lai, 2001).

Adding or developing new distribution channels: Changes in distribution channels were found to be a significant differentiator between successful and unsuccessful turnaround firms (Schreuder et al., 1991).

Expanding through acquisitions: It may be beneficial for a stabilized firm to acquire another firm that could complement its operations, improve its competitive advantage, reduce its competitive disadvantage, provide access to new distribution channels or new technologies, help take advantage of the economy of scale by combining operations, or improve its debt capacity (Hugh M., 1986; Slatter & Lovett, 1999).

Extending joint-ventures, strategic alliances, and innovation partnerships: This tactic includes notable collaborative-growth strategies, including joint ventures, strategic alliances (joint projects, licensing), and innovation partnerships (Pearce & Robbins, 2008).

5. Limitations and Directions for Future Studies

Much of the advice from the turnaround literature has tended to be generic with an implicit assumption that the strategies put forward would be effective for all firms, regardless of their particular context or circumstances (Schoenberg et al., 2013). It may possibly only be the focus of academic research, aiming at generalizing case-based insights. Such a focus on generic activities may be required in order to cope with a common concern about case studies – that they provide little basis for scientific generalization (Yin, 2009). This study continues that tendency for generalization by analyzing the predominant literature and identifying its common denominator in terms of turnaround stages, strategies, and tactics. Such a generalization was required in this study in order to achieve the objective of clarifying the hierarchy of turnaround activities reflected by that predominant literature and prevent the future use of inconsistent terminology and research design. But once such a consistent structure and terminology is reached, future research may be able to identify additional, effective turnaround strategies on top of the ones already identified as effective. Such a possibility exists where past empirical studies relied on previous studies that did not share consistent terminology and classifications. As such, this study calls for the continued search of effective turnaround strategies on top of the ones described in this study, while focusing on the strategies found to be ineffective in the past.

Once a clear and consistent structure and hierarchy of turnaround stages, strategies, and tactics is reached, extensive research of a higher resolution, namely at the tactical level, can be supported. Most of the turnaround studies over the years analyzed turnaround stages and strategies, without getting down to the more practical level of turnaround tactics. Such a practical level was mostly offered by practitioners' manuscripts. Possible inconsistent hierarchy and terminology challenged the research of such higher-resolution level: Reaching solid findings, based on prior studies that use inconsistent terminology and hierarchies of activities, is a challenge. But once a consistent structure, hierarchy, and terminology is used, future studies may be able to produce valuable findings at the tactical level. Specifically, it could be valuable to identify which turnaround tactics are more common or more effective than others – just as Schoenberg, Collier, and Bowman (2013) did at the strategic level. As such, this research calls for extensive higher-resolution research, namely at the tactical level of the turnaround process.

Finally, this paper does not cover the sequence or timing of execution of the various strategies and tactics described or any contingencies. As far as turnaround strategies are concerned, timing, sequence, and contingencies are widely covered by the predominant literature. But coverage of the same at the tactical level has not yet been reached. After offering a consistent structure and classification of turnaround strategies and tactics, this study calls for exploring the same at the tactical level. Specifically, it calls for identifying effective sequences, timing, and contingencies for various turnaround tactics, given the specific turnaround strategy being pursued. For example, companies pursuing a cost-reduction strategy can be studied in terms of the sequence of tactics being used: are tactics that do not involve layoffs being exhausted before implementing the tactic of reducing excessive workforce? Under which contingencies do they, or don't? Similarly, companies pursuing growth strategies can be studied for their prioritization of related tactics: under which conditions would the acquisition of other businesses take place before implementing organic tactics, such as expanding distribution channels or developing new products? A better understanding of sequences, timing, and contingencies at the tactical level may generate valuable observations, required at the practical level, that are currently yet to be explored.

6. Limitations and Directions for Future Studies

The predominant turnaround literature has tended to be elusive in terms of terminology, hierarchy, and classification of turnaround activities. That insufficiency was indicated by several researchers in this field over the years, and it challenged the progress of both theory-building and empirical research. In addition, the specific tactics that are being applied during turnarounds have not been widely studied. This paper aims at putting the terminology, hierarchy, and classification of turnaround activities in order, while at the same time synthesizing and indexing such activities for the sake of supporting enhanced research of corporate turnaround. It starts by selecting a set of basic terminology to distinguish types of activities from isolated activities, namely turnaround strategies and tactics. Simplification of the overall structure was proposed by eliminating the layer of turnaround type, whether strategic or operational, for questioned practical value. The layers of turnaround stages, strategies, and tactics were described in detail, while linking strategies to stages, classifying tactics into strategies, and correcting or reconciling inconsistencies within the predominant literature. Proposed takeaways from this study are as follows:

- A complete turnaround process includes five stages: management change, evaluation, emergency, stabilization, and return to growth. The first two stages are process-facilitating ones, and the other three cover the actual execution of the turnaround process.

- While progressing along the turnaround process and stages, nine generic strategies make up the common denominator of predominant literature: financial restructuring, asset reduction, working-capital improvements, cost-reduction, revenue generation, strategic focus, critical process improvements, culture change, and growth strategies.

- Each turnaround strategy calls for a set of turnaround tactics, which were systematically described.

While corporate turnaround research seems to be in need of more consistency, the synthesized structure presented above may reduce the levels of inconsistencies and confusion surrounding the building blocks of turnaround research. As such this structure may serve as a solid foundation for empirical research and for theories to build on. In

addition, most academic papers did not research the higher-resolution level of turnaround tactics. Therefore, the map of turnaround tactics provided in this study, as well as its linkage with turnaround strategies and stages, can provide new opportunities for turnaround research, which would be closer to the decision-making process faced by corporate executives upon challenging business situations.

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