M@n@gement, Vol. 3, No. 2, 2000, 31-56

Some Recommendations For Improved Research on Corporate Turnaround

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Despite the frequent incidence of corporate turnaround and over two decades of research effort, our understanding of the phenomenon is very incomplete. A review of forty-seven studies of turnaround reveals two main reasons for this state of affairs. Firstly, problems with research design: the phenomenon has been poorly defined resulting in unrepresentative cases being selected for analysis; many important research questions have either been ignored or asked too infrequently resulting in explanations that are simplistic; and, the validity of the findings of qualitative studies is limited due, on the whole, to poor methodological execution. Secondly, investigations have largely been ad hoc in that they have either proceeded without a priori theoretical guidance or have failed to relate findings to extant theory ex post. Recommendations for future research based on stronger research designs and stronger theory are advanced in the hope that rapid advancement will ensue.

INTRODUCTION

Writing nearly two decades after the appearance of the first published journal article on corporate turnaround, Winn (1993, p. 48), emphasising « inconclusive results », stated:

« while companies facing near-bankruptcy, market losses, or substandard performance are increasing in frequency, strategy researchers have provided little help for the managers charged with turning around deteriorating performance. »

Similarly, Arogyaswamy, Barker and Yasai-Ardekani (1995, p. 493) comment:

« there are many unanswered questions about what characteristics set turnaround firms apart from firms which continue to decline and eventually fail. »

This paper argues that two main reasons account for these inconclusive results. Firstly, most studies suffer from research design[1] problems which have resulted in weak findings. Secondly, investigations have largely been ad hoc in that they have either proceeded without a priori theoretical guidance or have failed to relate findings to extant theory ex post. Accordingly, the subject has failed to fully benefit from relevant, potentially productive, extant theory. The argument is structured as follows. The next section broadly defines the phenomenon and establishes its importance by reporting estimates of its incidence. Next, the research designs of existing studies are analysed along three interdependent dimensions: the various definitions of corporate

1. Research design is defined here in the terms of Easterby-Smith, Thorpe, and Lowe (1991, p. 21): « the overall configuration of a piece of research: what kind of evidence is gathered from where, and how such evidence is interpreted in order to provide good answers to the basic research question[s]. »

turnaround that have been used; basic research questions that have been posed; and, the various methodologies that have been employed to provide answers to these questions. Recommendations for future research are drawn and stated as they arise and pulled together at the end of the section to specify the types of research design that future studies could pursue. The penultimate section demonstrates the virtual absence of theory-based studies and proceeds to outline some current relevant theoretical ideas on the sources of competitive advantage and the nature of organisational survival that could usefully inform future research efforts. A final section concludes.

PROBLEM DEFINITION AND IMPORTANCE

A corporate turnaround may be defined simply as the recovery of a firm's economic performance following an existence-threatening decline. The decline may occur over several years although there are situations when extraordinary events occurring over a shorter period of time can place a firm in peril. A successful recovery, in its most subdued form, may involve mere survival with economic performance only just acceptable to the firm's various stakeholders. On the other hand, in its most positive form, the recovery may lead to the firm achieving sustainable, superior competitive positions in its chosen areas of activity.

How prevalent is the phenomenon? Five studies have attempted to answer this question. Schendel, Patton and Riggs (1976) scanned Standard and Poor's *Compustat* database over the period 1952-71 and found that of the 1,800 firms included, 666 (37%) suffered at least one four-year period of uninterrupted decline in net income normalised by Gross National Product (GNP) growth (that is, if growth in net income was less than GNP growth, the firm was defined to be in decline). Of these, only 68 (10%) recovered according to the authors' criteria: four years of increase in GNP normalised net income with allowance for a two year deviation between downturn and upturn phases. In a later study, Bibeault (1982) examined the corporate records of the 4,090 listed companies (representing 70% of the corporate assets and 90% of the net profits of US industry) of the New York Stock Exchange, the American Stock Exchange, and the NASDAQ/Over-the-Counter exchange over the period 1967-76. He identified 1,094 (approximately 27%) companies which had either suffered sustained losses in net income or a severe earnings decline (defined as greater than or equal to 80%). Of these firms, only 369 (approximately 33%) experienced a turnaround in terms of net earnings during the same period. In other words, approximately 66 % failed to recover. In the third study attempting to estimate the incidence of turnaround, Hambrick and Schecter (1983) surveyed the Profit Impact of Market Strategy (PIMS) database which contained information on 200 corporations and 2,000 business units. They focused on mature industrial product businesses and identified 770. Of these, 260 (33%) were classified as low performers and of these, only 53 (20%) successfully recovered; in

other words, 80% failed to recover according to their criteria. Slatter's (1984) analysis of publicly quoted companies in the UK over the period 1961-76 revealed that approximately 20% of the 2,100 firms in his sample were in need of turnaround. What is perhaps more significant is that, on average, only one in four of the firms that suffered declining performance for at least three successive years actually managed to recover. The remaining firms either became insolvent, or more commonly, were acquired. Finally, Chowdhury and Lang's (1996) analysis of US small firm (less than 500 employees) turnarounds in four 4-digit SIC industrial classifications over the period 1984-87 revealed that 153 (8%) of the 1,918 publicly traded small firms on the Dialog Information Services' *Disclosure* database were in need of turnaround according to their criteria (i.e., they were, on average, over a two year period, earning less than the opportunity cost of capital). Of these, only 27 (17.6%) recovered (i.e., average ROI over the subsequent two year period equal to or greater than opportunity cost of capital).
On the basis of the studies that have attempted to establish the empirical importance of corporate turnaround, two conclusions may be drawn: firstly, the incidence of turnaround situations is significant; and secondly, of those firms suffering significant and/or sustained declining performance, a greater number proceed to fail rather than recover. It seems reasonable to assert that a better understanding of turnaround could lead to a greater number of declining firms successfully recovering and it is on this basis that this paper proceeds.

REVIEW OF RESEARCH DESIGNS

THE EXTANT LITERATURE

The first task was to identify the literature on corporate turnaround that would be included in the review. In order to restrict the sample to the most developed pieces, two criteria for inclusion were employed: (a) the study should be empirically-based (i.e., based on collected data or personal experience); and, (b) the study's findings should have been published in book-form or as an article in an academic or practitioner-oriented journal.
The scanning of the bibliographic database *ABI/Inform* (which contains abstracts and indexes from 900 business journals and dates back to 1971) using the key words "turnaround," "turnaround management," "recovery," "crisis," "organisational decline" and "declining performance" yielded a number of publications that met the two criteria for inclusion. A study of the references contained within these works yielded further relevant publications. A total of forty-seven studies were identified (see **Appendix 1**). The first appeared in 1976 and the most recent (at time of sampling) in 1996. The research designs of each of these studies were decomposed into three dimensions: definitions of corporate turnaround; basic research questions; and, methodology.

DEFINITIONS OF CORPORATE TURNAROUND

Logically, any definition of turnaround should address two issues: the definition and measurement of performance; and, the definition of a turnaround cycle, that is, a period of poor performance (the decline phase) followed by a recovery in performance (the recovery phase).

Many studies define performance in terms of profitability alone. Seven (Schendel and Patton, 1976; Schendel et al., 1976; Hamermesh, 1977; Bibeault, 1982; Slatter, 1984; O'Neill, 1986b; and Thain and Goldthorpe, 1989a, 1989b) use nominal pre-tax profit (of these, only Slatter converts nominal pre-tax profit into real pre-tax profit) and five (Graham and Richards, 1979; Hambrick and Schecter, 1983; Pant, 1991; Chakraborty and Dixit, 1992; and Chowdhury and Lang, 1996) use profitability indicating accounting ratios (either return on total assets [ROA] or return on investment [ROI]).

However, defining turnarounds on the basis of profitability alone is problematic. Baden-Fuller and Stopford (1992) demonstrate that a gradual loss of competitiveness is often not reflected as a gradual deterioration in profitability. Rather, profitability may decline very slowly at first and then suddenly plummet (see **Figure 1**). Similarly, there may be a time lag between improvements in competitiveness and subsequent profit improvement. Baden-Fuller and Stopford explain the decline lag as the result of top management's small-scale and partial response to the initial, admittedly weak, signs of impending failure. For researchers, the problem is exacerbated by the tendency of managerial manipulation of accounting-based measures of profitability ("window dressing") in declining performance contexts (Griffiths, 1992).

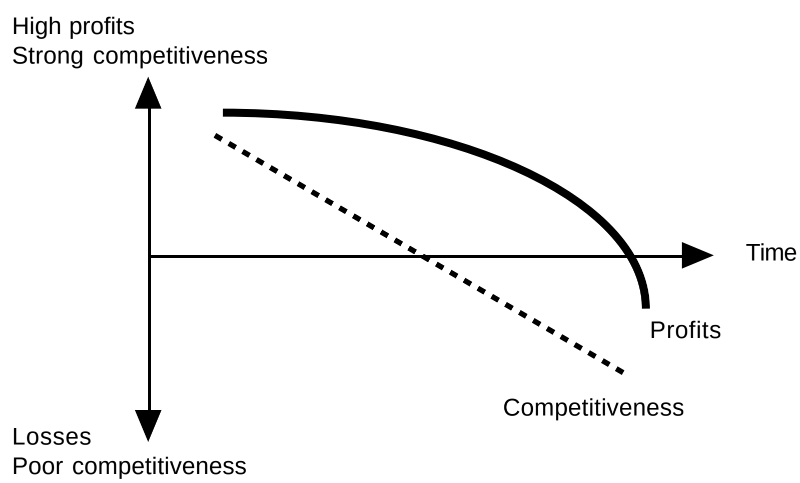

Figure 1. Behaviour of Profits with Falling Competitiveness (Baden-Fuller and Stopford, 1992, p. 124)

A further related point on time lags can be made with respect to the firm that is successful in that its market capitalisation is rising rapidly but, at the same time, it is making losses. This situation can arise when investors believe the company to be viable and expect profits in the longer term[2]. Clearly, in such cases, assessment of turnaround performance based on current profitability alone would be misguided.

Just as the management of firms in decline need to pick up signals of decline from many sources, turnaround researchers need to use measures for sample selection based on a variety of indicators.

Going part of the way to address this problem, a number of studies use multiple accounting-based indicators of performance. Thiétart (1988) uses ROI and market share; and Barker and Mone (1994) and Robbins and Pearce (1992) use ROI and return on sales (ROS). Grinyer, Mayes and McKiernan (1990) take the most comprehensive stance by employing multiple criteria which relate to key stakeholders in the firm. However, with these studies, the problems of performance/indicator lags and accounting manipulation referred to remain. Ideally, a triangulated approach that uses non-accounting based indicators to *corroborate* accounting based indicators is desirable.

Two studies use human judgement to supplement accounting-based definitions of bad or good performance. Zimmerman (1989) requires a consensus among stakeholders (investors, board members and managers) and Robbins and Pearce (1992) require agreement from one of the firm's executives that a turnaround had occurred. This approach does have the advantage of capturing the ability of expert witnesses to take contextual variation into account and this could be considered particularly valuable given the heterogeneity of turnaround cases (Schendel et al., 1976). Of course, a weakness of using judgement *alone* is that it has the potential to be highly subjective.

Moving on to the second definitional issue, turnaround cycles, Schendel et al. (1976) distinguish between temporary declines in performance, which are considered to be normal, and more permanent and damaging declines. The latter type is benchmarked against time and GNP growth. Specifically, a downturn phase is defined as four years of uninterrupted decline in net income as normalised by GNP growth. That is, if growth in net income is less than growth in GNP for four consecutive years, the firm is in need of a turnaround. Recovery or successful turnaround is defined as four years of increase in GNP normalised net income with allowance for a two year deviation between the downturn and upturn phase. Schendel and Patton (1976) employ a similar definition except that they fit a regression line to the downturn and upturn performance data to allow for slight deviations from the trend.

The main problem with this approach is that it fails to discriminate between genuine and contrived turnaround cases. Firstly, the benchmark is flawed. Consider, for example, a firm that is performing better than its competitors but is also operating in a difficult business environment at a time when the general economy is booming. In this case, the firm, although an above average performer amongst its peers, may be earning returns below GNP growth and so, according to Schendel

2. Which can be very long in new and/or high technology areas, where considerable time and resources are required to build the business. A celebrated example is the Internet bookseller Amazon.com which, despite heavy losses, has enjoyed a trend of rising market capitalisation.

et al. (1976) and Schendel and Patton's (1976) criteria, would be defined as poor performer in need of turnaround. Equally, the opposite case would hold with relatively poor performing firms earning returns greater than GNP growth not being selected as turnaround candidates. Secondly, performance relative to the benchmark is not specified finely enough. Firms with performance slightly below or above GNP growth would be included together with firms with performance that is significantly below and above GNP growth.

A number of studies provide more satisfactory benchmarks and specifications. O'Neill (1986b) opts for industry average net income as a benchmark and defines turnaround as a situation in which three years decline in net income relative to industry average is followed by at least two out of the following three years when net income is greater than the industry average. Similarly, for Pant (1991), if a firm's ROA is in the bottom 25% of its primary industry for two consecutive years (t = 1 and t = 2) it is defined as a poor performer. Following a four year interval period (t = 3-6) if the firm's ROA is in the top 25% of the industry for two consecutive years (t = 7 and t = 8) then it is defined as a successful turnaround case. If, however, it remains in the bottom 25% for t = 7 and t = 8, then it is defined as an unsuccessful turnaround case.

However, even these approaches are problematic as the use of industry average performance as a benchmark is highly controversial. The implicit assumption is that firm performance is largely a function of industry characteristics rather than industry performance being largely a function of the abilities of the firms that constitute it. Accordingly, a firm earning low returns in an industry composed of low performing firms may not be considered a turnaround candidate whilst a firm earning the same returns in an industry composed of high performing firms may be. This "industry matters most" school of thought has its roots in the work of Bain (1951) who observed that some industries were more profitable than others and proceeded to argue that it was the characteristics of the industry that caused the profitability of incumbent firms. More recently arguments along these lines have been put by Porter (1980) and Scherer and Ross (1990). However, a growing body of evidence suggests that the importance of industry membership has been overstated. Schmalensee's (1985) cross-sectional study of the performance of firms in a wide range of US industries concludes that industry membership accounts for only 14% of the profit variance across firms. Rumelt (1991), combining cross-sectional and time-series methods, goes further to demonstrate that industry effects account for only 8.3% of profit variance across business units. Conversely, firm specific effects (business unit and corporate effects combined) account for 47.2 % of profit variance. Accordingly, industry membership has, at best, a small causal effect on firm profitability. If the average profitability of an industry is high or low, this is largely due to the characteristics of incumbent firms and not the characteristics of the industry to which they belong.

The implication is that defining declining performance and turnaround success relative to average industry performance is unsatisfactory. Poor or good performance is largely a function of what goes on inside firms and so should be gauged relative to benchmarks of poor or good performance *generally.* Hambrick and Schecter (1983) adopt just such an approach by using the opportunity cost of capital as a benchmark. They define a downturn phase as pre-tax ROI less than 10% for two successive years. This equates with an after tax ROI of approximately 5% which is less than the cost of capital during the period of the study. As for recovery:

« 'success' was defined as a business that achieved an average ending ROI (years three and four) of at least 20 per cent… An unsuccessful turnaround was a business whose ending ROI was still less than 10 per cent. » (Hambrick and Schecter, 1983, p. 238.)

Similarly, Chowdhury and Lang (1996) define a downturn phase as average pre-tax ROI less than 10% for two successive years (therefore, after tax ROI equals 5% which is less than the cost of capital during the period of the study) the upturn phase as average pre-tax ROI greater than or equal to 10% over a two year period (accordingly, post-tax ROI is at least 5%).

RECOMMENDATIONS

It seems that much research has proceeded on the basis of research samples consisting of many unrepresentative cases. It is no wonder then that progress has been slow. A recommendation for the future is that samples should consist of cases that fit a generally agreed conceptualisation of what a turnaround is. The suggestion here is that turnaround candidates are firms who's very existence is threatened unless radical action is taken and successful recovery cases demonstrate improved and sustainable environmental adaptation.

Time lags between competitiveness and profitability mean that identifying cases of turnaround on the basis of profitability alone is unacceptable. Even the use of multiple accounting measures, although a step in the right direction, is flawed due to the possibility of accounting manipulation in declining performance contexts. A triangulated approach that looks for consensus among accounting-based indicators and expert opinion seems to be the best way forward. In addition, measures of decline and recovery need to be gauged relative to appropriate benchmarks. Ties with the performance of the economy as a whole (GNP) or with industry average performance are flawed. Rather, generally accepted benchmarks are the best way forward and a good example is the use of the opportunity cost of capital.

BASIC RESEARCH QUESTIONS

Given the time-based nature of the phenomenon it seems natural to categorise and analyse basic research questions using a time-based analytical framework such as the content, context, and process framework proposed by Pettigrew (Pettigrew, 1987, 1990, 1992):

« broadly speaking, the 'what' of change is encapsulated under the label content, much of the 'why' of change is derived from an analysis of inner and outer context, and the 'how' of change can be understood from an analysis of process. » (Pettigrew, 1987, p. 5.)

He continues:
« Unstated but central to the mode of analysis implied […] is the need to explore content, context and process linkages *through time.* » (Pettigrew, 1987, p. 6. Emphasis added.)
Pettigrew (1990) maintains that much research on organisational change has concentrated on content/outer context issues whilst research examining inner context and process issues has been rare. Research addressing all three categories of analysis simultaneously has been even rarer. A similar situation holds for research on turnaround. Fourteen (30%) of the forty-seven studies (Schendel et al., 1976; Hofer, 1980; Bibeault, 1982; Taylor, 1982/3; Hambrick and Schecter, 1983; Slatter, 1984; Melin, 1985; O'Neill, 1986b; Thiétart, 1988; Thain and Goldthorpe, 1989b; Ketelhohn, Jarillo, and Kubes, 1991; Brege and Brandes, 1993; Chowdhury and Lang, 1996; and Martin and Riddell, 1996) question the *content* of turnaround strategies. A typical example is:
« In general, which strategic moves are associated with turnaround success? […] Are there any combinations of strategic moves, that is, strategies, that are especially common routes back to profitability? » (Hambrick and Schecter, 1983, p. 231.)
Of questions relating to turnaround *context,* ten (21%) studies (Schendel et al., 1976; Bibeault, 1982; Slatter, 1984; Thain and Goldthorpe, 1989a; Grinyer et al., 1990; Gopal, 1991; Chakraborty and Dixit, 1992; Robbins and Pearce, 1992; Brege and Brandes, 1993; and Martin and Riddell, 1996) focus on the causes of declining performance. Typical statements are:
« Before we can start to talk sensibly about turnaround strategies, we need to have a good understanding of just how and why firms find themselves in a crisis situation. » (Slatter, 1984, p. 24.)
« Just as a competent medical practitioner needs to understand the causes of disease, a competent turnaround manager must understand the causes of decline. » (Thain and Goldthorpe, 1989a, p. 59.)
Only seven (15%) studies (Bibeault, 1982; Slatter, 1984; Stopford and Baden-Fuller, 1990; Chakraborty and Dixit, 1992; Brege and Brandes, 1993; Armenakis and Fredenberger, 1995; and Martin and Riddell, 1996) tackle questions relating to the *process* of turnaround in depth. Most attention has been directed towards the identification of the characteristics of successful turnaround managers, although three studies (Bibeault, 1982; Slatter, 1984; and Stopford and Baden-Fuller, 1990) go further to detail common paths or stages toward successful recovery, and two studies (Slatter, 1984; and Stopford and Baden-Fuller, 1990) examine senior management mindsets that lead to and prolong crisis situations.

RECOMMENDATIONS

In general, it is clear that many important questions have either been ignored completely or asked too infrequently. It seems that simple questions focusing on easily available and measurable data have been asked most often whilst more complex questions requiring difficult to obtain and messy data have been avoided. Thus, questions relating to

the content of turnaround strategies are reasonably frequent, whilst those relating to the context and process of turnaround are rare.
With respect to context, the causes of decline as a factor shaping appropriate recovery actions has been explored reasonably thoroughly and, in general, recovery actions that tackle the cause(s) of decline have been found to be more successful than those that do not. Other contextual variables have been relatively neglected by the field as a whole although certain studies point to their potential significance.
Hofer (1980) focuses on the severity of the crisis, as a contextual factor determining the appropriateness of certain recovery actions. He finds that in situations where the crisis facing the firm is not severe, small changes such as cost pruning can effect recovery. However, when the crisis facing the firm is more severe, more dramatic changes such as asset reduction or market reorientation are required. He elucidates his findings by means of a break-even diagram which is depicted in adapted form in **Figure 2**.

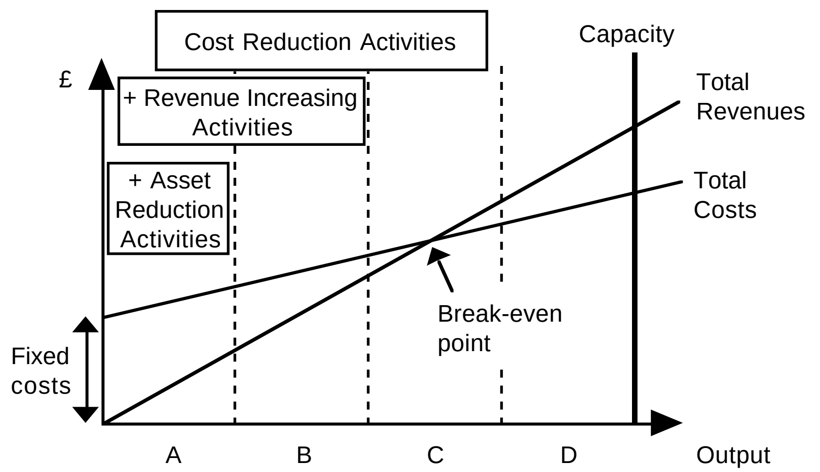

Figure 2. The Relationship Between the Severity of the Crisis and Appropriate Recovery Actions (adapted from Hofer, 1980, p. 27)

If the firm is operating in any of the corridors A, B or C it is in need of a recovery strategy in order to get to corridor D where returns at least cover the opportunity cost of capital[3]. Cost reduction activities are appropriate if the firm is operating in corridors A, B or C. If the firm is operating in corridors A or B then revenue increasing activities are required in addition to cost reduction activities. Finally, if the firm is operating in corridor A, asset reduction activities are required in addition to revenue increasing and cost reduction activities.
A third contextual factor, the attitude of stakeholders, is addressed by Slatter (1984). He argues that stakeholders can influence recovery strategies in two ways: firstly they can stipulate which actions can be

3. Costs are accounting and not economic costs and therefore do not include opportunity cost.

pursued and in what priority; and, secondly, they can rule out certain actions and modes of implementation. In most recovery cases, the firm's banks are important stakeholders that influence recovery actions. Other stakeholders of importance include trade unions (which could oppose recovery actions such as reducing costs through redundancies) and government.

Unlike research on organisational change in general, research on turnaround has neglected the firm's outer context. Earlier, the findings of Schmalensee (1985) and Rumelt (1991) were reported to support the argument that industry effects account for only a small proportion of profit variation among firms in general. However, although the effects are smaller than first thought, they are still significant (between 8.3 and 14%) and so it is surprising that only a few studies have systematically researched the relationships between industry characteristics and appropriate recovery actions. Of these studies, Pant (1991) is the most comprehensive and rigorous. Slatter (1984) examines different recovery actions according to industry stage finding, for example, that successful recovery actions in mature environments are different from those in fast growth environments.

Extending the firm's outer context, the impact of the macroeconomic environment on recovery content and process has also been neglected with only two studies addressing the issue. Changes in the macroeconomic environment, over which the firm has no direct control, contribute to recovery in 16% of the successful recoveries in Bibeault's (1982) sample and about one-third of successful recoveries in Slatter's (1984) sample. In particular, cyclical upswings, improved commodity prices, and favourable exchange rate movements are cited.

Finally, Slatter (1984) is the only study to explicitly identify the firm's historical strategy as a contextual factor. Actions taken in the past are found to constrain or facilitate certain recovery actions and so constitute important contextual elements shaping the content and process of appropriate recovery strategies.

In summary, in addition to the causes of decline, four categories of potentially influential contextual factors have been identified: the severity of the crisis; the attitude of the stakeholders; the firm's outer context (industry characteristics and the macroeconomic environment); and, the firm's historical strategy. Many, if not all, of these contextual factors could play an important role in any explanation of the turnaround phenomenon and so should be addressed in future research.

With respect to process, the characteristics of successful turnaround managers has been explored most. Other process questions have been neglected by the field as a whole although, as with the discussion of context above, certain studies point to their potential significance.

The characteristics or mindsets of senior management that lead to or prolong crisis situations is an issue that has received scant attention. This is unfortunate as senior management are not only the change-facilitators that, when successful, transform the organisation (Guth and Ginsberg, 1990) but are also the change-inhibitors that lead the organisation into crisis (Grinyer and Spender, 1979a, 1979b) in the first place. Slatter (1984, p. 61) states:

« The forces causing decline are present, to some degree, in all firms. Why is it, therefore, that some firms are able to cope successfully with the problems they face while others end up in a turnaround situation? »

He proceeds to outline a four stage model of crisis development: *crisis denial,* when senior management overlook the signals of failure; *hidden crisis,* when the crisis is explained away in the belief that it will disappear and so no action is taken in response; *organisational disintegration,* when some action is taken but the need for radical change is underestimated; and *organisational collapse,* characterised by the inability to take action. This final stage is followed either by failure or successful recovery usually lead by a new management team. On the basis that prevention is better than cure, further research effort into this important area is recommended.

The identification of common triggers that begin the recovery process is another interesting area that only a few studies have addressed. Schendel and Patton (1976, p. 237) find that performance deterioration beyond a certain level is necessary before radical change is triggered:

« During the decline phase the rate of profit margin decline for turnaround firms is more than twice as great as for stagnating firms. This large decrease suggests a severe performance failure is first necessary to motivate turnaround action. »

Taylor's research provides some rationale for this:

« Necessity is the mother of invention. It often requires a crisis to stimulate new initiatives, and to persuade boards of directors to take radical measures and to accept new approaches which they would not normally be prepared to consider. To quote Dr Johnson: "When a man knows he is to be hanged in a fortnight, it concentrates the mind wonderfully." » (Taylor, 1982/3, p. 13.)

Grinyer et al. (1990) focus not on the level of performance deterioration required to trigger change but on the form of the trigger. **Table 1** summarises their findings.

Table 1. Triggers for Change

	% of firms citing this factor
Intervention from external bodies	30
Change of ownership or the threat of such a change	25
New chief executive	55
Recognition by management of problems	35
Perception by management of new opportunities	10

adapted from Grinyer, Mayes, and McKiernan (1990, p. 120).

A third interesting process issue that has been generally neglected is the identification of a general sequence of successful recovery actions. Bibeault (1982), Slatter (1984) and Stopford and Baden-Fuller (1990) are exceptions. All three studies find that successful recoveries tend to follow a path of top management change, simplification through retrenchment and, growth built on new-built capabilities. This area is potentially the most fruitful for practising managers faced with turning around an organisation and deserves more attention in future research. **Table 2** summarises the discussion of basic research questions thus far.

Table 2. Summary of Basic Research Questions

	Frequently addressed	Largely ignored
Content	What actions are successful and unsuccessful turnaround strategies composed of?	—
Context	What are the causes of decline?	How are appropriate recovery actions shaped by the: — severity of the crisis facing the firm? — attitude of stakeholders? — firm's outer context? — firm's historical strategy?
Process	What are the characteristics of successful turnaround managers?	What senior management mind-sets lead to and prolong crisis situations? What are are the triggers that begin the recovery process? Is there a general sequence of successful recovery actions?

In this sub-section, important turnaround context and process lines of inquiry that have been ignored by the literature as a whole have been identified by highlighting studies that have exceptionally pursued them. A central issue that the body of literature as a whole has failed to properly address is the identification and testing of *links* between the content of turnaround strategies, the context in which they occur, and the process by which they are implemented. Such effort, if well executed, could lead to richer explanations of the phenomenon. Pettigrew states (1987, p. 6):

« In my view, theoretically sound and practically useful research on strategic change should involve the continuous interplay among ideas about the context, the process and the content of change, together with skill in regulating the relations among the three. »

RESEARCH METHODOLOGIES

A wide variety of research methodologies have been employed although only a few studies elucidate in formal terms the key aspects. Accordingly, much of what is presented in **Tables 3**, **4** and **5** is deduced rather than reproduced. Five dimensions are tabulated:

— unit of analysis. E.g., corporation, division, strategic business unit (SBU), manager, or consultant;

— sample characteristics. E.g., sample size, successful and unsuccessful turnarounds (mixed) or just successful turnarounds (T/A);

— time period of analysis;

— data source(s). E.g., interview, questionnaire, participant observation, public archives, database, anecdotal.

— methodology. Quantitative, qualitative[4], combination.

4. The term qualitative methodology refers here to any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification (Tesch, 1989). This does not mean that quantitative data is not used, but rather that, if it is, the analysis is qualitative. This analysis essentially produces a story and not a set of statistics.

Table 3. Anecdotal Studies

Authors	Unit of Analysis	Sample Characteristics	Time Period	Data Sources	Methodology
Remick (1980)	Experiences of a few turnaround managers	—	—	Anecdotal	Qualitative
Taylor (1982/3)	—	—	—	Anecdotal	Qualitative
Brunetti (1987)	—	—	—	Management control literature	Qualitative: literature review and synthesis
Modiano (1987)	Corporation	Manufacturing firms in Great Britain	—	Anecdotal	Qualitative
Whitney (1987)	—	—	1972-85	Personal experience, anecdotal	Qualitative
Di Primio (1988)	—	—	—	Anecdotal	Qualitative
Reichert (1988)	Corporation	1 large US leisure corporation, T/A†	1982-88	Interview with turnaround CEO	Qualitative
Marshall (1989)	Individual	1 eminent turnaround expert	1986-89	Interview	Qualitative
Ramakrishnan and Shah (1989)	—	—	—	—	Qualitative
Rose (1989)	Corporation	1 UK retail firm, T/A	1984-88	Anecdotal/company archives	Qualitative
Scherer (1989)	Literature on subject, case studies, turnaround managers	—	—	Interviews with 80 turnaround managers; review of 600 articles; review of 300 case studies	Qualitative
Wyman (1989)	—	—	—	Anecdotal	Qualitative
Ketelhohn, Jarillo, and Kubes (1991)	Corporation	European firms	1980s	IMD business school MBA consulting projects	Qualitative
Armenakis and Fredenberger (1995)	Corporation	Notable turnaround corporations	1990s	Anecdotal	Qualitative

† "T/A" = turnaround

Table 4. Large Sample Studies

Authors	Unit of Analysis	Sample Characteristics	Time Period	Data Sources	Methodology
Schendel and Patton (1976)	Corporation	Mixed: 36 matched pairs of US firms from 20 four digit classes	1952-71	Public archives *(Compustat);* secondary qualitative sources (annual reports, etc.)	Combination: quantitative analysis of accounting data; content analysis of textual data
Schendel, Patton, and Riggs (1976)	Corporation	54 US manufacturing firms, T/A†	1952-71	Public archives *(Compustat)*	Combination
Bibeault (1982)	Corporation/SBU	81 mature US firms, 16 turnaround experts, T/A	1967-76	Questionnaires to 81 chief executives and 16 turnaround experts; public archives	Combination
Hambrick and Schecter (1983)	SBU	Mixed: 260 US manufacturing SBUs in mature industry environments, matched pairs	Mid-to-late 1970s	Profit Impact of Market Strategies (PIMS) database	Quantitative (OLS, cluster analysis, cross-tabulation, chi-square, multiple regression)
Slatter (1984)	Corporation	40 UK publicly quoted firms, mixed: 30 T/A, 10 non T/A	1961-76	Public archives, questionnaires	Combination
O'Neill (1986b)	Corporation	51 US commercial banks, mixed: 31 T/A, 20 non T/A	1959-78	Public archives *(Compustat)*	Quantitative (discriminant analysis, univariate t-tests, cross sectional)
Thiétart (1988)	SBU	217 SBUs forming six strategic groups	—	PIMS	Quantitative (cluster analysis, cross sectional regression analysis)
Gopal (1991)	Corporation	120 Indian organizations	—	Public archives, interviews, questionnaires	Combination
Pant (1991)	Corporation	137 US manufacturing firms, mixed: 64 T/A, 73 non T/A	1970-82	Public archives *(Compustat)*	Quantitative (multivariate statistics)
Robbins and Pearce (1992)	Corporation	32 US textile mill product firms, T/A	1976-85	Questionnaire, public/company archives	Quantitative
Barker and Mone (1994)	Corporation	32 US textile mill product firms, T/A	1976-85	Public archives *(Compustat)*	Quantitative
Chowdhury and Lang (1996)	Corporation	153 publicly traded small US firms in 4 four digit manufacturing SIC classes, mixed: 27 T/A, 126 non T/A	1984-87	Dialog Information Service's *Disclosure* database	Quantitative (logistic regression, profile analysis and univariate t-tests)

† "T/A" = turnaround

Table 5. Longitudinal Case Studies

Authors	Unit of Analysis	Sample Characteristics	Time Period	Data Sources	Methodology
Carrington and Aurelio (1976)	Corporation	1 small US firm, T/A†	1973-75	Questionnaires	Qualitative
Hamermesh (1977)	Divisional	Mixed: 4 divisions within 2 large diversified US manufacturing firms	1962-75	Interviews with experienced managers, secondary sources (public domain)	Qualitative
Graham and Richards (1979)	SBU	10 US rail based holding firms, matched pairs	1957-76	Public and company archives	Combination
Hofer (1980)	SBU/single industry firms	Mixed: 12 US firms in 10 different industries	1951-78	Public and company archives	Qualitative
Janzen (1983)	Unclear	1 owner controlled Norwegian firm, T/A	1971-77	Company archives	Qualitative
Bellisario (1985)	Corporation	1 large Italian state owned telecommunications firm, T/A	1980-84	Personal experience/ company archive/anecdotal	Qualitative
Melin (1985)	SBU	Mixed: 6 Scandinavian TV manufacturers	1970-80	Public and company archives	Qualitative
Müller (1985)	Turnaround experts	20 turnaround experts	—	Questionnaires	Qualitative
Seabright (1985)	Corporation	1 UK mail order/retail furniture firm, T/A	1971-80	Company archives/anecdotal	Qualitative
Colino (1986)	Corporation	1 US high-tech multinational, quasi governmental organisation, T/A	1983-86	Personal experience, company archives, anecdotal	Qualitative
O'Neill (1986a)	Corporation	9 US manufacturing and 4 US service firms, mixed: 9 T/A and 4 non T/A	1970s	Published case histories from *Fortune*	Combination
Zimmerman (1986)	Corporation	4 US manufacturing firms, mixed: 2 T/A, 2 non T/A	—	Public archives	Qualitative
Miller and Vaghefi (1987)	Corporation	1 large US automobile manufacturer, T/A	1978-81	Public and company archives	Qualitative
Zimmerman (1989)	Corporation	15 mature US manufacturing firms, mixed: 8 T/A, 7 non T/A	1902-87	Financial records, manuscripts, case histories, interviews	Combination
Grinyer, Mayes, and McKiernan (1990)	Corporation	25 UK PLCs in 13 industries, mixed: matched pairs	1970-84	Interviews, public domain material: annual reports, Textline	Combination
Hardy (1990)	Corporation	9 British and Canadian public and private organisations, mixed	1978-88	Multiple	Qualitative.
Stopford and Baden-Fuller (1990)	SBU	6 manufacturers in 4 industries matched against 4 less successful competitors and 5 equally successful competitors	Early 1970s-1988	Several hundred interviews	Qualitative
Thain and Goldthorpe (1989a,b,1990)	Corporation	27 Canadian firms, mixed	1974-89	Newspaper and investment analysts reports, questionnaires, interviews	Combination
Chakraborty and Dixit (1992)	Corporation	1 state-owned pharmaceutical firm, T/A	1983-88	Company archives	Quantitative
Brege and Brandes (1993)	Corporation	1 large Swedish industrial firm, T/A	1982-91	Multiple	Qualitative
Martin and Riddell (1996)	Corporation	1 US owned Scottish company, T/A	1946-93	Semi-structured interviews with 25 senior managers and union officials, annual company reports	Qualitative

† "T/A" = turnaround

The forty-seven studies fall into three categories: “anecdotal” studies, “large sample” studies (sample sizes greater than 30), and “longitudinal case” studies.

Fourteen studies (see **Table 3**) employ “anecdotal” methodologies. The unit of analysis is not always apparent and anecdotal data, often from unspecified sources, is presented and assessed qualitatively. Usually, the study simply documents the experiences of a particular chief executive officer. Of the group of twelve “large sample” studies (**Table 4**), eight rely on secondary data stored in publicly available databases: Schendel and Patton (1976), Schendel et al. (1976), O’Neill (1986b), Pant (1991) and Barker and Mone (1994) use Standard and Poor’s *Compustat* computer tape as their primary data source; Hambrick and Schecter (1983) and Thiétart (1988) use the PIMS database; and Chowdhury and Lang (1996) use Dialog Information Services’ *Disclosure* database. The remaining four studies (Bibeault, 1982; Slatter, 1984; Gopal, 1991; and Robbins and Pearce, 1992) rely on a mixture of primary and secondary data. The predominant approach of the large sample studies is to generate quantitative results through the comparison of successful and unsuccessful turnaround firms (T/A’s and non T/A’s) whilst attempting to hold broad environmental factors constant.

Of the set of twenty-one “longitudinal case” studies (see **Table 5**), nine describe the successful turnaround of a single case. Of the remaining twelve, eleven compare cases of successful turnaround with similar but failing cases with a view to isolate themes in both scenarios and suggests contingency frameworks for analysis. In general these studies utilise qualitative methods to analyse multiple primary and secondary data and five (Graham and Richards, 1979; O’Neill, 1986a; Thain and Goldthorpe, 1989a,b, 1990; Zimmerman, 1989; and Grinyer et al., 1990) combine their qualitative methods with quantitative methods.

RECOMMENDATIONS

Whilst anecdotal studies are rich in terms of issues addressed, their general lack of established methodological protocol means that their results and conclusions are of limited validity. Even so, they can serve as good starting points for more orthodox research such as the group of twelve “large sample” studies (**Table 4**) which are more systematic and rigorous. These studies have usefully identified relevant concepts and categories and suggested basic relationships between these, and further studies along these lines are encouraged, particularly ones which quantitatively analyse data on the context and process issues that have been largely ignored to date. As stated earlier however, great care needs to be taken with respect to sample composition and so to steer away from simple case selection techniques based on accounting data alone.

However, a problem with large sample studies is that their analysis tends to be partial. Research resource scarcity means that increasing the number of cases carries an opportunity cost, usually in the form of less analytical depth and breadth per case (Easterby-Smith, Thorpe, and Lowe, 1991). This is true of existing studies of turnaround which have concentrated on the content of recovery strategies with only occasional, always limited, attention paid to context and process issues.

Of course, this important limitation can be tackled by small-sample longitudinal case studies which can produce more holistic accounts and supporting rationale for the empirical regularities uncovered by large sample quantitative studies.

Longitudinal case studies are *potentially* able to generate more holistic explanations both within and between cases. Explanation that are able to reveal the interaction between content, context, and process over time. However, given this potential, the vast majority of turnaround studies using this research style are disappointing since they fail to use recognised qualitative methodologies. In this sense, the more general concerns of Schendel are echoed (1992, p. 3):

« Too much strategy research proceeds in an ad hoc fashion without clear protocols that can be replicated and authenticated. »

Indeed, of the twenty-one studies only one (Hardy, 1990) follows a rigorous, systematic, internally consistent and established qualitative research protocol —the case study method advocated by Yin (1984) amongst others. Accordingly, the study addresses the recognised and established qualitative research quality criteria of construct validity, internal validity, external validity and reliability and goes beyond the analysis of a single case by employing a comparative design focusing on the identification of patterns, structures and underlying logics across several cases. The clear recommendation here is for future research to employ recognised methodologies such as Yin's.

Overall then, the call is not for a particular methodology to dominate, but rather for methodological *pluralism,* with different approaches working in concert. With this in mind, and by pulling together the main recommendations stated earlier, the question that requires an explicit answer is: "How exactly should future research on corporate turnaround be designed?"

BETTER DEFINITIONS

The logic is simple: better definitions of turnaround will lead to more representative samples, the analysis of which will lead to better explanations. This holds for both quantitative and qualitative approaches. A turnaround should involve an existence-threatening decline in performance followed by a recovery that ensures at least survival but preferably achieves sustainable competitive advantage. Definitions of an "existence-threatening decline in performance" and "recovery" should be based on a combination of corroborating accounting-based and expert witness-based indicators. Thus, an existence-threatening decline in performance may be characterised by returns well below the opportunity cost of capital *and* a consensus amongst different expert witnesses (drawn, for example, from the firm's stakeholders) that the firm could not survive under the prevailing conditions. Similarly, a recovery may be characterised as returns at least equal to the opportunity cost of capital and a consensus amongst different expert witnesses that the firm had a viable future.

BETTER RESEARCH QUESTIONS

Research questions need to be more problem-based if they are to lead to better explanations. The problem of corporate turnaround is a complex one involving interactions between the content of recovery strategies, the context in which they occur, and the process by which they are implemented. Research questions need to reflect this. Reporting the content of successful turnaround strategies, although useful, does not take us very far. What we need a better understanding of is how appropriate content varies according to different contexts and how the delivery of appropriate content varies over time.

BETTER METHODOLOGIES

Because of the observed trade-off between large sample quantitative studies (less breadth and depth, more empirical generalisability) and small sample qualitative case studies (more breadth and depth, less empirical generalisability) better explanations of turnaround depend on both approaches working in concert. The problem with the studies to date is that whilst *all* of the "large sample" studies employ recognised quantitative methodological protocols, only *one* of the "longitudinal case" studies employs a recognised qualitative method. This is not to say that the findings of the remaining "longitudinal case" studies are not useful, but rather that the *validity* of their findings is suspect. There are many qualitative protocols that explicitly aim to improve the validity of case study research and it is not the goal here to identify all of these and suggest a preferred approach. Suffice it to say that, in future, case study researchers should employ a recognised qualitative research protocol. Good starting points are the classic works by Miles and Huberman (1994), Ragin (1987) and Yin (1984).

A THEORETICAL BASIS FOR THE STUDY OF CORPORATE TURNAROUND

In addition to weaknesses with respect to research design, studies of corporate turnaround have been, on the whole, guilty of theoretical neglect. Of the forty-seven under review here only three relate their investigations to relevant existing theory. Ramakrishnan and Shah (1989) apply the systems approach to the problem of turnaround while Stopford and Baden-Fuller (1990) discuss the utility of the rational school of thought. Pant (1991) questions the extent to which the structure-conduct-performance framework of industrial economics is useful in the analysis of the attributes of turnaround firms:

« Do turnaround firms differ in their structural characteristics from non-turnaround firms? And, can these structural characteristics be used in a model that distinguishes turnaround firms from non-turnaround firms? » (p. 624.)

Of course, it is not a necessary condition that good research must be guided by theory; at least one generally accepted methodology (Glaser and Strauss, 1967) advocates a style of research that purposefully avoids a priori theoretical guidance. Rather, the suggestion here is that research efforts should be *related* to extant theory in some way. That is, if the research is not guided by theory a priori, then the results of the research should be compared to the predictions of extant theory ex post (Eisenhardt, 1989). Both ways, a study's findings would then be able to make a theoretical contribution either by confirming the predictions of existing theory or by providing evidence that calls for theory modification.

What relevant extant theory might future research be related to?

Since corporate turnaround is clearly about the loosing of competitive advantage, the threat of extinction, and the subsequent regaining of competitive advantage, it seems appropriate to begin by focusing on current theoretical ideas on the sources of competitive advantage and the nature of organisational survival. A perspective on the nature of firm-level competitive advantage that has gained currency recently explains performance variation with reference to unique resources contained within the firm. This *resource*-based theory of the firm defines resources as tangible and intangible assets that affect the firm's ability to implement strategies to improve its efficiency and effectiveness (Penrose, 1959; Barney, 1991). Tangible assets are property-based and include plant and equipment, geographic location, physical technology and access to raw materials. Intangible assets are knowledge-based and include organisational routines and the abilities of individual employees (Miller and Shamsie, 1996). Key resources are rare, difficult to imitate and valuable. According to this view, the firm achieves competitive advantage by exploiting its resources to create competencies which are valued in the market place (Prahalad and Hamel, 1990). However, over time, as the firm's environment changes, these competencies may erode in value and so may require replacing. As such, the central problem facing the firm is the need to *balance* the *exploitation* of existing competencies with the *exploration* of new competencies in order to ensure long-run survival:

« The basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time, to devote enough energy to exploration to ensure its future viability. Survival requires a balance, and the precise mix of exploitation and exploration that is optimal is hard to specify. » (Levinthal and March, 1993, p. 105.)

Achieving balance between the activities of exploitation and exploration is problematic in that there is a tendency for firms to over-exploit and under-explore because of the activities' differing distributions of costs and benefits over time and space and because they *compete* for scarce resources within the organisation (pursuing one entails less capacity to pursue the other). Adaptive processes characteristically improve the exploitation of existing competencies as this is more immediate, less remote from the centre of the firm, and so less risky. These advantages for exploitation cumulate in a path-dependent process characterised by positive feedback (Arthur, 1989; David, 1985): exploiting a competence leads to increased productivity allowing further refinement of the competence which leads to further increases in productivity and so on. What the firm already does well is enhanced at the expense of the enhanced flexibility and innovative capacity that would come about via exploration. However, since long-run survival « depends on sustaining a reasonable level of exploration, these tendencies to increase exploitation and reduce exploration make adaptive processes potentially *self-destructive.* » (March, 1991, p. 73, emphasis added)[5].

Two conceptual questions arise in this context: (a) "What mechanisms enable organisations to achieve balance between exploitation and exploration?;" and (b) "Which of these mechanisms may corporate turnaround be a manifestation of?" Volberda and Baden-Fuller's (1996) work is particularly instructive here. They identify four generic mechanisms that, employed individually or in conjunction, solve the problem of achieving balance. They label these mechanisms "selection," "network," "hierarchy," and "time."

Briefly, with selection it is the market that solves the problem as if by an "invisible hand." Resource scarcity and competition compel the firm to "unconsciously" select a bundle of ventures that lead to competencies that co-evolve with the environmental sources of competitive advantage and so ensure long-run balance and survival (Williamson, 1975; Hannan and Freeman, 1984). The network mechanism also solves the problem externally. Here, the firm operating in a network or cluster, co-evolves to achieve balance by adapting to the evolving demands made on it by its network partners (Miles and Snow, 1986, 1994). In contrast, with the hierarchy mechanism, exploitation and exploration are tackled separately by different sub-units *within* the firm (Chandler, 1962; Galunic and Eisenhardt, 1996). Sub-units maybe separated by level (front-line, middle-line, corporate) or spatially (operating core vs. new venture). Accordingly, maintaining balance is primarily an administrative process initiated by the firm's management. As with the hierarchy mechanism, it is forces within the firm that are central to the time mechanism. The main difference is that the problem of achieving balance between exploitation and exploration is resolved not contemporaneously but *temporally* in a process of punctuated equilibrium (Tushman and Romanelli, 1985; Baden-Fuller and Stopford, 1992): a period dominated by exploitation (stability) is followed by a period dominated by exploration (radical renewal).

Volberda and Baden-Fuller (1996) argue that different types of firms adopt different mechanisms to resolve the problem of maintaining balance between exploitation and exploration. For example, acquisitive conglomerates such as Hanson and BTR are good examples of the selection mechanism at work while the network mechanism tends to prevail among high technology small firms, and oil companies have successfully employed the hierarchy mechanism. Companies that have successfully turned-around (Pandit, 1998) seem to be good examples of the time mechanism in action.

An alternative to the "outside the firm"/"inside the firm" categorisation of the four mechanisms, that underlines the distinctiveness of the time mechanism and therefore the possible distinctiveness of the turnaround phenomenon, is a dichotomy based on the *scale* of the organisational adaptation to environmental change (Pandit, 1997). The

5. For completeness, it is worth mentioning that it is possible for firms to self-destruct due to cumulative over-exploration. Consider a group of firms engaged in exploration through intensive research activity. An incumbent of the group benefits from the rich pool of external knowledge within the group and is more likely to engage in research activity itself. This leads to a richer pool of knowledge within the group which encourages incumbents to further invest in research and so on (Cohen and Levinthal, 1989, 1990; Levinthal and March, 1993). This focus on exploration at the expense of exploitation can lead to cash flow problems that cause the firm to fail. However, this scenario is rare and firms engaged in research activities usually suffer the costs of experimentation without reaping many of its benefits (hence the need for devices such as patents to enable firms to better reap the rewards of successful exploration).

first three mechanisms, selection, network, and hierarchy, may be viewed as *incremental* in that the process of balance and adaptation is an ongoing process of relatively small adjustments that ensure continued survival. In contrast, time is a *radical* mechanism involving periods of stability and slow decline followed by crisis and large scale change followed by a further period of stability:

« There are cases where the crisis is one which confronts the entire organisation, and it requires a comprehensive response, not a partial one. Sometimes a dramatic corporate-wide *transformation* may be necessary to temporarily explore new capabilities and skills. » (Volberda and Baden-Fuller, 1996, p. 12, emphasis added).

This section has drawn from current relevant theory to begin to identify a possible theoretical domain for the study of corporate turnaround. It is offered as a *first* step towards the theoretical enrichment of the subject and, as such, should not be regarded as all-encompassing. It suggests that the phenomenon may be regarded as a particular type of episode in organisational evolution: it describes how, over time, successful organisations fail to adapt to environmental changes, loose competitive advantage, and come close to extinction but, at some point, are able to radically change and recover, and once again become successful organisations. As such, according to Volberda and Baden-Fuller's (1996) scheme of organisational renewal, turnaround may be thought of as a manifestation of the time mechanism for balancing exploitation and exploration in order to ensure the long-run survival of the organisation. This time mechanism seems distinctive from other mechanisms that have the same objective in that it is not primarily characterised by on-going small scale ecological adjustments. Rather, it involves an evolutionary process primarily characterised by punctuated equilibrium: a period of stability is followed by a period of dramatic upheaval.

Research in the future could usefully test and/or extend this conceptualisation or offer alternative approaches. Either way, a theoretical contribution would be made and one would expect the advancement of our understanding of the phenomenon to ensue.

CONCLUSION

Despite over two decades of research effort, our understanding of corporate turnaround is very incomplete. This paper has argued that this is due to weaknesses in the research designs of existing studies and their collective failure to relate their findings to extant theory.

With respect to research designs, there has been an over-reliance on simple accounting measures to indicate a turnaround situation and, often, these indicators have not been suitably benchmarked. As a result, most samples include dubious cases. Until the phenomenon is properly sampled progress will be continue to be slow. In addition, many important questions have either been ignored or asked too infrequently. Whilst questions relating to the *content* of turnaround strategies are reasonably frequent, those relating to the *context* and *process* of turnaround are rare. In particular, contextual factors that have been relatively neglected include the severity of the crisis, the attitude of stakeholders, the firm's outer context and, the firm's historical strategy. Many, if not all, of these contextual factors could play an important role in a robust explanation of corporate turnaround. Process issues that have been largely ignored, but have the potential to enhance a general theory of turnaround, include the characteristics or mindsets of senior management that lead to or prolong crisis situations, the identification of common triggers that begin the recovery process and, the identification of a general sequence to successful recovery actions. In future, the basic research questions of studies investigating turnarounds should at least aim to *unpack* the important elements of content, context and process. Better still, it is hoped that some studies will go one important step further and systematically investigate relationships *between* the three categories. Also, whilst large sample studies have provided useful findings, there inevitably partial analyses leave many questions unanswered. Longitudinal case study investigations, have great potential here but this potential has remained largely unrealised due to poor execution.

With respect to theory, most research efforts have been ad hoc in that they have either proceeded without a priori theoretical guidance or have failed to relate findings to extant theory ex post. Accordingly, opportunities to make potentially productive theoretical contributions have been missed.

All of these factors, lack of care with respect to samples, the overlooking of important research questions, poor methodological execution, and theoretical neglect have colluded to leave the subject area explanatorily weak. It is hoped that, by outlining the shortcomings of the extant literature and by providing recommendations for future research, stronger findings will result leading to significant and rapid theoretical advancement, thereby providing academics with a better understanding, and practising managers with better guidance in terms of what to do in a turnaround situation, how to do it, and why it works.

Endnote: This study was supported by a Tom Lupton Scholarship from the Manchester Business School, University of Manchester, UK. My thanks to Tony Cockerill, John Westwood, Bobby Balgobin and Christian De Cock for their helpful comments. The usual disclaimer applies.

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APPENDIX: THE LITERATURE ON CORPORATE TURNAROUND ASSESSED IN THIS STUDY

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