Turnaround Strategy

Abstract / Definition
Turnaround strategy is about doing different things and attempting to change companies’ fortunes by fundamental adjustments to strategy, such as acquisition and divestment. Operating turnarounds are about doing things differently in terms of processes such as manufacturing, so that the firm’s efficiency can be improved.

Three categories of turnarounds are proposed: traditional asset cost surgery, product-market pruning, and piecemeal strategies. The characteristics identified in successful turnaround strategies involve good management, which is seen to be critical to a sustained recovery. An appropriate organizational structure often means a much leaner one, with fewer layers in the hierarchy. Tightly controlled costs mean better controls, rather than cutting costs.

Turnaround strategies typically go through three stages. In the first stage leadership and organisational culture face a restructuring. In the second stage costs are reduces, assets redeployed, and product and market strategies become more selective. As a result the company moves to a third stage where it repositions itself in the market and industry.

Keywords
Turnaround strategy, operational turnaround, restructuring, repositioning

Reference this article