

The Role of Appropriate Entrepreneurial Strategies

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Abstract

Organizations aim to create value for society by generating revenues for sustainable operations. However, many struggle to generate surpluses, leading to industrial sickness. Turnaround management is a doubly entrepreneurial act, requiring strategies at both breakeven and positive levels. This paper aims to understand successful turnaround strategies and compare them with failed ones, helping turnaround managers increase success rates and enhance the value of organizations to society.

Keywords: Entrepreneurship, Strategic Management, Turnaround Strategies, Value Creation.

1. Introduction

Industrial sickness is a growing issue in the economy, affecting banks and financial institutions. It affects organizations and the country as a whole, necessitating measures to restore health. Turnaround is the process of bringing non-competitive, uneconomical, and inefficient units to health, replacing them with more efficient ones. A turnaround situation occurs when a company experiences prolonged decline in economic performance, threatening its survival. It requires different skills to identify the cause and develop strategies to transform the company for a fresh lease of life. Successful and unsuccessful turnarounds have different strategies, as evidenced by literature.

1.1. Successful Turnarounds: A Theoretical Model

Organizational sickness is a gradual or sudden decline in performance caused by internal actions, inactions, external circumstances, or environmental factors. It is a major socio-economic problem in both developing and developed nations. Corporate sickness is caused by various factors, making it difficult to provide an exhaustive list. Scholars and researchers are working to develop a list of internal and external causes of industrial sickness.

1.2. Internal Causes

Patton and Riggs, Barker and Mone, Manimala, Hoffman, and Hofer discuss internal causes of sickness in various organizational functions. These causes are controllable if detected and corrective actions taken promptly, affecting human resource management, finance, marketing, production, operations, and corporate planning strategies. Barker, Duhaime, Panchali, Robbins, and Pearce highlight industrial sickness

symptoms, including poor leadership, operational inefficiency, and inertia. However, over 80% of business failures result from management's inefficiency in controlling internal functions, as noted by Panchali.

1.3. External Causes

Internal inefficiencies can cause sickness in organizations, but their impact depends on the external environment. Organizations with weak functional areas are more susceptible to external factors like demographic changes, economic conditions, natural calamities, technological developments, social norms, political systems, international interactions, and exposure to industrial enterprises. External factors can only cause sickness in weak organizations. Researchers identify external factors causing industrial sickness, including adverse government behavior, unfavorable market conditions, unrest, insufficient inputs, commodity price fluctuations, natural calamities, international market changes, competition, technological advancements, customer expectations, and recessionary conditions.

1.4. Turnaround Strategies

Corporate turnaround refers to a firm's recovery from a decline, aiming to reach breakeven or a loss situation. It is more relevant for mature organizations, as they are more likely to experience decline than younger ones. Turnaround researchers identify various actions and strategies, categorizing them as strategic, operational, entrepreneurial, efficiency, human resources, product/market, financial, production, operations, and technology. A turnaround is a double entrepreneurial act with negative-to-breakeven and positive phases. Researchers have proposed various stage theories for understanding the

turnaround process, including Weitzel and Jonsson's five stages of decline and corresponding actions, Bibeault's five stages in organizational turnaround, Chowdhury's four stages, Manimala's four stages in the post-decline phase, Barker and Yasai-Ardekani's two-stage contingency model, and Pierce and Robbins' two-stage contingent process models. These theories aim to understand the various stages and strategies involved in a turnaround process. The classification of turnaround strategies based on functional areas is common, as managers operate within their respective areas. Five categories of functional strategies related to turnaround management are Human Resource, Financial, Marketing, Production/Operations, and Corporate Planning Strategies. This approach is convenient for researchers and practitioners.

1.5. Objectives

This research aims to understand successful and unsuccessful turnaround strategies using five hypotheses from literature, focusing on differential strategies likely used in successful cases. *Hypothesis 1:* Employee engagement strategy more frequently used in successful turnarounds.

Hypothesis 2: Successful turnarounds use more cost management strategies.

Hypothesis 3: Successful turnarounds often use customer refocusing strategy.

Accordingly, Investigation aims to test hypotheses.

2. Methodology

Turnaround management is frequently discussed in business magazines and publications, providing researchers with secondary materials. Researchers scanned published cases from 1998 to 2010, analyzing 68 successful and 34 unsuccessful cases. The data was used to test hypotheses [1-5].

2.1. Data Analysis

Data analysis involved computing means and standard deviations of primary sickness causes and turnaround strategies. Six factors with Cronbach's Alpha ranging from 0.400 to 0.570, acceptable range for six causal factors.

- Factor-1 (C1): Growth unsupported by resources and demand
- Factor-2 (C2): Recessionary conditions
- Factor-3 (C3): Operational inefficiency
- Factor-4 (C4): Inadequate utilisation of resources
- Factor-5 (C5): Low proactiveness vis-à-vis' market and technology
- Factor-6 (C6): Poor adaptability

The six causal factors support the prior inference that industrial sickness is internal to the organization, with external changes affecting weaker organizations. Eight strategy factors with acceptable Cronbach's Alpha values range from 0.360 to 0.670, indicating acceptable reliability.

- Factor-1 (S1): Employee engagement
- Factor-2 (S2): Aggressive promotion of old products in new markets
- Factor-3 (S3): Cost management strategies
- Factor-4 (S4): Investments in new markets and R&D
- Factor-5 (S5): Focus on core business
- Factor-6 (S6): Changes in product mix and pricing
- Factor-7 (S7): Lean management
- Factor-8 (S8): Image building

Strategies for managing industrial sickness involve a multi-pronged approach, involving factors like employee engagement, focus on core business, and lean management. Some strategies may be too aggressive or unrealistic.

3. Conclusion

The study supports five hypotheses about the most frequent strategies used by successful cases: employee engagement, cost management, customer-refocusing, lean management, operational efficiency, corporate restructuring, and image building. Five out of six strategies were more frequently used by the successful cases. The only strategy that was more or less equally used was customer-refocusing, which was initially referred to as 'refocusing on core business. The analysis of strategies used by successful and unsuccessful groups revealed that successful groups employed more strategies than unsuccessful ones. The most frequently used strategy by unsuccessful cases was "aggressive promotion of old products in new markets." This suggests that organizational sicknesses can be treated through a multi-pronged remedial action using multiple functional strategies. Employee engagement was found to be a significant differentiator between successful and unsuccessful cases, as it is a continuous process of institutionalization and stabilizing the impact of turnaround success.

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