Innovative Corporate Turnaround By Pradip N. Khandwalla, Sage Publications, New Delhi, 1992, Pages 279

Turnaround situation is defined as one in which performance of an organization has been persistently below some minimally acceptable level. The minimally acceptable level is often defined as when the firm's rate of return is below the cost of capital. Turnaround is said to be different from other strategic settings for the following reasons :

- Limited Resources reflected, among others, in high debt levels, over extended payable, aged plant or facility, outdated fixed assets, and high level of idle inventories.
- Poor Internal Morale, when all the "stars" are circulating their resumes and the "deadwood" are circulating near the water cooler. A general malaise with required level of skills are in short supply and/or in disarray.
- Skeptical stakeholder becomes consistent in threatening to withdraw, or actually withdraw, their overt to covert Support for the firm.
- Urgency in the sense that one has only one round of move, with limited amount of time to collect data and to act on the data so collected.

Given the above scenario, no wonder this is the most difficult strategic balancing act to be managed, and, as the author rightly claims, studying turnaround situations could be the most illuminating starting point to teach and learn about organizational dynamics. I often wonder, in the same vein, whether Business Policy course could be started-off with an examination of company turnaround cases and then move on other dimensions of strategy making. In this sense, this book provides a credible base to act upon.

I share the disgust of the author about positing privatization as a "chinese" cure for all ills but with a caveat. The term privatization conjures up in public minds a massive deployment of manpower, but it also implies speedy attention to problems, distinctions of efforts from performance, competitive positioning at the business level, accountability, and inculcation of strategic thinking in the mindsets of managers and other employees— in essence a customer focus and all that it entails. Hence, there is a rally in India, as in other of the world, to transfer the public entities into private hands, although it is doubtful whether privatization alone is enough to make some of the of the sick companies healthy. Perhaps it is understandable when one experiences with several organizations such as the Indian Airlines and Railways, Postal Services, Life Insurance, to name a few, their oblivious attention to details and explicit rudeness to their customer demands.

Khandwalla produces a remarkable list of turnaround cases around the world and divides them into "complete", and "break even" categories. I would have liked to see a more in-depth analysis of a few selected ones along the following lines :

- More up-to-date cases since most of them ended in the early 1980s. At least, the situation in the US has changed considerably from the 1980s' "creative" financing era headed by Milken, Boesky et al.

- Other than the categories selected, another comparative dimension could have been break even for more than one year. Sustaining the gain beyond 3 years is more respectable given the one year "fluke" not too foreign to management accounting

- Even within the break even, diagnosis of the severity are not being mentioned Level of revenues = total costs. hides away a lot of fat, and may lead to conclusion that temporary absence of sickness is a sign of health In order to evaluate whether the generated revenues and costs are appropriate to the industry and to the company along with the firm's cash flow analysis and product-market mix, could have been more useful than the author's generic criteria

I further agree with the author that the west, particularly the managers in the US. has an inclination toward surgical operation when it comes to turnaround But given the work culture in the US, being laid off is not as surgical as the author seems think Additionally, the American manager is not overtly constrained by the militancy of the labour unions, not to the extent that an Indian manager has to. Yet, it must be agreed that "organizational fat" that was created in the 1960s---generally in the form of staff positions such as manpower specialist, financial analyst, system analyst and so on, along with the efforts in buying "peace" with the unions by jacking up the blue-collar rates (as in the case of steel)—cannot be sustained in the competitive world since the added manpower have seemingly failed to produce any tangible productivity gains. Its no great concern therefore, as perceived by the populous, that these level of personnel have become the targets for retrenchments. Thus, the distinction between "surgical" and "non-surgical" turnarounds as made by the author appears to be a distinction of analytical convenience. It is more realistic perhaps to combine both approaches—surgical and non surgical and place them in the context of firm and country specificity.

If the implicit message is that executives in the US, for instance, see cost cutting as the most essential imperative for successful turnaround, then I agree that those executives need to be reminded that cost cutting is not a strategy, as it simply allows a breathing space for the organization to make the appropriate strategic choices. Choices still have to be made Furthermore, it increasingly makes little sense to retrench labour as the priority number one when the cost of labour to total costs is not, in general more than 15-20 percent Corporate anorexia, as a result of over-zealous action targeted mostly against the mid level management, is a disease that, I guess, many US organizations are inflicted with although admitting it in public has remained somewhat mute

The author appears to be agonizing over the usefulness of "surgical" turnaround particularly in the Indian context. From social policy point of view, surgical turnaround could admittedely initiate social chaos However, unpalatable it may be, India has accumulated a sizable amount of fat when even attractively designed saris can no longer cover the bulges neither can the well tailored suits. Walk into any offices, be that in Calcutta or Bombay, you will witness assemblies of blue and white collars are trapped in activities unrelated to what they are supposed to be "working" on, assuming their tasks have been defined at one time. if ever, by their respective bosses This dismay reinforces Chandler's thesis that strategy dictates structure, and not the other way round. In the socio-economic condition of India, we have been "creating" non-jobs in thousands, if not in millions. To turn a company, by keeping all assets aboard may be a politically acceptable decision but is not viable economically. In recent years, the IMF/World Bank have been pounding on this point to the Indian leadership without much success. My argument is that lets put surgical and nonsurgical approaches on the table, and let the direction of the company be the determinant of what we select from the "sackful of gifts" and reasons for it.

Inadvertently perhaps many Indian managers equate inefficiency with what they define to be "India". When I pointed out the fallibility of the logic to some of them, as I did in my recent seminars in India, they cleverly moved away to give me a discourse on Indian ethos (it seems to come so easy to them) concluding as to why we needed to accept sub-optimization as the way of life. I had hard time accepting this rationality. Pruning, raking, thinning, planting—are all needed to keep the garden attractive. I think Professor Khandwalla will agree to this and not suggest his selection of variables to be dichotomous.

With the reservations as stated, I fully intend to use the book for my MBA students and in Strategy Seminar, but I could visualize my students/participants wondering why non-surgical turnarounds allegedly worked so much better in the Asian countries (not ASEAN) then why hardly do we see these firms competing in the global market. More wonder ahead, in the table on page 101-103, eight US companies are listed for having completed non-surgical turnarounds. In the early 1990s, we witness two of them "overkilled" their turnaround efforts, and Wang Labs after the demise of Wang Sr., has been in constant turmoil. The disastrous fates of Eastern Airlines, NBC Radio and Pullman are somewhat wellknown.

Richness and the lucid style of writing of Professor Khandwalla will provide longevity to the book, I am sure. I will recommend the book highly to my fellow journeymen with great enthusiasm. For the second edition, I would ask the author to add a chapter and zoom in on three critical variables of turnaround: low cost operation, product differentiation, and appropriate turnaround organization (at what stage of the game do we bring in the new leader). This will enrich the book much further.

— Manab Thakur