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Strategic Turnaround Management: Defining the Success Factors of a Turnaround

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Abstract: *The primary objective of this study is to address the limitations in existing turnaround management literature by providing managers with a reliable framework and step-by-step guidance for successful turnarounds. This research examines ten real-life turnaround experiences through primary evidence gathered from semi-structured interviews with experienced turnaround and insolvency practitioners. Using a qualitative and phenomenological approach, this study uncovers the lived experiences of these managers, exploring the nuances and intricacies of their turnaround journeys. This research aims to identify key success factors and extract practical insights from the narratives of the interviewed managers. The resulting framework consists of five essential steps: (i) analysis and diagnosis, (ii) defining tailored strategies, (iii) execution and action, (iv) leadership and change management, and (v) agile decision-making. This comprehensive framework empowers leaders to initiate the turnaround process with a deep understanding of the contextual realities. By identifying obstacles through rich qualitative data, managers can implement appropriate actions to halt the decline and pave the way for a successful recovery. The phenomenological approach adds depth to the study, ensuring that the proposed framework is not only theoretically sound but also grounded in the real-world experiences of turnaround practitioners.*

Keywords: Framework, management, restructuring, strategy, success factors, turnaround.

JEL Classification: G34, L1, L25, M1, M10, M19, M21.

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1. Introduction

In today's competitive and unpredictable business environment, organizations encounter numerous challenges that jeopardize their performance and sustainability. No company is completely immune to economic distress, and there often seems to be an aura of inevitability surrounding eventual organizational failure (Oehninger et al., 2020). Factors such as rapid digitalization, internal pressures, and unforeseen threats can lead to a decline in a company's performance (Loosemore, 1998). The fast pace of technological innovation and ongoing digital transformation has introduced new competitive dynamics and complexities within organizations. To stay ahead in the market, companies must continuously adopt new strategies, innovate, and swiftly respond to changing market demands (Hauschildt, 2008; Kim & Mauborgne, 2023). Failure to do so risks losing their competitive edge, shrinking market share, and potentially facing business decline.

These challenges can significantly impact organizational performance, making prompt and effective action essential (Francis & Desai, 2005). However, enduring, successful turnarounds are rare; only about 30 percent of change initiatives succeed (Beer & Nohria, 2000). This high failure rate underscores the difficulty of revamping complex organizational structures and executing effective turnaround strategies, particularly during economic downturns when companies must not only recover but also build resilience for future challenges.

Poor performance during downturns often arises from failures in formulating and executing turnaround plans, as well as an inability to sustain these strategies once a crisis has passed. Effective turnaround strategies necessitate substantial organizational changes, strong leadership, clear communication, and solid change management practices. Yet, many companies struggle to implement these strategies, leading to further decline. Without timely action, a company's very existence can be jeopardized, emphasizing the importance of successful turnarounds.

Turnaround strategies are crucial for countering decline, with retrenchment being a commonly employed tactic (Santana et al., 2017). Retrenchment may involve cost-cutting, asset sales, or staff reductions to improve financial stability. While these measures can provide short-term relief, they are often insufficient for long-term recovery and growth. Companies must also concentrate on strategic renewal, which includes reevaluating business models, exploring new markets, and fostering innovation. Despite the significance of these strategies, comprehensive research on turnaround management frameworks remains limited (Markides, 2006; Schneider & Spieth, 2013).

Previous studies on turnarounds have frequently failed to offer a complete approach for leaders, managers, and practitioners, providing limited guidance. Many existing models are prescriptive and do not take into account the unique contexts influencing turnaround success. Furthermore, there is a lack of empirical research examining the dynamics of decline and turnaround strategies within a robust, practical framework. This gap highlights the necessity for a clear, multifaceted set of practices to assist practitioners in complex turnaround situations. Consequently, there is an urgent need for an effective turnaround framework that addresses these challenges and empowers companies to achieve rapid and sustainable turnarounds.

This study aims to address this gap by exploring the real-life experiences of companies that have successfully recovered from challenging times through innovative strategies. By examining businesses that have turned their financial situations around, this research seeks to identify the key factors that contribute to successful recoveries and how these elements can be incorporated into a practical guide for effective turnaround management. A significant motivation for this study is the high failure rate of corporate turnarounds, highlighting the need to better understand what drives successful recoveries. Despite having access to ample resources and expertise, many organizations struggle to implement effective turnaround strategies. This underscores the complexity of turnaround management and emphasizes the necessity for research that connects theoretical concepts to real-world applications. The objective is to provide actionable insights that assist in designing and implementing effective turnaround strategies across various organizational contexts.

This research contributes to the existing literature on management strategies and corporate turnarounds by clarifying the elements that make these approaches successful. It aims to bridge the gap in current research by linking the concepts of decline, turnaround, and innovation and developing a comprehensive framework for turnaround management. The notion of decline refers to a prolonged period of negative performance, often marked by financial losses, diminishing market share, and declining stakeholder confidence.

Turnaround strategies are intentional actions taken to counteract this decline and restore organizational performance. In the context of this study, innovation involves developing and implementing new ideas and processes that create value. Creating a comprehensive framework entails identifying key success factors and integrating them into a structured approach that guides turnaround efforts. Thus, this study seeks to provide an in-depth understanding of the factors leading to successful corporate turnarounds, with a special emphasis on developing a robust framework for turnaround management. By connecting theory to practice, this research aims to offer valuable insights for scholars, practitioners, and policymakers interested in the dynamics of organizational recovery and growth.

The structure of the remainder of the study is as follows: Section 2 reviews the existing literature on corporate decline, turnaround, innovation, and framework development, highlighting the current scarcity of research linking these concepts. Section 3 outlines the research methodology, detailing case selection, data collection, and analysis processes. This methodology is designed to capture the complexities of turnaround scenarios and provide rich, contextual insights. Section 4 presents the findings and discussion, drawing on both case studies and existing literature. The findings identify key factors contributing to successful turnarounds, including strong leadership, a clear strategic vision, and effective communication. Finally, Section 5 offers a practical turnaround framework, while Section 6 concludes the study and provides recommendations for future research.

2. Literature Review

2.1. Corporate Turnaround

Corporate turnaround has been defined in various ways by experts and scholars. It can be described as a dynamic process involving a series of activities that guide firms from a state of decline to a period of sustained success (Barker et al., 2024; Schmitt & Raisch, 2013). Additionally, turnaround is often characterized as a change management strategy that aims to induce significant transformations in an organization's structures, processes, culture, and environmental orientation (French et al., 2005). Nystrom and Starbuck (2015) further define it as a defensive approach that relies on reactive measures to address corporate financial issues.

Despite the differing definitions, change management scholars generally agree on the common elements of turnaround management (Beeri, 2012; Lascu, 2024; Yandava, 2012). They typically characterize it as an ecological, holistic, and human-centered approach that requires substantial changes in organizational beliefs and norms while implementing radical strategies for transformation across structures, processes, and workflows. In this vein, Scherrer (2003) describes a successful turnaround as a complex process that relies on a capable management team and a solid business foundation.

2.2. Success Factors of a Turnaround

For a successful transition, several crucial elements must be in place. While their absence creates a high-risk scenario for a turnaround, their presence does not guarantee automatic success (Onich, 2012). Key components include a managerial shift, whether through the appointment of capable new leaders or a change in the attitudes and approaches of existing management. It is vital that management possesses the necessary authority to act swiftly and effectively (Schweizer & Nienhaus, 2017). Additionally, a viable and competitive core operation, along with sufficient financial resources to implement the turnaround plan, is essential (Sulaiman et al., 2022). Together, these factors underscore the importance of a skilled and experienced management team, maintaining liquidity for operational support, sustaining a viable core business, and enabling prompt decision-making to stop losses and initiate the turnaround.

Numerous studies have analyzed the factors contributing to the success and failure of small or medium enterprises (SMEs) (see, for example, Carter & Van Auken, 2006; Lussier & Pfeifer, 2001; Lussier & Halabi, 2010; Perry, 2001; Saraiva et al., 2024; Van Gelder et al., 2007; Westhead et al., 2001). In addition to general economic conditions, critical factors include capital resources, the quality of accounting and financial management, effective planning, engagement of professional consultants, and the owner's management experience and training.

2.2.1. Managerial Change

Proponents of the management school argue that a firm's success or failure is primarily determined by its top management rather than its strategy. Although the specific reasons for a decline vary, they often point to deficiencies in management (Akpoviroro et al., 2023; Balgobin & Pandit, 2001; Boyle & Desai, 1991; Dallocchio et al., 2022; Kierulff & Petersen, 2009;

Maheshwari, 2000; Scherrer, 2003). Managers with long tenures before bankruptcy may cling to outdated paradigms and resist necessary radical changes, which hinders significant reforms. Additionally, Malmendier and Tate (2009) suggest that managers who have built 'superstar' reputations may prioritize activities that enhance their public image over those that genuinely increase firm value. Financial stakeholders, such as banks and creditors, often condition their continued support on their confidence in the management team's capacity to solve problems. A change in top management signals to stakeholders that proactive measures are being taken to improve performance (Slatter, 1984).

A distressed firm may benefit from appointing a new manager who can restore credibility and encourage stakeholders to maintain their relationships despite recent performance declines (Ellis, 2012). For example, Wild (2010) found that eight out of ten strategic turnarounds involved new leadership, while Thain and Goldthorpe (1989) reported that 19 out of 27 successful turnarounds required a change in management. Introducing fresh executives during a turnaround is recognized as a recovery catalyst, as they provide specific knowledge, capabilities, or alternative viewpoints (Grinyer & McKiernan, 1990; Tourtellot, 2004).

However, despite the focus on management restructuring, a strand of research warns that changes in the CEO or top management team can lead to significant internal disruption. New reporting relationships can create stress among employees who are concerned about their job security and status. This shift may also weaken informal communication channels, leading to increased ambiguity and instability within the firm (Castrogiovanni et al., 1992; Kesner & Dalton, 1994).

2.2.2. Liquidity Generation

Mbugua and Makori (2014) emphasize that the success of a turnaround strategy hinges on the availability and affordability of capital, which are essential for driving growth and profitability. Therefore, protecting a company's liquidity should be the top priority during a cash flow crisis. Ensuring sufficient cash flow and access to capital is vital to prevent insolvency and maintain a buffer for future investments to remain competitive. To adapt to evolving demand and supply dynamics, companies should adjust their pricing strategies and concentrate on the most profitable markets, while deprioritizing or exiting low-margin sectors to simplify operations and enhance profitability.

To address shortages and improve cash flow, companies should focus on various levers, including revenue, cost of goods sold, selling, general and administrative expenses, research and development (R&D), inventory management, receivables, payables, capital expenditures, and financing. These elements should be managed in a mutually exclusive and collectively exhaustive manner (Nordenström & Ekberg, 2020).

Regarding financing, there are two primary sources: internal and external. Internal sources include asset divestiture and equity issuance, which are commonly used to alleviate financial distress, pay off debt, reduce interest costs, and enhance cash flows (Primawan et al., 2024; Slatter, 1984). In contrast, external sources encompass both secured and unsecured creditors. As companies navigate restructuring or recapitalization efforts, it is crucial to maintain ongoing support from stakeholders and financiers to extend financial stability (Deloitte, 2021).

In both scenarios, the ability to raise capital is determined by two key factors: the company's operating performance and the level of asset encumbrance. These factors influence the company's capacity to secure funding from internal or external sources. For example, if all assets are pledged as collateral to secured lenders and utilized to their maximum potential, raising cash through asset sales or issuing new debt becomes extremely challenging. Similarly, poor operating performance will negatively impact both debt and equity holders (Onich, 2012).

2.2.3. Core Operation Identification

A focus on a firm's core activities is a commonly highlighted turnaround strategy in the literature, often implemented alongside cost-cutting and asset retrenchment (Abdillah et al., 2024; Boyne & Meier, 2009; Rivera-Prieto et al., 2022; Tasya & Alvia, 2024). Successfully reestablishing a business in the market often relies on concentrating efforts on its core operations (Gotteiner et al., 2019; Kraus et al., 2013). While turning around a company without a foundation for generating positive cash flow is challenging, there have been rare instances of success through this approach (Onich, 2012).

Hambrick and Schecter (1983) recommend prioritizing historically successful products to aid turnaround efforts. This strategy enhances customer understanding, expands marketing channels, and optimizes after-sales services (Grinyer & McKiernan, 1990). Additionally, Arogyaswamy et al. (1995) identify two scenarios for implementing this strategy: in cases of temporary economic downturns, it is advisable to serve customers who value the company's resources and capabilities, while during severe downturns, focusing on the remaining viable customers is more appropriate.

2.2.4. Fast Decision Making

Decisive leadership, swift and high-quality decision-making, and quick execution are essential for any successful turnaround (McKinsey, 2023; Shepherd et al., 2023; Sinnaiah et al., 2023). Time is more valuable than money; while money can be recovered, lost time cannot. It is crucial to create a sense of urgency within the organization, as transformation programs require close collaboration among numerous individuals and departments. The necessary changes cannot be implemented without the drive and commitment of the entire organization. Research shows that over 50 percent of struggling companies fail to establish this sense of urgency, often because executives overestimate their effectiveness in generating it (Nordenström & Ekberg, 2020).

During a crisis, businesses frequently perform faster and better than they thought possible just months earlier. Sustaining this sense of possibility can become a lasting source of competitive advantage (Sneader & Sternfels, 2020). Organizational speed is critical for navigating a successful recovery (Nordenström & Ekberg, 2020; Weiss & Wruck, 1998). In an era of rapid technological and competitive change, quick strategic decision-making is vital, as traditional practices of extensive strategic planning may no longer guarantee success (Eisenhardt, 1990). For example, negotiations with various stakeholders—such as banks, customers, suppliers, and tax authorities—can distract management and potentially harm the business. Consequently, the ability to swiftly address and resolve these issues is paramount for ensuring successful turnarounds.

2.2.5. Use of Professional Consultants

Mitter and Mayr (2013) emphasize that consultants and remediation managers can leverage their understanding of the resources needed for sustainable remediation. In certain situations, shortcomings can be addressed during the planning and implementation stages of renovation. For instance, consultants can aid in executing marketing strategies or forging essential network connections. Additionally, seeking external counsel is vital when making rapid strategic decisions (Eisenhardt, 1990). While involving outside parties may initially seem counterproductive due to their limited insight into specific challenges, their participation allows the company to extend its operational boundaries, which is crucial during times of transformation (Nordenström & Ekberg, 2020). Research has shown that CEOs or turnaround professionals who successfully lead transformations often possess external functional backgrounds, such as in law, finance, or general administration (Baird, 2014). These leaders typically bring a 'fresh eye', helping to identify issues that the current management team may have missed.

While it is important to recognize the significance of these success factors, a critical assessment of the dynamics surrounding managerial change is essential (Kowalzick et al., 2024). The literature often portrays a positive view of new executives offering fresh perspectives. However, it is equally important to consider potential challenges, such as resistance to change and the time required for new strategies to take effect. A thorough examination of the limitations and possible drawbacks of managerial change can provide a more nuanced understanding of its impact on turnaround success.

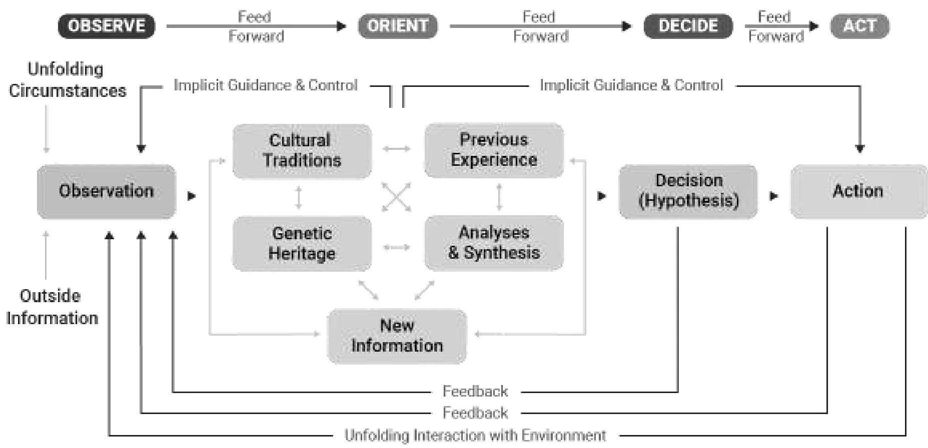
2.3. Process of Turnaround Management

Driven by urgency, leaders are increasingly adopting agile methods, such as quickly convening videoconferences to solve problems and granting remote teams greater decision-making authority. However, it is crucial for cross-functional teams to maintain a long-term perspective and avoid panic reactions (Sneader & Sternfels, 2020). In a turnaround situation, several key factors come into play. Time, often alongside financial resources, emerges as a significant constraint. The timeframe for thoroughly evaluating problems and executing necessary changes is typically quite limited. Consequently, efficient time utilization becomes critical in addressing challenges and implementing required transformations. In this context, Kish (2017) affirms that agility is essential for the success of any turnaround.

Agility involves acting quickly based on rapid decisions in a constantly changing environment. One relevant agile decision-making model for effective turnarounds is the observe-orient-decide-act (OODA) loop. This innovative process was introduced by John Boyd, a renowned military strategist in the US Air Force. The OODA loop consists of four distinct stages. The first stage, observing, entails detecting enemy aircraft. The second stage, orienting, involves positioning the aircraft toward the enemy to establish a favorable vantage point for the next stage. The third stage, deciding, is about making informed choices regarding the next course of action. Finally, the fourth stage, acting, encompasses implementing the chosen decision, such as engaging the enemy.

Central to this loop is the concept of agility, which emphasizes the ability to swiftly adapt and maneuver, enabling the OODA loop to be executed at an accelerated pace (Enck, 2012). The application of the OODA loop is increasingly being integrated into the business realm. Insights derived from data collection contribute to generating hypotheses, leading to a process of convergence that ultimately allows for swift action based on the decision made (see Figure 1). This incorporation of the OODA loop into business practices underscores the importance of adaptability and agile decision-making to capitalize on emerging opportunities (Vettorello et al., 2019).

Figure 1: OODA loop



Source: Feloni and Pelisson (2017).

2.3.1. Observe

The initial phase of turnaround management typically lasts about a month, during which the primary objective is to gain a comprehensive understanding of the situation (Scherrer, 2003). This phase involves observing and analyzing the underlying causes of the company's decline. Thoroughly examining and comprehending the various factors contributing to this decline is crucial for the success of the turnaround process (McGovern, 2007). Researchers have identified strategic and operational causes of decline, such as increased competition, reduced profit margins, supply chain management challenges, economic recessions, labor strikes, and excess production capacity.

Understanding these causes is essential for determining the appropriate turnaround strategies and actions to implement (Edokpa et al., 2023). Subsequently, strategic responses may include vertical integration, diversification, and changes in top management, while operational responses might involve significant plant investments, a focus on key functional areas, and improvements in efficiency ratios to address the identified issues (Schendel et al., 1976).

Additionally, financial analysis is highlighted as one of the first steps toward achieving a successful turnaround (Yawson, 2005). Reviewing the company's financial strategies, particularly the profit and loss (P&L) statement, can provide immediate solutions to prevent further performance deterioration (Walker, 2021). Understanding financial exposure is critical; management must establish common operational assumptions, including decisions on target markets, product and service offerings, and key technology platforms. Without a clear and shared vision for the future, it becomes impossible to agree on necessary actions or fully grasp the extent of change required to meet established objectives (Nordenström & Ekberg, 2020).

Market analysis is another vital component of the observation phase. Identifying opportunities and threats that could influence the success of the turnaround plan is essential. The plan can be executed effectively by leveraging opportunities, such as exploring new product lines or expanding into new markets, while mitigating threats through measures like renegotiating agreements with banks (El Sayed, 2015).

2.3.2. Orient

In the OODA loop, the orientation step holds paramount significance. This critical stage involves mental models that influence the entire functioning of the OODA loop. Orientation shapes our perception and interaction with the environment, impacting our observations, decisions, and subsequent actions. It forms the foundation of the OODA loop process, defining how we understand and respond to the ever-changing dynamics of our surroundings (Kish, 2017).

In a business context, a company's culture and the ability to decode human behavior are the dominant forces shaping the orientation step. A well-crafted orientation can eliminate the need for a formal decision step by providing implicit guidance and control. By fostering a strong company culture and understanding human behavior, decision-making becomes more intuitive and effective, minimizing the necessity for explicit and time-consuming decisions during a turnaround. Leaders are tasked with designing organizational transformations in areas such as systems, culture, or operational activities (Evans et al., 2013). A successful turnaround strategy requires leaders to establish a positive communication culture to build organizational trust (Boyd, 2011; Lawson & Price, 2003). Lawson and Price (2003) also emphasize that the transformation must be clearly defined and communicated throughout the organization.

Designing the company culture is crucial during this step. Language and rituals significantly shape culture. A shared language fosters cultural unity among workers, particularly in remote work settings. Rituals, being universal aspects of human existence, can create a sense of cohesion and rhythm within an organization (Sutherland & Sutherland, 2014). Decoding human behavior is another vital aspect of the orientation step. High emotional intelligence is essential for understanding employees' motivations, adaptability, and learning capacities. Tools such as the Predictive Index (PI) behavioral assessment can help identify behavioral needs and select the right individuals to lead the turnaround process (Kish, 2017).

While a strong company culture is emphasized in the orientation step, it is important to critically assess the potential drawbacks and challenges associated with shaping and changing organizational culture. The literature often highlights the benefits, but a thorough examination of the limitations, potential resistance, and time required for cultural change is essential for a comprehensive understanding of its impact on the turnaround process.

2.3.3. Decide

In the deciding phase, strategies and action plans are formulated based on previous observations and analyses. During the initial stages of the turnaround process, short-term strategies such as cost-cutting, downsizing, layoffs, and revenue optimization are frequently prioritized (Moog et al., 2013; Morrow et al., 2007; Rico & Puig, 2021; Zimmerman, 2002). These actions aim to mitigate decline, enhance efficiency, and generate cash flow to stabilize the company’s financial position.

Once the decline has been arrested and profitability is reestablished, long-term strategies become essential (Filatotchev et al., 2006). After implementing short-term measures, the next critical step is to pursue cautious and well-considered growth. During the recovery phase, the firm must devise growth strategies that leverage its strengthened core activities to ensure sustainable long-term development (Schoenberg et al., 2013). These strategies focus on enhancing the firm's competitive advantages and ensuring sustainability. Long-term strategies may involve entrepreneurial-driven asset reconfiguration, utilizing existing resources to expand product offerings or enter new markets (Robbins & Pearce, 1994; Sudarsanam & Lai, 2001).

'Offensive' market-based strategies, such as launching new products, adjusting the product mix, and increasing prices, are often viewed as more effective than defensive strategies. Abebe (2010) argues that these offensive strategies challenge the misconception that retrenchment underpins a successful recovery strategy. Moreover, hybrid or outpacing strategies that combine cost and differentiation advantages have gained prominence in today's competitive environment (Piller & Schoder, 1999). These strategies aim to deliver high-quality products and services while remaining price-competitive. Successful implementation of these strategies is crucial, with effective project management being a vital element of execution.

2.3.4. Act

The strategies developed in the previous phase are put into action during the act phase, transforming plans into tangible results. It is essential to measure capabilities to ensure that the organization's structure, culture, and skills align with its strategic goals. Consistent oversight, adaptation, strong leadership, and clear communication throughout the execution process are crucial for successful implementation (Neilson et al., 2008). Maintaining structure, discipline, and dedication throughout this process is also vital. Therefore, a comprehensive implementation plan, effective governance, and continuous monitoring of the change's success are necessary (Nordenström & Ekberg, 2020).

Tools like line-of-sight can help identify gaps in strategy execution capabilities and offer insights for improvement (Kish, 2017). Effectively managing change in complex situations and establishing clear metrics for effectiveness are critical factors for successful strategy implementation (Kazmi, 2008).

3. Research Methodology

3.1. Research Design

This study adopts a qualitative and phenomenological approach to explore the experiences of frontline managers in turnaround management through semi-structured interviews. Phenomenology is grounded in the works of philosophers such as Husserl and Merleau-Ponty (Sadala &

Adorno, 2002). The research process involves several key steps: (i) bracketing, where we set aside our preconceptions and biases to engage with participants' experiences without distortion; (ii) intuiting, where we employ intuitive analysis to uncover the essence of these experiences and understand their underlying meanings; (iii) identifying essences, which entails pinpointing essential themes and structures within the data to capture the core aspects of turnaround management experiences; and (iv) comparative analysis, where we compare our findings with existing literature to validate consistencies or contradictions and deepen our understanding of the explored phenomenological aspects.

The qualitative research approach aids in understanding the complexities surrounding successful turnarounds, providing insights into strategies, leadership styles, and organizational dynamics. This method enables a thorough exploration of business turnaround, leadership styles, turnaround strategies, and methodologies. It is valuable to the study as it allows us to gain meaningful insights into the factors contributing to business turnarounds through an in-depth exploration of the topic.

Data was collected from October 2022 to May 2023 from turnaround managers using semi-structured interviews. The aim of this study is to identify the variables driving business turnaround performance by observing a sample of high performers. The intention is to use these observations to inform decisions and theories that can be applied to the broader business environment. Given this goal, the study follows an inductive approach.

3.2. Research Question and Objectives

We ask two main questions: (i) 'what are the key factors that contribute to the success of a turnaround?' and (ii) 'can these factors be organized into a framework?'. The research is thus guided by two main objectives: (i) to gather insights from experienced turnaround managers regarding the factors that contribute to success, and (ii) to identify a framework that can be applied during turnaround efforts to ensure successful outcomes. By addressing these research questions and achieving these objectives, the study aims to expand existing knowledge in turnaround management and offer practical recommendations.

3.3. Study Sample

The sample consists of ten experienced turnaround managers and consultants from various industries, including transportation, information technology, manufacturing, cosmetics, and wholesale. This diversity ensures the creation of a generic framework applicable across different sectors. All participants have served as CEOs or interim CEOs during turnaround processes. Purposive sampling was employed to select individuals who met specific inclusion criteria, such as having at least five years of experience in turnaround management and a willingness to participate. Due to non-disclosure agreements, the participants chose to remain anonymous regarding their identities and the companies they have turned around. Table 1 presents information about the respondents in the study.

Table 1: Participants' Profile and Interview Description

Participant	Expertise	Industries	Turnaround projects	Details shared	Duration (mins)
P1	Complex operations management, growth, acquisition, restructuring, turnaround	Maritime transport	Turnaround of a struggling maritime transport company	Experiences of the maritime company turnaround	55
P2	Turnaround, crisis management, transformation, transition management	Railway transport, cable manufacturing, software development	Turnaround in three companies	Discussed varied turnaround experiences in different sectors	67
P3	Turnaround management	General	General turnaround experience	Shared a broad overview of turnaround management	44
P4	Restructuring, transformation, turnaround, Managing Director, CFO	Telecom	15-month mission to turn around a struggling telecom company	Experiences about the telecom company turnaround	53
P5	Shareholder change, mergers and acquisitions, turnaround, restructuring, crisis, project management	Manufacturing	18-month factory turnaround	Experiences with the factory turnaround	54
P6	Operational turnarounds, restructurings in manufacturing	Agri-food, engraving	Two turnaround projects	Shared experiences in two manufacturing turnarounds	52

Participant	Expertise	Industries	Turnaround projects	Details shared	Duration (mins)
P7	Turnaround, international growth acceleration, transformation	General	General turnaround experience	Provided general insights on turnaround management	46
P8	Transition management, turnaround management	Consulting, cosmetics	Two turnaround projects	Focused on turnarounds in consulting and cosmetics industries	58
P9	Crisis and transition management, B2B SMEs	Chemical products	Turnaround of a chemical products company	Discussed chemical company turnaround in detail	52
P10	Business turnaround, change management, transformation	Beverage, marketing, wholesale	Turnaround in three companies	Shared experiences across three distinct sectors	64

3.4. Data Collection Method and Interview Protocol

The data collection involved conducting semi-structured interviews with ten participants, utilizing open-ended questions to encourage a free-flowing conversation. Prior to the interviews, questions and themes were shared with participants, enabling them to prepare while still promoting spontaneity during the discussions. Providing the questions in advance allowed participants to organize their thoughts and prepare as needed. The interview protocol was meticulously designed to elicit detailed responses and gather data in a structured manner by asking the following questions:

- What is the turnaround process you follow?
- What are the actions taken in each step?
- What are the challenges faced?
- What is the leadership approach used?
- Are there any project management methodologies used?
- What are the key success factors of a turnaround?

Before the interviews, the interview protocol was pilot-tested to ensure its clarity and effectiveness. This process involved using follow-up questions for clarification and elaboration as needed. The interviews were then conducted in a quiet and private setting, using phone calls and video conferencing, and were recorded with the participants' consent. Some participants opted for anonymity because of the non-disclosure agreements they had signed.

3.5. Data Analysis

The data analysis process follows a phenomenological approach, incorporating specific principles and steps to derive meaningful insights from the collected data. This study employs a two-step analytical method.

In the first step, which involves phenomenological reduction and thematic analysis, data from semi-structured interviews undergoes phenomenological reduction. The aim is to identify and explore common perceptions, understandings, processes, and thought patterns among participants. By carefully examining the raw data, we sought to distill essential themes that reflect the lived experiences of frontline managers in turnaround situations.

In the second step, a comparative analysis is conducted by comparing the interview findings with existing literature on turnaround management. This approach confirms similarities or identifies contradictions, thereby contributing to a deeper understanding of the phenomenological aspects revealed during the interviews. By situating our findings within the broader context of existing knowledge, we aim to extract valuable insights from the lived experiences of turnaround managers.

4. Findings and Discussion

4.1. Success Factors

The results of the data analysis on success factors are presented in Table 2, revealing intriguing insights into the frequency with which interviewees mentioned these factors. Notably, the most frequently cited success factor is the use of professional consultants, mentioned in five out of the ten interviews conducted. This finding aligns with previous literature that underscores the value of external consultants in facilitating successful turnarounds (Mitter & Mayr, 2013; Nordenström & Ekberg, 2020).

Table 2: Alignment of success factors in interview data and literature review

Success factors	Case 1	Case 2	Case 3	Case 4	Case 5
Managerial change	√				
Liquidity generation	√		√		
Core operation identification					
Fast decision making	√			√	
Use of professional consultants	√	√		√	
Management experience			√		√
Success factors	**Case 6**	**Case 7**	**Case 8**	**Case 9**	**Case 10**
Managerial change				√	√
Liquidity generation		√			√
Core operation identification					√
Fast decision making		√			
Use of professional consultants	√	√			
Management experience	√				

Participants noted:

> Bringing in external consultants allowed us to see the challenges from a fresh perspective and quickly implement necessary changes. [P2]

> The expertise of consultants provided us with valuable strategies that we might not have considered otherwise. [P4]

Following closely, the second most prominent success factor is liquidity generation, mentioned in four interviews, which is consistent with its importance highlighted in prior studies (for example, Mbugua & Makori, 2014; Primawan et al., 2024). One participant emphasized:

> Organizations should scrutinize and reduce costs by challenging non-essential expenses, renegotiating with suppliers, and minimizing costs without compromising revenue. R&D strategies must prioritize core projects and optimize costs, while capital expenditure should focus on maximizing returns from existing investments and limiting non-essential spending until cash flow stabilizes. [P3]

Furthermore, another participant stressed the critical nature of liquidity generation during the turnaround period:

> Without the ability to generate liquidity, we would have struggled to invest in key areas that facilitated our turnaround. It was a lifeline during a challenging period. [P1]

Additionally, managerial change, fast decision-making, and management experience each shared the third position, appearing three times. This observation aligns with existing literature, which emphasizes the significance of managerial change (Thain & Goldthorpe, 1989; Wild, 2010), rapid decision-making (Shepherd et al., 2023; Sinnaiah et al., 2023), and prior experience in navigating financial downturns (Ellis, 2012). Participants shared insights such as:

> Our entire approach was transformed when we brought in new upper management. Their fresh perspective and emphasis on collaboration helped us adapt quickly to the challenges we faced. [P9]
>
> Acting swiftly and maintaining a sense of urgency is crucial. Even well-crafted strategies can become irrelevant if they take too long to develop. [P7]
>
> Our new COO had previously navigated a major financial crisis in another company. His insights were invaluable. [P5]

In contrast, core operation identification was mentioned in only one of the ten interviews. This focus involves identifying markets, products, and customers with profitability potential. The research indicates that successful business turnarounds often stem from concentrating on established product lines and fostering customer loyalty (Abdillah et al., 2024; Boyne & Meier, 2009; Rivera-Prieto et al., 2022; Tasya & Alvia, 2024). One participant noted:

> When identifying a viable core, several key factors must be considered: it should generate positive cash flow within six months, have sufficient sales to support the firm during problem-solving phases, possess modern competitive machinery and data systems, and be located in a competitive area. [P10]

Overall, these findings demonstrate a significant alignment between the success factors identified in the literature review and the perspectives shared by the interviewees, though with varying degrees of emphasis. The findings also highlight the importance of additional factors, such as prioritizing human capital and possessing strong analytical and leadership skills. Our results underscore the necessity of tailored solutions for each specific case to ensure a successful turnaround. One participant stated:

> In my experience, generic solutions just do not cut it. Each company has its unique challenges, and we found that crafting tailored strategies specific to our circumstances was the key. [P6]

This viewpoint, consistently echoed by several interviewees, challenges the reliance on predefined strategies for turnarounds, pointing out the potential risks and limitations of such an approach. Table 3 summarizes the frequency of the success factors mentioned by the interview participants.

Table 3: Frequency of success factors mentioned in interviews

Success factor	Frequency mentioned
Use of professional consultants	5
Liquidity generation	4
Managerial change	3
Fast decision making	3
Management experience	3
Core operation identification	1

4.2. *Strategies and Actions*

The results of the data analysis regarding strategies and actions are presented in Table 4, offering valuable insights into the approaches employed by turnaround managers. Notably, financial analysis and business downsizing were the most frequently utilized action, mentioned by 70 percent of the interviewees. These actions were taken to address the challenges faced by organizations undergoing turnarounds.

Table 4: Alignment of strategies and actions in interview data and literature review

Strategies and actions	Case 1	Case 2	Case 3	Case 4	Case 5
Financial analysis			√		√
Market analysis			√		√
Design the culture					
Cost cutting	√	√			√
Business downsizing	√	√	√	√	
Layoffs	√			√	√
Margin/revenue optimization					
Business model optimization	√	√		√	√
Long-term strategy			√		
Capabilities measurement					
Strategies and actions	**Case 6**	**Case 7**	**Case 8**	**Case 9**	**Case 10**
Financial analysis	√	√	√	√	√
Market analysis		√			

Strategies and actions	Case 1	Case 2	Case 3	Case 4	Case 5
Design the culture		√			
Cost cutting			√		
Business downsizing		√	√		√
Layoffs	√		√		
Margin/revenue optimization		√	√	√	√
Business model optimization	√				
Long-term strategy					√
Capabilities measurement					√

Participants noted:

> In our turnaround effort, financial analysis was indispensable. It allowed us to pinpoint inefficiencies and prioritize areas needing immediate attention. [P8]
>
> Downsizing was a tough but necessary choice. We realized that to stabilize the organization, we had to streamline operations and focus on our core strengths, which ultimately set us up for future growth. [P10]

Business model optimization and layoffs were mentioned by 50 percent of the interviewees, with participants arguing that clarity on the business model and retaining talent in key areas helped navigate the turnaround more effectively. They emphasized:

> Optimizing our business model was crucial. We had to rethink our value proposition and ensure that every aspect of our operations aligned with our long-term goals. [P6]
>
> While layoffs are always difficult, we had to make tough decisions to protect the organization's overall health. [P4]

Additionally, margin/revenue optimization appeared in 40 percent of the interviews, underscoring its importance in enhancing financial performance during turnaround efforts. One participant remarked:

> By closely analyzing our pricing strategies and cost structures, we significantly improved our financial performance, providing the stability we needed during the turnaround. [P9]

Market analysis was cited in 30 percent of the interviews, indicating its role in identifying growth opportunities and repositioning the organization within the market. Long-term strategies were mentioned in 20 percent of the interviews, emphasizing the need for a sustainable path forward. Finally, building culture and capabilities measurement were noted in only one interview each, suggesting potential areas for further exploration and focus. Participants highlighted:

> Conducting a thorough market analysis opened our eyes to new growth opportunities we had not considered. It allowed us to reposition our offerings and better meet the needs of our customers. [P5]
>
> While immediate actions were essential for our turnaround, developing long-term strategies was equally important. We needed a sustainable path that would stabilize us now and position us for future success. [P10]
>
> In our discussions, we recognized that building a strong organizational culture is crucial. It fosters collaboration and resilience, both of which are vital for navigating the challenges of a turnaround. [P7]

Overall, these findings reinforce the connection between insights gathered from the literature review and the experiences shared by the interviewees. The interviews provided real-world evidence of the effectiveness of the strategies and actions discussed in the literature and illuminated the different scales at which these strategies were applied across various turnaround scenarios. Consequently, these findings enhance our understanding of the diverse approaches taken by turnaround managers and highlight the importance of tailoring strategies to specific organizational contexts. Table 5 summarizes the frequency of strategies and actions emphasized by the interview participants.

Table 5: Frequency of strategies and actions employed by turnaround managers

Strategy/action	Frequency mentioned
Financial analysis	70%
Business downsizing	70%
Business model optimization	50%
Layoffs	50%
Margin/revenue optimization	40%
Market analysis	30%
Long-term strategies	20%
Building culture	10%
Capabilities measurement	10%

4.3. Turnaround Management

In the literature review section, we examine the OODA loop, an agile decision-making model considered effective for rapid decision-making during crises, such as organizational turnarounds (Kish, 2017). Interestingly, analysis of the interview data revealed that none of the participants explicitly employed any specific decision-making models or management methodologies. Only one individual mentioned using the lean management approach, which is not typically classified as an agile methodology. This participant stated:

> The lean methodology proved crucial during our turnaround. It allowed us to streamline processes, reduce costs, and develop a culture of continuous improvement, all of which were essential for our recovery efforts. [P2]

In contrast, most interviewees highlighted their reliance on personal experience and expertise to navigate turnaround situations. This raises questions about the necessity of project management methodologies in such contexts. Nonetheless, we identified a common theme among the managers: they adhered to a fundamental strategic management process that involved analysis, strategy development, and execution. Notably, this process closely resembles the OODA loop discussed earlier. A summary of the interview findings can be found in Table 6.

Table 6: Summary of findings

Category	Key findings
Success Factors	Most frequently cited: Use of professional consultants (5 mentions) Second: Liquidity generation (4 mentions) Managerial change, fast decision making, management experience (3 mentions each) Least mentioned: Core operation identification (1 mention)
Strategies and actions	Most utilized: Financial analysis, business downsizing (70% each) Business model optimization, layoffs (50% each) Margin/revenue optimization (40%) Market analysis (30%) Long-term strategies (20%) Least utilized: Building culture, capabilities measurement (10% each)
Turnaround management	No explicit use of decision-making models or management methodologies; reliance on experience and expertise (only one interviewee mentioned the use of lean management methodology). Fundamental strategic management process

5. Recommendations

5.1. Proposed Framework

Based on the insights gathered, we propose a strategic turnaround management framework that integrates the key success factors and actions identified in the literature review and interview findings. This framework aims to provide a structured approach for organizations facing turnaround situations.

5.1.1. Analysis and Diagnosis

This step involves a thorough analysis of the organization's financial health, market position, and internal capabilities. It includes identifying the root causes of the crisis and assessing the extent of the challenges faced. Gathering insights from both internal stakeholders and external experts is essential for a comprehensive understanding of the situation.

5.1.2. Define Tailored Strategies

This step focuses on developing tailored strategies that align with the organization's specific needs and challenges. Consideration may be given to engaging professional consultants for specialized expertise and support in strategy formulation. Key areas for improvement, such as liquidity generation, business downsizing, and margin/revenue optimization, should be prioritized based on the analysis conducted.

5.1.3. Execution and Action

The defined strategies should be implemented through a series of focused and prioritized actions. Regular monitoring of progress is necessary to ensure that initiatives remain on track and achieve desired outcomes. Data and analytics should be utilized throughout this process to guide decision-making and measure the effectiveness of the actions taken.

5.1.4. Leadership and Change Management

Strong leadership is essential to drive turnaround efforts and inspire commitment from employees. If necessary, managerial changes should be made to align with the new strategic direction. Open and transparent communication with stakeholders will ensure clarity of purpose and foster a shared vision throughout the turnaround process.

5.1.5. Agile Decision Making

Embracing an agile decision-making approach, such as the OODA loop, is crucial for enabling rapid and effective decision-making during the turnaround process. Strategies must be continuously assessed and adapted in response to changing circumstances and emerging opportunities. Managers should be empowered to make timely decisions, fostering a culture of experimentation and learning within the organization. Figure 2 summarizes the proposed strategic turnaround management framework.

Figure 2: Strategic turnaround management framework

6. Conclusion

This paper has explored the essential elements for achieving successful turnarounds within organizations. Utilizing a comprehensive methodology that includes an extensive literature review and in-depth interviews with experienced turnaround managers, this research has uncovered valuable insights into the factors that contribute to turnaround success. The analysis of interview data revealed several significant findings. Interviewees frequently highlighted key success factors such as the strategic use of professional consultants, liquidity generation, managerial change, rapid decision-making, and effective utilization of management experience. These factors emphasize the critical roles of expert guidance, financial stability, effective leadership, and prompt decision-making processes in facilitating successful turnarounds.

Interestingly, the interviews also underscored the importance of customizing strategies to fit the unique circumstances of each turnaround situation. While some interviewees relied on their experience and expertise rather than adhering to specific management methodologies, a common thread emerged: the adoption of a fundamental strategic management process that involves analysis, decision-making, and action. This aligns with the agile decision-making model, known as the OODA loop, discussed in the literature review. These findings validate and extend insights gathered from the literature, demonstrating a convergence between theoretical perspectives and the practical experiences of turnaround managers. They provide a nuanced understanding of success factors in turnarounds, highlighting the critical need for adaptability, strategic analysis, and timely decision-making.

Consequently, this research significantly contributes to the existing body of knowledge by offering empirical evidence and practitioner insights into the success factors of turnarounds. The identified factors can serve as practical guidelines for organizations undertaking turnaround initiatives, enabling them to adopt informed strategies and enhance the likelihood of successful outcomes.

However, future research is necessary to build on the results of this study. For instance, it would be beneficial to conduct more nuanced inquiries into the specific contexts and industries where these success factors may vary in significance. This could involve a focused exploration of the interplay of these factors in different organizational settings, taking into account factors such as size, industry type, and regional nuances. Additionally, future studies could examine the intricate dynamics of cultural factors, organizational structures, and external environmental influences, aiming to unravel their complex impact on the success of turnaround efforts. Understanding how these variables interact within diverse organizational landscapes can provide practitioners and decision-makers with a more comprehensive and actionable understanding.

Furthermore, given the evolving landscape of technology and its impact on organizational dynamics, investigating the role of emerging technologies in facilitating or hindering turnaround success could be a valuable area of exploration. By pursuing these targeted research endeavors, we can refine our understanding of contextual variations in success factors and tailor strategic recommendations more precisely. Such insights would contribute to academic discourse and offer practical guidance for organizations navigating the complexities of strategic turnaround management.

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