

Case Studies on
Turnaround Strategies – Vol. I

Edited by

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Case studies are intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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OVERVIEW

Few companies survive intact for centuries. All organisations sooner or later do face a crisis situation. Reasons for a crisis situation are aplenty. The causes of distress for a company can be:

- revenue downturn caused by a weak economy
- high operating costs
- high fixed costs
- poor strategic choices
- poor execution of a good strategy
- highly successful competitor
- excessive debt burden
- inadequate financial control.

During a crisis situation, whether organisations recover their glory, continue to stagnate or disappear altogether depends on their ability to implement a successful turnaround. A turnaround, however, is easier said than done. It requires a series of holistic changes in terms of strategies, structures and practices throughout the organisation. Every company adopts its own unique approach for a turnaround based on the analysis of the root cause of the trouble. Often, turnaround strategies are one or more of the following:

- change of top management
- strategic acquisitions
- divestment of certain investment
- revenue increase
- cost reduction.

As the saying, ‘When the going gets tough, the tough get going’ goes, a crisis situation tests the tenacity of those at the helm of affairs of a company. This book explores the ways in which various leaders manage their company’s turnaround process through cases like, *ABB: Fred Kindle’s Restructuring Strategies*; *Italy’s Electricity Giant, Enel – Paolo Scaroni’s Turnaround Strategies*; *Sara Lee Corporation: Brenda C. Barnes’ Restructuring Strategies* and *Sir Howard Stringer at Sony: Delivering ‘American Results’ for a Japanese Company?* These and other cases show the importance of leadership in a successful turnaround and how visionary leaders can save their companies.

During the global economic slowdown in 2000 and in the wake of the 9/11 attacks, companies faced an economic downturn. They were left with huge amounts of excess capacity and were saddled with high costs. Many died a painful death, but there were few that rose from the rubble as is shown in the cases – *Electronic Data Systems Corp. (EDS): Turnaround Strategies*; *Parker Hannifin Corporation: Donald Washkewicz's Turnaround Strategies* and *Siebel Systems, Inc.: Troubles and Turnaround Efforts*.

The struggle to recoup losses and regain leadership position is highlighted by the turnaround efforts in the cases – *AirTran Airways: The Turnaround* and *International Paper: John Faraci's Restructuring Strategies*.

Turnaround strategies of companies with tainted images due to malpractices are discussed in the cases – *NVIDIA: The Graphic Chipmaker's Turnaround Strategy* and *John Swainson's Turnaround of Computer Associates International, Inc.: Setting IMB Standards?*

In all, this book contains 21 cases each detailing a unique crisis situation faced by once successful organisations. The causes of distress are different but the end result is the same – survival. These organisations took corrective action at the right time and the case studies discuss the turnaround strategies that enabled these companies to stay intact. The list of the cases and the major turnaround strategy is as follows:

S. No.	Case Study	Industry	Turnaround Strategy
1.	ABB: Fred Kindle's Restructuring Strategies	Electrical Engg. & Equip.	Organisational Restructuring
2.	AirTran Airways: The Turnaround	Aviation	Adopting a low-cost structure
3.	Canon: Fujio Mitarai's Restructuring Strategies	Consumer Durables	Focusing on profitable businesses and implementing cost-effective initiatives
4.	Charles Schwab: Schwab's Turnaround Strategies	Finance (Brokerage)	Diversification Recalling the CEO to effect a turnaround
5.	Coke's Changing Fortunes: The Need for Change	Food & Beverages	Corporate social initiatives to rebuild image
			<i>Contd...</i>

6.	Electronic Data Systems Corp. (EDS): Turnaround Strategies	Information Technology and BPO Services	Forming partnerships with other industry players to drive innovation and cost leadership
7.	Falling Fortunes of Japanese Video Game Publishers: The Turnaround Strategies	Electronics (Video games)	Responding to changing consumer preferences and competition from US rivals
8.	GM's Turnaround Strategies: Will they Ensure its Survival	Automobiles	Organisational Restructuring
9.	International Paper: John Faraci's Restructuring Strategies	Paper & Forest Products	Narrowing the product portfolio to two key platform businesses
10.	Italy's Electricity Giant, Enel – Paolo Scaroni's Turnaround Strategies	Energy	Focusing on the core businesses and divesting the non-core ones
11.	ITC's Acquisition of WIMCO: The Turnaround Challenges	Matchsticks	Strategies to turnaround a loss-making acquisition.
12.	John Swainson's Turnaround of Computer Associates International, Inc.: Setting IBM Standards?	IT Services	Reviving the company's image, tarnished due to an accounting scandal
13.	Millard Drexler: Turning Around J. Crew Inc.	Retail	Repositioning as a premium seller
14.	NVIDIA: The Graphic Chipmaker's Turnaround Strategies	Electronic Components	New and innovative products delivered
15.	Parker Hannifin Corporation: Donald Washkewicz's Turnaround Strategies	Motion and Control Technologies	<ul style="list-style-type: none"> • Lean Manufacturing • Acquisitions and Strategic Procurement
16.	Piaggio: The Italian Scooter Manufacturer's Turnaround Strategies	Automobiles (Two-wheelers)	Recovering from financial distress through cost-cutting measures and low-cost production base.
<i>Contd...</i>			

17.	PPR's Balenciaga Brand: The Turnaround	Luxury Goods	Brand Revival Strategies
18.	Sara Lee Corporation: Brenda C. Barnes' Restructuring Strategies	Consumer Goods	<ul style="list-style-type: none"> • Perils of over-diversification • Turnaround through spin-offs and restructuring
19.	Siebel Systems, Inc.: Troubles and Turnaround Efforts	Information Technology	<ul style="list-style-type: none"> • Turnaround efforts under a new CEO • Impact of sudden change of leadership
20.	Siemens AG's Troubles: Klaus Kleinfeld's (the New CEO) Restructuring Strategies	Electronics	Selling-off underperforming units, acquisitions and bundling various products and services into a single sales proposition
21.	Sir Howard Stringer at Sony: Delivering "American Results" for a Japanese Company?	Consumer Electronics	Revival strategies of a non-Japanese leader for a Japanese company.