Implementing Turnaround Strategy: Effect of Change Management and Management Competence factors
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leadership style capable of motivating and supporting the employees while making strategic changes on capital, financial well-being and operations of the organization.

Manimala and Pancker (2011) found that corporate sickness was one of the major socio-economic problems of developing as well as developed nations which gradually drives organizations into turnaround situations. Pandit (2000) observed two conclusions that could be made on corporate turnaround as being: that the incidence of turnaround situations were significant and that out of the firms suffering significant or sustained declining performance, a greater number proceeded to fail rather than recover further asserting that, a better understanding of turnaround could lead to a greater number of declining firms to successfully recover. With these issues in mind, it is hoped that identifying the effect of both change management and management competence factors on implementation of turnaround strategy implementation, would expand the scope of remedies for raising the success rates of organizational turnaround implementations.

III. Literature Review

The Stage theory of successful turnaround by Manimala (1991) identified four important stages in any successful turnarounds namely: arresting sickness, focusing on core business, expansion and growth, and institutionalization through culture building. It lays emphasis on turnaround managers to adopt a stage wise procedure when implementing their strategies. On the other hand, the Causal model of organizational performance and change of Burke and Litwin (1992) used to analyse, understand, and predict organizational change provides some guidance when trying to understand how organizations work within situations of chaos which would be likened to that of an organization that is in a Turnaround situation would both guide in the identifying or implying the relationship between both factors and turnaround implementation strategy.

The effect of change management on turnaround strategy implementation

Efforts made by researchers to define change management indicate no consensus on a common definition. According to Moran and Brightman (2001) change management is the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers. Tim (2000) described change management as that which incorporates the organizational tools that can be utilized to help individuals make successful personal transitions resulting in the adoption and realization of change.

In this study, the researcher adopts Moran and Brightman (2001) definition of change management for its broad approach in which change management is recognized as a process for continuous monitoring not only the direction but the structure and capabilities of the organization in order to meet both internal and external customer’s needs in line with its mission and strategic plans.

The causal model of organizational performance and change indicate that there are direct causal effects between external environment and that of individual or organizational performance. It further indicates that there is a direct causal effect between organizational culture and other variables such as leadership, systems (policies and procedures), and individual needs/values. However, any causal effect between organizational culture and individual performance is through motivation.

A study by Simon (2012) confirmed that some of the important factors that influence the outcome of process improvement programmes in organizations include strategic alignment, structural alignment, IT alignment, executive commitment, and employee empowerment. Other factors he found to be significant and critical to the success of process improvement programmes were: value and clarity of the proposed changes, pace of the change, inherent culture of an organization, sustainability of the change, and skills.

Thompson and Strickland (1999) emphasized the need for management to communicate the case for organizational change so clearly and persuasively that there is determined commitment throughout the ranks to carry out the strategy and meet performance targets in order to achieve a successful implementation of strategy. Some researchers held the view that top management change in organizations was widely recognized as a precondition for successful business turnarounds (Hofe, 1980; Bilben, 1982; Slater, 1999).

According to Gersens (2000), the right way of managing people for adapting to and adopting change is achievable by changing their cultural norms and eventually make the change successful in the long-run.

Smith (2003) mentioned that to manage radical change effectively, some of the things one needs to consider are, communication to show support of the process change project and effective leadership to coordinate deployment of resources in order to achieve performance breakthroughs required to accomplish the strategic objectives which are the possible outcomes of application of innovative ways of doing business.

Gilley and McMillan (2009) enumerated three types of change namely: transitional or gradual change; transformational or radical change; and developmental or continuous dynamic change in which they emphasized that whatever the type of change in an organization, it affects people, organizational structure, procedures or technologies of the organization.

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Managers’ measure change effectiveness for only transformational or developmental change and the parameters for determining the effect of change on business operations include: measuring increased processing speed, increased customer satisfaction, reduction in backlog and, improved accuracy (Gilley, Gilley, & McMillan, 2009).

By (2005) pointed out that a number of researchers reported a failure rate of around 70 per cent of all change programs initiated but wondered that there was consensus to the effect that the pace of change had never been greater than the ever evolving business environment leading to a concurrence that successful management of change highly required skill. Tysel (2007) recommended that, for any organization to implement change management there has to be definition and implementation procedures, technologies to deal with changes in the business environment and profit because of changing opportunities. Change is necessary to maintain a competitive edge, although it is not always a smooth process (George & Jones, 2008).

Waldersee & Griffiths (2004) looked at organizational change in terms of participative approach whose assumption was that employee support is a pre-requisite of change and the unilateral approach whose assumption was that behavior must be changed first and attitude will follow found that, unilateral implementation approaches were more effective than participative.
Lomazi and Riley (2007) looked at “people sides issues” during implementations of new information systems recommending that anyone wishing to make changes within an organization, with minimum levels of trauma, must first understand the organization’s power bases structures, reward systems, and other people issues. This was because understanding them, it was critical for developing appropriate strategies at the appropriate times and for involving the key players within the organization.

Research by Kavanagh and Askim (2008) on change management examined mergers between three large multi-organisation, public-sector organizations. They specifically investigated leadership and change management processes, and concluded that leaders needed to know how they would carefully select the method or approach for bringing change, how to develop a new culture, how to establish effective channels of communication at all levels of the organization, to integrate stakeholders, and how to lead in a positive manner. 

Sutentski (2012) compiled 28 factors some of which were, identified by other researchers, which caused resistance to organizational change. These were threat of power on an individual or organizational level; losing or altering control of the employees; economic factors; image, prestige and enhancement of reputation; threat of comfort, job security or interpersonal relations; realization of the resources; acquired interest to new groups; and implication on personal plans.

Other factors included too much dependence on others, misunderstanding the process, mistrust to initiators of change, different evaluation and perception, fear of the unknown, necessity to change habits, previous negative experiences, weakness of the proposed changes, and limited resources. Others were bureaucratic inertia, selective information processing by employees, uninformed employees, and peer pressure, skepticism about the need of change, increasing workload, and short time to performing change. For effective change management, management must address all issues of resistance to change.

Cahill (2001) explored employee resistance to ERP implementation. The objective of the study was to establish the factors and management strategies for ERP implementation. The study recommended that in order to overcome users’ resistance to change, top management had to: study the structure and needs of the users and the causes of potential resistance among them; deal with the situation by using the appropriate strategies and techniques to introduce ERP successfully; and evaluate the orders of change management efforts. Motivation is one of the methods of reducing resistance to change. Tower (1994) recommended that effective motivation package for an organization needed to be, widely spread in order to give equal chances and opportunities for employees pointing out that some of the employee motivational methods were inducement through salary increases, bonuses, job enlargement, job enrichment, job rotation, promotion, offering higher responsibility, and acknowledgement of higher performance achievement of employee.

Szmus and Duxbury (2002) focused their study on development of measures for organizational support and non-support of revolutionary change. They found both measures to be strongly linked to both organizational outcomes (organizational commitment, Job satisfaction, and managerial support) and employee/individual outcomes (Stress, burnout, and perceived organizational support). They demonstrated that when behaviors supportive of revolutionary change were undertaken, there would be a significant positive impact on critical outcome variables. However, behaviors to the contrary, negative impact on both the organization and the employee.

The management competence’s effect on Turnaround strategy implementation

ACAS (2009) highlighted a management competency framework with positive and negative behavioral indicators and identified the first five top competencies which affect work related stress as: managing workload

Managers’ competencies are the set of skills that managers must have to be effective. The IMF management competence framework serves as a booster for senior managers’ management skills also serves as a basis on which to assess managers within and across departments.

Hoskins (1994) described management as the art of getting things done through and with people in formally organized groups”. Hill and Jones (2001) saw management as both an art because of making people more efficient than they were before and a science because of how it is done. Due to the role, they play in an organization, management need to have the competencies to execute the five management functions of management namely planning, organizing, commanding, co-coordinating and controlling.

Kung, Fowler and Zeithaml (2001) stated that, “competencies combine knowledge and skills which represent the underlying knowledge base and the set of skills required to perform useful actions”. They pointed out that the five characteristics of competencies included: tacit, robust, expertise, embeddedness, and consciousness and found that middle managers whose competencies were labeled more tacit, more robust and more embedded tended to outperform those who did not. They also found that after restructuring of an organization, accompany can survive everything but the defection of its middle managers.

Dulewicz and Herbert (1999) explored the key personal characteristics associated with long term managerial success as measured by increases in responsibility over a seven to eight year period using remuneration, numbers of staff, budget responsibility and organizational seniority as indicators and found that managers who had, higher risk taking, better planning, greater persuasiveness and better at motivating other people were more effective than they were before and a science because of how it is done. Due to the role, they play in an organization, management need to have the competencies to execute the five management functions of management namely planning, organizing, commanding, co-coordinating and controlling.

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The IMF management competencies framework as a starting point for developing managerial expectations helps in boosting management skills and acting as a standard measure for not only analyzing but also development of skills that contribute to the overall competencies necessary for managers’ effectiveness.

IV. Summary Discussion

Discussions on change management factors above covered: change management, development of appropriate strategies for change management, successful change management, resistance to change, approaches to revolutionary change, and effective management of radical change, change related to process improvement programs and the pace of change all of which affect both the internal and external environment of an organization. Francis and Desai (2005) postulated that contextual factors such as urgency, severity of organizational decline, productivity, and retrenchment determined the ability of an organization to turnaround but the overall factors under the control of managers contributed more, to successful turnarounds than situational characteristics. In order to manage radical change, effectively one needs to incorporate both effective communication and leadership (Smith, 2005). Whatever the type of change in any organization, it affects the people, structure, procedures or the organization’s technologies (Gilley, Gilley & McMillan, 2009). The change management factors discussed affects the external environment that is true, impacts on the organizational mission and strategy were indicating that, change management impacts both negatively and positively on turnaround strategy.

Discussions on management competence above covered: issues related to experience of top managers, types of competencies, competencies in relation to organizational performance, management’s ability to affect strategy, characteristics of competencies for either competitive advantage or advancement to senior positions in organizations, and competencies necessary to retain a CEO during turnaround. The most commonly reallocated resource in the implementation of business turnaround strategy is management (John & Richards, 1987). The ability or “competence” of top managers to affect a firm’s strategy depends largely on whether they have the requisite power to be influential (Finkelstein, 1992). The final stage to handle, when changing a CEO particularly in a declining organization, is that of considering the competencies of the incoming CEO (Castrogiovanni et al., 1992). Management competencies in an organization will influence both positively and negatively in relation to implementation of its turnaround strategy.

V. Conclusion

Change management in an organization originate from individual member’s behaviour while organizational issues depend upon its size, culture, and levels of bureaucracy within it. Therefore, to effectively manage change, leaders need to establish the methods or approach; how to develop new culture; how to establish effective channels of communication; and how to incorporate support while offering positive leadership. Other behaviours supportive of both individuals and organization in order to realize revolutionary change include enhanced communication of change, organizational change strategies for change and change is viewed otherwise.

VI. Recommendations

It is suggested that for effective implementation of organizational turnaround strategy factors summarized in the conclusion above under change management and management competence be given more priority. It is recommended that empirical studies be carried out to establish the following:

1. The effect of change management on organizational turnaround strategy.
2. The effect of management competence on organizational turnaround strategy.
3. The turnaround strategy critical success factors.