THE ROLE OF MARKETING IN THE COMPANY TURNAROUND PROCESS

Makhosazana Kubheka

A project report submitted to the Faculty of Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration.

Johannesburg

May 2002

Executive Summary

With the liberalisation of the South African economy, a number firms experienced tough times. Subsequently, management had to learn to lead companies through these tough times to avoid imminent failure. A number of studies have been done on market driven organisations and customer orientation in the normal day-to-day functioning of companies. This paper looks at role of marketing and customer orientation during the tough times, with a view of providing management with insights on how to apply marketing during the turnaround process.

Declaration

I, Makhosazana Kubheka declare that this project report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

____

Signature

______ day of May 2002

Dedication

This report is dedicated to my parents, Ntombisi Betty Kubheka and Mpoto Philemon Kubheka, as well as all my siblings for their support and encouragement, throughout my studies and personal development.

Acknowledgements

Thanks to Geoff Bick, my supervisor, for your perseverance in working with me on this project report.

TABLE OF CONTENTS

List of Figures

List of Tables

Chapter 1: Introduction

1.1 Research Problem

In post-1994 South Africa new markets were created and with that, deregulation occurred in a number of industries as South African companies expanded into world markets. Most companies had been under pressure from international competition. This led to a dramatic increase in the number of liquidations. In August 1999, for example, figures showed an annual increase in the number of liquidations of 56%. It was estimated that 500 000 people lost their jobs in the period between 1994 and 2001. According to Statistics SA (2001), 382 local businesses failed in the single month of February 2001. Cheales (2000) notes that this trend was expected to continue with the extensive increase in international competition in the domestic market whilst economic globalisation remains unrestrained. Given such a tough trading environment, it would be expected that a number of firms would experience poor performance and therefore would need to implement turnaround strategies.

Since the introduction of global competition in South Africa, after the 1994 elections, a number of books and other publications have drawn attention to the lack of customer service and customer focus by South African firms. Blem (1995) and other authors on the same theme have been widely publicised. South African firms demonstrating such low levels of customer focus would be unlikely to experience a successful turnaround.

1.2 Objectives of the Study

The purpose of this project was to draw attention to the function of marketing in turnaround strategies. This would be influenced largely by the same reasons that the corporation was originally in decline. This point is discussed fully under the literature review. Slatter & Lovett (1999) estimate that poor marketing contributed at least 20% towards the decline. Therefore, according to Harker (1998) the development of insights regarding ways in which organisations use marketing to avoid imminent failure becomes important for management.

Chapter 2: Literature Review

2.1 Introduction

The literature review is divided into three sections. The first explores the concept of marketing and its relation to market orientation and strategy. The second focuses on the definition of a turnaround including the causes of the decline and the usefulness of marketing during the decline. In the third section generic turnaround strategies and the use of marketing during recovery are considered.

2.2 Marketing: Definition and Relation to Market Orientation and Strategy

There appeared to be general consensus amongst marketing scholars, that market orientation creates superior customer value and therefore has a positive impact on company performance (Harker, 1998; Han, Kim & Srivastava, 1998). Slatter & Narver (1994) note that continuing empirical research found strong correlation between market orientation and several measures of business performance, including profitability, customer retention, sales growth and product success. However, Loubser (2000) argues that while there were strong indications that a higher market orientation would lead to improved business outcomes, no definitive blueprint exists to provide such a causal relationship. It would be logical to conclude, if other variables were controlled, that a higher level of marketing orientation would contribute positively to an organisation's results.

Loubser (2000) defines market orientation as a business culture that is focused on the creation of mutually rewarding relationships between customers and the organisation, based on a foundation in which the following existed:

- the interests of all stakeholders were actively pursued;
- competitive advantage was based on ability within the organisation to learn from the market itself and to mobilise core competencies in response;
- a set of beliefs that placed the customer's interests first; and,
- processes that support this belief.

Slatter *et al* (1994: 22) states that, "a business is market-oriented when its culture is systematically and entirely committed to continuous creation of superior customer value".

Several researchers (Han *et al*, 1994; Slatter *et al*, 1994) agree that market orientation does not mean customer focus only but included competitor orientation and co-ordination internally of the various functions within the organisation. However, Slatter *et al* (1994), found that customer orientation was more dominant in influencing companies' levels of innovativeness. They assert that the basis of market orientation was customer focus, just as Kotler (1997) espouses that viewpoint in his definition of a marketing concept. This view is shared by Harker (1998: 325), who states that, "a customer focus culture…. lies at the heart of a marketing-oriented approach [and is] an approach that emphasises the creation and maintenance of superior customer value".

Throughout the literature review, certain characteristics continually surfaced, which should always be displayed by organisations with a market-orientation (Han *et al*, 1998; Slatter *et al*, 1994). These were grouped into three categories and summarised as follows.

Customer orientation

Typically, the employees at all levels in an organisation with a strong customer orientation would spend a substantial amount of time with customers. Customer satisfaction became one of the performance measurements for employees and would be measured on an ongoing basis. Han *et al* (1998) and Slatter *et al* (1994) note that management of these companies tended to place great value in both pre- and post-sale customer service.

Market/Competitor Orientation

A major characteristic of market-oriented organisations was the continuous sharing by employees of information about competitors. All employees therefore had the same information about the market (Han *et al,* 1998; Slatter *et al*, 1994).

Inter-functional Co-ordination

Employees and managers know what value they can create for the customer. Slatter *et al* (1994) point out that any stage in the customer's value chain provides an opportunity for the seller to create more value for the customer. Therefore, any individual in whatever function can potentially contribute to the value creation. The better this is understood by employees, the better the internal co-ordination would be.

2.2.1 Marketing and Strategy

Pitt & Morris (1995) suggest that there was a convergence of marketing and strategy. If it were accepted that marketing concerned the creation and manifestation of superior customer value, and that long-term customer relationships were a main strategic resource, a link between strategy and marketing would become apparent. Most strategy literature suggests that without a customer, there is really no strategy to discuss (Aaker, 1992; Minzberg, 1994).

Marketing no longer focused only on activities that facilitated a sale, or on methods of achieving differentiation, brand familiarity and customer loyalties for repeated sales. According to Pitt & Morris (1995), marketing in the 1990s was more concerned with negotiating mutually beneficial customer relationships, investment in projects that increased the dependence between buyer and seller, joint exploration of new technologies, sharing of resources and joint development of new products and markets.

The marketing function was ultimately responsible for customer relationships. Formula based marketing approaches to the marketing mix were evidently no longer adequate for the 21st century environment and needed to be replaced by more qualitative, subjective and creative approaches. A greater complexity occurred in the tailoring of products to diverse user requirements, and new skills were required to set value-based prices. This was an alternative to reliance on cost-plus formulae.

A greater level of sophistication was needed in evaluating employees' performances, based on their ability to build relationships, rather than just meet sales quotas. This marketing transition was illustrated within the IT industry, where companies such as IBM and HP implemented customer-facing units. These were considered to be of major importance as they represented the contact point for every customer with the organisation. This transition was also manifested by the prevalence of account managers, or relationship managers, rather than sales representatives.

A major consequence of the marketing transition was blurring of the distinction between marketing and strategy, as these converged and marketing transcended all levels of strategy, from development to implementation.

This resulted in a number of implications for an organisation experiencing a turnaround in order for management to understand the importance of the marketing function. From the problem identification phase of a turnaround, marketing needed to be involved through the provision of market intelligence, the development of strategy, the rationalisation of product and market strategy and differentiation leading ultimately to implementation, the advertising budget, and the selection of the routes to market.

In conclusion, this section defined the scope of marketing definition under review in this report. This was clarified so that the examination of the marketing function in turnarounds was informed by clear definition of the areas that need to be covered.

2.3 Turnaround Definition

Most turnaround scholars (such as Thain & Goldthorpe, 1989a; Winn, 1993) considered that a company had experienced a turnaround if it had experienced some decline and recovery of performance. Therefore, these two phases needed to be considered in any turnaround situation: the decline phase, when the company's performance was below some norm for a period of time, and the recovery phase, when financial performance exceeded that norm. Hoffman (1989) suggests an average period of decline of 2,8 years, in a number of years ranging from 2 to 12,5 years, and an average period of recovery of 3,1 years with a range of 1 to 7,7 years. To emphasise the importance of the time taken in a turnaround process, Winn (1993) notes that while the upturn might be considered to be a sign of improvement, the duration of investigation should be sufficient to be meaningful. The number of years involved would be relevant, especially of recovery, to find out whether the turnaround would be sustainable or was simply a 'quick fix' that had no long-term sustainability. As illustrated by public squabbles with SAA and Coleman Andrews in 2001, some people believed that the turnaround that Andrews claimed was successful was only cosmetic and therefore not sustainable.

Another important factor to consider when judging a turnaround situation was the performance yardstick that was used. Hoffman (1989) points out that while profitability was usually the main measurement by which performance, and therefore turnarounds, could be defined, other measures and standards could be used as alternatives. These would include; the company's past performance and industry benchmarks. Winn (1993) suggests that determination of appropriate performance measures should be a function of the nature of the problem, the establishment of certain benchmarks, and timeframes for each problem. She considers that different indicators should be used in different situations. She refers to Slatter (1984), that multiple measures are necessary, since any individual ratio could not be a good predictor of failure, nor could it be a valid measure of financial soundness. Winn (1993) proposes a measurement schema for turnaround research. According to this schema, based on the type of performance problem, an indication would be made of the types of performance measures that could be used, as well as benchmarks, including time frames. Winn's (1993) schema, as outlined in Table 1 provides guidance to data analysis.

	Type Of Performance Problem				
	Imminent Bankruptcy	**Declining Profitability**	**Substandard Performance**	**Declining Market Share**	**Inadequate Asset Productivity**
Performance Measure	Severe losses. Liquidity (debt coverage).	Declining cash flow. Declining profit margins. Increased debt ratios.	ROI, ROA or net income relative to industry. Non-negative cash flows.	Declining sales relative to market. Non-negative cash flows.	ROI, ROA sales/employee. Sales/assets. Non-negative cash flows.
Benchmark	Current Ratio <1.Negative net worth.	Negative working capital. 50-70% net income decline.	Industry median, GNP growth.	Decline from position.	Industry median. 15-20% decline.
Time Frame	1-2 years	3-5 years	4-5 years	3-4 years	3-5 years
	Type of Successful Turnaround				
Performance Measures	Cash inflows. Debt Payoff.	Retained earnings. Increased profits.	ROI, ROA, ROE net income relative to industry.	Increasing sales relative to market.	ROI, ROA and productivity improvements, non-declining asset base.
Benchmark	Current Ratio >1. Stable or increasing cash flow.	Positive cash flows.	Industry median. GNP growth.	Previous or desired position.	Industry median. Previous position.
Time Frame	1-2 years	3-5 years	4-5 years	3-4 years	3-5 years

Source: Winn (1993)

Table 1 *Measurement schema for turnaround research*

According to Zimmerman (1986) the process of turnaround was multifaceted. It required the use of multiple performance measures. This would not simply involve the restructuring of the balance sheet, retrenchment of employees and hiring a new Chief Executive Officer (CEO). It would need to involve the external and internal environments of the organisation, as discussed below.

2.4 Causes of Decline

In order for appropriate turnaround strategies to be adopted, the causes of the decline need to be diagnosed correctly. O'Neill (1986: 86) states that "Successful planning of a turnaround is critically dependent on the manager's ability to correctly diagnose the cause of the decline". Sometimes it would be difficult for the turnaround manager to identify clearly the site of the problem. Dumaine (1990) suggests that sometimes the most useful initial action is to ask customers what they believe to be wrong with the business.

Much literature on turnarounds (Thain *et al*, 1989b; O'Neill, 1986; Smith & Sipika, 1993) suggests that the causes of decline could be classified under two broad categories of causes: internal and external. There seemed to be general consensus that external factors tended to contribute only in a minor way towards the decline. Bibeault in Hoffman (1989), found that internal factors accounted for 67% of the turnarounds he investigated. However, Smith *et al* (1993) assert that, while external factors are beyond management's control, proactive management could plan in order to ensure that internal systems and processes dealt appropriately with changes in the macro environment.

2.4.1 Internal Factors

Internal factors were therefore considered to be the main contributor towards the decline of most corporations. Although a number of internal factors were identified as contributors towards corporate decline the main factor, that was consistent throughout, was poor management. A KPMG consultant quoted by Van der Vliet, (1998) said: "the secret behind both failure and successful turnaround …is management, management, management"; from the structure of the executive, (for example whether one person holds both the CEO and the chairman positions), to the level of autocracy of management styles, to the personality of the CEO. A need for sufficient industry specific and functional expertise in senior management is also at issue. Zimmerman (1989) notes that people with extensive industry experience usually were involved in a majority of successful turnaround situations. However, Hoffman (1989) also notes that turnaround leaders need not have experience in the firm's industry, but could have experience in a variety of industries. Lou Gerstner, chairman of IBM, was from a consulting background, but guided a major IT company out of its crisis in the early 1990s. O'Neill (1986) cautions against unconsidered assumptions of poor management as a cause of failure. Poor and good management would first need to be defined. To counter O'Neill's argument, Thain & Goldthorpe (1989b) suggest that even in cases where unavoidable environmental setbacks were major causes of decline, management was still accountable, as it was part of their responsibility to monitor changes and to plan appropriate action to avoid seriously negative outcomes. Most writers agree that in most turnaround situations the first action was usually a change in the senior management team. However, some writers (including Hoffman, 1989) concede that in certain instances such a change was made for symbolic reasons, to show the intentions of the company to commit to real change.

Hoffman (1989) summarised most of the internal factors that often occurred in previous studies. Considering Slatter (1984), Mann (1985), and O'Neill (1986), he found two broad categories of management errors, summarised as follows:

Errors of omission occurred in that management neglected certain key activities. These included lack of proper budgetary and cost controls; failure to adjust prices when cost rose; failure to respond to market changes; inadequate sales coverage; and failure to improve customer service. Management sometimes neglected poorly performing divisions while pursuing new acquisitions.

Errors of commission occurred in that actions taken by management contributed towards the downturn. Examples included unwise financial policies, resulting in excessive leverage; over-exposure to rising interest rates and mismatch of cash inflows and outflows; over-expansion of products, facilities or personnel beyond the firm's resources; failure of major investment projects; and poor product and market mix.

2.4.2 External Factors

Generally, external factors could be classified under the five broad macro-economic categories of foreign competition, economic environment, government regulation, social changes, and technological factors (Slatter, 1984; O'Neill, 1986; Thain *et al*, 1989; Hoffman, 1989). Hoffman (1989) ranked these in descending order of importance, but ranking depended on a number of other factors, such as the nature of the industry and timing. Each of these factors is briefly examined below.

Foreign competition, resulting from globalisation caused the failure of some local industries. Two major industries that experienced this were the textile and agriculture industries. Labour costs in South Africa were higher than in other emerging markets in Asia or Latin America, which contributed to the lack of competitiveness of South African firms globally. While the South African market was inculcated with cheap imports, South African companies were attempting to enter the global market.

Economic conditions, particularly a sudden upswing in interest rates in 1997 and 1998 proved fatal to many businesses. During that time a record number of liquidations occurred in South Africa for the first time in many years. Some companies that had been relatively successful were placed under severe pressure.

Government regulations in South Africa implemented as legislation after 1994 affected a number of industries. For example, the rationalisation of the gambling industry resulted in the failure of small operators, but even more significant regulations were relaxation of exchange controls and easing of tariffs as part of South Africa's participation in the World Trade Organisation.

Social changes, which include changes in the habits and lifestyles of customers, could result in a decrease in market demand. In South Africa this was best illustrated by the introduction of the national lottery. Many local retailers found that customers changed the spending of their discretionary income to the lottery rather than on other minor luxury goods such as chocolates, sweets and beer.

Technology changes, including continuous innovations reaching the market, affected spending. Since the introduction of cellular technology in South Africa, Telkom experienced slow growth in sales. Many companies declined in viability because management ignored the new technology available on the market. One notable illustration was a statement by one IBM CEO, that later became famous. It was announced that the market for personal computers could absorb only 50 personal computers (PCs); on another occasion Bill Gates of Microsoft dismissed the Internet as the technology of the future. Both of those statements were proved invalid.

Often a combination of and the interaction between several factors contributed to corporate demise.

2.5 Marketing's Contribution towards Corporate Decline.

The function of marketing during the decline phase needs inclusion. At the first signs of poor performance companies tend to reduce costs, this often begins in the marketing area. However, experts in turnaround strategy recognised an error in that approach and would be more likely to double than to reduce marketing spend during a turnaround. Wallace & Sellers (1997) observed this to be the case at Adidas. As Adidas lost market share in the 1980s, management gradually reduced its marketing budget in an attempt to avoid further losses. By 1993, the marketing budget had been reduced to 6% of sales. Louis Dreyfus joined as the CEO, and his turnaround strategy included doubling of the marketing budget to 12,5% of sales. His rationale was that costs could be reduced to the minimum, but without growth the company could not recover.

Poor marketing was another area blamed for company decline. Much literature on turnarounds acknowledged poor marketing as a major cause of decline (Thain *et al*, 1989a; Slatter, 1984; Smith *et al*, 1993), but there was no consensus as to what constituted poor marketing. Slatter (1999) identified common characteristics of poor marketing efforts, which will be examined in terms of bad marketing at strategy and operational levels.

2.5.1 Marketing at Strategy Level during Corporate Decline

At the strategy level factors that would contribute towards the development and the design of the strategy include the following:

Product and Market mix, if not clearly defined, generally resulted in untargeted efforts, particularly in relation to important customers and key products. Zimmerman (1989) notes that unsuccessful companies frequently changed focus from one market segment to another without fully understanding what was required to be in those markets. The concept of market intelligence has relevance.

Poor Market Intelligence encompasses all the external causes of decline because, with proper market intelligence in place, an organisation should be able to monitor changes in the macro-economic environment. Poor market intelligence could also include a lack of knowledge of the customers' buying habits, needs, desires, and, ultimately, their conditions of satisfaction.

2.5.2 Marketing at Operational Level during Corporate Decline

At the operational level, factors that contribute to the implementation of the strategy include the following:

The *Sales force* could be poorly motivated if a passive sales manager is in charge. The increased responsibilities of sales people included relationship building and the creation of long-term strategic relationships with customers. Organisations needed therefore, to train and equip sales people with skills whereby they could engage appropriately within the customers' organisations. At IBM, for example, sales people were taught not only to focus on the IT departments of their customers, but to engage all functional executives. These skills required a different set of performance measurements and rewards, and ultimately, motivation.

The *function of advertising* related to that of the sales force. Advertising was considered to be ineffective and therefore wasted if the market was not well defined and there was no clear product differentiation.

Poor *after sales service* and the lack of general customer care contributed to poor marketing, and therefore, to corporate decline.

Inadequate *new-product development* function generally led to poor product quality and product differentiation. Zimmerman (1989) and Han *et al* (1998) point out that if a poor new product development function exists, a firm is bound to lose its innovativeness and management therefore, find it hard to maintain its market position.

2.6 Generic Turnaround Strategies

Various authors have identified a number of turnaround strategies (O'Neill, 1986; Slatter, 1984; Thain *et al*, 1989; Hoffman, 1989). Certain factors affect the choice of turnaround strategy in a particular turnaround situation. O'Neill (1986) identified the following as key factors in determining the strategy selection:

- the competitive position, as noted by Hambrick and Schecter (1983), showed that firms with high market share needed to make only minor changes to accomplish a turnaround. He also related competitive position to capacity utilisation, whereby large firms were better placed to adjust capacity based on market demand.
- product life cycle and general market conditions have an impact on turnaround strategy. This follows the basic premise of the product life cycle theory, which proposes that at different stages of the life cycle different strategies are needed.

Three other additional factors included industry type and organisation type; changes in the pattern of competition; and the cause of decline.

The turnaround process tended to be characterised by at least three stages: crisis, stability and transformation. Different authors (Hoffman, 1989; Dumaine, 1990) attached different labels to these concepts but essentially they mean the same thing. Smith *et al* (1993) referred to the three stages as the defence stage, the consolidation phase and the offence stage. Each stage required a unique set of strategic guidelines depending on the cause of the decline. During the crisis stage, the organisation was concerned with stopping cost excesses to make sure the company continued to function. In the stability phase (also referred to as the defensive or consolidation phase) the organisation's main concern was to return to profitability. The last stage in the turnaround process, which was considered to be the most important and the most difficult one, was the transformation stage, and related to developing the business. Dumaine (1990) reasoned that the transformation stage was relatively more difficult, and what differentiated it from the normal process of building a business was the swift pace at which management of the organisation had to effect the transformation.

Mane (1985) summarised some of the generic turnaround strategies and regrouped them into four general categories, as follows:

- organisational strategies which related to changes in management, and organisational changes (centralisation or decentralisation);
- financial strategies which related to the implementation of strong financial controls, debt restructuring, asset reduction and cost reduction;

- marketing strategies which related to the rationalisation of the product/market mix and improved marketing planning; and
- growth strategies which related to the strategic acquisitions and investments that management had to make in order to achieve, for example, cost leadership or differentiated product strategy.

These strategies were not mutually exclusive; management had to deploy several of them, depending on the factors discussed in the preceding text.

2.7 Marketing's Contribution to Corporate Recovery

As noted in the previous text, marketing transcends all levels of strategy (Pitt & Morris, 1995), therefore it should not differ from the turnaround strategy. The extent of marketing's involvement in turnarounds was largely influenced by the causes of the decline. For example, Winn (1993) noted that organisations experiencing market decline would be likely to pursue market penetration and product differentiation strategies. Marketing could involve the development and design of the turnaround strategy and could also function at an operational level while the strategy was being implemented.

2.7.1 Marketing at Strategic Level during Corporate Recovery

One of the major contributions of marketing at this level, was the provision of sound and highly reliable market intelligence, for example in helping with a diagnosis of the problem. Marketing, as the custodian of the customer relationships (Pitt & Morris, 1995), should be involved in research with customers for this purpose.

Secondly, through reliable market intelligence marketing ensured that the turnaround team understood the environment correctly. This eventually led to the drawing up of a proper turnaround plan. Zimmerman (1989) and Harker (1998) note that both these actions were vital in demonstrating the competence of the team to the sponsors of the turnaround. This imbued sponsors with some sense of assurance and confidence in the team.

At this level, marketing was instrumental in the selection of the product/market mix that was ultimately selected. Harker (1998) proposes that market intelligence should provide and analyse information relating to the following issues:

- market needs and market mechanisms, especially the development of needs and attributes that potential buyers would find attractive, and also an exploration of new ways to influence buyers;
- markets, actual and potential, and their prioritisation in terms of revenue and profit stream;
- competitor plans and strategies; and,
- capabilities of the firm compared with those of competitors within the developing environment.

The organisation could then decide whether to pursue a low-cost leadership strategy, a product differentiation strategy or a market penetration strategy. Harker (1998) pointed out that market analysis assisted a firm in selecting new markets and to develop strategies as to how to enter those new markets, but at the same time to defend existing markets.

At this level marketing was concerned about the long-term performance of the firm, in that this planning only yielded results after a period of time. However, in an organisation that was in a crisis, management was seldom able to afford the time to effect useful market research as a basis for planning. This management dilemma was expressed clearly in Dumaine's (1990) article, where he acknowledged that sometimes the turnaround specialists had to make decisions without sufficient sufficient information, as they really need. At times the turnaround specialist had to act as a dictator, since he/she does not have time to negotiate consensus and obtain agreement from those concerned. Therefore, management had to arrive at appropriate plans that could be immediately implemented at operational level, at least for temporary respite.

2.7.2 Marketing at Operational Level during Corporate Recovery

The operational level includes a number of areas where marketing could function very effectively in contributing towards the company's immediate strategy. Marketing could be used in the management of the stakeholders, to obtain their very much-needed commitment. Dumaine (1990) points out that once a turnaround plan was developed, it needed to be communicated to investors, customers, suppliers and employees to reassure them that the organisation was taking corrective actions to halt the decline. Smith *et al*, (1993) suggest that communication immediately after any major crisis was important in determining the effectiveness of the turnaround process. According to Harker (1998), marketing has an integrative function at this level. They needed to focus the various stakeholders on a single purpose, that is, the turnaround plan, in order to make sure it was understood and to allay any existing fears.

Secondly, following the communication strategy was a need to promote the product. Once the product and customer sets were identified it became easier to create more appropriately targeted advertising, which usually proved to be more effective.

Thirdly, marketing skills were needed in order to manage price and performance of existing products to ensure short-term competitiveness This would provide the needed cash flow, so that time could be spent on developing long-term competitive advantage. Slatter *et al* (1999) suggest that through the manipulation of price and the rationalisation of product lines marketing could provide some relief in the short-term.

Fourthly, most turnaround experts accepted that cost minimising was an important turnaround strategy. However, if the turnaround was to be sustainable the firm had to increase revenue as well, which required some, possibly small, strategic investments, depending on the company's financial position. Hoffman (1989) used Bang & Olufsen, a Scandinavian electronics firm as an illustration. They increased research and development costs for certain products as part of their offensive strategy. Marketing was extensively used in this regard, which was the reason that some turnaround specialists doubled their marketing budgets. Van der Vliet (1998) and Zimmerman (1989) noted that one source of growth was product improvement to achieve product differentiation. Marketing should provide these new product ideas.

The fifth point was that marketing influenced the restructuring of the organisation. Alignment of the organisation with the chosen markets, especially the deployment of the sales force, the selection of channels, and store locations was the function of marketing. Hoffman (1989) points out that structural changes helped to refocus attention on core activities for growth, for example by consolidating groups with similar skills and markets.

The sixth point was that marketing continuously had to act as an innovator in the organisation. Hurley, Tomas & Hult (1998) note that organisations experiencing a turnaround needed to be particularly innovative at that time, compared with any other. In order to engage customers and suppliers, those in marketing needed to put forward fresh product ideas, and new ways to please customers.

Harker (1998) recommended that careful management of the turnaround marketing strategy be considered a rejuvenating factor in the engineering businesses he studied. He asserts that this enabled management to generate more assured revenue, create new products, build new relationships, and change entrenched negative attitudes. Firms demonstrated a marketing oriented approach by collecting, analysing, disseminating and acting upon market, customer and competitor information in order to create superior customer value.

Harker (1998) noted that some of the companies did not have marketing departments when the turnaround process began. However, through sound leadership, the CEOs and the sales people were able to provide a customer focus culture, which was the basis of a marketing oriented business approach.

2.8 Summary

This section intended to provide a basic understanding of turnaround situations. It covered the causes and some of the strategies that could be deployed for recovery. It explored the literature dealing with the basis of this project, that is, marketing and its functions during turnarounds.

2.9 Research Questions

In the attempt to implement successful turnaround strategies for declining South African companies, what does management perceive to be the role of marketing? This broad research question was broken up into four research questions.

Research Question 1

Is the marketing function perceived to be useful in either operational or strategic functions or is it useful in a combination of both strategic and operational functions?

Research Question 2

What is the role of marketing during the three phases of the turnaround process, viz. crisis phase, stability or consolidation phase and transformation phase?

Research Question 3

During the turnaround process is the function of marketing proactive or reactive?

Research Question 4

What influenced the choice of the strategy and what was marketing's contribution towards the selection?

Chapter 3: Research Methodology

3.1 Population

The population for this study was companies that had been through a turnaround in the period between 1994 and 2001 in South Africa.

This time period was selected for the following three reasons:

- most legislation that had negative impact on industries in South Africa was introduced after the 1994 elections towards the country's transition. The relaxation of exchange controls and the reduction of tariffs in certain industries, as part of a bid for South Africa to be included in the World Trade Organisation, were thought to be major contributors to the high liquidation rate during this period. Textiles and agriculture were two of the worst affected industries. The rand lost value against major currencies, which had negative consequences for an economy that relied heavily on imports;
- the Asian financial crisis in 1997 severely affected emerging markets, including South Africa. South Africa then experienced one of the highest interest-rate increases; and,
- the period was sufficiently long for observation of almost the entire turnaround process, involving two years of decline, and from one to three years of recovery.

3.2 Sample Selection and Size

Both the convenience and judgement sampling methods were considered appropriate for the purpose of this project. Convenience sampling was used to select the companies that had gone through a turnaround. Judgement sampling was used to select individuals within the selected companies.

Business newspapers and the Internet were scrutinised. A random selection was done on all companies mentioned as having experienced a turnaround. In addition, consultations with colleagues and other industry experts assisted in identifying companies appropriate for the sample.

Fifteen companies, (Appendix A), that met the above criteria were approached. Within each company, questionnaires were sent to the Senior Management teams. These included, Chief Executive Officers, Managing Directors, Financial Directors, Marketing Directors and Human Resources Directors. As a result the total number of respondents was 46. It was important to include managers from other functional teams to minimise research bias.

Ten questionnaires were received back, which translated to a 22% response rate. Several attempts were made to improve this response but to no avail. Subsequently the results of this study cannot be statistically validated and generalised.

The firms that made up the final sample were from Johannesburg and Durban. They were from a variety of industries, including Construction, Information Technology, Fast-moving Consumer Goods.

3.3 Data Collection

Interviews were conducted with three subject-matter experts, prior to the designing of the questionnaire, (Appendix C). A covering letter, (Appendix B) was attached to each questionnaire. The questionnaires were either faxed or hand delivered.

3.4 Data Analysis

Qualitative analysis was performed on the raw data collected, (Appendix D) using content analysis as the method to analyse data. Frequency of mention and hierarchy of importance were the main measures used to sort and allocate data.

Box plots were also used to provide a visual image of some of the frequency distributions. Box plots are extensions of the five-number summary of a distribution, Cooper *et al.* (2000). This summary consists of the median, upper and lower quartiles, and the largest and the smallest observations. The median and quartiles are referred to as resistance statistics, as they are unaffected by outliers, and change only slightly in response to the replacement of small portions of the data set. These measures were appropriate to use in this report, as the sample size was small.

3.5 Limitations of the Research

One of the key limitations of the study was the accessibility of the identified industry experts. It was impossible to get personal interview time in the diaries of senior executives involved in turnarounds. As a result the data collection method was changed from personal interviews to self-completion questionnaire.

The other limitation of the study was the inability to define the population, as some companies that could have experienced a turnaround were not listed and therefore not identifiable. This also affected the representativity of the sample.

Chapter 4: Research Results

4.1 Introduction

This chapter briefly describes the sample and the results of the study are presented.

4.2 The Sample

Responses were received from eight companies, with ten respondents. There were only two companies that had two responses from different functional areas. The sample had the following representation from the various functional areas.

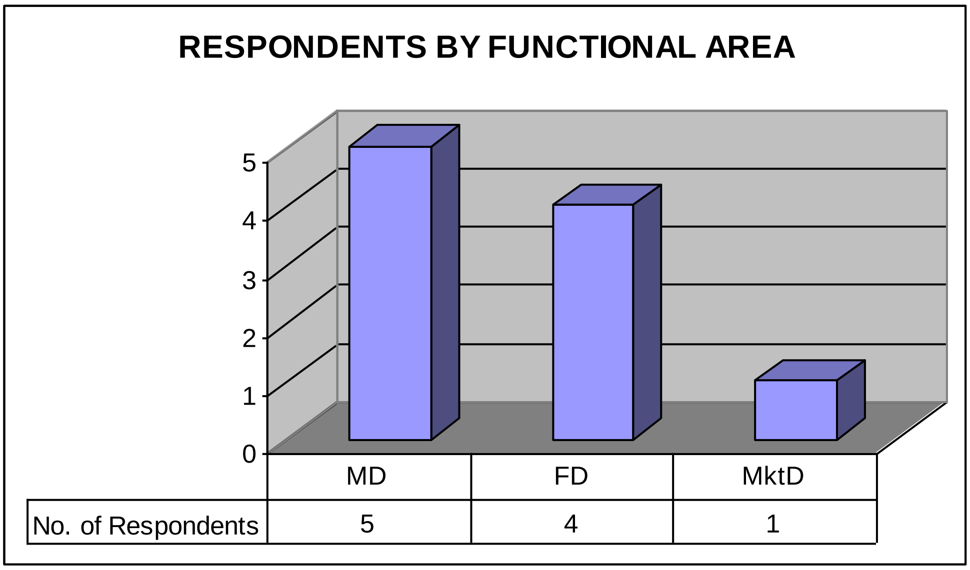

Figure 1 *Respondents by Functional Area*

Three of the companies were based in Durban and the other five in Johannesburg. The companies were from various industries, including Construction, Information Technology, Fast-moving Consumer Goods.

4.3 The Results

Q1: What Triggered The Turnaround Process?

Six out of 10 respondents ranked declining profits as the highest contributor to triggering the turnaround process (median of 1). The remaining 4 gave other reasons, such as:

- lack of leadership
- loss of credibility
- refocus on internal and external issues; and,
- excessive bad debts in the underlying subsidiaries, which resulted in large provisions having to be made against the carrying value of the investment.

Cash flow problems were the next highest contributor (median = 3), followed by lost market share (median = 4) and shareholder intervention, which was the lowest contributor.

Q2: What Caused The Decline?

The response to this question was varied, possibly because the companies were from different sectors. The assumption was that each sector was faced with different problems. Some of the reasons that received the rank as highest contributors were:

- management not identifying timeously, changes in the market and customer conditions, and therefore effecting changes to the business model;
- controlling costs and increasing market share; and,
- poor leadership.

The two highest contributors were changes in market conditions (median = 4) and rapid expansion (median = 4). The lowest contributor was inadequate sales coverage (median=6).

Q3: How Long Has The Turnaround Process Been Going On?

50% of the respondents stated that the turnaround process had been going on for more than 2 years, 30% stated that it had been 1 year and 20% said 2 years.

TIME	FREQUENCY
Less than six months	0
One year	3
Two years	2
More than 2 years	5
Total no. of Respondents	10

Table 2: *Frequency distribution of the turnaround duration*

Q4: What Key Performance Measures Do You Use?

Before implementation 80% of respondents stated that they used Earnings Per Share (EPS), while 70% used Return On Investment (ROI). 40% used market share and EVA. Another indicator that was used was Operating Profits.

After implementation all respondents used EPS, 70% used ROI, while 50% used market share and EVA. One other indicator used was Cash Generation.

Most respondents did not give exact figures for the key performance indicators, however 100% of those who did, showed positive results after the implementation of the turnaround strategy.

Q5: After How Many Months, After The Implementation Of The Turnaround Strategy Did You Start To See Positive Results?

50% of respondents saw positive results in 7 – 12 months while 40% saw this happen after 12 months. There was one respondent who saw a turnaround in 0 – 3 months.

TIME	FREQUENCY
0 - 3 months	1
4 – 6 months	0
7 - 12 months	5
>12 months	4
Total no. of respondents	10

***Table 3**. Frequency distribution of time taken for turnaround results to show*

.

Q6: Were There Any Changes Made On The Product And Market Mix?

100% of the respondents said, yes, there were changes made to the product and market mix.

Q6a. What Was Their Nature?

Over 50% of the respondents mentioned re-focusing the product lines. In many instances product lines were narrowed. Products and brands that were not considered to be core competencies or did not have a majority market share were discontinued. As one respondent put it, "stick to one' knitting".

Other changes that were mentioned were:

- more competitive pricing;
- complete product redesign; and,
- transformation from asset and resources to knowledge and solutions.

Q6b. What Was The Basis Of The Product And Market Mix Decisions?

The major basis for decisions was market research (median = 2), closely followed by causes of the decline. Other reasons stated as being the highest influence were:

- slow moving and obsolete stock;
- focussed quality;
- best practice analysis; and,
- future value.

The least reason for decisions was input from the sales force with a median of 4.

Q7: How Was The Turnaround Strategy Communicated To The Stakeholders?

Stakeholders	**Communication Methods**
Customers	Face to face meetings with key customers was frequently mentioned as a key method of communicating with customers. Other methods mentioned were: ❑ Advertisements ❑ Media Releases ❑ New product offerings, (look and feel of the shop) ❑ Performance ❑ Written communication
Employees	Internal publications and newsletters were frequently mentioned as a key method of communicating with employees. Meetings and presentations were the next category to be mentioned frequently. Other methods were: ❑ Engaging the CEO. ❑ Counselling.
Suppliers	Meetings were the preferred method of communicating with top suppliers for a majority of the respondents. Other methods mentioned were: ❑ Regular Update letters / Written communication. ❑ Better Relationships. ❑ Negotiations.
Investors	Press releases and Annual Reports, including company performance, were a favoured method of communicating to investors. One company mentioned that they hired a PR agency to handle their written communication to investors. Annual meetings and presentations followed this in popularity. "Engagement, engagement, engagement, followed by delivery".

Table 4: *Communication methods used with stakeholders*

Q8: With A 100 Basis Points, How Much Would You Allocate To Marketing's Contribution During The Turnaround Process, Relative To Other Influences Listed?

Response to this question was varied. The following box plot was obtained.

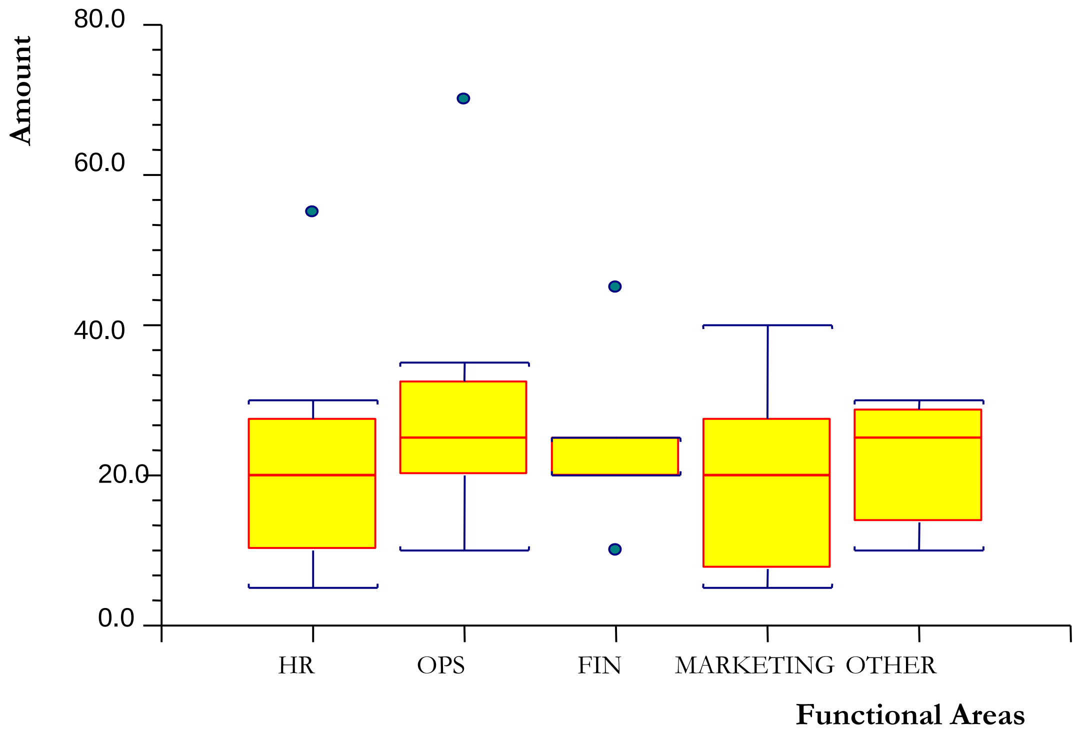

Figure 2: *Box plot to illustrate contribution by function during the turnaround process.*

Operations had a slightly higher median (25%) than the other influences and appeared to be the most influential contribution. The variation within finance was the least and it had a median of 20%. The variation in marketing was the greatest with responses ranging from 5% up to 40%.

Q9: Of This Contribution By Marketing, How Would You Split Its Usefulness In The Operational And Strategic Areas?

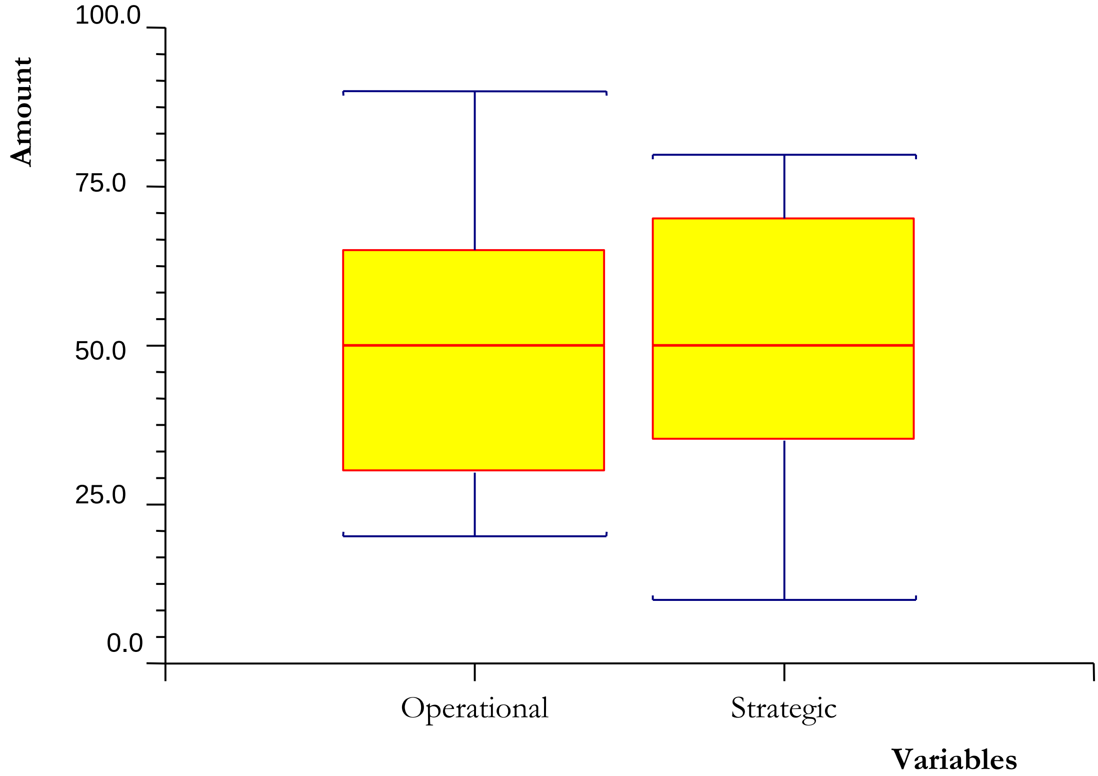

Figure 3: *Box Plot to Illustrate Marketing's Contribution at Operational and Strategic Levels*

The box plot in figure 3 indicated that these two areas had an equal median of 50%. The 3rd quartile in the strategic area was slightly higher than operational (60% vs. 50%). Five of the respondents gave an equal rating for marketing as useful at both operational and strategic levels. Three of the respondents gave strategic usefulness a higher weight, as high as 80% and the last two gave operational usefulness an even higher weight, as high as 90%.

Table 5 lists the reasons mentioned as to why marketing was considered useful at each level.

Functional Level	**Reasons for Usefulness**
Operational	Managing the sales pipeline. Implementation of the plan. Delivery to customers. Reinforce the progress made, and therefore boosting morale and support from all stakeholders.
Strategic	Marketing dictates the necessary skills mix. Provide leadership and evidence in forming the plan. Return focus to core business. Identifying the correct marketing strategy. Marketing was irrelevant at this level.

Table 5: *Reasons for marketing's usefulness at both operational and strategic levels.*

Q10: Indicate What Was The Role Of Marketing During The Three Phases Of The Turnaround Process?

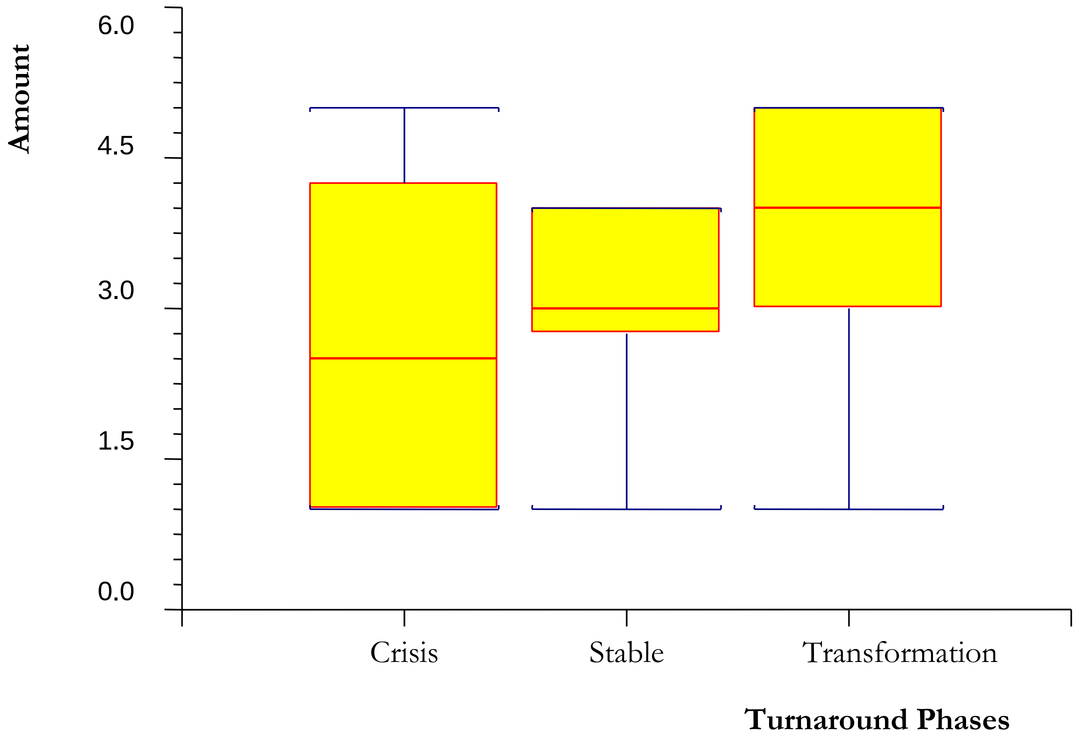

Figure 4: *Box plot to illustrate the role of marketing in the three phases of turnarounds (A higher score indicates a more driving role, while lower scores indicate a more supportive role.)*

In the transformation phase marketing had a more driving role for these respondents (median = 4) while the role was more supportive in the crisis phase (median = 2.5). It was interesting to note that there was far more variability in response in the crisis phase (indicated by the wide inter-quartile range of 2.8).

Q11: During The Turnaround Process Was The Marketing Budget Reduced Or Increased?

Three respondents indicated that the budget had been reduced, with a median of 50% and a mean reduction of 43%. Six respondents had their budgets increased, with a median of 20% and a mean of 53%. The reason for the large difference between the median and mean was an outlier whose budget was increased by 200%.

One respondent indicated that the budget was neither increased nor decreased, so an assumption was made that it had remained constant.

Q12: What Influenced The Choice Of The Final Strategy Adopted By The Organisation?

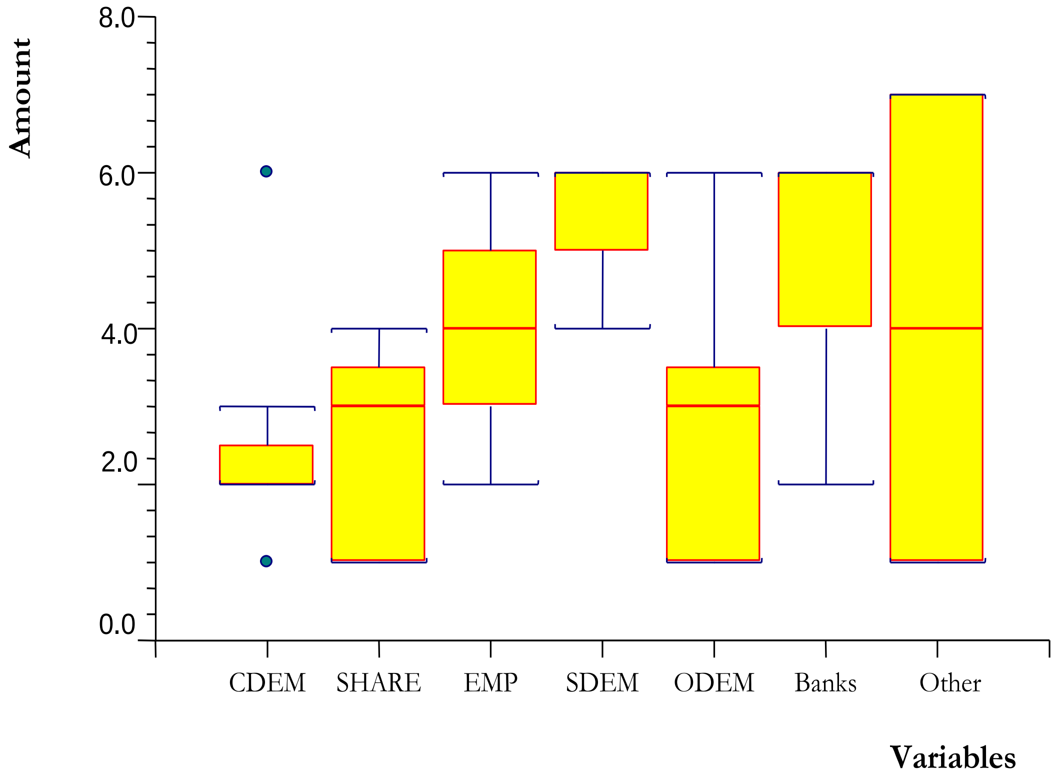

Figure 5: *Box Plot to Illustrate the Influencers to the Final Choice of Strategy.*

Keys to Figure 5:

CDEM – Customer Demands

SHARE – Shareholders

EMP – Employees

SDEM – Supplier Demands

ODEM – Operational Demands

BANKS – Banks and Lending Institutions

OTHER - Other

In the above box plot, customer demand had the lowest median (2) and the least variability and so it would appear to have had the greatest influence. Of least influence were banks and lending institutions with a median of 6. Two other influencers were mentioned and they were:

- survival; and,
- best practices.

Chapter 5: Interpretation of Results

Research Question 1

Is the marketing function perceived to be useful in either operational or strategic functions or is it useful in a combination of both strategic and operational functions?

The results of the study indicated that marketing was considered useful in a combination of both strategic and operational functions, although the degree of usefulness at each level could vary. The box plot in figure 3, in the previous chapter, indicated that the spread at both operational and strategic levels was almost the same, which suggests that marketing has equal weightings at each level. There was however, a positive skew towards marketing's role at the strategic level.

The study also confirmed the observation made by both Zimmerman (1989) and Harker (1998), that marketing at a strategic level was instrumental in drawing up plans and provided the necessary leadership to drive the turnaround. Sound plans, and the communication of the turnaround strategy proved important in gaining the support of the various stakeholders. As one respondent noted, "Provide leadership and evidence in forming the plan".

All respondents made changes to their Product/Market mixes. In the majority of cases these decision were based on market research. These results were in line with the observations made by Harker (1998) that at the strategic level marketing was useful in providing the necessary market intelligence on which to base the Product/Market Mix decisions.

On the other hand marketing was also considered to be useful at operational level. This point was illustrated by the way firms used marketing to communicate their plans to the various stakeholders. Dumaine (1990) suggested that it was important to communicate the plan to the various stakeholders to reassure them that the organisation was taking corrective action. In this study, one respondent who even hired a Public Relations agency to handle written communication to investors highlighted the importance of communication.

The study also found that marketing dictated the necessary skills mix, refer to question 9 in the previous chapter. These findings were in line with Hoffman (1989), who suggested that marketing influenced the structure of the organisation, the alignment of the organisation with chosen markets and products, and the deployment of the organisation's resource to focus on the core competencies. One respondent suggested that the organisational structure should support the turnaround plan but also be sustainable after the turnaround.

Although the results of the study indicated that marketing was considered useful as a combination of both strategic and operational functions, one respondent did not agree with this view. His view was that marketing was irrelevant at strategic level. There could have been a number of reasons for that view, e.g. the nature of the industry, the cause of the decline etc. Further exploration of this view could provide management with insights on where to focus marketing's influence during a turnaround process.

Management will have to understand what influences the extent of marketing's usefulness at each level for it to be able to deploy marketing strategies and techniques appropriately.

Research Question 2

What is the role of marketing during the three phases of the turnaround process, viz. crisis phase, stability or consolidation phase and transformation phase?

The study indicated that the role of marketing changes during each phase of the turnaround process, starting by being more supportive and reactive then shifting to a more driving and proactive role, as illustrated in figure 6.

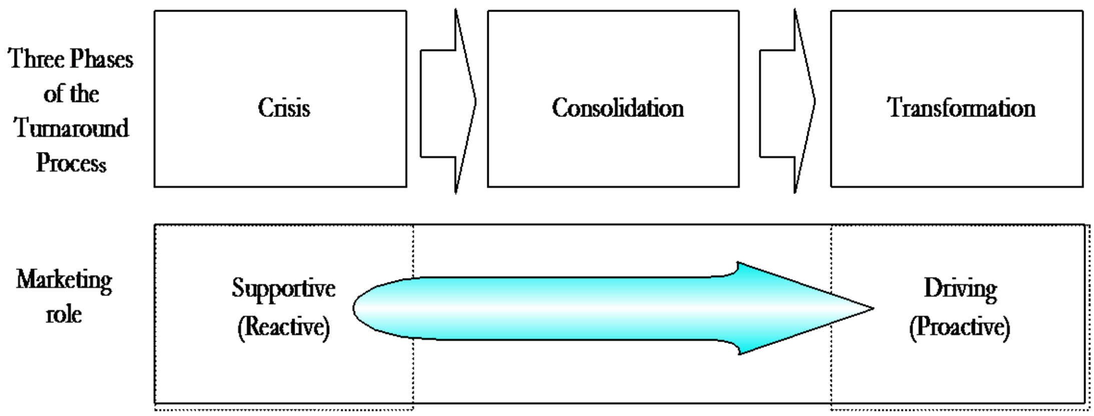

Figure 6: *The role of marketing changes in each phase of the turnaround process*

Marketing largely plays a supportive role during the crisis phase by providing market intelligence to the causes of the decline and also input to the turnaround plan. However, the degree of variability in responses in the crisis phase indicates that marketing also has a driving role, refer figure 4 in the previous chapter.

Marketing assumes a driving role during the crisis phase as a means of communicating with the various stakeholders to reassure them that management is in control of the situation and to sell the vision of the turnaround leader to the stakeholders.

As the turnaround progresses to the consolidation phase the role of marketing begins to shift to become more of a driving role. At the transformation phase marketing clearly takes a driving role, as expressed by one respondent, "Power back to Marketing Division".

These results suggest that as companies progress with the implementation of the turnaround plan, they adopt a more marketing-oriented approach and become market driven. As organisations seek improvement in their performance, they recognise the need to become more market oriented and create superior customer value. Throughout the literature review, there is general consensus that a higher-level of market orientation would contribute positively to the organisation's results, (Harker, 1998; Han, Kim & Srivastava, 1998). This study agrees with the school of thought that links market orientation to improved company performance.

A conclusion can be drawn that during a turnaround process companies transform themselves, to be market focused, as they rely more on marketing to drive the business.

Research Question 3

During the turnaround process is the function of marketing proactive or reactive?

As discussed in the previous section the study suggested that marketing was reactive during the crisis phase of the turnaround and more proactive during the transformation phase. It would appear that when companies reach the crisis point of their decline they are usually not market oriented, hence the reason why marketing was seen to be reactive in that phase.

During the crisis phase, marketing plays a diagnostic role, which is reactive in nature, to define the cause of the problem. One respondent explained that during the crisis phase they had to employ a Marketing Director as the firm realised it lacked marketing skills to assist with the turnaround process. At the transformation phase marketing takes a proactive role and it must be a pull.

<u>Research Question 4</u>

What influenced the choice of the strategy and what was marketing's contribution towards the selection?

The results of the study indicated that customer demand was the key influence in the choice of the final strategy, refer to figure 5 in the previous chapter. This indicates a general awareness amongst management that to improve the company's performance the firm has to be customer focussed. One respondent pointed out that it was important to match the organisation's core competencies to the market needs.

One of the major findings of the study was that financial institutions, banks and other lending institutions had the least influence on the choice of the final strategy, refer to figure 5 in the previous chapter. This was important to note because there could be a tendency for financial institutions, keen to protect their interests in the firm, to want to dictate to the firm on the course they should follow.

Marketing's contribution to the turnaround process was also largely determined by the cause of the decline, refer to question 8 in the previous chapter. As one respondent explained if the problems of the firm were operational, the focus will be to resolve them first.

Chapter 6: Conclusion

There are three areas in this section. These are the summary, recommendations and suggestions for further research.

6.1 Summary of major results

The key results of the study were as follows:

During the turnaround process marketing has an integrative role as it contributes at both the strategic and operational levels. The extent of contribution at each level will depend mainly on the course of the decline, and therefore determine where the priority should be.

The role of marketing changes at each phase of the turnaround process. At the beginning of the process, during the crisis phase, marketing plays more of a supportive role and reactive. As the process reaches the transformation phase, marketing assumes a driving role and becomes proactive.

6.2 Recommendation to the industry

To avoid corporate declines, companies have to always maintain a high degree of customer focus. From the study one can conclude that by the time companies reach the crisis phase, the level of customer focus and market orientation is at its lowest and it should never reach that point. The turnaround process merely serves to re-introduce customer focus and efficiency.

6.3 Suggestions for further research

Some areas of possible further research have been discussed in the preceding text. One of the main areas for further research is to identify causal links between the causes of the decline and marketing's contribution during the turnaround process.

Of course the other area would be to increase the sample size to make the results of the study statistically valid.

References

Aaker D. A. (1992): ***Strategic Market Management***; Third Edition, John Wiley & Sons.

Anderson B. (2000a): "Conglomerate ready to shine by 2001", ***Business Day,*** May 17.

Anderson B. (2000b): "The tide turns for Grincor", ***Business Day****,* August 25.

Blem N. (1995): "Service Please South Africa"

Business Day Reporter (2000a): "IST calls in turnaround specialists", ***Business Day***, May 15.

Business Day Reporter (2000b): "Planit board sees from rescue strategy", ***Business Day,*** November 30.

Cheales P. (2000): I was your customer: Your survival kit for world class customer delight; Millenium Edition; Zebra Press.

Cokayne R. (2001): "Autoquip posts return to profit", ***The Star – Business Report,*** January 26.

Cooper D. R.. & Schindler (2000): ***Business Research Methods,*** McGraw Hill International Editions, 6th Edition.

Dumaine B. (1990): "The New Turnaround Champs"; ***Fortune*****,** 16, p. 36-44.

Hambrick D. C. & Schecter S. (1983): "Turnaround Strategies for mature industrial product business units"; ***Academy of Management Journal***, Volume 26, p. 231 – 248.

Han J. K., Kim N & Srivastava K (1998): "Market Orientation and Organisational Performance: is innovation a missing link", ***Journal Of Marketing***, October, volume 62, p. 30-45.

Harker M. (1998): "The role of marketing in the company turnaround", ***Industrial Marketing Management*****,** July, volume 27, number 4, p. 4.

Headbush B. (2000): "Sweets from Heaven manages slight turnaround in tough market conditions", ***The Star – Business Report,*** June 01.

Hoffman R. C. (1989): "Strategies for Corporate Turnarounds"; ***Journal of General Management,*** Spring.

Hurley R.F., Tomas G., & Hult M. (1998): "Innovation, Market Orientation and Organisational Learning: An Integration and Empirical Examination***"; Journal Of Marketing,*** July, Volume 62, p. 42-54

Inggs M. (2000): "Infowave back in the black", ***The Star – Business Report,*** November 10.

Jenvey N. (2000a): "Glodina still in the red despite turnaround", ***Business Day,*** March 17.

Jenvey N. (2000b): "McCarthy Retail stages turnaround", ***Business Day,*** September 28.

Jenvey N. (2000c): "Rainbow Chicken back in the black after five years", ***Business Day,*** May 12.

Jenvey N. (2000d): "Restructuring, streamlining keep Rainbow in the black", ***Business Day,*** November 03.

Joffe H. (2000): "Major surgery results in turnaround for Anglovaal**", *Business Day,*** September 01.

Jones S. (2000): "Fasic profit "not a flash in the pan", ***The Star – Business Report,*** May 12 29.

Klein M. (2000a): "Edcon results dip, but turnaround very much on track", ***Business Day,*** November 17.

Klein M. (2000b): "Edgars firmly on the comeback trail", ***Business Day,*** May 19.

Kotler P. (1997): ***Marketing Management, Analysis, Planning, Implementation and Control***, 9th Edition, Prentice Hall International Inc.

Loubser S. S. (2000): "The relationship between a market orientation and financial performance in South African Organisation", ***South African Journal Of Business Management***, Volume 31, number 2, p. 84-90.

Makridakis S. (1991): "What can we learn from Corporate Failure"; ***Long Range Planning***, 24, p. 115-126.

Manne D. (1985): ***Corporate Turnaround: Factors in successful turnarounds***, Unpublished MBA Research Report, Johannesburg: University of the Witwatersrand.

Maxwell T. (2001): ***Personal Communication*** with the Marketing Lecturer, University of the Witwatersrand, on the Research Methodology, held in the lecturer's office, March 2001.

Melin L. (1985): "Strategies in Managing Turnaround"; ***Long Range Planning***, 1 February, 18, p. 80-86.

Minzberg H. (1994): "The Fall and Rise of Strategic Planning", ***Harvard Business Review***, January – February, p. 107 –114.

Moti S. (2000): "Losses Down for candy seller", ***The Star – Business Report,*** November 29.

Moti S. (2001): "City Lodge puts 9% profit climb to bed"; ***The Star – Business Report,*** February 15, p. 3.

O'Neill H. M. (1986): "Turnaround and Recovery: What strategy do you need"; ***Long Range Planning,*** 1 February, 19, p.80-88.

Pitt L. F. and Morris M.H. (1995): "When Marketing and Strategy becomes One"; ***The Journal of General Management,*** Winter, Volume 21, Number 2.

Radebe S. (2001): "Reconstruction sees M&R move back into black", ***Business Day,*** March 01.

Shevel A. (2001): "Concor rebuilds profit foundations", ***The Star – Business Report,*** February 8.

Slatter S.F. & Narver J.C. (1994): "Market Orientation, Customer Value and Superior Performance", ***Business Horizons***, March, pg. 22 –28.

Slatter S (1984): Corporate Recovery: Successful Turnaround Strategies and their Implementation; Penguin Books, Modern Management Books.

Slatter S, & Lovett D. (1999): Corporate Turnaround: Managing Companies in Distress; Penguin Books.

Smith D. & Sipika C. (1993): "Back from the Brink – Post Crisis Management"; ***Long Range Planning***, February.

Stone L. (2001a): "Expansion and reorganisation pay off for Connection Group", ***Business Day,*** January 16.

Stone L. (2001b): "Salvage attempt sees new TopTech board", ***Business Day,*** February 28.

Thain D. M. & Goldthorpe R. C. (1989a): "Turnaround Management – Causes of Decline"; ***Business Quarterly***, 54, p. 55-62.

Thain D. M. & Goldthorpe R. C. (1989b): "Turnaround Management – Recovery Strategy"; ***Business Quarterly***, 54, p. 7-13.

Thain D. M. & Goldthorpe R. C. (1990): "Turnaround Management – How to do it"; ***Business Quarterly***, 54, p. 39-47.

Van der Vliet A. (1998): "Back from the brink: golden rules for a turnaround"; ***Management Today***, January, p. 36.

Von Lieres V. (2001): "Restructured Alacrity back in black with R2, 2 m. profit", ***The Star – Business Report***, February 07.

Wallace C.P. and Sellers P. (1997): "Adidas: Back in Game"; ***Fortune,*** 18 August.

West E. (2001a): "Money Wise's return to profit road fails to offset its first-half losses", ***The Star – Business Report,*** February 16.

West E. (2001b): "Unigro bounces back to report halved overdraft", ***The Star – Business Report.***

Winn J. (1993): "Performance measures for corporate decline and turnaround"; ***Journal of General Management*,** Winter.

Zimmerman F. M. (1986): "Turnaround – A Painful Learning Process"; ***Long Range Planning*,** 4 August, 19, p. 104-114.

Zimmerman F. M. (1989): "Managing a Successful Turnaround"; ***Long Range Planning***, Volume 22, Number 3.

APPENDIX A :- List of Companies

Autoquip

Edcon

Glodina

Grincor

Infowave

IST

Kolossus

Murray and Roberts

McCarthy Retail

Money Wise

National Brands

Rainbow Chicken

Sweets from Heaven

Concor

Planit.

APPENDIX B:- Covering Letter

October 7, 2011

Melvin Hall – Marketing/Sales Director
Glodina Holdings
Durban

Telephone – 031 736 2150
Fax – 031 376 1821

Dear Mr. Hall,

I am a final year MBA student at Wits Business School. As part of my studies I need to complete a research project. The subject of my research is turnaround strategies, more specifically "The role of marketing in the company turnaround process". Though this is a marketing focused study, I have had to include Executives from other functional areas in the sample, to minimize research bias.

Based on media reports, I have learnt that "Glodina" is beginning to see some results of its turnaround strategy and that you have been quite instrumental in driving that strategy. Your breadth of experience and knowledge in this subject matter would be a valuable contribution to the academic world.

I, therefore request that you complete the attached questionnaire. It should not take more than 20 minutes. The information you provide will be treated as strictly confidential.

I would appreciate it if I could have the completed questionnaire back by November 16 at 12 noon. Please fax back your response to 011 302 8578.

Should you wish so, I will send you the synopsis of the research results once completed.

Your assistance in this regard will be highly appreciated.

Sincerely,

APPENDIX C:- Questionnaire

1. What triggered the turnaround process? Please rank the following, in the order of the highest contributor (1) to the lowest contributor (5)

a. Cash flow Problems	
b. Lost Market Share	
c. Declining Profits	
d. Shareholder Intervention	
e. Other (Please specify)	

2. What caused the decline? *Please rank the following, in the order of the highest contributor (1) to the lowest contributor (8)*

a. Changes in the market conditions	
b. Poor Financial controls and policies	
c. Poor customer service	
d. Inadequate sales coverage	
e. Failure of major investment projects	
f. Rapid expansion	
g. Poor product and market mix	
h. Other *(Please Specify)*	

3. How long has the turnaround process been going on?

a. less than 6 months	
b. 1 year	
c. 2 years	
d. more than 2 years	

4. What key performance indicators (KPIs) do you use?

KPIs	Value **before** implementation of the turnaround strategy	Value **after** implementation of the turnaround strategy
a. Market Share		
b. EPS		
c. ROI		
d. EVA		
e. Other (please specify)		

5. After the how many months, after the implementation of the turnaround strategy did you start to see positive results? *Please mark with an (X) the appropriate box.*

a. 0 – 3 months	
b. 4 – 6 months	
c. 7 – 12 months	
d. 12 months+	

6. Were there any changes made on the Product and Market Mix? *Please mark the appropriate box.*

Yes	
No	

6a. If yes, what was the nature of the changes? *Please describe briefly.*

____

____

____

____

6b.What was the basis of the Product and Market Mix Decisions? *Please rank in the order of influence, 1 being high and 5 being low.*

a. Market Research	
b. Customer feedback	
c. Input from Sales force	
d. Causes of the decline	
e. Other (Please specify)	

7. How was the turnaround strategy communicated to the following stakeholders?

a. Customers:	
b. Employees:	
c. Suppliers	
d. Investors	

8. With a 100 basis points, how much would you allocate to marketing's contribution during the turnaround process, relative to other influencers listed below?

a. Human Resources	
b. Operations	
c. Finance	
d. Marketing	
e. Other (Please specify)	
Total	**100%**

9. Of this contribution by marketing, how would you split its usefulness in the following areas:

	% contribution	Reasons for Usefulness
a. Operational – driving the		

implementation of the turnaround strategy		
b. Strategic – providing input to the strategic direction		
	100%	

10. *Please indicate* on a scale of 1 to 5, 1 being supportive role and 5 being the driving role, what was the role of marketing during the three phases of the turnaround process, viz. crisis phase, stability or consolidation phase and transformation phase?

	Supportive				*Driving*
a. Crisis phase	1	2	3	4	5
b. Stability/Consolidation phase	1	2	3	4	5
c. Transformation phase	1	2	3	4	5

11. During the turnaround process was the marketing budget reduced or increased?

	Yes or No	By what %
a. Reduced		
b. Increased		

12. What influenced the choice of the final strategy adopted by the organization?

Please rank in the order of influence.

a. Customer Demands	
b. Shareholders	
c. Employees	
d. Supplier Demands	
e. Operational Demands	
f. Banks/Landing Institutions	
g. Other *(Please Specify)*	

THANK YOU FOR PARTICIPATING IN THIS RESEARCH PROJECT.

If you have any questions please do not hesitate to contact the researcher, Makhosi Kubheka at 083 773 8150 or via e-mail makhosi@za.ibm.com.

PLEASE FAX YOUR RESPONSE TO THE FOLLOWING NUMBER, MARKED FOR MY ATTENTION IN THE FIRST PAGE (NO COVER PAGE REQUIRED) or IF YOU ARE IN JOHANNESBURG OR PRETORIA YOU CAN CALL ME TO COLLECT.

011 302 8578

If you would like to receive a synopsis of the research findings, please supply your name and fax number or your e-mail address:

Name	
Fax Number	
E-mail Address	

APPENDIX D:- Raw Data