

# Causal model design from organizational turnaround strategy for small and medium-sized enterprises: Case studies

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## Abstract

The turnaround strategy refers to measures like cost reduction, selling assets and handing over the business with the aim of increasing efficiency, where the aim is to reduce the organizational size. However, there is no agreement regarding the causal relationship between any of the strategies used in organizational turnaround. Accordingly, the goal of this research is to design a causal model out of organizational turnaround for small and medium-sized enterprises (SMEs). Two types of questionnaires namely the identification of main and secondary strategies of organizational turnaround, and interpretive structural modeling were used, which were distributed among the statistical samples after their validity and reliability were approved. One-sample t-test, Confirmatory factor analysis and interpretive structural modeling were used to analyze and interpret the data. The research results show that six strategies of stopping crisis and stabilization of the business, new management, strategic orientation, crisis improvement process, organizational changes and financial restructuring are considered as the main strategies in organizational turnaround in the statistical population. Also, the results show the appearance of new management in fifth place as the main and most important strategy in organizational turnaround.

Keywords: Organizational turnaround strategy, causal model, SMEs, market economic crisis, crisis improvement process

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## 1 Introduction

Manufacturing companies as one of the major actors in the economy of any country, play a crucial role in increasing the national income [41]. Besides paying taxes to the government, those companies create a lot of job opportunities and through employing the people and paying salaries to job-seeking individuals, make it possible for them to pay taxes to the government. The companies play an important role in improving the balance of payment of their nation by exporting their commodities to other countries [9]. On the other side, the bankrupt companies lose the ability to pay taxes to the government and are forced to discharge their employees which in turn could cause so many social and political problems [36]. The bankrupt companies are not able to amortize their loans which causes problems for the lending institutions [4].

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In the long run, over accumulation of unpaid loans of the bankrupt companies will cause loss of investments by the lending institutions which consequently will weaken the banking system [36]. The unprecedented bankruptcy of the companies in recent years has caused the research that focuses on the reasons for the decline, to gain importance [14]. [30] believe that the cause of trade crisis is the result of a change in public opinion, sudden change in the market, failure of a product, not paying attention to change management, failure of the trade mark, hostile understanding, negative international events and change in governmental rules and regulations. So, different efforts have been done in line with overcoming the crises or at least reducing them in industries in recent years [24, 31].

Crisis-inflicted companies that experience a decline in performance implement some strategies to turn around and recover so that they can survive the bankruptcy crisis [16]. With regard to the importance of SMEs in the economy [23], appropriate strategies should be used in properly restructuring these companies. One of the effective strategies used by many experts in different fields is the turnaround strategy (TuS) [6, 21, 28]. In the meantime, as the economic and financial crisis deepens, company managers are trying more and more to implement strategies to save them from being bankrupt and stop their declining trends [20]. A crisis is an abrupt or lasting change that causes a sudden problem for a company or an organization, which has to be solved by the management [8]. A crisis is any kind of situation that could impact the long-term decrease of the trust in the organization or the product and prevent the organization from performing natural operations. Crisis management is any process that comprises steps that are defined in a structured manner and in the correct sequence that makes the decision-making process possible in the phase after the occurrence of the crisis [7, 18]. There are different kinds of strategies that are implemented to lead companies out of the crisis. Some of them adopt cost reduction [32] and assist restructuring [40] as a recovery strategy. Some adopt the restructuring of the company debts. Others may adopt change in products and markets and invest in rebuilding and renovation of manufacturing and distribution processes [13]. In certain companies, they may choose to change CEOs as a way out of the crisis [2]. Slatter (2011) categorizes the turnaround strategies into seven essential ingredients and identifies measurements for each [38]. seven categories for business recovery include business stabilization, new management, stakeholder management, strategic orientation, and crisis improvement process.

Based on the above-said issues, the researcher recognizes that most of the studies in the domain of corporate turnaround have been conducted abroad and there was not a significant study in Iran in this regard. However, taking into account the situation of SMEs across the country during recent years crisis which started in 2011 and restarted again in 2018, the country's economy faced recession-inflation. These economic crises have damaged SMEs more and have caused these industries to close down or decline most of their capacities and operate with a small part of their capacities. It goes without saying that if there was an appropriate recovery model for SMEs at hand in this critical situation, it could have been used and parts of the damages to the SMEs could have been avoided. Moreover, as the new phase of sanctions started, it could cause new crises in these industries, which need the adoption of proper strategies to cope with these crises. One of the appropriate approaches, as was discussed, is the adoption of an organizational turnaround strategy (TuS). Accordingly, the goal of the present research is to develop a causal model for organizational turnaround for SMEs in East Azerbaijan.

## 2 Literature review

### 2.1 Crisis in Organizations and How to face it

A crisis is an event or a set of unforeseen and unusual events that create a higher level of uncertainty and threaten the organization's high-priority objectives [43, 44]. In fact, no crisis occurs solely and the concurrence of crises is a normal matter. If a crisis is not contained in a proper manner, it can cause a chain of crises. The crisis has always been part of businesses [42] but the changes in business environments nowadays, increase the obstacles when it comes to crisis management [33]. A crisis does not necessarily mean causal and effect relationship or personal damages accompanied by hundreds of destroying effects. The crisis also may result from undesirable and often commonplace circumstances which affect the organization in one way or another [11]. Dubrovski, (2014) settles the disputes about the definition of crisis by stating that a crisis is an event or a process. So, it is not an easy task to define an organizational or corporate crisis. The definitions defer based on the background, content and understanding of the problems. The writer defines the crisis as "a short term, the undesirable and unfavourable critical situation in the company (organization), which threatens the company's future existence and development directly and consequently is a matter that arises from the interwoven and simultaneous operation of internal and external factors" [10].

[1, 26, 37] emphasize the economic, informational, physical, human resources, reputation, anti-social actions and financial crises. [17] classify crisis into four categories based on the response time of the management: eruptive crisis (natural catastrophe gives no room for preparedness), instantaneous crisis (management has a little time to get ready and respond), the crisis in structure (provides more time for getting prepared) and the crises that evolve gradually

(there is some awareness of the crisis beforehand, which gives time for preparedness to the possible response to the crisis.

Organizational crises are increasing threats to organizational performance and stability. Nowadays, they are more complex, widespread and prevalent [17]. It is suggested that at the end of the life cycle of any business or corporate development phase, a crisis occurs that has to be solved by the management so that the company could continue its successful operation. The writers show five stages of the spread of crisis in their model named organizational decline, which is called the blinded stage, inaction stage, faulty action stage, crisis stage and dissolution. It is important to know that during the first four stages, the company can still implement organizational turnaround and can survive dissolution. Yet, when the company enters the dissolution stage, there is no possibility of saving it [19]. [34] state that the more an organization possesses preparedness against crisis the better it can cope with the critical situation and make decisions.

[3] categorize different strategies for facing a business decline into five strategies and identify their strengths and weaknesses. These strategies are shown in table 1. [3, 37] believe that most companies decide to use a turnaround strategy to recover the business.

Table 1: Different strategies of facing business decline [3]

strategy	Strengths	Weaknesses
Turnaround	Effective company treatment for improved performance.	All turnarounds are not successful, additional risks are possible
Divestment	Regaining liquid assets, optimizing company activities	Questionable divestment returns, loss of synergies, critical mass, company reputation
Omission	Reallocation of scarce company resources to areas with higher yield	Long term process, common employee resistance, problems with past cost and loss allocation
Bankruptcy (liquidation)	Settling obligations to creditors, fair distribution of remaining assets between co-owners	Social vulnerability of employees, uneconomic breaking down of company's activities, damage to company reputation
Submission	Dependence on strong partner can ensure safety and survival of the company	Sharing of benefits from operations is done to the detriment of a subordinated partner

## 2.2 Organizational turnaround strategies

Different studies have been conducted regarding organizational turnaround strategies. There are various factors in relation to the crisis in a company and recovery activities. In addition, different organizational turnaround strategies can be used to successfully solve the specific critical situation. However, different turnaround strategies may have characteristics in common [24].

After analyzing 28 companies in critical situations, [25] suggested four stages for recovery. The first stage is arresting the crisis which includes actions like cost reduction, inventory reduction and divestment of idle assets, starting quick pay-off projects and reprieve from external stakeholders regarding the liabilities. The second stage named reorienting which includes redefining the corporate business, change in corporate identity, being more market-oriented [27], focusing on quality, organizational restructuring, capital restructuring, changing managerial staff, training and retraining, applying incentives, and improvement of information dissemination and enhancing public relations. The third stage, that is institutionalization, comprises building a strong culture and developing a corporate value system through human resource development, restructuring of roles, duties, and procedures as well as communications and coordination mechanisms. The fourth stage, growth, includes launching new products, entering new markets, diversification of the businesses and strengthening and focusing on R&D as well as acquisition and merger with other companies. [32] proposed a model for recovering companies that were in critical situations by studying 32 textile companies. The model comprises of two stages overall evaluation of the turnaround situation and response to the turnaround. In the evaluation stage of a turnaround situation, identification of internal and external reasons that created the crisis (decline in sales/ imminent bankruptcy) and evaluation of the severity of the crisis is of prime importance. In response to the crisis stage and the stabilization or retrenchment, actions such as cost reduction and divestment are done and in the next stage, efficiency maintaining and improving strategies, innovation and product and market reconfiguration strategies are implemented relative to the nature of the factors that triggered the crisis; the result of which will be realized either in the form of failure or improvement and return of profit. [35] assumes turnaround as a five-stage process consisting of situation analysis, designing turnaround plan, implementing turnaround plan, stabilization of the business and return of business growth. These researchers suggest three types of plans. These three types are

turnaround strategy (change and reconfiguration of product lines) operation (cost reduction, revenue generation and divestment) and financial (restructuring liabilities and strengthening liquidity). [22] emphasize the role of top managers and believe that awareness, experience and skill could actualize organizational turnaround. [12] maintain that turnaround is a three-stage process that includes the rearrangement of relationship with the shareholders and creditors, retrenchment and improvement or recovery. In this model, the importance of adjusting expectations of corporate governance and modification of objectives and creditors' behavior including inventors and banks is emphasized. [5] believe that stabilization strategies like a change of top management, change in objectives and behaviors of creditors, retrenchment and cost reduction are effective regarding the characteristics of the company. [29] maintains that performing retrenchment actions and adopting recovery strategies and renovation are effective in the turnaround process. [39] believes that turnaround is a nine-stage process comprising of management change, formation of the top management team, changes in strategies, lay off of human resources, selling idle assets, technological renovation, financial restructuring, organizational restructuring, and attracting support from parent company or shareholders. [24] indicate the major and minor organizational turnaround strategies in table 2.

Table 2: Major and minor organizational turnaround strategies [24]

Major turnaround Strategies (symbol)	Minor turnaround Strategies
Stopping the crisis and stabilization of business (TuS1)	<ul style="list-style-type: none"> <li>• Control over the situation</li> <li>• Control over cash flows</li> <li>• Sale of assets</li> <li>• Provide short term financing</li> <li>• Costs Reduction</li> </ul>
New management (TuS2)	<ul style="list-style-type: none"> <li>• Change of the managing director</li> <li>• Change of other managers</li> </ul>
Management of all stakeholders (TuS3)	<ul style="list-style-type: none"> <li>• Establishing communication with all Stakeholders</li> </ul>
Strategic orientation (TuS4)	<ul style="list-style-type: none"> <li>• Definition of core activities</li> <li>• Divestments and cuts</li> <li>• Focus on the product and markets</li> <li>• Reduction of unprofitable areas and products</li> <li>• Using outsider funds</li> <li>• Investments</li> </ul>
Crisis improvement process (TuS5)	<ul style="list-style-type: none"> <li>• Implementation of structural change</li> <li>• Change of key employees</li> <li>• Improvement of communication</li> <li>• Building on employee commitment and capabilities</li> <li>• New conditions for employees</li> </ul>

## Organizational changes (TuS6)

- Increasing sales and marketing
- Price adjustment
- Quality improvement
- Improving responsiveness
- Better information and control systems

## Financial restructuring (TuS7)

- Refinancing
- Disposal of unused assets

### 3 Modelling Strategy

#### 3.1 Methodology

The present study is a developmental study in terms of its objective and a descriptive-analytical study in terms of methodology. The statistical sample of this study in two parts includes all SMEs in East Azerbaijan province (Iran) and experts.

On this basis, 341 companies were determined as statistical sample. Simple stratified random method was used in this study; where the samples were determined based on the ratio of each industrial group in the society. In the experts' part of the study, the experts of the study were selected according to the following conditions.

- Senior directors of SMEs with the experience of more than 20 years and familiar with the subject of the study
- Financial managers of SMEs with the experience of more than 20 years and familiar with the subject of the study
- University professors with the rank of "assistant professor" and higher ranks familiar with the subjects related to Industrial Turnaround Strategy

Considering the above-mentioned characteristics and the tendency of experts for cooperation, nine experts were used in this study. In the present study, two questionnaires were used in order to answer the questions of the study. The first questionnaire was prepared and designed in order to identify different strategies of industrial turnaround in SMEs in East Azerbaijan province based on the items of Table 2 and the 5-choice Likert scale. The validity of the questionnaire was investigated and confirmed as "face validity" and "construct validity" 1. The validity of this questionnaire was investigated using Cronbach's alpha. Cronbach's alpha for the questionnaire of this study was obtained 0.834, which show properness of the validity of questionnaire and internal consistency of the questions. The second questionnaire was prepared and designed in order to classify the major strategies of industrial turnaround in SMEs of East Azerbaijan province. This questionnaire is bases on structural-interpretive modelling method.

On the whole, in the first part of this study, the minor strategies of organizational turnaround, which were obtained through the literature of the research, were studied in the mentioned statistical society and after determining the strategies used by the companies in critical situations (identifying in the statistical society) using one-sample t-test, the relationship between the major and minor strategies was investigated through confirmatory factor analysis in the second part. finally, a proper model of organizational turnaround strategy was presented using structural-interpretive modelling.

#### 3.2 Findings of Research

As mentioned, in the first part, we used one-sample t-test to identify the minor strategies of organizational turnaround in the statistical society. In reliability level of 95%, if "t" is more than 1.645, we can state that the intended strategy is considered as a minor strategy of organizational turnaround in the studied statistical society. In Table 3, the results are separately shown for each minor strategy.

Table 3: The Results of T-Test for Identification of Minor Strategies of Organizational Turnaround

Strategies of Organizational Turnaround	Symbol	T-Value	Significance Level	Result
Control Over Situation	S11	3.006	0.003	confirmed
Cash Flow Control	S12	2.171	0.031	confirmed
Sale of Assets	S13	2.968	0.003	confirmed
Short-Term Financing	S14	8.937	0.000	confirmed
Costs Reduction	S15	3.843	0.000	confirmed
Change of Managing Director	S21	4.583	0.000	confirmed
Change of other managers	S22	3.978	0.000	confirmed
Establishing communications with all Stakeholders	S31	-11.873	0.000	Rejected
Definition of core activities	S41	4.353	0.000	confirmed
Divestments & Cuts	S42	3.824	0.000	confirmed
Focus on Product & Market	S43	14.285	0.000	confirmed
Reduction of unprofitable Areas and products	S44	5.573	0.000	confirmed
Using Outsider Funds	S45	6.074	0.000	confirmed
Investment	S46	3.401	0.001	confirmed
Implementation of Structural Changes	S51	7.664	0.000	confirmed
Change of key employees	S52	3.102	0.002	confirmed
Improvement of communication	S53	3.557	0.000	confirmed
Building on employee commitment and capability	S54	5.835	0.000	confirmed
New conditions for employees	S55	7.223	0.000	confirmed
Increasing sales and marketing	S61	6.016	0.000	confirmed
Price adjustment	S62	3.328	0.001	confirmed
Quality Improvement	S63	9.271	0.000	confirmed
Improvement of responsiveness	S64	4.598	0.000	confirmed
Better information & control systems	S65	4.647	0.000	confirmed
Refinancing	S71	3.372	0.001	confirmed
Disposal of unused assets	S72	7.729	0.000	confirmed

The results obtained in Table 3 show that the value of "t" is more than 1.645 ( $t > 1.645$ ) for all minor strategies, except "Establishing communication with all stakeholders". This result shows that all minor strategies of this study are confirmed by all directors of SMEs in East Azerbaijan and enter the next stage of analysis. In other words, the results of the study in this section show that the directors of SMEs in East Azerbaijan Province tend to use one of these strategies for organizational turnaround in critical situations. Considering that the minor strategy of "Establishing communication with all stakeholders" was removed from analysis chain by obtaining a value less than 1.645 ( $< 1.645$ ), the major strategy of "management of all stakeholder" is removed from analysis chain. Therefore; in the next section, six major strategies and 25 minor strategies are used.

Confirmatory factor analysis is done to confirm that whether the minor turnaround strategies are considered as an identifier in the subset of major strategies or not. In other words, the answer to this question was intended: do the major strategies, as a structure, include the minor strategies? We should also note that confirmatory factor analysis is somehow considered as reliability of structure in this section. Chi-square, Normed Chi-square, Chi-square significance, root-mean-squared error, goodness of fit index and Comparative fit index are used to investigate properness of confirmatory model in confirmatory factor analysis. The proper and obtained values for each index are shown in Table 4.

Table 4: Indexes for Investigating the Properness of Confirmatory Model in this Study

Index	Proper Value	Excellent Value	Obtained Value
$\chi^2$	$2df \leq \chi^2 \leq 3df$	$0 \leq \chi^2 \leq 2df$	676.38
Significance ( $\chi^2$ )	$0.05 < p \leq 0.1$	$0.1 < p \leq 1.00$	0.098
Normed Chi-square ( $\chi^2/df$ )	$2 < \chi^2/df \leq 3$	$0 \leq \chi^2/df \leq 2$	2.601
Goodness of Fit Index ( <i>GFI</i> )	$0.80 \leq GFI < 0.95$	$0.95 \leq GFI \leq 1.00$	0.94
Comparative fit index ( <i>CFI</i> )	$0.90 \leq CFI < 0.97$	$0.97 \leq CFI < 1.00$	0.92
root-mean-squared error estimation ( <i>RMSEA</i> )	$0.05 < RMSEA \leq 0.09$	$0 \leq RMSEA \leq 0.05$	0.069



The results obtained for confirmatory model shows that the  $\chi^2 = 676.38$  with significance level of 0.068. Also, Normed Chi-square was 2.601 that showed properness of the results of confirmatory model. Goodness of Fit Index and Comparative fit index (GFI and CFI) were obtained 0.94 and 0.92, respectively, that showed properness of confirmatory model from the viewpoint of these indexes.

Finally, the index of root-mean-squared error was 0.069 and as it was less than 0.09, the proper fitness of confirmatory method is confirmed for this index. In order to study about the relationship between the constructs and identifiers (major and minor turnaround strategies), factor loading and the corresponding t-value are used in confirmatory model. In confidence level of 95%, if the t-value of factor loading for positive factor loadings is more than 1.96 and for negative factor loadings is less than  $-1.96$ , we can say that the obtained factor loading was significant and the relationship between the major and minor strategies are confirmed.

Figure 1 shows the output factor loadings of this analysis and Figure 2 shows t-values of each factor loading.

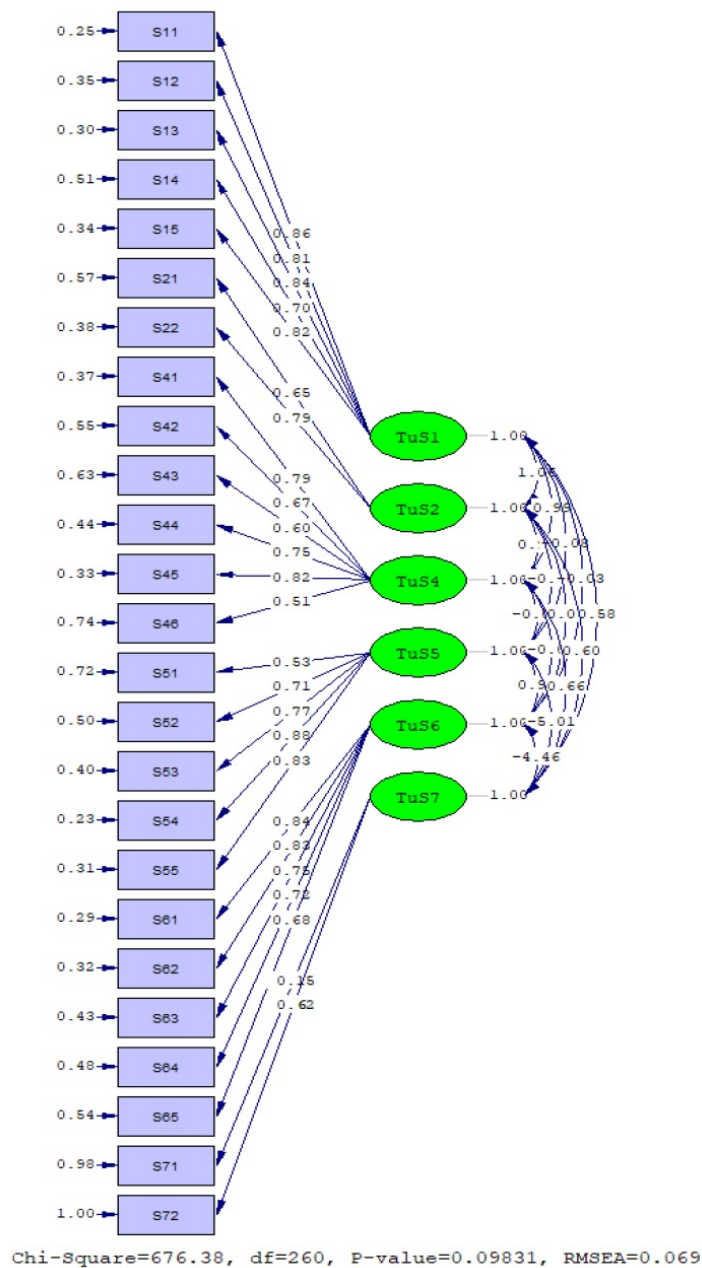


Figure 1: The Output Factor Loadings of Confirmatory Factor Analysis

The results of confirmatory factor analysis based on properness of indexes of confirmatory model illustrate con-

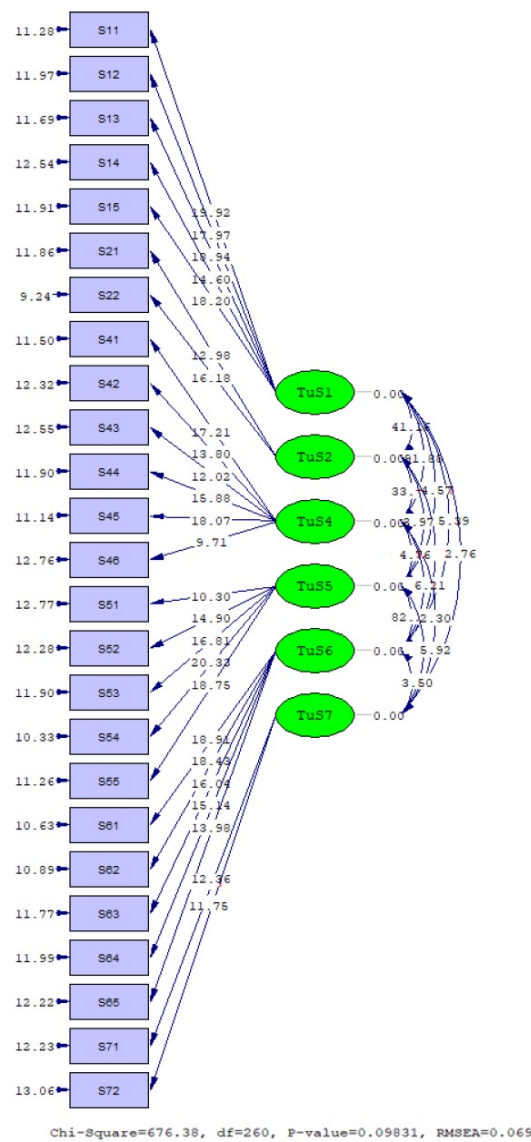


Figure 2: Results of T-Test for Output Factor Loadings of Confirmatory Factor Analysis

firmation of theoretical framework of the study for obtaining a proper pattern of organizational turnaround strategy (TuS). Also, the results of factor loadings and their significance obtained through corresponding t-value in figure 1 and figure 2 show that the t-values obtained for each factor loading was more than 1.96 that shows a significant relationship between the major and minor turnaround strategies in SMEs of East Azerbaijan Province.

According to the results of confirmatory factor analysis we can categorize the organizational turnaround strategies in SMEs of East Azerbaijan Province in six main strategies: Stopping crisis and business stabilization (TuS1), new management (TuS2), strategic orientation (TuS4), crisis improvement process (TuS5), organizational changes (TuS6), financial restructuring (TuS7).

In continuation of data analysis; in order to reach a conceptual model of study based on the causal relations between the strategies, the researcher distributed the pair-wise comparison matrixes among 9 member of experts of research and asked them to specify the type of relationship between the ordered pairs of decision matrix based on V, A, X and O symbols on the basis of structural-interpretive procedure.

"V" shows that "i" variable results in "j" variable. "A" shows that "j" variable results in "i" variable. "X" shows a bilateral relationship between "i" and "j" and "O" shows the lack of relationship between "i" and "j". After receiving the comments of experts based on the mentioned symbols, the self-interaction structural matrix is created n



structural-interpretive modeling using the opinions of the majority.

Then, O, X, A and V symbols are converted to binary numbers (0,1) and the elementary achievement matrix is created. In conversion of the symbols, if a box has V symbol, "1" will be inserted in the row of that factor and "O" will be inserted in the column of that factor. If a box has "A" symbol in self-interaction structural matrix, "O" will be inserted in the row of that factor and "1" will be inserted in the column of that factor.

If a box has "X" symbol in self-interaction structural matrix, "1" will be inserted in the row and column of that factor and if a box has "O" symbol, "O" will be inserted in the row and column of that factor. The form of elementary achievement matrix of  $D_{ij}$  equations is created hereby, as shown in Table 5.

Table 5: Elementary Achievement Matrix from Pair-Wise Comparison

	TuS1	TuS2	TuS4	TuS5	TuS6	TuS7
TuS1	0	0	0	0	1	0
TuS2	0	0	0	1	1	0
TuS4	1	0	0	0	0	0
TuS5	1	0	0	0	0	0
TuS6	0	0	0	0	0	1
TuS7	0	0	0	0	0	0

During the stages of structural-interpretive modeling method, the final achievement ( $T_{ij}$ ) is formed that contains direct and indirect relations between the factors. For this purpose, first the elementary achievement matrix is added to ones matrix of the same size and then, the indirect relationships are determined. Indirect relationships are determined using Boolean Rule and exponentiation of the obtained matrix. After being added to ones matrix of the same size, the elementary achievement matrix reaches a stable status in the exponentiation of 4. Final achievement matrix is shown in Table 6.

Table 6: Elementary Achievement Matrix from Pair-Wise Comparison

	TuS1	TuS2	TuS4	TuS5	TuS6	TuS7
TuS1	1	0	0	0	1	1
TuS2	1	1	0	1	1	1
TuS4	1	0	1	0	1	1
TuS5	1	0	0	1	1	1
TuS6	0	0	0	0	1	1
TuS7	0	0	0	0	0	1

At the end, rating is done for identifying different levels of model. Rating is done based on achievement set, pre-requisite set and joint set in order to create a rated structure of the variables of study. The achievement set of a variable includes the variable and other variables that this variable may result in. Pre-requisite set of a variable includes the variable and other variables that may result in this variable. Joint set is also the jointing of variables in achievement and pre-requisite sets. 1s in the row of each final achievement matrix variable show achievement set and 1s in the column of each final achievement matrix variable show pre-requisite set [15]. The output of implementation stages of structural-interpretive method and final rating resulting from it, are shown in Tables 7 to 11.

Table 7: Determining the 1st Level of Organizational Turnaround Strategies Model based on Structural – Interpretive Modeling

Main Strategy	Symbol	Achievement	Pre-Requisite	Joint	Output
Stopping Crisis and business stabilization	TuS1	TuS1, TuS6, TuS7	TuS1, TuS2, TuS4, TuS5		TuS1
New management	TuS2	TuS1, TuS2, TuS5, TuS6, TuS7	TuS2		TuS2
Strategic orientation	TuS4	TuS1, TuS4, TuS6, TuS7	TuS4		TuS4
Crisis improvement process	TuS5	TuS1, TuS5, TuS6, TuS7	TuS2, TuS5		TuS5
Organizational changes	TuS6	TuS6, TuS7	TuS1, TuS2, TuS4, TuS5, TuS6		TuS6
Financial restructuring	TuS7	TuS7	TuS1, TuS2, TuS4, TuS5, TuS6, TuS7		TuS7

Table 8: Determining the 2nd Level of Organizational Turnaround Strategies Model based on Structural – Interpretive Modeling

Main Strategy	Symbol	Achievement	Pre-Requisite	Joint	Output
Stopping Crisis and business stabilization	TuS1	TuS1, TuS6	TuS1, TuS2, TuS4, TuS5	TuS1	
New management	TuS2	TuS1, TuS2, TuS5, TuS6	TuS2		TuS2
Strategic orientation	TuS4	TuS1, TuS4, TuS6	TuS4		TuS4
Crisis improvement process	TuS5	TuS1, TuS5, TuS6	TuS2, TuS5		TuS5
Organizational changes	TuS6	TuS6	TuS1, TuS2, TuS4, TuS5, TuS6	TuS6	TuS6

Table 9: Determining the 3rd Level of Organizational Turnaround Strategies Model based on Structural – Interpretive Modeling

Main Strategy	Symbol	Achievement	Pre-Requisite	Joint	Output
Stopping Crisis and business stabilization	TuS1	TuS1	TuS1, TuS2, TuS4, TuS5	TuS1	TuS1
New management	TuS2	TuS1, TuS2, TuS5	TuS2		TuS2
Strategic orientation	TuS4	TuS1, TuS4	TuS4		TuS4
Crisis improvement process	TuS5	TuS1, TuS5	TuS2, TuS5		TuS5

Table 10: Determining the 4th Level of Organizational Turnaround Strategies Model based on Structural – Interpretive Modeling

Main Strategy	Symbol	Achievement	Pre-Requisite	Joint	Output
New management	TuS2	TuS2, TuS5	TuS2		TuS2
Strategic orientation	TuS4	TuS4	TuS4		TuS4
Crisis improvement process	TuS5	TuS5	TuS2, TuS5		TuS5

Table 11: Determining the 5th Level of Organizational Turnaround Strategies Model based on Structural – Interpretive Modeling

Main Strategy	Symbol	Achievement	Pre-Requisite	Joint	Output
New management	TuS2	TuS2	TuS2		TuS2

By omitting the indirect relationships and according to the findings, the final model of rating the relationships between organizational turnaround strategies based on the output of structural-interpretive modeling is shown in figure3.

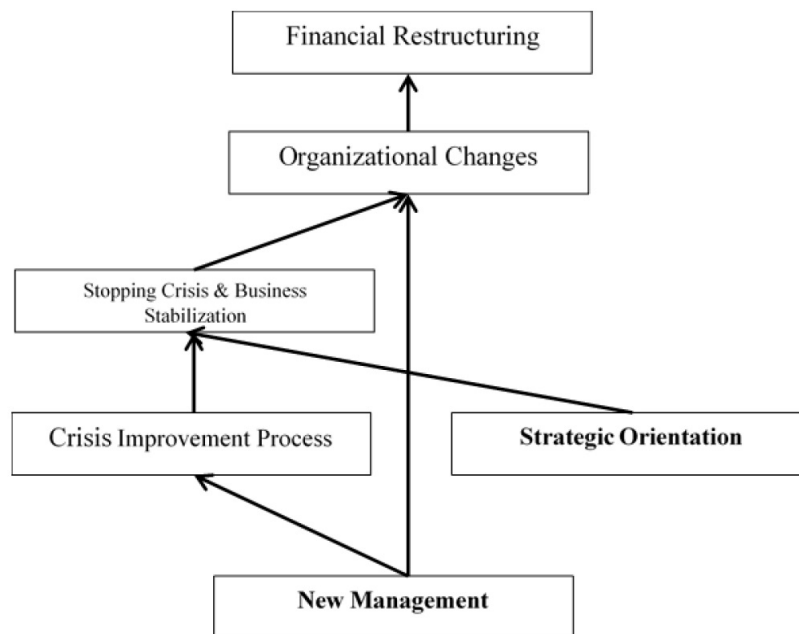


Figure 3: Casual Model of Relationship between Organizational Turnaround Strategies

The results of figure 3 and tables (7 to 11) show that new management is in the 5th level and is considered as the basis of the organizational turnaround model. In other words, using new management is the first and the main strategy considered for an organizational turnaround in companies. Organizational turnaround required employing a new managing director or an expert from outside the company, as the first strategy of the companies.

In the 4th level, there are strategic orientation and commencement of crisis improvement process, where strategic orientation should be taken into account in the whole level of the company and crisis improvement process will be commenced upon the suggestion of new management.

In the 3rd level, there is a stopping crisis and business stabilization that can be considered as the result of the crisis improvement process. In the 2nd level, there are organizational changes through increasing the sales and marketing, improving the quality, improving responsiveness and increasing control and information. In the 1st level, there is financial restructuring that can be taken into consideration as the last strategy after commencing the organizational changes.

#### 4 Conclusion and Possible Future Works

In spite of advancement in the perception of the role of turnaround strategy in organizational and corporate restructuring, the time and proper corrective actions for this strategy are unknown. The companies could prevent corporate decline using turnaround strategies and avoid company dissolution but if a company reaches the verge of dissolution, there would be no possibility of company survival. With regard to the fact that the prime objective of this research was to design a causal model of industrial recovery strategy for SMEs in East Azerbaijan, therefore, seven major turnaround strategies have been identified each of which has identifiers. These dimensions were stopping crisis and business stabilization, new management, management of all stakeholders, strategic orientation, crisis improvement process, organizational change and financial restructuring. The results in the first section show that based on the research findings, management of all stakeholders is not considered as an industrial turnaround strategy in East Azerbaijan SMEs. The justification is that it seems the culture of paying attention to stakeholders is still not recognized as a pillar in business here in Iran and the managers at different levels do not have an appropriate conception regarding the stakeholders; while we can acquire assistance from different stakeholders for a proper organizational turnaround plan. These stakeholders can be influential in the successful implementation of organizational turnaround. In this section, the research findings do not correspond with the results attained in the literature but are in contrast. The findings in the second part of the research, based on the confirmatory factor analysis, showed the confirmation of the research theoretical framework for obtaining an appropriate model for an organizational turnaround strategy. In addition, the results of factor loading and their significance showed a significant relationship between major and minor strategies in East Azerbaijan SMEs. Based on the confirmatory factor analysis, organizational turnaround strategies were grouped into six major strategies in SMEs in East Azerbaijan. Finally, for the purpose of attaining a conceptual framework for the research, structural-interpretive modeling was used. The results in this section indicate that new management can be considered as a major strategy in the organizational turnaround model. Using new management should be the first strategy for companies that are looking for a proper organizational turnaround. New management brings new thoughts and methods into the company, which the previous managers lacked. The appearance of strategic orientation and commencement of the crisis improvement process in the second level shows that after the new managers take office, there should be an appropriate strategic orientation formed and the crisis improvement process be started instantly. Stopping the crisis and stabilization of the business are considered among the next-level strategies that can be taken as the result of the crisis improvement process. In the second level, there are organizational changes through marketing and increase in sales, quality improvement, improvement of responsiveness and better information and control. Finally, in the first level, financial restructuring, can be the last strategy that is taken into account after the organizational changes are initiated. It is suggested to the industrial and organizational policymakers that the presented model in this research is a new one that they can take into consideration and make use of these levels in organizational turnaround. In addition, we suggest that the researchers test the conceptual model of this research experimentally.

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