Turnaround Strategies Of Indian Companies- Case Study Of A Chennai Meenakshi Multispecialty Hospital Ltd.

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I. Literature Review

A Corporate Turnaround May Be Defined Simply As The Recovery Of A Firm's Economic Performance Following An Existence-Threatening Decline (Pandit, 2000; Walshe Et Al., 2004; Yandava, 2012). Khandwalla (1992) Defines A Corporate Decline As A Persistent Loss Situation, And Turnaround As Equivalent To Reaching At Least A Breakeven From The Loss Situation. Some Researchers Have A Much Wider Perspective On Turnaround Strategies And Describe In General Terms As Any Management Actions That Are Employed For Saving Organisations From Decline (Hofer, 1980; Zeni And Ameer, 2010). In A Similar Vein, It Is Also Suggested That Turnaround Management Is Relevant For All Mature Organisations (Miller And Friesen, 1984; Pascale, 1999), As They Are Likely To Experience Inevitable Decline, As Proposed By The Life Cycle Theory.

Turnaround Researchers Have Identified A Number Of Turnaround Actions And Strategies. There Are Several Ways In Which Researchers Categorize Turnaround Actions Such As Strategic And Operational Actions (Schendel Et Al., 1976; Hofer, 1980), They Could Also Be Understood In Terms Of The Functional Areas Being Addressed By Them And So Could Be Classified Into Human Resources Strategies, Product/Market Strategies, Financial Strategies, Production, Operations And Technology Strategies (Khandwalla, 1992).

Khandwalla, P.N., (2001) Examined 120 Companies Which Were Considered As Successful And Unsuccessful Turnarounds In The Developed And Developing Nations. This Study Gathered Case Studies From These Countries And Was Analyzed Using Qualitative And Quantitative Techniques. The Study Identified Around 10 Turnaround Events Which Might Be Used In Public And Private Sector Turnarounds. Of Which The Strategies That May Perhaps Be Used For Public Sector Turnarounds In Common Were Enhancement Of Operational Efficiency, Excellence, Efficiency And Boost In Revenues. While, In Private Sector Turnarounds The Strategies Centered Around On Tighter Controls On Operation And Spending, Liquidation Of Stocks, Debts, Other Assets, Etc. For Paying Off Debts And Other Financial Mending Actions, Strategic Shifts On Cutting Back Businesses To Areas Of Core Competencies Or Greater Market Segmentation, Or Sharper Competitive Strategy Or Greater Stress On Technological Innovation, Etc.

Ashay B. Desai And John D. Francis (2005) Considered The Concurrent Consequence Of Both Organizational And Environmental Character On Turnaround Result Alongside With A Variety Of Internal Resources And Strategies That Can Facilitate A Company To Recover From Downturn. A Sample Of 97 Companies Of Which 49 Were Turnarounds And 48 Non Turnarounds Companies In The Us Was Considered In The Study. The Outcome Shows That Contextual Factors Such As The Importance And Severity Of Downturn, Company’s Efficiency And The Accessibility Of Slack Resources, And Companies’ Retrenchment Can Decide The Capacity Of Sample Firms To Turnaround. Largely, Factors Under The Control Of Executives Add More To Successful Turnarounds Than Situational Distinctiveness. Thus, The Study Has Provided Supplementary Insight Into The Relative Significance Of Different Determinants Of Turnaround Results.


Unsuccessful Turnarounds Entail Comprehensive Cost Reductions And Cuts, While Successful Rejuvenation Verified Alert Efforts To (A) Rationalize Precise Agenda, (B) Reduce Loss-Making Service Lines, And (C) Associate With Close By Rivals Or Association Partners To In Cooperation Recommend Particular Services Or Other Aimed Incomes To Lessen Costs In Particular Areas. The Fewer Thriving Hospitals Usually Declared Their Strategies As Wide-Ranging Cutback Or Alert On Organization-Wide Operating Efficiencies. Supply Chain Expense Lessening Were The Principal Target In Unsuccessful Turnarounds, As Were Efforts To Act In Response Throughout Economic Reorganization Only.


- Business Restructuring And Strategic Shift In Business Focus
- Product Market Refocusing Actions
- Sales Push
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- Action To Raise Operational Excellence In Productivity, Quality And Efficiency Tighter Controls And Financial Mending Actions
- Cost Shedding
- Management Overhaul: Top Management And Top Executive Level Changes
- Employee Empowerment
- Transformational Changes In Organization

In This Research Paper, The Researcher Has Identified Case Base On Pradeep Khandwalla Model And Has Analyzed The Case With Help Of Turnaround Strategies.

II. Research Methodology:


Case Study
Chennai Meenakshi Multispecialty Hospital Ltd.

Turnaround By Management

Period Of Loss: 2009-2012
Period Of Turnaround: 2012-2014

Introduction Of A Company

Chennai Meenakshi Multispecialty Hospitality Was Incorporated In 1990 With 100 Beds Formerly Known As Devaki Hospital. Currently, The Hospital Has An Infrastructure Comprising Of 105 Beds, Including Intensive Care Unit Facility. The Company Provides Following Services:

- Cardiologist
- Cosmetic And Plastic Surgeon
- Diabetologist
- Diabetologist And Endocrinologist
- Dermatologist
- Dentist
- Ent
- Gastro Surgeon
- General Surgeon
- Gynecologist
- General Medicine
- Vascular Surgeon
- Minimal Access General And Metabolic Tumours Surgeon
- Neurologist
- Neuro Surgeon
- Orthopedics
- Pediatrician
- Pediatrician And Gastro Enologist
- Ophthalmology

These Services Are Provided By Experienced, Talented And Specialist Doctors And Experienced Support Staff. The Hospital Is Currently Well Equipped With Latest Medical Technology And Equipment. The Hospital Currently Employs 249 Employees.

Reason For Decline:
1. Foreign Direct Investment In Health Care Cause Immense Threat For Local Player
2. Government Introduced Various Healthcare Schemes For Below The Poverty Line People, Which Directly Impacts Profitability
3. Lack Of Poor Medical Infrastructure And Obsolete Medical Equipment
4. Insufficient Skilled Human Resources Support

It Was Observed That The Company Was Making Losses From Ay 2009. However, The Management Undertook Some Correcting Action To Improved Profitability. The Company Reached The Breakeven Point In Ay 2012.

Turnaround Strategy And Implementation

Comprehensive Turnaround Strategies For Chennai Meenakshi Multispecialty Hospitality Were Worked As Follows:
1. **Change In Management**
The Management Of Company Has Been Taken Over By Mr. A. N. Radhakrishanan From April 2008.

2. **Sales Push**
a) New Management Focused On Aggressive Promotion And Branding. The Company Conducted Multiple Health Awareness Events Jointly With Health Insurance Companies.

b) To Enhance The Turnover, The Company Tied Up With Health Insurance Companies. It Is Observed From Annexure 1,The Company Was Paying Brokerage And Commission To Health Insurance Agent From Ay 2010 Onward.

c) The Hospital Also Focused On Medical Tourism. The Company Concentrated On Medical Tourism From Ay 2009,Annexure 2


e) The Company Taken Help Of External Consultant To Enhance Financial Health Of The Company- From Annexure 1 Researcher Observed That Company Paid Around 6.75 Million Rupees Professional And Legal Fees.


**Performance Of Turnaround Strategy** –
For Calculating Performance Of Turnaround Strategy,Researcher Is Using Pradeep Khandwalla Turnaround Model. Where Performance Of Profit /Lost With Respect To Revenue For Company Is As Follow For Ay- 2009-Ay 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (B)</td>
<td>29.58</td>
<td>104.48</td>
<td>126.45</td>
<td>148.94</td>
<td>160.93</td>
<td>178.93</td>
</tr>
<tr>
<td>Profit/Loss (A)</td>
<td>(31.46)</td>
<td>(52.10)</td>
<td>(8.01)</td>
<td>0.70</td>
<td>6.87</td>
<td>4.46</td>
</tr>
<tr>
<td>A/B (%)</td>
<td>-106.35</td>
<td>-49.86</td>
<td>-6.33</td>
<td>0.46</td>
<td>4.2</td>
<td>2.49</td>
</tr>
</tbody>
</table>

From Above Data It Is Obvious That The Turnaround Was Complete As There Were At Least Two Years Of Profitable Operations Beyond The Last Loss Year Of Ay 2011. However, In Ay 2009 The Company Faced Significant Losses Of 106.35 Percent. Ay 2012 Was The Breakeven Year. In Ay 2013 Profitability Was 4.2 PercentSo This Was Taken As Top Turnaround Performance Year, The Difference Between The Profitability Of The Turnaround Performance Year 2013 And The Worst Loss Year 2009 Was 110.55percentage Points. This Difference Was Labeled As Turnaround Rally. The Number Of Years The Turnaround Took Was Five Years (2009-2013). Thus, The Annualized Turnaround Performance Or Rate Of Rally Was 22.11percentage Points. This Indicates That The Company Planned And Implemented Strategy Well.

**Learning From Case:**
The Turnaround Was Triggered By The Change In Management. Focused On Marketing Activities And Tie Up With Key Stakeholders Helped The Company To Enhance Revenue. The Company Also Concentrated On Improving Human Capital By Recruiting Qualified Professional. This Helped The Company To Focus On Medical Tourism And Take Benefits Of Rising Healthcare Awareness. All The Above Strategies Resulted Into Profitable Revenue Growth For The Company.

**III. Conclusion:**

Over The Last Few Years On Account Of Volatile Business Environment There Has Been Continuous Pressure For Growth. Most Companies Have Both Expanded Their Product Lines Significantly And Indulged In
What Appears To Be Ever-Promotional Activity In An Effort To Stimulate Customer Interest And Gain Share. Other Companies Are Dabbling In Technology Or Similar Big-Ticket Expenditures For Ensuring Smooth And Revenue Generating Operations. All This Has Resulted In Enhanced Pressure On Companies In Maintaining Profitable Business Operations. In This Vuca World We Must Identify And Implement Turnaround Strategies Is Crucial For Companies. This Research Paper Tries To Showcase Importance Of Management Role In Successful Turnaround. Cause Of Decline Performance Of Companies Can Be Internal Or External But Identify And Implement Right Strategy Is Success Story Of The Company.

Reference:


