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Turnaround and Sustainability in Economic Crisis: The Case of NEXT PLC

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Abstract

Purpose- against a background of continued weak economic conditions and with many firms experiencing declining financial performance, this paper presents a synthesis of the business turnaround literature and combines with analysis case –NEXT plc. It purposes to discus the turnaround strategies can keep the declining firm sustainability recovery, during the economic cycle.

Design/methodology/approach- the turnaround strategy for sustainability recovery are examined by a case study of NEXT PLC which largest clothing retailer in UK. The outcome combines with previous literature to analysis.

Findings- the results indicate that financial control, efficiency operation, focus on core activities and valid top management team can contribute the company to sustainability turnaround. And the financial restructuring can accelerate the turnaround to success.

Originality/value- this paper provide the situation that the declining firm can implement the efficiency turnaround strategies to reach sustainability turnaround in the period of economic cycle.

Keywords: turnaround, recovery strategies

Paper type- literature review

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1.0 Introduction

In 2008, the large numerous company encounter the economic crisis with tough trading circumstances. The disease of firm show signs of performance declining and financial trouble. The serious external and internal environment forced the declining firm to consider improving their performance in the downturn and turn around to benefit from economic upturn. Then, most of the firms have already experienced four years to recover from the poor performance. However, some firms achieve a successful turnaround while other firms cannot be free from financial troubles, even being kicked out of market. Therefore, it is important to understand how firms turnaround from poor performance in the midst of economic crisis.

It is currently a heavily-researched area. There are substantive studies devoted to identifying successful turnaround strategies, often by comparing the strategies adopted by successful firms with strategies of those unsuccessful ones. (Hambrick and Schecter,1983 Hofer, 1980; O'Neill,1986; Schendel and Patton, 1976; Thietart, 1988). Besides, other studies focus on analysis of the process of turnaround (Bibeault, 1982; Grinyer and Spender, 1979; Pearce and Robbins, 1993; Pearce and Robbins, 1992; Slatter, 1984). In addition, a few articles (Barker and Duhaime, 1997; Pearce and Robbins, 1993) categorized the cause of decline into two types: firm-based versus industry-based, by distinguishing the context specific to different turnaround strategies. Currently, the economic condition can be perquisite in people's mind that focuses on the cause of a firm's performance declines. However, the firm can bankrupt during economic crisis which may accelerate industry-based decline and trigger poor management and falling profits.

This objective of this report investigates which strategies can efficiently promote sustainable recovery of declining firms during economic crisis. By this volume of research, preparing to complete this topic, we found a number of aims requiring to be achieved. (1) The cause of decline can primarily require to concern about the problem, depending on the criterion to select of turnaround strategies; (2) usually, the declining firm experiences the two stages of retrenchment and recovery, and the distinction in the different stage. Depending on the characterized of stage, the declining firm adopt strategies can affect the quality of turnaround. The appropriate recovery strategy is crucial to achieve the sustainable recovery. (3) Although the selection of right strategy is vital, there is probability that the correct turnaround strategy invalid implementation lead to unsuccessful turnaround.

The methodology of report adopts the temporary case to illusion and analysis in order to explore the sustainable turnaround in period of economic cycle. Having been the victims of the financial crisis, the Next plc plc is puzzled by the range of issue including tough customer environment, inflation and weak sterling. The profit and sale of Next plc sharply drop, so the senior management decide to turnaround to stem performance decline and, furthermore, to seek recovery strategy maintaining long-term development.

We plan to establish the structure of this paper composed with four parts discussing and analysis. In the first part, by review the literature, highlight the element related to the aspect of the cause of declining, the process of turnaround and synthetic unsuccessful situation. Methodology, in the second part, interprets the standard of choice case, regulates the range of data source and set the critical analysis data. Moreover, illustration of Next plc historical development process to studying the application of

these strategies in the current economic environment. Furthermore, the discussion and conclusion emphasizes the case study highlight the areas or the existing knowledge on the business turnaround remains limited.

2.0 Literature review

2.1.0 The cause of decline

Based on the characteristics of turnaround, the cause of decline can be distinguished the industry-based and firm-based to trigger the change. (Bibeault,1983; Slatter,1984; O'Neill,1986). The economic cycle as dominant reason links to the demand declines. Economic crisis come in many forms, including slackening overall demand, devaluation of currencies, international monetary crisis, interest rate hikes and credit squeezed (Bibeault, 1982). The firm needs to overcome the existing external factors at the start of a recessionary period; meanwhile, it is in tough circumstances, and has struggled with disposing recession accompany with factors such as a lack of financial control, a weak competitive position, and a financial policy of high gearing (Slatter,1984). Hence, global financial crisis not just bring the issue of soft market, but and around the internal corporate operation (e.g. increase of input cost).

Other type of industry- based decline is likely to be due to competitive change, which come form several areas in the competitive domain. (1) The original market share can be eroded or the direct or indirect competitors. (2) The shifting habit of customer seeking improved product and services cause decline. (3) Supplier arrangements might lead slowdown. (4) Because of the lower –priced material or goods hitting market, many firms suffer lowered selling prices during their downturn phase in order to ward off the lower-priced competitor. (O'Neill, 1986).

Administrative factors can rank among the firm-based causes of decline. These administrative components involve such issues as poor management, high labor costs, and excessive restriction on management's ability to command resources, as well as inefficient or ineffective use of key professional groups. Regardless of human factors within the firm, such a firm inadequately relates to its structure and system. A combination of management and structure/system factors are the causes of firm-based declines. However, it also affects the firm performance when the external cause performance decline. Sattler (1984) found when decision-making quality is low; the firm is more susceptible to crisis. It is less able to cope with a crisis induced be the outside environment and is more likely to generate a crisis internally as the result of operation inefficiencies, conservative financial policy.

2.2.0 Stage in the turnaround process

A large number of researches demonstrate the contingency model is the dominant proposition that accomplishing organizational turnaround need to experience two stage: retrenchment and recovery (Arogyaswamy, 1995, Robbins and Pearce, 1992, Balgobin & Pandit, 2001). Some article support the viewpoint of multistage approach that divides the turnaround process into five overlapping but distinct stages: the evaluate stage, planning strategies in turnaround situations, the emergency stage, stabilization stage and the return-to-growth stage (Bilbeault, 1982,Goodman, 1982; Slatter, 1984). Thus, the declining firm plans the turnaround stage: retrenchment leading to stabilization followed by a return to growth (recovery).

2.2.1. The first stage: retrenchment

Many researchers document that for firms facing declining financial performance, key to successful turnaround initially rests in the effective and efficient management of the retrenchment activities (Bibeault, 1982; Hall, 1980). Otherwise, as economic decline dimishes the firm's resource slack, the retrenchment helps to reserve that remains. Consequently,(Pearce & Robbins, 1993) the existing turnaround process research suggests that retrenchment is to stabilize the financial condition and to be the first step in a turnaround management (Bibeault, 1982; Finkin, 1987; Pearce and Robbins, 1993, Slatter, 1984). Some researchers conclude that the stagnating firm always entails strict cost, complying with segment the business that have the most likely prospects of good margins, to stabilize operation and restore the profit. The classic retrenchment encompassed activities: cutback in costs and reduction in assets invested is a necessary strategy for a firm to recover from decline (Pearce & Robbins, 1993).

2.2.2. The second stage: recovery

The objective of recovery is to ensure long-term profitability and growth. Recovery plays the role of respond to the cause of decline in the process of turnaround Recovery activities refer to strategic changes that redefine the product and market position for sustained growth and profitability (Barker and Duhaime, 1997). The action of recovery involves focus on the new products or markets and increased market share for achieving revenue generation and investment in the replacement of asset and cost reduction. (Robbins and Pearce, 1992)

Recovery plays the role of respond to the cause of decline in the process of turnaround. (Bibeault, 1982; Hofer, 1980) Recovery activities refer to strategic changes that redefine the product and market position for sustained growth and profitability (Barker and Duhaime, 1997).

Retrenchment and recovery can be regarded as either integral or separate steps. Regardless of the short-term strategy, retrenchment as the dominant step of turnaround cannot be ignored, because it stabilizes reserves and generates the second phase of turnaround: recovery. In the recovery stage, financial improvement depends on the systematic investments.

Between these two stages, Bibeault (1982) envisioned a decision-making point that the performance stops decline. At this point, the declining firm must decide the mode it will pursue to recovery. The firm may insist on a retrenchment-reduced form to pursue profitability through an unaltered strategy with reduced resource commitments and an emphasis on new growth. In contrast, it may shift to a return-to-growth stage. The former situation has led past researchers to call the entire turnaround an “operating” or “efficiency” turnaround. Under the latter circumstance, the effort has been defined as a ‘strategic’ or ‘entrepreneurial’ turnaround. The demarcation of turnaround is possible between the entrepreneurial, return-to-growth recovery strategies and the efficiency/operating recovery strategies. The authors successfully found support for their theory: operating problem (e.g., production bottlenecks, labor strike) leading to decline adopt the corresponding operating recipe (e.g., new cost controls, plant modernization) to cure, whereas strategic problem (e.g., obsolete products, intense price competition) as the dominant factor to affect performance can be cured by the strategic method (e.g., new products redefining the business)

2.3.0 Efficiency Orientation

Declining firms may also experience the plights of excess costs or assets

that further threaten the viability of the firm. Many researchers have pointed out that poor internal control—the cause of inefficiency—is destined to result in decline inefficiencies can weaken the competitive power of declining firm on the part of consuming excessive gross margin if the firm lies in relative price-incentive markets (Slatter, 1984). Further, long periods of extended unpredictability lead to a reduction or loss of stake holders' support, eventually ending up with firm failure.

Hambrick and Schecter (1983), Robbins and Pearce (1992) and Chowdhury and Land (1996) all research that efficiency-oriented strategy has the close relationship with successful turnaround. Then, Robbins and Pearce (1992) investigate the relationship of cause of decline and efficiency. He found that the firm that attributed causality to the external causes were less likely to adopt the efficiency strategy, compared with internal caused. However, regardless of the causes of the downturn, turnaround performance was closely associated with retrenchment. That is to say, it is essential for any successful turnaround that the aggressive efficiency strategy can rapidly reduce operational costs, in spite of the cause of their turnaround situation. As Arogyaswamy and Yasai-Ardekani (1997) found that cutback for increase efficiency play important role of successful turnarounds

Then, retrenchment not always meets the demand from turnaround. Some researchers survey that declining firms often confront with more complexity problems than just inefficiency, such as having dysfunctional decision-making processes (D'Aunno and Sutton, 1992), deteriorating internal firm climate (Krantz,1985), and reduced support from key external stakeholders(Glison, 1990; Sutton, 1990; Sutton and Callanhan, 1987). Because cost and asset reduction is insufficient ability to solve other problems, or the retrenchment as a long initial response to decline is

unlikely to be the genesis of a turnaround. Furthermore, Barker and Mone (1994) argues that, regardless of improvement efficiency, only emphasized on cutback activities to decrease cost or asset and continuous do this way to lead the performance decline once again and further reduce a firm's chances of recovering.

2.3.1. Cost reduction

Hambrick and Schecter offered a strong endorsement of efficiency turnaround strategies. They concluded that successful turnarounds, to some extent, were often a result of efficiency strategies more than product-market changes or market share increases

Cost efficiencies is nature of "belt-tightening" or "fire-fighting". It is the aim of producing "quick-wins" in order to either stabilizes finance in the short term until more complex strategies are devised, or to quickly improve cash flow (Richard, Nardine & Cliff, 2013). Cost retrenchment emphasizes more efficient utilization of critical and restricts investment in research and development, in order to quickly ease the financial crisis.(Anderson & Zeithaml, 1984; Hambrick, MacMillan & Day, 1982) Hofer points out this action produce results more quickly than revenue generating and asset reduction. A cost-cutting strategy in the literature composes reducing R&D, collecting and reducing accounts receivable, cutting employees, reducing marketing activity and eliminating pay increases (Hambrick and Schecter, 1983; Hofer, 1980; O'Neill, 1986; Stopford and Baden-Fuller, 1990; Sudarsanam and Lai, 2001).

Some studies have pointed out that over-pursuit of cost reduction regardless of efficiency probably incurs some risks. Some authors noted that some firms reckoned on solely cutting employees or wages to save expenditures. Then, this reduction can affect employees' morale and

commitment, resulting in increased staff turnover (Barker and Mone, 1994). Other caution that cost cutting activity should be halted after a suitable length of time, so as not to damage assets or resources needed to maintain the core focus of the firm (Sudarsanam and Lai, 2001). Hence, if cutbacks ignore efficiency improvement and in turn pursue large decreases in costs that are unlikely to be major contributors to turnaround, the cutbacks may weaken the firm for the future. This may result in a firm moving into an ever-tightening vicious cycle of cutbacks leading to lower sales, followed by increased cutbacks. Furthermore, in this cycle, increased cutbacks will lead to performance decreases once again.

2.3.2. Asset reduction

Asset retrenchment is the major object of reducing underperforming assets, a firm can halt its downward slide and hopefully improve performance (DeWitt, 1993; Hoskisson & Johnson, 1992).

Operating assets reduction refers to the impact of sale of asset by poorly performing firm (e.g., property, plant, and equipment) and reduction in short-term assets (e.g., inventory and debtor).This is driven by the need to enhance the efficiency of the firm's current operations through improved asset utilization at the operating level. (Bibeault, 1982; Hofer, 1980, Patton and Riggs, 1976). Some studies indicate that asset retrenchment was accompanying with cost retrenchment when many firms cost retrenchment alone was insufficient to achieve turnaround. (Robbins and Pearce,1992). When firms encounter turnaround situations, two factors seem to influence the decision of whether to retrench: the relative size of the firm and the severity of its turnaround situation. Consistent with earlier researchers (Schendel, Patton, and Riggs 1975; Bibeault 1982), firm that encountered gradual decline did not asset retrench, or selected cost retench. When it encountered precipitous decline, the firm

were more likely to pursuer asset retrenchment than cost retrenchment. (Robbin & Pearce,1992)

2.3.3. Asset divestment

Where the firm is in severe distress and where strategic health is weak, asset reduction is deemed imperative for turnaround (Hofer, 1980; Robbins & Pearce , 1993).as the firm cuts out product lines, customers or the whole areas of business, assets are liquidated or divested. Divestment of assets enhances performances that more effectively bundle and leverage existing resources, or new resources obtained by an acquisition (Morrow, Sirmon, Hitt and Holcomb, 2007). A specific asset reduction strategy is likely to have a more rapid and dramatic impact on the firm’s cash-flow position. Divestment may be used as a means both to generate cash flow and to restraining cash outflow resulting from server operating loss. Then, the sale of asset exist the risk. Resources in the mature industries are more valuable if they can be sold to other firms in the industry, which should lead to accelerate recession (Morrow, Johnson & Busenitz, 2004). In fact, otherwise, in the context of economic cycle, the poor firm resorts to “fire sales” to rapidly divest asset in face with other company reducing acquirement. Fire sales generally result in losses from the sale of the assets and drive firm performance lower. Hence, divestment of subsidiaries or business units is one of the most common recovery strategy employed by small business sectors (Slatter, 1984; Hofer, 1980).

Inventory mismanagement us a common characteristic of troubled company or division. Inventory is a typical operation area that can be substantially improved. Inventory ties up much of the capital of a business and can also form the basis for a number of significant costs: interest costs, costs of floor space to store it, and costs of obsolescence and

product degradation. Raw materials inventories are often found to be excessive. Emphasis on improving the purchasing function should aim at faster delivery, which decreases the size of needed buffer stocks. Operation must be forced to work with lower lead times, relying on the supplier of the material to make it quickly available. (Finkin, 1985)

2.3.4. Asset restructuring

Grinyer, Mayes, and McKiernan's survey of firms determined that the nature of restructuring is different from asset retrenchment aimed at a longer-term competitive position. Usually, restructuring is conjunction with a reduction strategy used to reduce unit cost and to promote organic growth. Restructuring includes the following actions: converting the firm into self-contained strategic business units; divesting lines of business, acquiring companies that relate to and strengthen the core; discontinuing unpromising products; and forming strategic alliances, joint ventures, and licensing agreements. Particularly, asset restructuring involves asset divestment, and investment refers to the major reconfiguration of the firm's assets.

The object of investment is to lower costs and to increase differentiation simultaneously. It is not based on the idea that there is a single route to salvation, as in building greater scale. The investments can be regarded as providing the firm with broad options for future growth. Asset investment covers business- and corporate-level investment and comprises both reducing internal capital expenditures through the replacement of worn-out or obsolete plants and equipment and promoting growth via acquisitions.

Capital expenditures are often designed to achieve efficiency and productivity improvement. Such expenditures complement rather than conflict with the efficiency-driven operational restructuring described earlier. The firm decides to create a multiplicity of new advantages to

regain lost ground and dominate its chosen territory against clever opposition. For example, the firm achieves economy of scale by expanding its output. Because this involves cash outflow, a firm in decline can only undertake such capital expenditures as can ensure its survival, and promoting capital expenditures may be a critical component of a firm's turnaround strategy. (Sudarsanam and Lai, 2001)

2.3.5. Acquisition

Acquisition can be conductive to firms own sustained competitive advantage(Barney,1991; Hitt, Harrison & Ireland, 1998). It is less likely to be valuable or difficult-to-imitate by competitors (Barney, 1991; Barney,1991; Hitt, Harrison & Ireland, 1998;Morrow, Sirmon, Hitt and Holcomb, 2007). Turnaround firms engaged in acquisitions to improve the performance of their business, which may accrue from value creation from efficient resource management (Morrow, Sirmon, Hitt and Holcomb, 2007). The firm resource can be described as tangible (e.g., assets, capabilities) and intangible (e.g. firm attributes, information, brand,), tied semi-permanently to the firm. In the difficult time, the grim challenge is scarce internal resource (Wernerfelt, 1984). The diversification of acquirement does not necessarily mean new product-market areas totally unrelated or only marginally related to the firm's existing business (Morrow, Sirmon, Hitt and Holcomb, 2007). The acquisition can recombine existing resource to growth. For example, firms with significant free cash flows may see to invest them by acquiring businesses to derive greater returns. Investing free cash flows in this way, as opposed to holding them, may also demotivation future takeover attempts (Barney,1991; Hitt, Harrison & Ireland, 1998). Many researchers concluded that firm may use an acquisition to combine with resources from acquired firm to make its core competence less imitable (Harrison, Hitt, Hoskisson and Ireland, 1991). In the same vein, the significant is increasing the scope of a firm's

capabilities The firm growth via acquirement can increase the economies of scales or scope and its bargaining power with buyer or supplier to enhance the firm's competitive advantage. (Slatter, 1984). However, increasing the economic scope requires new resources support. It is main reason that the existing resources not be satisfaction with produce recovery needed. Hence, acquisition is the way of obtaining substantial new resources. the new resource contribute the firms change their mix of resources to develop new opportunity.

2.3.6. Stakeholder

Organizational effective relays on the continued participation of stakeholder support (Pfeffer and Slancik,1978), particular the stakeholder involving banks, suppliers, customers and employees(Lai and Sudarsanam,1997). Hence, maintain of the good relationships with the stakeholder become significant, because of providing the sources to firm survival. However, the special period of the firm performance decline often tarnishes the image of the firm and leads to deteriorate the relationship with external stakeholders (Sutton, 1990).

Recent large sample studies have shown that external stakeholders may change the nature of their interaction with a troubled firm by disengaging to protect their own self-interests. The negative image and relationship with external stakeholder can threaten the firm survival, leading to further deterioration, increasing costs or reducing staff motivation in combating the decline. For example, when the revenue reduces, the customers or their agents can estrange their relationships with the declining firm due to the fear that products or services will not be delivered as scheduled..

Loss of the stakeholder support can set off a vicious spiral. When performance begins to decline, the firm and stakeholder relations can

possible are estranged, at the result of the negative performance to imply the reduction of stakeholder support (Sutton, 1990). Then, withdrawal of stakeholder support from a declining firm can lead to further performance reductions; with can in turn lead to more erosion of stakeholder support.

Hence, the excellent relation ship with external stakeholder seems to be crucial for recovery to success (Lai and Sudarsanam, 1997). A lot of research document loss of stakeholder that declining organizations have probability to adopt stakeholder management strategies (Slatter, 1984 197, Arogyaswamy,1995). Chaffee (1984) found the strategy favorably change can impress the external stakeholders and firm win or at least maintain their support. External stakeholder support can help raise external resource to fund other strategies. Similarly, several articles support the opinion of effectively re-establishing and communication the credibility of declining firm to aim at the strengthened the relationship. (Hambrick, 1985; Slatter, 1984). Successful impression management enable individual stakeholders perceive the benefits from continuing participation with the firm as opposed to the potent costs if the firm fails. On the other scenario, when the declining firm' managers cannot positively affect the potential cost if the external stakeholders, the power of turnaround control can transfer to from declining firm to the powerful stakeholder to take control of the declining firm (Gopinath, 1991)

2.3.7. Cash flow

The generation of positive cash flow is an essential prerequisite of successful recovery. Based on the statistics, successful turnaround companies have larger cash increases than non-turnaround during the recovery phase. (Schendel and Patton,1976.)Cash flow improvements resorted to similar actions: innovation, productivity enhancement, asset reduction, and better cost control through greater decentralization of basic

supplies purchase. Some authors have emphasized asset sales and equity issues as the main methods of generating cash flow (Lai and Sudarsanam, 1997). Filatotchev and Toms (2006) highlight that the firm' ability of dispose cash flow is the usefulness of asset retrenchment as a component of a turnaround strategy

Maintaining to continuously generate positive cash flow employs efficient operations and effectives marketing. High level of operations and marketing can contribute buyer to be convinced that their products and services are superior to and of greater value than the offerings of other providers. It is critical of controlling cost to make provisions to eliminate waste and reduce the cost. The efficiency operation can not erode the long-term firm interest. (Hippotential,2012). Ofek (1993) regards that in short term cash inflow meet the firm's financial commitments may be necessary to alleviate financial distress and avoid default on them. Then, some article shows that the cash flow are nature of a fire fighting whereas others are of a longer term strategic nature with no immediate cash flow implications.(Balgobin & Pandit,2001; Thietart, 1988). There is the risk that asset sales or equity issue will compromise future strategic options, while conversely they may be a necessity to generate cash and reduce losses. (Richard, Nardine & Cliff, 2013). However, the implementation of debt and equity are not appropriate for any situation. When the declining firm suffers the depression of whole industry or economy, asset sales and divestments may not raise as much cash as otherwise (Shleifer and Vishny, 1992).

2.4.0 Efficiency Management

2.4.1. Top Management Team

Management strategies are those actions which refer to a switch in chief executives, the formation of new top management teams, and the

building of morale among employees (O'Neill, 1986)

A precondition for almost all successful turnarounds quotes the replacement of the current top management of the business (Bibeault 1982; Hofer, 1980; Schendel, Patton & Riggs, 1976; Slatter, 1984).

The literature reveals two predominant reasons: primarily, changing the new management team sends a signal to bankers, investors and employees that something positive is being done to improve the firm's performance. (Slatter, 1984). The poof performance as the signal of confusion internal management make the customer lost the credibility for the management. (O'Neill, 1986). Secondly, the current management has such a strong set of beliefs about how to run the business in question, many of which must be wrong for solving the current problems arising in the first place, that the only way to get a more accurate view of the situation is to introduce a new top management team. (Hofer, 1980)

There is, of course, no law written in stone that the firm's existing current top management team cannot supervise a successful turnaround. Not all turnarounds require a change in top management. A few are accomplished by the incumbent management. The survival of the existing management will depend on a number of factors, e.g. the cause of the decline (some declines occur because of unpredictable and unmanageable external events) and the composition of board membership (O'Neill, 1986). Similarly, Slatter and Lovett, (1999) made a number of presentations based on the idea that what separated successful businesses from failed businesses were two key features—management and luck. Poor and good management team experience the same consequence in which condition that manager suffer from economic cycle economic, whereas, good management team have ability to ameliorate

their difficult position. There is also some evidence that the relationship between turnaround and management tenure may be affected by variables such as industrial differences. (O'Neill, 1986)

The growth of the firm is limited only in the long run by its internal management resources (Penrose, 1990). Total managerial services that a firm requires at that critical point are partially constrained by the necessity to run the firm at its current size. Although new managerial recruits increase the growth potential of a firm, training new managers and their integration into work force occupies the time and effort of existing managers, thus temporarily reducing the managerial services available for expansion. (Rasheed , 2005).

2.4.2. Leadership change

Previous research has found mixed results as to the importance of leadership change in turning around an organization. Some of the early authors in the field argued the importance of replacing leadership (Bibeault, 1981; Hofer, 1980). Bibeault (1982) corroborated the conclusion that more than 70 percent of firms opted to replace top executives: either management could not cope with the problem effectively or they were themselves the problem. The incumbent may be hesitant to alter existing strategies because they either want to maintain the existing balance of power within their firm or they wish to reduce uncertainty concerning alternative strategies. Hence, these top managers usually maintained the present strategy to respond to the current situation when the environment of the company revealed the requirement of a turnaround.

These complexities of factors restricted managers from grasping and manipulating adequate information to make correct strategic decisions

(Kesner and Dalton, 1994). Therefore, managers may not be aware of the need for change in the face of crisis or may choose not to act. Barker (1996) indicated that individual bias and psychological elements of self-esteem and self-serving actions could impact the top managers' determinations. Furthermore, managers are often restrained due to various past precedents, commitments, and informal arrangements that impede the potential flexibility of their decisions.

Conversely, new top managers may be less disturbed by internal factors. New leaders often acted swiftly to design new strategies for the struggling firm because they lacked personal commitments to the previous firm policies and practices (Tushman & Romanelli, 1985). Additionally, these times of change are opportunities for manager who can raise the collective aspiration of organizational members and gain the employees' moral and commitment to strive for higher performance (Grinyer & McKiernan, 1992). New managers brought in from outside the company often brought new philosophies and world views to deal better with the psychological, sociological, and structural problems of the organization (Kesner and Dalton, 1994).

Some of the generic turnaround strategies provided a different viewpoint in regard to the replacement of a firm's chief executive. Sometimes the new leaders provided new strategies that could not promote long-term development. In some cases, the design of the new strategies only applied in the circumstances of financial distress. In others, the new management team failed to provide an efficient strategy to maintain the firm's sustainable development. Moreover, the new executive may only have successful experience in the industry but not in managing a turnaround situation. Therefore, Slatter (1984) regarded the turnaround managers as only competent in operating in the early phases of recovery,

but not in the later phases when the emphasis should be on building the organization for the long term.

A limited number of prior turnaround studies have distinguished between performance declines caused by industry-wide or economic cycle and decline caused by firm-specific factors. These studies argue that the precise cause of decline has implications on the selection of appropriate turnaround strategies. In the situation of industry-based decline, cost cut-back may be all that is required until demand picks up (Barker & Duhaime, 1997), or in case of a fundamental shift in consumer tastes, new market opportunities may need to be sought (Pearce & Robbins, 1993). Similarly, the replacement of CEO and top management team brings negative effects as well, not causing internal disruptions, but also risking loss of the existing management team's understanding of the firm's competencies and customers. The latter could be vital to a more cost conscious execution of the firm's existing strategy, which may be all that is required to ride out temporary industry downturn. Meanwhile, Outsider successors may have the mandate to change the direction of the firm. but the lack of firm-specific knowledge and the resistance of the remaining TMT members put outsiders at a disadvantage as Sgen and Cannella (2002) find a strong negative impact of outsider succession on post-succession operational performance.

2.5.0 Focus on core activities.

Slattle and Hambrick and Schecter indicate market share or market position in core business is key factor in successful turnaround. The strong market position depend upon a focus on product lines for which the firm is best known, customer segments are particularly loyal or less price sensitive, and areas where the firm has distinct competitive strength (Hambrick and Schecter; 1983; Sudarsnam and Lai, 2001).

Strong marketing position allows the firm to develop a clear competitive strategy in its chosen core activities. The Grinyer et al (1990) studies found that this was frequently achieved through an increase on marketing, employing initiatives to improve understanding on customers, building closer customer relationships, increasing the number of marketing channels, optimizing after-sales services and employing cost-effective advertising.

However, firms may suffer declining performance for different reasons that directly affect the strategy orientation, varying along with the change of competitive position in the industry. Hofer thought most strategically weak companies had major issues concentrating on the technological, production, or financial positions but not in their market positions. Hence, he suggested three options to improve market share. Most companies tend to choose funding heavily on investment or marketing segmentation and niche hunting to increase share position. However, segmentation usually provides little or no opportunity for eventually seizing leadership in the industry involved, unless the segments selected for the new focus grow substantially.

Arogyaswamy et al. (1995) distinguished between industry-contraction-based decline and firm-based decline. If a firm-based decline occurred, they believed it required redefining the firm's sources of competitive advantage. In several cases, the redefinition served as a means of providing information to the firm's employees and other stakeholders such as banks or suppliers. In contrast, if a firm was in an environment characterized by a temporary economic downturn, then scaling back the number of activities it was involved in could be all that was needed to survive the conditions. Here the authors advocated contracting back to

serve the customers who were the firm's most valuable resources.

Some articles suggest that recovery strategies that do not attempt to change a firm's strategic orientation in a fundamental manner will likely be most effective. In a contracting industry, all firms compete for the same but reduced resource base, and therefore, the firm with the highest efficiency at utilizing these limited resources is most likely to survive (Zammuto and Cameron, 1985). Declining firm did not lose the competitive positions. In the period of cycle decline, managers will focus on change, based on existing strategy, which attempt to hold and strengthen the firm's historic position until the temporary contraction ends (O'Neill, 1986). Put in another way, the firm maximizes its chance of recovery through exclusively serving the needs of the core customers, so as to "strengthen or expand" upon any favorability in the firm's present position in comparison to its competitors.

2.6.0 Sustainability recovery and unsuccessful turnaround

2.6.1. Sustainability recovery

Not all crisis turnaround situations are recoverable are recoverable. Bibeault (1982) conducted a survey of 81 chief executives who had faced turnaround situations, he found the firm which recovery disaster is likely to fail. Similar, some researchers regard as choice correct turnaround strategy and efficient recovery directly affect the outcome of turnaround. (Hambrick and Schecter, 1983 Chowdhury,2002). Sustainable recovery involves achieve a viable and defensible business strategy, supported by an adequate organization and control structure. (Slatter, 1984) It means that the firm has fully recovered, is making "good" profits and is unlikely

to face another crisis in the foreseeable future. Similarly, a successful recovery takes different form either may involve mere survival with economic performance only just acceptable to the firm's various stakeholders or the recovery may lead to the firm achieving sustainable, superior competitive positions in its chosen areas of activity. (Balgobin and Pandit 2001)

The reason of poor performance stem from the poor management; lack of control, general operating inefficiency or product-market weaknesses in a subsidiary, sustainable recovery is usually feasible. Manager is surgery of function area, such as inventory, manufacture to achieve successful recover by turnaround strategy. Particular, the main reason of decline is caused by the firm having a weak product-market position in its core business area, sustainable recover may be impossible. Sustainable recovery requires the firm to develop sustainable competitive advantage. This is an important concept and is the basis of developing available and defensible business strategy.

There is no absolute measure to evaluate the level of turnaround. In most case, researchers adopt the financial account ration and elapsed time as the assessment criteria.

Usually, researchers can choose financial ratio to evaluate the level of company performance. When firm use turnaround strategy to recovery, financial level subsequently rise, and this case can be defined successful turnaround. The financial level up to above-average profit means that firm implements a recovery strategy and achieves sustainable recovery. At the opposition, the unsuccessful firm recovery for performance, but the level of finance still decrease. (ROBBINS & PEARCE , 1993)

Elapsed time as standard measures the level of performance that a firm must subsequently achieve in order to be classified as a successful

turnaround firm (as opposed to non-turnaround). Schendel et al. (1976) find that performance improvement occurred over an average of 7.7 years with a range from 4 to 16 years. Chowdhury (2002) regards that the length of continuous improvement for successful turnaround is important as this indication for the final delineation of turnaround and non-turnaround. If the time is too short, selected strategies may not produce any improvements in performance and certain potential candidates for turnaround may be pre-maturely categorized as failures. At the same time, he point that excessive time can affect the some short-term strategies, due to be masked by those of long-term strategies deployed later. (Chowdhury, 2002)

A baseline is typically the worst year financially during the downturn.

Increase is higher than industry level

2.6.2. Unsuccessful turnaround

Altman (1983) found the mounting evidence that traditional turnaround efforts result in failure far more often than in success. (Pearce & Robbins, 1993). Declining firm fails to implement successful recovery, when the managers cannot carry out an effective turnaround strategy. some researcher propose that cutback too large and inappropriate or poorly managed cutbacks can lead to fail to enhance the efficiency.(Arogyaswamy,1995) Hambrick and Schecter, (1983) dividends into 4-cluster solution for the 153 businesses whose ROIs are not over 10 percent during the period under study. He lists the four situations to lead to the unsuccessful turnaround, nevertheless, first and second cluster fail to recovery because by few improve efficiency. The first cluster pursued the significant entrepreneurial initiative, but ignores the efficiencies leading to the substantial raise of R&D and marketing expenses. Rather, the second cluster blind to reduce R&D expenditure and achieve the aim of retrenchment asset and cost. .Arogyaswamy shed light the large

number of nonturnaround firm cutback is few improve efficiency. Failure to improve efficiency despite cutbacks is like to be due to inappropriate and unnecessary cutbacks, and poor management of the process of retrenchment, resulting in vicious cycles pulling the firm to ever falling levels of performance, accompanies by increased cutback. Thus the choice of areas to cutback, and management of the process of cutback may be critical in preventing further decline. (K. Arogyaswamy; M. Y. Ardekani, 1997)

Moreover, other some researchers' proposition regard when the firm suffer from decline, top managers often less attention to initiate strategic reorientations, finally leading to unsuccessful turnaround attempts. (Grinyer &Spender, 1979; Hofer, 1980; O'Neill,1986).. Some researcher proposes this pathology stems from misdiagnosis of the sour cues of the firm's decline to lack 'strategic fit' thus leading to turnaround failure (Starbuck & Hedberg, 1978). In either case, there is the relationship with strategic deployment and turnaround. The lack of systematic strategic deployment would accompany a decline.

3.0 Methodology

3.1.0 Case study methodology

The definition of case study is as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context" (Yin, 2003). As a research strategy, a case study focus on perceiving the dynamics present within single settings (Eisenhardt, 1989). Case study is wildly applied in the area that refers to the organizational studies in the social science discipline of sociology, industrial relations, and anthology (Hartley 1994). The good methodology is to examine how and why question (Yin, 1994).

Exploring "how" question is appropriate to adopt the case study to cope with operational links needed to be traced over time rather than mere frequencies or incidence (Yin, 2003). Consequently, particular isolation and a study event in depth is the main characteristics of case study (Leedy & Ormrod 2010). Due to strength in addressing contemporary phenomena in real-life contexts, the case study have dominant that it allows tailor-man design and data collection procedures to the research questions ,and fixed evaluation criterion means a number of selections the need to be addressed in a principled way. Hence, the process of case study consists of detailed investigation of one or more organizations with a view to providing an analysis of the context and processes involved in the phenomenon under study.

The main objective of this report focuses on the firm how to maintain sustainable turnaround in the economic cycle. According to the objective , this report explores which turnaround strategy can propel firm forwards sustainable recovery or lead to failure. The definition of turnaround concerns on the firm that has experienced financial recession over three years and then the accounting profit sustainability improvement by a variety of approach. The financial performance of organization reaches the original level and even surpasses its previous peak. In the same vein, the study of turnaround strategy is required to trace. The formulation of tactics affects firm development. The exploration of strategy in-depth and research the period of the turnaround process is both necessary for the methodology of case study

3.2.0 Choosing cases

The case is defined by Miles and Huberman (1994) as, "a phenomenon of some sort occulting in a bounded context." Ragin & Becker (1992) discussed that a case may be a relatively bounded object or a process; it

contains theoretical, empirical, or both. At a minimum, a case is a phenomenon specific to time and space. Then, the selection of case study considers several factors. The primary question is how cases to include may and the Next plc is decision on the number of analysis unit. The single case study desires to gain more opportunity for the depth and pluralist perspective, depends on the time implication to tracking the case that the number of cases must fairly few. Moreover, multiple case studies are more suitable for provide argument for external validity. Through the above-mentioned study, this report decides to select NEXT PLC plc as the main study sample. The single case can be satisfaction with comparative and longitudinal case study of firm sustainable recovery strategy. It can focus on the strategy how to turn around performance for quite some time.

The logic of case studies compose theoretical sampling, in which the aim is to select cases that are likely to replicate or extend the emergent the emergent theory or fill theoretical categories and provide example for polar types (Eisenhardt, 1989). Hence, the quantitative sampling concerns itself with representatives.

Base on the logic in case study, there are three reasons to select this case for study. First, Next plc were the largest clothing retailer by sales in the United Kingdom, owing a multinational clothing and home products. Second, before 2008, it had maintained good performance, and then it suffered from the impact of the economic crisis. Due to observable decline in financial performance, the company had to turn around to retain its competitive position. Third, the clothing retail industry is one of the first traditional manufacturing industries to face intensifying global competition. Thus, Next plc plc was chosen not only for its prominence and significance, but also for its generalizable common characteristics in a clothing firm.

3.3.0 Data Source

Data collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. Data collection is the process of identifying and selecting one or more objects of measurement, extracting evidence of the value of the relevant variable characteristics from these objects, and recording this evidence.

All data were gathered from archival sources. For collecting the initial dataset, the source has to contain a substantial number of firms and own sufficient details for exploring the reasons behind. Those data for the company is substantial, and publicly available information can be also used to combine details concerning strategy. It comprises external source (e.g., journal articles, web pages, books, newspaper reports) and internal source (e.g., annual reports and company records)

Whilst annual reports provided useful information, there was a need to search much more widely in order to gain a richer detail about the company, to triangulate evidence and to obtain intelligence that those leading organizations may not have been inclined to share. The Next plc plc annual provides a convenient source for analysis, containing the change of the financial performance and executive statement over a substantial period. Generally speaking, financial press, other broadsheets, trade journals, academic journals, business magazines, investment analyst reports, books and web-based publications were all consulted, covering the range of over 570 articles.

3.4.0 Data analysis

An initial consideration for identifying turnarounds set the evaluation standards to measure performance. Financial ratios are easily constructed

from publicly available data, and provide a way of identifying the relationship of accounting result for comparing a single company over a period. Financial ratios help measure the efficiency and profitability of a company based on financial reports. This report selects the ROCE ration to evaluate the level of firm performance. ROCE indicates the efficiency and profitability of a company’s capital investment. The high ROCE interprets that investment can be returned and the larger chunk of profit can bring benefit for shareholders (Investopedia, 2012).

Longitudinal research is carried out over an extended period of time to enable in in-depth exploration and analysis of social phenomena; in particular as these develop or change.

The longitudinal case method can be particularly valuable. One of the most difficult but most significant things we try to identify in research is the relationship between cause and effect. The longer the period over which phenomena are studied, the greater the opportunity to over serve at first hand the sequential relationship of events. This method is characterized by active participation in formulating and observing organizational change. As a result, researchers are able to gain access to rich data denied to other approaches. (Chris Voss, Nikos Tsikriktsis and Mark Frohlich)

The scope of time is vital factor for longitudinal research. For the studies of turnaround, the many studies need to exceed three or four years, in order to obtain the sufficient returns as the qualifying criteria (O’ Neill, 1986; Schendel & Patton, 1976). In the opposite, measuring performance in a short period is possible erroneous in capturing what a well-performing firm without serious performance troubles is. Based on the period research into business turnaround, they differ with regard to the length of the turnaround cycle. Chowdhury and Lang (1996), Hambrick and

Schecter (1983), Pearce and Robbins (1993) and Smith and Gunalan (1996) each used four years respectively. Coincidently, for this study, the turnaround cycle time period in which the decline and recovery occurs will also be four years. A four-year time period should offer sufficient time to observe a successful turnaround.

Hence, this report will depict Next plc turnaround process last five year. Combining with other method of ROCE ratio identify the successful turnaround or nonturnaround. "Success" was defined as a business that ROCE ratio continuously rise at least four years and the end to achieve or exceeded before the crisis. An unsuccessful turnaround was a business which no maintains sustaining improvement over four year or the end not to recovery pervious performance level.

4.0 Case study- NEXT PLC PLC

4.1.0 Company background

Next plc designs, manufactures, and distributes clothing and house wares. Its sales model includes Next plc retail stores and sales catalogs. The core business of Next plc is selling moderately priced clothing for men, women, and children. In 1990, it began brand expansion and franchised in Asia, Europe, and the Middle East. It has around 700 stores, of which 540 are in the UK and Ireland, and around 200 scattered across continental Europe, Asia, and the Middle East.

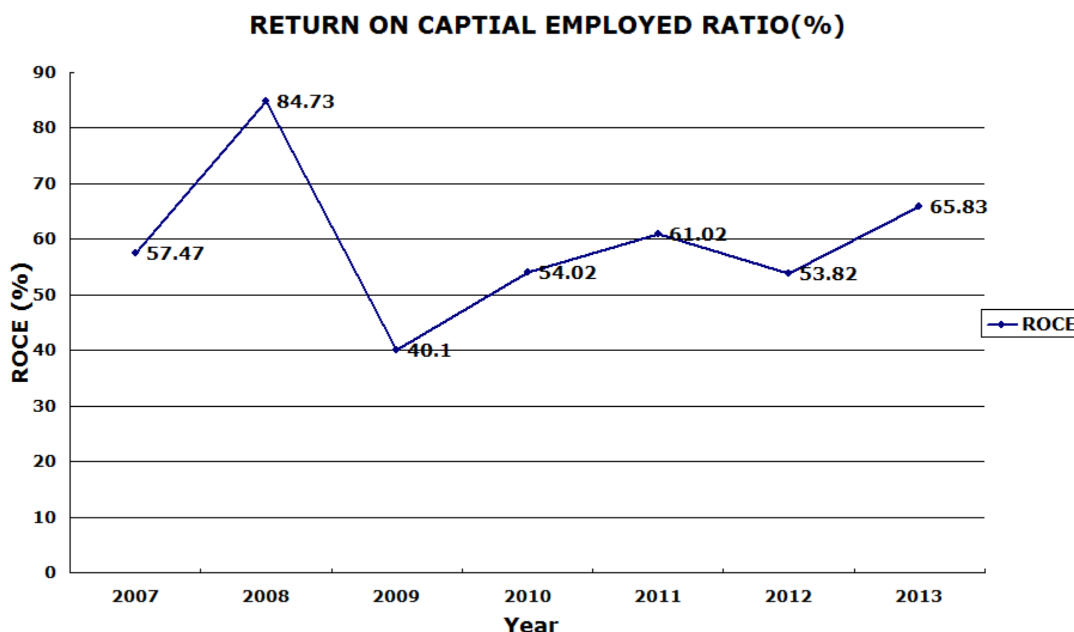
By the early 1990s, Next plc experienced a set of restructuring actions and its profits continuously improved. A new CEO led Next plc through a streamlining operation, bringing the company back to its core clothing and home furnishings sales by the early 1990s. By the end of 2007, profits

rocketed from 2.3m to 498m.

However, by the middle of 2008, Next plc's profitability started to deteriorate rapidly from the impact of the economic crisis. The British fashion retailer posted a 12% fall pre-tax profit in September 2008. Like-for-like full price sales from 353 Next plc retail stores were down by 6%. Then ROCE indication fell over 50% in comparison with early 2008. Next plc took note of the serious performance decline and made a decision to improve its business model. In the mid-2013, the profit already reached 622m in excess of 2007 (Next plc, 2013). (See Table 1)

RETURN ON CAPTIAL EXPOLYED RATIO (%)

	2007	2008	2009	2010	2011	2012	2013
ROCE	57.47	84.73	40.1	54.02	61.02	53.82	65.83



(Source:FAME)

4.2.0 The reason of decline

Three principal causes of decline can be identified.

Economic crisis: Next plc suffered an economic shock in mid-2008. The economic recession brought a series of issues to the firm. The company had to respond to the tight customer conditions. Consumers had to cope with the pressure of unemployment from the economic crisis. Consumer confidence sharply dropped among those who had already lost their jobs or worried about losing their jobs at any time. Moreover, the increased prices of food, fuel, and mortgages weighed heavily on customers. Next plc's type of customer had to deal with families, cars, and mortgages. These customers cut their living expenditures in response to the abrupt price rises. Customers had to squeeze other expenditures to achieve the purpose of expanding their budgets for daily necessities; their consumption of clothing would fall. Next plc suffered steep falls in its underlying sales, which in turn caused a decline in October 2008. (Next plc, 2008b)

In addition, Next plc needed to raise prices as a result of the weakness of the pound sterling. At the beginning of 2008, Simon Wolfson, chief executive, announced that the firm would not reduce prices to tempt more customers into the store. He said, "we will come out of this downturn at some point and at that point the brand has to be intact." Because the company paid dollars for some three-quarters of its merchandise, the group had to make a decision to raise their prices about 10 percent to offset the weak pound sterling. The increase of prices was a new pressure for the original customers' tight household expenses, leading to a declining number of shoppers. Retailers would not find it easy to pass on higher prices.Consumers have tightened their spending to struggle with increasing bills and the economic recession, and are searching for bargains. (Julia Finch, 2008).

At last, the increased tax and government spending cuts made the situation worse. Starting in January 2010, the rate of VAT returned to

17.5% to 20%. (BBC, 2009) Otherwise, in 2010, the government announces to carry out the austerity measures that the government increased a 40bn package of emergency tax and welfare cuts to restraint spending, in order to slash the budge deficit. This government action will affect every family in Britain. (Larry Elliott &Patrick Wintour, 2009) Rising tax means that firm reset the price to shift to the customers who need to pay more for almost everything.

Cost inefficiency: currency inflation become the Next plc stress from paying more fees in the inefficiency cost Inflation in producer countries and the weaker pound push up cost price in the major sources of supply. It mainly reflects on the rising of soaring cotton prices and the overseas manufacture to be affected by the overseas wage inflation .So the firm has to spend more fees to purchase the raw material or labor, leading profit at the retail chain compressed. (Wachman, 2012) In addition, there is the reason of occupancy cost increasing to be caused by the inflation In the middle of 2008, it anticipates that occupancy costs increase eroded margin by 2.2%, whilst bother rents and rates continued to grow ahead of inflation. Like for like rents during the period were up by 5.3% and like for like rates climbed 4.1%. (Next plc, 2008b)

Less the finance controls: Next plc loosened credit management for the shoppers who ordered goods online. The Next plc Directory catalogue as a major income stream can affect the profit of Next plc group. Moreover, the online shopping which is a fashionable consumption mode can catch up among more and more people. However, due to the fluctuation in interest rate and foreign exchange rate, Next plc suffered "significant" online fraud. The Next plc directory arm was down by 2.9 % in the last six weeks in 2007. It is main reason that the recent interest rate increase can cause the people who ordered goods online using false credit details. Due

to the current economic climate, Next plc is exposed to a greater degree of credit risk than in previous years. It experienced a rise in customer credit defaults and increased its bad debt provisions accordingly. Otherwise, at the end of 2008 the fall in sterling against other currencies could increase debt levels. Due to the weak sterling and credit degree, Next plc will face a higher level of debt. Bad debt becomes the serious issue for cash flow and profit

4.3.0 Financial control

The contribution for the sale of Next plc is the directory business. Meanwhile, the large numbers of customers who make purchase online mean Next plc taking more risk in the part of credit consumption. Depending on the retention of its customer base and increasing the average spend per customer, the profitability of Next plc directory business continuously increase. And, Next plc will continue to recruit new customers where they satisfy with credit evaluation system (Next plc, 2010). Hence, based on the above of two reasons, ageing analysis of debtors can provide the information for Next plc about the receivables and irrecoverable amounts for Next plc. Moreover, Next plc adopt the method of credit score can reduce the credit risk and impel the customer credit defaults. Directory customer require applying for a credit account, personal details are collected in order that a credit check and score can be carried out. The credit account which records the performance can be checked by retailer before they can buy items online. Those actions can contribute the firm to reducing credit risk. In 2012, the consumer around 3 million consume by the Directory, home shipping catalogue and website(Next plc, 2012). Yet, bad debt in a percentage of sales continuously falls from 7% to 2.0% in 2012. The reduction in bad debt is a reflection of the improvements that contribute Next plc to credit control and consumers to take a more careful approach to credit.

Next plc annual report records "robust cash flow". There are three sources to generate the cash flow. The impetus of generation cash flow includes operation efficiency and higher directory customer payments and financing from corporation bonds and back debt. Especially, in 2008, net borrowings at the year end were £740. This debt is financed by long term bonds and committed bank facilities. Next plc financing structured with £550 of ten years bonds which mature in 2013 and 2016. (Next plc, 2008a) At the same time, Next plc is refinancing committed bank facilities when this facility matures in September 2009. Then, Next plc strengthen stock controls have been accurate without too much in the way of visible surplus. It has 8% less stock on its shelves than it did this time last year (Wearden, 2009). Next plc has the propensity to beat expectations given its disciplined approach to its markdown management and overall cost control (Fletcher, 2010). It drives the company to control cost and gain the higher profits. (Next plc,2013).

Next plc plc carry out the share buyback program in order to return cash to the shareholders through dividends and share buybacks. The share buyback can maintain long–run interest of the company. That is because they permanently reduce the number of shares in issue and so increase the amount of profit attributable to each share (ESP). Share buyback program to enhance earnings can is superior to earning from depositing the cash in the bank and earning interest. Meanwhile, the earning enhancement to share buyback can gain the equivalent rate of return comparing with earning from investing the cash in an alternative investment. It is the intention to maintain investment grade credit rating. (Next plc, 2013). In the year from 2008 to 2012, NEXT PLC's share price rose from 955p (Next plc, 2008a) to 2639p (Next plc, 2012). During this period NEXT PLC's market capitalization grew from £1.9 billion to £4.4

billion; a further £611m was returned to shareholders through share buybacks and a total of £408m was paid in dividends.

Next plc established an employee share ownership trust ("ESOT") to provide for the issue of shares to group employees, including share issues under share options. Shares in the Company held by the ESOT were included in the balance sheet at cost as a deduction from equity. There are three benefits to ESOTs (Next plc, 2009). The first is the key objective of motivating and retaining key personnel using share incentives. Second, share option as long-term incentive award to the employee, stimulating to concern about the long-term company development. This type of incentive is more efficiency than traditional method like bonus, farewell and allowance. Also, it offers a tax inducement for the employee to utilize should they decide to sell their shares back to the company. Additionally, the company develops a small market for the shares to be transferred to their employees in a cost effective manner as well as trains the employees on stock ownership.

4.4.0 Operating efficiency

In the economic crisis, the kinds of cost continuously eroded margins. For example, compared with last year, the occupancy cost and warehouse are up to 2.1% and 0.6% (Next plc, 2009), respectively. So Next plc requires reducing cost to maintain and improve gross and net margins. Cost retrenchment becomes a stability step to give it more resource and time to look beyond the crisis. Material cost, labor cost and overheads costs are three source of operation cost. Hence, Next plc adopts a series of the approaches with an aim to offset and eliminate cost. The initial action is cutting back the variety of operating expenditure. It is followed with the stringent stock control to offset cost and protect the strength of Next plc brand which will continuously provide customers with certainty over

pricing in the long run (Next plc, 2009).

Primarily, Next plc apply strict management of stock level to reduce working capital, which can be implemented much more quickly than strategies to reduce fixed asset. Next plc depend on reducing work-in-progress inventory and finished –goods. The improvement of inventory level and supply chain as the second action saves cost and promotes the efficiency of production operation. The implementation of this involves the negotiation of new and cheap supply contract which offsets underlying cost and compromises quality. In addition, the adoption of lean supply chain management by the use of sound IT system to reduce the inventory level and accurate management. (Next plc, 2010). This ensures that there is a good balance between having additional product at hand and the risk of not having any when customers need them (Gourdin，2000).The part of distribution and warehouse was transferred to a third party client business. Lower costs per parcel and more customers collected their parcels from the stores, due to free delivery to store. (Next plc,2010). Such an implantation maintains efficiency and reduces risk such as physical property, reduction in fabric waste, warehouse breakdowns, capacity shortages etc. Care is also taken to make sure that products are transported to the retail stores on time (Next plc,2010). Besides, free delivery encourages the customer to shop by Next plc directory.

In the manufacture industry, the major options open to management to reduce material costs are to improve buying and to use less and different materials. Next plc was confronted with inflation prevalent in the economic crisis different from any other periods. The high inflation brings the major effect of higher cotton prices, causing the company to pay more expenses for raw material. Then, the high soaring cotton prices can accurate the price decline. The restructuring of supply provide enough different color-

way and fabric in efficient response to the seasonal and fashion change, while the variety of product mixes more flexibly according to customer preferences. (Next plc,2011). Hence, Next plc relies on different sources to gain raw materials. It develops its supplier base so as to reduce over-reliance on any individual supplier of product and services, and to improve the competitiveness of its product offer. And new sources of supply will be developing in conjunction with NEXT PLC Sourcing, external agents and direct suppliers. Moreover, efficiency management is likely to reduce unit material costs by improving material utilization. Next plc carries out regular inspections on its suppliers' operations to ensure compliance with the standards set out in this code, covering such aspects as production methods, employee working conditions, quality control and inspection processes. (Next plc,2013) The perfect system of manufacturing can make full use of raw material to save cost and guarantee quality.

Then, the consolidation of saving cost operation is reduction in unit labor cost. Lower staff payment and less recruitment become the way that management favors for decline cost (Next plc, 2011). Hence, the board revamped its executive pay plans, including the criteria for paying bonuses, amid the moil on the high street. Mr Wolfson's total pay fell from £979,000 to £831,000 in the year to January, after his bonus slumped from £341,000 to £123,000. The fashion chain said it had taken the steps to enable itself to retain staff in the tough economic conditions. (Andrea Felsted, 2009a)

However, Next plc did not drop the incentive program completely. By strengthening the training the staff and paying the incentive to retain the key employees, Next plc improved productivity to offset the labor cost.

Though it may seem attractive by increasing premiums for working on

Boxing Day and higher staff bonus payments, Next plc relieve the symptom that flat staff wages can not stimulate the their willingness to work. (Next plc, 2010). This was achieved as a result of improvements to the way the schedule the hours worked in the stores. In 2010, the new share-matching plan is to replace the four-year risk/reward schemes that were launched in 2004 and 2005. In 2003, Lord Wolfson, the chief executive of retailer Next plc, use £2.4m bonus of his own money to reward staff. This plan make to among 19,400 of the retailer's staff to obtain benefit. The payment, equivalent to about 1 per cent of each individual's salary, is payable to the full-time and part-time staff who have been with the company since June 2010. This incentive can make the shareholders and company to gain the large profit.（Simon Goodley, 2013） The Tory peer and Conservative party donor's gesture to staff was revealed in the company's annual report, which also showed that Wolfson had booked a pay rise of 13% to £4.6m in the following 12 months to January 2013. Otherwise, during the financial year Next plc shares rose by almost 55%, as the retailer reported a 3.1% increase in revenues to £3.5bn with pre-tax profits up by 9% to £622m (Simon Goodley, 2013)

In the retail industry, the firm is intense competition and Next plc struggle with the technical staffs or senior management frequently loss to transfer to competitor companies. Therefore, the remuneration committee builds the good performance system to evaluate the senior and technical personnel. It is aim to attract, motivate and retain highly qualified employees.

Meanwhile, Next plc also concern about the training job skill. Recruitment, training and development of personnel can be an important method of increasing productivity. First, Next plc approached the way of recruiting cheap and temporary work force to achieve the aim of reducing labor cost.

Next plc, in a row, recruits the cheap eastern European workers at the expense of British staff (Rajeev Syal and Gwyn Topham, 2013). During the Christmas holiday, retail hire temporary holiday staff to help selling products. It bulks up staffing by as much as 10 per cent during the holiday season. Otherwise, for the control of labor costs, Next plc adopt to double-digit increases internet sales, reducing demand for in-store help (Gill Plimmer 2011). Second, NEXT PLC provide the supporting action involving career progression and promotion, training job skill or education program to motivate the potentiality and internal promotion prospects of employees (Next plc, 2011)

Lastly, the company adopts the method of reducing overhead costs to control cost. Overhead cost covers energy cost and occupancy cost Sale volume of Next plc directory can increase the number of order mail. Energy cost can become huge expenditure for over head cost. So, Next plc adopt the outsourcing method to transfer the cost. Meanwhile, due to economic recovery, the flue bills decline can remit the pressure in this part (Finch, 2008). Next plc plc, as the high street retailer, required to burden the rent fees in the high percentage of sales. As inflation can lead to the increase of rent cost, the firm pay 1.1 per cent of occupancy cost more in 2009 than in 2008 (Next plc, 2009). Next plc join in the 10-point plan, which becomes more efficient in the provision of miscellaneous services and successfully pass these savings on to retailers in the form of lower charges. Besides, some of Britain's biggest landlords have agreed upon a plan to cut costs by up to 20 per cent and transfer these savings on to retailers in the latest move to ease the beleaguered high street's burden from property costs. (Andrea Felsted,2009b)

Next plc restructured asset to aim at longer-term competitive positioning and performance. Next plc’s asset restructuring tended toward asset

investment involving internal capital expenditure and acquisitions.

In 2008, chief executive Simon Wolfson made the decision to acquire Lipsy, to combat the sales slide at its 500-strong chain as the economic downturn hit consumer spending. Lipsy had gained a foothold in the thriving teen fashion business and owned celebrity fans ranging from glamour model Katie Price to Prince William's then-girlfriend, Kate Middleton. Acquiring Lipsy could enable Next plc to gain a more competitive position in the teen fashion business. Next plc has acquired Lipsy at the cost of £14m in cash, together with a further £ 3.4m of loan notes, and additional payments have also been agreed for 2012, 2013, 2014, depending on the level of lipsy's profit. (Julia Finch 2008). Lispy's sales contributed £58m to the group, with operating profits before amortization of £4m. Compared with 2010, sales and profits increased by 51% and 75% respectively. (Bearne & Berwin, 2010)

Other asset investment is the updating of the shop fitting and opening new stores. The action not only add glamour for the merchandise displayed in stores whose interior design reflects the design and quality of the clothing and home ware, but also many store experience an uplift in sales as a result of refit. The updating of the shop fit is an integral part of revitalizing the Brand. Otherwise, exploring new stores can expand its output to achieve economy of scale (Next plc, 2008a). Next plc increases trading space by 402000 square feet, an increase of 6.6%, taking the retail portfolio to 6.5m sq.feet. Sales from new space contributed increase 4.3% to retail sales. (Next plc, 2012)

4.5.0 Focus on core activities: Product development

In some cases, during time periods, the firms or SBUs were likely to suffer declines due to cyclical recessions in mature manufacturing industries. Successful turnarounds from such conditions may require relatively less

strategic change. (Hambrick and Schecter, 1983; Robbins and Pearce, 1992, Baker, 1992).

After economic cycle, Next plc insist the historic strategy objectives. In 2007, Next plc provided the Next plc brand stands for: "exciting, beautifully designed, excellent quality clothing and home ware; presented in collections that reflect the aspirations and means of our customers." (Next plc, 2007). In 2010, based on the historic strategy, Next plc plc further segments the product category. For example, NEXT PLC store had planned to design its own NX sports brand (Next plc, 2010). Moreover, for improving delivery services,n ext directory increase the type of services, composing Same-day, Evening, Sunday and Next plc-day to Store delivery services, all at £2.99 premium to enjoy the standard service. (Next, 2011) Next plc expand the scope of the services. Next plc test a new garden centre concept that could provide a fresh avenue of growth for the fashion retailer. The new home store sells garden and "light" DIY products, which could be "bolted on to" Next plc's chain of independent home stores. Though segmenting product market, Next plc concentrate more effort on a small number of products and customers. Based on segment markets, it can gain more customers to achieve expansion of sales volume. There is no doubt that the product mix changes can gain more margins for Next plc than cost cutting back, because of additional marketing promotional activates.

Next plc adopt the low-price strategy to attract the customer, but it adhere to principle "no discount". Cutting discounts should be used only as a discretionary tactic to discourage certain classes of unprofitable customers. Where the firm sells directly to customers, they are more interested in the net price paid, rather than whether the list price is high or the discount is large. Thus, just as reducing discounts can lead to a loss

of sales volume; increasing discounts can result in substantially increased sales volume (Slatter, 1984).The implementation of selling more items at full-price means less stock and increasing sales volume to reduce the number of discount items. In 2010, Next plc decided to mark down 16% less stock in mainline stores (at original retail selling value) and improved the sale in the clearance stores. This action can cut the cost down to gain more margin. (Next plc, 2010).Next plc revealed strong growth of 3.7% in full price sales in JUL 2013. Higher full price sales, improved clearance rates and lower markdown have contributed an additional £10m to the company’s profits during the period, leading to an increase in the full year estimates for profitability and EPS.

Besides, the inflation and weaker sterling cause the internal cost incurring. Next plc increased investment the Next plc brand to expand brand awareness. The firm added to the charge of marketing £ 16m to increase the promotion by the press, billboard and TV advertising. The higher marketing spending cause the central overheads increased (Next plc, 2008a). The central overheads also burden the allocation of costs between retail and directory. (Next plc, 2009). In addition, warehouse and distribution costs rose by 0.6% of sales from 222.8 in 2007 to 235.6 in 2008. This fee can pay the new warehouse. (Next plc, 2009). Warehousing and distribution costs improved margin by 1.0%. Delivery charge revenue was up by £3.5m as customers placed smaller orders more often. The balance of the improvement came from numerous small cost saving initiatives(Next plc, 2009).

Book creation costs rose as a result of increased pages in the Directory, whilst central overheads benefited mainly due to allocation of costs between Retail and Directory.

4.6.0 CEO and efficiency management team

Next plc did not change the current CEO or top management team after the declining performance.

The current CEO, Simon Wolfson, was appointed to the board of directors and four years later he was made chief executive at 33 years older. Simon Wolfson, at 36, is the second youngest CEO of a FTSE100 company. Between 2001 and 2007, Wolfson's profit rose from 218m (Next plc, 2001) to 478(Next plc, 2007) and the share price increased from a low point of 700 in Jan 2004 to 1600p in 2007. Then, Wolfson had rich experience to manage NEXT PLC. In addition, He is a leading and long-standing critic of European integration, and as a successful businessman and regular commentator on EU affairs, he is knowledgeable of the economic costs of the European Union as well. (Brugesgroup, 2005) From 1991, he joined in Next plc and acted as an consultant. In 1993, he was appointed by division director and formally involved in high-level decision-making. Wolfson was always on high alert for the existence of any problems, and adopt the cautious and conservative action for the formulation of strategy. Financial Time comments that in comparison with other investors, Wolfson is a reliable chap and his low-ball forecast has been borne out.

In Next plc's annual report, its remuneration committee said competition for "retailing talent is very strong" and that the stability of the executive team. Meanwhile, for efficient management, several changes in the top manager team were made. For example, Francis Salway joined the board in June, replacing Nick Brookes who retired at the AGM in May 2010. Francis has a wealth of property experience and will be a valuable member of the board. His appointment can solve the problem of poor property management because the additional rent provisions on vacant properties lead to a slide to £1million.

In addition, stable and efficient top management is conducive to susceptibility to crisis and can determine the quality of decision-making. Next plc reported that it adopted a cautious attitude to pay attention to the change in the economic and customer environment. In the mid-2008, the Leicester-based group said "we remain very cautious about the outlook for the second half and can see no reason for any improvement in consumer spending; indeed, the economic risks appear to us to be on the downside."

5.0 Discussion

We believe that the arguments and findings presents in this study have important ramifications for understanding the successful turnaround in crisis environment. Based on the theoretic and case analysis, the article gets conclusion that the vital of successful recovery compose the financial control, efficiency operation, focus on core business and viable ECO and management team in this case. In this section, the results of analysis are discussed in light of the previous work which has been done in the field of turnaround. This is the discussion of the factor which has an impact on turnaround. They are categorized into four sections:

5.1.0 Financial control

Through to study this case, we find that cash flow plays an important role in the process of turnaround. Lai and Sudarsanam (1997) points that the most cash flow generate from the asset sales and equity issue. Then, in this studying, the firm adopts to issue bond to cash inflow. Then, the tight stock inventory and stick cost control can help the firm gain profit transferring to generate cash flow. It reflects that the efficiency operation and control cost can gain the cash. This is reason why Next plc plc has

robust cash flow. Then, under the strong cash supporting, the company constantly invest new store, acquirement of Lipsy and carry out share buyback program. By those actions, the new resource can bring more profitable, then they established on the positive cash flow. Slatter (1984) regarded that Positive cash flow is an essential prerequisite of successful recovery. Hence, the positive cash flow becomes the important condition for successful turnaround.

Results from this study corroborate studies in showing that the attitude of power stakeholder may be important in determine the recovery strategy (Slatter, 1984, Pfeffer and Slancik, 1978). The stakeholder plays an significant role in the part of capture with new resource or improve the efficiency.

Under the circumstances of financial crisis, Next plc plc adopt the series of activities to build the confidence of stakeholder for the company. For shareholder, Next plc implement the share buyback program, in order to increase the share price and return excess cash or dividend to shareholders. Studies by Asquith and Mulliuns (1986) "clarify the efficacy of dividends and share repurchases as vehicles for effectively communicating information to shareholders". Meanwhile, the firm passes on "ESOT" program. This program gets the interests together between the staff and company, and stimulus employee efficiently.

In addition, a repurchase is regard as the advantage of a company's management, either by eliminating the possibility of a hostile take-over or increasing management's ownership of the company, or referred to as management entrenchment.

High earning share price contribute to enhance shareholder confidence, Then, for bank, the large number of investment in the store and

acquirement can send information to bank about the recovery situation. That information can convince the bank to believe that the firm has ability of debt repayment. Bank will lend money to unprofitable firms with good credit ratings, and other stakeholders will continue to provide important resources as long as the firm has this financial sack. Indeed, even cash outflow from operations will not cause a firm to fail as long as lenders act as a buffer supplying capital to the firm (Arogyaswamy,1995). The set of incentive program and pension programmer can establish the confidence for the company and facility the enthusiasm for the work to improve the efficiency.

5.2.0 Efficiency operation

The efficiency operation is found the significant factor to impel sustainable recovery. Many academic researchers and practitioners support opinion that cutbacks are essential for turnaround. (Arogyaswamy and Yasai-Ardejani, 1997, Hofer, 1984). The main reason that the cutback can be quickly "stop the bleeding" to prevent the cash outflow. For instance, Next plc plc joins in "10-point plan" to reduce the charge in the rent. Although the extensive cutbacks improve performance, the performance is not sustainable in the long run. So, researchers and managers develop this viewpoint that cutback was associate cutback with improvements in efficiency (Bibeault, 1982, Hambrick &Schecter, 1983). The result of this studying provides the support. The firm implement stick stock control to ensure supply adequate and decrease markdown cost. The lower markdown cost can make contain that the firm obtain more margins from full price of product. And the part of distribution transfer to third party in order to the saving the delivery cost and providing high quality of deliver service for customer. Meanwhile, in face of raw material rising, the firm seeks variety of supplier to decrease the risk and cost. The diversification into product meets customers' interest, furthermore and increases the

customer loyalty. The firm concentrated on reducing production costs by the improvement of productivity, rather than to reduce more general overhead reduction. The firm did not adopt the cutting the any part which is unlikely to be a major contribute to turnaround, like R&D, marketing, to reach the purpose of cost decline. Barker and Mone (1994) have argument that solely focusing on retrenchment activities can even exacerbate other consequences of decline and further reduce a firm's changes of recovering. This is to say, the sole retrenchment may weaken the firm for the further, and exacerbated the decline. Consider this case, the variety of suppliers provide diversity products. The assumption that the firm only lowest price of raw material, and not care about the varied supplier. The single produce can not satisfy customer needs. Sequentially, the firm will lost market position and gradually trip away the competitive power. The result suggests that the improvements of productive to create the efficiency which can maintain sustain recovery in the long term. On the contrary, retrenchments which can be solely concerned on is against turnaround and even worsen poor performance

The numbers of managers can control labor cost and improve productive in unit by the layoff or cutting wage. Kang and Scivedasani (1997) reported that their sample of Japanese firms in performance decline carry put lay-offs and improve the productivity. Nevertheless a number of researchers warm that the cutting labor cost or incentive can reduce the employee moral and commitment, increased probability of employees with marketable skills to leave the firm. (Baker and Mone, 1994) this result of study shows that the firm not only simply cuts wages to improve profitability, but also the incentive change the efficiency production. In other words, Incentive can improve the unit productivity to reduce the production cost achieve the purpose of balance the labor cost. Meanwhile, the talent is vital to the core business. The technologies key person and

senior contribute not only to gain more competitive power but also to continuously develop in the long-term.

Compared with operating asset reduction, operational restructuring aimed at the longer-term competitive position and performance of the firm. Grinyer, Mayes and McKiernan(1988,ch.4), in their survey, observe that such firms do not restrict themselves to operational-cost reduction but shift to lone-term strategic changes through new market focus on, acquisition and so on. This case shows the firm adopts the asset investment involving building new store and acquirement business. Though to expand its output, the firm achieves the economy scale to enhance the firm's competitive advantage. Moreover, the other investment is acquirement that firm seeks the appropriate to fit its core competencies with long-term profit potential. In other words, the existing resource may not be insufficient to recovery, and combine with new resource from external sources by acquiring business.

The result of present study is consistent with literature. Retrenchment cannot be prone to sole cutting cost and asset to turn around the poor performance. At opposition, the implement of efficient operation to utilize the resource offset the cost and gain the sustain improvement. These outcomes can partially stabilize the competitive position by the lowering cost. Otherwise, in the economic crisis, as the situation of industry is long pattern of contracting, the firms face the limitation of resource. Hence, it is vital for trouble firm most efficient to utilize the existing resources.

5.3.0 Focus on Core activity

The core activity was found to be significant factor of successful turnaround in this case. Some academic researchers regard that as economic cycle cause the poor performance, the successful turnaround generally implement less strategic change (Hambrick and Schecter, 1983; Robbins and Pearce, 1992,). Primarily, different reasons caused

performance decline directly affect the need for strategic orientation. As the cause of decline is different, the strategy orientation will vary (Grinyer and Spender, 1979; Hofer, 1980; Schendel et al., 1976). Indeed, some researchers argue that the competitive position also affect strategy efficiency (O'Neill 1986a; Thietart, 1988, Arogyaswamy, et, al, 1995). Similar, Sattler's (1984) point that the firm no achieves the sustainable recovery if it causes to the weak product-market position in the core business area

The result of the studying, the firm not adopts to change the strategy orientation. The cause of firm's decline is economic depression. Before the performance decline, Next plc plc have strong the product-market positions in its core business areas .It focuses primarily on its exiting line of products, which is quicker and more profitable than products reintroduced. So, it did not exit situation that the customer did not change the attitude for the products or services or the competitors are better positioned to serve customers. Strategy change can reduce the recovery effectiveness, when the economic cycle causes the performance decline.
Then, during the recession period, the firm continuously develops a clear competitive strategy by the way of customer segmentation, less price sensitive and increasing product mix.. In order to expand and hold the firm's industry position, the firm focuses on the incremental strategy that emphasizes utilizing the internet and existing resource and customer segmentation. Our result suggests that if a firm's decline is caused by subsequence industry decline or economic depression, the broad less replace of the exciting strategy. Meanwhile, in order to sustain develop, the firm need to reinforce the existing strategy to obviously distinguish the product range to gain the high market. If just keep the original strategy, the firm not develop and reinforce the core business. The firm is unlike to complete the sustainable recovery.

5.4.0 Efficiency CEO and Management Team

This study's finding show the stable and efficiency top management team can contribute the sustainable recovery.

A number of researchers have suggested that declining firms are prone to change the CEO or top management team to bring the new opportunity for firm. A small number of the turnaround studies distinguished between performance decline caused by industry wild factor, where changes from the outside have gloomy all firm in the industry, and recession caused by the firm-specific factors, where the firm suffer the profitability fall. They support viewpoint that CEO change may actually reduce the effectiveness of recovery, when the firm's industry decline is long-term the firm's strategic position is weak (Arogyaswamy, 1995).

This case reveals that the firms not plan to appoint the new CEO and restructure the top management team in the processes of turnaround. There are some conditions to decide the CEO session and remain original TMT. This firm's decline is not caused by poor performance and incorrect decision. At the opposition, the incumbent has great contribution for the company development. CEO has rich experience in the managerial company and strong individual ability. He has high susceptibility of the organizations to crisis. CEO always keeps the caution of the challenging which has placed general economic conditions at the front of people's minds when considering the cause of performance. Otherwise the top management team from the firm decline has different capabilities for overcoming difficult. Previous performance reveals that the management team has good ability. After the performance decline, TMT are quickly learning the current crisis and take action of performance improvement. The visible performance improvement gains the stakeholder support and credibility. For the efficient team, a CEO succession may actually maintain

stability intern, and efficiently execute the firm's historical strategy to performance recovery. The precondition is the firm still adopts the historic strategy.

6.0 Summery and Conclusion

Our initial aim in this paper was to identify which business turnaround strategies can sustainable recovery in the economic cycle. Though drawing on evidence provided by previous empirical research and study the case of NEXT PLC plc. We found the four main strategies were always identified in the literature as effective in helping firms to maintain a sustained recovery

The result of this study allows us to understand the four components of turnaround strategy to affect turnaround. In the same time, they do not exist in isolation but interact with each other. The results show that efficiency is important to turnaround. Increasing efficiency stops further loss of revenue, and allows firm to release resources that may be used else where. Moreover, cutbacks may be useful for improving efficiency of operation. Cut back not only release resources which may be use elsewhere but also restore profit for the future. It based on the fundamental of efficient cost reduction. As discussed earlier, overzealous cutbacks and inappropriate cutbacks might actually lower efficiency and influence turnaround. Focus on core business is significant for turnaround. Focus on core business can gain more market share and contribute to sustain performance improvement. Effective product market strategy and acquisition is dynamic to maintain competitive advantage. Primarily, change strategy or retain historic strategy directly affect effective strategy. In the earlier discussion, since the economic cycle cause performance decline, the managers' choice maintains historic strategy can

advantage corporate recovery. Then, though acquisition, the firm can recombine existing resource and then obtain new resource to get new opportunity. Turnaround trends to be influenced by human factor – CEO and Top Management Team (TMT). Sustainable recovery involves the correct making decision and well management from CEO and TMT. Whether to change CEO or restructure TMT is effected by cause of decline and strategy. The performance decline not stem from internal cause of poor performance but come form economic recession. At the same time, firm still use historic strategy. it is decision that CEO secession and TMT stabilization can be more efficient to turnaround.

Some limitation of this study and suggestions for future research ought to be mentioned.
This single case design might have limitations (Leonard-Barton, 1990, Voss et al., 2002). Firstly, single cases have limits on the generalisability of the conclusions, because models or theories are developed from one case study; secondly, the limit of generalisability implies the risks of misjudging the representativeness of a single event, and of exaggerating easily available data. These risks are also present in multiple cases, although these are mitigated in multiple cases (Voss et al., 2002). However, as stated above, analytic generalisation in lieu of statistical generalisation can be used for single cases as well as multiple cases.

There are two potential drawbacks that measuring firm response to decline by the financial ratios fluctuating. First, changes in financial ratios capture only what the financial statement can reflect. However, successful management response to decline may include qualitative changes in firm polices, namely switching to new distribution channels that may affect performance but may not be reflected in the financial ration approach. Second, change in financial ratios, particular, efficiency ratios, may not

represent the management actions that researcher attach to them. The efficiency ratio just reflects the some situation, such as reduction assets or expense or cut back, but not interprets that marketing expense, R&D or inventory to maintain or improve the sale. (Barker & Duhaime, 1997)

Future studies might expand upon this research by analysis specific turnaround strategy to recovery specific cause of decline. While a minority of authors (Barker & Duhaime, 1997; Perce and Robbins, 1993 ; Arogyaswamy, 1995) has raised the distinction between firm-based or industry-based decline, we believe that grater recognition of the cause of performance decline offers scope for the creation more integrated and context specific turnaround strategies. The current challenging economic climate has placed general economic condition at the front of people's minds when considering the cause of a firm's performance decline. However, business insolvencies can occur at any point in the economic cycle and industry specific factors or poor internal firm management can be additional triggers for falling profitability. More finely grained research which takes into account the different cause of decline could allow the development of evidence-based contingency models, where specific recovery pathways would be linked to specific cause of decline, such a contingency approach has the potential to provide managers with turnaround advice that is more tailored and appropriate to the particular context they face

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