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Changes in Labor Specialization in Successful Turnarounds: The Case of ASEAN Chinese Small and Medium Enterprises

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Abstract
Research on organizational decline and turnaround strategies has mainly focused on large multinational organizations in the Western context. Much of Western literature celebrates the notion that in face of an external threat, an organization shifts its focus to internal efficiency. Current strategic theories promote the creation of heterogeneous assets and capabilities. The history of economic enterprise testified to the benefits of specialization of labor in achieving cost efficiency. This paper investigates organizational responses to the decline among Chinese small and medium sized enterprises (SMEs) in the ten-member Association of South East Asian Nations (ASEAN). Data were collected from senior management and internal change managers from 20 such organizations that have undergone turnarounds in the period 2011-2014. The objective was to investigate management perceptions of the appropriateness of the turnaround strategy with increasing specialization and the division of labor during organizational recovery from the decline. SME management is expected to increase specialization in order to ensure organization survival. Findings revealed that the management has instead lowered specialization and boosted flexibility during the recovery process. Various cultural values are found to have major impact on Chinese SME decision-making in turnaround situations. The findings provided insights to key guiding principles for overseas Chinese business practices. Cultural implications for management are also discussed.

Keywords: Turnaround strategies, assets specialization, division of labor, ASEAN SMEs, overseas Chinese business practices

1. Introduction

With economic uncertainty and slowdown in the Chinese economy, business activities in Asia have fallen dramatically with many organizations struggling to cope. Turnaround activity is expected to increase across the region. In global business today, it is crucial to develop strategic skill sets to do business across societies. Evidence gathered shows that the utility of the predominantly Western model of firm turnaround has limits in Asia. A knowledge gap exists in the turnaround literature (Boyacigiller & Adler, 1991; Bruton, Ahlstrom, & Wan, 2003). The author believes that this empirical study of turnaround strategy with specific reference to organizations in ASEAN is an important field for research in Asia.

SMEs have been in the spotlight in Asia with the dramatic changes in East Asia’s trade structures associated with a massive intra-industry division of labor (Lim & Kumura, 2010; Wignaraja, 2012). SMEs account for the vast majority of establishments and are seen as having significant potential to contribute to regional development through participation in global value chains. However, most current turnaround strategies are developed from studies on large multinational organizations. SMEs encounter significantly different business landscapes and challenges relative to large organizations.

This study specifically targets the investigations of turnaround strategies adopted by SMEs in their Asian context. The findings enhance understanding of business practices with this important economic sector of many regional economies and contributes to the existing theory for Asia business management. Every society has its own cultural themes which substantially impact how that culture does business. Differences in management conventions in different cultures result in different arrays of strategic alternatives and different evaluations of strategic options (Seymen, 2006; Cox & Blake, 1991). Overseas Chinese businesses have a dominating influence across Asia and this empirical study focuses on overseas Chinese SMEs which contributes significantly to the understanding on how overseas Chinese cultural values influence organizational turnaround process and decision-making.

There are few empirical studies on labor specialization in turnaround situations (Trahms, Ndofor, & Sirmon, 2013). Scholars focused on alignment and competitive dynamics (Porter, 1985), transaction costs and game theory (Williamson, 1985) or capabilities (Teece, 2007). This paper studies changes in labor specialization, and their significance on ASEAN Chinese SMEs' turnaround performance. The findings from the study contribute to the knowledge base of turnaround strategy among Asian Chinese SMEs. The paper begins with an overview of organizational decline, labor specialization and turnaround strategies with specific reference to SME operations. It then introduces the study focus of division of labor and labor specialization in turnaround situations. Six conceptual elements and six propositions derived from various literatures are proposed for the study, followed by the chosen methodological approach and sampling design. Findings are first presented systematically for each proposition. The paper ends with a discussion on cultural implications for turnaround decision-making with closing thoughts.

2. Literature Review

An Overview of Organizational Decline

The empirical understanding of turnaround and organizational decline are deemed inadequate by many (Trahms et al., 2013). No consensus is found in the literature as to what organizational decline is, what the main drivers are or its ramifications (Cameron, Sutton, & Whetten, 1988; Weitzel & Jonsson, 1989; D'Aveni, 1989; Zammuto & Cameron, 1985). However, there is agreement that the process begins with a failure to anticipate, recognize, avoid, neutralize and adapt to external or internal pressures resulting in loss of organizational control that threaten the long-term survival of the organization. In some cases, the final stage is organizational demise. In some, substantial organization and business changes towards a turnaround is carried out until a new balance and repositioning in the environment is achieved (Cameron & Whetten, 1983; Hambrick & Schecter, 1983; Whetten, 1987; Pearce & Robbins, 1993).

Compounding the difficulty of the analysis, there is also disagreement on when an organization is terminated. It could be the organization's mortality, exit or death (Swaminathan, 1996), organizational collapse (Argenti, 1976), bankruptcy (Laitinen, 1993) or decline (Chowdhury & Lang, 1993). Lacking a common definition of failure and termination makes it difficult to start to classify and find causal relationships between actions and performance. For the purpose of this paper, the definition of the termination of an organization is not relevant, as the author is investigating what organizations do in turnaround situations. Cameron, Kim and Whetten's (1987) definition of organization decline as "a condition in which a substantial, absolute decrease in an organization's resource based occurs over a specified period of time" is followed (p. 224). The author distinguishes organizational decline as an involuntary, unintended resource decrease that affects an organization from organizational downsizing which is an intentional workforce reduction engineered by managers (Freeman & Cameron, 1993). Organizational decline is more prevalent today and failing organizations negatively affect lives. Bambra et al. (2007) found restructuring having adverse effect on the physiological and psychological health of employees. Dougherty and Bowman (1995) noted there are hidden costs of organizational problems such as disruption to local communities. Studies of organizational turnaround and recovery have appeared on the research agenda since late 1970s, focusing mainly on management strategies (Bibeault, 1982; Hofer, 1980; Pearce & Robbins, 1993; Stopford & Baden-Fuller, 1990) and more recently on leadership characteristics and cultural impact (Carmeli & Sheaffer, 2009; Bruton et al., 2003). However, as noted by Trahms et al. (2013), research on organizational decline and turnaround remains empirically and theoretically fragmented.

Labor Specialization and Turnaround Management

Adam Smith (1776) posits that the greatest improvements in the productive power of labor lie in the division of labor. According to Smith, the division of labor creates specialized knowledge of a particular task, which makes laborers engaged in the task more dexterously and therefore are more productive. Division of labor also maximizes labor time with focusing on isolated task which leads to innovation in the methods and tools employed in the task. Smith's concept of economic growth, rooted in the increasing division of labor, allowed Victorian factories to grow throughout the nineteenth century. The development of reaping the benefits from specialization of labor was facilitated through the rise of Taylorian organizations. Since then, the generally accepted theory of competitive advantage was to create and deploy a more intensive and dense division of labor.

Then, in the 1990s, with team organization, production flexibility, decentralization of decision-making, greater emphasis on customer responsiveness and changing nature of work, many researchers began to question the need for labor specialization with the growing versatility of workers and the increasing complementarities among tasks (Migrom & Roberts, 1990; Homstrom & Migrom, 1991; Hammer & Champy, 1993; Wikstrom & Norman, 1994). However in the new knowledge era of recent years, with the rise of knowledge work and communications technology in recent years, Malone, Laubacher, and Johns (2011) envision in the new knowledge era, the potential quality, speed and cost advantages of 'hyper-specialization' would guarantee the model of labor specialization to become more widespread. Bylund (2011; 2013; 2014) further suggests that an organization is an artificially dense collection of specialized assets in different density and configuration from its competition.

Turnaround managers are often hired to stem the organizations' decline (Apri, 1999; Slatter, Lovett, & Barlow, 2006; Zimmerman, 2002). In turnaround situations, managers are expected to create a novel division of labor, enabled by specialized assets and engage in resource orchestration that is to effectively structure, bundle and leverage firm resources to save the organization from permanent decline (Sirmon, Hitt, Ireland, & Gilbert, 2011). Bylund (2011) argues that organizations exist to implement the imagined future of the manager. The manager has a vision of a novel division of labor and machines that is more efficient than the competition. He/she applies leadership to lower the costs of coordination of the specialized resources to implement his/her vision.

He/she uses experimentation to create the knowledge to reconfigure the organization-specific assets, which are inherently unique, unpriced and mutually specialized (Bylund, 2014). Bylund (2013) posits that by creating deeper specialization, and in a different density and configuration than the organizations' competition, turnaround managers would be able to save their organizations from decline. In more simplistic terms, turnaround managers are to change the division of labor and specialization to synchronize with the organization's movement. The benefits of reconfiguration and synchronization have been confirmed empirically. Kim and Mahoney (2008) have tested changes in specialized assets and how they benefited performance. Morrow, Sirmon, Hitt, and Holcomb, (2007) have found that turnarounds see the best results when they reconfigure valuable and rare organizational resources. On the other hand, managers often face scarce and dwindling organizational and environmental resources amidst increased stakeholder conflicts during turnaround situations. Managers of declining organizations also have limited time and information when analysing and effecting change (Ndofor, Vanevenhoven, & Barker, 2013). Managerial decisions in difficult times have accounted for the majority of variance in organization performance (Adner & Helfat, 2003).

Turnaround Strategies: Reduction, Reconfiguration and Innovation

There are many studies on strategic management of organizational turnarounds (Schendel, Patton, & Riggs, 1976; Hofer, 1980; Hambrick & Schecter, 1983; O'Neill, 1986; Pearce & Robbins, 1993; Bibeault, 1982). The main issue behind these various research is why asset and labor reduction are normally the main step in turnaround process? Pearce and Robbins (1993) postulate that organization resource slack is needed and cost reduction preserves what remains. Reduction brings flexibility to the organization when resources are converted to cash. The researchers' unique contribution to literature is an acknowledgement of the complexity of organizational decline and the development of an analytical method for classifying cause of decline, severity and strategies that are congruent.

Barker and Mone (1994) challenge the postulate of Pearce and Robbins (1993) and argue that reducing assets or costs in an absolute sense does not always mean that efficiencies are gained or that a stabilized core of operations is achieved. They further argue that *how* organizations retrench is also important. The process of implementation may be as important as the choice of strategy. In addition, they note that *what* is retrenched is also important, e.g. it may be foolish to sell off an organization's most productive assets. Barker and Mone (1994) strongly suggest that strategies which require retrenchment may be misleading, as the gains from reduction may not necessarily outweigh the costs of that reduction. Academic debates between the researchers revealed that a fundamental assessment has been challenged. Perhaps asset reduction is not always the answer, and sometimes reconfiguration is more effective.

Trahms et al. (2013) have more recently written a comprehensive review of the empirical literature of organizational decline and turnarounds. In their review, they have classified four main areas of ongoing research: the cause of the decline, response factors, organization's actions and outcomes. Alexander, Fennell, & Halpern, (1993) examined the effects of leadership instability in the health care sector and their findings indicated declining organizations experienced more instability in the CEO position over time than stable organizations. Carmeli and Sheaffer (2009) found that leadership risk-aversion and self-centeredness are significantly related to organizational decline and intensified organizational downsizing.

Hoffi-Hofstetter and Manheim (1999)'s study of 252 managers in Israeli enterprises proposes that individual coping resources and organizational patterns explain the responses of mid-level managers to organizational recovery to decline. There is a body of literature suggesting that organizational decline has an inhibiting effect on adaptation. One of the influential contribution to this school of thoughts is Staw, Sandelands, and Dutton's (1981) 'threat-rigidity' model. The researchers argued that threat leads organizations to restrict information processing, centralized control and conserve resources. These responses increase rigidity and reduce organization's capacity to adapt to environmental change.

Other theoretical and empirical work in the organizational decline and resource scarcity literatures is consistent with the effects predicted by Staw (1981) (Cameron et al., 1987; D' Aunno & Sutton, 1992; D' Aveni, 1989). As compelling as the argument put forward for organizational decline as an inhibitor of adaptation, there is also a body or research which suggests organizational decline may function as a stimulus for adaptation. Miles and Cameron (1982) described a number of strategic adaptations that firms made to meet declining demand and external threat in the tobacco industry.

Mckinsey (1984) showed that sales declines were correlated with adaptation behaviours. Cummings, Blumenthal, and Greiner, (1984) explore the case for trans-organizational systems where organizations with disparate goals combine resources to manage organizational decline. More recently, Latham and Braun (2014) considered four scenarios that can unfold when organizations either innovate or respond rigidly to organizational decline. They introduced the concept of flexible versus inflexible innovation which influences the success probability of an innovative response to decline.

It is interesting to note that Trahms et al. (2013) have often cited well regarded research studies with conflicting empirical results. For example, they have cited Ndofor et al. (2013) found a strong effect of CEO succession on turnaround performance for declining organizations in a growth industry. In contrast, Winn (1997) found organizations that have successfully turned around from asset productivity decline did not replace their top management, whereas organizations that failed to turn around from asset productivity decline did replace management 21.5% of the time.

Trahms et al. (2013) noted several times in their paper that there is little empirical evidence in the field of asset orchestration in turnarounds. More importantly, the review highlights the fact that most of the decline and turnaround research studies have been phenomenon based, with less theoretical development within and integration across the components of the decline and turnaround process.

Understanding Organizational Decline in SMEs

SMEs benefit society in many ways. SMEs harbor vast innovation potential, create the majority of jobs in many nations and are a cause of wage growth (Hoffman, Parejo, Bessant, & Perren, 1998; Malchow-Møller, Schjerning, & Sørensen, 2011; Storey, 1994). Intuitively, the fact that little is known about their decline and turnarounds is a major concern for economic development efforts. Watson (2003) reported that only 50% of small businesses are still trading after the first three years. More recent US data, researched by Statistics Brain Research Institute, recorded that 44% of start-up businesses failed by the third year. Increasing their survival rate by a better understanding of turnarounds in their context will bring enormous benefits to the society at large.

There is a lack of agreement on what causes organizational decline in SMEs. The lack of consensus indicates a lack of theoretical understanding and empirical evidence when it comes to reviving poor performance. There is no conclusive theory that explains the high failure rate of small organizations or how to turn them around. Empirical research has found that the mortality rates of organizations decline increases with size (Hannan & Freeman, 1989; Sutton, 1997). Ropega (2011) argues that small businesses simply do not have the support of resources that larger organizations typically possess. These organizations also have difficulty sourcing financial support from banking institutions.

Bradley, Aldrich, Shepherd, and Wiklund (2011) found that credit, equity and organizational slack are integral to turnaround success. However, it is not clear why slack assists survival, as organizations with more cash to burn just take longer to terminate.

Moreover, if it is the case that large organizations have advantages, why are there small organizations at all? Since the literature cannot fully explain the dynamics of small organizations and their success rate, the author of this paper may infer that the theory of the organization and competitive advantage are incomplete. The confounding nature of SME decline and turnarounds has led researchers to look for setup and operational differences in SMEs in regards to their turnarounds and decline.

Organizational characteristics are found to be important for SMEs in turnaround situations. For example, organization size has been found to influence risk taking during organizational decline, with smaller organizations reducing risk and larger organizations increasing risk (Audia & Greve, 2006). The composition of the board of directors has also been found to be important to the success of the turnaround process.

Daily and Dalton (1993; 1994; 1995) found that boards of successfully reorganized organizations were composed of approximately 65% outside directors, while organizations that ended in failure had boards composed mostly of insiders. There is, however, no research findings on causal reasons. Small organizations are often run by owners or family members, they do not normally have outside directors and, hence, may be impacted by the board contingency. There is a lack of understanding of what organization action and contingencies affect turnaround success (Greve, 2011; Trahms et al., 2013). For example, large organizations seem to suffer from their own inertia, which limits the scope of their response, and a misalignment between capabilities and market needs (Cyert & March, 1963; Teece, 2007).

In addition, blundered management may lead to organizational decline in both small and large organizations. For instance, inaction or actions that use resources ineffectively (Schendel et al., 1976), reducing research & development investments indiscriminately (Johnson, 1996) or targeting acquisitions that lack complementarities (Hitt, Harrison, & Ireland, 2001), can all lead to decline. However, such research studies specifically on SMEs are not found.

3. Research Framework

This paper aims to explore changes in specialization in turnaround situations with overseas Chinese SMEs, and their effect on performance in a turnaround context. There is no existing research framework for detecting changes in specialization and the division of labor in a turnaround context. There is also no agreement on how the division of labor is measured (Bylund, 2014). The author has constructed a conceptual framework of six elements from literature, assumptions of which are discussed in the following subsections. The six elements correspond with the 6 propositions summarized in Table 1.

Table 1: The Six Propositions for Research Study

#	Propositions
P1	The turnaround manager increases the coordination costs in an organization in the turnaround process. Costs of coordination are impacted by principal–agent problems, hold-up problems, market efficiency and enforcement of control.
P2	a) A turnaround manager increases worker specialization, as defined by a narrowing of the scope of task-specific activities, in the turnaround process. b) A turnaround manager increases machine specialization, as defined by a narrowing of the scope of machine task specific activities
P3	The turnaround manager increases the roundaboutness of the internal operations of the organization, as defined by extending separate and distinct steps of production inside the organization, which splits the division of labor and capital into smaller

#	Propositions
	pieces.
P4	Turnaround managers increase clarity and precision in the division of labor and capital. Clarity is defined by having precise job descriptions, task specifications, organization reporting and process flows with increased formal and information-dense communication to coordinate specialized labor and capital.
P5	a) Turnaround managers increase operational knowledge in the organization. This is defined as knowledge about financial performance and knowledge about operational results. b) Turnaround managers increase financial knowledge in the organization. This knowledge is expressed by the creation and/or increased accuracy of financial statements, and/or the increased ability to forecast financial implications of operational actions.
P6	Turnaround managers make changes to the organization after they have a vision of a production process that does not yet exist.

P1: Costs of Coordination

Most jobs consist of bundles of tasks, rather than just one specialized task. Bundling occurs when tasks are complementaries, i.e. when it is productive for a worker to perform both tasks. The presence of task complementarities has important implications for the division of labor. According to Becker and Murphy (1992), one of the main drivers for division of labor is the costs of coordinating specialized workers who perform complementary tasks. As coordination costs fall, costs of specialization decrease (Bylund, 2014). Becker and Murphy (1992) noted that specialization increases until it is balanced with higher costs. Thus, the limit to the division of labor in an organization is the costs of coordination. Becker and Murphy (1992) listed four key sources of coordination costs:

a) *Principal–agent problems:* The general problem of motivating employees to act on behalf of another is called the principal–agent problem. The principal–agent problem arises when a principal hires an agent to perform tasks on his/her behalf (Polutnik, 2015). There are three types of agency costs: monitoring costs, bonding costs, and the residual loss of a principal (Jensen & Meckling, 1976). *Monitoring costs* occur when the principal employs resources to observe the efforts of the agent or creates incentives. *Bonding costs* are incurred in order for a principal to guarantee performance of an agent. *Residual loss of principal* involves the destruction of economic value from the agent’s self-interested behavior. Structuring employees and managerial incentives is one of the ways in which owners of an organization minimize the residual loss (Polutnik, 2015).

b) *Hold-up problems:* An asset is specialized if it has high value when used in specific application, but does not provide much value in alternative uses. A problem with such investments is that it leaves the organization vulnerable to the whims of its specialized employees and suppliers. This is known as a ‘hold-up problem’ (Williamson, 1985). Milgrom and Roberts (1998) have explored the changes in the efficiency of alternative mechanisms for minimizing the risk of being exploited by one's exchange partner. Kreps (1990) notes that culture can be used to enforce expected behaviours in a corporation for economic exchange.

c) *Market efficiency:* Market efficiency is about creating the ability to transact with customers more easily (Jensen & Meckling, 1976). This may include integrated marketing communications and culturing brand awareness.

d) *Enforcement of controls:* Employee actions have cost implications. Corrections that are necessary to improve the quality of agent and principal actions in their relationship are all costs (Mitnick, 2004).

P2 : Specialization of Labor and Machines

Specialization is a narrowing of scope and increased repetitiveness of an activity (Bylund, 2013). Narrowing the scope of activity usually brings more productivity (Becker & Murphy, 1992). Similarly, increases in machine specialization raise productivity and intensify productivity in the division of labor (Foss & Ishikawa, 2007). A great deal of earlier research studies have emphasized the adverse social-psychological effects on workers due to extreme functional specialization (Shepard, 1970; Aldag & Brief, 1975; Taveggia & Hedley, 1976; Lefkowitz & Brigando, 1980). However, there are also recent developments which suggest a reversal in the historical trend toward increasing specialization (Yuill, 2011; Malone et al., 2011).

As Smith (1776) argued that social division of labor is limited by the extent of the market so that the benefits of specialization to an individual are determined largely by the existing social division of labor in the economy. Other researchers extended that into a synergetic argument that the extent of the market also depends upon the level of social division of labor. Thus, the presence of increasing returns to scale leads to specialization and further social division of labor. In turn, a high level of social division of labor leads to increasing economies of specialization that form further incentives to specialize and deepen the social division of labor (Stigler, 1951; Yang, 2003; Cheng & Yang 2004).

P3: Roundaboutness

Roundaboutness describes the stages of production. Roundaboutness should increase if turnaround managers increase specialization, and decrease if they decrease specialization. The extension of the production process is theoretically more efficient due to the fact that it employs more specialist machines and labor at lower coordination costs (Buechner, 1989). Longer production processes use more capital, creating higher capital to labor ratios and generating more output (Horwitz, 2003). Bylund (2013) also argues that it is the specialization of machines that gives roundaboutness higher productivity.

P4 : Clarity in the Division of Labor

Becker and Murphy (1992) note that efficient economies have a more finely etched division of labor. What is true of the economy may be true of the organization. Efficient organizations may have a more finely etched division of labor supported by high intensity information flow – formal and precise, expensive to produce but less subjective to interpretation error (Michaels, 2007). The less intensive communication in an organization becomes, the more likely generalization and independence has increased (Bylund, 2014).

P5: Increase of Knowledge

Becker and Murphy (1992) advocate that the main drivers of the division of labor are costs of coordinating specialized workers and the availability of knowledge. Costs of coordination is already considered earlier in P1 discussions. The availability of knowledge is discussed here. Becker and Murphy (1992) argue that while size of the market is a factor in determining division of labor, so is knowledge. Without knowledge, there cannot be additional specialization, no matter what is the size of the market. Turnaround managers generated knowledge including efficiency, control of wastage, customer demands, product feature, service design, profit and loss, and activity-based costing. However, it is unknown if that knowledge is used to extend the division of labor in the organization. Financial and operational knowledge is chosen for this study as management is expected to have competencies for these key fundamental areas in turnaround situations.

P6: Vision before Action

Leadership during a turnaround is different from 'business as usual' leadership. Bylund (2011, 2014) posits that managers create novel production processes by imagination and leadership. Turnaround managers are visionary leaders that create novel specialization and configurations of assets to restructure the organizations for profitable growth.

4. Methodology

The study does not just adopt a deductive approach to collect facts to confirm or deny theory (Saunders, Lewis, & Thornhill, 2009). It purposefully targets qualitative data to better understand the *how* and *why* of a subject and to elaborate where shorter, quantitative-based questions may leave important information out (Yin, 2011):

- The variables (e.g. the division of labor and specialization) are the actions and interpretations of people.
- The specialization and the division of labor may not be convertible to numerical values, for analysis.
- The study will examine real-life phenomena under real-world conditions.
  The entire population of turnarounds is not known, because informal arrangements are often made (Richards, 1998). The data is confidential. Therefore, an adequate sample size cannot be generated to prove statistical significance.

Turnarounds are generally defined by their financial performance (Audia & Greve, 2006; Barker, Patterson, & Mueller, 2001; Greve, 2011; Ndofor et al., 2013; Wan & Yiu, 2009; Wiseman & Bromiley, 1991). Specifically, a return (or an attempt to return) to profitability after a decline of 20% on return on equity (ROE) and return on assets (ROA) for two consecutive years, is the threshold for an organization to be considered a turnaround (Morrow et al., 2007). These are the most common measure of business performance in the literature (Trahms et al., 2013).

Following Morrow et al. (2007), only SME organizations whose ROE and ROA have fallen by at least 20% for two consecutive years before turnaround interventions and have since returned to profitability are selected for participation in the study. The other qualifying criterion is that the organization must be owned or managed by overseas Chinese.

- Sampling Design

Samples were taken from internal clientele lists 2014 in three consultancy organizations specializing in SME development in the ASEAN region. 32 clients who have undergone successful turnarounds in the period 2011-2014 were selected. Consents were first obtained from these clients by the consultancy organizations for the disclosure of the clients' names and basic information to the author. The author then contacted all the selected clients to explain the purpose of the research study and obtain further consent to conduct the study with the clients. 20 clients agreed to participate in the study with the signing of confidentiality agreements.

Table 2 depicts brief profile of the 20 SME organizations, all of which have returned to profitability with varying degrees of success, basing on ROE and ROA performance observed one year after completion of turnaround. The success measurements are compiled by the consultancy organizations and shared with the author. As turnaround interventions are sensitive and success rates have implications on the reputation of the consultancy organizations, no information were released on unsuccessful turnaround projects.

Likewise, information on the seriousness of initial decline with the 20 clients was not shared as it fell under the terms of confidentiality agreements signed with the clients. However, the research on the varying degrees of success with the participating organizations would still provide good discussions.

Table 2: Profile of the 20 SME Firms

Case #	Industry Sector	Life Cycle	Decline Cause	Turn-around Result*
1	Retailing	Decline	Mismanagement	HF
2	Agriculture	Mature	Outdated	HF
3	Construction	Mature	Mismanagement	HF
4	E&E	Mature	Lost key markets	SS
5	Logistics	Mature	Outdated	HF
6	Mining	Decline	Loss of Key man	FG
7	Agriculture	Mature	Outdated	HF
8	Retailing	Growth	Working Capital	HF
9	Import/Export	Growth	Working Capital	HF
10	Construction	Mature	Outdated	HF
11	Construction	Decline	Succession	FG
12	Logistics	Mature	Outdated	SS
13	E&E	Mature	Succession	SS
14	Agriculture	Decline	Outdated	HF
15	Chemical	Mature	Loss of key man	FG
16	Motor Vehicle	Mature	Competitions	HF
17	Import/ Export	Mature	Mismanagement	SS
18	Agriculture	Mature	Outdated	SS
19	Retailing	Growth	Mismanagement	HF
20	Engineering	Decline	Succession	FG

Source: Sharing by 3 consultancy organizations

Note*: Result observed 1 year after completion of turnaround exercises

HF (High Flyer): Improved Performance with ROE and ROA increased by more than 10%

SS (Shining Star): Improved Performance with ROE and ROA increased by 5%- 10%

FG (Future Gem): Improved Performance with ROE and ROA increased by less than 5%

- Data Collection and Confidentiality

Senior management and internal change (turnaround) managers in each of the 20 SME organizations were interviewed face to face during the period September 2015 to June 2017. The organizations had all undergone attempted turnarounds in the years 2011–2014. The research was carried out with a semi-structured questionnaire, designed to principally capture both oral and written data to test the six propositions and also to explore cultural implications in managerial decision-making. Lists of interview questions were first submitted to management of the SME organizations well ahead of interview days. Two participants from each organization were then chosen by the management for the research interviews. The one-to-one interviews took two to three hours per participant.

The questionnaire begins with a section on context, followed by 33 closed questions with response alternatives using Likert-type scale for comparability of answers. The closed questions are derived from the turnaround literature and focus on capturing data for the six propositions. There are also open-ended questions to prompt participants to elaborate on details and expound on the reasons for their answers to each proposition's enquiry. The questionnaire ends with another three open-ended questions to explore cultural and other salient issues in the context of overseas Chinese SME organizations. The notes made of each interview were sent back to the participants for confirmation. These were necessary steps to build trust and rectify any misquoting. Observations were also made during site visits to the organizations to support findings from the interviews. Under the confidentiality agreement, the identity of the organizations and participants is of paramount concern and are protected.

5. Findings and Discussion

Findings from Closed Questions

The research follows an inductive approach for qualitative data analysis. A summary of findings from closed questions is first presented for the 6 propositions before the discussions of qualitative findings for each proposition in turn.

Answers to the 33 closed questions are categorized by propositions. Each proposition is made up of 5-6 Likert items. A 6-point Likert-type scale is used to measure respondents' agreement on the Likert items. The mean score of each organization for every proposition is recorded. Next, the mean score of the 20 organizations for every proposition is computed. This is then converted into average percentage of organizations in agreement with each of the propositions, as presented in Table 3.

Table 3: Research Propositions and Average Percentage of Firms in Agreement

#	Propositions	Average Percentage of Firms in Agreement
P1	Increase coordination costs	32%
P2	Increase labor and machine specialization	27%
P3	Increase roundaboutness	24%
P4	Increase clarity and more finely etched division of labor	42%
P5	Increase operational and financial knowledge	86%
P6	Increase vision before action activities	95%

Findings from Open-ended Questions

Up to 2 open-ended questions are asked for each proposition, to allow managers to elaborate on their answers to the closed questions about the proposition. The major themes are discussed under the relevant proposition below.

- *Proposition 1:*
  The turnaround manager increases the coordination costs in an organization in the turnaround process. Costs of coordination are impacted by principal–agent problems, hold-up problems, market efficiency and enforcement of control.
  (Firms in agreement: 32%)

The interview found that reduced coordination costs in all 20 organizations post turnaround for all four cost categories: principal–agent problems, hold-up problems, market efficiency and enforcement of control. A key emergent finding was that a significant additional budget was allocated to principal–agency relationship during the turnaround process. It was deemed a critical activity to stabilize the organizations and hence it was considered an investment instead of expenditure. As one manager said, ‘the key enablers of business success for small operations like ours is the invaluable relationships we have with our suppliers, customers and employees. It is our redeeming quality. In time of crisis, we stick together as one-united-front’. The positive knock-on effect was a reduction in hold-up problems, improved market efficiency and a reduced need for control, bringing about a reduction in overall coordination costs in unity of purpose.

Support for Proposition 1:
The qualitative findings and average percentage of firms in agreement at 32% do not support this proposition.

- *Proposition 2a:*
  A turnaround manager increases worker specialization, as defined by a narrowing of the scope of task-specific activities, in the turnaround process.
- *Proposition 2b:*
  A turnaround manager increases machine specialization, as defined by a narrowing of the scope of machine task specific activities.

(Firms in agreement: 27%)

Contrary to theory, SME management did not increase the division of labor in turnaround situation. In fact, in some of the organizations, there has been a reduction in the division of labor post turnaround. There was increased trust and communication during the turnaround period contributing to effective coordination efforts. Management and staff were united with common goals to confront externally driven changes. Multi-tasking and team-working under visionary leadership were found to have made major contributions to recovery.

Most managers responded that they increased work flexibility post turnaround, while at the same time, expanding the job scope undertaken by each individual employee. Managers explained that, during the turnaround, they restructured processes and consolidated activities to create new value-added task lists for employees. ‘We need to orchestrate strengths and everybody is expected to multi-task during turbulent times with one united goal: to emerge stronger’. They built flexibility between tasks through teamwork. Activities were regrouped into meaningful whole jobs. Employees were empowered through job enrichment exercises. Most of the managers commented that it was necessary for them to push operational decision-making downward to focus on strategic matters in turnaround situations. This arrangement resulted in teams often becoming self-directed and, in turn, energized to weather the storm together.

All managers had major concerns about labor specialization with a narrowing scope of activities. Many spoke of the risk that specialized labor could bring to the organization, including exploitation, hold-up problems and not being able to adequately staff specialized positions on a sustainable basis. Labor specialization was also seen as a drain on cash. More importantly, the managers believed that labor specialization would create a path dependency for the next stage of growth for the organization. In their views, while stabilizing the organization, a turnaround manager should not restrict options for a new CEO to run SME operations. As one manager commented, ‘we are small organizations and hence, our structure must be dynamic in nature like an amoeba without a constant structure. We do not have the luxury to have rigid boundaries’.

None of the managers increased specialized capital in the organizations, by purchasing or building specialized machines/plants. Instead, managers deliberately attempted to decrease specialized assets in the organizations. New capital investments were evaluated based on flexibility of applications. Existing capital equipment was adapted to increase flexibility between kinds of orders and order sizes. To promote operation productivity, the managers introduced process innovations to reduce redundancy and idle time. To most managers, seeking novel specialized capital equipment to build competitive advantage was perceived to be a non-sustainable strategy. The focus for these managers was to just meet or slightly exceed industry standards. The real competitive advantage was perceived to be with investing in social assets and processes to bond with stakeholders.

To counter the constraints of physical resources in the small organizations, they worked with value chain partners to reduce lead times and cycle times, to enable higher overall capacity and lower inventories for the whole supply chain, while maintaining greater quality overall and offering better value to customers. 'The bonding through common interests is far more rewarding and effective for our small operations'.

Support for Proposition 2a and 2b:
The qualitative findings and the average percentage of firms in agreement at 27% do not support this proposition.

- *Proposition 3:*
  The turnaround manager increases the roundaboutness of the internal operations of the organization, as defined by extending separate and distinct steps of production inside the organization, which splits the division of labor and capital into smaller pieces.
  (Firms in agreement: 24%)

This proposition indirectly tests specialization. Based on literature reviews, had the managers increased specialization in labor and capital (Proposition 2), it would have lengthened production processes, due to the creation of steps for specialized labor, and/or the use of more specialist machines. The alternative would be to replace production chains with new, more powerful plant equipment that could do multiple steps at once. However, the author has made neither of these observations at the participating SME organizations. Managers expressly stated that they did not seek to build specialized capital equipment/plants and the majority spoke poorly of specialized labor and the risks to future development that it could bring.

The author, however, observed and confirmed with the managers that the production processes were streamlined and layouts rearranged for more efficient operational control by employees. Cellular layouts were found in many of these organizations post turnaround, which were in line with the intervention strategies designed to encourage labor flexibility in a self-directed team environment to use labor more efficiently. Managers again promulgated the superior importance of managerial capabilities in optimizing resources rather than resource ownership as a manager elaborated, 'We do not have the luxury of owning white elephants in our operations.' Another manager argued, 'it is what managers do with their resources that is critical for success. Activity is the central focus of advantage.'

Support for Proposition 3:
The qualitative findings and the average percentage of firm in agreement at 24% do not support this proposition.

- *Proposition 4:*
  Turnaround managers increase clarity and precision in the division of labor and capital. Clarity is defined by having precise job descriptions, task specifications, organization reporting and process flows with increased formal and information-dense communication to coordinate specialized labor and capital.

(Firms in agreement: 42%)

This proposition indirectly tests changes in the division of labor, by gauging the changes in communication content and process in the organization. Most of the managers reported that they spent significant time explaining to employees the organization's critical position during turnaround. They also expended effort in communicating the need to restructure jobs with refining tasks, grouping activities into whole jobs, and clarifying reporting accountability, responsibilities and goals. They ensured comprehension of mission, key activities and their critical importance in the organizations during the difficult times. On reflection post turnaround, most managers firmly attributed the success of the process to effective communication for buy-in.

It is clear that for participating SME organizations, clarity and precision was not for labor or capital specialization. Communication of purpose and clarity were necessary for alignment of goals between management and employees. Precise job descriptions, reporting structure, process clarity and increased formal information flows were to promote the superior coordination needed for increased labor flexibility and responsiveness. In order to reduce lead time and cycle time, there was a need for effective coordination among internal and external parties for the organizations. A manager further emphasized, 'Communication is the glue that holds everybody together but it is the depth of trust that decides the stickiness' which is aligned with findings for proposition 1.

Support for Proposition 4:

The average percentage of firms in agreement at 42% suggests a higher support for this proposition but the qualitative findings have provided a rich picture of the context for support.

- *Proposition 5a:*
  Turnaround managers increase operational knowledge in the organization. This is defined as knowledge about financial performance and knowledge about operational results.
- *Proposition 5b:*
  Turnaround managers increase financial knowledge in the organization. This knowledge is expressed by the creation and/or increased accuracy of financial statements, and/or the increased ability to forecast financial implications of operational actions.

(Firms in agreement: 86%)

These propositions indirectly test specialization by ascertaining whether turnaround managers generate additional knowledge, which enables an increase in the division of labor within the organization. All managers reported that their first priority was to get an accurate financial picture of the organizations during turnaround. Post turnaround, most of the managers continued with the practice of generating timely cash flow statements. They also learned the importance of creating accurate forecasts. All spoke positively about the need for managerial knowledge in finance and the implications of acquiring such knowledge in not only managing financial performance but also running effective operations in the SME organizations. In operations, almost all managers said knowledge had also dramatically increased. They learned new concepts and tools to design, operate and improve operation systems for getting work done more efficiently and effectively.

This operational knowledge was used in conjunction with financial knowledge acquired to improve overall organization performance by deciding on business activities that were not economically productive.

Support for Proposition 5a and 5b:
There is a strong support for this proposition with average percentage of firms in agreement at 86%. This is in alignment with interview findings from managers: 'I have learned a lot more about how to keep the ship on course and keep my staff focused, in those difficult times". "You get through it, and then you will realize that you're a much better leader and effective business person, because of what you have done through." However, interviews also revealed an important finding that the increase in knowledge was not specifically applied to increasing the division of labor in the organizations.

- *Proposition 6:*
  Turnaround managers make changes to the organization after they have a vision of a production process that does not yet exist.

(Firms in agreement: 95%)

All managers spoke of the urgent need to act on organizational changes in a turnaround situation without the luxury of time for thorough analysis and systematic decision-making. Most of the managers mentioned that decisions were made based mainly on experiences and intuition from running SME operations. As one manager said, 'During such situations, it is not so much about whether the decision is right or wrong; it is the best decision in view of the available information at the point in time.

The common feedback was that employees expect managers to lead the organizations out of difficult times with visions of a better future. As another manager said, 'People tend to believe what they can see. As a change leader in an SME setting where resources are scarce, it is about visualizing what changes could be made and must be made in the situation and then selling the vision to the employees. It is about making them see what you believe in.' All managers understood that 'believing is seeing' as their mission to lead in turnaround situations. As one manager puts it: 'When people can be shown the path to the light at the end of the tunnel, a miracle takes over with trust and focus.' Another manager added: 'People should not be told to work together; they need to know why they work together. You cannot instruct emotions'. It highlighted the need for a moral cause to act

Support for Proposition 6:
Both qualitative findings and the average percentage of firms are in agreement at 95% suggest a strong support for this proposition.

Discussions on Cultural Implications for Turnaround Decision-making
In recent turbulent times, many business operations in the Asian region experienced major economic downturn and financial distress. Western turnaround strategies were adopted and generalized across all business settings by consultants and managers to restructure and turnaround organizations. The concern has been what elements of the Western turnaround model are applicable in Asia and to what degree? Various research studies on organization turnaround in Asia have uncovered that generalization of Western approaches to the Asian environment is limited (Bruton et al., 2001; Bruton & Rubanki, 1997; Gowen & Tallos, 2002). Backman (1999) warned that imposing Western standards of turnaround strategies in Asian settings could lead to a further deterioration of performance for many organizations, arguing that Western measures are inappropriate in Asian context.

There are basic economic and cultural factors that influence business competitiveness in different cultural and national settings (LaVan & Murphy, 2007) Overseas Chinese businesses have a dominating influence across South-east Asia and the cultural characteristics are found to be homogeneous independent of country borders (Backman, 1995; Bruton et al., 2003). The history of overseas Chinese emigration, though full of hardship and challenges, has been one of tremendous economic success. Faced with an often hostile environment of insecurity, mistrust, discrimination, displacement and violence, the overseas Chinese' mentality was to ensure survival and fuel success. Entrepreneurship and wealth creation became essential (Ho, 2005). Even though they are a small minority in their adopted countries, the overseas Chinese control a disproportionate share of these countries' national trade and control a large percentage of wealth in the ASEAN region. An abstract of 2003 economic reports by Andersen Consulting and the Economist Intelligence Unit is shown in Table 4 for selected ASEAN countries clearly illustrates the dominance of the overseas Chinese networks in the regional economies.

Table 4: Market Dominance of the Overseas Chinese Businesses in Selected ASEAN Countries

Country	Chinese Share of Population (%)	Chinese share of Market Capital (%)
Indonesia	2.5-3.0	73
The Philippines	2	50-60
Singapore	77	81
Thailand	10	81
Malaysia	27	69

Source: Abstract from 2003 Economic Reports by Andersen Consulting and the Economist Intelligence Unit

The findings for the 6 propositions of increasing specialization and division of labor reveal that SME managerial practices run counter to developed Western strategic theories. The last three open-ended questions of the research instrument aim to investigate key contextual differences between Western and ASEAN businesses. Five guiding principles surfaced from the in-depth discussions with the SME managers on cultural implications and salient issues with overseas Chinese business practices in turnaround situations. These guiding principles provide a rich understanding to the findings for the various propositions and they are summarized in the following subsections.

(a) Life-Raft Values

The overseas Chinese operate with a 'minority mentality' stemming from the uncertainty of their status in the adopted countries. Kao (1993) found a set of 'life-raft values' with overseas Chinese entrepreneurs which, include thrift, hard work, irrational levels of savings, obedience to patriarchal authority, trust only family and investments in tangible goods based on kinship. With the life-raft values, overseas Chinese are exceptionally adaptable in turnaround situations. As a manager said, 'we are like chameleons; we adapt and have survived harsh economic realities in history'. Another manager responded, 'the importance is we have our people's support. That is liquid gold and, together, we can ride any storm'.

In P1, the lowering of the coordination costs in the SMEs was found to have no relationship with specialization of labor. The reduction was brought about by the heightened unity of stakeholders, driven by common goals and the higher purpose of wanting to confront difficulties as a 'unit' in challenging times. Solid principal–agency relationship is the key to success in surmounting external threats.

(b) Confucian Principles

Confucian principles advocate that one should treat others as one would like to be treated (Hofstede & Bond, 1988). 'No one wants to operate like a machine with a narrowly defined job scope. Everybody should have an opportunity to acquire skills and grow', said a manager. P2a on increased labor specialization is clearly not a practice. It also explains the lack of detailed job specifications in most SME operations. A key characteristic of working in SME settings is that everybody is multi-tasking with a wide scope of activities, allowing maximum labor flexibility. Turnaround situations offer an opportunity for employees to demonstrate their commitment to the organization and capability for growth. The Confucius teaching that one is not primarily an individual, but a member of a family who drives comrade's spirit in turnaround situations, as most SMEs are familial settings.

P2b on increased machine specialization is also not a practice as that is not seen as a wise decision by most SME managers who value social assets more than physical assets. The decision to be bolted down by capital specialization without assurance of returns is not aligned with the life-raft values of investments not on abstract principles but affiliations. It also counters the principle to 'keep your bags packed at all times'. Similarly, the decision to increase steps and lengthened production chains did not make sense to the managers (P3). Managers perceived that making such specialization decisions would only increase uncertainties and instil fear among employees. As one manager put it, 'Humans are smart and are capable of very complex thought and analysis. Dehumanizing works is when all the good qualities of being human are ignored. I think it is dehumanizing to create work like that.'

Instead, managers have innovated processes to reduce redundancy which in turn promotes productivity. The Western turnaround models have largely suggested retrenchment during turnarounds although a solely retrenchment-driven turnaround is not postulated. More recent literature is full of scholarly recommendations to managers to not downsize labor or eliminate resources and keep what is absolutely necessary. Many researchers discussed the negative effects of retrenchment on internal morale and stakeholder support in Western settings (Morrow et al., 2007; Sirmon et al., 2011). For the overseas Chinese SMEs, retrenchment is seen as breaking the psychological contract with employees as it is a Confucian principle that the senior owes the junior partner in any social relationship, protection and consideration (Liu, 2010; Chen & Farh, 2010).

Bruton et al. (2001) have also found that retrenchment cannot be implemented by many South-east Asian organizations as they face social and ethical restraints. In general, for most SMEs in the region, there is no high dependency on capital markets, and hence the managers value the long-term retention of organizational competencies more, which are concentrated mainly in the knowledge of the employees and the interpersonal relationships with all key internal and external stakeholders. It is not uncommon for families to chip in, suppliers to extend further credit, customers to pay upfront and employees to forgo pay in order to help out an organization with short-term liquidity problems.

Closely aligned with the five basic relationships in Confucianism (Fan, 2000), there are three levels of relationships with overseas Chinese: family members (*jiaren*), non-family members with whom one shares a significant connection (*shuren*) and strangers (*shengren*). Meaningful and sustainable relationships with employees, external consultants and other stakeholders are maintained at the *shuren* level. Without establishing *shuren* ties, trust rarely exists in commercial relationships with overseas Chinese. Managers emphasized that in the Chinese business context, relationships are social capital and an organization's valuable assets, especially in difficult times.

Hence, turnaround consultants for SME operations are expected to contract on a contingency basis in turnaround situations. 'What is the point of having a relationship with someone who will not stick around in times of need?' as one manager commented. The levels of trust that the Chinese have in most people reflects the expectation that favors will be returned (Hermann-Pillath, 2010).

(c) 'Guanxi' and 'Renqing'

The close-knit Chinese SME community is grounded on tight *guanxi*, a word that has no direct English translation. The conventional translation 'connections' touches only one aspect of the meaning. *Guanxi* is more specifically about connections that are grounded on trust and defined by reciprocity and mutual obligation. With its focus on relationships and shared history, *guanxi* is a manifestation of the Confucian principle of respect for the past, a value that many overseas Chinese cherish (Ho, 2006). In times of adversity, as in turnarounds, the depth of *guanxi* is put to the test with employees and other stakeholders. In the case of the SMEs, *guanxi* has led stakeholders to show solidarity with the troubled organization, increasing commitment even when the financial ratios suggest withdrawing support.

This concurs with findings that guanxi is a relational exchange where deeds are a reciprocal obligation (Wang 2007; Kriz & Keating 2010). Those who have shown commitment and support in difficult times will be rewarded with *renqing* obligations. *Renqing* obligations weave networks of relationships through reciprocal offerings of favours, creating mutual indebtedness that continues indefinitely (Wang, 2007). It is precisely the nonspecific nature of the time frame that makes *renqing* obligations so binding and *guanxi* networks so enduring and pervasive. The *renqing* obligations are the best barrier to entry to protect external consultants, suppliers and customers who have earned trust in times of adversity as in turnaround situations.

(d) Guidance of 'Bingfa'

Studies have identified distinctive leadership styles among Chinese leaders that reflect the Chinese cultural framework (Tsui et al., 2004; Jung, Chan, Chen, & Chow, 2010). In addition to the influence of Confucianism, the guidance of *bingfa* has also shaped the overseas Chinese leadership practices in the 20 SMEs. Various previous studies have supported the findings (M. J. Chen, 1995; Chu, 1990; Foo & Grinyer, 1995; Ho, 2006; Wee , Lee, & Hidajat, 1999). The Chinese word *bing* can be translated as soldier, and *fa*, as skill or law. While *bingfa* can be translated as a term to mean military strategy or art of war, it is better understood as strategic thinking. Chinese military strategy was mostly developed during the Warring States period in China between 500–220 BC. The most complete treatise is Sun Tzu's *Art of War*, written in 400 BC.

The *Art of War* was one of the most influential books on strategy ever written and its application remains pervasive and relevant, influencing business practices in China, Japan, South Korea and reaching across the Asia with the Chinese diaspora (Foo & Grinyer, 1995). The SME managers spoke passionately about how their decision-making was guided by the five fundamental factors of Sun Tzu's *Art of War*: the moral law, heaven, earth, command and doctrine. The moral law factor is what causes people to be in total accord with their leader, so that they will follow him/her in times of war, life and unto death without fear for their lives and undaunted by any peril.

It addresses the moral cause of a battle, thereby creating a unity of purpose among the leaders and those they lead. P4 responses reveal managers' emphasis on the need for clarity and effective communication of the 'moral cause' during turnaround situations for goals alignment and to obtain buy-in for changes. 'Believing is seeing. In difficult times, we need our people to believe us. They will then be able to see the future through our eyes'.

(e) Embracing Paradox and a Holistic Perspective of Time

Venerating Confucian principles on the virtues of working hard, acquiring skills and education as one's tasks in life, makes the turnaround experiences for the managers meaningful and fruitful when they have increased both operational and financial knowledge (P5a & P5b). Another Confucian-based philosophical orientation that has a pervasive impact on the 20 Chinese SMEs is to exchange an 'either/or' framework for a paradoxical 'and/and' framework, in which opposites are interdependent rather than mutually exclusive (Chen, 2002; Fang, 2012). A Confucian teaching is translated as: 'the extreme of yin is yang, and the extreme of yang is yin: the combination of one yin and one yang is the way of nature and the seed of change.' The SME managers see opposites containing within them the seed of the other, together forming a dynamic unity.

Crisis appears not as an insurmountable problem but as an aspect of transformation, demonstrating how paradoxical thinking can lead to opportune action. *Zhì*, translated as knowing, understanding, free from doubts and wisdom, is one of the Confucius cardinal virtues possessed by a superior person (Xu, 2011). Leaders are expected to be visionary and wise to recognize changing circumstances: the working of the 'heaven-natural forces' and 'earth-terrain', which in a modern context, can be taken to mean external and internal influences (P6). The SME managers spoke openly about the factors of command and doctrine for leadership style in turnaround situations. In Sun Tzu's battleground, leaders have the virtues of wisdom, sincerity, benevolence, courage and strictness. Similarly, managers in turnaround situations are expected not to be hesitant in making decisions to seize opportunity, organize and discipline for the achievement of change goals. Without these qualities, the managers would not gain the respect and support of the employees to implement difficult changes. The support and unity of purpose were perceived by the SME managers to be the pivotal strengths in turnarounds with overseas Chinese SMEs.

Another crucial element of the Chinese philosophical worldview shared by the SME managers is the holistic view of time. This longer-term time perspective allows events to be contextualized into a greater whole and emphasizes connections instead of isolated moments. Contrasting that with most Western culture whereby the flow of events must follow a schedule, timing and planning must remain open-ended and adaptable, especially because relationships have their own unpredictable requirements, which must be attended to as they arise. This is even more pronounced in turnaround situations as revealed in the findings for the various propositions in this study.

The SME managers view that the ability to combine patience with speed is one of the greatest strengths of overseas Chinese businesses. A Chinese saying shared by a manager: 'one must run as fast as a rabbit, but be as patient as a turtle.' This combination has allowed many overseas Chinese businesses to quickly recognize and capitalize on opportunities that surfaced in the wake of financial and economic crises. The holistic view of time has allowed the overseas Chinese SMEs to take a healthy perspective on the crisis and to see the event not in linear terms as an 'end-of-the-line' catastrophe, but as an inevitable part of a revolving cycle. At the same time, their patient perspective did not translate into resignation or complacency.

Instead, the managers applied paradoxical thinking to generate short-term strategies to quickly seize any opportunity that surfaced in the crisis. As a manager shared, ‘Our *qianbianwanhua* ability (to be in constant permutation) has kept us focused on the silver lining of the horizon in times of trial’

6. Closing Thoughts

This study looked at a limited research scope on labor specialization with overseas Chinese SMEs in the ASEAN region and found decision variables need to be understood in the organizations’ context. The orthodox explanation of the turnaround strategy does not fit the actions taken by the SME managers. The findings from the study support the need to re-examine Western turnaround concepts for the ASEAN context, as the ASEAN environment is proven to be distinctive different from that in the West. The study also explored cultural implications on the decision-making process of Chinese SME turnarounds. It supports Hill (2006)’s findings that the longevity of Confucian influences throughout Chinese culture is a major factor in China’s resistance to Western management practices.

The study has also shown that testing propositions is insufficient; there is a need to gain insights and construct explanations with such social studies. An emergent finding from the study revealed that organization decline and the subsequent recognition of the need for turnaround with most of the 20 SMEs has taken a long time, in some of the cases over a decade. Turnaround situations cause a loss of face and, to the Chinese that is more than just a person’s reputation. *Face* is compared to the bark of a tree; without the bark, the tree dies. Turnaround brings shame to the business owners and the family members. The other reasons for a slow recognition of decline are due to a relatively non-transparent governance system within Chinese business networks, characterized by cross shareholdings and the *guanxi* support, which allow the troubled organization to explore additional available resources whereas in a Western setting, tolerance levels would have been reached. With a persistent denial of the urgency to act, performance deterioration is usually more serious when Chinese SME management finally initiates turnaround activities.

Research studies have also found managers in collectivist societies indecisive and such attitude could further contribute to the delay. The procrastination often impacts the success rate of interventions. Hambrick (1985), Backman (1999), Bruton et al. (2001) and Ho (2007) support the study’s findings. With the establishment of the ASEAN Economic Community (AEC) and given recent trends towards economic integration, Chinese SMEs are expected to experience more restructuring and turnaround activities moving forward. In view of limited applicability of Western turnaround concepts to ASEAN context, there exists a knowledge gap in the turnaround literature. There is a need for empirical studies to address this knowledge gaps to better understand the turnaround process in the ASEAN perspectives and to comprehend what important cultural implications and concerns there are on decision-making by regional SME management. The contextual in-depth understanding of cultures is paramount for the development of relevant strategic content and recommendations to address turnaround situations for SMEs in the ASEAN region.

Limitation of the Study Approach

The multiple case study method is selected for this study as the most appropriate investigation approach. First, the research is exploratory in nature with a goal to establish the incidence and prevalence of specialization and changes in the division of labor. Second, there is limited available data and no central collection of SME turnaround information; hence, there cannot be a full quantitative analysis. Third, any available numeric data and official documents are often unreliable.

Fourth, all turnaround contexts are unique and non-reproducible; hence there cannot be a controlled experiment. Fifth, the comparative case study is recommended when the topic is broad and highly complex, when there is not a lot of theory available, and when context is very important (Dul & Hak, 2008). Sixth, evidence from multiple cases is more compelling. The multiple case study method is accepted in the turnaround literature (Borch & Brastad, 2003; Cater & Schwab, 2008; Masurel & Montfort, 2006).

Multiple case study research has also been advocated in wider business research, which overlaps with turnarounds (Dul & Hak, 2008; Handcock & Algozzine, 2006; Keegan, 2009). Moreover, it was also recognized as a valid research strategy in marketing (Bonoma, 1985), operations management (McCutcheon & Meredith, 1993), management information systems (Benbasat, Goldstein, & Mead, 1987) and strategy (Mintzberg, 1979).

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