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Turnaround: Retrenchment and Recovery

D. Keith Robbins and John Pearce, Strategic Management Journal, 1992

Why struggling organisations often need to slow down before they can go faster.

The big idea

Robbins and Pearce studied how struggling firms turn themselves around. They found that turnarounds tend to happen in two stages. First comes retrenchment, cutting back on costs and assets to stabilise the business, and only then comes recovery and a push for growth.

The famous example

The two stages of a turnaround.

STAGE ONE

Retrench

Cut back and stabilise

STAGE TWO

Recover

Rebuild and grow

Trying to grow your way out of trouble before the foundations are fixed usually makes things worse.

Why it matters

Whether it's a business or an athlete coming back from a setback, the instinct is to push harder. Often the smarter move is to strip back, fix the basics and then build again.

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Slowing Down to Go Faster: The Rhasidat Adeleke Lesson

Read the original

Robbins, D. K. & Pearce, J. A. (1992). Turnaround: Retrenchment and Recovery. *Strategic Management Journal*, 13(4), 287–309.

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