

Firms Restructuring: From Crisis to Development

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Abstract.

The current crisis is weakening and testing the equilibrium of domestic enterprises and not. From the result of research already done, several events that are exogenous and/or endogenous represent the origin of the decline of corporate performance, and especially if such events are not promptly perceived and interpreted appropriately by government, they may be symptoms not only of decline but at the times of crisis. The objective of this research is, therefore, to investigate the possible ways in order to cope with the difficulties of the company were, that can maintain or reassess the value. Specifically, two solutions will be draw, one that will be referred as "stragiudizionale" and the other "giudizionale".

In order to highlight the possibilities of development of the companies that are experiencing serious economic and financial crisis, present work adopts a literary approach, based on scientific contributions mainly with reference to the crisis of the modern enterprise, its restructuring and especially to its return to value. Through these scientific proposals, the work comes to analyze the possible implications for management.

In fact, it is fundamental to invest in a culture aimed to create shared value with all corporate stakeholders. Only in this way the enterprise will be able to successfully dealing with pathological states of crisis or traumatic events.

Finally, it seems appropriate to indicate as a limit of the ongoing research, the lack of a quantitative analysis in order to verify the consistency of the results achieved by an analysis that is based on scientific-literary content.

Keywords: *Decline, crisis, development, turnaround.*

SUMMARY: *1. Introduction – 2. Firms restructuring: from crisis to development – 3. The restructuring process in crisis situations – 4. Turnaround plan – 5 Conclusions and managerial implications.*

I. INTRODUCTION.

The international economy is currently suffering from a severe economic and financial crisis which shows that even the most solid balance are undergoing the experience. For businesses it is necessary, therefore, the realization that external events and/or endogenous may be the origin of the deterioration of their performance, and that if not promptly and properly perceived and interpreted, can get to be the symptoms of decline and crisis.

To afford this situation, preserving in this way the value of the companies that are in a state of difficulty, ensuring continuity and avoiding the decline, the ways are two: an extrajudicial one of private type or a judicial one, that is believed to destroy more resources than the ones created.

The attention will be focused on the first type of solution, analyzing the actions of corporate restructuring that may result in opportunities to raise the business and even to make it growth.

All of this is subject to the speed of interventions, the adoption of appropriate tools to increase the possibility of success of the operation, as well as the existence of a strategic plan that involves the whole system and a state of economic and financial balance existing at the beginning of the restructuring process.

II. FIRMS RESTRUCTURING: FROM CRISIS TO DEVELOPMENT.

The focus on corporate restructuring was born in the seventies with the connotation of emergency intervention in situations of deep crisis. At that time the perspective was focused on pathological aspects of the restructuring process. It seemed necessary to intervened with restructuring actions in situations where the chances of recovery of the economic value the company were entrusted mainly to bankruptcy. These procedures, guided by "perverse" principles, had no interest in the continuation of the business and ignored the possibility of value creation or maintenance of competitive position.

As a result there was a marked accentuation appearance of pathological, which generated consolidated and, a distinctly negative connotation of the term "restructuring".

On the other hand, deep crisis, the subject of the first operations, restructuring, was merely the culmination of a period of decline faced with extreme actions of rescue and/or liquidation (or bankruptcy).

The acceleration of economic dynamics had indeed accentuated progressively the speed of transition from the initial phase of decline the full-blown crisis. Furthermore, the ability and the tools to take prompt action were not adequate and just as fast, in fact, had never developed skills to tackle proactive first signs of decline in.

- the assumption on which they were based attempts to solve crisis situations was centered, in brief, on: assistance tending to concentrate on the community the cost of business crises;

- the idea that the bankruptcy liquidation was a necessary tool for the liberation of resources and value "prisoners" in inefficient firms.

Today these concepts appear distant, past and refused, because:

- the crisis of the welfare state and the prohibition of State aid which is not allowed by the European legislation, has led to greater consideration of the need for corporate restructuring be settled through privatistic solutions, involving only the company and its stakeholders;
- it is increasingly common the finding that the bankruptcy liquidation destroys more resources than the one which creates.

The only element of continuity with respect to the debates of the past is the continuing failure of the Italian legislation in the disciplinary crisis management and its chronic delay with respect to advanced market economy, even though the reform of the bankruptcy law came into force in mid-2006 has brought significant changes in the direction of greater attention to the enterprise.

Over time it has consolidated the knowledge that the complexity of generating continuous demands for change, by criticality can turn into opportunities if the company is focused on creativity, innovation and change (Vicari, 1998). In this sense, the crisis is the natural result of the inability to cope with change if the restructuring is not set and managed properly.

It is a completely new perspective, which requires logic, tools and execution radically different than those used previously (Cenciarini, 1998). The companies that, through restructuring (Golinelli, 2005), respond quickly to new demands will succeed in acquiring significant competitive advantages over competitors.

For this to the original content, mostly negative, the term restructuring is gradually adding positive connotations related to growth opportunities arising from active and proactive management (Valdani, 2000).

To meet the demands of continuous change, resulting from the complexity (Golinelli, 2005) of the context, the restructuring must be a continuous process and a familiar tool for managers. But the challenge for the hyper-competition (D'Aveni, 1994; Brondoni, 2005), introduced by globalization, has not always been collected.

The hypercompetitive environment is an economic environment in which the competitive advantages are defensible for increasingly shorter periods. To hypercompete means to address and manage the complexity of a difficult competitive landscape through a process of continuous change and restructuring.

The advent of hypercompetition entails, for companies, the inevitable need to develop the ability to manage complexity and gain competitive advantage. This is the case of some large international conglomerates and some funds leveraged buy-out.

These "excellent" companies (Peters, Waterman, 1982) have dealt with winning complexity by developing skills and getting higher and global, even through extremely diversified portfolios of assets and higher profits than the average of the respective markets.

In this context, the lines of action that a company may adopt facing a structural crisis may vary in function of two elements:

- the state of health of the company in the moment in which it is affected by the crisis and, therefore, its degree of preparation in addition to its reactivity;
- the duration of the structural crisis.

Evidently, if the crisis is short and affects a company well prepared to deal with, it can intervene with targeted actions, also called "corrections"; otherwise it will be necessary to address the problem with a real turnaround strategy or even liquidation.

The company is in most of these cases in a state of insolvency against creditors, with obvious difficulties to meet its obligations to third parties. To avoid bankruptcy the company has two solutions. One that will be referred as "stragiudiziale" and the other "giudiziale"

In the first case there is a major restructuring that is based on an agreement reached with the third private-lenders. The goal is to restore the economy of enterprise and, through it, to face then the obligations that the company has renegotiated with the lenders themselves.

The legal instruments, the so-called insolvency procedures, provide instead the involvement of a court.

The Italian experience has shown that the use of such solution has as a logical consequence of the death of the company and not the development of the same. Therefore here this type of restructuring is not taken into consideration. It is, however, a fundamental restructure to respond to signs of running bad of the enterprise.

During the life cycle of a business, in fact, apart from events that determine immediately the crisis, there are, as explained above, a number of signals / warnings that inform the management of some critical issues that surround the proper functioning of the enterprise. If omitted, these signals become real alarm bells; if faced with ready renovations, targeted as "corrections", that are transformed into real chance to revitalize and later growth.

Moreover, tackling tight deadlines and with proper tools the chance of success dramatically increase, under the existence of the following assumptions:

- the existence of a strategic plan that involves the whole enterprise. So, restructure financially makes sense, and contributes to increase the value of the company, only if it restructures in order to support the strategic reorganization / industrial company; otherwise it is highly likely to be short-sighted (industrial strategy must precede the financial strategy);
- the presence of a situation of economic and financial balance at the beginning of the restructuring process.

The company, therefore, addresses the process with a proactive attitude, by restructuring to anticipate and manage discontinuity factors that could cause a crisis. Conversely, the restructuring reactive response to a crisis situation is less likely to succeed.

III. THE RESTRUCTURING PROCESS IN CRISIS SITUATIONS

The restructuring process in crisis situations is usually entrusted to professional expert and authoritative (financial advisors, industrial, legal) that occur at the outset of the feasibility of the intervention. In particular it is to ascertain the existence of the opportunity by establishing economic recovery if the crisis is reversible or not.

The failures of consolidation efforts made in recent years were mainly caused by the total absence of a real planning or feasibility study for the rehabilitation.

Remediation that are confined to the restructuring of liabilities may be not effective if they are not accompanied by adequate strategic interventions and a clear industrial and commercial policy at the level of individual business areas.

Hence the crucial importance of an operational plan of restructuring which determines "where to go" and "how", so as to achieve a true "catharsis" justifying the term "turnaround" (Bertoli, 2000). The five main elements of the operational plan are: the strategic plan, the restructuring of the balance sheet, the corporate restructuring plan, the

business plan and the plan of finding new financial resources.

Strategic plan. At this stage you must specify the guidelines of the entire process, the direction to follow in order to operate on the basis of a planning logic, without improvisation, aimed at saving the activities with potential for development, possibly through the alienation, but not the sell-off. The support that we make use frequently comes from strategic consulting firm. The criticism moved in these cases is that companies, once made the strategic audit, leave the field disregarding the operational implementation of the plan, related controls and feedback.

Restructuring plan of the asset. It is a global intervention on the entire balance sheet, consists of two phases: a first operation on the emergence of a shortage of liquidity (financial restructuring). At this stage the primary goal is the corporate survival, and success is measured by the fact that the creditor banks comply with the terms of the agreement between financial creditors for a period sufficient to perform the second phase, namely the restructuring of the assets.

The restructuring debt is accomplished through a variety of measures aimed at optimizing the commitments and relationships with counterparts liabilities by changing the composition of the sources of financing a business. It is built on four levels:

1. **Suppliers.** Reach agreement with suppliers is very difficult, especially when they are in large numbers and have rights of relatively small sums. The objective is to defer payment. With the main suppliers trying to co-opt the venture capital or the termination of the deal with that sees them involved.
2. **Funding.** The process is done through agreements with banks, usually with a small number, including the institutions most exposed (hence the need for the credibility and capacity of negotiation and mediation on the part of those who are place to restore the company). The most common debt restructuring intervention is the consolidation of debts, that the renegotiation of contracts by the onerous debts with the banking system. The measures (Guatri, 1995) adopted more frequently ranging from waiver of interest (moratorium), temporary or permanent, partial or complete, slaughter partial debt (20-40%), the partial conversion of debt into equity.
Banks are sometimes required to undertake not to initiate actions mandatory execution of claims relating to the positions until the end of the moratorium.
Other measures of the renegotiation with funding agencies include: the debt rescheduling, the reconfirmation of self-liquidating lines of credit (subject to collection, export advances, invoices and / or loans to be advanced in currencies) at rates generally slightly higher interest rate "ABI prime rate".
The measures of debt consolidation are often accompanied by measures to recapitalize the company.
3. **Shareholders.** It is appropriate to distinguish between shareholders who have an active role in business management and minor shareholders. The latter are the most difficult to manage because more likely to take legal action for bankruptcy for opportunistic reasons, as their action can cause significant damage to major shareholders. Given the strong difference of economic interests between large and small shareholders, action

on the part of a junior partner that will lead to the collapse of the restructuring plan could have for shareholders greater cost more to repurchase shares of the "rebels" shareholders. It is what is called "greenmail", blackmail or green (the color of US banknotes).

4. **Directors and auditors.** When we prefer to remove them from positions as they often represent special interests that hinder the healing process, or as subject to liability actions.

The restructuring of assets - parallel to the phase of restructuring liabilities must roll out the restructuring plan assets. The implementation phase will still be after the resolution of the emergency resulting from the pressure of the financial creditors. The asset restructuring plan has three possible actions that impact on the existing structure with progressive intensity:

- a) actions of nationalization of product-market combinations, that aims at improving gross operating margins (EBITDA) and intervention intended to compress the dynamics of net working capital (NWC). It works on two variables responsible for the value taken from the cash flow from operating activities (Brugger, 1991). Therefore, action on the current management and action on the dynamics of the CCN;
- b) processes of alienation of capital assets. These processes, born not of independent decision, but as an immediate consequence of the downsizing of operations, include the elimination of product lines at a loss or insufficient margin or the outsourcing of some parts of the process;
- c) extraordinary finance - The operations that modify the global configuration of the company are the disposal of individual assets and divestitures of product-market combinations. The proceeds from the alienation of assets owned, as well as cash receipts from other realization of assets, are generally used by healers to make periodic start again in favor of the creditors of the company (funding agencies or suppliers), on the basis of contemporary and proportionality factors. They are still respected the subordination agreements and / or any payment percentage agreed that the allocation of amounts deemed appropriate for future expenses of liquidation and / or risks, including the cost of professional assistance and compensation in favor of advisor.

Corporate restructuring plan and renewal of management. This step is aimed at simplifying the structures group, liquidate the "empty boxes", reorganize the investments, transfer the tax benefits if they have value for others, so focus on the priorities of emergency. The motivation to restructure the ownership are attributable (Bertoli, 2000) to:

- Obvious limits of efficiency in governance;
- Allow the entry of new carriers of risk capital to support the recovery plan. The recapitalization is necessary to cover the negative equity generated in previous years and the losses that have to deal with, to re-settle the minimum level of capital as required by law;
- Respect the absolute priority rule;

- Formulate a new business vision and transmit a new system value which can encourage the search for a new competitive capacity and economic recovery.

Another category of people who must undergo a more or less radical renewal is top management (Bertoli, 2000) affected by the crisis, in order to "have the credibility needed to pick up the threads of consensus and trust" with stakeholders the firm and have appropriate skills to deal with the recovery plan.

Economic and financial plan. Contains forward-looking information on the balance sheet, income statement and cash flows, which tend to highlight the financial dynamics of the company according to the restructuring actions undertaken.

Plan of finding new financial resources. Besides the confirmation of self-liquidating lines, the company needs to access funds from the so-called "new finance", to maintain the operation and issue bank guarantees (Mazzei, Spisni, 1995).

IV. TURNAROUND PLAN

The concept of turnaround considered until the 80s as an alternative process to the bankruptcy procedures to overcome the crisis, has evolved over time assuming a strategic connotation. This occurs when you implement radical changes in strategy, organization, corporate culture, in behavior patterns and processes, determining a break with the past and involving all stakeholders intend to give new vitality to the process of company value creation (Sicca, Izzo, 1995) related to the renewed harmony with the environment.

To overcome the stages of decline and crisis, for Guatri (1992), it is essential to implement the changes that:

- are often sudden, and urgent need of taking timely decisions;
- are stressed by an environment that has high levels of complexity, which is put into question the very survival of the company;
- are radical and sometimes traumatic;
- involve all stakeholders, many of whom are required commitments and sacrifices;
- have the objective of the company's return to equilibrium, profitability and further development in the long term.

The turnaround, can be activated either in decline, avoiding its degeneration into a state of crisis and increasing the chances of success, or in crisis situations. In the latter case, the chances of success of the initiative will reduce the more advanced and deep is the state of crisis in the company. It is necessary, therefore, to assess whether the crisis is reversible and the conditions exist to begin a healing process is irreversible or if it should be correct to proceed with the divestment and liquidation of the company through bankruptcy or voluntary procedures. The conditions should be assessed taking into account the cost-effectiveness, in terms of costs and benefits, and especially the viability strategy and management, taking into account the dynamics related determinants imbalances of strategic formula, equipment and technology that can be activated in the process of structural reorganization (Pencarelli, 2013).

In cases where a company in crisis rises again, great changes invest stakeholders, with the aim of safeguarding the set of tangible and intangible assets. It is especially the latter category of resources that must be protected constituting the critical success factors¹ allowing companies to acquire a differential position against competitors.

The typical stages (Guatri, 1995; Masciocchi, 2007), with different duration, through which articulate a typical turnaround process are:

1. recognition of the decline / crisis and adoption of a new leadership. The foundations upon which must rest a turnaround process consist of the awareness and membership, by the government, the state of decline or crisis facing the company. When what is implicit that can be attributed to top management errors, we must necessarily proceed with its replacement. This is justified by the need to present in front of the interlocutors an authority figure, for the conduct of the negotiation. The authority comes from having successfully led other turnaround operations. Moreover, it is believed that an external entity, operating with greater independence and objectivity, smaller gatherings critical in taking tough decisions to rescue the company. If the entrepreneur-manager "attachment to the command" implies more difficulties in his dismissal and often necessary to find a compromise, when they oppose the construction of renewal strategies favoring solutions less discontinuity with the past (Falini, 2008). His replacement is done, usually, at the urging of stakeholders that what make the acceptance of the Plan;
2. analysis of the causes of the decline and crisis and definition of actions to be implemented through the training and assessment of the balance sheet which is an initial point of reference, including among the different possibilities turnaround. The proposals for action must be described in a "turnaround plan" that includes:
 - the identification of the causes the state of decline / crisis and the analysis of the industry in which the company operates, its position in it occupied, as well as the strengths and weaknesses compared to its competitors. This is necessary because a strategy that looks to the future can only "from the recognition of the positions occupied and the examination of their modifiability under certain conditions";
 - the amount of losses and the analysis of their characteristics in order to make an overall judgment. Judgment that must be taken into

¹ This expression was coined by Hofer and Schendel in 1978 referring to the "variables on which management can act through its decisions and which may affect consistently on the competitive position of the various companies within an industry." See also the contributions of S. Vicari, *Risorse aziendali e valore*, *Sinergie*, n. 29, 1992; G. Bruni and B. Campedelli, *La determinazione, il controllo e la rappresentazione del valore delle risorse immateriali nell'economia dell'impresa*, *Sinergie*, n. 30, 1993; F. Buttignon, *Le risorse immateriali: ruolo strategico e problematiche di rilevazione*, *Sinergie*, n. 30, 1993; M.T. Cuomo and G. Metallo, *Management e sviluppo d'impresa*, Giappichelli Editore, Torino, 2007; R. M. Grant, 2011, op. cit.

account: the level of intensity of the loss expressed in terms of percentage of sales or on capital employed, and any of the historical trend, the structure of the margins going to verify the existence of an EBITDA emphasizing positive income from operations that may increase the chance of recovery, compare the apparent losses with the real ones estimated on the basis of sound accounting principles, the financial consequences;

- or to identify the steps to be taken to remove the critical factors and the company route to recovery. The actions may concern both the strategic sphere that the operational. In these cases, we distinguish between operating and strategic turnaround (Schendel, Patton, Riggs, 1976; Hofer, Shendel 1978; Hofer, 1983). With the operating turnaround you want to improve operational efficiency to increase profitability in the short firm by reducing costs and activities, the increase in revenues, the elimination of unprofitable business areas, the reduction of staff, etc. With the strategic turnaround will introduce structural changes at the individual business, implementing a change in the competitive strategy without affecting the individual strategic business areas of the company, or if the company is multi business through investment or disinvestment in / from new sectors. Among the many critical factors that can affect a turnaround process are identified (Sottoriva, 2012):
 - timing. The early action is essential to counter the bleeding financial, economic losses, the destruction of value, and bring the company out of the critical state. The duration of this process is influenced by several factors (Dell'Atti, 2012) as: company size and degree of structural elasticity, characteristics and severity of the crisis, the timing of the formulation of intervention strategies, timing needed for the procurement of the necessary resources, the environmental context;
 - choosing a healer who possesses good skills and is equipped with a charismatic leadership capable of creating a climate of trust within and outside the organization, by converging towards fiscal interests of the various stakeholders;
 - the implementation of the interventions according to a vision system, which avoids risky interventions geared to the short term, thanks to adequate political communication and participation;
 - the institutionalization of change that is its internalization in management, in all members of the organization, at all levels, and in all functional areas;
 - a clear and sincere communication policy towards all stakeholders in order to inform them about the real situation of the company from the beginning;
 - a business idea that is still valid;
 - The description of the sacrifices imposed on stakeholders;

- projections in the short and medium term the results obtained as a result of actions and sacrifices required, in order to assess the development of the recovery in time.

A "Plan" rational must be inspired by a logic that is based on principles established and shared, from overall consistency, the opportunity and convenience of the proposed actions taking into account the risk associated with the operation, on the ability of conviction that comes from the reasonableness of objectives and the clarity of the measures exposed. Depending on the time needed for its preparation and in the presence of a state of crisis we can distinguish three types of "Plan":

- emergency, typically used in crisis situations as it requires swift action to ensure the survival of recreating positive cash flows. Requires a very reduced preparation time which can vary from 15 days to 3 months;
 - stabilization. Aims to balance economic enterprise through strategic and tactical action to be prepared over a period not less than one year;
 - return to development. The main objective is to bring the company to create value in an over the medium term (2 to 4 years);
3. negotiation with all stakeholders and financial restructuring. This stage involves negotiations particularly challenging if the "Plan" aims to deal with a state of crisis. In this case, the stakeholders are required, through the sharing of interventions, heavy sacrifices. The category most affected is the banking system, a major creditor, involved in significant financial restructuring that are substantiated in the consolidation of bank debt in the medium-long term, in some cases to waive claims for principal and interest and participation in operations recapitalization. In this category are added, as well as in case of turnaround from decline, shareholders, employees, suppliers and other supra-systems and sub-systems. In particular, shareholders are requested recapitalization to relaunch the company, to be implemented through a capital increase or the issuance of bonds, and in the event of a loss of credibility or image compromised even replacement. Negotiations with the employees, which are a crucial point of the turnaround process, are addressed primarily to the reduction in staff, temporary suspension without compromising the operational capacity of the company to be implemented through the use of layoffs, reductions wages, increased commitment required, reduction / elimination of incentives, etc. Negotiations with suppliers mainly concerns the granting of deferred payment and guarantee of continuity of supply;
 4. normalization², where the financial balance is restored, stops the loss of value and after having

² F. Polese considers that the "levers" significant to be activated in order to implement a turnaround strategy, according to the causes that gave rise to, are: the restructuring implemented by changing the competitive strategy or marketing strategy, business process reengineering (BPR) which focus on the aspects of the hard and soft structure, the conversion that concerns not

traced the tracks of competitiveness arrive at an acceptable level of profit. This is achieved through the implementation of the decisions as to the continuation or the sale of the business areas and resources not related to the core business, focusing on the core business, the maximum concentration on the planned operations on efficiency improvements, the recovery of confidence inside and outside the company;

5. reorganization and renewal of strategic and management;
6. return to the creation of new value for the set of systemic entities involved (Polese, 2004), which is achieved through creative management and development in terms of radical innovations and incremental product and process, and the renewal of the plants organizational scheme, staff training, etc.

For Bertoli (2000) the logical steps of this process are:

- the preliminary works to the recovery plan. Constitute the start of the turnaround through a sharp break with the past brought about through changes in ownership, recapitalization, maintenance of listing on the stock market, renewing the management, restoration of a climate of trust;
- the formulation of the recovery plan;
- the implementation and monitoring of the plan.

According Bibeault (1982) the five basic stages of a turnaround process, whose intensity and emphasis with which they are handled can vary depending on the status of critical issues facing the company, include:

- significant changes in the top management, which can be chosen from the internal resources or external to the company. In the event of a turnaround complexes, where the survival business, it is preferable to choose a subject stranger who, having assessed the situation more objectively, is able to implement drastic measures;
- assessment of the state of decline / crisis, focusing on the profitability of the company, its strengths and weaknesses, opportunities and threats, the market position, the effectiveness of the marketing plan, the assessment of available resources is a prerequisite to the preparation of an adequate plan of action that, after being submitted to the top government, shall be communicated to all stakeholders of the organization in order to recover the lost confidence;
- the emergency. The interventions to be implemented promptly at this stage and crucial for survival, should highlight the break with the modus operandi of the past. Are implemented through the increase in the cash flows generated by a cost reduction, operational efficiency, disposal of non-strategic assets, etc.
- restoring the balance;

- return to value creation.

Even Sciarelli (1995) articulates a general recovery plan, taking into account the objectives of rebalancing and those of development, in an ideal path consists of three phases:

- start of the process (or emergency phase), dedicated to urgent and deepening of the causes of the crisis and the characteristics of the organization, especially having regard to the managerial resources. The objectives to be achieved in a very short time are:
 - the reduction of structural costs (particularly general costs) and the costs of using the structure (in terms of the conditions of supply of goods and services), to which we must associate the expansion of revenues, in order to rebalance the relationship between these variables and, therefore, "reconquer" the break-even point;
 - the recapitalization and liquidity creation. The interventions of the first type are aimed to equalize the operating losses and rebuild the stock of resources necessary for the exercise of the operations and support costs, inevitable consolidation process. The recapitalization performs a dual function: it assures tranquility financial managers of the turnaround and is a crucial factor in order to gain credibility in the face of external stakeholders, the plan to rebalance the company prepared by the property. The creation of liquidity must be implemented by seeking other sources of funding or through an appropriate policy of disposals (asset cleaning);
 - the creation of a climate of trust, both inside and outside the company, in respect of the recovery company implemented by the new management, with the consistency of behavior, the firmness of the decisions taken in the context of the recovery plan and adequate communications policy;
- restructuring (or phase change), time to make the changes to the combination of production taking into account the new management philosophy. Such interventions, to be implemented in the short term, are based primarily:
 - on shared values, which is the critical success factor underpinning the company's mission, on the charge and motivational enhancement, through economic benefits and career, human resources. This is necessary to ensure that the enterprise will spread a "culture" of recovery. Culture understood as a "system of values and attitudes aim to rehabilitate same actions of individuals and organizational groups, to push through the sacrifices, economic and psychological, imposed by extraordinary measures to be implemented, to give birth to a sense of leadership in the challenge about the future of the company " (Sciarelli, 1995);
 - The substantial organizational changes during the management transition, while preserving the current business operations, which are accomplished through large reductions in staff

only the competitive strategy but also their business, resizing productive offer and centering of distinctive competencies of the company on the core activities. In F. Polese, *Il turnaround: le fasi del processo, i protagonisti*, in Pellicano M. (Eds.), *Il governo strategico dell'impresa*, Giappichelli Editore, Torino, 2004, p. 337-338.

in order to overturn the culture and the current opinions;

- development (or phase of the investment). The interventions, which take place in the medium to long term, aim to bring resume with greater intensity the process of investment needed to consolidate and grow the company. This type of strategy is not immune to psychological barriers by a government unwilling to take risks and to focus on growth targets. Although there is awareness about the need to change business strategies to prevent replication of the crisis.

According to the Anglo-Saxon approach, the turnaround that is presented as a sequence of functional methods instead of timelines and content, is divided into:

- management of the crisis;
- corporate reorganization;
- strategic management of change;
- financial restructuring and management control;
- change of human resources.

However, it is reputed (Masciocchi, 2007) less effective than the previous in terms of control of the organic process. The temporal aspects of the turnaround that have established themselves (Masciocchi, 2007) are:

- the rapid implementation, fundamental to highlight the turnaround;
- a strong discontinuity of management;
- interventions in all priority components of the business model;
- a persistent communication of the strengths inherent in the enterprise that is still in a critical state;
- hiring a winning attitude in order to restore confidence, by stakeholders, towards the company.

V. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The state of crisis which company face is the culmination of a situation of overall degradation, which is derived from a number of causes long latent because of the reluctance or inability of the government to address them timely through a proper modification of the evolutionary dynamics of the enterprise.

Therefore it becomes critical to implement a strategic control system which, through continuous monitoring, evaluate and promptly address the threats coming from endogenous and exogenous factors, and exploit the opportunities³. In this context it is necessary to implement a continuous process of restructuring, especially for SMEs which are more exposed to the risk of skepticism and excessive optimism of the top governing leading to "neglect orderly analysis of symptoms" (Guatri, 1995).

³ In this sense, A. Arcari highlighted that "a crisis promptly diagnosed and managed in the context of the development will bring with it not only an improvement of the skills of the members of the organization and the introduction of managerial innovations, but also the increase in the level of cohesion of the business group and the accumulation of an effect very useful experience for the prevention of future crises. In any case, although with the above mentioned positive characteristics, the crisis remains a traumatic event for the company. And is desirable therefore, that companies, even small ones, to implement mechanisms to prevent rather than cure the state of degeneration", in A. Arcari, *Prevenire la crisi e gestire il turnaround nelle PMI attraverso le analisi economiche*, Quaderni di Ricerca, Università dell'Insubria, Facoltà di Economia, 2004/05, p. 5-6.

As conclusion of the above considerations it is believed that a pathological state of crisis, while remaining a traumatic event for a company, has not only negative aspects. If the events are faced promptly and dealt with an active or even proactive behavior by government, through radical changes, can be an opportunity.

To make it happen it is essential to invest in a culture of change that is aimed at achieving a new balance that will lead the company towards a value creation that is shared with all stakeholders.

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