

## REVIEW OF LITERATURE ON TURNAROUND STRATEGY IN BANKING

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### Abstract

**Purpose of the study:** The business cycle always occur in banking activities. For that reason, banks often prepare a turnaround strategy to keep banking growing during changes of business cycles during which often happen during changes in the economic situation or changes in the regulation of a country. This article reviews study on banking turnaround strategy (in conventional and Islamic banks) regarding to the model turnaround strategy by Schoenberg, Collier, and Bowman (2013) from January 1990 to December 2017, in order to identify the current state of study and research gap. The publications were classified into process-orientated strategies and content-orientated strategies. The process-orientated strategies were divided into cost efficiencies, asset retrenchment, focus on core activities and build the activities. Meanwhile, the content-orientated strategies were classified into the changes of organisational structure and culture change.

**Methodology:** This paper focuses on peer-reviewed Economy journal, excluding book and book chapters. The keywords included 'turnaround strategy in banking' and 'business cycle'. Articles were only selected if they directly addressed into turnaround banking and the business cycle. The sample was generated by applying a keyword search on Mendeley database.

**Main Findings:** There were 122 out of 250 in the sample analysed on the banking turnaround strategy. The majority of studies were concerned with the process-oriented strategies (such as the focus on core activities and build of the activities).

**Applications of this study:** This study can be useful for strategic management of banking

**Novelty/Originality of this study:** The implementation of turnaround model strategy by [Schoenberg, Collier, and Bowman \(2013\)](#) as the management strategies during the recovery process in banking.

**Keywords:** *turnaround strategy; banking performance; business cycle*

### INTRODUCTION

As [Schoenberg, Collier, and Bowman \(2013\)](#) clarified on turnaround strategy model based on with process-orientated and content orientated strategies. Many of studies only focus on certain strategies during the recovery process. But by model turnaround strategy by them lead the banking turnaround strategy by focusing on process-orientated and content orientated strategies.

Along with economic growth, financial institutions such as banks have also become increasingly innovative in diversifying their banking activities to meet the needs of the community (growth of banking product activities will follow the needs of the community according to country and regulation). Understandably, the most famous banking growth competition is between conventional banking and Islamic banking. However, both conventional and Islamic banking systems suffer the same situation during a business cycle change, thus both banking systems require a turnaround strategy to improve the performance of their banking activities following strategic management decisions. In line with the business cycle changes, banks experience ups and downs in their business activities. This causes the banks' management to issue turnaround strategy decisions to improve their banking performance. However, in many of the articles analysed in this literature review, there is very little analysis on a specific model of turnaround strategy implemented during banks' recovery processes. In most of the published studies, the banks had improved their performance by following the most important conditions needed by banks. Therefore, the purpose of this literature analysis is to collect evidence of changes made by banks with regards to the turnaround strategy model by [Schoenberg, Collier, and Bowman \(2013\)](#)

In order to give an overview of the state of the turnaround strategy model, this study constitutes a literature review of publications from January 1990 to December 2017. A further objective was to point out realms of study that lack sufficient attention. The studies covered are embedded in an explanation of turnaround strategy, business cycle in the bank, the methodology, current state of research, research gap are briefly analysed.

### THEORITICAL FRAMEWORK

In turnaround strategy model by [Schoenberg, Collier, and Bowman \(2013\)](#) there are some strategies can be found in the model. The analysis on the turnaround strategy found that there are two types of strategies used by banks, namely: (a) process-oriented strategies (including cost efficiencies, asset retrenchment, focus on core activities, and build-up of activities); and (b) content-oriented strategies (including reinvigorating the firm's leadership that relates to the CEO and management's performance, and culture change). In Appendix 1 specifically lists the changes that were made to the turnaround strategy model by Schoenberg, Collier, and Bowman (2013). A review conducted by Schoenberg, Collier, and Bowman (2013) focused more on manufacturing companies. However, in the results of their study, they lacked knowledge

about the turnaround strategy due to the limited availability of dominant perspectives in the literature despite the existence of many quantitative studies that discovered the determinants of the turnaround strategy. [Schoenberg, Collier, and Bowman \(2013\)](#) however had also said that the implementation of the turnaround strategy after an economy downturn is less isolated because the opposite of the economic crisis promises better change following further data. They also believe the importance of further research to understand the effectiveness of turnaround strategies following the causes of the declining and beneficial strategies during the recovery process. For this reason, a review on literature pertaining to this topic is important in order to find the details about any changes made by banks during the implementation of the turnaround strategy.

## BUSINESS CYCLE OF BANKING

Before the implementation of turnaround strategy, the firm should understand the business cycle of banking. Performance of turnaround strategy would be affected on the issues of declining organisational. It would reduce the profitability by lead to dysfunctional consequences, which include shrinking resources, poor morale, skeptical stakeholders, conflict, turnover, and time constraints ([Francis and Mariola, 1995](#); Lohrke and Bedeian, 1998; Hambrick and D'Aveni, 1988). Understanding the business cycles in banking requires recognition that a bank is a financial business domain institution that focuses on activities involving the management of loans and deposits, and investments in capital markets, among others. Banks also play an important role in the economy and involve many subjects of great interest to researchers such as management science, marketing, finance, and information technologies ([Moro Cortez, & Rita, 2015](#)). [Belás \(2013\)](#) viewed banking activities in commercial banks operating under depositors and other creditors and traded on the financial market by the guarantee of state with operational as a "certain kind of public equity". So in commercial banks, the standard leverage (ratio of total assets to equity) is around 5%, and this amount has a very strong effect. However, the changes in banking are mostly related to bank management and the political system.

In order to understand the study's problem, a brief explanation on the development of Islamic banks, especially in Malaysia is included here. According to [Kamarulzaman and Madun \(2013\)](#), Malaysia established its first Islamic bank in 1983 by the name Bank Islam Malaysia Berhad (BIMB). It was parked under the supervision of the Central Bank of Malaysia (also known as Bank Negara Malaysia). Until 1993, BIMB was the only bank that implemented Islamic banking services before Bank Negara Malaysia approved conventional banks' request to offer Islamic banking services through a system known as an Islamic banking window. In 1999, Malaysia introduced its second Islamic bank, Bank Muamalat Malaysia Berhad. During the rapid development of the country's financial market around 2004, Malaysia had allowed foreign banks to open Islamic banking services in the country. Banks from the Middle East such as the Kuwait Finance House from Kuwait, Al-Rajhi Banking and Investment from Saudi Arabia and Asian Finance Bank from Qatar came to open business in Malaysia. Since 2005, Malaysia had also permitted local banks to offer full-fledged Islamic banking services under their own subsidiaries. It is fair to conclude that Islamic banks in Malaysia have grown tremendously in these past years. The growth was strong enough to create a dual-banking system Malaysia operates now where the conventional banking system operates side-by-side with the Islamic banking system. Eventually, products offered by the Islamic banking system will have to compete with those of the conventional banking system. The concept of Islamic banking is where banking activities are conducted consistent with the Principles of Islamic Law (Sharia). Sharia prohibits the practice of giving or accepting additional money for money that is borrowed. In other words, Sharia bans interest charged on loans, regardless of the quantum of the interest.

In Malaysia, all Islamic banks are required to have their respective Islamic Shariah Advisory Boards. The board will be responsible for checking whether the products and services offered by the banks are consistent with Sharia principles at all times. However, according to [Kamarulzaman and Madun \(2013\)](#), there is no technical difference between Islamic banks and conventional banks in the sense that banks must be able to collect funds from depositors and investors and then invest the funds in profitable businesses. However, after conducting a review on the available articles in related literature, it is evident that there is a low amount of information on the specificity of the turnaround strategy used in Islamic banking.

[Nitescu \(2015\)](#) noticed that many of the changes and challenges experienced by the banking sector involve regulatory reforms, enhanced capital and liquidity buffering requirements, advancement of peer lending and payments systems, and disruptions in costumers' living, shopping patterns, and spending preferences. Table 1 below shows the analysis results from the review conducted on literature pertaining to the development banking cycle.

**Table 1: Business Cycle in Banking**

No	Author	Origin	Note
1	<a href="#">Gorton (1988)</a>	United State	<b>Focus:</b> Banking Panics and Business Cycle <b>Findings:</b> The first period of existence of the Federal Reserve System and the Federal Deposit Insurance Corporation was in the National Banking Era (1865–1914). The two institutions were expected to affect depositor behaviour. In this era, banks were required to report a variety of information to the Comptroller of Currency five times a year.
2	<a href="#">Oviedo (2004)</a>		<b>Focus:</b> Business Cycle and Agency Cost <b>Findings:</b> Banking crises are not strange episodes in market economies. They occur

			<p>due to macroeconomic conditions and financial instability, thus causing the decline in bank portfolios' value and in turn, weakening the economy. A banking crisis does not have an effect on equilibrium allocations. While the risk of a crisis is present in the decisions taken by banks, firms, and international investors, and therefore in model dynamics, the crisis itself is not costly for the economy.</p> <p>This does not imply that a bank's failure does not produce wealth losses for bankers and investors. Bankers lose what they have invested in banking, i.e. bank capital. Also, although investors seize banks' portfolios, the value of these portfolios is lower than the beginning-of-period expected return.</p> <p>Bankers and investors are not domestic but international agents and the model's allocations do not depend on their wealth. Two-sided agency costs are one of the new features the paper proposes to investigate in the connection between the state of liquidity of international capital markets, macroeconomic risk, and the business cycles of SOEs (state-owned-enterprises).</p>
3	<a href="#">Proenca and De Castro (2004)</a>	Portugal	<p><b>Focus:</b> Evolution of business banking relationships as seen in the stability of trade volume between corporate clients and banks within calendar years in short period and the duration of the relationship for long period.</p> <p><b>Findings:</b> Ten factors that can interfere with relationships in short periods of time were identified: three factors concerning the client (bargaining behaviour, power, and financial and economic situations), two factors concerning the bank (personnel turnover and risk policy), and another two concerning economic transactions (cost, and financial and economic risks). Three factors were 'external' to the relationship (connected relationships, market competitiveness, and socio-political/legal factors). The positive and negative impacts on the relationships' stability were also discussed.</p>
4	<a href="#">Mandelman (2009)</a>	Argentina	<p><b>Focus:</b> Analysis of situation according to quarterly periods starting from 1994 to 2001 in terms of macroeconomic and financial variables such as real GDP, real consumption, real investment, consumer price index, real exports, real imports, foreign interest rate of reference (EMBI+ index), net interest margin, and risk premium.</p> <p><b>Theories:</b> The study focused on a standard small open economy framework with monopolistic competition and nominal rigidities by Galí and Monacelli (2005) and included the financial accelerator mechanism that links the condition of the borrower balance sheets to the terms of credit by Gertler et al. (2007).</p> <p><b>Findings:</b> There is another measurement in the business cycle of financial markets based on monopolistic power in the product and factor markets.</p>
5	<a href="#">Ueda (2010)</a>		<p><b>Focus:</b> A dynamic stochastic general equilibrium (DSGE) model for a global economic downturn under banking globalisation with three perspectives, namely: 1) there are real response and financial variables to different shocks during the construction of the banking model; 2) the effect of globalisation enhances business cycle synchronisation, thus simulating economic responses under varying degrees of globalisation, and 3) credit frictions, in particular, the presence of credit-constrained financial institutions (FIs) enhance business cycle synchronisation when the model was compared with one that omits FIs' credit constraint.</p>
6	<a href="#">Kollman, Enders, and Müller (2011)</a>	US and EA Area	<p><b>Focus:</b> Differentiation between the US and EA business cycles</p> <p><b>Theories:</b> As a global bank evolves into a two-country business cycle model, the bank still collects deposits from households and makes loans to entrepreneurs in both countries. It has to finance a fraction of loans using equity. This study focused on banks' capital requirement affecting the international transmission of productivity and loan default shocks. The global financial crisis (2007-09) was characterised by large credit losses in the US and a simultaneous sharp output reduction in the US and Euro Area. The study suggested that global banks may have played an important role in the international transmission of the crisis.</p> <p><b>Findings:</b> Three findings had emerged. First, banks' capital requirement has little effect on the international transmission of productivity shocks. Second, the contribution of loan default shocks to business cycle fluctuations is negligible under normal economic conditions. Third, an exceptionally large loan loss originating in one country may have induced a sizeable and simultaneous decline in economic activity in both countries.</p>
7	<a href="#">Pesic (2012)</a>		<p><b>Focus:</b> Banking performance in relation to financial crises that caused systemic banking crises in the economy by focusing on GDP contraction, credit restrictions, and consequences for the community due to the need for bank bailouts, decreases in investments and currency crises.</p>

			<p><b>Findings:</b> There were 76 episodes since 1976 until 2008 that can be considered as systemic banking crises, with 54 different countries involved during these banking crises. Findings arising from the banking crises can be seen in terms of GDP contraction, the need for bailouts by sovereign states, and the increase of countries' debt burden, together with other impacts on the community such as decreased investments, currency crises, and increased unemployment.</p> <p>The appropriate solution was the adoption of policy reform in the form of prudential supervision on the financial system.</p>
8	<a href="#">Guidara et al. (2013)</a>	Canadian Bank Capital	<p><b>Focus:</b> The adoption of Basel Accords and balance sheet leverage cap imposed by Canadian banking regulations did not change the cyclical behaviour of Canadian banks' capital.</p> <p><b>Findings:</b> The study used quarterly database financial statements and stock market data from 1982 to 2010 for six largest Canadian chartered banks. The researchers found that there is a positive co-movement between Canadian banks' capital buffer and business cycles. Canadian banks during that period were well-capitalised and hold a larger capital buffer during expansion than recession. This may explain how they weathered the recent subprime financial crisis so well by using the proposed Basel III framework to strengthen the resilience of the banking sector.</p> <p>The Canadian banking sector sets three business cycles and three major regulatory regimes: (1) the period before the Office of the Superintendent of Financial Institutions (OSFI) adopted Basel I guidelines, from 1982 to 1987; (2) 1988 to 1997, when OSFI adopted and enforced the Basel I Accord; and (3) 1998 to 2010, after OSFI adopted the 1996 amendment to the Basel I Accord, which introduced market risk as a distinct risk category, and the Basel II period.</p>
9	<a href="#">Vogiazas and Alexiou (2013)</a>	Greek Banking Sector	<p><b>Focus:</b> Measurement of business cycle related to bank's liquidity and solvency.</p> <p><b>Theory:</b> After the global financial turmoil, the negative market affected the banking sector performance in Greece and caused it to face funding problems, liquidity challenges, asset quality deterioration, and weakened profitability. The result of the business cycle is reflected in the real GDP and effective exchange rate.</p>
10	<a href="#">Milojević (2014)</a>	Serbia	<p><b>Focus:</b> Business cycles related to economic growth have gained importance in international economic circles, especially as banking is a dominant segment of the financial sector. There is significant potential for moderate and balanced growth of banking/financial business in the medium term, which could make a significant contribution to the achievement of sustainable economic growth while providing financial stability, especially in the case studied on which is in Serbia. Meanwhile, it is necessary to meet a significant number of factors and create adequate conditions at the micro and macro levels, which are essential for achieving the aim</p>
11	<a href="#">Buil, Catalán, and Martínez (2015)</a>	United Kingdom	<p><b>Focus:</b> Study on the changes in organisations during business cycles to understand the concept of corporate brand identity from the employees' perspective in the UK financial banking sector, and analyse the link between brand identity management and employees' attitudes and behaviours.</p> <p><b>Theories:</b></p> <p>Following the some factors:</p> <ul style="list-style-type: none"> <li>Brand corporate identity management (Coleman et al., 2011) such as:</li> <li>Employee and client focus</li> <li>Corporate visual identity</li> <li>Brand personality</li> <li>Consistent communications</li> <li>Human resource initiatives</li> <li>Commitment (King and Grace, 2010)</li> <li>Brand performance (Punjaisri and Wilson, 2011)</li> <li>Satisfaction (King and Grace, 2010)</li> </ul> <p><b>Findings:</b> Organisations should pay special attention to corporate brand identity management given its influence on employees' commitment to their organisations, as well as brand performance and satisfaction.</p>
12	<a href="#">Ibrahim (2016)</a>	Malaysia	<p><b>Focus:</b> Banks' lending behaviour over a business cycle in a dual banking system (Conventional and Islamic Banking).</p> <p><b>Theories:</b> By implementing dynamic generalised method of moments (GMM) estimators, the study found aggregate loans by banks to be pro-cyclical in conformity with existing studies. The study also segregated the lending/financing behaviour of conventional and Islamic banks, and found that the cyclicity of bank lending seems</p>



			to be true only for conventional banks. As for Islamic banks, the business cycle does not seem to affect their financing decisions. <u>Findings:</u> This conclusion is fairly robust to a different loan measure, alternative model specifications, and to an alternative business cycle measure. Hence, the results provide further support to the “stable” view on Islamic banks in that they have the ability to stabilise credit.
13	<a href="#">de la Mora and Sharma (2016)</a>		<u>Focus:</u> After the global crisis, some global banks labelled as global systemically important banks (G-SIBs) have been busy coping with regulatory changes over the past five years and complying with new business restrictions (e.g., constraints on capital, liquidity, and leverage; bail-in and total loss-absorbing capacity (TLAC) schemas; stress testing). G-SIBs have been successful in anticipating and meeting the new regulatory hurdles. They have done so by individually undertaking balance sheet corrections to meet higher capital and liquidity constraints. <u>Findings:</u> As regulatory uncertainty diminishes and the fog starts to dissipate, it is clear that banks are finding it challenging to meet investor demands for adequate returns. It is time for banks to embed regulatory constraints in strategic planning and management performance so that proper incentives are in place to achieve business model optimisation. In other words, it is time for banks to rethink their strategies in order to fit business models to the new normal in regulatory constraints.
14	<a href="#">Sieron (2016)</a>	Austria	<u>Focus:</u> There is a relationship between shadow banking on credit expansion and the business cycle by focusing on securitisation and collateral intermediation. <u>Theories:</u> Shadow banks can create new money, and shadow banking shows that non-banking institutions can also conduct credit expansion and generate business cycles. Thus, the Austrian business cycle theory should be extended to take into account the way in which shadow banking activity changes the conduct of credit expansion. The important thing in the financial sector is the identity of who injects new money into and creates credit in the economy. Regardless of whether these differences are large, they exist and lead to different manifestations of the Cantillon effect. Not only can commercial banks conduct credit expansion, but non-bank financial institutions such as shadow banks are also able to. The effect of shadow banking is extremely substantial because it significantly affects the volume and quality of credit and thus, the course of the business cycle.
15	<a href="#">Yip and Bocken (2017)</a>	Bank in Hong Kong	<u>Focus:</u> After the global crisis, there is one solution for the recovery process i.e., by introducing a sustainable business model that comprise innovation focusing on technology, society and organisations.

Source: Mendeley Software

## TURNAROUND STRATEGY ON BANKING

Sometimes, decreased banking performance is related to the macro-level perspective. Furthermore, banks need a turnaround strategy following regulatory reforms taken for recovery. Following the model turnaround strategy by [Schoenberg, Collier, and Bowman \(2013\)](#), this study is set to find the real focus of banks' turnaround strategy for recovery. When a bank adopts a banking model, its management can generally detect the business cycle it faces from the banking activities it partakes in. An understanding of the banking model can be defined as the bank's planning to make profits following the market and expenses. Once the bank knows its banking model and business cycle, the bank can adopt a turnaround strategy that can be used for recovery.

However, the conclusion that can be made from the review of articles is that the implementation of turnaround strategies is as response to collapses in banking performance, which originate from economic factors or management mistakes in internal banking. [Ayadi et al. \(2015\)](#) also described the banks' business model analysis following the evolving market structures and regulations to provide market participants, depositors, creditors, regulators and supervisors into systemic risk throughout the economic cycle.

The analysis also found that banking focuses more on the factors that build the activities (which are part of process-oriented strategies). It is supported by changes in banking performance following the changes in technology such as the internet. Internet is considered both a technological improvement and an innovative product, which changes the way people live and do things, including through social and affective aspects. [Omarini \(2013\)](#) analysed the effect of the internet and all web-based technologies on economic area affection in terms of the way businesses interact with each other and with customers, the handling of distribution channels, and the management of relationships.

Nowadays, banks have developed internet banking services as part of the evolution in banking activities (including branches, contact centres and mobile banking) in order to provide a multiplatform banking business that is technology-

driven. Therefore, both the business cycle and internet technology play very important roles in performance banking. An internet becomes an important change in the build-up of activities of banking in the factor of process-oriented strategies.

## METHODOLOGY AND OVERVIEW OF THE REVIEWED STUDIES

The sample of academic journal article was retrieved through a comprehensive literature search on banking turnaround strategy regarding the business cycle. The sources of articles from Mendeley database (included with Science Direct, EconPapers, Emerald Insight, EBSCO, working papers, magazines, conferences and speech papers) were searched with the search terms *Turnaround Strategy on Banking* AND *Business Cycle in Banking*; year: 2017

The total hit list output of the databases was screened manually regarding the thematic suitability of the articles. Included in the analysis were a conceptual review, English-economy journal articles published between January 1990 and December 2017. The conceptual review as part of the literature review method is conducted by reviewing articles taken from libraries or obtained by desk-based methods to obtain the abstract concepts found in the literature. This study not only used reporting empirical studies, but also a literature review studies included the regulation he highest relevance for the review studies. In all, 122 journal articles fulfilled the requirements and were used for analysis.



**Figure 1. Publication on banking turnaround strategy articles (1990-2017)**

The number of publication on the topic from 1 in 1989 to 7 in 2017 with a peak of publications in 2010 (Figure 1). In Table 2, the number of studies according to continent of research is listed.

**Table 2: Articles on turnaround strategy regarding the business cycle of banking (1990-2017) according to the geographical location**

Continent	No of Studies
South Asia	6
East Asia	5
Southeast Asia	11
Western Asia	8
Africa	7
Europe Union	25
South America	2
United States	12
Balkan Peninsula	8
Australia	1
General	37
<b>Total</b>	<b>122</b>

**Table 3: Number of studies on the topic turnaround strategy and business cycle regarding banking performance (1989-2017)**

Article Findings	No. of Studies
Business Cycle	15
Business Model	9
Turnaround Strategy	122
Unrelated Articles:	
• Related Theory on Banking Performance	7
• Unrelated Theory on Banking Performance	97
<b>Total</b>	<b>250</b>

In the time period from 1989 to 2017, most studies on banking turnaround strategy took place in Europe Union (25). In Table 3 shows the numbers of studies concerned with banking performance. Most studies in turnaround strategy related to focus on core activities and build up the activities.

**Table 4: Number of studies on the topic “turnaround strategy” (1990-2017) concerning different banks performance**

Turnaround Strategies	No of Studies
Process-Orientated Strategies	
• Cost Efficiencies	1
• Asset Retrenchment	3
• Focus on Core Activities	28
• Build for the Activities	72
Content-Orientated Strategies	
• The Changes of Organisational Structure	9
• Culture Change	9
Total	122

In the time period from 1990 to 2017, most studies on build-up the activities regarding the process-oriented strategies in banking. However, the 122 articles that explain the real indicators of turnaround strategy in banking divided are into different types of articles, which are 19 paper conferences, 2 working conference papers, 2 speech papers, and 1 magazine description. The remain of a literature review regarding on journals

## STRENGTH AND LIMITATION

The advantage of this study is that this study focuses on indicators of bank turnaround strategy based on the 122 articles reviewed. It is evident that the turnaround strategy in banking can use the model of turnaround strategy by [Schoenberg, Collier, and Bowman \(2013\)](#) where there are two parts of the turnaround strategy, namely process-oriented and content-oriented strategies.

But the limitation of this study is that the review on turnaround strategy in banking had focused more on process-oriented strategies (such as focus on core activities and building of the activities).

However, there is possibly the same amount of articles on the turnaround strategy in banking in terms of content-oriented strategies that can be analysed by increasing the number of articles reviewed. Although the search was conducted with the best efforts, the possibility remains that articles were missed.

## RECOMMENDATION FOR THE FUTURE RESEARCH

It is hoped that the next researchers will be able to increase the number of reviewed studies on the turnaround strategy in banking, more so on indicators that are related to process-oriented strategies and content-oriented strategies in conventional and Islamic banking. Researchers may also adopt a more specific model than [Schoenberg, Collier, and Bowman's](#) model (2013) to study banks' turnaround strategy during recovery.

## CONCLUSION

There are multiple evidence that banks already follow the turnaround strategy model [Schoenberg, Collier, and Bowman \(2013\)](#). From these, two indicators are summarised, which are content-oriented strategies (divided into cost efficiencies, asset retrenchment, focus on core activities, and build the activities) and process-oriented strategies (involving the changes of organisational structure and culture change). 122 out of 250 articles reviewed support the turnaround strategy model. However, from the 122 articles reviewed, only 4 papers discussed on Islamic banking performance.

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**Appendix 1: Turnaround Strategies by Schoenberg et al (2013)**

Content-Orientated Strategies		Process-Orientated Strategies	
Source	Statement	Source	Statement
1. Bibeault (1982); Hambrick and Schecter (1983); Sudarsanam and Lai (2001) 2. Hofer, (1980); Robbins and Pearce (1992). 3. Robbins and Pearce (1992). 4. Hambrick and Schecter (1983); Hofer (1980); O'Neill (1986a); Stopford and Baden-Fuller (1990); Sudarsanam and Lai (2001). 5. Sudarsanam and Lai, 2001. 6. Grinyer et al., 1990.	<b><u>Cost Efficiencies</u></b> 1. It is the quick-wins to stabilise the short term of finances to improve cash flow. 2. It is the first step of the recovery strategy to quickly be implemented that require little or no capital or resource outlay 3. "Cost retrenchment was so pervasive as to be considered indispensable in achieving turnaround". 4. It is relate to reducing R&D, collecting and reducing accounts receivable, cutting inventory, stretching accounts payable, reducing marketing activity and eliminating pay increases. 5. Sometimes it was accompanied by financial restructuring such as a reworking of the firm's capital structure to relieve pressure from debt repayments 6. It relates to adjusting wage incentives, tighter stock control, financial and capacity controls and investment in the new plant to enable greater efficiencies and streamlined processes	1. Stopford and Baden-Fuller (1990). 2. Kesner and Dalton (1994). 3. Daily and Dalton (1995). 4. Sudarsanam and Lai (2001). 5. Arogyaswamy et al. (1995); Boyne and Meier (2009); O'Neill (1986a). 6. Flynn and Staw (2004)	<b><u>Reinvigoration of Firm Leadership</u></b> <b>Changing the CEO</b> 1. The implementation of the strategy frequently undertaken early in the turnaround process as the trigger on serious difficulties in the firm. 2. In turnaround situation, there is 75% of appointment changes CEO of outsider firm. 3. There are two reasons about the replacement of CEO: (1) Media and shareholders will appoint CEO to responsible the downturn situation; (2) As the signal changes for an external audience and internally to the employees. 4. The changes happened after the instigation by Board Chairmen and investors. 5. The strategy shows the symbolic power of initiative strategy about the willingness of firm on changing the current situation. 6. It is the good point if the firm get the charismatic leadership to remove the doubts on firm survival and galvanize employees towards committed and focused efforts during the recovery process.
	<b><u>Asset Retrenchment</u></b> 1. After cost efficiencies, the next step is asset retrenchment that determine the efficiencies about asset which is to divest it or allowing it to continue operating at a weaker level than the rest of the firm 2. The implementation of retrenchment will be happened after the cost efficiency strategies did not have enough impact to stabilise the firm's finances 3. The implementation the strategy depends on firm's ability to generate cash flow from any disposal that relates to asset specificity, liquidity in the second hand market and exit barriers		<b><u>Reinvigoration of Firm Leadership</u></b> <b>Changing the Top Management Team</b> 1. When the CEO change, there is also the replacement for Top Management Team. 2. It is "pre-condition for almost all successful turnaround" for the firm should take the first action 3. There are two reasons for an implementation of these strategies, such as (1) The current TMY bring the current downturn situation of the firm;(2) There will be a confront from the senior manager about their action on downturn situation, so the new of TMY will bring the new strategy that

	<p>4. The implementation of strategy relates to such as investing in new plant, equipment or technology, careful assessment is obviously required to ensure that the efficiency savings will more than cover the investment and implementation costs.</p> <p>5. This strategy focus on future strategic options to generate cash and reduce losses as the primary guideline for decision making in such a situation appears to be survival and the need to stem the bleeding”</p>	(1994).	<p>brings the different managers on different skill for leading the turnaround.</p> <p>4. For incumbent management is very difficult to admit about the downturn position of firm but the firm will depend on “well-rehearsed responses, and...indulge in self-deception”, explaining that this may continue until the firm is in severe decline.</p> <p>5. The changes of TMT caused by long-serving senior managers that impacted the downturn performance of firm</p> <p>6. The important thing for new external senior managers enter the firm will be better to handle on psychological, sociological and general issues present. And it has empirical evidence on external CEO does indeed lead to greater change in the TMT even there is no consistent relationship between TMT change and subsequent business performance</p>
<p>1. Boyne and Meier (2009); Pearce and Robbins, (1993); Robbins and Pearce (1992).</p> <p>2. Hambrick and Schechter, (1993); Sudarsanam and Lai (2001).</p> <p>3. Hambrick and Schechter, (1983); Hofer (1980).</p> <p>4. O'Neill (1986a).</p> <p>5. Grinyer, et al., (1990); Hambrick and Schechter (1983); Stopford and Baden-Fuller (1990); Sudarsanam and Lai (2001).</p> <p>6. Hambrick and Schechter (1983).</p> <p>7. Grinyer et al., (1990)</p> <p>8. Arogyaswamy et al. (1995)</p>	<p><b><u>Focus on Core Activities</u></b></p> <p>1. It is the further strategy that frequently enacted in parallel with asset retrenchment.</p> <p>2. It is including on determining the markets, products, and customers to generate the greatest profits and refocusing the firms' activities in these areas.</p> <p>3. Its bring the firm to return the past activities that was doing very well for the firm</p> <p>4. It is the redesign or restructuring operations for the firm to increase the effectiveness core purpose, entailing the rationalisation, divestment or closure of operations, products or assets.</p> <p>5. It is relate to free up scarce marketing, operational and financial resources for the reinvestment in the appropriate acquisitions based on the chosen core activities with the required of specific further capability</p> <p>6. It is the "following a strategy with “no distinguishing characteristics, hence qualifying as a piecemeal</p>	<p>1. Schoenberg, Collier and Bowman (2013).</p> <p>2. Stopford and Baden-Fuller's (1990)</p> <p>3. Armenakis et al. (1995)</p>	<p><b><u>Culture Change</u></b></p> <p>1. This strategy will facilitate the rejuvenation and re-adaptation during the recovery process for the firm. But it may affect the past beliefs and taken for granted assumptions on the environment of firm especially the workers.</p> <p>2. It is a great opportunity when CEO and TMT challenged past beliefs to bring the innovative solution for the employees. But it needs the power of the collection and dissemination of up to date market information to reflect the new realities of the marketplace.</p> <p>3. This strategy will reflect on cognition and behaviors of employees, which is important for the turnaround to progress swiftly and achieve quick results</p>

	<p>approach” is unlikely to lead to a successful recovery”</p> <p>7. It is the develop competitive strategy to in its chosen core activities to focus on marketing, customer understanding and relationship, marketing channels, sales services and cost-effective advertisement</p> <p>8. The strategy focuses on the scaling back activities to survive during downturn performance, focus on viable costumer, concentrate the existing resources and capabilities to “strengthen or expand” the firm's position</p>		
<p>1. Schoenberg, Collier and Bowman (2013)</p> <p>2. Filatotchev and Toms, (2006); Robbins and Pearce (1992).</p> <p>3. Pearce and Robbins, (1993); Sudarsanam and Lai (2001).</p> <p>4. Stopford and Baden-Fuller (1990).</p> <p>5. Ghoshal and Bartlett, (1996); Stopford and Baden-Fuller (1990).</p>	<p style="text-align: center;"><b><u>Build the Future</u></b></p> <p>1. It is the next important strategies after cost efficiencies, asset retrenchment and focuses on core activities. During the recovery, the firm have to be cautious and considered manner about growth strategy on developed core activities strategies for the firm as long-term growth</p> <p>2. It will be implemented after the crisis has been passed and the firm has the stabilized the financial position</p> <p>3. It is the implementation strategy of reconfiguration of assets, leveraging existing resources to broaden the product line or enter new geographic territories</p> <p>4. It is “re-complicating the business” by adding back some of the complexity removed during cost cutting and retrenchment</p> <p>5. It is implementation strategy to focus on successfulness of turnaround after firm the capacity for self-renewal and responding to changing circumstances in the future</p>		

Source: [Schoenberg, Collier, and Bowman \(2013\)](#)