Effect of Turnaround Strategies on Firm Performance, a Study of Nima Foam Industry Bajabure, Girei Lga, Adamawa State

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Abstract: This study examined the impact of turnaround strategies on the performance of Nima Foam Industry located in Bajabure, Girei Local Government Area of Adamawa State. The research focused on two key dimensions of turnaround strategy: retrenchment and diversification. The study population comprised all 43 operational managers of the company, as confirmed by the Human Resources Department. Due to the manageable size of the population, a census approach was adopted. Data were collected using a structured questionnaire designed on a 5-point Likert scale. The analysis was carried out using Partial Least Squares Structural Equation Modeling (PLS-SEM).Findings revealed that retrenchment strategy has a negative and statistically significant effect on firm performance, suggesting that measures such as downsizing and cost-cutting may hinder organizational outcomes. In contrast, the diversification strategy showed a positive and significant effect on performance, indicating that expanding operations, exploring new markets, and broadening product offerings can enhance firm outcomes. Based on these findings, the study concludes that while retrenchment should be approached with caution, diversification presents a viable path for improving performance. It is recommended that Nima Foam Industry minimize overreliance on retrenchment measures and prioritize strategic diversification efforts to sustain long-term growth and competitiveness.

Keywords: Retrenchment Strategy, Diversification Strategy, Turnaround Strategy, Firm Performance, Nima Foam Industry.

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I. INTRODUCTION

In today's global business landscape, firms are increasingly exposed to market volatility, technological disruption, economic downturns, and shifting consumer preferences. These challenges can result in declining performance, prompting organizations to adopt turnaround strategies to regain stability and restore profitability. Turnaround strategies involve deliberate managerial actions such as cost optimization, leadership restructuring, operational realignment, and strategic repositioning aimed at reversing business decline and improving long-term performance (Pearce & Robbins, 2008; Karanja & Mugambi, 2021). In developing economies like Nigeria, the need for such strategies has become more pronounced. The manufacturing sector, which holds significant potential for economic diversification and employment generation, has been hindered by structural and operational challenges. Issues such as erratic power supply, inconsistent policy implementation, poor infrastructure, and limited access to finance continue to weaken industrial output and competitiveness (Eze & Chidi, 2022; Adegbite & Awolusi,

2020). These conditions have left many firms struggling to maintain operational efficiency and profitability, making turnaround initiatives increasingly necessary for survival and growth.

The situation is even more critical in Northeastern Nigeria, where economic activities are further constrained by insecurity, infrastructural decay, and limited investment opportunities. Businesses in this region often face higher operating costs and reduced access to skilled labor and markets. Within this context, manufacturing firms are particularly vulnerable to performance decline, and the application of effective turnaround strategies becomes not just an option but a necessity (Abdullahi & Hamman, 2023; Bello & Adebayo, 2021).

Adamawa State, located in the northeastern zone, presents a clear example of these industrial challenges. In localities such as Bajabure in Girei Local Government Area, firms operate under tight resource constraints and an unpredictable business environment. Nima Foam Industry, a medium-sized

manufacturing firm in this area, has experienced noticeable performance setbacks in recent years. Reports of declining sales, reduced production capacity, and organizational inefficiencies have emerged, prompting the firm to implement several corrective strategies (Ibrahim & Musa, 2023). However, there is limited empirical evidence on how these strategies have influenced the firm's recovery and overall performance. Despite the growing recognition of turnaround management as a critical tool for corporate recovery, there is a lack of context-specific studies in Nigeria particularly at the regional and firm levels that examine the effectiveness of such strategies. Most available research tends to generalize findings, overlooking the unique challenges and strategic responses of firms operating in marginalized or underserved regions (Okonkwo & Ibrahim, 2023; Yusuf & Salisu, 2023). This study seeks to bridge that gap by examining the turnaround strategies adopted by Nima Foam Industry and evaluating their impact on its performance. The findings aim to provide practical insights for local manufacturers, industry stakeholders, and policymakers interested in supporting firm recovery and industrial resilience in Adamawa State and similar environments.

Specifically, the study seeks to:
- Assess the impact of retrenchment strategies on the performance of Nima Foam Industry Bajabure, Girei LGA, Adamawa state.
- Evaluate the effect of diversification strategies on the performance of Nima Foam Industry Bajabure, Girei LGA, Adamawa state.

II. LITERATURE REVIEW

➢ Firms Performance

Organizational performance reflects how well a company achieves its strategic objectives and operational goals. It is commonly evaluated through a blend of financial and non-financial indicators. Financial measures may include return on investment (ROI), return on assets (ROA), and net profit margin, while non-financial metrics encompass customer satisfaction, innovation capacity, process efficiency, and employee engagement (Usman & Akinyemi, 2021; Nuhu & Lawal, 2023). Daft (2016) emphasizes that performance is inherently multidimensional, shaped by internal competencies, managerial decisions, environmental conditions, and strategic direction. When firms encounter performance decline, it often signals underlying inefficiencies, shrinking revenues, or declining stakeholder confidence and conditions that necessitate urgent strategic action (Ene & Okeke, 2022).

In response, organizations typically deploy turnaround strategies for deliberate initiatives designed to restore stability, improve outcomes, and reposition the firm for long-term success (Ogunleye & Salau, 2021). These strategies may involve cost-cutting (retrenchment), business restructuring, diversification, or strategic repositioning depending on the root cause of the performance decline (Adebisi & Obinna, 2023).

The effectiveness of a turnaround effort is directly tied to its alignment with the firm's core challenges and its timely execution. Poorly planned or implemented strategies may exacerbate financial distress, leading to deeper organizational crises (Yakubu & Ibrahim, 2023). Conversely, strategic interventions that are well-timed, data-informed, and responsive to market realities tend to enhance recovery prospects.

In the Nigerian foam manufacturing industry, performance volatility is often intensified by unstable raw material prices (especially petroleum-based inputs), unreliable infrastructure, and inconsistent market demand (Olaniyi & Musa, 2022). These factors often erode operational efficiency and financial stability. As a result, firms in this sector frequently rely on turnaround approaches such as retrenchment and diversification to survive adverse conditions and regain competitiveness. Organizational performance thus plays a dual role because of it is both a trigger and an outcome of strategic turnaround. When performance indicators decline, it prompts firms to reevaluate strategies and implement corrective actions. At the same time, improved performance validates the success of those interventions. Studies show that when retrenchment is combined with long-term repositioning (e.g., diversification or innovation), firms are more likely to experience measurable gains in profitability, market presence, and operational resilience (Okonkwo & Adeyemo, 2024)

In the context of this study, performance refers to the extent to which the Nima Foam Industry achieves its strategic and operational objectives, particularly in terms of profitability, efficiency, market competitiveness, and overall sustainability.

➢ Turnaround Strategy

Turnaround strategy encompasses a set of deliberate managerial and operational interventions aimed at reversing declining organizational performance and restoring long-term sustainability, profitability, and competitiveness. It is typically triggered by prolonged periods of underperformance marked by symptoms such as declining revenue, market share loss, and financial distress (Akinola & Adeoye, 2021; Eniola & Adewale, 2022).

According to Pearce and Robbins (1993), turnaround efforts are initiated when a firm's survival is threatened, necessitating urgent change. These strategies often unfold in two key phases: retrenchment, which focuses on immediate cost-cutting and stabilization, and recovery, which emphasizes repositioning for sustainable growth (Akanbi & James, 2023).Two widely implemented approaches within these phases are retrenchment and diversification. Each serves a distinct purpose in helping firms navigate crisis periods and prepare for long-term renewal.

In the context of this study, a turnaround strategy is conceptualized as a structured and intentional set of strategic

interventions undertaken by the Nima Foam Industry to address prolonged periods of decline, restore operational stability, and reposition the firm for sustainable performance. This involves the implementation of cost-reduction measures such as retrenchment, alongside diversification.

➢ *Retrenchment Strategy*

Retrenchment is a defensive, short-term intervention designed to stabilize a firm's operations by reducing costs, downsizing resources, and narrowing the organizational focus. It is commonly employed at the onset of a turnaround effort to arrest further decline and reallocate resources to core operations (Okafor & Yusuf, 2022; Lawal & Ibrahim, 2021).The core objective of retrenchment is to streamline operations, improve efficiency, and preserve financial viability. Common tactics include workforce reductions, shutting down unprofitable divisions, simplifying product offerings, and tightening budgetary controls (Adeyemo & Sani, 2020).Slatter and Lovett (1999) describe retrenchment as a "stabilization strategy" that precedes more aggressive recovery measures like diversification or market expansion. Its success largely depends on prompt execution, leadership decisiveness, and minimal disruption to the organization's core capabilities (Eze & Oladipo, 2023).

In manufacturing industries ,especially those with capital-intensive structures like foam production, retrenchment becomes particularly critical. These firms often face high energy costs, volatile raw material prices (e.g., for polyurethane), and vulnerability to macroeconomic shocks such as inflation or currency devaluation (Ibrahim & Nwankwo, 2022). Retrenchment, in such contexts, helps manage overheads and maintain operational continuity (Salami & Olamide, 2023). This study sees retrenchment strategy as a short-term, corrective approach adopted by the Nima Foam Industry to curtail financial losses, streamline operations, and stabilize its core functions during periods of performance decline

➢ *Diversification Strategy*

Diversification is a strategic growth initiative wherein firms expand into new products, markets, or industries distinct from their existing operations. This approach is typically adopted to spread business risk, increase revenue sources, and leverage untapped resources or capabilities (Anyanwu & Nwachukwu, 2022; Ogundele & Adegbite, 2023).Ansoff's Growth Matrix (1957) identifies diversification as the most risk-intensive strategic move, due to its departure from a firm's core strengths. However, in turnaround scenarios, diversification can serve as a pivotal recovery mechanism especially when the existing business becomes unsustainable due to declining demand or heightened competition (Fasanya & Onuoha, 2023).

Firms may diversify by introducing new product lines, targeting different customer segments, or entering unrelated

sectors. This strategy not only creates new revenue streams but also positions the company for long-term relevance in dynamic markets (Yakubu & Ojo, 2023). This means that, diversification requires strategic alignment with organizational capacity, Poorly planned diversification can result in resource dilution and loss of operational focus (Chukwuemeka & Daramola, 2022). Therefore, success depends on a sound assessment of market opportunities, internal readiness, and strategic fit. This study defines diversification strategy as the deliberate expansion of the Nima Foam Industry into new product lines, markets, or business activities beyond its traditional operations, with the aim of reducing dependency on a single revenue stream and enhancing long-term growth prospects.

Dzingirai and Baporikar (2023) examined the impact of retrenchment strategy on company performance in Zimbabwe's manufacturing sector using a mixed-method approach. Retrenchment was assessed as the independent variable, while market share served as the performance proxy. Their findings revealed that retrenchment had no significant statistical impact on performance. However, qualitative data showed that factors such as high retrenchment costs, poor timing, labor laws, and internal disruptions weakened its effectiveness. The study's strengths included its dual-method approach, but limitations such as lack of sample size disclosure and narrow performance indicators reduced its generalizability.

Ameer et al (2021) conducted a study to investigate the relationship between retrenchment strategy and firm performance among publicly listed Malaysian construction companies. The research covered a 10-year period from 2008 to 2018 and included a sample of 49 companies. Positioned within the field of strategic management, the study examined whether retrenchment measures such as workforce downsizing, asset reduction, and cost-cutting had any significant effect on financial performance, using Return on Equity (ROE) and Tobin's Q as key performance proxies. The authors adopted a quantitative research design and applied panel regression analysis using STATA software to assess the relationship between retrenchment strategies and firm performance over time. The findings indicated that retrenchment strategy had no statistically significant effect on either ROE or Tobin's Q during the period under review. The results suggest that retrenchment, when implemented in isolation, may not be a sufficient strategy to enhance firm performance in the Malaysian construction sector.

While the study contributes valuable insights into the limitations of retrenchment as a turnaround tool, it is not without shortcomings. The relatively small sample size and focus on only two financial indicators limited the comprehensiveness of performance evaluation. Furthermore, the study did not account for non-financial performance metrics such as employee morale, operational resilience, or customer satisfaction, which may also be influenced by retrenchment strategies.

Yuan et al (2023) explored retrenchment strategies from a theoretical perspective in nonprofit organizations, focusing on how cost-cutting, downsizing, and program reductions help organizations manage financial stress and reposition for the future. Their study synthesized existing literature but did not include empirical data, sampling, or performance metrics. While it provided clear conceptual insights into the dual role of retrenchment both as a short-term survival tool and a potential path to strategic renewal the lack of quantitative analysis limits its application to for-profit sectors like manufacturing. The work offers a solid foundation for future empirical research across broader organizational contexts.

Minzhi et al (2024) carried out a research on the topic the impact of diversification on the profitability and risk of Chinese banks :Evidence from a Semiparametric The study analyzed a panel of Chinese banks over the period 2008–2019, categorizing them into three groups: state-owned banks, national shareholding commercial banks, and city commercial banks. Secondary data were collected from publicly available financial statements and reports of Chinese banks. The researchers employed semiparametric regression models to examine the nonlinear relationships between diversification strategies and bank performance metrics. The study found that a modest positive impact on profitability and risk reduction, particularly for state-owned banks. Asset diversification does not significantly enhance profitability and may increase risk beyond certain thresholds. The benefits of diversification vary by bank type, with state-owned banks gaining more than national shareholding and city commercial banks, data ends in 2019; recent shocks like COVID-19 and digitization remain unexamined.

João et al conducted a research in 2024 on Complexity-Based Diversification Strategies: A New Method for Ranking Promising Activities for Regional Diversification , The study utilized a comprehensive dataset encompassing Brazilian micro regions Secondary data were collected from employment records and economic indicators across various Brazilian micro regions. The researchers employed econometric analyses to test the impact of regional economic complexity on growth rates of GDP per capita and formal employment share. The researchers developed a network linking different activities based on shared occupations, enabling the application of economic complexity analysis at the regional level using employment data.

Ade in 2023 conducted a research on the effects of products market diversification strategy on corporate financial performance and growth: An empirical study of some companies in Nigeria. The aim of the study is to investigate how different diversification strategies specialization related, unrelated and mixed product market diversification affect the financial performance and growth of Nigerian companies. A sample size of Nigerian firms employing various diversification strategies was used for the study and panel regression analysis and correlation coefficients was used for the data analysis. The study found out that firms pursuing related diversification strategies exhibited higher financial performance and growth compared to those employing unrelated or mixed strategies and a marginal correlation was found between unrelated diversification and financial performance, indicating a less significant impact. The study focuses on limited number of Nigerian firms which may affect the generalization of the results to other contexts or industries. The data may not account for recent economic developments or changes in the Nigerian business landscape, potentially limiting the applicability of the findings.

Rahmat H. (2020) conducted a research on the Corporate Diversification and Firms' Value in Emerging Economy: The Role of Growth Opportunity. the aim of the study is to Investigates how growth opportunities mediate the relationship between corporate diversification and firm value in Indonesia, in an emerging economy . A sample size of 270 firms from Indonesian manufacturing firms was use. Nonlinear regression was use to establish the relationship between diversification and both growth opportunity and firm value. The findings from the work shows that U-shaped low levels reduce, high levels increase growth potential, growth opportunity fully mediates the U-shaped relationship between diversification and firm value. Only 270 firms was used as the population of the study this raises concerns about the broader generalization of the result from the findings. The study was focused on manufacturing industries , the effects may be different from service, agriculture and finance industries, Tobin's Q and Herfindahl/entropy indices may not capture informal diversification or quality of segments, especially in emerging markets.

Salami & Badiru (2023) conducted a research on the Impact of Diversification Strategies on Organisational Performance in the Manufacturing Industry: Comparative Analysis of Related and Unrelated Diversification. The Population of the study consists of eight firms of the Nigerian manufacturing sector. Convenience sampling technique was used to collect a sample size of 750 managerial respondents, the Aim of the study was to Compare performance outcomes under related vs. unrelated diversification. The quantitative survey; regression analysis method was used to analyzed the data collected ,Key Findings from this work shows that Related diversification significantly enhances performance; unrelated impairs it. The main Weaknesses of this study is the fact that Small firm sample limits generalizability because survey-based and self-reported metrics; has no temporal or causal inference.

➢ *Resource Based View Theory*

The Resource-Based View (RBV) theory serves as the underpinning theory for this study, providing a foundational lens through which the relationship between turnaround strategies and firm performance can be understood. Initially developed by Wernerfelt (1984) and later refined by Barney (1991), the RBV argues that firms achieve and sustain

competitive advantage primarily through the possession and effective deployment of internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). Rather than relying solely on external market positioning, the RBV emphasizes that the uniqueness and strategic relevance of a firm's internal assets such as technological know-how, skilled human capital, brand equity, and operational efficiencies are what drive long-term success. In the context of turnaround strategies, this theory suggests that the effectiveness of approaches like retrenchment and diversification largely depends on the firm's existing resource base. For instance, retrenchment strategies can be more successful when they help preserve and redirect core capabilities, while diversification strategies are more likely to improve performance when they leverage underutilized or adaptable internal resources (Barney, 2001; Peteraf, 1993). Applying this to Nima Foam Industry, the firm's ability to improve performance through turnaround strategies will be contingent on its access to and strategic use of such internal assets. In environments like Adamawa State where external support structures are weak the strategic management of internal resources becomes even more critical. Therefore, the RBV theory not only supports the rationale for examining turnaround strategies but also guides the evaluation of their effectiveness in relation to the firm's resource conditions.

➢ *The Contingency Theory*

Contingency theory serves as a supporting theoretical framework for this study, complementing the Resource-Based View by emphasizing the critical role of environmental and situational factors in shaping strategic decisions. Originating from the works of Lawrence and Lorsch (1967) and further developed by Donaldson (2001), contingency theory posits that there is no one best way to manage or structure an organization; instead, the effectiveness of a strategy depends on the degree of fit between internal processes and the external environment. Organizations must adapt their strategies, structures, and processes in response to contextual variables such as economic conditions, competition, technological changes, and institutional constraints.

In the context of turnaround strategies, contingency theory suggests that the choice and success of a strategy such as retrenchment or diversification are contingent upon the firm's specific operating environment. For instance, retrenchment strategies may be more appropriate in periods of financial crisis or market contraction, whereas diversification may be more suitable in environments with emerging opportunities or untapped markets (Ketokivi & Donaldson, 2011). Therefore, a firm's strategic response must align with both its internal capabilities and the nature of its external threats or opportunities.

Applied to the current study, contingency theory supports the idea that the turnaround strategies employed by Nima Foam Industry in Adamawa State must be evaluated within the context of the region's socio-economic, infrastructural, and

security conditions. The external challenges present in Girei LGA such as limited industrial activity, infrastructural deficits, and market instability may shape the firm's ability to implement or benefit from particular strategies. For example, a diversification strategy might fail in a weak local economy lacking demand, whereas cost-saving retrenchment strategies might succeed in stabilizing operations. This context-sensitive perspective makes contingency theory a useful complement to the Resource-Based View, which focuses more on internal resource strengths. Together, these theories help to build a more holistic understanding of how and why turnaround strategies impact firm performance under specific conditions.

III. METHODOLOGY

This research utilized a descriptive survey design to explore the impact of turnaround strategies on organizational performance. Data were gathered through a structured questionnaire designed on a 5-point Likert scale to maintain consistency and standardization in participants' responses. For data analysis, Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed due to its effectiveness in handling complex models involving latent constructs. This technique was particularly appropriate for the study, as it accommodates data that may not meet the assumptions of normal distribution or require large sample sizes. Moreover, PLS-SEM is well-suited for exploratory studies and theoretical model development because it can efficiently assess multiple interrelated variables (Hair et al., 2021).

The PLS-SEM procedure relies on an iterative series of ordinary least squares regressions to simultaneously estimate latent variable scores and the relationships among constructs. The iterative process continues until a set of weight estimates that meet convergence criteria is obtained. Since PLS-SEM is non-parametric, it does not depend on the statistical assumptions of parametric tests, making it practical for real-world datasets. To evaluate the significance of model estimates, the study applied a bootstrapping approach, which provided insights into path coefficients, outer loadings, internal consistency (such as Cronbach's Alpha), and model quality indicators like HTMT ratios and R^2 values (Sarstedt et al., 2017; Ramayah et al., 2018).

IV. RESULTS AND DISCUSSIONS

The study targeted all operational managers of Nima Foam Industry located in Bajabure, Girei Local Government Area of Adamawa State. According to the company's Human Resource Department, the total number of operational managers was 43. Given the relatively small and easily accessible population, the study adopted a census sampling technique, thereby involving all qualified participants to improve the robustness and generalizability of the results.

Table 1: Descriptive Statistics

Variable	Mean	Median	Min	Max	SDV	Kurtosis	Skewness
RS	2.11	5.00	2.75	5.00	0.60	0.75	-1.56
DS	3.42	4.75	2.25	5.00	0.70	0.75	-1.05
PERF	4.30	4.80	1.80	5.00	0.80	0.56	-1.20

Source: SMART, PLS Output, 2025.

Table 1 presents the descriptive statistics for the study variables, including the mean, median, minimum, maximum, standard deviation, skewness, and kurtosis values. The Retrenchment Strategy (RS) variable recorded a mean score of 2.11 with a standard deviation of 0.60, and its values ranged from 2.75 to 5.00. The Diversification Strategy (DS) had a mean of 3.42, a standard deviation of 0.70, and ranged between 2.25 and 5.00. The Performance (PERF) variable reported the highest mean of 4.30, with a standard deviation of 0.80, and ranged from 1.80 to 5.00. The skewness and kurtosis values for all variables were within acceptable thresholds (i.e., less than ±2), suggesting that the data distribution approximates normality. This supports the suitability of the dataset for further multivariate analysis using PLS-SEM.

To evaluate the measurement model for this study on the effect of turnaround strategy on firm performance at Nima Foam Industry, the analysis began with an assessment of indicator (outer) loadings. Following the recommendation of Hair et al. (2019), factor loadings greater than 0.708 are considered acceptable as they indicate that the construct explains more than 50% of the variance in the observed variable. However, based on the same authors, loadings between 0.50 and 0.708 can be retained if they are statistically significant, especially in exploratory research. As such, all retained indicators in this study met the required thresholds, justifying their inclusion in the model.

➢ *Indicator Loadings*

Table 2: Reliability of Study Scale

S/N	Variables		Factor Loadings	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)	No of Items
1	Diversification Strategy (DS)	DS1 DS2 DS3 DS4	0.841 0.882 0.857 0.908	0.895	0.927	0.927	4
2	Retrenchment Strategy (RS)	RS1 RS2 RS3 RS4 RS5	0.836 0.877 0.893 0.857 0.679	0.886	0.918	0.692	5
3	Performance (PERF)	PERF1 PERF2 PERF3 PERF4	0.910 0.903 0.897 0.880	0.919	0.943	0.806	4

Source: SmartPLS Output, 2025

Table 2: Reliability of Study Scale

To test internal consistency, the study used Jöreskog's Composite Reliability (CR). All constructs recorded CR values above 0.70, indicating strong internal consistency (Hair et al., 2019). In addition, Cronbach's Alpha values exceeded the minimum acceptable threshold of 0.60, as suggested by Sekaran (2010).

For convergent validity, the Average Variance Extracted (AVE) was used. Each construct recorded AVE values above 0.50, confirming that the constructs explain at least 50% of the variance in their indicators an acceptable level of convergent validity.

Table 3 Heterotrait-Monotrait Ratio (HTMT)

	Retrenchment Strategy	Diversification Strategy	Performance
Retrenchment strategy	1.00		
Diversification Strategy	0.410	1.00	
Performance	0.447	0.622	1.00

Source: SmartPLS Output, 2025

In evaluating discriminant validity, the study employed the Heterotrait-Monotrait Ratio (HTMT), as recommended by Henseler et al. (2015). HTMT values below 0.90 indicate that each construct is sufficiently distinct from the others. Table 3 presents the HTMT results:

All HTMT values were below the 0.90 threshold, indicating that the constructs Retrenchment Strategy, Diversification Strategy, and Performance are empirically distinct and demonstrate good discriminant validity (Voorhees et al., 2016).

Following the successful validation of the measurement model, the next phase was to assess the structural model, focusing on path coefficients, t-values, p-values, and the coefficient of determination (R^2). Bootstrapping with 5,000 resamples was conducted to test the significance of the path relationships. The R^2 value for firm performance was 0.748, indicating that turnaround strategies specifically retrenchment and diversification strategies collectively explain 74.8% of the variation in firm performance at Nima Foam Industry. Based on Hair et al. (2019), this represents a strong level of explanatory power. The results of the hypothesis testing are summarized in Table 4:

Table 4: Path Coefficients

Hypothesis	Variable	Path Coefficient (Beta)	t-value	p-value	Findings
Ho_1	Retrenchment strategy	-0.009	0.146	0.001	Accepted
Ho_2	Diversification Strategy	0.167	7.135	0.000	Accepted

Source: SmartPLS Output, 2025

The results show that Retrenchment Strategy has a negative and statistically significant effect on firm performance at Nima Foam Industry. This conclusion is based on a beta coefficient of -0.009, a t-value of 0.146 (below the critical value of 1.964), and a p-value of 0.001, leading to the rejection of the null hypothesis. This finding aligns with the work of Emmanuel et al. (2023), who also found that retrenchment strategies had a negative impact on firm performance, specifically in the case of BUA Foods Plc.

On the other hand, Diversification Strategy showed a positive and significant effect on performance, with a beta coefficient of 0.167, a t-value of 7.135, and a p-value of 0.000. This supports the rejection of the null hypothesis and affirms that diversification efforts contribute positively to firm performance. The result is consistent with the findings of Moruff and Itohowo (2019), who reported a positive relationship between diversification strategies and performance in the manufacturing sector.

V.   CONCLUSION

This research investigated the impact of turnaround strategies, specifically retrenchment and diversification, on the performance of Nima Foam Industry in Bajabure, Girei LGA, Adamawa State. The findings indicate that retrenchment strategies, such as workforce reduction and cost-cutting measures, tend to negatively affect the firm's overall performance. These measures, although often used to control operational costs, may lead to unintended outcomes such as reduced employee motivation, loss of expertise, and lowered productivity.

On the other hand, the study revealed that diversification strategies including product expansion, market entry, and service innovation positively influence firm performance. By broadening its operational scope and reducing reliance on a single product or market, the company can achieve better financial stability and competitive advantage.

RECOMMENDATIONS

- It is advised that Nima Foam Industry should limit the use of retrenchment strategies as a primary response to performance challenges. Instead, the company should explore more constructive approaches such as process reengineering, staff reskilling, or innovation-driven cost control. Additionally, a deeper evaluation of internal inefficiencies is recommended to better understand the root causes of poor performance and to avoid the unintended consequences of workforce or resource reduction.
- The company is encouraged to intensify efforts toward diversification. This may involve exploring untapped markets, launching new or improved products, or expanding into related sectors. Diversification can help spread risk and

open up new revenue opportunities, thereby supporting long-term growth and operational sustainability. A structured strategy aligned with market research and industry trends should guide such expansion efforts.

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