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Exploring the salience of fundamental moments in turnaround research

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ABSTRACT

Purpose of the study: This study aimed to determine how research focusing on the turnaround process deals with FMs as it substantially impacts how turnarounds are managed while influencing the selection and implementation of an appropriate turnaround strategy.

Design/methodology/approach: A critical literature review was conducted to explore 50 salient scholarly turnaround studies over 42 years. The study was motivated by calls for turnaround research and practice to work together to address the identified gap.

Findings: FMs should be a prerequisite to any discussion on turnarounds, where the financial and time requirements must be correctly estimated and if such funds arrived in the correct amounts at the right time. Only 16% of all the reviewed publications implied that a quantum of funding is required to cover the turnaround cost. The remaining research did not mention the required capital to fund the Turnaround, nor when it was made available wholly and timeously. The lack of awareness of FMs also seems to impact the development of the theory of the turnaround process, as there are no consistent metrics to measure the process thereof.

Recommendations/value: This study shows that most of the studies make findings about what may have contributed to a successful turnaround without confirming if the necessary financial resources were available, which should be the absolute foundation of a turnaround. This research argues that how FMs are dealt with in a case study or a theory should always be discussed before any other contributing factors can be considered.

Managerial implications: FMs are the loadstar by which decisions are made during a turnaround, and it is a dynamic process which must be updated continuously.

Keywords

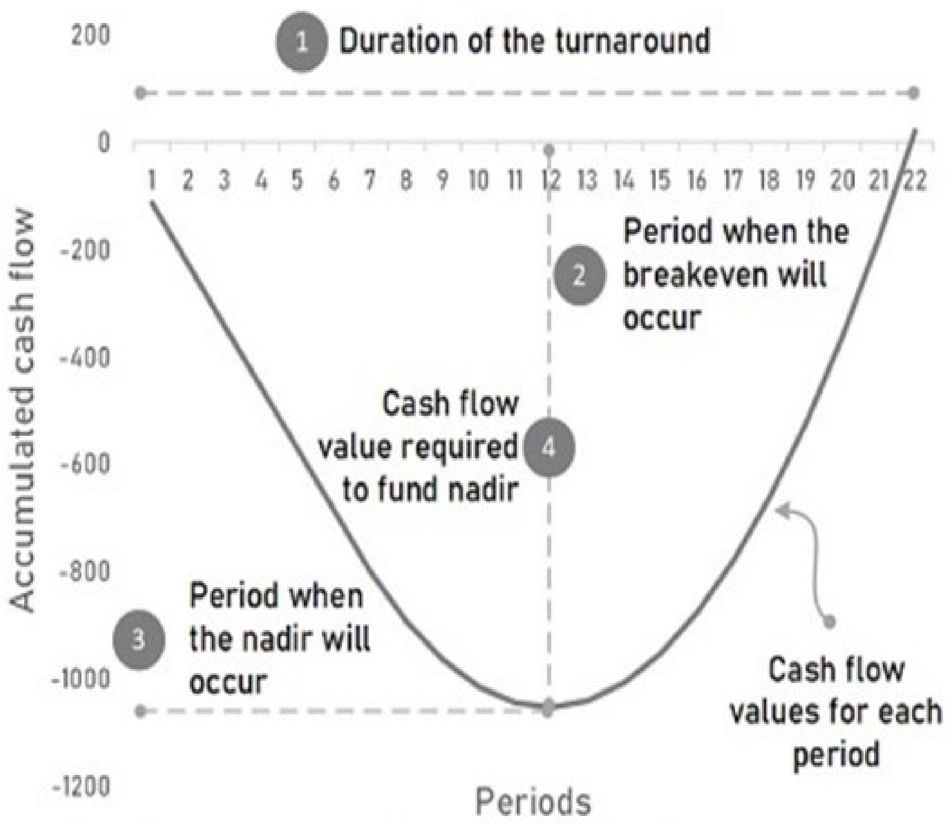
Breakeven; cash flow; fundamental moments; nadir; restructuring; stakeholders; turnaround

JEL Classification: M29

1. INTRODUCTION

A turnaround is a process where an acute or severe management intervention occurs after a decline in business operations due to experiencing losses for consecutive periods, thereby leading to the actual or threat of capital loss by funders and suppliers. But how long is the Turnaround going to last, and what is it going to cost? These are the two most fundamental questions asked during a turnaround. These questions can be deconstructed into the four fundamental moments (FMs) of the Turnaround, as graphically depicted in Figure 1.

Figure 1: The four fundamental moments during a turnaround



Source: Gribnitz (2021)

The four points that describe a turnaround's FMs are:

1. The duration of the Turnaround;
2. When the Turnaround is going to break even;
3. When the cash flow nadir is going to occur, and
4. The size of the cash flow nadir.

This study argues that any study focusing on the actions or timeframes, defined as the turnaround process originally described by Pandit (2000), should always refer to FMs. FMs influence actions (planning), while actions influence the FMs (implementation), where FMs act as a loadstar on the outcome of the Turnaround. FMs are dynamic and continuously updated with new information throughout the Turnaround, where the existing FMs influence future actions and realised action impacts funding requirements. Failing to discuss the presence of FMs in the turnaround process may lead to erroneous conclusions. This study investigates 50 studies dealing with the turnaround process and how it deals with FMs (Pettigrew, 1987; Armenakis & Bedeian, 1999; Castrogiovanni & Bruton, 2000).

2. LITERATURE REVIEW

Various authors have discussed how to measure the turnaround process over the past 42 years. FMs are used by practitioners, who build spreadsheets to determine the cash flow requirements to fund the turnaround plan (Hofer, 1980; Bibeault, 1982). This section provides a literature review on the current position regarding the measurement of the turnaround process, how it has been criticised, and how others tried to justify the measurements using statistical tools.

2.1 Lack of measurement tools to measure the outcome of a turnaround

There is an adage in management circles that 'if you cannot measure, you cannot manage'. The single most significant pitfall of research dealing with the process of turnarounds to date seems to be that there is no universal measurement system to inform/determine whether a turnaround will be successful or not (Hoffman, 1989; Pandit, 2000; Filatotchev & Toms, 2006; Schweizer & Nienhaus, 2017; Bhattacharyya & Malik, 2019). Various researchers acknowledge that their research is subject to limitations as they cannot objectively measure how close the firm is to insolvency (Hofer, 1980; Hambrick & Schecter, 1983).

Various articles propose diagrams with horizontal and vertical axes that show the performance of the Turnaround but provide an insufficient definition or metric of what such performance should be and do not offer measures of performance or specificity of time (Grinyer *et al.*, 1990; Chowdhury, 2002; Filatotchev & Toms, 2006; Pearce, 2007; Bhattacharyya & Malik, 2019).

Weitzel and Jonsson (1989) offer a diagram that shows the decline of a firm but does not offer any measurable description for the vertical or horizontal axis, which can only be presumed to be 'performance' and 'time period'. Therefore, a lack of standardised measurement hinders the advancement in research on the process of turnarounds and the theory of Turnaround in general. Some articles use financial ratios, or discriminants thereof (Pearce, 2007), while researchers selectively pre-select data from listed entities that reported losses for various periods followed by a period of profits and then use five to eight years to determine the turnaround duration (Schendel & Patton, 1976; Schendel *et al.*, 1976; Hambrick & Schecter, 1983; Morrow *et al.*, 2004; Ndofor *et al.*, 2013). Barker and Mone (1994:403) state that they "lack the knowledge base to predict accurately which particular retrenchment strategies and practices promote recovery."

Barker and Duhaime (1997) also argue that large-sample studies seek to emphasise (1) the measure of management response to the decline of the firm using financial ratios, but the Statement of Financial Affairs obscures the actions the managers took in dealing with the decline, and (2) those firms selected for studies that have been heterogeneous or had a low-level need for strategic change to recover.

Chowdhury (2002:250) states,

> *"A theory of turnaround is lacking because of a wide separation between empirical findings (based on either large samples or case descriptions) and work done toward systematically uncovering the causal structure of events from the onset of the firm's decline to its ultimate recovery or death."*

The inability to measure the impact of the financial and time consequences implies that empirical research on change management appears to fumble in the dark trying to confirm hypotheses. The investigation into turnarounds seems to have stagnated for approximately 20 odd years and "are a long way up the empirical creek without a theoretical paddle" (Meyer, 1988:413). Confirming or rejecting a hypothesis of one strategy being better without measuring the initial and prevailing FM during the Turnaround can only lead to biased answers. Comparing the outcomes of the turnarounds without taking into consideration, *inter alia*, the severity of the decline, lack of stakeholder support (D'Aveni, 1989; Arogyaswamy *et al.*, 1995), and extraneous events further skew the potential bias of the arguments advanced by researchers in the field of the turnaround process.

2.2 Importance of breakeven during a turnaround

Barker and Mone (1994:403) opine that

> *"breakeven (sic) performance is an appropriate floor that the firm's performance must fall below for it to be considered a declining firm."*

Breakeven is precisely the point where the change of direction of the performance or the 'sharp-bend' occurs, and this is the point where the outflows are equal to the firm's inflows. It is the crucial point of a turnaround and implies that this is the nadir of the accumulated cash flow requirement, a maximum immediately before the breakeven occurs. Therefore, determining when breakeven occurs should be the focal point of researchers to understand when the fortunes of the firm change based on the indicated FM.

A turnaround, on the other hand, refers to when a firm experiences a survival-threatening declining performance over months or years and can reverse the declining performance through an intervention that will restore the firm to profitability on a sustainable basis (Bibeault, 1982; Barker & Duhaime, 1997; Pearce, 2007). A turnaround is a process that enables a firm to move from a poor to a sustainable performance position, implying that this is fundamentally a two-stage process (Hambrick & Schecter, 1983; Brandes & Brege, 1993; Dewitt, 1993; Arogyaswamy *et al.*, 1995; Chowdhury, 2002). Robbins and Pearce (1993) refer to a turnaround as a reversal of poor performance. The firm faces an existence-threatening situation and can recover from a loss-making position by combining strategies, skills, and capabilities and returning it to profitability. Khandwalla (2001) states that it changes from a loss-making to a profit-making position. Grinyer *et al.* (1990:116) state,

> *"This direction change, sustained improvement in performance from the base of relative decline is termed a 'sharp-bend' and firms that successfully negotiated this change are known as 'sharp-benders."*

2.3 Use of duration estimation in empirical studies dealing with the process of turnarounds

Duration is estimated based on specific observations made by researchers of individual turnarounds. Research generally seeks to determine which strategy may result in a turnaround success using general organisational theories, referred to as content (Hofer, 1981; Bibeault, 1982; Hambrick & Schecter, 1983; Pandit, 2000; Khandwalla, 2001; Chowdhury, 2002; Lohrke *et al.*, 2004; Pretorius, 2009; Trahms *et al.*, 2013; Schweizer & Nienhaus, 2017).

Some researchers attempt to identify a statistical significance to determine how many turnarounds have been successful. However, such research appears to be based on choosing an arbitrary measurement, such as reported share prices or earnings and does not add much value to a predictive theory for turnarounds (Hambrick & Schecter, 1983; Morrow *et al.*, 2004).

The studies reviewed (as shown in this study) refer to a turnaround in broad descriptive terms. Most studies dealing with turnarounds adopt a positivist approach, where the researchers seek to confirm their prior theoretical concepts and models adopted from broader literature. Solnet *et al.* (2010:154) suggest that further research is required to "adopt interpretive approaches to provide 'thick descriptions' of phenomena" and assist in building theories about turnarounds in the future.

2.4 Use of financial forecasting and cash flow models during a turnaround

Experienced practitioners know that doing things in a usual manner will not work, as crises require immediate, directed, and measured actions when undertaking a turnaround (Bibeault, 1982). These actions are informed by a selected strategy that forms the foundation formulated in the first month and sometimes in the first week of the Turnaround, indicating urgency for what must be done. This sense of urgency is conveyed via various interviews with actual turnaround practitioners (Bibeault, 1982). Arogyaswamy *et al.* (1995) refer to the firm as being maladapted to the environment when faced with a turnaround. Slatter (1984) argues that a turnaround is a short-term strategy devised under special conditions to bring about organisational change. Stace and Dunphy (2001) state that a radical approach is necessary for survival as time is of the essence. A turnaround should be a radical frame-breaking form of organisational change as required. Expanding the turnaround definition may include the process whereby turnaround practitioners actively seek and successfully implement strategies and management methodologies to turn the distressed firm around, saving the firm from failure (Fredenberger & Bonnici, 1994).

Gribnitz and Appelbaum (2015) argue that restructuring (within a turnaround) involves changes in equity, assets, and liabilities as set out in the statement of financial position (IFRS Foundation, 2020). A turnaround is operational and focuses on the activities reported in the statement of comprehensive income. The litmus test for any proposed strategy, intervention, action, event, or outcome comes down to the financial requirements and the timing of when it occurs, as represented by the FM during a turnaround. Once the implementation commences, the practitioner must revisit the FM regularly throughout the Turnaround to inform new actions.

Answering these fundamental questions on an ongoing basis informs the ability to implement a proposed strategy or amend the proposed strategy during the Turnaround. Suppose a proposed strategy cannot be financially sustained; it should then be abandoned and replaced with an alternative strategy that fits within the financial or logistical constraints of the firm's financial capability. During a turnaround, the availability of resources informs what strategy can be implemented that is funded through a combination of resource slack and stakeholder support. Arogyaswamy *et al.* (1995) state that the resource requirement is determined as a projection and assumes it must be delivered promptly for the Turnaround to succeed. The proposed strategy cannot be implemented if these resources are not delivered at all or timeously. These estimations and projections may become an exercise in combining various beliefs and optimism into a planning document. Grinyer and Spender (1979:126) state,

> *"Even financial forecasts are located within patterns of operational beliefs, and without understanding these, the group management can scarcely hope to grasp the real operational meaning of forecasts it receives."*

According to McRobert and Hoffman (1997), a firm collapses due to human behaviour. Therefore, research dealing with turnarounds also focuses on management strategies of human behaviour. Ormerod (2005:187) states that "intent is not the same as outcome". The turnaround practitioner will envisage a plan, but implementing such a plan may and usually will never realistically be the same as the original plan. While all individual agents are connected in specific networks, which evolve over time, the implication is that they are constrained by their development of a plan, or in this case, the implementation of the original plan. Even with the best analysis availed, there remains uncertainty about the plan's outcome. When dealing with a turnaround, the leader and his commando must analyse and compile a management strategy, which must be presented in a financial plan (Nueno, 1993). Blayney (2005) posits that people are the reason for a firm's collapse, and they also want to perform a successful turnaround on the firm. Given the information available at a predetermined time, practitioners state their intent on what is believed to be achievable by implementing the proposed turnaround strategy. Any stakeholder requires assurance of whether the presented plan is a reasonable reflection of what can be achieved during the Turnaround, even if it is not necessarily an over-optimistic view of what can be done.

Proposing a theory with no precise performance measurements for the research agenda means that empirical research can be manipulated to verify biased positivist views by selecting a sample set that fits the positivist outcome. The FM should inform every Turnaround, which is the key to deciding whether to proceed with a particular strategy.

2.5 Resource slack

A firm can only implement a turnaround if enough resource slack arises from its resources and creditor support (Arogyaswamy *et al.*, 1995). Resource slack, and therefore stakeholder support, is required to create a financial buffer for the delays in implementation or variation in performance viability (Cyert & March, 1963; Bourgeois, 1981). As long as the creditors continue supporting the Turnaround, implementation can succeed, but it will fail once they withdraw support. Perception by the creditors and maintaining their trust is key to a turnaround. Barker and Duhaime (1997:20) state,

> "*The level of firm resources at the time of the turnaround attempt may affect the declining firm's capacity to implement strategic change. Maintaining adequate resources while responding to the decline process destroys firm resources over time."*

Singh (1986:567) refers to absorbed and unabsorbed slack, where the company has not consumed the latter and refers to "uncommitted, liquid resources in organisations". According to Castrogiovanni and Bruton (2000:26), "absorbed slack refers to excess organisational costs".

Chattopadhyay *et al.* (2001) argue that the availability of resources influences how management reacts to threats and opportunities. At the same time, the type of slack may affect the strategy management that may follow internally (requiring less slack, according to Cook *et al.* (1983) or externally directed actions.

Audia and Greve (2006) state that the firm's resources affect the decision makers' risk tolerance during a turnaround, where the availability of a buffer or resources will lead to riskier decisions by management if faced with declining performance. On the other hand, the management of a firm with limited resources will not undertake risky decisions when close to failure as performance declines.

While researchers refer to resource slack as a general concept, they do not typically show how it should be calculated or when it should be available. The availability thereof is essential for determining FM, as a strategy in turnarounds is always dictated by the resources available and, therefore, limits the available choices to the practitioner. They are bound to implement the best strategy subject to the constraints of what is available to affect the Turnaround and may be unable to select the best strategy for the firm.

3. METHODOLOGY

The selection and analysis of literature were meticulously grounded in the framework of organisational change processes (see section 3.1), as delineated by Schweizer and Nienhaus (2017). This framework was judiciously chosen due to its relevance and applicability in examining how FMs are addressed within the context of turnaround processes in organisations. Commencing with a presupposition that FMs should be addressed when dealing with turnaround process research, Schweizer and Niehaus (2017) classified various studies focusing on organisational turnarounds, identifying those that specifically pertain to the turnaround process as opposed to content or context. This study focuses on the process and is divided into three distinct thematic areas: (1) process change management, (2) theory of the turnaround process, and (3) process affirmation by empirical study (see Table 1). This study includes the 42 papers Schweizer and Niehaus (2017) defined as dealing with the process, to which eight seminal articles on the turnaround process were added. This thematic categorisation was instrumental in providing a more nuanced understanding of this study's focal area. The selected studies were also chronologically mapped, delineating the research focus of overtime. This chronological analysis not only highlighted the temporal progression of the field but also underscored the changing emphases in research themes. Each study was analysed to see how it dealt with FMs, with the synthesised findings being comprehensively presented in this article. Therefore, this methodological approach aligns with and extends the foundational work of Schweizer and Nienhaus (2017), offering a robust and contextually rich exploration of FMs within turnaround processes.

3.1 Selection of studies used in this research

Schweizer and Nienhaus (2017) developed a theoretical framework for turnarounds based on the organisational change process (Pettigrew, 1987; Armenakis & Bedeian, 1999; Castrogiovanni & Burton, 2000). They classified 260 studies into three categories, namely content (what was done), context (why it was done), and process (how the organisational changes occur). Research on content and context would either (1) present a statistical analysis of the performance of multiple firms to describe a phenomenon that is linked to an existing body of research (content); (2) deal with a particular aspect of the Turnaround by describing a very case-specific experience or event that occurred; or (3) may be dealing with bankruptcy research; (4) while describing the process of a turnaround is focused on what happened, and what stages occur during the Turnaround. Of the 260 classified studies, they classified 42 studies as research dealing with the turnaround process. These 42 studies were included for review in this study.

The 42 studies identified were expanded by searching for additional publications dealing with turnarounds published after 2016, regardless of whether they were classified as a process, context, or content, and included research on bankruptcy prediction. Keywords searched included 'turnaround', 'corporate distress', 'restructuring', 'bankruptcy', 'crisis', and 'reorganisation'. A total of 627 studies dealt with business rescue, turnarounds, bankruptcy prediction, and restructuring. A final collection of 50 studies ranging from 1979 to 2021 was selected (see Table 1), including the most recent studies of Tangpong *et al.* (2015), Bhattacharyya and Malik (2019), and Rico *et al.* (2021), and a further five salient publications published before 2016 (Bibeault, 1982; Weitzel & Jonsson, 1989; Robbins & Pearce, 1992; Pearce, 2007; Pearce & Robbins, 2008), as these have been seminal to later research on the process of turnarounds. Weitzel and Jonsson (1989) deal with the stages of decline, while the remaining publications deal with the stages of a turnaround.

Interestingly, of the seven studies published from 2011 to 2021, only one study by Bhattacharyya and Malik (2019) can be classified as a contribution to the theory of the turnaround process. They deal with the process of turnarounds and propose an integrated turnaround canvas. The authors attempt to explain what levers are available to a turnaround practitioner and what the impact may be on future cash flows and outcomes. Unfortunately, they do not measure these outcomes but believe it will impact future discussion and research. The remaining six studies (2011 – 2021) are all empirical studies. On the other hand, Greve (2011) does not seek to confirm any part of the stage model proposed by different authors dealing with the theory of the turnaround process but rather shows that risk-taking is linked to aspirational levels. Low performance leads to restricted information processing, especially if there is a threat to the proximity of bankruptcy.

3.2 The categorisation of fundamental moments in literature dealing with the process of turnarounds

The selected studies were categorised into three thematic areas (process change management, theory of turnaround process, and process affirmation by empirical study), as some of these publications dealing with the turnaround process merely discuss the stages of the turnaround process.

Process change management – these studies utilised various theories dealing with human interaction as a part of the turnaround process that may form part of the organisational theory. Chattopadhyay *et al.* (2001) discuss the integration of the threat rigidity theory (Staw *et al.*, 1981) and explore the behavioural or prospect theory (Kahneman & Tversky, 1979) when dealing with organisational actions in response to threats and opportunities. Agarwal *et al.* (2002) integrate research on technology management, organisational ecology, and evolutionary economics as a platform and utilise a life cycle approach to determine these firms' survival. Bruton *et al.'s* (2003) study deals with cultural issues. It investigates how the overseas Chinese community in East Asia deals with turnarounds and how this differs from turnarounds in Europe and the USA. Balogun and Johnson (2004) believe that researchers need to understand how middle managers interpret change and how this impacts their perceptions, enabling them to change during the process. They further argue that change management brings about further change. A study undertaken by Amburgey *et al.* (1993) on the Finnish newspaper industry over 192 years shows that organisational change can be adaptive and disruptive. While these papers deal with change management on broader issues, they are cast against the backdrop of decline or Turnaround. Agarwal and Gort (2002) investigate the determinants of firm survival linked to the product and firm lifecycle. It is interlinked over the firm's life, operating at a particular hazard rate function that varies over various phases of the firm's life. The direct reference to FMs was minimal (as expected). Most of these studies contained a narrative dealing with case studies where the financial and time effects were only in the background. However, the proximity to failure and uncertainty substantially impacts the behaviour of various stakeholders.

Theory of turnaround process – is classified as those studies that seek to describe the turnaround process and is defined as the theory of turnaround process. These studies showed limited or no empirical evidence to substantiate their contribution to the theory of the turnaround process (Arogyaswamy *et al.*, 1995). Nevertheless, they form the bedrock of the theory of the turnaround process and create the framework used by studies that seek to affirm or disprove certain aspects of the theory of the turnaround process via empirical studies (Barker & Mone, 1994; Pearce, 2007). The studies usually have broad descriptions of the stages that occur during the Turnaround but do not provide a method of calculating the time and financial consequences and, therefore, cannot be measured. Some of these studies also rely on the work of previous studies to expand their theories, only to build thereon with broad descriptions (Arogyaswamy *et al.*, 1995; Chowdhury, 2002). Where an empirical study was undertaken, data were carefully selected on a *post priori* basis to ensure that the results confirmed the theory proffered. While it would be expected that these studies would define FM and provide a method of calculating them during a turnaround, little support was found.

Process affirmation by empirical study – represents those studies where statistical analysis was performed to substantiate their hypotheses on the affirmation of one aspect or another of the theory of the turnaround process. These studies seek to criticise a part of the theory of the turnaround process by creating a hypothesis based on some arbitrary hypothesis, using historical financial results from listed companies over several years from a specific industry or financial results from various industries. They use financial ratios to accept or reject the hypothesis. It would be expected to refer to FM to ensure enough capital to fund the Turnaround and how long it lasted. Arogyaswamy *et al.* (1995) describe how authors follow a specific research design to identify firms with declining performance without regard to the reasons or causes of such decline.

This combination creates heterogeneity by combining firm-based and industry-contraction-based declines in the same sample. Using these conflated samples, researchers attempt to express views on the strategy selection and suitability of the outcomes.

3.3 The presence of fundamental moments in literature dealing with the process of turnarounds

Each study in our research underwent a thorough review to determine how it addressed FMs. The presence of FMs within the publications observed was analysed and summarised as: (1) *no reference* – where no reference was made to the specific FM whatsoever, nor was it implied and no possible reference can be made that implies that such a moment was even considered; (2) *implied reference* – where authors indirectly implied or possibly referred to a FM, even if such reference was not made intentionally, it would be deemed to be implied, for instance, where ratios, factor analysis or discriminant analysis was used to imply but not calculate the breakeven point, it would imply that it may refer to the nadir of the Turnaround and, therefore, would be deemed to be an implied reference (Barker & Duhaime, 1997); (3) *estimated reference* – while there is no basis in theory or process to substantiate such a reference, authors have estimated a specific FM in some arbitrary manner; it is particularly prevalent when dealing with the duration of a turnaround, where it was arbitrarily estimated by various authors when undertaking an empirical study to substantiate their views; and (4) *calculated reference* – where the authors set out how they calculated the specific FM, where the reader can verify such calculation (see Tables 1 and 2).

4. FINDINGS AND DISCUSSION

Analysis of the various studies published tells an interesting story of what the focus of research related to the turnaround process has been and the apparent lack of research progress made over the past 42 years within this field of study, which is in line with the research of Schweizer and Nienhaus (2017).

4.1 Analysis of the literature

Each study was classified based on four FMs: (1) duration, (2) breakeven, (3) value of nadir, and (4) the period in which the nadir occurs. It also shows the thematic areas and categorisation of the type of studies as part of the turnaround process, as expanded upon in section 3.2. As discussed in section 3.3, each of the 50 selected studies was analysed and summarised to easily discern the extent and nature of FM references in each study, whether it be no reference, an implied reference, an estimated reference, or a calculated reference. Lastly, the 50 studies were further divided into three groups: 1) those published prior to 2000, 2) those published from 2001 to 2010, and 3) publications from 2011 to 2021 (see Table 3).

Table 1: Literature analysis performed in search of FMs

No	Author	Duration				Breakeven				Value of the nadir				Period of the nadir				Thematic areas: Type of studies as part of turnaround process
		Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	
1	Agarwal Gand Gort (2002)				✓				✓				✓				✓	Process change management
2	Agarwal, Sarkar and Echambadi (2002)				✓				✓				✓				✓	Process change management
3	Amburgey, Kelly and Barnett (1993)				✓				✓				✓				✓	Process change management
4	Arogyaswamy, Barker and Yasai-Ardekani (1995)			✓					✓				✓				✓	Theory of turnaround process
5	Audia and Greve (2006)				✓				✓				✓			✓		Process change management
6	Balogun and Johnson (2004)				✓				✓				✓				✓	Process change management
7	Barker III and Duhaime (1997)		✓						✓				✓				✓	Process affirmation by empirical study
8	Barker III and Mone (1994)		✓					✓				✓				✓		Process affirmation by empirical study
9	Bibeault (1982)			✓				✓				✓				✓		Theory of turnaround process
10	Bhattacharyya and Malik (2019)			✓				✓				✓				✓		Theory of turnaround process
11	Bergh, Johnson and Dewitt (2007)				✓				✓				✓				✓	Process affirmation by empirical study
12	Bruton, Ahlstrom and Wan (2003)		✓						✓				✓				✓	Process affirmation by empirical study
13	Castrogiovanni and Bruton (2000)			✓					✓				✓			✓		Process affirmation by empirical study

14	Chattopadhyay, Gick and Huber (2001)		✓						✓				✓			✓		Process change management
15	Chowhurry (2002)			✓				✓				✓					✓	Theory of turnaround process
16	Chowhurry and Lang (2002)		✓						✓				✓				✓	Process affirmation by empirical study
17	Denis and Rogers (2007)		✓					✓					✓				✓	Process change management
18	Domadenik, Prasnikar and Svejnar (2008)				✓				✓				✓				✓	Process change management
19	Finkin (1995)				✓				✓				✓				✓	Theory of turnaround process
20	Filatotchev and Toms (2006)			✓				✓				✓					✓	Process affirmation by empirical study
21	Gopinath (1991)				✓				✓				✓				✓	Theory of turnaround process
22	Greve (2011)				✓				✓				✓				✓	Process affirmation by empirical study
23	Grinyer and Spender (1979)				✓				✓				✓				✓	Theory of turnaround process
24	Grinyer, Mayes and McKieran (1990)			✓				✓				✓					✓	Theory of turnaround process
25	Hambrick and Schecter (1983)		✓						✓				✓				✓	Theory of turnaround process
26	Hofer (1980)			✓					✓				✓			✓		Theory of turnaround process
27	Jansen (2004)				✓				✓				✓				✓	Process change management
28	Ketchen and Palmer (1999)				✓				✓				✓				✓	Process change management
29	Krueger and Willard (1991)				✓				✓				✓				✓	Theory of turnaround process
30	Lamont, Williams and Hoffman (1994)		✓						✓				✓				✓	Process affirmation by empirical study

31	Lim, Celly and Morse (2013)		✓						✓				✓				✓	Process affirmation by empirical study
32	Maitlis and Sonenshein (2010)				✓				✓				✓				✓	Process change management
33	Miller and Chen (2004)				✓				✓				✓				✓	Process change management
34	Morrow, Johnson and Busenitz (2004)		✓					✓					✓				✓	Process affirmation by empirical study
35	Moulton and Thomas (1993)			✓					✓				✓				✓	Theory of turnaround process
36	Ndofor, Vanevenhoven and Barker (2013)		✓						✓				✓				✓	Process affirmation by empirical study
37	Pearce (2007)		✓					✓				✓					✓	Process affirmation by empirical study
38	Pearce and Robbins (2008)		✓						✓				✓				✓	Theory of turnaround process
39	Pearce and Robbins (1993)		✓						✓				✓				✓	Theory of turnaround process
40	Rico, Pandit and Puig (in press)				✓				✓				✓				✓	Process affirmation by empirical study
41	Robbins and Pearce (1992)		✓						✓				✓				✓	Process affirmation by empirical study
42	Rosenblatt, Rogers and Nord (1993)			✓				✓					✓				✓	Theory of turnaround process
43	Schmitt and Raisch (2013)		✓					✓					✓				✓	Process affirmation by empirical study
44	Sheppard (1994)			✓					✓				✓				✓	Process affirmation by empirical study
45	Suradsanam and Lai (2001)		✓					✓					✓				✓	Process affirmation by empirical study
46	Tangpong, Abebe and Li (2015)		✓						✓			✓				✓		Process affirmation by empirical study
47	Vaara, Tienari and Laurila (2006)				✓				✓				✓				✓	Process change management
48	Weitzel and Jonsson (1989)				✓				✓			✓					✓	Theory of turnaround process
49	Wicks (2001)				✓				✓				✓				✓	Process change management
50	Zajac and Kraatz (1993)				✓				✓				✓				✓	Process affirmation by empirical study

Source: Gribnitz (2021)

Table 1 provides a comprehensive overview of how each study was evaluated and classified within the research framework and not only aids in understanding the prevalence and treatment of FMs in the literature but also highlights the varying methodologies employed by different authors in addressing these crucial financial aspects of organisational turnarounds.

Table 2: Summary of studies reviewed in search of fundamental moments

Thematic areas: Type of studies as part of turnaround process	Duration				Breakeven				Period of the nadir				Value of the nadir				Total studies
	Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	Calculated	Estimated	Implied	No reference	
Process change management	0	2	0	12	0	0	1	13	0	0	0	14	0	0	2	12	14
Theory of turnaround process	0	3	8	5	0	0	5	11	0	0	5	11	0	0	3	13	16
Process affirmation by empirical study	0	13	3	4	0	0	6	14	0	0	4	16	0	0	3	17	20
Total	0	18	11	21	0	0	12	38	0	0	9	41	0	0	8	42	50

Table 2: continued…

Source: Gribnitz (2021)

Table 2 summarises the 50 studies reviewed in search of FMs and shows that out of the 50 studies reviewed, 21 (42%) did not refer to duration, 11 (22%) made an implied reference, and 18 (36%) estimated the turnaround duration. Furthermore, 38 (76%) of the studies did not refer to breakeven, 12 (24%) implied breakeven, and the remaining studies did not refer to breakeven. When dealing with the period of the nadir, 41 (82%) of the studies did not refer thereto, only 9 (18%) made any reference thereto, while the remaining studies remained silent. Lastly, 42 (84%) did not refer to the value of the nadir, and only 8 (16%) of the studies implied the value of the nadir, while the remaining studies did not address the issue.

Process change management – of the 14 publications (28%) classified as process change management, 12 (86%) of these studies did not refer to duration, and 2 (14%) estimated (be it extremely vaguely) the turnaround duration. Only 1 (7%) of the publications implied in some manner to breakeven, while 13 (93%) did not refer to when the breakeven occurred in any manner whatsoever. None of these publications indicated how to determine the duration, when the breakeven will occur, the period of the nadir, and the value of the nadir.

Theory of turnaround process – of the 16 publications (32%) dealing with the theory of turnaround process research, 5 (31%) of these studies did not refer thereto, 8 (50%) implied a duration in some manner, and 3 (19%) performed some form of estimation for the turnaround duration. Only 5 (31%) of publications implied breakeven, while 11 (69%) did not refer to when the breakeven occurred in any manner whatsoever. Furthermore, 11 (69%) did not refer to the period of the nadir, while only 5 (31%) implied that it should occur. Only 3 (19%) of the publications implied the value of the nadir, while 13 (81%) did not refer to it. None of these publications indicated how to determine the duration, when the breakeven will occur, the period of the nadir, and the value of the nadir.

Process affirmation by empirical study – of the 20 publications (40%) classified as a process affirmation by empirical studies, 4 (20%) of these studies did not refer, 3 (15%) implied in some manner, and 13 (65%) estimated (be it inaccurately) the turnaround duration. Only 6 (30%) of publications implied breakeven, while 14 (70%) did not refer to when the breakeven occurred in any manner whatsoever. Furthermore, 16 (80%) did not refer to the period of the nadir, while only 4 (20%) of the publications made an implied reference thereto. Only 3 (15%) of the studies implied the value of the nadir, while 17 (85%) have made no reference thereto. None of these publications indicated how to calculate the duration, when the breakeven will occur, the period of the nadir, and the value of the nadir.

Table 3: Distribution and classification of turnaround process studies from pre-2000 – 2021

Thematic areas: Type of studies as part of turnaround process	Pre 2000	2001 to 2010	2011 to 2021	Total
Process change management	2	12	0	14
Theory of turnaround process	13	2	1	16
Process affirmation by empirical study	6	8	6	20
Total	21	22	7	50

Source: Gribnitz (2021)

An interesting overall pattern appears when looking at the distribution and classification of turnaround process studies from pre-2000 to 2021 (see Table 3) since, of the 50 studies reviewed, 21 (42%) were published before 2000. Sixteen papers (32%) dealt with the theory of the turnaround process, of which 13 (81%) were published before 2010, followed by only three publications in the following 21 years. Most of the studies dealing with process affirmation deal with the issues of the stage models proposed by Bibeault (1982) and Robbins and Pearce (1993) and are reflected in a relatively even spread over the study period. Interest in the theory of the turnaround process, as well as what is defined as process change management that forms a part of organisational change management, has waned since 2010, save for the study published by Greve (2011), which is an empirical study dealing with the effects of change management.

The following sections critically examine the categorisation and analysis of FMs in turnaround process research, highlighting the methodologies used and the gaps in current literature to underscore the need for a more robust approach in evaluating and calculating FMs, which is essential for advancing the understanding of organisational turnaround dynamics.

Process change management – these studies deal with the various theories dealing with human interaction as a part of the turnaround process that may form a part of organisational theory. Chattopadhyay *et al.* (2001) discuss the integration of threat rigidity theory (Staw *et al.*, 1981) and explore behavioural or prospect theory (Kahneman & Tversky, 1979) when dealing with organisational actions in response to threats and opportunities. Agarwal *et al.* (2002) integrate research on technology management, organisational ecology, and evolutionary economics as a platform and utilise a life cycle approach to determine these firms' survival. A study undertaken on the Finnish newspaper industry over 192 years by Amburgey *et al.* (1993) shows that organisational change can be adaptive and disruptive. While these papers deal with change management on broader issues, they are cast against the backdrop of decline or Turnaround. Therefore, even though these studies were analysed for the presence of FMs, it can be expected that the reference to these moments would be minimal. Most of these studies contained a narrative dealing with case studies and where the financial and time effects were ignored. However, the proximity to failure and uncertainty substantially impacts the behaviour of various stakeholders. Knowing how long the Turnaround will last and its cost may substantially affect the firm's outcome.

Stage theory of turnarounds (the current standard when dealing with the process of turnarounds) – Chowdhury (2002) proposes a four-stage process model (decline, response initiation, transition, and outcome), which is an adaption of earlier research by various authors (Grinyer & Spender, 1979; Hofer, 1980; Bibeault, 1982; Hambrick & Schecter, 1983; Finkin, 1985; Weitzel & Jonsson, 1989; Grinyer *et al.*, 1990; Gopinath, 1991; Krueger & Willard, 1991; Moulton & Thomas, 1993; Rosenblatt *et al.*, 1993; Arogyaswamy *et al.*, 1995). Pearce and Robbins (2008) published a study that summarises the work by previous authors and adds to the earlier work, stating that strategic transformation is key to turnarounds.

Process affirmation by an empirical study of stage theory – of the 20 studies classified as process affirmation, 75% (15 studies) seek to confirm or reject certain aspects of the stage theory, where the hypotheses are focused on retrenchment and recovery strategies. Of the remaining five studies, four deal with other aspects of turnarounds that do not specifically focus on stage theory. Bergh *et al.* (2008) believe that when a firm owns a diverse array of operations or investments, there is an asymmetry in the information between how the managers and the market may value such a business. They propose that selling- or spinning-off may lead to the better unlocking of value for such a firm. Lamont *et al.* (1994) investigate how the change in organisational structure to an M-form can benefit a firm with deteriorating performance, especially when speedily implemented. Sheppard (1994) seeks to understand the linkages between cooperative inter-organisational and financial strategies and what these may have on the outcomes of firms that are close to bankruptcy or not. Based on their longitudinal data research, Zajac and Kraatz (1993) propose a diametric forces model highlighting higher education's conflicting pressures if the need to restructure arises.

Stemming from the above, it is evident that research dealing with the turnaround process has shown limited progression and that a new impetus is required to progress the research in this field. Thus, the first step is understanding how authors recognise and deal with FM and any other/indirect references to such moments. Furthermore, a notable observation from the analysis is that none of these studies indicated how to calculate any of the FMs or estimate the FMs save for the turnaround duration. The estimation method used for the duration is very rough, relying on historical annual financial statements. On a *post priori* basis, these studies selected companies that experienced financial distress and had a change in financial fortunes. They use the year where the nadir occurred as the middle point and add information for three to four years before the nadir in losses occurring and two to five periods after the nadir of losses occurring.

4.2 Fundamental moments and the absence of researcher interest

Of the 50 studies reviewed, 17 (34%) did not refer in any manner to FMs whatsoever. In contrast, only three studies referred to all the FMs, even though this is done by implication, as no direct reference was made. These findings indicate that researchers in the turnaround process field seem not to recognise FMs individually or collectively. No research has identified or defined FMs as a critical management tool, and the question is, why not? At best, there are vague or implied references to certain individual elements of the FMs. The lack of reference to FMs may be related to the foci of the specific studies.

In dealing with process change management, it appears that the authors may believe prioritising the firm's cash flow issues is unnecessary, as they will argue that their research deals with human interaction during a turnaround.

Turnaround practitioners will constantly update their evaluation tools to determine the FMs to inform them how the strategy must or may be adapted. FMs act as the loadstar in directing the selected strategy, influencing stakeholder engagement, and improving the chances of a successful outcome. Tracking the financial and time consequences of the cash flow on an ongoing basis allows the practitioner to tweak the strategy as required and communicate the same to stakeholders, thereby establishing trust in the process. Therefore, FM should also become a keystone for future research dealing with turnarounds.

Suggestion 1: Research dealing with process change management should always investigate how FMs were communicated and evaluated and whether sufficient funding was timeously available to fund the Turnaround. It should be a prerequisite prior to finding any other indicators of what should or could have led to the success or failure of the Turnaround.

4.3 Lack of fundamental moments when dealing with the theory of turnarounds

Research dealing with a turnaround process should supposedly describe some dynamic process: what and when incidents, events, and concepts occurred as contemplated in stage theory (van de Ven, 1992; Langley, 1999; Bhave, 2002). FMs should, therefore, be central in any discussion of process research and are vital in understanding the chosen strategy's impact on the outcomes.

Turnarounds are dynamic and fluid, bringing about organisational change that must happen within a certain period. At the same time, a multitude of external and internal forces and factors can impact the outcome of the Turnaround. Combining these dynamic events indicates that a turnaround should be viewed as a process (Chowdhury, 2002).

Implementing the selected strategy in a timely manner is as important as the proposed actions that are to take place. Only three publications under review implied references to all the FM. However, not a single publication discusses the FMs as an essential measurement tool and does not provide a model or method to measure these moments (Bibeault, 1982; Barker & Mone, 1994; Bhattacharyya & Malik, 2019). Interviews with turnaround practitioners by Bibeault (1982) provide urgency and sincerity with which a turnaround must be undertaken.

Survival pressure becomes an interplay of resources and actions that must be extra carefully coordinated in time. In other words, measuring time during a turnaround is crucial in devising and implementing a turnaround strategy. Agarwal *et al.* (2002:989) provide an excellent argument for why time is a key element in dynamic processes, which is precisely what a turnaround is –

> *"time changes the rules of the game. Time impacts existing precepts and makes a subtle mockery of static tenets. Time is endemic, and its effects are ubiquitous. Therefore, it is to incorporate the systematic and fundamental effects of time in evolutionary studies".*

A turnaround is a dynamic process where everything is predicated on happening on time and in time. Three of the four FMs relate to time.

Any practitioner undertaking a turnaround will acknowledge that the dimension of time becomes critical. As the firm experiences a shortage of resources or slack, every day can make a difference. For example, suppose the debtor does not pay on time. In that case, the cash available to pay for the next shipment is delayed, causing a stoppage in operations and exacerbating the firm's losses even further. The success of a turnaround is predicated on measuring the sequential actions that must occur in a particular time sequence. It seems odd that the organisational change theorists offer no accurate time perspective on their theories. Chowdhury (2002:251) states,

> *"Any dynamic phenomenon is a combination of sequential events over some time and can therefore be viewed as a process rather than a state of affairs."*

Fundamentally, no measurement model in the turnaround process and theory can be considered unless such a model incorporates the effect of the delay or accelerated implementation on the success of the Turnaround. Measuring for a given time or at a given time goes to the core of any management undertaking. Regardless of equity or debt, resource providers will always measure the return on the capital provided within a timeframe. Accordingly, the time it takes to achieve the outcome relates to the availability of financial support, which may lead to the success of the Turnaround. During a turnaround, a selected strategy contains a chain of events that must occur in perfect sequence to deliver a successful outcome. However, life is never straightforward, especially during a turnaround. As things go wrong, which, in turn, affects other things that also go wrong, this cascade of events determines a cumulative result that informs the overall outcome. Therefore, when things go wrong at a certain point, it results in cumulative adverse outcomes. In that case, the proposed strategy may not be achieved on time or at all unless further resources and more time are provided or allowed to achieve the necessary results. Therefore, any future measurement model must provide for the effects of time.

Future research should focus on how the effects of time pressure influence decisions in an organisation undergoing a turnaround. When researchers deal with the theory of the turnaround process, time is viewed as amorphous. They offer theories, discussions, and figures about turnaround stages or phases without measuring time. Time is depicted as a horizontal line in a figure with the word 'time' written next to it, and there is no way to determine if these time frames for implementation are achievable or realistic. The lack of measurement in the theory of the process of turnarounds results in researchers who undertake empirical research creating a research design based on the availability of financial information. The only information these researchers use for the financial figures appears in the published annual financial statements. Using this information, they rely on financial ratios and statistical analysis to identify the specific implementation strategy that led to the specific outcome achieved during a turnaround.

Suggestion 2: Any future development in turnaround process research should incorporate FMs that should incorporate a method on how to calculate FMs.

4.4 Fundamental moments and process affirmation by empirical study

Due to the inability to measure the role of financial and time consequences, empirical researchers have resorted to using duration periods artificially manipulated to fit their purpose, where the selected duration is exceptionally long. Schendel *et al.* (1976) were the first to study and compare the results of various listed firms that had undergone a turnaround. Based on that study, various subsequent empirical studies followed the same argument. This selection implied that the seven-year financial information would be considered the Turnaround's duration and is, therefore, suitable for evaluation (Pearce & Robbins, 1993). This selection period became the accepted manner of performing an evaluation and the subsequent substantiation of a hypothesis for this research method. Selecting data in this manner implies that the FMs occurred during the selected period, and their moments do not have to be determined. However, their data selection has a survivor bias that does not consider those firms that failed in implementing the Turnaround. Furthermore, the measurement tools used are so imprecise that they lose the details of what happened and cannot be juxtaposed with those firms that have failed to undertake turnarounds.

Suggestion 3: Obtaining information about how FMs were communicated during the Turnaround and if the funding was timeously made available may lead to a more accurate indicator of the success of the Turnaround.

5. MANAGERIAL IMPLICATIONS

No serious discussion regarding Turnaround should occur without considering the FMs. Ensuring that there is enough capital to fund the Turnaround is a requirement for evaluating any strategy discussion. Without it, management cannot determine if the Turnaround failed because the strategy was incorrect or if they ran out of funds prior to achieving their turnaround goals. FMs are determined by the strategy followed, but the inability to fund the FMs may lead to a change in the strategy. It is, therefore, an iterative process which management follows.

6. CONCLUSION

This study shows limited awareness of FMs in the published research on turnarounds. No effort has been made to define or discuss, nor has any attempt been made to link FMs' impact on decision-making in formulating the strategies in a turnaround. A turnaround requires a necessary quantum of resources at particular moments to ensure success. This study shows that only 16% of all the reviewed publications implied that a quantum of funding is required to cover the turnaround cost. The remaining research did not refer to the capital necessary to fund the Turnaround, nor when it was made available wholly and timeously. Understanding what is happening in the cash flow is vital before deciding what should be paid. Future research should develop a mathematical model to measure the FMs, enabling universal acceptance and adoption. The inputs, such as the rate of losses incurred and the rate at which the planned changes occur with their related cost, will return a unique FM set every time. Understanding how FMs are affected by the inputs may lead to a revival in the research into the process of turnarounds.

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