FINANCIAL RESTRUCTURING STRATEGIES AND SUCCESS OF BUSINESS RESCUE IN SOUTH AFRICA

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DECLARATION

I, Tandie Hlubi, declare that this dissertation, submitted by me for the Master of Business Administration degree at the Wits Business School, is my own independent work. It has not been submitted, in whole or in part, to any other university or faculty for any degree or examination.

DEDICATION

First and foremost, I give thanks to God Almighty. Without His grace, guidance, and strength, this achievement would not have been possible. I am profoundly grateful for the wisdom, resilience, and protection that carried me through this journey.

I would also like to extend my deepest appreciation to my family for their unwavering love and support. To my husband, Nhlanhla, thank you for your patience, compassion, and constant encouragement. To my children, Swazi and Kwazi, your understanding, inspiration, and belief in me sustained me through the most challenging moments. You have all been my anchor.

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CHAPTER 1.
INTRODUCTION

1.1 Statement of purpose

This study investigates the effect of financial restructuring strategies on the success of business rescue within the context of South Africa. The study aims to explore the various financial restructuring strategies such as debt, equity, asset and reducing restructuring strategies, employed by companies that have undergone business rescue in South Africa, and to evaluate the impact of various restructuring strategies on the success of business rescue in South Africa. To examine the influence of the expertise of business rescue practitioners ("practitioners") in the business rescue process of some existing businesses that have undergone business rescue in South Africa.

1.2 Background of the study

Businesses often face financial difficulties due to financial distress due to factors such as economic downturns, changes in market conditions, mismanagement, or unexpected events. Consequently, companies may struggle to meet their financial obligations, such as paying off debts, covering operational costs, or maintaining profitability. Therefore, each case requires unique strategies and actions to effectively turn the company around.

1.2.1 South African legislation to rehabilitate financially distressed companies

Fasken (2022) discusses the introduction of business rescue to the South African business landscape through Chapter 6 of the Companies Act 71 of 2008 (the Act). This provision in the Act introduces the concept of "financially distressed" in section 128(f)(i), which is based on the principles of the solvency and liquidity test set out in section 4 of the Act. The Act allows financially distressed companies the opportunity to gain a temporary breathing space and undergo rescue proceedings instead of facing immediate liquidation.

This legal procedure aims to rehabilitate financially struggling companies and allow them to restructure and restore stability. The core objective of business rescue is to offer companies a chance to restructure their operations, enabling them to sustain their business on a solvent footing and prevent liquidation. This protects stakeholders' interests and boosts the company's survival prospects (Levenstein, 2024).

1.2.2 Financial Distress

Wruck (1990) defines financial distress as a state in which cash flow is inadequate to meet current obligations, including unpaid debts to suppliers and employees, litigation-related expenses, and missed principal or interest payments, leading to default.

Globally, financial distress is a significant challenge for companies, often resulting in bankruptcy and liquidation (Altman et al, 2014). This phenomenon has been extensively studied in finance, with researchers identifying various factors that contribute to financial distress, including poor management decisions, economic downturns, and industry disruption (Wruck, 1990). Effective management of financial distress is crucial for companies to avoid bankruptcy and liquidation, and ensure sustainable growth and profitability (Sewpersadh, 2022)

Levenstein and Barnett (2021), highlight that for a company to qualify for business rescue, it must be shown that it is going to recover and operate as a going concern.

The severe impact of the COVID-19 pandemic in South Africa has led several companies to initiate business rescue proceedings to ensure the continuity of their operations. However, policymakers are concerned about the low success rates associated with the current South African business rescue system (Matenda et al, 2023).

From the above, it can be deduced that while business rescue can be a viable option for companies facing financial distress, it is essential to recognise that it is not a one-size-fits-all solution. Each company's circumstances are unique, and a thorough understanding of the prevailing conditions is crucial for making informed decisions. Therefore, before pursuing business rescue, the company's specific situation, including its financial status, operational challenges, and market conditions, must be assessed. This evaluation will help determine whether business rescue is a feasible option or whether liquidation is the more appropriate course of action.

1.2.3 Financial Restructuring

Financial restructuring strategies include leverage/debt refinancing/equity restructuring, asset and cost restructuring (Danovi, 2018).

During financial restructuring, effective financial planning is crucial to restoring normal operations. This involves profit planning, which defines future profit targets and considers sales estimates, cost structures, and financing options. Operating and financial leverage are key factors that reveal how fixed costs and financing choices impact profit margins and growth rates (Malačič & Malačič, 2016).

Umar and Tafawa (2023) suggest that troubled businesses can consider restructuring as a viable option for recovery. Strategic restructuring options, such as mergers, acquisitions, joint ventures, divestments, takeovers, alliances, buyouts, and tender offers, can be explored depending on the root cause of the problem, desired objectives, and environmental factors. Khatri (2022) and Shin (2017) define financial restructuring as a strategic management decision aimed at changing a company's financial structure to improve its financial health and efficiency. The theoretical underpinnings of financial restructuring encompass various key concepts, such as debt restructuring, equity restructuring, asset sales or divestitures, cost-cutting measures, refinancing, and balance sheet restructuring.

Kotzee and Hoosen (2023), state that a significant benefit of business rescue is the ability to restructure the debt and liabilities of the distressed company. This process enables companies to renegotiate contracts, develop structured repayment schemes, and effectively manage financial commitments in accordance with their existing capacities.

Palacin-Sanchez et al (2023) highlight that when companies face financial distress, their primary goal is to engage in financial restructuring to alleviate the burden of debt and interest payments. The research indicates that companies experiencing financial distress employ various restructuring strategies to overcome their situation. These strategies can be categorised into four types: managerial, operational, asset, and financial restructuring.

Koh et al. (2015) found that a company's response to financial distress is influenced by corporate lifecycle stage. The study emphasises that the preferred restructuring strategies vary depending on the company's stage. However, it highlights that simply adopting a specific strategy does not guarantee a successful turnaround, as companies may still struggle and potentially file for bankruptcy.

Jain (2023) states that when executed effectively, financial restructuring can significantly enhance a distressed company's financial stability and pave the way for sustainable growth. Companies can successfully navigate financial distress and emerge stronger in the competitive business environment by comprehending the complexities of financial restructuring and implementing successful strategies Umar and Tafawa (2023) revealed that corporate restructuring, including financial restructuring, has the potential to not only reverse the downward trends of struggling businesses but also to set them on the path to recovery and success by improving their performance.

1.2.4 Business Rescue Practitioners

This Act provides a legal framework for business rescue in South Africa. It details the roles, powers, and duties of practitioners. Practitioners are responsible for assessing the distressed company's financial situation and determining whether there is a reasonable prospect of rescuing the business. They develop a business rescue plan aimed at restructuring the company's affairs, business, property, debt, and other liabilities to maximise the likelihood of the company continuing on a solvent basis.

1.3 Research Problem

Business rescue is used to revive companies that are at risk and face financial challenges. It is important to identify the reasons for the failure of business rescue efforts as well as the elements that might make them effective. A report from the 2022 Companies and Intellectual Property Commission) states that between 2011 and June 2022, 4 370 companies sought business rescue, with 19% of these completing their plans in full.

The success rate of business rescue efforts remains significantly low despite the implementation of business rescue legislation in South Africa (Pretorius & Rosslyn- Smith, 2014). This raises concerns regarding the effectiveness of financial restructuring strategies employed during the business rescue process. According to Patel (2018), business rescue practitioners are important to rehabilitation and need to be properly trained. This study investigates elements that lead to a successful business rescue and explores what could increase its effectiveness in resolving financial distress in South Africa.

1.4 Research Objectives

1.4.1 Primary objective

The primary objective of this study is to investigate the effect of financial restructuring strategies in enhancing business rescue success within the context of South Africa.

1.4.2 Specific objectives

The specific objectives of the study are as follows:

i. To investigate the effects of financial restructuring strategies on the performance of companies undergoing business rescue.

ii. To examine the influence of expertise of business rescue practitioners ("practitioners") in the business rescue process.

1.4.3 Research questions

i. The main question guiding this study id: What is the effect of financial restructuring strategies on the success of business rescue in South Africa?

ii. The study is further guided by the following supporting questions:

   (i) What are the effects of financial restructuring strategies on the performance of companies undergoing business rescue?

   (ii) What is the influence of the expertise of practitioners in the business rescue process?

1.5 Rationale

This research provides valuable insights into company recovery and economic resilience by analysing financial restructuring strategies and their effects on business rescue outcomes. Similarly, the study's significance is beneficial to the executives, practitioners and academics who are focused on these areas.

Executive: The findings of the study are envisioned to provide first-hand information to the executive based on the significant report, which could assist them to know which strategy to pursue in other to enhance the success of business rescue in South Africa.

Practitioner: The findings of the study are also envisioned to help the practitioner to be proactive when he supervises or oversees a company's affairs during business rescue.

It equips the practitioner with much information on which restructuring strategy to be employed or adopted while pursuing a company's business rescue.

Academic: The findings of the study inform academics that among the instrumental variables useful and employed by companies to address financial restructuring strategies by firms that have undergone business rescue in South Africa are debt, equity, asset, and reducing restructuring strategies.

Theoretically, the pecking order theory connotes that organisations prefer financing methods in a specific order: internal funds first, then debt, and equity as a last resort. The study conforms within the postulation that internal fund strategy should be ensured before considering other forms of financing, such as debt and/or equity. Delimitations of the study

This study is limited to financial restructuring strategies and their effectiveness on the success of business rescue in the South African context.

1.6 Definition of key terms

Business Rescue	Business rescue refers to proceedings to facilitate the rehabilitation of a financially distressed company through a temporary supervision of a financially distressed company and its management, imposing a moratorium on the rights of creditors, and developing and implementing a restructuring plan (the Act).
Business Rescue Practitioner	A practitioner is a person or persons appointed to oversee and supervise a company during business rescue proceedings (the Act) according to Chapter 6 of the Act.

Financially Distressed	A company is financially distressed when its cash flow is insufficient to meet its current obligations. This situation often involves the company consistently experiencing losses, breaching loan agreements, and struggling to fulfil its organisational commitments (Ikpesu *et al*, 2016).
Financial Restructuring	Financial restructuring is a component of corporate restructuring, involving various measures such as debt reduction, capital injections, debt-to-equity swaps asset sales or equity issuances, and debt restructuring through actions such as reducing interest rates, extending maturities, or partially writing down debt (Shin, 2017).

1.7 Assumptions

As expected, the participants interviewed for this research shared their perspectives in response to the objectives outlined in Section 1.4. The responses of the participants accurately reflect their honest views regarding the impact of financial restructuring strategies and the success of business rescue in South Africa.

1.8 Chapter outline

This chapter provides a comprehensive introduction to the principles of business rescue and financial restructuring strategies. Furthermore, it has outlined the research's problem statement and objectives that this study aims to explore.

CHAPTER 2.
LITERATURE REVIEW

2.1 Introduction

This chapter provides a literature review that explores and addresses the research objectives. The literature review explores the relevant theoretical and conceptual frameworks, and empirical studies to gain a deeper understanding of the research topic and its various aspects.

2.2 Theoretical Framework

This study adopts multi-theory frameworks such as Pecking Order Theory, Contingency Theory and Agency theories. The justification for adopting these theories is to provide a phenomenon that best explains the application of financial structuring strategies business rescue companies' performance. Thus, the joint usage of the theories in illustrates a firm's preference for internal financial decision among other alternatives. A theoretical framework illustrates how the researcher has integrated theoretical perspectives into the research process, shaping the study's design, guiding data collection and analysis, and framing the interpretation of findings. By doing so, the theoretical framework ensures that the research is grounded in established knowledge, enhancing its coherence. (Brydges & Batt, 2023).

2.2.1 Pecking order Theory

According to this theory, organisations prefer financing methods in a specific order: first, using internal funds, then using debt and then using equity as a last resort.

Yildirim and Celik (2021), state that the Pecking Order Theory is a well-established framework in the study of capital structure, having been scrutinised across numerous economies over the past three decades. This theory posits a hierarchical approach to corporate financing decisions. According to the theory, companies prioritise their sources of funding in a specific order: initially, they rely on internal funds such as retained earnings. This preference for internal financing, driven by the desire to avoid the costs and obligations associated with external financing, constitutes the first stage of the pecking order theory. This framework is relevant to the study's problem because it provides insights into the effectiveness of different financial restructuring strategies and the applicability of the Pecking Order Theory in various contexts. Therefore, the findings are optimistic to help companies make informed decisions when selecting

financing options and developing financial restructuring plans. It painstakingly points out that when considering financial decision and restructuring strategies on the success of business rescue, it is better to first look inward before considering outward restructuring strategy.

2.2.2 Contingency Theory

Contingency theory argues that the strategy's effectiveness depends on the fit between the strategy and various internal and external factors. In 1967, Lawrence and Lorsch introduced the Contingency theory, emphasising that the level of uncertainty and the pace of change in an environment influence the internal characteristics of organisations.

The impact of financial restructuring strategies on business rescue success might depend on factors such as industry conditions, company size, and market environment. This framework can help identify the conditions under which restructuring strategies are most effective.

Odula (2015), in his study on financial strategies and their impact on the performance of Kenyan financial concludes that while restructuring has a positive relationship with performance, its effect is minimal. He strongly holds that this minimal impact implies the presence of other factors influencing the performance of financial institutions. .

The framework is relevant to the study's problem as it provides a mix of internal and external restructuring strategies. Notably, it informs the study that if an internal restructuring strategy is sufficient to bring a successful business rescue, it is in the interest of the company the company should consider an outward financial restructuring strategy.

2.2.3 Agency Theory

This theory holds practitioners' effectiveness plays a crucial role in the success of business rescue initiatives, as they act as agents on behalf of the company (Jensen & Meckling, 1976). These practitioners serve as agents on behalf of the company and are tasked with navigating the complexities of financial distress and recovery. Their competence and decision-making capabilities directly influence the outcomes of rescue efforts. This study explores the specific strategies employed in financial restructuring and how they contribute to the successful turnaround of distressed businesses in the South African context. By examining these strategies through the lens of agency theory, the theory is relevant to the study's problem as it provides insights into practitioners' critical role in achieving favourable outcomes for struggling companies.

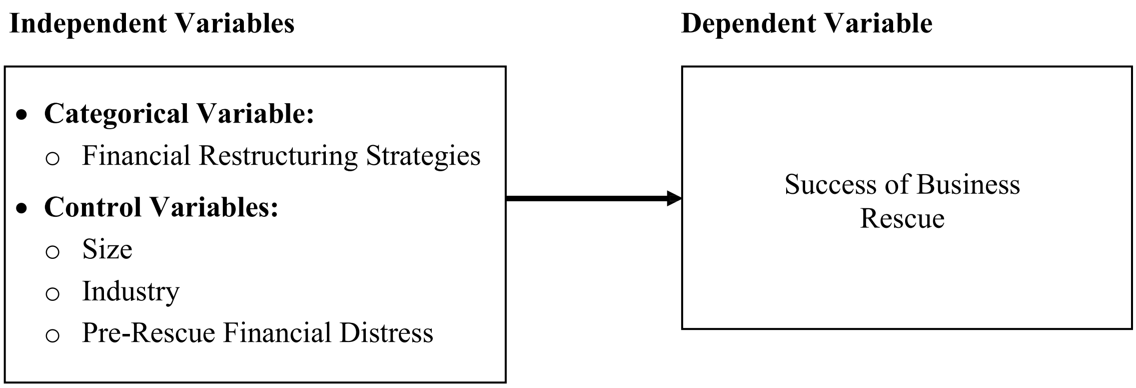
2.2.4 Complementarity of the Theories

The pecking order theory and contingency theory are highly related and complement each other on the note that insider financial restructuring strategies should be considered before looking outward for further strategies to ensure successful business rescue. There are many alternatives to get a business rescued. Therefore, it is a step by step in time. On the other hand, the agency theory discusses the role played by a practitioner acting as an agent to the rescued companies' interests.

This connotes that an agent must be available to cater for the interest of the rescued companies. Based on the aforesaid, the study concludes that the theory of pecking order, contingency and agency complement each other.

2.3 Conceptual Framework

The study is centred on a conceptual framework that positions financial restructuring strategies as independent variables. These strategies include debt reduction, equity injection, and asset sales. The primary focus is on understanding how specific financial restructuring actions influence the dependent variable, which in this case is the success of business rescue. By investigating these dynamics, this study sheds light on the relationship between specific debt restructuring activities and the overall success of business rescue initiatives, particularly within the context of South Africa. This research seeks to provide a detailed analysis of how each restructuring action contributes to the viability and recovery of businesses facing financial distress in the South African economic landscape. Source: scales.arabpsychology.com



2.4 Successful indicators of a business rescue

The definition of a successful business rescue is a pressing and unresolved issue. Reports on success rates are inconsistent lack a unified set of evaluation criteria, making it challenging to assess outcomes effectively (Conradie and Lamprecht, 2015).

As cited by Rajaram et al. (2018), the existing literature highlights several key factors that contribute to a successful business rescue such as effective planning, efficient management of the business rescue process, securing necessary funding during the business rescue, and maintaining open and effective communication with stakeholders throughout the process.

Conradie and Lamprecht (2015) suggest that a successful business rescue is characterised by the significant implementation of the business rescue plan, the company's continued existence as a going concern, maximum job retention, short- term profitability, and economic viability. Moreover, when prioritising creditor returns, success is evident through substantial implementation of the approved business rescue plan and higher returns to creditors compared to immediate liquidation.

The increasing critique of BR plans and their contents, or lack thereof, has been partly linked to the low success rates and declining reputation of the BR regime (Pretorius & Rosslyn-Smith, 2014).

2.5 Empirical Studies

This section presents empirical research on the interplay between study variables, examining the efficacy of the BRP in South Africa. This section provides an overview of previous research findings, highlighting successes and challenges in business rescue outcomes. Additionally, this section delves into the relationship between financial restructuring strategies (independent variable) and BROs (dependent variable).

2.5.1 Financial Restructuring Strategy and Performance

Matenda et al. (2023) emphasises the economic significance and vital role of the business rescue framework in the South African context. However, their study identifies several shortcomings within its provisions, resulting in low success rates.

Rajaram et al (2018) sparked debate on the effectiveness of business rescue in rehabilitating financially distressed companies due to its low success rate of approximately 12%.

In its 2021 report on the status of business rescue proceedings Status in South Africa, the Companies and Intellectual Property Commission (CIPC), analysed business rescue proceedings from May 1, 2011, to December 312021. The report shows that of the 4,370 companies that entered business rescue, only 19% achieved substantial implementation (CIPC, 2021).

Balgobin and Pandit (2001) state that a business rescue plan outlines the desired outcomes and specifies the necessary steps and resources required to achieve them, providing a clear roadmap for the company's recovery and success.

According to Kekana et al. (2023) , the recovery potential of a distressed company hinges on specific turnaround strategies aimed at improving performance. Participants in the recovery plan focused on financial aspects such as managing working capital, increasing revenue, reducing costs, extending credit terms, achieving profitability, and ensuring a sustainable capital structure through new equity injections.

Kanyagia (2020) discovered that financial restructuring positively impacted Britam Holdings Limited's performance. This restructuring led to reduced operational costs, minimizing financial losses, and enhancing overall financial performance.

However, Odula (2015) in his research on financial strategies and their influence on the performance of Kenyan financial institutions, that although restructuring has a positive correlation with performance, its impact is minimal. He indicates that this minimal effect shows the existence of other factors that influence financial institutions' performance.

Riany et al. (2012) examined the impact of restructuring on mobile phone service provider performance in Kenya. They found that portfolio, financial, and organisational restructuring positively affect companies' market share and growth. Financial restructuring had the most significant impact on market share, followed by portfolio and organisational restructuring.

Despite extensive research on business rescue in South Africa, a significant gap exists in empirical research on the specific impact of financial restructuring strategies employed during the business rescue process on the success of business rescue outcomes in South Africa. This gap becomes crucial in addressing the motivation of the current study's problem.

2.5.2 Business Rescue Practitioners' Expertise and Business Rescue Process

According to Pretorius and Rosslyn-Smith (2014), the business rescue plan is a crucial element of business rescue proceedings. Preparation of this plan is a vital responsibility of the rescue practitioner. The business rescue process ultimately aims to develop and implement a plan that rescues the company by restructuring its affairs, business, property, debt, liabilities, and equity, if accepted.

A licensed practitioner is appointed to oversee the process when a company goes into business rescue. Section 140 of the Act defines a practitioner's powers, including taking control of a distressed business and delegating powers to existing management and governance personnel. They facilitate the entire business rescue process (Ayaya and Pretorius, 2021).

Rajaram et al. (2018) contend that business rescue failures are primarily due to either a lack of skills among practitioners or their misuse of legislation. Similarly, Pretorius (2016) raises concerns regarding the skepticism exhibited by banks toward the capability of practitioners to effectively restructure financially distressed businesses, casting doubt on their capacity to assess a business's realistic prospects.

The main reason lenders are hesitant to fund business rescue efforts in South Africa is because of concerns about the qualifications and expertise of the practitioners themselves (Du Preez, 2012).

Accordingly, despite the power of practitioners to rescue the falling business, it is rather unfortunate that many of them end up as failure due to lack of skills, pre- requisite knowledge, certification, and qualification. However, there is a gap in the literature on the role of practitioners in safeguarding a falling business, which becomes a gap to be filled in this study.

2.6 Conclusion of the Literature Review

The literature reviewed in this chapter provides a comprehensive understanding of the research topic, focusing on the effect of financial restructuring strategies on business rescue success in South Africa. The theoretical framework, which consists of Pecking Order and Contingency Theory, forms the foundation for exploring the complex relationships between financial restructuring strategies and business rescue success.

The empirical studies highlighted in this review emphasise the economic significance of business rescue in the South African context, despite its low success rates. The findings underscore the critical role of practitioners and the challenges associated with their competency and effectiveness. Additionally, the review reveals that the lack of standardised evaluation criteria contributes to inconsistencies in assessing BROs.

Financial restructuring strategies emerge as pivotal elements in the business rescue process to revive financially distressed companies. While some studies reveal a positive impact of financial restructuring on company performance, others indicate its minimal effect, emphasising the presence of other influencing factors.

Despite the extensive literature on business rescue in South Africa, there is still a significant lack of empirical research on how financial restructuring strategies specifically affect the success of business rescue outcomes. This study addresses this gap by providing a detailed analysis of the relationship between financial restructuring strategies and business rescue success, thus contributing to the existing body of knowledge on business rescue in South Africa.

CHAPTER 3.
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the procedures used to collect and analyse data for this study. This chapter covers the research design, data collection methods, population and sample, research instruments, data collection procedures, analysis strategies, data interpretation, potential study limitations and challenges as well as quality assurance measures.

3.2 Research Philosophy

The current study is anchored on positivist research paradigm. This philosophical stance is befitting this study because the researcher is guided on quantitative survey by employing the use of questionnaire as a research tool. However, the study also made use of library books and academic journals, as well as questionnaire which serves as the main primary data instrument employed in the study. Research philosophy therefore reveals how the study's data is gathered, analysed, and evaluated (Chandra and Shang, 2017). It reveals the researcher's understating and the construction of knowledge, thus ensuring that the study's objectives are met.

3.3 Strategy

The purpose of this study which is to investigate financial restructuring strategies and business rescue outcomes in South Africa using businesses that have undergone successful rescue process in Gauteng province, South Africa as a case study. A research strategy is a blueprint that directs the researcher's research process (Forman and Damschroder, 2017). It enables the researcher to conduct the study in systematic way and on schedule.

3.4 Approach

The researcher employed the deductive research method in this study to evaluate the previously stated theories regarding financial restructuring strategies and business rescue outcomes in South Africa. An inductive or deductive research strategy can be utilized by a researcher. The researcher uses inductive reasoning when he wants to come up with new ideas and when he uses original evidence (Azungah, 2018). The deductive research method was used in this study to evaluate an existing theory.

3.5 Research Design

The research design encompasses the strategy and plan used to collect and analyse the data in a study. It includes the type of research, methods of data collection and analysis, and procedures to ensure quality and validity (Kumar, 2019).

This study employed a quantitative method and an explanatory research design, utilising financial data and business performance metrics that could be objectively quantified and statistically analysed. The primary objective of this study was to identify the most effective financial restructuring strategies and their impact on successful business rescue, providing actionable insights through data-driven results.

The research design is particularly effective in investigating the relationship between financial restructuring strategies (independent variable) and BROs (dependent variable). This design enabled the analysis of the impact of different financial restructuring approaches on the success of business rescue initiatives.

3.6 Data Collection methods

Data collection methods refer to the techniques employed for gathering data in a research study (Kumar, 2019). Given the use of deductive reasoning, self-administered questionnaires are deemed the most suitable method for data collection. This approach allows for the efficient collection of data from a targeted sample of companies and practitioners that have undergone financial restructuring and business rescue processes. In terms of secondary data, financial data and case studies were collected from publicly available sources such as the CIPC, legal databases and online platforms.

3.7 Population and sample size

The target population is the specific group of individuals or organisations that the researcher aims to study and to which they intend to generalise their findings. It represents the broader population to which the researcher seeks to apply the results of the study (Banerjee & Chaudhury, 2010).

For this study, the target population consists of South African companies and practitioners that have undergone business rescue and financial restructuring. The sample is selected from this population, ensuring representation from various industries and companies to provide a comprehensive understanding of financial restructuring strategies and business rescue success within the South African context.

3.7.1 Population

The target population for this research comprises specific companies in South Africa that have undergone financial restructuring. According to the status report of the 2021 CIPC, approximately 4370 companies had entered business rescue since its inception on May 1 2011 (CIPC).

As of April 16, 2024, the CIPC has registered 313 licensed practitioners (CIPC). Given that Gauteng is the economic hub of South Africa, the study focuses on practitioners from this province, selecting them as representatives of the population.

3.7.2 Sample and sampling technique

A sample is a subset of individuals or cases chosen from a larger population known as the target population. It is used to draw conclusions about the population based on the collected data. A sampling method is a procedure for selecting a subset or sample to represent a population in a research study (Kumar, 2019).

The study focused on 70 companies in South Africa, chosen to represent a diverse range of industries, sizes, and success or failure in business rescue. To ensure diverse representation, Stratified Sampling is used to categorise companies that have undergone business rescue into subgroups based on industry and size, and then select a representative sample from each subgroup (Singh and Singh Mangat, 1996).

A sample of 70 practitioners from the Gauteng province are selected cut across licensed and experienced practitioners who are selected through Purposive/Expert Sampling for their ability to offer valuable expertise on various financial restructuring strategies and their impact on successful business rescue outcomes. A purposive sample is a group of participants selected based on specific characteristics that align with the research objectives. This sampling method is intentional and strategic, aiming to include individuals who possess particular traits or qualities that are pertinent to the study's goals (Andrade, 2021). This approach is especially useful as this study requires detailed and context-specific information, that might not be obtainable through random sampling techniques.

3.8 Research instruments

A research instrument is a tool or method used to collect data (Kumar, 2019).

The study used questionnaires as the main research instrument, collecting primary data across four sections:

- Section A: Demographic data
- Section B: Effective financial restructuring strategies
- Section C: Key factors contributing to the success of business rescue Section D: Experience and Track Record of Business Rescue
- Section E: Challenges and Barriers in Financial Restructuring and Business Rescue

3.9 Procedure for the data collection

The data collection procedure involves systematically gathering information according to a predetermined plan (Kumar, 2019).

The questionnaire was emailed to a selected sample of South African companies and practitioners that have undergone business rescue and financial restructuring. Follow- ups were conducted to ensure a high response rate, offering incentives such as access to research summaries.

CIPC provides registered practitioners' email addresses, which is used to contact selected practitioners and request their participation in the study.

3.10 Data analysis and interpretation strategies

The data collected from the respondents is analysed using the Statistical Package for Social Sciences (SPSS) for data management, descriptive statistics such as frequency and standard deviation (Puteh & Ong, 2017). The data are prepared by cleaning (removing missing and inconsistent data). Thereafter, the data are coded and analysed.

Descriptive statistics is used to make numerical comparisons between variables and aid in their interpretation.

By leveraging on descriptive analysis, the study aims to identify and quantify the influence of key financial variables, such as debt-to-equity ratios, liquidity levels, and capital restructuring efforts, on the outcomes of business rescue operations through mean and standard deviation and percentage counts.

3.11 Limitations of the study

The research faced the following several challenges:

- Limited availability of comprehensive and reliable data on South African business rescue cases.
- Variability in the quality and accuracy of data collected from different sources, affects the reliability of the findings.
- Difficulty in obtaining a sufficiently large and representative sample of business rescue cases and accessing key stakeholders involved.
- External economic factors beyond business's control, such as economic downturns, market volatility, or changes in industry dynamics, may influence the success of business rescue financial restructuring strategies.

3.12 Quality Assurance

3.12.1 External validity

External validity refers to the degree to which a study's findings can be applied or generalized to different situations, individuals, environments, and measurement tools (Bhandari, 2020).

The unique economic, legal, and cultural characteristics of South Africa may restrict the generalisability of the findings to other contexts. For example, the Act regulates business rescue procedures which differs substantially from legislation in other countries. Additionally, factors such as market volatility, access to finance, and the regulatory framework add complexity to comparisons with other regions.

Despite these challenges, a comparative analysis of financial restructuring strategies and the business rescue success in South Africa is undertaken, drawing parallels with similar studies conducted in other countries.

3.12.2 Internal validity

Internal validity refers to the degree to which a study's findings accurately reflect the reality of the population under investigation and are not influenced by methodological flaws or biases (Patino & Ferreira, 2018).

Several measures are taken to ensure the internal validity of the research, such as meticulously crafting questions to avoid leading or suggestive language that might influence participants' responses, and using different methods to verify the consistency of participants' answers to minimise the impact of potential biases or errors.

3.12.3 Reliability

Reliability refers to the consistency of a method's measurements. If a method produces the same results under the same conditions, it is considered reliable (Middleton, 2019).

The primary research instrument (questionnaire) precisely outlines the research objectives to ensure the study's reliability, ensure that the sample accurately represents the study's population, and maintain transparency throughout the data analysis process.

3.13 Ethical considerations

The ethical considerations follow a step-by step procedure on ensuring that participants give consent for their involvement in the study. It also considers the safety of the participants by ensuring that the researcher protects the participants from any harm, their identity remains confidential and anonymous. Lastly the researcher must obtained permission from the participants to involve them in the study with no obligation and allowance to withdraw without being penalised.

In the current study, the researcher ensured that this research is conducted in an ethical manner by adhering to strict ethical standards, including providing participants with detailed information about the study's purpose, potential risks, and benefits. Participation was voluntary, and participants were informed that they could withdraw at any time without penalty. All data was kept confidential, with participants' identities kept anonymous throughout the whole process. Security measures, including password protection and encryption was implemented for electronic data, and physical documents were securely stored.

The ethics form was completed and approved by the Ethics Committee of the Wits Business School with the protocol number WBS/BA422679/749 before resuming data collection.

3.14 Conclusion of Research Methodology

This chapter provided detail methodological approach of the research topic. The section started with research philosophy and research design. The study centres around positivism and employed quantitative method and an explanatory research design. The study using stratified sampling technique selected 70 practitioners across businesses that have undergone business rescue in Gauteng province, South Africa. Furthermore, application of frequency and standard deviation is used to determine the degree of financial restructuring strategies on business rescue.

CHAPTER 4.
DATA PRESENTATION AND DISCUSSIONS

4.1 Introduction

This section describes the data analysis that was conducted on the information provided by the respondents from the survey questionnaire. Data analysis was guided by the research questions identified in chapter one in coming up with a methodology of answering each of the questions. This section presents the findings of the questionnaire survey. The results are analysed, commented on and conclusions drawn. The research objectives of the research informed the methodologies adopted for data collection.

A total of 70 questionnaires were administered. Of the 70 questionnaires sent, 48 questionnaires were received back. An effective rate of 52% was achieved. The researcher attempted to follow up with the respondents, however, some of the collected data were either incomplete or unusable and have been indicated in the various sections. Thirteen questionnaires were found not to be usable for the purposes of the analysis.

Table 4.1: Demographic information about organization

Position	Frequency	Percentage
Director	15	21.4
Business rescue practitioner	13	18.6
CFO	10	14.3
Partner	11	15.7
MD	10	14.3
Owner	11	15.7

Respondents were required to indicate their current positions in the organisation. Results indicate that 21.4% of the respondents are directors, 18.6% are business rescue practitioners, 14.3% are CFOs. Additionally, 15.7% of the respondents were business partners, 14.3% were managing directors and 15.7% were business owners.

Table 4.2: Financial Restructuring Strategies

Variable	Frequency	Percentage
Debt restructuring	65	92.3
Equity restructuring	32	46.2
Asset restructuring	43	61.5
Reduction restructuring	43	61.5
Other	11	15.4

Table 4.2 companies' financial restructuring strategies employed during their business rescue proceedings. Of the total number of respondents in the study, 92.3% indicated that they employed debt restructuring, 46.2% stated that they used equity restructuring, 61.5% employed asset restructuring, 61.5% used reduction restructuring and, 15.4% used other financial restructuring techniques.

The results of the study indicated that the majority of the respondents in the study utilised debt restructuring during their business rescue process. The results align with those of Pondera and Mikael (2019), who discovered that corporate debt restructuring results in more efficient use of financial assets and resources. Rudiana and Venusita (2017) found that debt restructuring improves liquidity, efficiency ratios, and corporate profitability. This study also supports Girmay's (2017) conclusion that debt restructuring can be a valuable tool for firm evaluation.

However, the results differ from those of the Gupta's (2017) study, who pointed out that restructuring does not necessarily lead to improved organisational performance.

Debt restructuring is an efficient solution to resolve a firm's distress and avoid bankruptcy. According to Tan and Luo (2021), debt restructuring can reduce agency conflicts between shareholders and creditors regarding underinvestment and asset substitution.

Table 4.3: Rank of Financial Restructuring Strategies

	Rarely	Least frequently	Occasionally	Frequently	Most frequently	Mean	SD	Rank
Debt restructuring	23.1	15.4		7.7	53.8	3.62	1.710	1
Equity restructuring	15.4	15.4	30.8	23.1	15.4	3.08	1.320	4
Asset restructuring	7.7	7.7	38.5	30.8	15.4	3.38	1.121	2
Reduction cost	15.4	15.4	23.1	23.1	23.1	3.23	1.423	3
Others		28.6	28.6	28.6	14.2	3.00	1.528	5

The respondents ranked the financial restructuring strategies. The study found that 23.1% of the respondents indicated that they rarely employed debt restructuring , 15.4% used it least frequently. Of the respondents, 7.7% frequently employed financial restructuring strategies frequently and 53.8% used it most frequently. According to the results of the study, the majority of the respondents frequently used a debt restructuring strategy during business rescue proceeding.

Of the total number of respondents, 15.4% used equity restructuring, 15.4% used it least frequently and, 30.8% used equity restructuring occasionally. Additionally, 23.1% of the respondents frequently used equity restructuring, and 15.4% used it most frequently. The result of the study revealed s that most respondents used equity restructuring as a means of financial restructuring strategy during business rescue proceedings.

Results from the study revealed that 7.7% of the respondents rarely used asset restructuring, 7.7% used it least frequently. Of the respondents, 38.5%occasionally used asset restructuring, 30.8% frequently used it and, 15.4% mostly used asset restructuring during business rescue proceedings.

According to the study, 23.1% of the respondents indicated that they most frequently used reduction cost, 23.1% frequently used it, and 23.1% used reduction cost strategy occasionally. However, 15.4% of the respondents rarely used cost reduction and, another 15.4% least frequently used it as their financial restructuring strategy.

From the study, 14.2% of the respondents most frequently used other means of financial restructuring strategy, 28.6% frequently used other strategies and 28.6% occasionally used it. However, there were 28.6% of the respondents used other means of financial restructuring strategy less frequently during business rescue proceeding.

The various financial restructuring strategies were ranked using the mean. The ranking indicated that debt restructuring is the most frequently employed method for business rescue (mean = 3.62, SD = 1.720) The second highest ranked strategy was the asset restructuring technique(mean = 3.38, SD = 1.121). The third ranked financial restructuring strategy cost reduction (mean = 3.23, SD = 1.423). the least ranked strategy is other techniques (mean=3.00, SD=1.528). All the means are above the midpoint value of three indicating that respondents generally appoint to a use of financial restructuring strategy during their business rescue proceedings.

Table 4.4: Success of Business rescue

Variable	Frequency	Percentage
Return to profitability	48	69.2
Avoiding liquidation	43	61.5
Improved cash flow	32	46.2
Increased market share	11	15.4
Other	5	7.7

Table 4.4 provides the success of the companies' business rescue proceedings. According to the findings of the study, 69.2% of the respondents indicated that their businesses returned to profitability because of the business rescue proceedings. This highlights the importance of business rescue proceeding for the survival of the companies.

Moreover, 61.5% of the respondents indicated that their companies avoided liquidation because of the business rescue proceedings. This points to the majority of the companies becoming financially stable as a result of the business rescue process. This reflects the company's ability to continue to operate and retain their employees. This also gives creditors confidence because of the avoidance of liquidation. The business rescue could result in better returns for creditors and boost shareholder confidence.

According to the findings of the study, 46.2% of the respondents had improved cash flow because of the business recue process. Improving cash flow has significant implications for the health long-term viability of the distressed company. An improvement in cash flow provides relief to cover essential expenses of the company such as salaries of employees, rent and other expenditure. Also, a company's healthy cash position provides accreditors, customers and investors with assurance about the company's stability. Improved cash flow also fosters a positive and healthy work environment.

From the study, 15.4% of the respondents indicated that business rescue success increases the company's market share market. . Although business rescue proceedings could salvage financially distressed companies they could also have negative effects on the companies' market share. . Business rescue could send a financial distress signal to investors and the general public. It could lead customers to switch to more stable companies which could result in a decline the company's sales and operational efficiency. From the study, 7.7% of the respondents indicated that their companies' other forms of success during their business rescue success.

Table 4.5: Financial Restructuring Strategies

	Frequency	Percentage
Agree	22	30,8
Strongly agree	5	7,7
Strongly disagree	43	61,5

Results from the study revealed that 30.8% of the respondents agreed and 7.7% strongly agreed that financial restructuring strategies contributed to the success of business rescue proceedings in their companies whereas 61.5% strongly disagreed. The results of the study suggest that majority of the respondents do not agree that financial restructuring strategies contributed to the success of business rescue. Although financial restructuring is helpful, it could have negative impacts on the involved companies It often involves haircuts, loss of equity and may not necessarily contribute to the success of business rescue. It could also lead to future loss of access to credit because of the damage caused to the company. There is a possible loss of trust and confidence from investors and other stakeholders.

4.2 Challenges faced during the business rescue

The study also investigates the challenges faced by companies during business rescue proceedings. According to the findings, one of the challenges was the lack of cooperation from the financial institutions and credit insurers. Additionally, in certain cases, the creditors requested upfront payments.

The unavailability of funds during the business rescue process is a potential challenge faced by companies. Due to the unavailability of funds, convincing creditors to agree to compromise their debts becomes difficult. . There is often a lack of shareholder co- operation. According to the findings of the study, the cost involved in the business rescue is one potential challenge. There are inadequate funds to implement the rescue process.

The quality of the proposed business rescue has been identified as a potential challenge.

4.3 Factors influencing the success of business rescue

According to the study, a fully funded plan makes the business rescue process easier. Being open and honest with all affected parties in the process and being decisive regarding decision making were some of the factors that influenced the process's success. Effective and consistent communication with all stakeholders with regular updates. Clear and frequent communication with creditors is also important for the success of the BRP. A need exists for stakeholder collaboration.

There is a need for early filing by management when there is still some time, trust, and runway. Access to specialist advisors is important for a successful business rescue plan.

4.4 Conclusion

The analysis was determined by the 52% of the returned and validly filled questionnaires. Results from descriptive statistics show that 92.3%, 46.2%, 61.5%, and 15.4% of the companies use debt equity, assets and other financial restructuring strategies to rescue businesses from failure. By implication, the company prefers to use the debt financial restructuring strategy over all other financial restructuring strategies. The findings supports Girmay's (2017) conclusion that debt restructuring can be a valuable tool for firm evaluation. However, some challenges were faced during business rescue including lack of co-operation from financial institutions and credit insurers. In some cases, the creditors requested upfront payments.

The unavailability of funds during the process of business rescue is a potential challenge faced by companies, which makes it extremely difficult to convince creditors to compromise their debts. There is often a lack of shareholder co-operation. The cost also poses a major threat and challenge.

Nonetheless, factors that influence successful business rescue include a fully funded plan, open and honest decision-making, consistent communication, and collaboration with stakeholders.

CHAPTER 5.
CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

5.1 Introduction

The final chapter summarizes the study, outlines its key findings, discusses implications and limitations, and suggests future research directions. The chapter is structured as follows: a research summary, findings, discussion, implications and limitations, and recommendations for future studies. Notably, this chapter brings together the key insights of all the chapters, concludes and recommends accordingly.

This study empirically examined the nexus between financial restructuring strategies and business rescue success in South Africa with the specific objectives to investigate the effect of financial restructuring strategies on the performance of companies undergoing business rescue, and examining the influence of expertise of business rescue practitioners ("practitioners") in the business rescue process. The study is limited to companies that have undergone business rescue in Gauteng province in South Africa.

For clarity, the literature contains a theoretical framework, conceptual framework, and empirical studies on the objectives to gain deeper understanding of the research topic and its various aspect. The findings of the empirical studies underscore the critical role of practitioners and the challenges associated with their competency and effectiveness. Additionally, the review reveals that the lack of standardised evaluation criteria contributes to inconsistencies in assessing BROs.

Methodologically, the study employs positivist and deductive research methods. The study is quantitatively carried out by selecting 70 companies with practitioners in Guateng province in South Africa. Questionnaire is administered, cleaned, coded and analysed using descriptive statistics through SPSS. The key financial variables understudied are debt-to-equity ratios, liquidity levels, and capital restructuring efforts, on the outcomes of business rescue operations through mean and standard deviation and percentage counts, by leveraging on descriptive analysis. The study descriptively found that 92.3% of respondents uses of debt financial restructuring strategy which indicates that financing strategy is mostly adopted to rescue businesses in South Africa. Thus, the debt financing restructuring strategy ranked 1st, followed by equity financial restructuring strategy 2nd, asset financial restructuring strategy 3rd and other financial restructuring strategy 4th. However, some challenges were faced during business rescue which including lack of co-operation from the financial institutions and credit insurers. In some cases, the creditors requested upfront payments.

5.2 Research findings

A questionnaire was administered to different stakeholders in the business rescue process in South Africa, to understand the challenges they face during the process. The responses were analysed using statistical methods to identify key trends and insights.

The respondents were from different industries and held different positions within their organisations The respondents also possess a range of experience. The least experienced respondents had nine years of working experience.

5.2.1 Enablers of successful business rescue

The study found that the successful implementation of business rescue depended on a variety of factors. Some = identified factors included consistent and frequent communication with stakeholders. Early filling by the management of the companies and access to a specialist advisor were also identified.

In addition, quality management during the business rescue proceedings, adequate funding and a clear implementable business rescue plan were some enablers identified.

The availability of rescue finance to enable the company to resolve its cashflows was deemed critical for the success of the business rescue process.

The success of a business rescue plan depends on the coordination of the main actors and stakeholders involved in the process.

Furthermore, a transparent process and adequate engagement are needed as this will facilitate cooperation and coordination among the different stakeholders.

The active involvement of creditors and their support during the business rescue proceedings remains a pivotal plan to the process's success.

This study provides insight for practitioners on financial restructuring techniques that fit the legal frameworks. Policymakers should focus on making legal and financial adjustments that simplify restructuring to boost economic stability and help companies. . This research opens up new avenues for exploring how legal systems, financial strategies, and cultural influences interact in corporate restructuring. It also provides companies with a roadmap for more effective and sustainable restructuring plans, supporting both their recovery and broader economic well-being.

5.2.2 Financial restructuring strategies

Among listed financial restructuring strategies, debt restructuring was the highest ranked, followed by asset restructuring. The other strategies were the least ranked among the identified strategies. The study findings show that the companies undertook several restructuring strategies including debt and asset restructuring.

5.2.3 Outcomes of business rescue

Different outcomes were identified because of the business rescue process; . An outcome of the business rescue process is the return to profitability. This provides better returns. The study also found avoidance of liquidation and improved cashflow as some of the business rescue process outcomes. . The main objective of business rescue is to allow the involved companies to rehabilitate, reorganise and restructure and maximise their chances of survival. According to Conradie and Lamprecht (2021), business rescue offers creditors and shareholders a better return than immediate liquidation. When business rescue proceedings succeed, stakeholders such as customers, creditors, and financiers reap benefits from the company's continued operations (Lusinga & Fairhurst, 2020).

Overall, this study contributes to the knowledge on business rescue and financial restructuring in South Africa. It highlights the value of early action, detailed plans, and stakeholder buy-in for successful company turnarounds. The research shows that business rescue can revive struggling companies and suggests ongoing study is needed to improve the process (Tsebe, 2022).

5.3 Recommendation

South Africa should incorporate rescue funding in the insolvency system to ease financial pressure on distressed companies.

Business rescue practitioners would benefit from mentoring programs that guide and transfer knowledge. These programs would enhance the skills of new practitioners and stakeholders, resulting in more effective business rescues.

Ongoing education and professional development should be prioritised for practitioners.

Additionally, training and guidelines on effective stakeholder communication are necessary.

Companies need to consider early filing for business rescue for timely intervention.

There should be an increase in awareness about business rescue processes among various stakeholders.

5.4 Suggestion for further study

Further research is needed in several areas of business rescue and financial restructuring, particularly exploring the potential impact of technology on these processes. Moreover, sustainability practices in business rescue processes should be investigated.

5.5 Conclusion

In conclusion, the study infers that a financial restructuring strategy contributes to enhancing and reviving business rescue. This implies that struggling businesses can be revived to a better state by practitioners using a financial restructuring strategy.. This contributes to and correlates with the pecking order contingency, and agency theories that finance is the heartbeat of any organisation and agents who serve as practitioners are responsible for this change. This study contributes and aligns with the study of Tsebe, (2022) that financial restructuring strategy is a monumental tool to revive and rescue falling businesses.

In practice, no business can survive in the absence of funding. Hence, financing is very crucial in every business decision. Sufficiently, every venture needs adequate funding to remain active and competitive in business in the business arena, without which just venture will face liquidation problems.

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