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A framework for the turnaround of state-owned companies in South Africa

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A Framework for the Turnaround of State-owned Companies in South Africa

A Thesis submitted to the

Wits Business School

Faculty of Law, Commerce & Management
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In partial fulfilment of the requirements for the degree

Doctor of Philosophy in Management

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Declaration

I, Jeremiah Mutamba, hereby declare that the research work reported in this thesis is mine and was thoroughly done by me, except where otherwise indicated and acknowledged.

It is submitted in line with requirements for the Doctor of Philosophy Degree in Management at the Wits Business School of the University of Witwatersrand, Johannesburg. This thesis has not, either in whole or in part, been submitted for a degree or diploma to any other university.

Signature…… **Date…….**

Abstract

Organizational decline is increasing globally, particularly following the 2008 global economic downturn. This is affecting both the private and public sectors. The solution to these challenges lies in responsive and sustainable turnaround programs. The turnaround concept came to the fore in the 1970s with the seminal work of Schendel and colleagues. Although growing, turnaround research has mainly focused on developed economies and the private sector. Limited research has been done in Africa, South Africa, and on state-owned companies (SOCs). Research gaps have been identified, highlighting lack of understanding, experience, and grounded knowledge on public sector turnaround. The gaps are attributed to conceptual misunderstanding; lack of empirical research and theorizing; and research fragmentation, inadequacy, contradiction, and inconclusiveness.

This study contributes towards addressing the research gaps by identifying key drivers for the successful turnaround of declining South African SOCs, establishing how the drivers compare with drivers for private sector and the turnaround drivers for developed economy firms. Using the findings, the study develops a pragmatic turnaround framework to guide practitioners in crafting and implementing responsive turnaround programs and strategies for distressed SA SOCs.

The study followed a qualitative approach, using a critical realist paradigm. The study used two data sets, documentary data and interview data collected through semi-structured interviews. Thirty-five participants selected from former board members and executives of SA SOCs and private firms participated in the study.

The study identified 25 turnaround drivers as key to the successful turnaround of declining SA SOCs, all verified as significantly influential in the turnaround of SA SOCs. Thirteen drivers were found to impact at policy level, with 20 drivers influencing at operational level. Also, 17 drivers were found in existing literature, and corroborated by study findings. The study identified 8 new drivers; these drivers were influenced by the South African business context. These drivers include a capable leadership, a stable turnaround leadership, ability to manage political power, ability to influence

politically-linked unions, sound governance, and implementation of designed strategies.

Using the study outcomes, the study developed a drivers-driven turnaround framework useful in guiding South African SOCs turnarounds. A key element of the framework is securing of strategic alignment between turnaround leadership and the Executive Authority to create a positive power-governance microcosm in the SOC. The framework underscores the significance of a conducive power-governance microcosm within the SOC; allowing for the turnaround leadership to focus their energies on the turnaround of the distressed SOC. Critical to achieve this is the leadership's ability to manage political power - one of the key drivers identified. The framework was successfully tested using two successful turnaround SOCs as well as inputs from unsuccessful SA SOC turnarounds.

Acknowledgements

The process of undertaking this PhD research was long, arduous and yet fulfilling. Considering this, this thesis would not have been possible without the pivotal support and encouragement from several people. I take this opportunity to acknowledge their contributions as well as show my deep sense of gratitude to all those who rendered their support to me.

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Acronyms & Abbreviations

ANC	: African National Congress
ASGISA	: Accelerated and Shared Growth Initiative for South Africa
GDP	: Gross Domestic Product
IDC	: Industrial Development Corporation
DBS	: Development Bank of Singapore
DFI	: Development Financial Institute
GEAR	: Growth, Employment and Redistribution plan
IMF	: International Monetary Fund
IO	: Industrial Organisation
MFMA	: Municipal Finance Management Act
OECD	: Organisation for Economic Co-operation and Development
PRC	: Presidential Review Committee
PFMA	: Public Finance Management Act
RBV	: Resource-based View
SA	: South Africa
SACP	: South African Communist Party
SASAC	: State-owned Assets Supervision and Administration Commission
SCP	: Structure-Conduct-Performance
SOC	: State-owned Company
SOE	: State-owned Enterprise
TMS	: Turnaround Management Solutions
TMT	: Turnaround Management Team/ Top Management Team
VRIN/O	: Value, Rarity, Inimitable, Non-substitutable Organisation

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CHAPTER 1 : INTRODUCTION AND RESEARCH OVERVIEW

1.1 OVERVIEW

This study investigates the turnaround of state-owned companies (SOCs) in South Africa (SA), specifically investigating the key drivers critical for successful SOC turnaround. The study first identifies the key drivers with outstanding influence (game changers) towards the successful turnaround of distressed SOCs, and then, uses turnaround drivers to develop a pragmatic framework to guide the design and implementation of responsive SOC turnaround strategies and programs in SA.

Influenced by global headwinds, global competition (Kumalo & Scheepers, 2018), and exacerbated by geopolitical tensions and weak economic conditions, organizational decline has been increasing (Francis & Desai, 2005; Liang, Barker, & Schepker, 2018; PWC, 2019; Schoenberg, Collier, & Bowman, 2013; Sweet, 2019; Trahms, Ndofor, & Sirmon, 2013), and it affects both the private and the public sectors. Similarly, in the recent past and up to now, several South African SOCs have been in decline and experiencing turnaround situations. Invariably, many of them instituted turnaround programs in effort to reverse poor performance. Results of these turnaround initiatives have, in the main, been less than satisfactory as poor performance has continued to be observed in many of the SOCs that commissioned turnarounds. Most recently (2019), South African Airways has been put in business rescue, while PRASA has been put under administration after years of attempted turnaround. As such and on a broader scale, the challenge of organizational decline, and the concomitant turnaround situations, is increasing among the country's SOCs. This is problematic to national policy makers, practitioners, academia (Boyne, 2006), and to the general public who pay taxes often used to bail out these public enterprises. It also stifles socio-economic growth that SOCs are meant to advance.

The turnaround concept came to the fore in the 1970s with the pioneering and seminal work of Schendel and colleagues (Schendel & Patton, 1976; Schendel, Patton, & Riggs, 1976). Several other scholars, mainly Anglo-Americans (for example Arogyaswamy, Barker III, & Yasai-Ardekani, 1995; Barker III & Duhaime, 1997; Dolan, 1983; Hofer, 1980; Hoffman, 1989; O'Neil, 1986; Naresh R Pandit, 2000; John. A.

Pearce & Robbins, 1993; Slatter, 1984), have studied and documented the phenomena, mainly on private sector businesses. In the early 2000s, a number of scholars (for example (Ahlstrom & Bruton, 2004; Bruton, Ahlstrom, & Wan, 2001; Bruton, Ahlstrom, & Wan, 2003; Fischer, Lee, & Johns, 2004), triggered by the Asian economic boom that was followed by the cataclysmic economic downturn of the late 1990s, extended turnaround research with a focus towards the East Asian region. The East Asian scholars explored the applicability and effectiveness of the predominantly American and Euro-centric turnaround strategies in the East Asian context.

Turnaround research has been extended more recently by a number of scholars (see Collett, Pandit, & Saarikko, 2014; Madrid-Guijarro, García-Pérez-de-Lema, & van Auken, 2011; McKinley, Latham, & Braun, 2014; O'Kane & Cunningham, 2014; Schweizer & Nienhaus, 2017; Tangpong, Abebe, & Li, 2015; Trahms, Ndofor, & Sirmon, 2013), still mostly from the developed economy nations. Notwithstanding this backdrop of seemingly broad turnaround research, there has been very little turnaround research in Africa, particularly on the public sector and, more so, on state-owned companies (SOCs). Observations show that none all the cited publications focused on turnaround in Africa, highlighting a gap in research.

1.2 RESEARCH BACKGROUND

Organizational decline, in both private and public sectors, has been increasing globally (Schoenberg et al., 2013; Sweet, 2019; Balgobin & Pandit, 2001; Witteloostjuin, 1998). Firm decline impedes and threatens economic growth and development (Ahlstrom & Bruton, 2004; Maheshwari & Ahlstrom, 2004; Opoku, 2011). Further, business decline and failure are a serious concern among academia, practitioners and the society, particularly regarding the public sectors' failure to deliver on mandated objectives (Meier & Bohte, 2003). These concerns are exacerbated by society's growing demand for improved services. This is further compounded by a lack of capacity in public institutions (Beeri, 2012) to provide credible solutions to SOC underperformance. Solution to these challenges, however, lies in crafting and implementation of suitable and responsive turnaround programs that guarantee lasting recovery of declining institutions. It is also essential to emphasize that the turnaround initiatives should be supported by theory-based policies and management philosophies, two key aspects that current public sector turnaround literature is deficient of (Jas & Skelcher, 2005).

In light of growing organizational underperformance, search for responsive turnaround strategies to rescue declining public entities is correspondingly growing (Boyne, 2004, 2006). This search has been cross-cutting – being driven by national governments, consultants, academia, and practitioners (Bruton et al., 2001). Over the last two decades, the United States and United Kingdom designed and instituted turnaround programs to revive their poorly performing schools (Hess & Gift, 2009; Mass Insight, 2013; Salmonowicz, 2009). South Africa, through the Department of Cooperative Governance and Traditional Affairs, attempted to turnaround local government institutions. These initiatives, however, did not yield positive results. Most municipalities are continue to underperform (Auditor General, 2018). The ineffectiveness of South Africa's efforts to turnaround municipalities is seen in the numerous service delivery protests across the country (Mofolo, 2012).

In response to the growing public sector underperformance described above, academia, consultants and public sector practitioners have, in the recent past, increased their research focus on organizational turnaround, searching for solutions to address organizational decline and failure (Ahlstrom & Bruton, 2004; G. D Bruton et al., 2001; Bruton et al., 2003; Collins, 2001; Mone, McKinley, & Barker III, 1998). However, notwithstanding the reported increase in turnaround research, several scholars have highlighted the lack of understanding, experience, and grounded knowledge on public sector turnaround - attributing the knowledge dearth to limited academic research (Boyne, 2006; Cater & Schwab, 2008; Fischer et al., 2004; Murphy, 2009; O'Regan & Ghobadian, 2011; Pretorius, Management, & Africa, 2008; Sim, 2009). Murphy (2009) sees the challenge as that of conceptual misunderstanding, while Jas and Skelcher (2005) ascribe the knowledge deficit to "a paucity of empirical research and theorizing".

Several scholars (Barker III & Duhaime, 1997; Beeri, 2009; Boyne & Meier, 2009; Jas & Skelcher, 2005; Thong, Yap, & Seah, 2000) ascribe lack of public sector turnaround knowledge to the predominant focus on corporate turnaround research, while neglecting the public sector. However, the relevance, fit and efficacy of private sector-originated turnaround knowhow is questionable as there are considerable structural and institutional differences between private sector and state-owned enterprises. Salient differences between the private and public sectors that influence potential

differences in turnaround approaches are summarised in **Table 1.1**. Notably, lack of public sector turnaround research has considerable implications, including poor and fragmented understanding of the phenomenon, creating a wide knowledge gap (Cater & Schwab, 2008; Thong et al., 2000), and poor guidance to practitioners presiding over public sector turnarounds (Liou & Smith, 2006; Marius Pretorius, 2008).

Table 1.1: *Summary of differences between private enterprises and SOCs*

Difference Category	Private Sector	State Owned Companies
Creation and governing legislation	Private enterprises are set up by private people.	SOCs are set up by government.
	Private firms are set up through the registrar of companies. In South Africa, private firms are established in terms of the Companies Act, Act 71 of 2008.	SOCs are established in terms through the act of parliament. However, SOCs are also subject to the Companies Act provisions with respect to governance issues.
Ownership and control	Private enterprises are owned and controlled by private individuals.	SOCs are majority owned and controlled by the state. Ultimately, SOCs are owned by the general public and are answerable to the public.
Reason for establishment	Private enterprises are set up with the sol aim of making a profit for the owners. Profit is main aim of private enterprises.	SOCs are established to provide essential services to the people and to support national economic and strategic interests. They are not for profit maximization, or solely set up to make profit but are a tool for promoting social and economic development.
Handling of profits or losses	Losses made by private enterprises are borne by the private individuals.	Losses made by SOCs are born by the state
	Profits for the private enterprise are shared by the owners of the company.	SOCs profits are paid into a consolidated fund or invested back into the company.

Source: (Hartini, 2017; OECD, 2018)

In addition to the above-mentioned challenges, extant turnaround research also suffers from three criticisms. Firstly, that most of the studies informing the current knowledge base have been on developed economies (Bruton et al., 2003; Ketchen, 1998). The main problem with these studies is that they assume management has autonomy to pare assets, lay-off workers, hire new managers, change the leadership, raise money, and reorient firm strategy – assumptions which do not easily hold in

developing economies, particularly state enterprises (Bruton et al., 2001; Bruton et al., 2003; Serapio & Shenka, 1999). In this case, extant literature fails to consider the developing economy context. In support of this view, Holtzhauzen (2011) states that turnaround management, as observed in the South African context, is a new discipline.

Secondly, a number of scholars (Arogyaswamy et al., 1995; Barker III & Duhaime, 1997; Beeri, 2006; Boyne, 2004; Pandit, 2000; Winn, 1993)) argue that extant turnaround research outcomes are fragmented, inadequate, contain many contradictions and have been inconclusive. Liou and Smith (2006) highlight the prevalence of confusion on the circumstances where turnaround is feasible as well as factors and strategies that facilitate recovery. Further, Beeri (2012) states that "our theoretical and empirical knowledge about turnaround management strategies suffers from significant lacunae". Some key shortcomings identified in this respect include a lack of conclusive theories (with research largely phenomenon-driven) and rigorous evidence on public sector turnaround (Boyne, 2006; Murphy, 2009; Trahms et al., 2013). Consistent with and as a result of these limitations, there is no universally-accepted approach or framework to guide turnarounds in both private sector (Boyne, 2004; Holtzhauzen, 2011; Pretorius, 2009) and the public sector (Boyne, 2006). In a review of 40 turnaround studies, Trahms *et al*., (2013) posit that, despite increased scope, turnaround research remains empirically and theoretically fragmented.

The third shortcoming pertains, particularly, to public sector turnaround research and relates to poor research design (Easterby-Smith, Thorpe, & Lowe, 1991) especially the lack of research based on comparative methodology (Boyne, 2006). Moore (1995), posits that public sector turnaround research consists, mainly, of single organization case studies. Corroborating this view, Boyne (2006) searches for comparative turnaround studies and identifies a set of 21 comparative investigations. However, he found no studies comparing successful and unsuccessful turnaround strategies in the public sector. Boyne (2004) succinctly captures the flaw stating that:

> The fundamental problem with such [*single case*] studies of turnaround success is that the strategies that supposedly led to organizational recovery may also have been used in organizations that continued to perform poorly. Firmer conclusions on the effectiveness of different strategies can only be drawn from studies that analyse both turnaround and non-turnaround organizations (p. 97).

From the background, it is observed that, while some research has been undertaken on turnaround, more detailed research is still required, particularly in the public sector, to improve understanding of the phenomenon.

1.3 THE TURNAROUND CONCEPT

The turnaround concept is not new but, like business failure, has been around as long as business has existed (Ghazzawi, 2018; Opoku, 2011; Schweizer & Nienhaus, 2017). The concept has been described by several scholars using various terms, including business renewal, business recovery, business re-engineering, or business rescue. Other related terms include strategic renewal (Binns, Harreld, O'Reilly, & Tushman, 2014; Schmitt, Raisch, & Volberda, 2018; Volberda, 1997) and rejuvenation of organisations (Stopford & Baden-Fuller, 1990). These terms have some salient differences in definition. Notwithstanding the salient definitional differences, the terms have been used interchangeably to describe the process of transforming an organisation's economic performance from an existence threatening decline or from a situation of near organizational collapse (R. Balgobin & Pandit, 2001; Pandit, 2000b). This study focuses specifically on the turnaround concept as defined by Paton and Mordaunt (2010) and further described in section 2.4.

The turnaround concept has been a subject of extensive interest for the past two to three decades (Harker, 1998; Opoku, 2011). This heightened research interest has been triggered by the seemingly uncontainable incidences of business decline and attendant threat of collapse. The pioneering research on the turnaround phenomenon was conducted by Schendel and colleagues (Schendel & Patton, 1976; Schendel et al., 1976). Since then, research interest on the theme grew rapidly, albeit and invariably in the United Kingdom, United States of America, and mostly in first world nations (Bruton et al., 2003; Ruiz-Navarro, 1998). As business encountered performance challenges across the globe and, correspondingly, as business leaders sought corrective measures, the default approach has been to apply turnaround propositions originated in developed economies in attempts to reverse decline.

However, the key weakness reminiscent with these developed economy turnaround practices and their attendant impacts, particularly to developing economy practitioners, is the assumption that firm management can always act *carte blanche*

on all key elements critical to effecting turnaround (for example: paring assets, laying off workers, changing management, and reorienting the firm strategy). On the contrary, these assumptions do not readily hold in developing economy SOC settings as they fail to consider context (Pettigrew, 2012). Context assists is avoiding misinterpretations when comparing turnaround decisions.

Towards the turn of the millennium and, particularly, in response to the Asian economic crisis, some scholars (e.g. Ahlstrom & Bruton, 2004; Bruton et al., 2001, 2003; Maheshwari & Ahlstrom, 2004; Serapio & Shenka, 1999) investigated business turnaround in East Asia. Whilst enlightening and bringing to the fore practical impacts of contextual differences on turnaround strategy formulation and implementation, turnaround research in East Asia is still limited and basic (Ahlstrom & Bruton, 2004). Thus, more supporting research to corroborate early findings is still required. Given the multiplicity of localized and vastly different regional contexts (cultural, economic, geo-political, and socio-political), extant and predominantly Anglo-American and, to a lesser extent, East Asian perspectives on turnaround are largely in-exhaustive, with the African perspective being one major and conspicuous knowledge gap.

Arguably, pioneering turnaround research initiatives focused on private sector institutions (Ravaghi, Mannion, & Sajadi, 2017), and looked at a mix of sub-themes, including: causes of turnaround situations (Schendel & Patton, 1976; Schendel et al., 1976); content of turnaround strategies (Hambrick & Schecter, 1983b; Hofer, 1980; Schendel & Patton, 1976); analysis of the turnaround process (Bibeault, 1982; Pearce & Robbins, 1993); factors influencing turnaround (Bibeault, 1982; Slatter, 1984); as well as models to predict to business decline, failure and turnaround (Pretorius, 2009).

In the public sector, however, turnaround research came to the fore around the turn of the millennium, with scholars questioning and investigating the applicability of private sector-formulated and Anglo-American originated turnaround approaches in the public sector (see Beeri, 2006, 2009, 2012; Boyne, 2003, 2004, 2006; Boyne, Farrel, Law, Powell, & Walker, 2003; Maheshwari & Ahlstrom, 2004; Murphy, 2009; Walshe, Harvey, Hyde, & Pandit, 2004). While the exploration of the turnaround concept in the public sector has been informative, it is acknowledged that this work has only laid the groundwork for more sustained and substantive investigations (Ahlstrom & Bruton,

2004) for improved theoretical and conceptual understanding among researchers and practitioners. There is a consensus that the area still needs more detailed research.

In literature, the turnaround concept is presented as performance decline followed by performance improvement (Hoffman, 1989; Schendel et al., 1976). It is noteworthy that the concept is, in practice, multi-faceted and attracts and commands interest from diverse disciplines. Beyond strategic management, turnaround has drawn interest from several disciplines such as accounting and finance (Opoku, 2011), change management (Schiuma, Lerro, & Sanitate, 2008), corporate governance (Drobetz, Schillfoffer, & Zimmerman, 2004; Filatotchev & Toms, 2003, 2006), entrepreneurship (Pearce & Robbins, 1993), leadership (Abebe, Angriawan, & Rath, 2012; Fullan, 2005; Harker & Sharma, 2000; Lorkhe, Bedeian, & Palmer, 2004; O'Kane & Cunningham, 2012), and marketing (Harker, 1998; Pearce & Michael, 1997).

Theoretically, turnarounds should not be necessary if competent leadership applies checks and balances coupled with responsive and competitive strategies to keep firms on the right performance trajectory. However, turnaround situations do occur, albeit more frequently than would be expected, with some cases being severe and deteriorating to the point of failure, bankruptcy, liquidations or perpetual decline and underperformance in the case of state enterprises. In most cases, turnaround actions commence after firm leadership (executives and board) accepts two critical facts: firstly, that the company is in real and imminent danger of failure - that there is a real crisis, and secondly, that small incremental improvements will not address the decline.

While the brief literature outline above reflects considerable historical interest and some tangible research efforts, there remain some knowledge gaps surrounding the turnaround concept in general and specific to public sector turnaround. Public sector turnaround research work conducted to date is best regarded by some scholars (for example, Ahlstrom & Bruton, 2004) as foundational. Given these conclusions and giving credence to extant public sector turnaround research, to the author's knowledge, there is no recorded research investigating key drivers for the successful turnaround of SOCs in South Africa. This study, therefore, investigates the key drivers for SOC turnaround and their influence on reversal of firm decline in the South African

context, with attendant development of a pragmatic framework to guide SOC turnaround in the country.

1.4 RESEARCH AIMS AND OBJECTIVES

In addition to the gaps in turnaround research and knowledge outlined in the overview and background, it is noteworthy to highlight that most South African SOCs are in decline, even to the point of failing to deliver basic essential services. Further, in many cases of SOC underperformance, management is struggling to turnaround these entities and improve the service offerings. The situation is exacerbated by the fact that public sector turnaround is complex and difficult to effect (Jas & Skelcher, 2005). Where SOC turnarounds have been initiated, the outcomes have often been ineffective (Mass Insight, 2013). Mass Insight's submission supports Pandit (2000) who indicates that, of those firms suffering significant and sustained decline in performance, a greater number proceed to fail rather than recover.

Continued SOC underperformance and decline need attention to prevent them becoming perpetually failing institutions, address growing public concern, restore confidence and promote economic growth and development. This research is designed to contribute towards addressing some of these research and knowledge gaps in SOC turnaround, with specific focus on South African SOCs. In particular, the study attempts to fulfil the following three objectives:

- Conduct a theoretically informed empirical research to identify key drivers for the successful turnaround of South African SOCs.
- For deeper understanding, determine how the established key drivers compare with those for private sector firms and those for developed economy firms.
- Through pulling together outcomes from the first two objectives above, develop a pragmatic turnaround framework to guide practitioners craft and implement responsive recovery strategies for declining SA SOCs.

1.5 PROBLEM STATEMENT

As described in section 1.2, turnaround research has primarily focused on the private sector perspective, and mainly in developed economy settings (Boyne, 2004;

Holtzhauzen, 2011; Kam, Citron, & Muradoglu, 2005; Maheshwari & Ahlstrom, 2004; O'Neill, Rondinelli, & Wattanakul, 2004; Walshe et al., 2004). The effectiveness of the Anglo-American turnaround scholarship to developing economy environments has been questioned by some scholars (Ahlstrom & Bruton, 2004; Bruton et al., 2003; Jas & Skelcher, 2005). Also, Pandit (2000) identifies two shortcomings in turnaround research. Firstly, that the studies suffer from research design problems and, secondly, that investigations were conducted ad hoc without a priori theoretical guidance or did not relate findings to existing literature ex post. Concomitantly, little research has looked at the turnaround phenomena from a public sector perspective.

The research shortfalls stated above and in section 1.2 point to critical research and knowledge gaps in public sector turnaround, and confluence to supporting the need for rigorous research in this area. The knowledge and research gaps in public sector turnaround are more pronounced and critical in developing economies, where research and knowledge development has been very limited. This study was designed to contribute towards filling the identified research and knowledge gaps in public sector turnaround, through investigating the key drivers for the successful turnaround of South African state-owned enterprises. This research thrust is captured in **Insert 1**.

Insert 1 - Problem Statement: To investigate the key drivers for the successful turnaround of South African state-owned companies and develop a pragmatic framework to guide the crafting and implementation of effective turnaround programs and to support SOCs in formulating responsive turnaround strategies for the recovery of perennially underperforming SOCs.

In approach, the study first investigates the key drivers (game changers) for successful SOC turnaround in South Africa, seeking to understand why these drivers are critical and how they influence state enterprise turnaround. Second, the study establishes whether and why SOC turnaround drivers differ from those of the private sector. The study also investigates, through comparison of literature and primary data, differences between the turnaround of South African SOCs and the turnaround of developed economy firms. Based on the corpus of findings, the researcher develops a pragmatic SOC turnaround framework responsive to the SA SOC context

1.6 RESEARCH QUESTIONS

Research questions form an integral part of the qualitative research approach, as they define the early methodological steps the researcher undertakes. Research questions should be clear, open-ended and researchable - involving concepts related to theory or applied context (Bradley, 2001). In view of these requirements, this study was informed and guided by five research questions shown in **Table 1.2.**

Table 1.2: *Summary of study research questions*

#	Research Question
1	What are the key drivers for the successful turnaround of SOCs in South Africa?
2	How do the key drivers for successful SOC turnaround compare with those for the private sector?
3	What influences the differences between the key turnaround drivers for private and SA SOCs sectors?
4	How do turnarounds in developing economies differ from those in developed economies?
5	What would be a suitable framework to guide SOC turnarounds in South Africa?

1.7 RESEARCH METHODS AND ANALYSIS

The study followed a qualitative research approach, using a critical realist paradigm. A mixed research methodology was adopted, combining a participant-oriented research strategy with a realist qualitative case study strategy. The study used two data sets, documentary data, comprising eighty-two (82) documents, and interview data derived from thirty-five (35) interviewed participants. Documentary data comprised media articles, annual reports from turnaround SOCs, specialist reports, and information from turnaround SOC websites.

The study considered using two data sets to ensure comparison, for triangulation, corroboration/strengthening or refutation of findings. Documentary data was first used in the analysis, followed by interview data, from the first group of thirty (of 35) participants, to corroborate/strengthen or refute the outcomes. Interviews were first transcribed before analysis. Coding and data analysis were undertaken with the help of Atlas.ti software, with content analysis as the interpretive framework. The two data sets significantly corroborated the findings. Following the analysis, the findings were used to craft a pragmatic turnaround framework responsive to the SA context.

Participants were selected from successful and unsuccessful turnarounds, in both cases of SOCs and the private firms. To supplement SOC and private sector turnaround data, information was also solicited from turnaround professionals in private practice. Participants were selected from current and former board members, executives and senior managers from SA SOCs and private firms that experienced turnaround situations and instituted turnaround programs. Other participants selected included representatives from SOC oversight and regulatory organisations.

The study findings and the crafted turnaround framework were then tested against two cases of successful turnaround SOCs. The framework was also tested against unsuccessful turnaround SOCs. The combination of data from both successful and unsuccessful turnaround domains enabled the development of contrasting constructs as well as comparison, discussion and interpretation of phenomena. This approach anchors on the views of Edwards (1998) and Mahrer (1988), who posit that use of cases to validate findings is a sound basis for rigorous theory and framework building. Five interviewees from the two successfully turned around SOCs participated in the process to test the SOC turnaround framework developed from initial study outcomes.

Turnaround SOCs and private sector firms used in the study were selected using criteria involving a combination of financial performance (profitability); efficiency-based indicators (productivity); and social parameters such as employment creation. Qualitative parameter-based performance was considered but was not included in assessing turnaround success as this was considered subjective and prone to bias. More details on the indicators are provided in the methodology, in Chapter 4.

1.7 SIGNIFICANCE OF THE STUDY

The study is significant to both industry and academia in numerous ways; from both theoretical and practical perspectives, in the following sections.

First, the study contributes to the public sector turnaround body of knowledge, particularly providing a South African perspective of what influences successful turnaround in state-owned companies. This is critical for South Africa, being a developing economy, is vulnerable to global economic breakdowns (Aybar & Milman,

1999; Babatunde & Busari, 2009). In addition, turnaround research has not been extensively conducted in developing economies, especially in Africa.

Second, as public institutions, SOCs serve as vehicles for national economic development and employment creation in most developing economies (OECD, 2018). In South Africa as government adopted a developmental state approach, the role of SOCs in driving national development and growth is greatly heightened. The notion of a developmental state emerged from as early as 2004 and finds elaborate pride of place as an objective of policy in ANC and government documents, especially in the 2007 and 2012 ANC strategy and tactics documents (ANC, 2012). The developmental state concept also forms the analytical basis and recommendations in the review of SOEs by the Presidential Review Committee of 2012 (PRC, 2012). Notably, the approach requires support from functional and well-performing SOCs. As such, finding pragmatic turnaround approaches will revive the country's ailing engines of economic growth (SOCs), thereby create and sustain needed jobs that will, in turn, positively impact the lives of many families.

Third, as public and private sectors cohabit and are inter-dependent, study findings also contribute towards improved management as well as help reduce economic and social dislocation (Sridharan, Dickes, & Caines, 2002), catastrophic financial losses, loss of business, revenue decline, job losses, and a decrease in business confidence.

Finally, the study is of importance to commerce, society and academia alike as it contributes towards improving business confidence.

1.8 DEFINITION OF TERMS

Turnaround management appeals to, and has been researched from, several disciplines and perspectives, including change management and strategic management. As such, there are a few terms often used interchangeably and have, over time, assumed varying interpretations. As Balgobin and Pandit (1998) indicate, "*the turnaround field has been plagued with definitional inexactitudes, which have hindered effective comparisons across studies*" and, in turn, negatively impacting research external validity. Therefore, to provide a common frame of understanding of

key terms underpinning this research, the following sections provide definitions of selected terms pertinent to this thesis.

a. *Corporatized state enterprises*

State-owned enterprises are often the result of corporatization - a process in which government agencies and departments are re-organized as semi-autonomous corporate entities, sometimes with partial shares listed on stock exchanges. In principle, corporatization refers to the conversion of a government agency into a for-profit or commercial business venture – with ownership either remaining in government hands (Chinese model); changing hands into private sector in which case privatization would have taken place; or jointly shared by both private investors and state (joint stock firm). According to Aivazian, Ge, and Qiu (2005) the underlying aspects of corporatization is the introduction of a governance structure consisting of shareholders, executive management and a board of directors. This thesis takes, as Garner (1970) posits, corporatized state-owned entity as a commercial and legally autonomous government-owned firm.

b. Organizational decline

Although related, decline is different and should not be confused with failure (Pretorius & Holtzhauzen, 2008; Marius Pretorius, 2008). In this thesis, organizational decline is when firm performance, measured by several parameters including, but not limited to: profitability, productivity, and investments, is deteriorating. Decline is characterized by value destruction and increased distress (shown by debt accumulation).

c. Organizational Failure

Pretorius (2009), supported by Opoku (2011), assert that, despite the phenomenon being widely researched, there is no adequate definition for the term business failure. However, Sheppard and Chowdhury (2005) view organizational failure as a failed turnaround. Organizational failure describes businesses in administration, receivership, or some form of liquidation (Opoku, 2011). This study adopts Marius Pretorius's (2009: 10) definition paraphrased below:

> "Organizational failure is the endpoint at discontinuance and, when it is reached, operations cease (the organization cannot continue to operate under current

ownership and management), and judicial proceedings take effect".

d. Organizational Turnaround

Several scholars (for example Balgobin & Pandit (2001); Pandit (2000); Pearce & Robbins (1993); Pretorius (2009); Schendel et al. (1976)) give slightly varying definitions for organizational turnaround. Balgobin and Pandit (2001) define turnaround as the recovery of an organisation's economic performance after an existence-threatening decline. Gatti (2002) expressed turnaround as organizational changes instituted by a business to stem survival-threatening performance decline. However, Brandes and Brege (1993) and Pandit (2000) offer a simplified definition, describing turnaround as a substantial and sustained positive change from poor performance to a situation of sustained business performance. Pearce and Robbins (1993) provided a basic description, referring organizational turnaround as a performance recovery after a period of near organizational failure.

Whilst seemingly similar to the other definitions, the researcher considers Pearce and Robbins (1993) definition as weak in that the authors fail to distinguish ordinary business performance improvement from the rescue of a business in life threatening crisis or typical turnaround situations. Pearce and Robbins's description of turnaround does not distinguish normal fluctuations in performance over time from sustained performance decline that threaten organizational existence (and thus require turnaround). Turnaround is no ordinary performance improvement, but a daunting and complex task. To bring the complexity of the turnaround to the fore, this study adopts Balgobin and Pandit's definition, that is, the recovery of an organisation's economic performance from an existence-threatening decline.

e. Public Company

In this report, a public company is defined in terms of the Companies Act of 2008, which regards a public company as "a profit company that is not a state-owned company, a private company or a personal liability company". It is a company that issued securities listed and traded at securities exchange (Jensen, 1989).

f. Privatized (government) enterprises

Privatized government enterprises refer to formerly wholly owned or majority-owned

state entities whose majority (or all) shareholding has been sold to private entities.

g. *State-owned Companies*

A state-owned company is also known as government-owned corporation, state-owned company, state-owned entity, publicly owned corporation, government business enterprise, commercial government agency, public sector undertaking or parastatal. Although there is no standard definition (US General Accounting Office, 1988), an SOC is a state-created legal establishment designed to undertake business on behalf of an owner government. SOCs operate along commercial lines but are owned in whole or in part by a government (Garner, 1970). In support of using firm-level ownership to define a state enterprise, Buge, Egeland, Kowalski, and Sztajerowska (2013) consider a SOC as a firm in which government owns, directly or indirectly, over 50.01% of shares at the national or sub-national level. Central characteristics defining SOCs include, having: a distinct state-created legal form, a significant state ownership, and been established to partake in commercial activities on the government's behalf.

In South Africa, SOCs are defined in terms of the Public Finance Management Act (PFMA), Act No 1 of 1999, and the new Companies Act, Act No. 71 of 2008. The new Companies Act, with cross-referencing to the PFMA, defines a SOC as:

“An enterprise that is registered in terms of this Act as a company, and either:

i. Is listed as a public entity in Schedule 2 or 3 of the Public Finance Management Act; or

ii. Is owned by a municipality, as contemplated in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and is otherwise similar to an enterprise referred to in paragraph a”.

Complementing the Companies Act, the PFMA refers to SOCs as national public entities and defines them as national government business enterprises, or companies, corporations or entities established in terms of national legislation, and accountable to parliament. The Presidential Review Committee (PRC, 2012) on State-Owned Entities provides a clearer definition of an SOE, defining it as “*a legal entity created by*

Government to undertake commercial activities on behalf of the owner, the Government". The PRC definition classifies SOEs into:

i. Wholly (100% shareholding) state-owned entities.
ii. Partially state-owned entities, including:

- 50+1% single majority holding by State.
- 50+1% majority shareholding together with the Development Finance Institutions and or the Public Investment Corporation.
- Where the state owns significant share equity in the company.

Although SOCs may also have public policy objectives, they are distinguished from other forms of government agencies or state entities established to pursue purely non-financial objectives – entities referred to by the PRC as Public Entities (PRC, 2012). The foregoing statement and the emphasis of the term "commercial" in the definition above, the researcher argues and postulates, imply that SOCs are operated for profit or surplus to be self-sustaining. This study adopts the PFMA SOC definition read in conjunction with the PRC elaboration.

h. Turnaround situation

An organization in turnaround situation is characterized by financial failure and is, often, facing imminent collapse. Such an organization exhibits symptoms of decline, protracted underperformance or severe distress. The Turnaround Management Association defines an organization in turnaround situation as a business requiring restoration of its corporate value. Pretorius (2008) adds that turnaround situations are complex, severe and urgent. A turnaround situation is linked with poor performance of high severity and is a trigger for turnaround actions.

i. Turnaround management strategies

Turnaround management strategies (TMS) are actions taken by business leadership to bring about performance recovery through improved efficiency, stability, and innovation (Beeri, 2012). Pandit (2000) simply defines TMS as bringing about performance recovery in a failing organization. It is noteworthy to highlight that TMS are distinct from general improvement strategies in that TMS interventions are

instituted to reverse firm-threatening declines. The study adopted Beeri's definition which considers TMS as actions taken by business leadership to bring about performance recovery through improved efficiency, stability, and innovation.

1.9 LIMITATIONS OF STUDY

It is acknowledged that the state-owned company domain is influenced by each national government's economic policy and political requirements. As SOC management is closely linked to the national context, the major limitation of the study is that it focuses on the turnaround of South African state-owned companies. As such, the results are applicable to the South African settings and may not necessarily be generalizable. The developed SOC turnaround framework is, therefore, crafted to be particularly responsive to the South African SOC context.

1.10 THESIS OUTLINE

The presentation of this thesis follows the doctoral thesis structure suggested by Perry (1998) and the University of Witwatersrand's guiding framework as led by the supervisor. In summary, the report starts by providing an overview of corporate turnaround, the theme's history and research developments before examining the genesis and growth of public sector turnaround. The thesis then articulates a set of South African contextual settings that potentially impact business operations particularly SOCs, as well as unpack key turnaround drivers found in extant literature. The study approach is captured in a conceptual framework and guided by a study methodology. Also, the thesis provides an analytical frame that guides data analysis. The report concludes with a results section and a proposed pragmatic SOC turnaround framework. Overall, the thesis is organised into seven chapters as outlined below.

Chapter 1: *Introduction and Research Overview:* This first chapter sets the study scene and outlines research background, objectives, and questions; contextualises the turnaround concept and highlights the study significance and method. It also defines key study terms, concluding with research contributions and limitations.

Chapter 2: *Literature Review and Theoretical Foundations:* Chapter 2 provides the study's theoretical bedrock. The chapter first positions the study among generic paradigms, proposing critical realism as the study's worldview. It then outlines key

theoretical dimensions, including study's main theories, characteristics and purposes of SOCs, and turnaround drivers in existing literature. This Chapter articulates turnaround principles, including reviewing public sector turnaround. It also provides an overview of developing economies business setting and context, South Africa's business context, SOC performance and reform options, as well as turnaround frameworks. The chapter concludes by outlining the study's theoretical framework.

Chapter 3: *Conceptual Framework:* Chapter is an extension of Chapter 2, synthesizing literature review outputs into the study's conceptual framework. The framework is informed by four key inputs, namely: key turnaround drivers, underlying theoretical base, existing turnaround frameworks, and local business context. The framework provides critical insights to explore the interfacing facets of the study.

Chapter 4: *Research Design and Methodology* articulates the approaches guiding the study. The chapter draws upon a critical realist paradigm to inform the form and structure of the investigation. The rest of the chapter outlines the selection of the methodology – a combination of participant-oriented research strategy and a realist qualitative case study strategy, the unit of analysis, participant and case selection, and research instruments. It also describes types of data and collection methods, analytical tools, analytical framework, quality assurance, and ethical considerations.

Chapter 5: *Research Data and Analysis:* Chapter 5 presents and describes the study's data – comprising documentary and interview data. The Chapter also provides detailed description of the analysis process as well as outlining the outcomes of the data analysis process, presents the findings, discussions and elaboration thereof.

Chapter 6: *SOC Turnaround Framework:* This chapter presents the SOC turnaround framework developed from study findings. The chapter provides a description of the framework structure and its key components. In conclusion, the chapter presents and describes the outcomes of the framework testing using two case studies of successful SOC turnarounds including the framework's review against unsuccessful turnarounds.

Chapter 7: *Conclusions and Recommendations:* Chapter 7 draws together the study conclusions, consolidating answers to the research questions and objectives through

synthesizing the overall findings. The chapter also articulates the contributions to the body of knowledge in theory, methodology, practice and policy. Finally, the chapter outlines the limitations of the study and areas for further research.

CHAPTER 2 : LITERATURE REVIEW & THEORETICAL FOUNDATIONS

2.1 OVERVIEW

This chapter focuses on two objectives, that is: (i) positioning the study into a fitting research paradigm, and (ii) reviewing and outlining, in some detail and depth, extant literature underpinning the research.

Study positioning or scientific positioning is important to academic research - it influences the selection of key components of scientific research, namely: research design, founding literature, methodology, research methods (Mackenzie & Knipe, 2006; Royer, 2013), and impacts the quality of the entire research. Study positioning refers to distinguishing and pronouncing a researcher's interpretive framework, thinking framework (Jonker & Pennink, 2010), and theoretical position (paradigm) on the broad research paradigm continuum (Royer, 2013). Corroborating Mackenzie and Knipe (2006) Royer (2013), (Blaikie, 2000) and (Flowers, 2009) affirm that an interpretive framework influences research from design to conclusions. More details of research paradigms pertinent to this research are discussed in section 2.2.

Due to their significant influence and wide selection of paradigms (Hatch & Cunliffe, 2006b) as well as the humanistic element of "free will" (Blaikie, 1993), researchers are prone to study phenomena differently. It is, therefore, important that a researcher discloses and discusses the interpretive framework through which they view the research – that is, position the research – explicitly and upfront. Explicit research positioning helps readers understand the researcher's theoretical lens and, thus, improves congruency in the nature and aims of the enquiry adopted, exposes and minimizes researcher bias, and, in the main, assists in understanding the study interpretation basis and the outputs (Flowers, 2009).

Research positioning is primarily influenced by two over-arching philosophical dimensions (see **Table 2.1, p:22**), the ontological position and the epistemological position (Laughlin, 1995; Royer, 2013). Ontological position relates to the "science or study of the essence of being", and comprises claims about what exists, and what is known (De Villiers, 2005). It describes the researcher's worldview of reality (Flowers,

2009), and provides the basis for social theorizing (Morgan & Smircich, 1980). Burrell and Morgan (1979) emphasize that the ontological position concerns the very essence of the phenomena under investigation – whether the phenomena (reality/knowledge) is objective or subjective in nature. Two viewpoints obtain, that is, whether reality as observed by the researcher exists, (i) external and independent of the researcher and his/her perception [*ontological realism*], or (ii) if reality is a product of individual cognition, constructed from subjective influences [*ontological constructivism*].

Epistemological position refers to the connection between cognition and the object of cognition itself (Royer, 2013). It is a knowledge theory that defines the kind of possible and acceptable knowledge. Epistemology explores knowledge systems, particularly how society understands and describes aspects of reality (Kroeze, 2011). Epistemology focuses on knowledge generation, probing what knowledge is, knowledge sources, how we get to know, knowledge limits (Flowers, 2009) and what constitutes valid and legitimate knowledge (Crotty, 2003; Kroeze, 2011). It outlines what constitutes valid knowledge and how that knowledge can be obtained. One's epistemological position is linked to one's ontological position and influences the choice and adequacy of the study's methodology (Morgan & Smircich, 1980). Based on the nature of the phenomena under study (that is, turnaround phenomena) and researcher beliefs, the author adopted a critical realist paradigm. Critical realism, therefore, informed the study design, data collection, and interpretation. The process followed to select the paradigm is outlined in subsequent parts of this chapter.

Literature review is a pivotal and intrinsic component of sound academic research. It informs and underpins everything done in a research study. These viewpoints are supported by Boote and Beile (2005) who underscore the centrality of a well-conceptualized and structured literature review in any serious scholarly research, arguing that a researcher cannot conduct meaningful and significant research without a thorough comprehension of the literature behind the study.

By definition, a literature review is a critical appraisal, classification, and conceptually organised synthesis of what other scholars have written on a research subject (Boell & Cecez-Kecmanovic, 2014; Van Wee & Banister, 2016). Thomas (2000) isolates three attributes of high-quality literature review, namely:

Table 2.1: *Scientific positioning*

Element	Positivism	Critical Realism	Critical Theory	Constructivism	Interpretivism
Ontological position	Reality is real and apprehensible – a real world is existent. [*Ontological realism*]	Reality is "real" and exists independently of human thoughts, beliefs or knowledge of their existence, but only imperfectly; probabilistically apprehensible and interpreted through social conditioning, with triangulation from many sources required to know it. [*Ontological realism*]	Virtual reality shaped by social, economic, ethnic, political, cultural and gender values, crystallized over time.	Multiple local and specific "constructed" realities. [*Ontological constructivism*]	A real world is existent. Multiple, relative and socially constructed reality. [*Ontological realism*]
Epistemological position	Findings true. Objective cognition is possible. Focus on causality and law-like generalizations. Reduces phenomena to simplest elements.	Findings probably true, with only observable phenomena able to provide credible data, facts. Focus on interpreting within a context or contexts.	Value mediated findings – researcher is "transformative intellectual" who changes the social world within which participants live.	Objective cognition is impossible.	Objective cognition is impossible.

Adapted from Sobh & Perry (2006) and Morgan & Smircich (1980)

a. *Informative*: contain neutral description of what happened within studies.
b. *Evaluative*: include critical appraisal statements, analysing depicted studies.
c. *Integrative*: robust comparison and contrasting of the selected studies.

A well-designed and written literature review accomplishes several objectives, including setting the context of the research, situating existing literature in a wider scholarly context, demarcating and delimiting the study scope (Boote & Beile, 2005), and providing methodological insights. It also offers the researcher the opportunity to synthesize and gain new perspectives on the subject (Randolph, 2009). A good literature review demonstrates the author's knowledge of the study field, including emerging theoretical issues, gaps in current knowledge, central phenomena, and key variables (Bryant et al., 2003; Le Compte, Klingaer, Campbell, & Menk, 2003).

Practically, a good literature review provides a framework for a research and advances collective understanding, that is, generativity, one of the central hallmarks of scholarship (Boote & Beile, 2005). In this light, a robust literature appraisal provides a means through which previous studies can be compared and contrasted (Bryant et al., 2003), as well as offering a framework for linking and relating new findings to previous findings in the discussion section of scholarly work, enabling the highlighting of how new research advances previous research (Randolph, 2009). Broadly, the purpose of a literature review is to relate previous research and theory to the problem under investigation and is the bedrock of any new study.

To achieve the above-mentioned objectives, a critical appraisal of extant literature should evaluate the literature, establish the relationships between sources, ascertain what has already been done as well as identify research gaps. However, literature reviews can only achieve the above-stated objectives if they are relevant, comprehensive, and current (Barry, 1997).

Considering the preceding background, this study is founded on a focused, analytical and integrative literature review. The author adopted Cooper (1988) literature review taxonomy as far as is possible, with pronounced emphasis on: integration and central themes identification; research outcomes; and organizing the work in a conceptual

format. Considering the broad and multi-disciplinary nature of the turnaround phenomenon, a semi-exhaustive level of coverage was considered. Following research positioning, a detailed literature review is presented in rest of the chapter.

2.2 RESEARCH PARADIGM AND RESEARCH POSITIONING

As indicated in section 2.1, research positioning relates to characterizing and specifying the theoretical paradigm that guides a research. Positioning involves revealing the paradigm informing the underlying basis used to construct a scientific investigation. However, the paradigm concept seems less understood as it is often defined vaguely and differently by various academics.

Despite the confusion on the paradigm concept, all research is built on theoretical and philosophical foundations; that is, all researchers, consciously or subconsciously, work from some paradigm, each researcher having a worldview of knowledge and reality (Tuli, 2010). However, a number of philosophical paradigms have emerged over time such that, in selecting an appropriate worldview to position a research, one deals with a philosophical continuum ranging from positivism or objectivism to interpretivism or subjectivism (Desphande, 1983; Hatch & Cunliffe, 2006; Morgan & Smircich, 1980), each with varying underpinning assumptions. De Villiers (2005) regards positivism and interpretivism as primary philosophical points of departure. Three broad paradigms have, however, been predominant in scientific research, namely: positivism, interpretivism/constructivism, and realism (Flowers, 2009; Krauss, 2005; van Rensburg et al., 2010).

To help position and anchor the study as well as support the selection of the paradigm applied in this study, a description of the three main paradigms is provided in the following section; outlining each paradigm's defining philosophical assumptions. An elaborate description and critique of critical realism, a subset of the realist paradigm, is provided as it is the philosophical framework selected for the study.

2.2.1 Broad Paradigms

In order to provide a backdrop to the selection of the study paradigm, this section briefly reviews the three main paradigms (positivism, interpretivism-constructivism; and realism) applied in scientific research as pronounced by Krauss (2005), Flower

(2009) and Van Rensburg *et al.* (2012). The section also describes critical realism, a sub-set of the realist paradigm, which was chosen to guide the research.

a. Positivism

Positivism is a systematic research approach that only recognizes the significance of positive and observable phenomena (Kroeze, 2011; Mingers & Standing, 2017; van Rensburg et al., 2010). It is a philosophical system that offers a framework to consider reality as a concrete given entity only understood objectively, considers reality as external and can be discovered (Flowers, 2009; Krauss, 2005; Kroeze, 2011). The object of the study is considered independent of the researcher (Weber, 2004). Positivism considers knowledge as valid and based on observations of external reality. It's a paradigm based on values of reason and validity, focusing purely on facts gathered through observations or measurement. Positivism is associated with quantitative methodology (Tuli, 2010).

The positivist paradigm works with strict hypothesis or falsifiable statement(s) as a central theoretical statement, the primary essence being to confirm a mind-independent reality (Kroeze, 2011).

b. Interpretivism-Constructionism

The interpretivist-constructionist paradigm is also referred to as anti-positivist (Hatch & Cunliffe, 2006). Constructionists view the world as unfixed, complex and ever changing (Heeks & Wall, 2018; Tuli, 2010). As such, knowledge is time dependent, and constantly reconstructed through experience and varying interpretations (Cousins, 2002; Flowers, 2009). Interpretivists believe in multiple, subjective, human constructed realities and dynamic socially constructed meaning (Kelliher, 2005; Kroeze, 2011). The paradigm posits knowledge is built through meanings attached to phenomena under study (Krauss, 2005). The constructionist believes research is theory-dependent (Mir & Watson, 2000).

Interpretivism is value-laden, contextual and time dependent (Kroeze, 2011). It provides unique contextual depth, displaying strong interest for the uniqueness of the studied community. Unlike positivists, constructionists believe that knowledge is relative to the knower (Flowers, 2009). Methodologically, interpretivism assumes

meanings of social actors can only be discovered via close interactions between the researcher and the respondents.

c. Realism

Realism is a paradigm whose defining feature is the view that reality exists independently of being perceived, or of theories about it (Phillips, 1987; Sayer, 2000). The realist framework emerged from scholars' discontent with the extreme propositions of positivism and interpretivism; frustrations stemming from positivism being viewed as over-deterministic while interpretivism as totally relativist and too contextual (Flowers, 2009). Realism combines elements of positivism and constructivism (Flowers, 2009; Healy & Perry, 2000). The realist framework is viewed as an alternative to positivism and interpretivism, as it leverages elements of both paradigms. Realists acknowledge that natural and social sciences are different.

There are many variant meanings and forms of the realist philosophy (Haack, 1987), including critical realism, empirical realism, literal realism, naïve realism, and scientific realism (Maxwell & Mittapalli, 2007; Sayer, 2000). Emphasizing the variant meanings of realist paradigm Haack (1987) posits that "realism has a variety of different meanings and, therefore, it is difficult to identify an agreed and coherent realist position or contribution". This report will not dwell on the varying meanings but will zoom into one of the different forms of realism - critical realism - as it forms the interpretive and meaning abstraction basis for this thesis. Of the varying forms available, the most prominent realist tradition relates to the works of scholars in the critical realist ideology, the works of Bhaskar (1978), Sayer (1992, 2000), and Pawson and Tilley (1997). As indicated, this study used critical realism and its principles are hereafter outlined.

d. Critical Realism

The critical realist paradigm can be traced to the works of Roy Bhaskar (1978, 1989) and has been extended by other scholars including Collier (1994), Mingers (2006), and (Sayer, 1992, 2000). Critical realism advances a philosophical perspective that takes a critical stance towards positivism and interpretivism, on the one hand, and selectively integrates strong points from both paradigms on the other hand (Wad, 2001). Critical realists concur with positivists that science is rational, objective and empirically based; adding that some social objects may be investigated scientifically.

However, contrary to the positivist view of a single, concrete reality and the interpretivist view of multiple realities, critical realism believes in multiple perceptions of a single, mind-independent reality (Easton, 2010; Healy & Perry, 2000). Critical realism acknowledges that people cannot fully comprehend, discern or observe reality – implying that a human being's conceptualization, understanding and knowledge are partial, incomplete, and fallible (Mingers & Standing, 2017; Lopez, 2003; Maxwell & Mittapalli, 2007; Wynn & Williams, 2012). Sayer (2000) refers to critical realism as a "fallibillist philosophy", rejecting any possibility of critical realism having privileged access to the truth and providing supporting arguments of how human knowledge is found wanting and human expectations confounded.

Critical realism holds the epistemic view that there is objective reality, that knowledge claims continue to be improved interpretations of reality and rejects the belief that people can attain a "single" correct understanding of reality (Maxwell & Mittapalli, 2007). Thus, critical realism combines ontological realism or mind-independent reality with epistemological constructivism or epistemological relativism, a socially constructed, yet imperfect understanding/knowledge of that reality of the world (Johnson & Duberley, 2000; Maxwell, 2012). Axiologically, critical realism respects values of the human system and researchers, providing a framework that is value-cognizant (Krauss, 2005).

In making scientific inferences, critical realism treats objects of social science study or phenomena as concrete as they are products of multiple components and forces. However, this requires care as social systems are mainly open and complex and are difficult to isolate to examine under controlled conditions. Therefore, much depends on the researcher's careful conceptualization and abstraction of the phenomena, that is, the way the researcher models and defines the study object (Sayer, 2000). In terms of methodology, critical realism is compatible with a broad range of research methods (Sayer, 2000). However, selection of the appropriate research method is dependent on the object of study and the essence of what one needs to learn. In line with compatibility with a wide range of research methods, critical realists encourage triangulation of cognition processes.

Critical realism has been applied in numerous scholarly or research disciplines,

including economics (Downward, Finch, & Ramsay, 2002), entrepreneurship (Ramaglou, 2013), information studies (Wynn & Williams, 2012), management (Miller & Tsang, 2010; Tsoukas, 2010), marketing (Hunt, 1990, 1992; Sobh & Perry, 2006), operational research (Mingers, 2000, 2006), and sociology (Steinmetz, 1998).

2.2.2 Strategic (Turnaround) Management and Research Paradigm

As posited by (Tuli, 2010), all research is underpinned by a research paradigm with guiding philosophical assumptions. In strategic management, of which turnaround management is a specialised subset, varying paradigms have been applied to guide research. Paradigms widely applied in strategy research include positivism (Godfrey & Hill, 1995), realism (Godfrey & Hill, 1995; Mingers, 2000; Mir & Watson, 2001; Kwan & Tsang, 2001), constructivism (Mir & Watson, 2000, 2001), and modernism (French, 2009). The positivist paradigm has, by and large, historically dominated strategic management research (Stubbart, 1986).

However, in the current era, critical realism is considered dominant in strategy research (Mir & Watson, 2000; Reed, 1997, 2001; Tsang & Kwan, 1999; Whittington, 1988, 1992) - with strong contestation from the constructivist paradigm. Mir and Watson (2000 & 2001) strongly argue that constructivism has a lot to offer in strategy research, highlighting its two key strengths, that is, its theory-ladenness and high context inclination. These arguments have, however, been refuted by Kwan and Tsang (2001), who recommend critical realism as a more superior worldview.

2.2.3 Research Philosophy/Paradigm for this Study

With a plethora of paradigms to choose from to guide one's research, it is essential that due consideration and a clear determination of the paradigm to guide the study are determined and transparently pronounced. Considering this, the critical realist paradigm was the preferred and applied interpretive framework for the study.

Five factors motivated the author's choice of the critical realist framework. First, the researcher's convictions about knowledge and reality resonate with the philosophical assumptions underpinning critical realism, particularly its ontological and epistemological positions – its inclination to mind-independent reality, fallibility of human understanding of reality, and the paradigm's embracing of context, and being

value-cognisant. Second, the researcher endorses critical realism's layered ontology, particularly the accentuation of a metaphysical commitment as posited by (Trigg, 1984) and (Margolis, 1986). The third factor entails critical realism's ability to investigate complex organizational phenomena in a holistic manner (Wynn Jnr & Williams, 2012). Fourth, the paradigm's amenability to exploring causality and linkages which cause the phenomena to occur, thus fostering explication of phenomena as well as enabling profound understanding and meaning generation in complex, open social experiences. Finally, the critical realist framework was considered because its compatibility with a broad range of research methods which allows method and data triangulation for enhanced research validity.

In relation to the paradigm choice, this study sought to identify key drivers for SOC turnaround and establish whether and how they differ from the key drivers for private sector turnaround, explicating the causal factors for the differences of the turnaround drivers across sectors. In exploring these variations, the study aimed to understand, imbued in a context-cognizant frame, the causal factors as well as establish how such differences could be leveraged towards improving the turnaround of state-owned companies, drawing insight from contextual and institutional standpoints. The study approach could only best be supported by a critical realist paradigm as posited by Wynn Jnr and Williams (2012:788) when they said, "researchers applying the critical realist paradigm are positioned to provide more detailed causal explanations of a given set of phenomena or events in terms of both actors' interpretations and the structures and mechanisms that interact to produce the outcomes in question".

2.3 THEORETICAL FOUNDATION

Turnaround research has grown significantly since the 1980s (Balgobin & Pandit, 2001; Choudhary & Jha, 2010; Choudhary, Nayak, & Tripathy, 2012; Furman & Mcgahan, 2002). Although prominent and having enjoyed special attention as a research focus, given the consequences of organisational failure, considerable criticism is levelled on turnaround research outcomes for several reasons. Three factors pertinent to this study are advanced.

First, the majority of the studies have focused on private sector turnaround (Boyne & Meier, 2009), with very limited research on public sector turnaround (Boyne, 2004,

2006; Walshe et al., 2004). SOC turnaround research is even scarcer. Second, turnaround research has predominantly been conducted in and centred on developed economy firms by scholars and practitioners from first world economies (Kam et al., 2005; Maheshwari & Ahlstrom, 2004; O'Neill et al., 2004). Third, despite the recorded growth in turnaround research volume and quality, a number of scholars concur that turnaround research outcomes are confusing, incoherent, fragmented, non-cumulative, ambiguous, and inconclusive (Arogyaswamy et al., 1995; Cater & Schwab, 2008; Chowdhury, 2009; Pandit, 2000). In a 1986 study, O'Neil posits that turnaround research is replete with inconsistences, mainly from methodological variations. These shortcomings have resulted in disappointingly slow progress towards a comprehensive theory and frameworks for improving business recovery. This is exacerbated by increase in turnaround situations across the globe (Balgobin & Pandit, 2001; Beraho, 2008) impacting economic growth and employment creation.

The backdrop given above points to four critical gaps in turnaround research, namely: (1) lack of clear and coherent literature on general business turnaround, (2) inadequate and limited research on developing economies turnaround, (3) methodological challenges in conducting turnaround research, and (4) a clear lack of public sector turnaround research and knowledge. These knowledge gaps are at the heart of this study as they influence the success of performance improvement in distressed and poorly performing SOCs in South Africa. This is particularly important and relevant now when several South African SOCs are in distress and government seeks solutions to arrest and reverse the poor performance trend.

This section provides a comprehensive theoretical foundation underpinning the research, with a goal to reveal extant research knowledge and associated gaps around SOC turnaround. To ensure the review covers, as far as is possible, the manifold facets pertinent to an enhanced understanding of the research theme, the section is structured into six (6) sub-domains.

First, the author undertakes an analytical review, in sections 2.3.1 through 2.3.3, of state-owned enterprises, articulating SOC background, origination including their contribution to national economies. The first segment concludes with an appraisal of

contextual issues and institutional factors defining the South African economic, historical, political, regulatory and social landscape.

Second, a review of SOC performance issues, better described as “crises”, is conducted, looking at both global and South African perspectives. To better grasp corrective approaches, the section concludes with a detailed analysis of SOC reform options (for performance improvement), their strengths, weaknesses and key proponents – concluding with a look at the SOC reform direction taken by South Africa and the implications of the choice.

Third, a review of corporate and SOC turnaround research is undertaken and presented. This unpacks extant literature on turnaround, dominant areas of research focus, findings, applications, contradictions, and shortcomings. In order to relate and ground the findings with practice, the review is supported by an assessment of three case studies of SOC turnarounds, two from India and one from the United Kingdom. In is noteworthy to underscore that the review of turnaround research work, including the case studies, paid attention to methodological, philosophical, and theoretical approaches used with a view to identify areas of knowledge contribution.

In the fourth domain, the author looks at different turnaround frameworks found in literature, paying interest and enquiry into their applicability and effectiveness toward the crafting and implementation of SOC turnaround programs.

The fifth section domain unpacks and critiques the key drivers for successful business turnaround and their efficacy - paving the way for future comparison with turnaround drivers for SOCs as will be revealed in the study outcomes. Where practicable, efforts are made to identify practical cases where the drivers have been applied.

The sixth and final section looks at theories that assist in framing the research as well as guiding the interpretation of the study outputs.

2.3.1 State-Owned Companies: Growth, Prominence and Critique

State-owned companies have existed and been part of national economies since the 1930s (Khan, 2008); attracting mixed views from society regarding their significance

and economic contributions. SOC growth and prominence increased after World War II, to a point of expanding into global markets (Mussachio & Flores-Macias, 2009; Mussachio & Lazzarini, 2014; Short, 1983; Vernon, 1979). Today, SOCs still fulfil a critical role in the economic landscape, with some becoming global players (Kowalski, Büge, Sztajerowska, & Egeland, 2013). To highlight their continued prevalence, Christiansen (2011) reports that, as of 2009, 27 Organization for Economic Co-operation and Development (OECD) members had 2,057 SOCs valued more than US$1.3 trillion and employing about 4.3 million people. More recently, PwC (2015) reports that SOCs are "an influential and growing force globally" as evidenced by their increasing proportion among the Global Fortune 500 from 9% in 2009 to 13% in 2014.

The rise of SOCs took a sharp turn after World War II, when several European governments established enterprises presiding over and managing key industries such as: water, gas, oil, electricity, telecommunications, mining entities, railways, steel, and shipping (Godana & Hlatshwayo, 1998; Mascarenhas, 1982; Milward, 2005; Mussachio & Lazzarini, 2014). Godana and Hlatshwayo (1998) and Li (2008) report that, post-World War II, SOCs formed an integral part of many West European states including in Central Asia and China. According to Madisson (1995), SOCs fortified Europe's economic revival as they posted remarkable economic results. For example, at one point, Britain's SOCs accounted for 17% of national gross domestic product, 19% of public investment and 10% of labour force (Tomlinson, 1994).

In particular, Austria's public enterprises accounted for 100% of utilities, 67% of mining sector, and 25% of manufacturing (Bottomore, 1990), and similar situations obtained in many developed country economies. Also, in former socialist states and most developing economies, SOCs constituted a greater part of national economies and influenced their development between the 1930s and 1970s. In Brazil, for example, during 1976-77, SOCs accounted for more than 10% of the country's total gross capital formation (Trebat, 1983). Motivated by the then Soviet Union's success in the 1930s and the early industrialization successes of socialist states, several East European and Asian countries adopted central planning welfarist polices, using SOCs as vehicles for economic development and provision of basic services (Godana & Hlatshwayo, 1998; M. Li, 2008; Sultan Balbuena, 2014).

In Africa, SOCs have existed since the colonial era, with rapid post-independence expansion through purchase or nationalization of private firms (Swanson & Wolde-Semait, 1989). In this light, SOCs have been a central component of African countries' development strategy (Grosh, 1991; Sultan Balbuena, 2014). African SOC expansion increased in the 1970s (Short, 1983) – resulting in SOCs dominating Sub-Saharan Africa's industrial sector (Nellis, 1986) – with some countries having SOC contribution to gross domestic product (GDP) of above 30%. Notable examples include 40% for Sudan in 1975, and 38% for Zambia in 1980 (Nellis, 1994).

These African statistics compare to a global average of 10% (Nellis, 1994). Godana and Hlatshwayo (1998) ascribe the pronounced proportion of SOCs in African economies to two factors: the anti-colonial struggle, and the concomitant socialist ideological persuasion that most newly independent governments subscribed to, underpinned by a strong dislike for economic systems of their former Western colonial powers. African governments' affection for SOCs is, in part, ideological, as many loathed and associated capitalism with neo-colonialism. As such, most governments adopted welfarist economic policies (Guseh, 2001). In 1994, it was estimated that Africa had more than 3 000 SOCs (Nellis (1994) The SOC sector is also dominant in the Middle East and North African region economies (Nabli, 2001).

The predominance of SOCs continues in Southern Africa. Balbuena (2014) reports that SOCs form one of the largest segments of the region's economies, accounting for 20% of total non-agricultural activities. Continued dominance of SOCs despite the 1990s wave of reforms underscores the significance accorded to public entities on the sub-continent, mainly acknowledged for their role in contributing to economic output, investment, employment, delivery of social services and goods, and technology transfer (Balbuena, 2014; Swanson & Wolde-Semait, 1989). Considering the acknowledged SOC prevalence among African economies, it is essential that they function efficiently and deliver on their intended objectives, and, in cases where established SOCs are struggling, corrective solutions should be identified.

Countries establish state-owned companies for varying reasons. However, Nellis (1994) identifies four factors as informing SOC formation, including: economics, ideological preferences, political concerns, and social objectives. For Africa and other

less developed nations, Godana and Hlatshwayo (1998) distinguish four motivations for state entrepreneurship: desire for economic independence, lack of indigenous entrepreneurship, regional and sectoral imbalances, and inequality in wealth distribution. Khan (2008) singles out the need to address market deficits and capital shortfalls, promotion of economic development, reduction of mass unemployment, and ensuring control of national economic direction as drivers for SOC establishment. In summary, governments establish SOCs for use as instruments of social or industrial policy (Vernon-Wortzel & Wortzel, 1989), and not all SOCs are established for ideological reasons, but also for pragmatic reasons.

From the foregoing, there is no single motivation for states to establish a state-owned company – this varies from country to country. This is supported by Mascarenhas (1982) who posits that there is no theory explaining the pattern of SOCs establishment. He underscores that varying socio-political factors impose significant influence in country decisions to establish SOCs. In the main, however, the desire to produce goods and/or services that the private sector is unwilling or unable to provide, and at times to bail-out failed private sector organizations influence SOC establishment decisions (Musacchio & Lazzarini, 2014; Vernon-Wortzel & Wortzel, 1989).

Although designed to operate along commercial lines – an economic requirement – SOCs, particularly in developing countries, are often expected to fulfil multiple objectives, including creating and maintaining employment in times of crises, promoting development of laggard areas, underwriting high-risk project investments, developing national technological capabilities, holding prices down, and earning foreign exchange (Celasun, 2001; Mascarenhas, 1982; Ramamurti, 1987; World Bank, 2018). For instance, following the 1979 oil shock and the 1982 debt crisis, Brazilian SOCs increased employment while comparable private sector entities downsized (Mussachio & Lazzarini, 2014). Non-commercial objectives are, at times, pursued even if it means doing so hurts the financial performance of the SOC (Ramamurti, 1987). It is noteworthy to underscore that, unlike in the private sector, profitability is often not the prime goal of SOCs (Aharoni, 1981). Lack of clearly defined formative objectives and the multiplicity of operational objectives bring additional challenges to make SOC management even more complex.

Whilst globally prevalent, SOCs have enjoyed both scathing criticism and praise – being criticized as inefficient, bad governance, delivering poor quality service, sucking capital, corrupt, gross incompetence, allocative inefficiencies through price distortions, and being a drag on economic development (Godana & Hlatshwayo, 1998; Grosh, 1991; Tan et al., 2015; World Bank, 2018). Simultaneously, SOCs are praised for being pivotal to the economic development of many developed countries as well as China (Gang, Hope, Fan, & Hope, 2013; M. Li, 2008) and Singapore (Li, 2015). SOC criticisms stems from two major and often cited problems – persistent inefficiency (Godana & Hlatshwayo, 1998) and high-level corruption (Grosh, 1991; Khan, 2008) exacerbated by lack of managerial practices common in private sector like monitoring by independent boards, transparency, and performance-linked incentives for management (Mussachio & Lazzarini, 2014).

Responding to the well-documented SOC underperformance, poor governance systems, operational inefficiencies, poor financial management, and concomitant criticism, beginning in the late 1970s, the SOC sector underwent a reforms phase (Gomez-Ibanez, 2007; M. A. Khan, 2008)(Gomez-Ibanez, 2007; Khan, 2008). The reform wave was triggered and spearheaded by conservative governments of Margaret Thatcher regime (Thatcherism) and Ronald Reagan (Reaganomics) that advocated for wholesale privatization (Godana & Hlatshwayo, 1998; Grosh, 1991; Li, 2008). In addition, the collapse of the Soviet Union gave impetus to reforms through the removal of ideological and political barriers that historically obstructed capitalist/market-oriented reforms (Khan, 2008). These reforms, commonly known as “structural adjustment programs”, were promoted by the International Monetary Fund and the World Bank and called for economic marketization through privatization.

However, Li (2008), reports that, despite the liberalization wave, the performance of most developing countries and former socialist countries that adopted structural adjustment programs and privatized SOCs has been poor and has, in some cases, been disastrous. Similarly, Godana and Hlatshwayo (1998) conclude that these reforms, particularly structural adjustment programs, achieved negligible effects of SOC performance. As a result, notwithstanding the aggressive reforms of the 1990s characterized by economic liberalization and an extensive privatization drive, state entrepreneurship and SOC-driven businesses have refused die, and, instead, have

remained strong and widespread (Christiansen, 2011). As pointed out by (Kowalski, Burge, Sztajerowska, and Egeland (2013) and PwC (2015), there is an observed resurgence in state entrepreneurship, with some SOCs becoming global players.

From the foregoing, two distinct and profound conclusions on SOCs and state entrepreneurship obtain. These conclusions include that: (i) despite the widespread and intense criticism (for inefficiency and being a drag to economies), massive shift in political and ideological frames, and the accompanying global drive for state enterprise reforms, SOCs remain prominent and continue to influence national socio-economic agenda; and (ii) over the years, SOCs have morphed into distinguished business entities commanding global influence, even to the point of topping pre-eminent global performance charts such as the Forbes 500.

Several factors contributed to these developments. Reforms have produced mixed and non-convincing outcomes – in some cases leaving disastrous outcomes, leaving some Sub-Saharan African countries viewing them as politically-driven. The case for SOC and state entrepreneurship expansion was further bolstered by the 2008 global economic crisis that saw even pro-market governments bailing out their failing private enterprises. The importance of SOCs remains high. Since SOCs are prominent today and continue to be national vehicles for socio-economic development, it is important that they perform well, with those underperforming given attention and an antidote to turn them around into efficient profitable enterprises.

2.3.2 Developing Economies, Public Sector and SOC Business Landscape

Business success and corrective strategies are influenced by prevailing business (socio-political and economic) environment. State businesses and the government in power are closely intertwined. As such, any attempts to improve SOC performance should consider local business context as far as possible (Owusu, 2006). Celasun (2001) underscores the importance of local context in his review of the impacts of SOC reforms in the Middle East and North African countries. Business landscapes vary from region to region, influenced by several factors, including culture, infrastructure development, education levels, resource endowment, political history and political stability. Comparing developing and developed economies, on these socio-political and economic parameters, it is evident that these two economies are significantly

different. The business context in developing economies is different from that of developed economies upon which extant turnaround literature and approaches are predicated. As Haugen and Musser (2012) highlight in their assessment of Africa, it is difficult to make broad generalizations, as the continent is as diverse as its geo-political landscape as there are marked historical differences that set each sub-region and each country apart from each other socially, politically and economically.

Developing economies' socio-economic context is characterized by: high levels of corruption (Khan, 2006a; 2006b; Muttreja, 2012); high poverty levels with corresponding high inequality, evidenced by low per capita income and poor Gini coefficients; limited financial resources or capital; information asymmetries; weak human capital or acute shortage of skilled personnel; labour-intensive work structure; strong labour laws (Freeman, 2009); poor infrastructure; young democracies; immature governance structures; and varying political structures with some in conflicts and, therefore, unstable (Corrigan, 2009, 2014; Haugen & Musser, 2012; Sachs et al., 2004). However, it is not all gloom and doom for developing economies particularly for Africa as the region has, for the past two decades, posted robust economic growth – a trend that is predicted to continue going forward (IMF, 2015).

Reflecting on democracy (measured through electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture), several Sub-Saharan African countries suffer from weak democratic processes and, thus, rank poorly on the democracy index, boasting only Mauritius as a full democracy, eight countries (including South Africa and Botswana) in the flawed democracy category and ten nations in a hybrid democracy and the remaining 25 states in authoritarian regimes (The Economist, 2010). Matlosa, Ndlovu, Kasenally, and Lodge (2017) highlight setbacks in the development and consolidation of good democratic governance, pointing to several cases of unconstitutional changes of government. African leadership is known to be deeply entrenched as to be autocratic in nature and where economic development and the strengthening of institutions is left unattended.

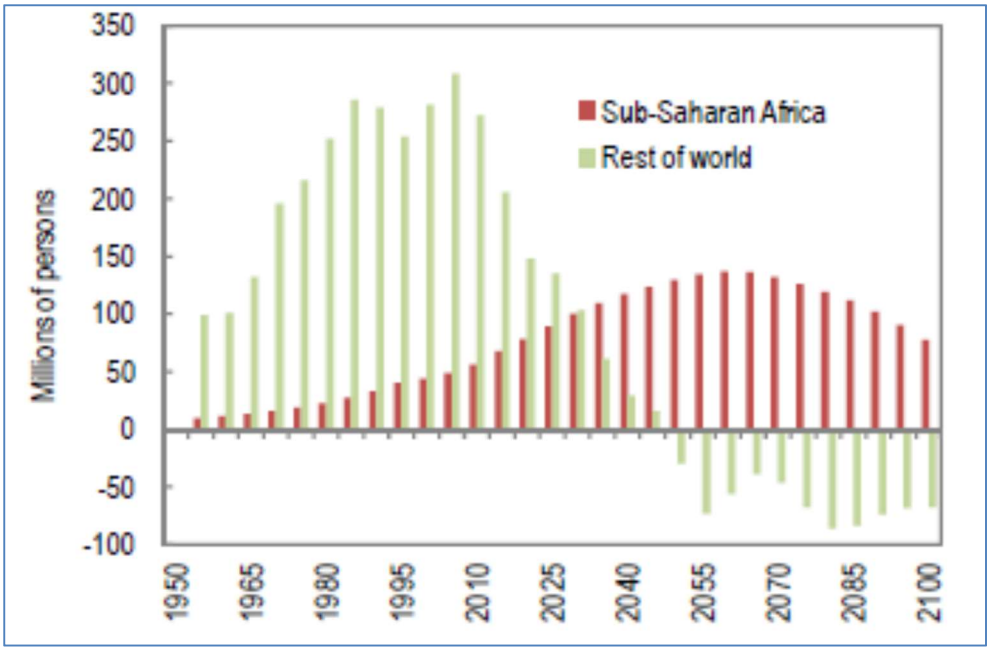
However, post-1990 Africa is completely different from that of the 1970s and 1980s: an impressive qualitative leap forward (IIDEA, 2018). The Economist asserts that, since the 2008 economic crisis, global democratisation, including in Sub-Saharan

Africa, has been grinding to a halt, and in some cases is being reversed. Global economic crisis is considered to have negatively impacted on aspects of governance as well as increasing attractiveness of the Chinese model of authoritarian capitalism for some emerging markets (The Economist, 2010).

In view of the above context, it is the researcher's view that such a political landscape engenders challenges to business and calls for different management approaches than those expected in countries with entrenched and mature democracies like the USA, United Kingdom and the rest of developed economies where existing turnaround practices originated. To underscore the strength or validity of this view, The Economist (2010) concludes that: "*the economic crisis (of 2008) undermined further the credibility of efforts by developed nations to promote their values abroad*"- values which may include their business practices such as those prescribed in turnaround literature.

High poverty levels produce undesirable knock-on effects such as low national saving rates which lead to low or negative economic growth rates (Haugen & Musser, 2012) and concomitant social unrest (The Economist, 2010). Similarly, high unemployment rates exert pressure and expectations on governments, including SOCs, to push social objectives, through targeted job creation, ahead of commercial requirements, often, at the detriment of financial performance. The job creation challenge will remain critical in Sub-Saharan Africa as, according to United Nations (IMF, 2015), in the medium to long term, Africans joining the working age group (15-64 years) will exceed entrants from the rest of the world combined (see **Figure 2.1**).

Resultantly, considerable pressure is being exerted on governments to address these socio-economic challenges, albeit in conditions of stunted economic growth. To this end, the IMF (2015) posits that the region needs to create jobs at an exceptionally rapid rate for a long period to absorb the growing labour force. Further, given the strong labour laws and, at times, highly politicized and unionized labour force in developing economies, using employment rationing during turnaround situations is difficult to the point of not being an option – even during decline. This argument is supported by the Economist (2014) that advances that state firms find it hard to retrench people.



Source: IMF (2015)

Figure 2.1: *Projected change in working age population*

Drawing from the South African labour landscape, the power, and attendant control wielded by labour unions demonstrate that unions seemingly hold sway on measures that SOCs could implement in their turnaround initiatives. Also, with developing countries being so diverse in their government systems (democracies, monarchies, military rule, single party governments, and transitional political systems), it is very difficult, if not impossible, to establish a one-size-fits all solution to developmental challenges (Blink & Dorton, 2007), including strategies to institute strategic changes in SOCs. Similarly, it is arguably more difficult to transfer western-developed turnaround solutions to highly heterogeneous developing economies given the significant variations in cultural, economic, political and social settings.

Leveraging on the foregoing submissions, it is essential to note that the economic policies and structures in most developing countries have been, until recent reforms, more inclined towards state-control or central planning as opposed to market-based economies (The Economist, 2010).This has been the case for long as Gregory (1970) underscores that the socialist development model attracted the attention of developing countries' planners. It is importance to highlight, that the socialist ideological connection among liberated African states and the former Soviet Union and China who supported them towards their fight for liberation. The socialist economic system has,

as one of its tenets, centralized planning; with state capitalism being prevalent in several developing economies just as it is in China and Russia (van der Putten, 2013).

The implications of developing countries' leaning towards centralized planning ideals are twofold: (i) a predominance of SOCs and state entrepreneurship as governments drive economic growth through state capitalism, and, (ii) expansion of the public service labour force as the state assumes the role of major employer, with the concomitant risk of triggering economic instability (Tarp & Brixen, 1996). It is noteworthy to underscore that such a political, social, and economic landscape is very dissimilar to that exhibited and modelled in research studies published in extant turnaround research – which are framed along market-based economic landscapes.

To highlight the influence of local context on business operations, particularly the impact of corruption and good governance, Huang and Snell (2003) compare two Chinese SOC turnaround cases; a corrupt moral climate hindered organizational turnaround resulting in eventual bankruptcy against a transformational and governance-abiding leadership that reversed the decline of a SOC. However, it is for SOCs, key risks are more institutional, and driven by broader external context, than functional. In concurrence with this view, Zimmerman (2002) concludes that successful business turnarounds involve leaders who "possess strong ethical values and have good personal reputations".

Similarly, Bruton *et al*. (2001) underscore the influence of cultural difference on business turnaround. In this light, the African ubuntu culture, which centres on respect for peers and "saving face", seems to significantly influence how business is conducted in Africa compared to Western economic environments. The researcher, therefore, drawing support from Bruton *et al.* (2001), submits that turnaround initiatives must be responsive to the setting and environment in which the firms are located. Therefore, considering this, it is contended that the developing economies business context has a strong bearing on SOC turnaround processes, requiring contextualized responses and strategies.

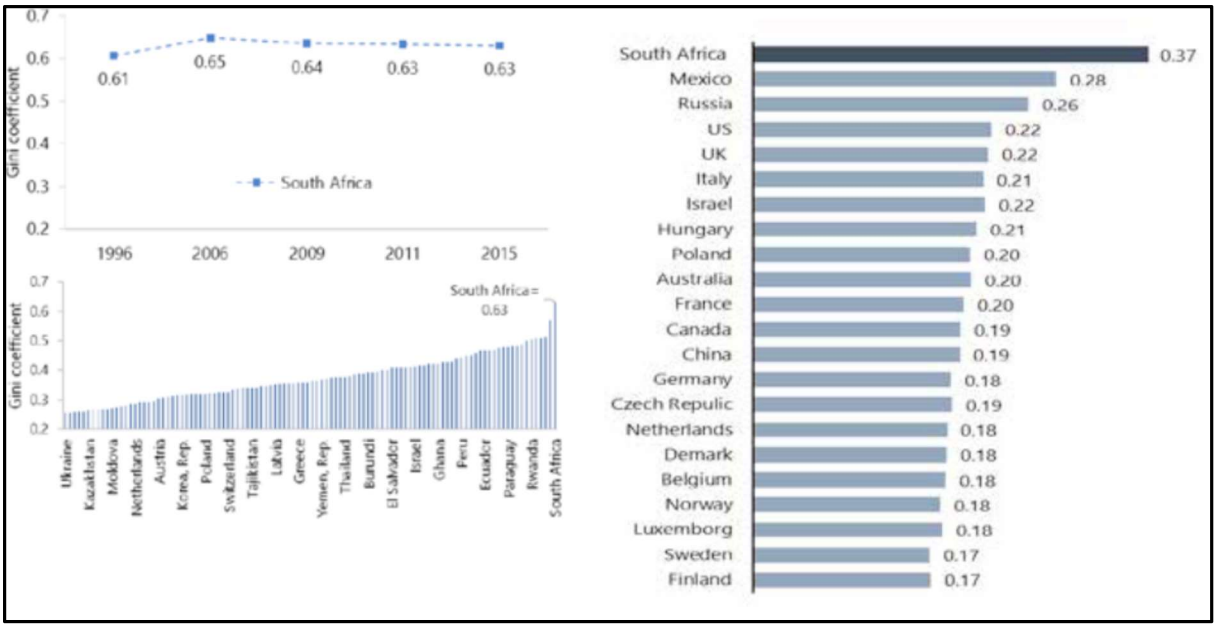
2.3.3 The South African Business Context

Some strategy development theories emphasize the consideration of the local

business environment if the strategies proposed are to suitably fit the business in question. Similarly, crafting of turnaround strategies need to consider the influence of the local business context. This section provides an overview of the South African business context and its potential influence on SOC turnaround initiatives.

South Africa is a nation of two contrasting worlds (Pressley, 2003); one which is developed and sophisticated juxtaposed to another which is poor and historically marginalized. However, the country is considered a developing nation, with a high proportion of poor people, mainly the previously disadvantaged black people. It is reported that, by 1993, 61% of black South Africans were poor and constituted 95% of those categorised as poor in the country (Woodlard, 2002). High poverty levels are closely linked to equally high levels of unemployment (IDC, 2019; Rodrik, 2008), which is currently estimated to be 27.7%. The unemployment levels are more elevated among the youth, estimated to be 56% (Stats SA, 2017). The high poverty and unemployment situations influence government to identify ways to create jobs – objectives that are expected to be achieved through state entities like SOCs. The theme of job creation has dominated political parties' election manifestos.

Due to the lasting adverse effects of apartheid policies and legacy, South Africa's socio-economic context is also characterised by high levels of income inequality – with the country having one of the highest Gini coefficients in the world (Fryer & Kirsten, 2013; Harmse, 2013). The levels of inequality have worsened after 1994 (see **Figure 2.2**). Records show that South Africa had a Gini coefficient of 0.59 in 1993, 0.61 in 1996, 0.69 in 2010, 0.67 in 2013, and 0.63 in 2015 (The World Bank, 2018). Most of the poor communities are black people who have been unfairly discriminated during apartheid. Government is, therefore, under immense pressure to address the ills of the past. Evidently, some of the obtaining corrective measures include redistributive policies, effected through state institutions such as SOCs. Such measures and expectations exert a lot of pressure on SOCs, particularly if they are in decline and experiencing turnaround situations.



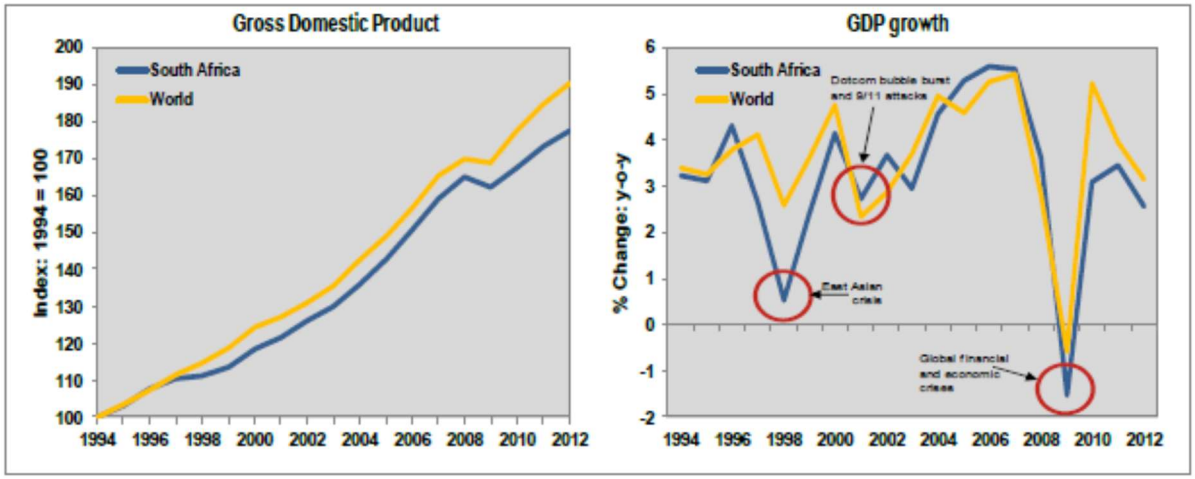
Source: The World Bank (2018)

Figure 2.2: *Long-term comparative trends for inequality and polarization indices*

While South Africa is the second largest economy in sub-Saharan Africa after Nigeria, its post-1994 economic growth rate has been modest, enjoying moderate growth between 2000 and 2007 (IDC, 2013a). This growth, however, has since slumped due to structural constraints (May, Sulla, & Zikhali, 2016). Between 1994 and 2017, the South African economy grew by an average of only 2.87%, peaking at 7.10% in 2006. The low economic growth is well below the target of 6% considered to be ideal for stimulating job creation. The National Treasury reports that economic performance weakened since 2014, posting GDP growths of 1.5% in 2014 and 0.3% in 2016. Over the same period, the SA experienced two recessions in 2009 and in 2017. **Figure 2.3** compares South Africa's GDP growth rate and global rate between 1994 and 2012.

In addition, the country is criticised for policy uncertainty that is impeding investments (Hallward-Driemeier, Kun-Jush, & Pritchett, 2016). In fact, policy uncertainty has been identified as one of the reasons for poor business confidence and slow pace of private sector investment (Hlatshwayo & Saxegaard, 2016; Redl, 2018). This is corroborated by the National Treasury (2011) as the following excerpt shows:

> "Energy constraints, inadequate transport capacity and uncertainty in the regulatory environment have held back progress" (National Treasury, 2011).

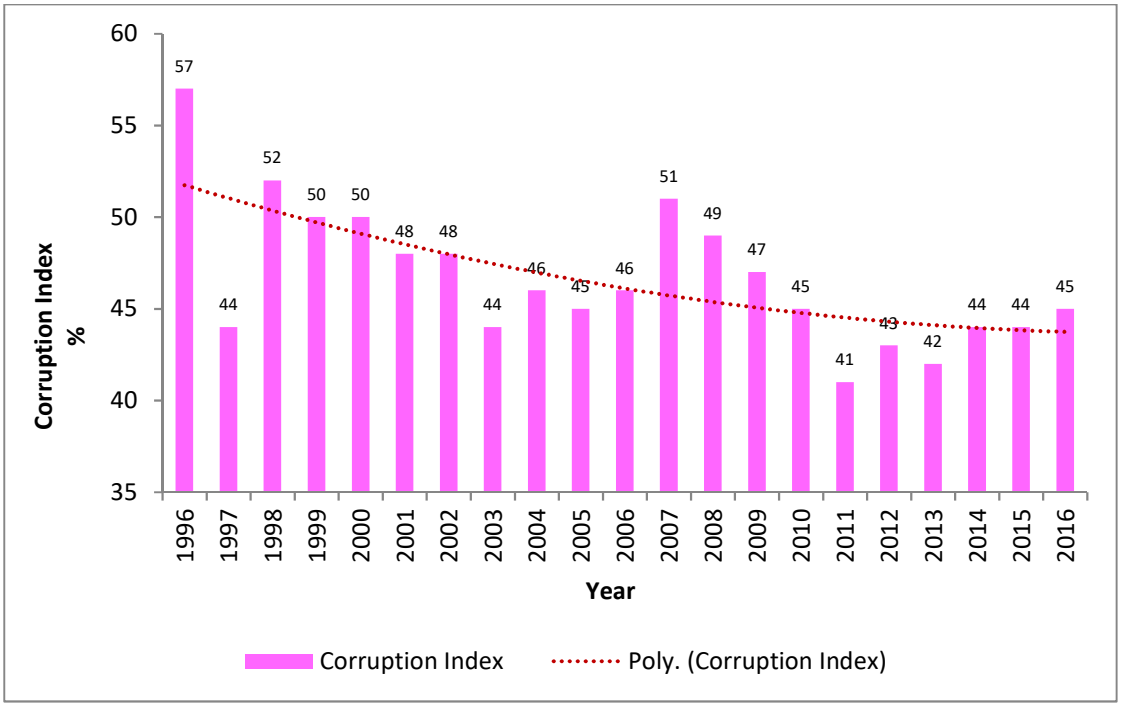


Source: IDC (2013b)

Figure 2.3: *South Africa's GDP growth over 1994-2012*

Effects of policy uncertainty are further compounded by entrenched corruption taking root in the country. While not limited to government, there exists an untested perception of growing corruption and cronyism in government, including the SOCs. Based on the global corruption perception index, South Africa is regarded as corrupt, ranking 64 out of 176 countries (Transparency International, 2017). Corruption index is measured on a scale of 0 to 100, with 0 being highly corrupt and 100 being very clean. Since 1996, South Africa has dropped in ratings from a score of 57 to a low of 45 in 2016. The trend is showing that the country is sliding toward a more corrupt state (**Figure 2.4**). This is corroborated by the Public Protector's report on State of Capture Report in which key SOCs are implicated in corrupt practices (Public Protector, 2016). This tarnishes SOCs image, compromising their integrity and ability to conduct business with stakeholders; implications that are pronounced for SOCs in decline.

Corruption (Southall, 2014), policy uncertainty, fiscal debt, growing trade deficits, and poor growth prospects have resulted in SA's sovereign credit rating being downgraded in 2014, 2015 and 2017 (World Bank, 2017), relegating the country's sovereign credit rating to junk status. As SOCs are linked to the state, their foreign debt credit ratings, correspondingly, are now junk-rated. All these negatively impact the economic health and performance SOCs, especially the cost of debt and that of doing business.



Source: Transparency International (2017)

Figure 2.4: *South Africa corruption index – 1996 to 2016*

South Africa also has a highly unionised labour. The country is known to have high union density, with approximately 40% of workers belonging to trade unions (Barker, 2005; Grobler, Warnich, Carrell, Elbert, & Hatfield, 2006). The level of unionisation is much higher in the public sector. Bhorat, Naidoo, and Yu (2014) reports that 69% of the public sector workforce belong to unions. This compares to 24% in private sector (ibid). Notably, the unions are militant and politically linked. Originating from strong militant unions that fought the oppressive apartheid regime side by side with political movements, the country's labour unions continue to be strong and militant.

The position of labour and its relations with government is further strengthened by Congress of South African Trade Unions' membership of the ruling alliance with the SACP and the ANC - the Tripartite Alliance (Israelstam, 2015). By being a member of the alliance, it implies, by default, that labour is in government – giving unions a vantage position in labour relations matters particularly in state institutions like SOCs. This intricate set-up evokes and fosters complex institutional dynamics in turnaround SOCs, particularly on labour and asset retrenchment matters.

Other factors influencing the South African business environment include lack of technical skills to drive the economy (Erasmus & Breier, 2009) coupled with a ineffective basic education system (Badat & Sayed, 2014) that is failing to bridge the skills gap (Twalo, 2010). Notwithstanding all the challenging factors highlighted as characterising the South Africa. Local business context also boasts several positive elements. These include functional and developed infrastructure, sound and globally-rated financial systems and institutions (Hawkins, 2004), a young and thriving democracy , a respected judicial system, good tertiary education system, and growing governance systems and structures. Also, although not growing at the desired pace, the South African economy is strong with capacity and potential to flourish. These factors can contribute to national growth and counterbalance the downside factors of: poverty, inequality, unemployment, political and militant unionism, stunted economic growth, policy uncertainty, skills scarcity, corruption, patronage, and cronyism.

2.3.4 Organizational Crisis: Performance of State-Owned Companies

Globally, public sector underperformance is a constant and huge cause for concern to society, policy makers and management (ADB, 2014; Boyne, 2003, 2006; Meier & Bohte, 2003). Walshe et al. (2004) reveal that public sector underperformance is worsening to the extent that political heads and officials are brave to label some public institutions as 'failing'. Concurring with this view, Kim and Chung (2008) report on continued disappointing performance of state-owned entities in Korea. In the United Kingdom and Western Europe, public sector poor performance has been a cause for concern since the early 1980s (Andrews, Boyne, & Enticott, 2006; Turner, Skelcher, Whiteman, Hughes, & Jas, 2004).

More currently, Boko and Qin (2011) conclude that SOCs are largely associated with a sad history of poor performance. The Economist (2014) concludes that, globally, large listed SOCs floated or that raised equity between 2000 and 2010 have dismally performed, with their share of global market capitalization shrinking from a high 22% in 2007 to 13% in 2014. Despite some governments introducing reforms to address public sector underperformance, Beeri (2006) posits that several public firms still perform poorly, in some cases to a point of failure. Concomitantly, public sector performance, particularly state-owned enterprise performance, is increasingly becoming an issue for management practice and policy (Jas & Skelcher, 2005).

Drawing from the preceding background, the emergence of performativity as a central discourse within public management is clearly conspicuous, as is the growth in significance of the need for practicable turnaround solutions for public sector institutions. Several scholars paint a depressing picture of dismal performance by the state-owned firms globally: Argentina (Xu & Birch, 1999); Brazil (Pacheco *et al*., 2006; The Economist, 2014); China (Borensztein & Ostry, 1996; McNally, 2002; Desvaux *et al*., 2004); and, India (Ahuja & Majumdar, 1998, The Economist, 2014). Aside of country focused SOC underperformance, state firms have witnessed anaemic production growth, deteriorating returns on capital and shares, shrinking profits, poor balance sheets, and declining profits (The Economist, 2014). As a result, SOCs are reportedly accumulating debt (Bateman, 2017). Literature point to a critical and concerning pattern of SOC underperformance or as The Economist (2014) puts it, to value destruction – a trend that calls for innovative and appropriate turnaround solutions to reverse the problem.

Notwithstanding the aforementioned poor performance record, there are compelling examples of highly performing SOCs. At national level, Singapore's state companies, known as Government Linked Companies (GLCs), advance and support this argument well, having been praised for significantly contributing to the country's economic development (Li, 2015). Several GLCs have performed well, with some even competing globally. Singapore's SOCs have been largely successful (Tan et al., 2015). Examples of well-performing Singapore SOCs include Singapore Airlines, SingTel, DBS (formerly the Development Bank of Singapore), and Temasek Holdings. DBS and Singapore Airlines have achieved multinational presence. As a testament for excellent performance, DBS was named the World's Best Digital Bank in 2016 and 2018 as well as the World's Best SME Bank in 2018 (DBS, 2018).

Beyond Singapore, there are also examples of well-run, efficient and brilliantly performing SOCs, such as the Indian Railways, Statoil of Norway (Musacchio & Flores-Macias, 2009), Bombay Transport Authority of India (Chang, 2007), Japan Post Holdings, Sinopec of China as well as China National Petroleum and State Grid also a Chinese utility (Musacchio & Lazzarini, 2014). Ethiopian Airlines is good example of a performing African SOC. Despite the country's prolonged political instability, it has been mostly profitable (ECA, 1991). In 2014, Ethiopian Airlines was recognised as the

best performing African airline based on revenue and profit (Ethiopian, 2015).

The above examples demonstrate that SOCs can, like private enterprises, be efficient and well-run. In fact, as of 2010, four of the above-stated examples (Japan Post Holdings, Sinopec, China National Petroleum, and State Grid) featured among the top ten companies of the Fortune Global 500 list. This provides evidence that, despite the criticism, SOCs can be managed efficiently and yield remarkable results. Some SOCs have even become very competitive (Musacchio & Flores-Macias, 2009), to the point of being among the most profitable global firms (Mussachio & Lazzarini, 2014).

The foregoing discussions provide two opposing images of SOC performance – one portraying SOCs as dismally underperforming, and another as vanguards of national economic development. To provide clear context and broader background on SOC performance, brief reviews of SOC performance in Brazil, China, Zambia and South Africa are provided in the next sections. Four factors influenced the selection of the sample countries. The factors include: (i) that all four nations are developing countries; (ii) three of the four countries (Brazil, China and South Africa) are part of a group with similar economic profiles, the BRICS group, (iii) each of the four countries has a history and considerable composition of SOCs in its economic structure, and (iv) Zambia provides a geographically close example of a nation that largely used SOCs to drive its economic growth. From the three cases, one gets a clearer comparative perspective of SOC performance with that of South Africa, the study focus.

a. Performance of Brazil SOCs

For a long time, SOCs have been a pivotal part of Brazil's economic structure. Case (n.d.) captures this well when he posits that "… public ownership in Brazil is not a variable, but an indisputable constant". Brazil created several SOCs, starting in the 19th century with the establishment of a commercial railway company, Estrada Central do Brasil (Triner, 2000). Brazil SOC establishment grew under president Varga's first term of office (1930-1945), influenced by a strong industrialisation drive and import substitution program (Vianna & Garret, 2014). The trend continued, particularly after World War II, with SOCs being established in several sectors such as water, oil, gas and electricity (Milward, 2005). To entrench national security, SOCs were created in sectors considered essential for economic development such mining, shipping, steel

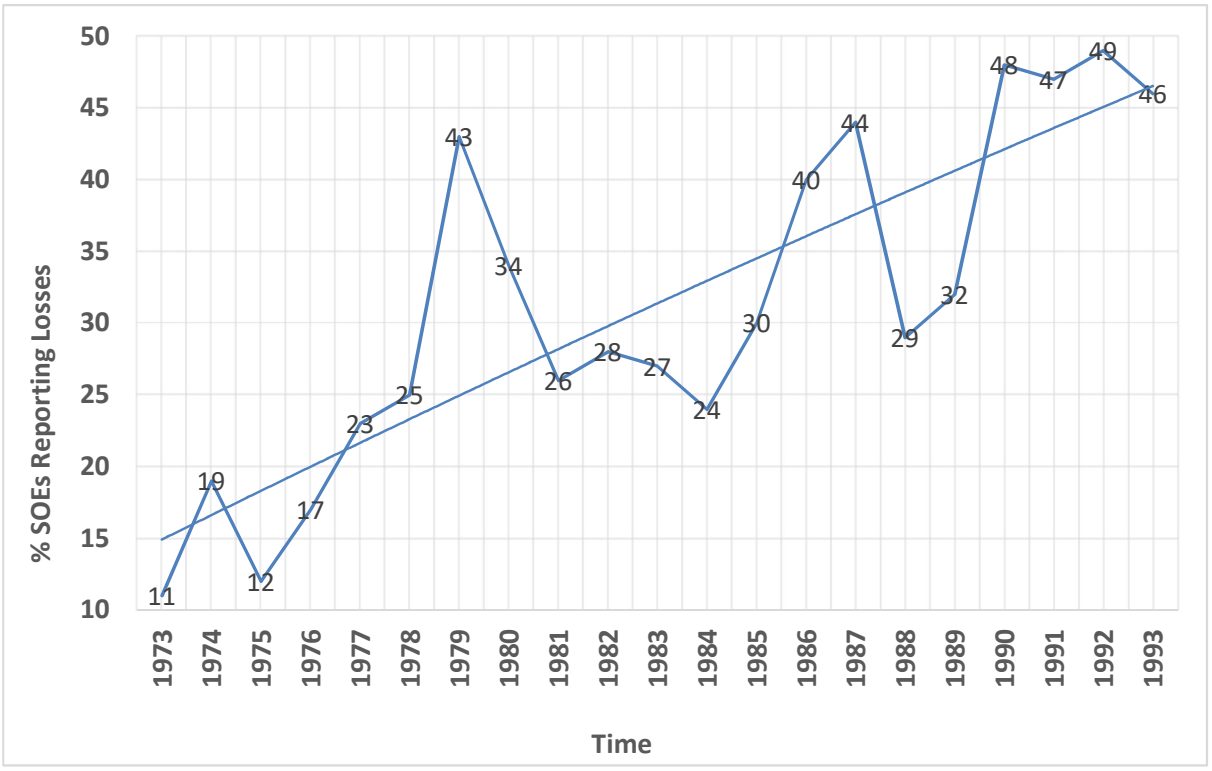
manufacturing and chemicals (Mussachio & Lazzarini, 2014). The SOCs were financed by debt, including foreign debt. Brazilian state capitalism peaked between 1964 and 1985 when the public sector represented 43% of the country's gross capital formation, of which SOCs contributed 25% of the investments (Mussachio, Lazzarini, & Bruschi, 2012; (Trebat, 1983). However, in the 1990s, following economic downturn, Brazil privatized several of its SOCs to control spiralling government expenditure.

Brazil's SOC performance has been rather mixed. In the early years, SOCs did very well as can be established from Trebat's commentary in a magazine publication (1983). Praising Brazil' SOCs' financial and management record and contribution to economic growth, Trebat opined that "…there has been an undercurrent of admiration for the management of government-owned enterprises in that country, something that cannot be said of many developing countries". However, it is important to note that, prior to 1983, SOCs operated autonomously like private sector firms (ibid). As such, SOCs could open subsidiaries, go multinational, acquire foreign debt, and, compete with other SOCs. This unrestricted approach to SOC management compromised sustainable performance of SOCs with related negative economic implications.

Owing to a lack of oversight and monitoring, Brazil's SOCs rapidly expanded through establishment of subsidiaries, in the process hiring personnel, instituting numerous capital investments and acquiring lots of debt. These initiatives resulted in both the government and the SOCs running into challenges to refinance debt, especially after the 1979 oil price shock and the 1982 debt crisis that triggered rapid currency depreciation. This had knock-on effects on SOC performance, including federal government struggling to service its external debt obligations (Diaz-Alejandro, 1984), concomitant rampant inflation, and, rising interests and rationing of credit that dented SOC finances (Mussachio & Lazzarini, 2014).

Also, some SOCs' expenditure rapidly ballooned, some increasing by 53% and resulting in a number of the enterprises incurring losses as well as large liabilities in foreign currency. Mussachio *et al*. (2012) and Vianna (2014) point out that, in the 1980s, most SOCs had negative return on assets with several of them being technically bankrupt and operating with negative equity. These SOCs had to be recapitalized by government. **Figure 2.5** illustrates the proportion of Brazil SOCs

reporting losses between 1973 and 1993. As can be observed from the **Figure 2.5**, the proportion of loss-making SOCs increased over time, from about 11% and peaking to 49% around 1992, signifying serious deterioration in performance with time.



Source: Mussachio & Lazzarini (2014)

Figure 2.5: *Proportion of Brazilian SOCs reporting losses, 1973-1993*

In response, towards the turn of the 21st century, Brazil instituted SOC reforms, adopting a new and special form of ownership – corporatisation – through listing SOCs on the stock exchange. Although initially viewed with scepticism, government harmonised the process by promoting coalitions and incorporating new investment groups led by state pension funds and the creation of a state bank, BANDES. These reforms transformed Brazilian SOCs and, by 2012, listed SOCs accounted for 35% of the BM&F Bovespa's market capitalization (Pargendler, 2012). Following corporatisation, particularly around 2010, SOC performance was viewed positively with flagship companies like Petrobras in the limelight and hailed as a success. Petrobras's initial public offering raised $60 bn from local and foreign investors.

However, subsequent corruption allegations and the corresponding decline marred the seemingly glorious Brazil SOC performance. In view of this, Tautz, Ramos, Pinto,

Serra, and Serra (2014) submit that the post 1990s SOCs were a failed model in Brazil that triggered state bankruptcy following hyperinflation. Overall, it is difficult to categorically classify Brazil SOCs as successful, although there were pockets of success. Performance challenges requiring astute redress are evident.

b. Performance of Chinese SOCs

In China, SOCs became prominent more than 50 years ago, mainly due to the influence of the then Soviet Union (Desne, 2003). Brandt, Ma, and Rawaski (2016) record that the influence of SOCs in China increased after World War II when a huge expansion of nationalist China's bureaucracy was initiated, leading to nationalization of many industrial operations. These efforts resulted in SOCs accounting for more than 50% of total industrial production by 1944 (Bian, 2002). This trend was enhanced after the formation of the People's Republic of China in 1949 which rolled out a socialist industrialisation program (Brandt, Ma & Rawski, 2016) in which SOCs were pivotal. Chinese SOCs dominate six industrial sectors, namely: oil and gas, electricity distribution, mobile network operations, construction, chemicals, and resource trade (Chen, 2013; McNally, 2002). Brandt *et al*. (2016) posit that China's planned economy period, covering 1952 to 1978, recorded impressive growth rates; and that, in the same period, SOCs accounted for 80% of national gross industrial output.

Chinese SOCs were designed to contribute to state budgetary revenue and strategic objectives. As such, SOCs were structured to lower input prices and maximize output prices, thus maximizing SOC profits. Hsiao (1986) reports that SOCs were expected to remit 95% of their profits and, correspondingly, provided a revenue stream that contributed to a large portion of fiscal receipts. It is estimated that SOCs contributed more than 50% of the budgetary revenue in 14 of the 16 years between 1959 and 1974 (Hsiao, 1986). Also, the SOC-dependent economy delivered three decades of rapid industrial expansion, with industrial growth of more than 11% per annum between 1952 and 1978 and employment increasing ten-fold from 5.3 million to 53.5 million (Brandt *et al*., 2016). Given that following socialist nationalization almost all entities were public entities, from these statistics, it can be inferred that Chinese SOCs performed well and significantly contributed to the country's industrialisation.

From 1978, under Deng Xiaoping, China instituted SOC reforms to improve

productivity, gradually moving away from central planning to market-based economic policies, including privatisation (Berkowitz & Nishioka, 2017). Through these reforms, Chinese SOCs lost their near-monopoly status but still formed the country's financial and industrial nucleus (McNally, 2002). However, notwithstanding these reforms, SOCs remained dominant in China (Li, 2008), as China approached the reforms gradually and cautiously (Geng, Yang, & Janus, n.d.). Numerous leading studies (see Groves, Hong, McMillan, & Naughton, 1994, 1995; M. Li, 2008; W. Li, 1997) highlight that, following reforms, Chinese SOCs proved more productive and profitable. Also, Berkowitz and Nishioka (2017) underscore that data from Chinese Annual Surveys of Industrial Production showed that SOC performance significantly improved between 1998 and 2007, with profitability comparing favourably with private sector by 2007. Recently, the State-owned Assets Supervision and Administration Commission (SASAC) reported that centrally-controlled SOCs posted a 29.1% year-on-year increase in the first two months of 2017 (SASAC, 2017) – a stellar SOC performance.

In contrast, Putterman and Dong (2000) highlight poor performance of Chinese SOCs. They report that several Chinese SOCs posted losses and accumulated debt in the 1990s. McNally (2002) reports that, for the first time, in 1996, total SOC losses exceeded profits, prompting government to issue a mandate instructing SOCs to return to profitability within 3 years – a feat that was achieved in 2001/2 with SOCs posting an overall profit of US$28.9 billion. Reviewing these contradicting submissions, it can be concluded that Chinese SOC performance can best be described as mixed, with some SOCs performing well while others performing poorly. This view is also shared by Li (2008). However, while questions can be raised on the level of Chinese SOC performance, given that global economic growth currently centres on China, it cannot be questioned that something is going bright with the Chinese economy that is centred mainly on SOC business formations. Two views can be extracted from this: (i) that SOCs can deliver excellent performance, and (ii) that the sample of SOC poor performance highlighted by some scholars is significant to note and motivates a search for solutions.

c. Performance of Zambian SOCs

During the leadership of Dr Kenneth Kaunda, SOCs dominated the Zambian economy (Kaunga, n.d.). At one point, SOCs were estimated to command 80% of the country's

industrial capacity, spanning all economic sectors, that is: agriculture; brewing; farming; energy; manufacturing; mining; trade; transport and communications; tourism and construction (Fundanga & Mwaba, 1997; Kaunga, n.d.). The limited private sector participation was limited to farming and banking sectors, with Barclays, Standard Bank and Grindlays dominating the financial sector. These SOCs were managed through intricate institutional and governance structures with the Zambia Industrial and Mining Corporation Ltd, a state holding company charged with supervising and monitoring SOC operations, mandated to oversee most of the SOCs.

The performance of Zambian SOCs can best be characterised as poor, described by Kaunga (n.d., 6) as ‘far from satisfactory”. SOC operations were typified by continually rising losses, resulting in several SOCs nearly collapsing. Fundanga and Mwaba (1997) report that the performance of state farms was dismal. The dismal performance and consequential losses resulted in government subsidizing the loss-making operations. Accordingly, the losses eroded the capital bases of most SOCs.

Several factors in Zambia SOCs’ poor performance have been advanced. These include use of inappropriate technology, over-dependence on imported raw materials, inexperienced management, misappropriation of resources by state officials, and lack of competition through operation in monopolistic environments (Fundanga & Mwaba, 1997). Kaunga (n.d.) argues that that the SOCs failed due to: poor capitalization; poor management, led mainly by political appointees; frequent CEO changes; lack of accountability; weak boards; conflicting SOC objectives, being commercial and socio-political; and general economic constraints.

Stemming from SOCs’ underperformance, the Zambian government’s budget ballooned and became a huge burden. Resultantly, government struggled to provide basic services and encountered large fiscal deficit. The deficit rose from K39 million in 1965 to K3.5 billion in 1988 (Fundanga & Mwaba, 1997). In response to the poor performance of the SOC-based economy, from the early 1980s, Zambia, instituted economic restructuring. In this light, the government adopted, in 1990, a policy to privatise SOCs (Fundanga & Mwaba, 1997). The privatisation program was then implemented by the Fredrick Chiluba after coming into office in 1991.

d. Performance of South African SOCs

South Africa has more than 700 SOCs managed by national, provincial and local government departments (PRC, 2012). At national level, the Department of Public Enterprises (DPE) manages and controls nine SOCs, covering several industrial sectors including: mining, communications, transportation, energy, forestry, defence, finance, and water. A list of the prominent South African SOCs is provided in **Annexure I**. The South African government views SOCs as strategic in promoting socio-economic development and employment creation. Their performance is, therefore, critical to the country's development agenda.

A high-level review over the last decade (using profitability as a measure) shows mixed performance by South African SOCs, with ESKOM, Transnet, SAFCOL, PetroSA (DPE, 2005), IDC and SANRAL posting good results over the review period. However, several SOCs under-performed resulting in some instituting turnaround initiatives. For example, SAA, SAX, Land Bank, Denel, Alexkor have regularly posted poor results. Telkom SA and the DBSA posted losses in 2013 and 2014. Also, Alexkor has, often, posted losses since its inception in 2001, attracting negative publicity for poor performance, mismanagement and corporate governance challenges. Further, Denel and PRASA posted losses since 2001, with SAA, most recently, posting huge losses and requiring significant bailouts for capitalization. SAA has been in turnaround mode for a long while, with no credible results coming out of the turnaround initiative.

Similarly, the South African Express Airways has been performing poorly resulting in its board and the audit firm being replaced at the 2012 Annual General Meeting after failing to present the company's annual statement on time. Land Bank encountered difficulties in the mid-2000s until the intervention by the National Treasury to rescue it. It is reported that Land Bank has turned the tide and is now operating profitably. Further, the DBSA recently posted losses, resulting in the bank initiating organisational restructuring and turnaround. From the foregoing, it can be observed that several South African SOCs have performance challenges requiring specialized attention to turn them around to be profitable and efficient institutions.

e. SOC Performance Summary

It is evident from overviews of SOCs in Brazil, China, Zambia and South Africa that,

while there is scattered evidence of good performance as in some cases of China, there are significant performance challenges in the sector. Beyond evidence from this small sample, poor SOC performance has also been reported elsewhere, in the UK, the US and Russia and India. However, based on this sample of evidence, it can be concluded that SOC performance can, in general, be described as below par, justifying the growing concerns among politicians, policy makers and the general society on the sector's performance. Mussachio, Lazzarini, and Bruschi (2012) support this view, positing that several SOCs are inefficient and generally underperform. It is clear that SOC performance is weak and a serious cause for concern in South Africa, with many entities regularly posting poor results and constantly seeking government bailouts to remain as going concerns.

However, there are also compelling examples of well-run, efficient and high-performing SOCs across the globe. Classical examples include: the Indian Railways; Statoil of Norway (Mussachio & Flores-Macias, 2009); Ethiopian Airlines (United Nations ECA, 1991); Singapore Airlines; Temasek Holdings of Singapore; and Bombay Transport Authority of India (Chang, 2007), to name but a few. Even the Chinese example provide some encouraging evidence of good SOC performance. These examples demonstrate that SOCs can be efficient and well-run. Musacchio and Flores-Macias (2009) add that the management of SOCs has improved significantly over the past decades such that some have become very competitive. By extension, it can also be posited that poorly performing SOCs can be turned around into efficient and profitable institutions. The Indian Railways, Scooter India and the British Steel Corporation provide strong cases of successful SOC turnaround, all having recovered from serious decline situations.

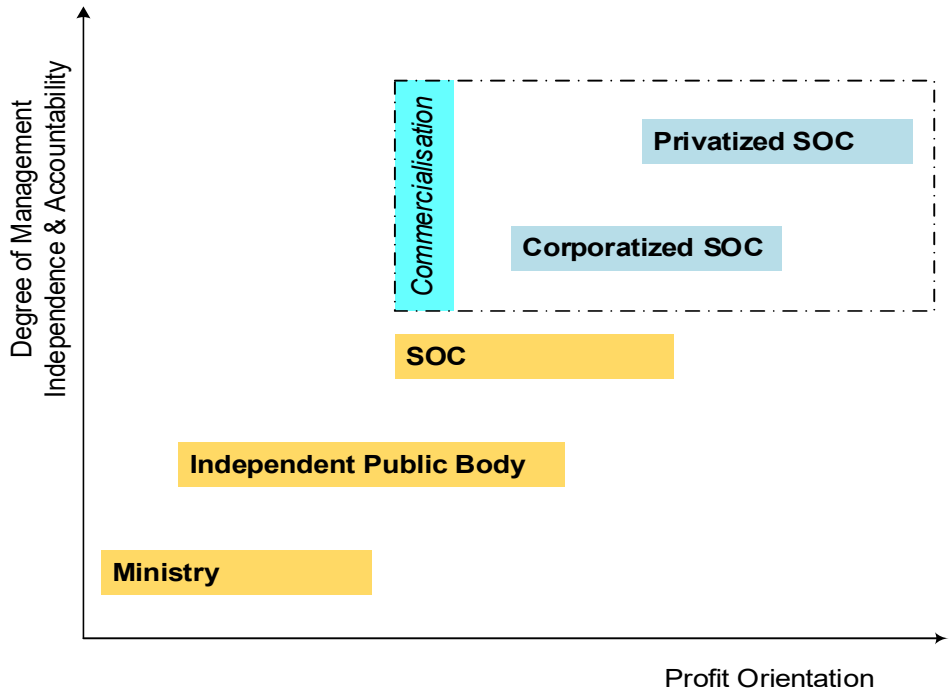
To better grasp SOC reform, the author reviews approaches used to address the widespread underperformance, including highlighting the approach South Africa has adopted in its attempt to address the performance of its SOCs.

2.3.5 Addressing SOC Performance Challenges: Commercialisation

In response to poor public sector performance, including SOCs, there emerged, from the 1980's, a new remedial wave involving application of private sector management techniques and structures to public enterprises – a process better known as

commercialisation (ADB, 2008; Wei, 2002). Commercialization prompts SOCs to use the same principles as efficient private sector companies – with strong emphasis on robust corporate governance practices, hard budget constraints, and accountability for financial results as well as to stakeholders (ADB, 2008). If well-orchestrated and implemented, commercialization strategies propel SOCs towards increased efficiencies, reduced costs, improved service delivery and better outcomes with respect to resource allocation and productivity (Edwards, 2017).

Commercialization is predicated on the premise of increasing accountability, management independence and profit orientation. The Asian Development Bank views commercialization as a staged change process involving corporatization, culminating in a fully privatized entity as depicted in **Figure 2.6**. This view is also shared by Wei (2002) who considers corporatization and privatization as the two key strategies towards commercialisation of public enterprises. This is the perspective adopted in this study, and, for improved understanding, both corporatization and privatization are further described in the following sections.



Source: Wei (2002)

Figure 2.6: *The SOC commercialisation process*

a. SOC Reform Through Privatization

Privatization was popularized by Britain's pro-market Prime Minister, Margaret Thatcher, in her 1979-90 rule – during which she oversaw the sale of major SOCs including British Airways, British Telecom, British Steel and British Gas (Edwards, 2017). However, prior to Thatcher, British Conservatives had privatized the steel industries, while, in the 1950s and 1960s, Konrad Adenaeur and Ludwig Erhard had denationalized West Germany industries (e.g. Volkswagen) to improve efficiency. According to Ramamurti (1999), privatization first took off in Latin America and the Caribbean, followed by Europe, Central Asia, East Asia and Pacific regions. The British privatisation success encouraged and spurred many countries to follow suite. In Europe, France drastically reduced state business ownership from 3 000 firms in the 1990s to below 1 500 by 2013 (Brauninger, 2013, 2015; Megginson, 2005). In North America, Canada diligently pursued privatization, successfully privatizing more than 50 major businesses between 1980 and 1990; privatising electric utilities, energy companies, railways and the national airline (Boardman & Vining, 2012). Similarly, in East Asia, Australia and New Zealand privatized numerous companies including airports, banks and telecommunications (Levac & Woodridge, 1997).

However, privatization has been criticized by a several scholars and governments (see Marangos, 2002; Wright, 2002). Edwards (2017) reports that the USA has done very little privatization beyond presidents Reagan's and Clinton's efforts; many American businesses, including airports, seaports, postal services, air traffic control, electric utilities and passenger rail are still owned by the government. As part of economic reforms, most African states embarked on SOC privatisation as part of major policy reform (Ariyo & Jerome, 1999; Danso, 1991). These African reforms were prominent in the 1980s, with the continent accounting for 35% of the 1 343 planned global divesture programs (Young, 1995).

However, despite this widespread implementation, Ariyo and Jerome (1999) submit that African privatisation was not a success. Empirical evidence indicate that privatisation benefits were not realized (Adam, Cavendish, & Misty, 1992; Kikeri, Neville, & Shirley, 1992). Privatisation outcomes, illustrated by Ghana, Guinea, Tanzania and Zambia, have been moderate, modest, or mixed (Ariyo & Jerome, 1999; Danso, 1991). Beyond the less illustrious outcomes, (Nellis, 2005) reports that African

countries have been slow and reluctant to privatise, resulting in the majority of SOCs remaining in government hands.

From the foregoing, it can be observed and concluded that, despite the global push, privatization has not been readily and widely adopted. There is evidence of countries not deeply privatizing their SOCs (Ramamurti, 1999), with many others privatizing very slowly (Vernon-Wortzel & Wortzel, 1989). Evidently, many countries, including the USA, still have many businesses in state hands (Edwards, 2017; World Bank, 1995). Also, against general expectation, some states, like Argentina, reversed privatisation and re-nationalised previously privatized firms (Baer & Montes-Rojas, 2008).

Several factors influence the subdued adoption and the limited progress in privatization. First, as the World Bank's 1995 "*Bureaucrats in Business"* report asserts, lack of political willingness or readiness contributed to the low SOC privatisation. Several political forces increase political liability, including antagonizing labour unions and powerful beneficiaries of state-ownership (Ramamurti, 1999), as the decision to privatise is closely linked to a government's political ideology. Second, privatisation face social and economic barriers, with the barriers influencing government policy making (Vernon-Wortzel & Wortzel, 1989). Notably, privatisation requires considerable administrative time and effort and has significant opportunity costs. Third, results of privatisation have not been clear (Vernon-Wortzel, 1989), while in many African countries, the benefits have not been tangible (Ariyo & Jerome, 1999). Instead, poor performance of privatized SOCs has been reported by a number of researchers (Adam et al., 1992; Kikeri et al., 1992; Vuylsteke, 1989). Such poor outcomes make many governments consider alternative reform approaches, as privatization is not the sole solution to SOC underperformance. Also, there is a growing view, as Vernon-Wortzel and Wortzel (1989) assert, that the challenge of SOCs is not simply that of ownership as premised by the privatization debate.

b. SOC Reform Through Corporatization

Corporatization is a scheme that adopts the private sector model of incorporation but retains public ownership (Mattisson & Thomasson, 2014). In other words, it is an institutional arrangement in which the public retains ownership, but business decision control rights are handed over, from politicians, to management (Klien, 2012). The

model is viewed by many, including South Africa, as a better alternative to privatization. Through corporatisation, governments aim to remove bureaucracy and create arm's-length enterprises with independent managers responsible for operating organisations they preside over (McDonald, 2014). Further, corporatisation engenders greater financial transparency, improved operational efficiency and strengthens managerial accountability within a relatively autonomous enterprise.

In practice, corporatisation is intended to improve SOC performance, productivity, service quality, efficiency and effectiveness through restraining political interference and effects of partisan politics in the management and operations of enterprises. True to this view, in his study of Austrian corporatisation, (Klien, 2014) confirmed that corporatisation effectively restrains political interference.

Corporatisation has been widely applied globally, in Africa, Asia, Europe, and in the USA. In particular, corporatization has found application in Austria, Canada, Germany, India, Italy, Malaysia, New Zealand and Sweden (Bronlee, 2014; Grossi & Reichard, 2008; Lindlbauer, Winter, Schreyögg, Winter, & Schreyogg, 2016; Yusof & Azali, 2002). While common in market economies, the model has also been applied in contemporary socialist states like Cuba and Venezuela (Alvarez, 2006; Benzing, 2006; Bremer, 2009; Chaves & Goldfrank, 2004). In Asia, China has been the most active in corporatized SOCs (Ocko & Campo, 1994). It is essential to note that the list of countries that corporatized SOCs provided here is not exhaustive but conducted for illustrative purposes to highlight how widely the practice has been applied globally. Corporatisation has been applied, with some degree of success, in service sectors such as water, electricity, airports, childcare, universities, forestry, hospitals, transport and in manufacturing (Aivazian et al., 2005; Meyer, 2002; Nelson & Nikolakis, 2012). Corporatisation has been used as a preparation for privatisation (McDonald, 2016).

Corporatization has had mixed results, with cases of convincing improved performance and also cases of poor results (Harding & Preker, 2000). Schick (1998), Vaithianathan (1999) and Harding and Preker (2000) provide examples of unsuccessful attempts to corporatize public health in New Zealand. On the contrary, Marin, Fall, and Ouibiga (2010) present the case of a successful water utility corporatization in Burkina Faso. Through corporatisation, ONEA, the Burkina Faso

water utility, improved operational efficiency, reduced water rationing, expanded service coverage, and improved the firm's financial health with revenues increasing by over 50%. Malaysia also provides a classical corporatisation case, with several successful implementation examples, including Jabatan Telkom in 1986, National Electricity Board in 1990, and MIMOS in 1996 (Yusof & Azali, 2002). These examples resulted in improved and reliable service and increased productivity, with positive knock-on effects on economic growth. In addition, China and Sweden successfully corporatized their SOCs, with China retaining a strong public ownership structure (Mattisson & Thomasson, 2014; Wei, 2002).

Although boasting evidence of success, corporatisation has its weaknesses. It is often criticised for failing to effectively depoliticise decision-making. This challenge is influenced by two factors, namely, boards of management not being given full responsibility to fulfil clear, concise and defined set of objectives, and not creating and enabling clear financial accountability (Harding & Preker, 2000). The first challenge speaks to problems of unfunded mandates that SOCs regularly get, making utility management difficult, thereby negatively impacting the effective operation of corporatized entities. Also, some corporatized firms have been criticised for over-reaching their autonomy, being "public" in name but not in character – prompting questions about the substance and nature state ownership, particularly where essential services are concerned (McDonald, 2016). Finally, though there is a lot that is universal about the corporatisation, the model is not simple and there is no singular form, resulting in diverse operational realities (McDonald, 2016).

2.3.6 Addressing SOC Performance: South African Approach

As articulated in section 2.3.4, South African SOCs have historically been, even during the pre-1994 era, underperforming; and several of them continue to underperform. Concomitantly, South Africa has always needed interventions to address SOC underperformance through an appropriate institutional structure. In this vein, South Africa has been pursuing the commercialisation option, with an inclination towards corporatization as outlined in section 2.3.5. Privatisation and nationalisation have been subjects of heated debate in South Africa (ILRIG, 1999), with labour and government often assuming opposing positions. In this light, the following sections describe South Africa's SOC reform progress and associated performance impacts.

South Africa attempted privatization efforts from the apartheid era. In the main, however, privatization has never been a favoured option, but rather, controversial and contentious. Pushed by economic isolation, the apartheid regime used state entities to effect import substitution, create jobs for the white minority, particularly Afrikaners, for socio-economic benefits (Jerome & Rangata, 2003; Mokwena, 2012). Under the burden of international pressure (through sanctions and isolation), government relented and accepted privatization in 1985 as part of the country's economic policy reform. In this vein, in 1987, South Africa formulated a White Paper on privatisation and economic restructuring (A Jerome, 2004), going on to establish the specialised Department of Privatisation (Mokwena, 2012). In particular, the policy paper targeted five key SOCs for privatisation, including Eskom, ISCOR, FOSKOR, Telkom and the Railway Lines. However, the privatization program was strongly opposed by trade unions and political institutions like the ANC (who were expecting to take over political power) and, as such, the privatisation reforms progressed very slowly, yielding limited tangible results and leaving targeted objectives mostly unrealized.

Of the targeted five SOCs, only ISCOR was privatized in 1989. In fact, the program lost momentum in the early 1990s and was eventually put on hold during constitutional negotiations. Notwithstanding the halting of the program due to political changes, it should be born in mind that privatization faced strong opposition from anti-apartheid organisations and trade unions. In place of privatization, South Africa opted to reform SOCs through corporatization (Schwela, 2002).

In 1994, the new democratic government inherited more than 300 SOCs. These entities were incurring losses, with serious productive inefficiencies (Jerome, 2004; Gumede *et al.*, 2016). The new government first considered free-market privatisation or "restructuring" of SOCs as a path to socio-economic development and as a strategy to expand services to the poor (Gumede, Asmah-Andoh, & Kabir, 2016). As a start, the government targeted privatisation of the major state assets, particularly Eskom, Transnet, Telkom and Denel (Kane-Berman, 2016). However, as were the previous initiatives, these privatisation drives were opposed by trade unions and, resultantly, government silently reneged. The resulting effect was that government could not succinctly articulate its position on SOCs - whether it is pro-privatization or not. In the long term, the South African government's policy position has oscillated between being

pro-SOCs and privatisation, resulting in policy uncertainty.

From 1994 to 2012, the country took several economic policy positions, most with varying approaches to SOCs some of which were in contradiction to written policies. The post 1994 economic policies include, the Reconstruction and Development Program (RDP) of 1994; GEAR of 1996; ASGISA of 2004; the New Growth Path of 2010 and, most recently, the National Development Plan (NDP) of 2012. The new government's varying policy positions on privatization is demonstrated by the freedom charter's anti-privatisation stance; the RDP's promoting of privatisation of underutilized state assets, as well as GEAR's support broad-based privatisation and restructuring of SOCs. In response, trade unions criticised GEAR for contradicting RDP. Notably, subsequent policies, GEAR and the NDP, have been silent on privatization. Overall, privatisation has not progressed well in post-apartheid South Africa, having faced concerted opposition from the ruling party's alliance partners, the SACP and labour.

After 2004, Mokwena (2012) reports that the privatization agenda was replaced by using state institutions to advance strategic national objectives – a more welfarist economic approach. The current South African macroeconomic blueprint, the NDP, advocates state capitalism (Kane-Berman, 2016), implying a shift towards corporatisation while retaining state control. In 2010, the Presidency commissioned a review of SOCs to explore opportunities to optimise SOCs to support the developmental state policy position that is gaining momentum and currency with the current government. However, the recommendations have not been implemented.

From the foregoing, it is evident that South Africa has not adopted a consistent policy on SOCs, vacillating between being pro-state enterprises and privatisation. Of critical note, however, it is argued that privatisation has little to show for the majority of South Africans (Gumede et al., 2016). It is also argued that privatisation policies have not yielded the intended outcomes, concluding that SOC privatisation and divestiture, put forward as a path to economic growth and development, require a supporting political and social environment as well as an appropriate enabling institutional frameworks to assert the centrality of government in the political economy. These pre-requisites have not been in place in the SA economic landscape.

In line with the country's inconsistent policy position on SOCs, South Africa has retained several SOCs in its economic architecture – estimated to be about 715 in total (PRC, 2012). The PRC premises a developmental state economic policy position, with SOCs playing a pivotal role in advancing socio-economic development – a position widely and publicly pronounced by the South African government leadership. This policy position is predicated on corporatized SOCs. Notably, South Africa's corporatized SOCs have been underperforming (see section 2.3.4d), with some enterprises in distress and at the brink of collapse or bankruptcy. Given that the South African government opts to retain SOCs, it, therefore, warrants the crafting of practicable turnaround solutions and a pragmatic guiding framework to restore functionality in SOCs through successful turnaround.

2.4 BUSINESS TURNAROUND

Several business turnaround definitions have been proposed. Pandit (2000) defines turnaround as actions instituted to reverse organizational decline and failure, while Brandes and Brege (1993: 92) propose turnaround as "a process that takes a company from a situation of poor performance to a situation of good and sustained performance". Paton and Mordaunt (2004) describe turnaround as a considerable and rapid business improvement enough to reinstate viability in the face impending failure. These definitions emphasize that turnaround involves special, urgent and rapid strategic interventions to distressed and decline-threatened businesses. This study adopted Paton and Mordaunt's (2004) definition as it brings to the fore the urgency and time-constrained nature of the turnaround phenomenon. It emphasizes returning business to viability status, a condition critical to the reversal of declining SOCs.

Considerable research (including documentation) has been done on private sector or corporate turnaround (Beeri, 2006; Fischer *et al*., 2004; Guan & Xu, 2007; Opoku, 2011; Pandit, 2000; Smith & Graves, 2005; Sudarsanam & Lai, 2001; Thong *et al*., 2000; Walshe *et al*., 2004). Research has covered a variety of themes. Since the 1970s, private sector turnaround research has covered themes such as organisational decline and the turnaround process (Bibeault, 1982; Hambrick & Schecter, 1983a; Schendel & Patton, 1975; Whetten, 1980), causes of decline and factors for turnaround (Bibeault, 1982; Francis & Desai, 2005), leadership or management

decisions during turnaround (Abebe, Angriawan, & Liu, 2011; Barker III, Patterson Jnr, & Mueller, 2001; Bibeault, 1999; Lohrke et al., 2004), turnaround strategies (Robbins & Pearce, 1992), turnaround models and frameworks (Arogyaswamy et al., 1995; Barker III & Mone, 1994; Tangpong et al., 2015).

Several studies have also focused on reviewing and consolidating existing turnaround research. These efforts are designed to improve concept understanding, identify gaps and direct future research. Notable studies in this domain include the works of Whetten (1980), Pearce and Robbins (1993), Pandit (2000), as well as Lohrkhe *et al* (2004). Despite regular reviews, the turnaround concept is yet to be fully explored and better understood. This is demonstrated by the continued review efforts and structuring of future research direction. Over the last five years, five such reviews have emerged including the recent review works of Trahms *et al*. (2013), Schweizer and Nienhaus (2017), Serra *et al* (2017), Tanpong *et al.* (2015), Liang *et al* (2018), and Ghazzawi (2018). Gaps recently identified in the turnaround field include lack of research or studies consolidating all turnaround literature, encompassing content, process, and context dimensions across multiple research fields (Schweizer, 2017); more empirical research on leadership or top management teams (Ghazzawi, 2018; Liang *et al*., 2018), empirically validating the view that top management changes leads to successful turnaround (Ghazzawi, 2018); limited large sample studies of declining firms using managerial cognition as a theoretical lens (Liang *et al*., 2018).

Thematic studies have been complimented by research on frameworks and models to best manage and reverse business decline. These studies have particularly been motivated by the need for practical/empirical guide to practitioners. Notable recent studies in this area include the works of Schweizer and Nienhaus (2017), Serra *et al*., (2017), and Tangpong *et al*. (2018).

These gaps, among others, leave the turnaround fraternity with an incomplete picture about the science and practice of business turnaround, speaking to a need for more research to extend and complement current knowledge and understanding of the theme. A longitudinal overview of private sector-focused turnaround research is summarised in **Table 2.2**. While not exhaustive, it helps paint a broad image and

narrative of the current turnaround research, including existing gaps requiring further exploration.

Table 2.2: *Summary of a longitudinal review of private sector turnaround research*

Researcher	Research Focus, Summary & Findings
Prior to 1981	
(Schendel & Patton, 1975)	"*Corporate stagnation and turnaround*": This paper explains how declining firms get out of turnaround situations. It uses a matched-pair sample to compare firms in similar environmental conditions, but who differ in performance outcomes: one firm turns around, while another fails to do so. The study builds on previous work on turnaround strategies.
(Schendel et al., 1976)	*"Corporate turnaround strategies: A study of profit decline and recovery":* This paper looks at firms that experienced turnaround, focusing on management actions or decisions and environmental changes or events associated with the turnaround. Evidence suggests that it takes unfavourable changes in the environment coupled with either inefficient operations under an existing corporate strategy or a strategy no longer suited to its competition, markets, or the economy, to cause sustained decline in earnings.
(Whetten, 1980)	"*Organizational decline: a neglected topic in organizational science*": This paper looks at organizational decline, a theme that had not been adequately studied by organizational scientists at the time as they focused on organizational growth and its consequences. The paper reveals that predictions of an emerging era of retrenchment reflected a need to study the management of organizational decline. The paper proposes a research agenda including teaching and consulting activities to rectify our neglect of this topic.
(Hofer, 1980)	"*Turnaround strategies*": This is one of the earliest papers on corporate turnaround. It provides a framework for crafting turnaround strategies for single industry firms or strategic business units in multi-industry firms. The article covers types of turnaround strategies, the nature of turnaround situations and a framework to guide the selection strategies.
1981 - 2000	
(Bibeault, 1982)	*"Corporate turnaround: How managers turn losers into winners":* This book unpacks the turnaround concept and practice. It examines causes of decline, and reviews general management concepts, turnaround cycle stages and factors in the turnaround success or failure. It also analyses the role of leadership in a turnaround process.
(Hambrick & Schecter, 1983b)	"*Turnaround strategies for mature industrial-product business units*": This study on short-term turnaround attempts by mature industrial-product business units found that efficiency-oriented moves, but not entrepreneurial initiatives, were associated with successful turnaround. The study found three types of successful turnaround "gestalts", namely asset/cost surgery, selective product/market pruning, and piecemeal moves.
(O'Neil, 1986)	"*Turnaround and recovery: What strategy do you need?*": The article shows what researchers know, and what they don't know about turnaround in the 1980s. The objective of the paper was to assist turnaround practitioners in the design of effective strategies.
(Hambrick & Aveni, 1988)	"*Large corporate failures as downward spirals*": This study looked at 57 large bankruptcies and 57 matched survivors and examined the dynamics of major corporate failure. The study revealed a protracted process of decline, portrayed by prior theorists, and modelled as a downward spiral. Significant features of the downward spiral included early weaknesses in slack and performance, extreme and vacillating strategic actions, and abrupt environmental decline.
(Hoffman, 1989)	*"Strategies for corporate turnarounds: What do we know about them?":* The paper reviews the knowledge gain on corporate turnaround following the release of the seminal articles on the theme in the late 1970s by Schendel and Paton and by Whetten in 1980.
(Barker III & Mone, 1994)	*"Retrenchment: Cause of turnaround or consequence of decline?"*: This article critiques, replicates and provides an alternative explanation for Robbins and Pearce (1992) findings using data from the same sample of firms attempting turnarounds. The paper established that little evidence exists to support the assertion that retrenchment is integral to turnaround and concludes by offering several recommendations for turnaround researchers.
(Arogyaswamy et al., 1995)	*"Firm turnarounds: An integrative two-stage model":* This paper presents a model proposing that turnaround firms exhibit two types of response to decline: (a) decline-

Researcher	Research Focus, Summary & Findings
	stemming strategies that reverse dysfunctional consequences of decline, and (b) recovery strategies that position the firm to better compete in its industry. It also posits that effective top management actions supporting both strategies are vital to recovery. The model critiques existing assumptions and extends theory; arguing that success in stemming decline requires going beyond retrenchment or financial issues to include management of external stakeholders, internal climate, and decision processes. It also outlines key contingencies impacting each response stage and discusses interactions between stages. Finally, it demonstrates how the model explains several unresolved issues on turnarounds.
(Barker III & Duhaime, 1997)	*"Strategic change in the turnaround process: Theory and empirical evidence*": This paper closes the gap between strategic re-orientation and retrenchment propositions by presenting and empirically supporting a model proposing that the extent of strategic change initiated in a successful turnaround varies systematically with a declining firm's need and capacity to reorient its strategy. Based on the model, the paper explains why past large-sample researchers were not able to verify the role of strategic change in the turnaround process and reasserts the adaptive role of strategic reorientations in turnarounds of declining firms with weak strategic positions.
(Robbins & Pearce, 1992)	"*Turnaround: Retrenchment and recovery*": The paper investigates retrenchment as an integral part of business turnaround. It differentiates retrenchment activities as a response to financial distress from retrenchment as a first phase of a turnaround strategy.
(Pearce & Robbins, 1993)	*"Toward improved theory and research on business turnaround":* This study reviews turnaround literature from several disciplines. It develops an empirical conceptual model for business level turnaround. The model is designed to guide future theory testing initiatives and advance strategic management practice.
(Brandes & Brege, 1993)	*"The successful double turnaround of ASEA and ABB: Twenty lessons"*: The turnaround at ASEA and ABB is one of the most spectacular renewals of large/complex industrial firms in Europe in the 1980s. The paper considers change of CEO as the starting point of the turnaround process which can be divided in 5 phases from retrenchment to international expansion. Lessons include the CEO's role, the initial situation, the climate for change, the turnaround process, as well as grand planning and learning. In comparison with earlier studies, the paper establishes that deep involvement of the CEO and top management in turnaround strategy implementation is crucial for success.
(Pandit, 2000b)	*"Some recommendations for improved research on corporate turnaround":* This paper reviews 47 turnaround studies from 1980 to 2000. Its motivated by, among others, problems with research design, and that investigations have largely been ad hoc either proceeding without a priori theoretical guidance or failed to relate findings to extant theory ex post. The study makes recommendations for future research based on stronger designs and stronger theory in the hope that rapid advancement will ensue.
2001 - Present	
(Barker III et al., 2001)	*"Organizational causes and strategic consequences of the extent of top management team replacement during turnaround attempts":* The paper examines top management replacement in declining firms attempting turnaround. It establishes that top management replacement levels vary with inertial forces within firms. Reduced levels of top management replacement occur during turnarounds at large firms and those following the same strategic orientation for a long period of time. Increases in outsider control of the board are associated with increased levels of replacement. The study also finds that higher levels of top management team replacement are associated with greater changes in firm competitive strategy, structure, and controls during turnaround.
(Chowdhury, 2002)	"*Turnarounds: A stage theory perspective":* This paper presents a composite four-stage model characterising the dynamics of turnaround and provides a basis for theory development on which to draw further. By categorizing the elements of turnaround as three critical requirements - incidents, events, and concepts - the model explains how elements germane to each stage facilitate the progression from a crippling deterioration in performance to an enduring success or to an eventual death. An analysis of the turnaround of Chrysler Corporation provides preliminary support for the model.
(Bruton et al., 2003)	*"Turnaround in East Asian firms: Evidence from ethnic overseas Chinese communities":* This study highlights that research done in the US shows that firms in decline are likely to return to health when strong measures are taken. It also shows that the culture of overseas

Researcher	Research Focus, Summary & Findings
	Chinese of East Asia helps to shape the region's prior commercial success, but also impacts responses to firm decline and turnaround. The research provides the first empirical investigation of turnaround strategies of overseas Chinese firms in East Asia. Evidence reveals that utility of the predominantly U.S. model of turnaround has limits in East Asia.
(Lohrke et al., 2004)	*"The role of top management teams in formulating and implementing turnaround strategies: A review and research agenda":* The paper reviews studies that examined how top management teams (TMTs) formulate and implement turnaround strategies. It highlights TMT topics that have received limited attention in the turnaround literature, representing opportunities for future research. The paper concludes by discussing methodological issues to be considered when examining a TMT's role in turnaround.
(Francis & Desai, 2005)	*"Situational and organizational determinants of turnaround":* The paper studies the role of situational factors concerning the environment and a firm's decline, along with various internal resources and strategies that can enable a firm to recover from decline. The results indicate that contextual factors such as the urgency and severity of decline, firm productivity and the availability of slack resources, and firm retrenchment can determine the ability of sample firms to turnaround.
(Pearce, 2007)	*"The value of corporate financial measures in monitoring downturn and managing turnaround: An exploratory study":* The study extends literature on the value of financial ratios to organisational turnaround. It explores new conceptual grounding proposing and reviewing linkages between financial ratios and challenges of managing decline, redirection, and re-establishment. The established model suggests that successful turnaround strategies can be guided by financial ratios.
(Abebe et al., 2011)	*"CEO power and organizational turnaround in declining firms: Does environment play a role?":* This study empirically examines the relationship between CEO power and turnaround performance under conditions of environmental stability/dynamism. It established varying effects of CEO power on corporate turnaround performance in stable and dynamic environments.
(Hambrick & Chen, 2012)	*"CEO replacement in turnaround situations: Executive (mis)fit and its performance implications":* The study counters the widely-held view that CEO succession is generally beneficial in turnaround situations, and adopts an executive fit/refit logic, proposing that the implications of CEO replacement depend integrally on the incumbent's degree of misfit and the successor's degree of fit to the contextual conditions at hand. The study finds substantial support for the fit/refit theory.
(Trahms et al., 2013)	*"Organizational decline and turnaround: A review and agenda for future research":* Paper builds on Pearce II and Robbins' (1993) review by cataloguing the last 20 years of empirical evidence relating to turnaround, developing a descriptive model of organizational decline and turnaround, and concluding with a theory-based future research agenda.
(McKinley et al., 2014)	*"Organizational decline and innovation: Turnarounds and downward spirals":* The study considers four scenarios that can unfold when organizations either innovate or respond rigidly to organizational decline. The research explores the conditions under which these scenarios are likely to emerge, developing original theory and specifying propositions about those conditions. The emerging theoretical framework distinguishes between flexible and inflexible innovations as factors in turnaround success or failure.
(Tangpong et al., 2015)	*"A temporal approach to retrenchment and successful turnaround in declining firms":* Study reviews 2-stage turnaround models, extending current understanding of the retrenchment–turnaround relationship in declining firms by introducing a temporal approach. It argues that the effectiveness of retrenchment as a strategy is contingent on its early adoption in turnaround. Study is based on a matched pair sample of 96 US firms.
Santana, Valle, & Galan (2017)	*'Turnaround strategies for companies in crisis: Watch out the causes of decline before firing people':* Research shows how the human resources responses of declining companies should be aligned with sources of decline. The study adopts a configurational perspective and proposes a model of analysis linking sources of decline, turnaround strategy, and HR strategy (HRS) and practices. The model identifies four HRS for organizations in decline: flexibility-oriented, efficiency-oriented, niche-oriented, and maintenance-oriented strategies.
Serra, Pinto, Guerrazzi, & Ferreira (2017)	*"Organizational decline research review: Challenges and issues for a future research agenda":* Study highlights knowledge gap in understanding of business decline,

Researcher	Research Focus, Summary & Findings
	turnaround, and business mortality. Identified challenges include better definition, cognitive issues, decision-making and methodological problems. Study used literature review and interviews with authors of extant literature. Recommends decline prevention, turnaround, context, and institutional forces as some of the key areas for future research.
Schweizer & Nienhaus (2017)	*"Corporate distress and turnaround: integrating the literature and directing future research":* Article considers existing reviews in discussing the current body of turnaround literature across multiple research fields and structures its work along a holistic framework. It emphasizes need for harmonization and operationalization in turnaround success metrics.
Ghazzawi (2018)	*"Organizational Turnaround: A conceptual framework and research agenda":* Paper reviews available literature of the turnaround process, provides an in-depth look into the role of the organization's top management team "TMT" in the turnaround process, and offers an agenda for a future research. Study suggests that the subject of turnaround deserves much research and analysis.
Liang, Barker, & Schepker (2018)	*"Chief Executive cognition, turnaround strategy and turnaround attempts of declining Firms":* This paper develops an interpretative model of turnaround management describing how the attention and attribution patterns of CEOs in declining firms influence the odds of successful turnaround attempts. The model is tested on a sample of US-based, publicly traded single business firms that experienced significant performance declines between 1987 and 2005.

On the other hand, SOC (public sector) turnaround has received limited research attention and focus (Boyne, 2004, 2006; Thong *et al*., 2000; Kumalo & Scheepers, 2018). To this end, knowledge and understanding of SOC turnaround is limited as supported by Beeri (2012), who has written extensively on turnaround strategies in public systems, when he concluded that public sector turnaround suffers from "significant lacunae". Favero and Rutherford (2016) highlight that little is known about the efficacy of strategies recommended for businesses in turnaround, underscoring that public organisations face constraints in employing proposed strategies.

The limited research on public sector turnaround available has largely been undertaken in developed economies such as the UK, the USA, Germany and Japan (Beeri & Navot, 2014). Not much documented research has focused on developing economies. For example, Beauman (1996) reviewed turnaround of British Steel Corporation, Turner, Skelcher, Whiteman, Hughes, and Jas (2004) looked at turnaround strategies in poorly performing UK Councils, Joyce (2004) analysed the role of leadership in the turnaround of UK Local Authority, Beeri (2006, 2012) studied turnaround management strategies in English local authorities. The paucity in public sector turnaround research is further outlined in section 2.5.

However, it is noteworthy to highlight that there are significant contextual differences between developed and developing economies' business environments (see section

2.3.2) and private sector and public sector management (Boyne, 2006). However, contextual differences point to the need for turnaround research reviewing turnaround in developing economies for considered understanding. The knowledge gaps in the turnaround phenomena, public sector turnaround, and developing economies public sector turnaround, highlighted in the forgoing sections have considerable implications on the growing quest to reverse failures in, and promote higher performance by public organizations. This is critical in SOCs in developing economies such as South Africa.

2.5 PUBLIC SECTOR TURNAROUND

It is well documented that turnaround research has, for long, focused on the private sector, while there has been limited focus on the public sector turnaround, particularly SOCs (Boyne, 2003; Maheshwari & Ahlstrom, 2004; Thong *et al*., 2000). For example, turnaround research by Hofer (1980), Pandit (2000), Barker III and Duhaime (1997) and many others provide detailed private sector turnaround insights. As a result, private sector turnaround influenced and attempted to shape the public sector turnaround discourse. There are, however, significant differences between private and public sector institutions that call for different approaches to the turnaround approach for each of the sectors. These differences are briefly outlined in the next sections.

In the private sector, failure is punished promptly and severely, often through bankruptcy or take-over by competition. Failing public sector institutions, however, continue to survive, mainly, on fiscal support (Sharma & Manimala, 2012) in the form of bailouts, government guaranteed loans, equity injection, or subsidies. For example, Scooter Limited of India survived losses for a period of twenty-four (24) years from inception in 1972 until turnaround initiatives were instituted (Kumar & Srivastava, 2001). This would have been impossible in the private sector. Similarly, several South African SOCs are thriving because of repeated government support, with some having been technically insolvent. More recent cases are the proposed lifeline to SAPO, SAA and SANRAL to an estimated R59 billion (Mokone & Kgosana, 2018). This will not be possible in the private sector as non-viable businesses will be liquidated courtesy of allocative market forces (Fundanga & Mwaba, 1997). Further, Paton and Mordaunt (2004) conclude that turnaround approaches applied to the private sector may not be effective in the public sector.

In addition, turnaround requires organizational flexibility and dynamism – attributes readily found in the private sector. On the other hand, the public sector is generally locked in a rigid political, regulatory, and contractual morass (Smarick, 2010), making turnaround efforts complex and slow. Some scholars (e.g. Thong *et al*., 2000) group the differences between private and public sectors into three categories, namely: environmental/external factors, organization-environment transactions, and internal structure and processes as detailed below.

Environmental Factors: Public sector enjoys less market exposure and relies on appropriations, resulting in reduced incentives for productivity efficiencies, and lower allocation efficiencies. Private sector is, however, considered to have better productivity and allocative efficiencies (Fundanga & Mwaba, 1997). The public sector faces more legal and formal constraints, heightened political influences and bureaucracy – all which impacts recovery efforts.

Organization-Environmental Transactions: Public sector institutions often have to execute mandatory actions emanating from coercive powers of government. Some of these mandatory actions are not in line with the enterprise's core business. Also, SOCs have the burden of wider scopes and objectives mainly designed for the public (and not necessarily economic) interest. Public officials also endure higher scrutiny with heightened expectations to act responsibly, fairly and accountably. This is particularly true in South Africa today, spurred by the advent of investigative journalism and an activist civil society.

Internal Structure and Processes: The public sector is more complex in various areas, namely: in procurement, management has less decision-making autonomy, there is high reluctance to delegates, susceptibility to political and bureaucratic interference; including predominance of political roles for top management, executives and the board. Because executives and board members are usually political appointees, there is usually a high turnover that follows political leadership changes that come with elections. These fundamental structural issues do not impact the private sector.

The differences highlighted above make public sector institutions, including SOCs, more complex and difficult to turnaround (Robertson & Seneviratne, 1995).

It is observed that public sector turnaround research has mainly focused on municipalities (Beeri, 2009, 2012; Joyce, 2004; Jas & Skelcher, 2005; Mofolo, 2012), public schools (Boyne & Meier, 2009; Favero & Rutherford, 2016; Rutherford, 2014; Rutherford & Favero, 2019) and health institutions, with very limited attention to SOCs. Kumalo and Scheepers underscore that recent turnaround research has focused on commercial private sector enterprises. In the public sector, Turner et al. (2004) reviewed turnaround strategies of poorly performing councils. Similarly, Jas and Skelcher (2005) studied public sector improvement strategies, while Beeri (2006, 2009, 2012) and Beeri and Navot (2014) examined turnaround strategies for UK local authorities. Joyce (2004) appraised the role of leadership in a UK local authority turnaround. Boyne (2003, 2006) evaluated the turnaround process in US public services as does Honore, Stefanak, and Dessens (2012a) work on Mahoning County District. Observably, none of these studies looked at SOCs. A high-level longitudinal review of public sector turnaround research is provided in **Table 2.3**.

Table 2.3: *Longitudinal review of public sector turnaround research*

Researcher	Research Focus Description
Before 2001	
(Thong et al., 2000)	*"Business process re-engineering in the public sector: The case of the Housing Development Board in Singapore":* The paper premises existing knowledge on business process reengineering (BPR) is mainly derived from private sector experiences, which are fundamentally different from public organizations. The paper represents a first step in understanding how BPR may be different in public organizations. It highlights differences between public and private organizations and their implications for BPR, concluding with lessons learned for implementing BPR in public organizations.
2001 - Present	
Boyne (2003)	*"Sources of public service improvement: A critical review and research agenda":* This paper reviews evidence from sixty-five empirical studies of the determinants of public service performance. The paper suggests that the most likely sources of service improvement are extra resources and better management. The paper proposes a research agenda for further work, providing recommendations to enhance the theoretical and methodological quality of studies of public service improvement.
Ahlstrom & Bruton (2004)	*"Guest Editors' Introduction to Special Issue. Turnaround in Asia: Laying the foundation for understanding this unique domain":* This paper highlights growth in turnaround concept attention from researchers, managers and consultants. It also reveals that the subject has received low examination in Asia, with studies usually focusing more on the external environment or macroeconomic issues and less on the management of Asian firms themselves. The paper suggests questions for future research of firm turnaround in Asia.
Boyne (2004)	*"A '3Rs' strategy for public service turnaround: Retrenchment, repositioning and reorganization":* This paper reviews turnaround strategies in public sector environment. The paper is informed by the high challenges and occurrence of public service 'failure' triggering the search for effective turnaround strategies. The paper acknowledges that although little research on turnaround in the public sector has been undertaken, there is

Researcher	Research Focus Description
	growth studies of decline and recovery in private firms. Evidence from these studies suggests that turnaround is more likely in companies that pursue retrenchment, repositioning and reorganization. The paper analyses the relevance of the '3Rs' strategy to the public sector, and the potential consequences for public service improvement.
Walshe, Harvey, Hyde, & Pandit, (2004)	*"Organizational failure and turnaround: Lessons for public services from the for-profit sector":* This paper reviews literature on failure and turnaround in for-profit organizations, presents several frameworks for describing and categorizing failure and turnaround, and examines the suitability and transferability of theoretical and empirical studies in the for-profit sector to the emerging field of failure and turnaround in public services.
Maheshwari & Ahlstrom (2004)	*"Turning around a state-owned Enterprise: The case of Scooters India Limited":* Past turnaround research shows that the likelihood of an organization to successfully turnaround depends on a complex interaction between action choices of the organization and constraints in the business environment. This paper extends this line of research, examining corporate decline and turnaround in an environment with numerous challenging environmental constraints in the state-owned sector in India.
Paton & Mordaunt (2004)	*"What is different about public sector and non-profit turnaround?":* This paper reconstructs the literature on corporate turnaround in terms of its recurring features. It then assesses these against the experience of four very different cases of the turnaround or attempted turnaround of public and non-profit organizations. The paper concludes that while some concepts from corporate literature highlight important aspects, other critical complicating features of what is needed to achieve a turnaround in public and non-profit contexts would be overlooked or poorly treated if the situation were considered simply in these terms.
Joyce (2004)	*"The role of leadership in the turnaround of a local authority":* This article examines leadership behaviour in successful turnaround of a public services organization. The article sets out several propositions relating to leadership behaviour and uses case study of Newham Council from 1996 to 1999 to show that effective public services leaders do not simply work through visions, communications and empowerment. The paper concludes that successful leadership is more complex in turnaround situations than is suggested by the literature on visionary and transformational leaders.
Jas & Skelcher (2005)	*"Performance decline and turnaround in public organizations: A theoretical and empirical analysis":* This paper presents empirical findings from a real-time, longitudinal study of the turnaround of poorly performing English local authorities. The paper develops a theory of performance failure and turnaround suited to public organizations. It argues that the typical performance of public organizations over time is cyclical. Where cognition and leadership capability are absent, organizations fail to self-initiate turnaround. In this situation authoritative external intervention is necessary. The theory is presented in the form of seven propositions that provide a basis for further research across the public sector.
Beeri (2006)	*"Recovering failing local authorities: Is there a need for turnaround management strategies?":* The paper analyses the efforts to recover English municipalities by the Audit Commission. These efforts comprised persistent measurement, inspection, and supervision focused at local authorities' performance improvement. The study establishes that the success was partial due to two main reasons: first, the lack of experience and grounded knowledge and second, the use of inappropriate strategies.
Boyne (2006)	*"Strategies for public service turnaround: Lessons from the private sector?":* This paper builds on the considerable work conducted on the reversal of decline in the private sector. The paper builds a turnaround model from extant literature, and the model is reviewed evaluating the effectiveness of different turnaround strategies. Private sector evidence suggests that recovery from failure is associated with strategies of *retrenchment*, *repositioning*, and *reorganization.* Also, the paper reviews feasibility and impact of the strategies in the public sector, generating research questions on public service turnaround.
Gupta & Sathye (2007)	*"Financial turnaround of the Indian Railways: Good luck or good management":* This article analyses factors that influenced the turnaround of the Indian Railways from a low performing organisation to a high performing entity. While enterprise turnaround is often ascribed to managerial leadership; the paper found that environmental factors, including good luck, contributed significantly to the success of Indian Railways. The implication of the study is that organisational turnaround success needs to be put in a wider context.
Beeri (2009)	*"The measurement of turnaround management strategies in local authorities":* The paper was guided by growth in use of turnaround management strategies (TMS) in the public

Researcher	Research Focus Description
	context. The paper, however, acknowledges that the area still is beginning to be researched and adjusted measurement tools are still needed. This article describes the construction and validation of a new scale for measuring TMS in local authorities
Boyne & Meier (2009)	"*Environmental change, human resources and organizational turnaround"*: Study reviews the impact of changes in task environment and human resources on recovery from decline. The paper develops a new model derived from theories of environmental and human resource effects on organizational performance. The model is applied to failing schools in Texas and finds that turnaround is influenced by changes in the munificence and complexity of task environments, including the appointment of a new leadership.
Gupta & Sathye (2010)	*"Turnaround of Indian Railways: A public ownership saga":* This paper locates the Indian Railways (IR) within the broader Indian public sector and explores the factors that led to the turnaround from poor performance to a high one. Using a case study method, the paper develops a theory of enterprise turnaround. The theory suggests that turnaround successes should be understood in terms of managerial actions, and favourable environmental conditions. It reveals that both managerial leadership and good luck contributed to the turnaround success of the IR.
Sharma & Manimala (2012)	*"Sustainability of the Indian Railways turnaround: A stage theory perspective":* The paper examines a large complex departmental commercial Indian organization and its turnaround in the theoretical stage theory perspective. The paper fills research gaps of research in public sector including using the established stage theory model to answer the question of sustainability of the Indian Railways turnaround.
Mofolo (2012)	*"Reinforcing a turnaround strategy for municipalities to improve performance":* The article investigates turnaround strategies for South African municipalities. The paper is influenced by increasing public outcry in South Africa about poor performance of municipalities. The research confirmed that many municipalities are not living up to expectations despite the Department of Cooperative Governance and Traditional affairs developing a Local Government Turnaround Strategy. The study concludes that a practical framework is required to guide municipalities' turnaround.
Beeri (2012)	*"Turnaround management strategies in public systems: The impact on group-level organizational citizenship behaviour":* This article presents findings of an empirical survey testing the effect of turnaround management on group-level organizational citizenship behaviour. The findings show that local authorities that implemented repositioning and reorganization at the organizational level experienced high levels of group-level organizational citizenship behaviour, while high implementation of reorganization at the personnel level was linked to low group-level organizational citizenship behaviour. Group-level organizational citizenship behaviour was indifferent to retrenchment strategies.
Rutherford (2014)	*"Organizational turnaround and educational performance: The impact of performance-based monitoring analysis systems":* This article investigates the efficacy of turnaround policies in organizations that persistently fail to meet accountability standards. Using Performance-Based Monitoring Analysis System data from 169 school districts in Texas, the paper highlights that turnaround interventions have only limited success. The paper shows that improvements quickly dissipate following an intervention. It also reveals that management matters and that the type of monitor assigned to a failing school influences the extent of performance improvement.
Beeri & Navot (2014)	*"Turnaround management strategies in local authorities: Managerial, political and national obstacles to recovery":* Poor-performing local authorities are under continuous pressure to employ turnaround management strategies, strategies derived from the private sector and assumed to be effective in public-sector contexts. This paper shows that turnaround management strategies have been either poorly matched to the causes of failure in the government sector, poorly implemented, and that turnaround management strategies always tend to fail in the public context. The paper also suggests theoretical and practical lessons for improving reforms in the public sector organizations that face crisis.
Favero & Rutherford (2016)	*"For better or for worse. Organisational turnaround in New York City schools*": This study provides a large sample quantitative analysis of three common categories of turnaround mechanisms, namely *retrenchment*, *repositioning*, and *reorganization* in about 300 distressed New York City schools between 2008 and 2011. The paper reveals that none of the three turnaround strategies appear to be significantly associated with improvements in core organizational performance from an administrative perspective, although

Researcher	Research Focus Description
	repositioning appears to improve client satisfaction. These outcomes contrast the findings on the 3Rs by Boyne in 2004.
Ravaghi, Mannion, & Sajadi (2017)	*"Organizational failure and turnaround in public sector organizations: A systematic review of the evidence":* This article is premised on the view that existing evidence on organizational failure and turnaround are derived from the private sector. There are few corresponding reviews of the empirical evidence in the public sector. The paper is, therefore, a review existing turnaround literature aimed at providing a summary of the research investigating the above items in the public sector.
Kumalo & Scheepers (2018)	*"Leadership of change in South Africa public sector turnarounds":* The paper establishes that, despite numerous studies to identify the stages during turnarounds, the findings have been inconclusive. In this light, the seeks to address the gap by defining these stages, or episodes. It also posits that the characteristics of leaders affect the outcome of organisational change in turnarounds. The paper focuses on leadership requirements during specific episodes, from the initial crisis to the full recovery phases.
Rutherford & Favero (2019)	*"Organizational turnaround: Moving beyond one-size-fits-all solutions*": This study offers a framework for matching strategic interventions to current state of an organization's functioning in terms of resources (material and human), coordination (horizontal and vertical), and the environment. The study uses a panel dataset of New York City schools and finds two observations of turnaround that often appear mutually exclusive—that an organization can improve performance by shoring up weaknesses and that an organization should play to its current strengths; can complement each other and may both appropriately describe different types of organizational challenges.

Some observations are notable from the review summary. First, it was confirmed that public sector turnaround research has predominantly been undertaken in developed economies especially in the UK (Beeri, 2006, 2009, 2012; Beeri & Navot, 2014; Jas & Skelcher, 2005; Joyce, 2004), and the United States (Boyne & Meier, 2009; Favero & Rutherford, 2016; Honore et al., 2012; Amanda Rutherford, 2014). Chin (2016) attest that turnaround research has its roots in the US manufacturing and financial services industries. Public sector turnaround research, although limited, has also emerged in East Asia (Ahlstrom & Bruton, 2004; Bruton *et al*., 2003), particularly in India (Gupta & Sathye, 2007, 2010; Maheshwari & Ahlstrom, 2004; Sharma & Manimala, 2012). Notably, Indian turnaround research has been motivated by and centred around the successful turnaround of the Indian Railways. The review also revealed the paucity of public sector turnaround research in SA, with only two publications by Mofolo (2012) and Kumalo and Scheepers (2018) identified.

Second, as in the private sector, research has focused on the common themes of turnaround strategies (Boyne, 2004; Beeri, 2006, 2009, 2012, Mofolo, 2012; Beeri & Novat, 2014; Favero & Rutherford, 2016; & Kumalo & Scheepers, 2018); turnaround models and frameworks (Boyne, 2004; Beeri, 2006, 2000; Boyne & Mordaunt, 2009); factors and causes of turnaround (Boyne & Meier, 2009; Gupta & Sathye, 2007, 2010;

& Rutherford & Favero, 2019); and the role/influence of leadership in turnarounds (Joyce, 2004; Beeri, 2006, 2009, 2012; Kumalo & Scheepers, 2018; & Rutherford, 2014). Some research has been done to review existing studies and proposing future research agenda. Early reviews include the works of Boyne (2003), Ahlstrom and Bruton (2004), and Jas and Skelcher (2005). Despite these regular reviews, public sector turnaround research remains sparse with concomitant knowledge gaps as asserted by Rutherford (2014) and Favero and Rutherford (2016). More recent research review by Ravaghi *et al*. (2018) highlight contemporary knowledge gaps in public sector turnaround.

From the review, notable public sector turnaround research gaps include that most studies have failed to draw sufficiently from extant theory or to develop useful new theory on the subject, that understanding of cycles of failure and recovery still has many gaps (Beeri & Novat, 2014). Beeri and Novat further highlight that it remains unclear whether turnaround management strategies are either needed or useful in the public context. In a more recent publication, Kumalo and Scheepers (2018) identify knowledge gaps in turnaround models, arguing that there exist overlaps and the models are inconclusive.

The review outcomes, in both private and public sectors, point to a need for research on the phenomenon. This is especially relevant as South Africa's public sector is in dire strait with government departments and SOCs are deteriorating and making headlines in the local and international press (Mabe, 2015). In effort to understand SOCs turnarounds, synopses of three case studies have been reviewed to provide a synopsis and insight in the architecture of SOC turnaround. These case studies include the Indian Railways; Scooters India Limited; and British Steel Corporation. All three cases showcase successful turnaround of declining SOCs.

These three cases were selected to demonstrate that it is possible to turnaround SOCs in both developing and developed nations, as well as to underscore geo-political contextual differences. Two cases were selected from a developing nation, India, and one taken from a developed nation, the UK. India was selected as it falls in the same economic grouping with South Africa, the BRICS, providing for similarity in socio-economic contextual frame with South Africa. The British Steel case was

selected to represent the developed nation example. Notably, the cases provide insights in critical requirements for SOC turnaround that essential to the broader study.

2.5.1 Turnaround of Indian Railways

The Indian Railways (IR) is one the most celebrated government-owned company turnaround cases. The Indian Railways is a large (capital investment of $13.75 billion) and complex organization that provides direct employment to 1.4 million and indirect employment to over 7 million people (Gupta & Sathye, 2007). IR operates as a department under the Indian Government and provides transport to over 15 million people per day across India. However, in the 1990s IR faced decline, suffering decreases in revenue, drop in market share as well as capacity to finance expansion and growth – reaching bottom in its financial performance in 2001 when it had to defer dividend payment (RBI, 2006). The causes of IR decline included operational inefficiency, lack of market focus, lack of competitiveness, low employee productivity (Sharma & Manimala, 2012), rising employee costs, lack of pricing flexibility, and lack of operational flexibility (Gupta & Sathye, 2007; Regani & Dutta, 2004).

IR's turnaround strategy was modelled along Boyne's (2004) 3Rs model of retrenchment, repositioning and reorientation, with a collection of supporting sub-strategies. Notably, although IR reduced its employee size from a peak of 1.65 million in 1991 to 1.41 million people (a 10% reduction), it did not lay-off people. Neither did the state consider privatisation but retained confidence in public ownership (Gupta & Sathye, 2010). Rather, it adopted the strategy of not filling vacancies created by retirement or other forms of attrition. Given this approach, the question that begs answers is: "in a typical downturn environment, urgent cost-cutting measures are required now - how long will it take to effectively reduce operational costs if the retrenchment approach requires waiting for people to resign or retire?"

Also, the Indian Railways seem to have been helped by change in legislative environment that favoured IR – particularly the Supreme Court ruling of November 2005 that banned overloading of road transport vehicles that led to a 25-30% difference between road and rail freight rates which helped boost IR business. From the analysis and, as concluded by Gupta and Sathye (2007), the turnaround of IR can be attributed to a combination of an excellent strategy well executed and some good

luck. Contributing success factors include accountable leadership, identification of new competencies, and fostering strategic focus (Emanuel, 2011).

2.5.2 Turnaround of Scooter India Limited

Scooters India Ltd (SIL) was established in 1972 as producer of a niche Indian motor scooter. However, SIL made losses for twenty-four years from its formation until 1996 after the institution of turnaround initiatives (Kumar & Srivastava, 2001). During the loss-making period, SIL was classified as a sick and permanently failing organization. It was also among the top ten loss-making companies in India (Maheshwari & Ahlstrom, 2004). Serious labour relations issues were encountered, and worker unions fought pitched battles with management and government, creating tension that resulted in top management being forced to operate from outside their designated offices (Kumar & Srivastava, 2001). However, leadership change, improved industrial relations, manpower reduction/retrenchment, enlisting of government support and a change of core product domain were among the strategies applied to bring about Scooter India turnaround (Maheshwari & Ahlstrom, 2004; Kumar & Srivastava, 2001).

2.5.3 Turnaround of British Steel Corporation

The British Steel Corporation (BSC), a major British steel producer, reversed decline and perennial losses (£821 million in 1978/79) to profits of about £686 million by 1988/89 and £1bn by 1995/96 (Beauman, 1996). Amongst the key strategies applied at BSC were retrenchment of both assets and employees and a drive to increase revenue. The labour force was reduced from 208 000 in 1978/79 to 54 000 by 1995/96 – a 74% employee reduction. Although labour staged a massive strike, both government and BSC were determined to see through the changes. Notably and in contrast, such determined labour resistance, in South Africa, would most probably have resulted in government relenting and giving in to its demands. As part of the turnaround and long-term sustainability plans, BSC was eventually privatized in the 1988 to 1991 period. It is interesting to see if this bold approach can be achieved in developing economy environment, particularly SA.

2.5.4 Summary on SOC Turnaround

From the foregoing discussions, SOC turnaround research has received limited attention compared to the private sector. The gap is more pronounced in developing

African economies. Although there is evidence of growing research focus and literature on developed and East Asian (e.g. India, China, Singapore, Thailand) public sector turnaround research, including SOCs, very limited public sector turnaround research has been done and documented based on the African context.

However, the geopolitical and socio-economic environments of developed and East Asian economies, upon which available literature is based, are different to those in Africa. African economies are regarded as developing economies - first having transited from colonial leadership to mainly socialist ideologies with legacies of central planning, and now reforming to open market economies. These transitions engender complex environmental, organization-environmental transactions, and structural and process contexts that warrant differentiated approaches to turnaround. South Africa still struggles with the apartheid legacy, strong and politicised labour as well as unclear SOC policy position. It is argued here that different background contexts would influence different turnaround success drivers. Notably, conceptions of organizational failure and turnaround will be incomplete if they do not consider the contextual factors and organizational dynamics (Mellahi & Wilkinson, 2004).

2.6 TURNAROUND FRAMEWORKS

In this study, a turnaround framework was considered to be a broad structure of interlinked concepts that support and guide the turnaround of distressed state-owned companies. It represents the empirical relations between critical aspects informing the successful turnaround of state-owned companies. This section reviews concept of turnaround frameworks, looking at examples found in extant literature. While acknowledging the salient differences between a framework and a model, the author reviewed both models and frameworks for completeness sake. The approach was informed by two aspects, namely: (i) the limited number of frameworks available and (ii) the lack of distinction between the two in extant literature.

2.6.1 Turnaround Frameworks/Models in Extant Literature

While considerable studies on private sector turnaround exist, Boyne (2004) posits that there is a lack of a universally accepted framework to guide turnarounds. Boyne's assertions are corroborated by Pretorius (2009) and Holtzhauzen (2011). Further, in a later publication, Boyne (2006: 370) contends that "no model of the turnaround

process in the public sector has been developed". In view of these arguments and acknowledged gaps, this study develops, as part of its output and knowledge contribution, a pragmatic SOC turnaround framework that is responsive to the South African context. However, to guide that effort, a brief review of the currently available body of research is provided in the next section.

Most prominent approaches to business turnaround have followed a stage theory perspective, with several scholars proposing different versions (Manimala & Panicker, 2011). Literature search identified 13 process-oriented turnaround frameworks and models. The identified frameworks and models are summarized in **Table 2.4.** It is important to highlight that the list provided in the Table is not exhaustive, but only indicative as there could be others not identified. However, from the list, some insightful observations critical to the turnaround body of knowledge can be drawn and are articulated in the following sections.

Table 2.4: *Summary of turnaround frameworks and models in extant literature*

#	Author(s)	Framework/Model Name	Description
1	Bibeault (1982)	Five-stage model	Model's 5 stages including: top management change, diagnosis, emergency actions, stabilization and return to growth.
2	Weitzel & Jonnson (1989)	Five-stage model	Model comprises 5 stages involving: blinded stage and good information, inaction stage and prompt action, faulty action stage and corrective action, crisis stage and effective re-orientation, and dissolution stage where no action is possible.
3	Manimala (1991)	Four-stage model	Model's 4 stages include: arresting sickness, reorienting, institutionalization and growth.
4	Pearce & Robbins (1993)	Two-stage contingent model	Model classifies turnaround strategies into retrenchment and recovery stages.
5	Arogyaswamy et al. (1995)	Two-stage model	Model classifies turnaround strategies into decline-stemming stage and recovery stage.
6	Maheshwari (2000)	Contingency framework	An integrated framework covering key areas of causes of decline, consequences of decline and response actions to decline.
7	Chowdhury (2002)	Four-stage model	Model classifies turnaround strategies into retrenchment and recovery stages.

#	Author(s)	Framework/Model Name	Description
8	Chowdhury (2002)	Two-stage contingent model	This is similar to Pearce and Robbins (1993) model and comprises retrenchment and recovery stages.
9	Boyne (2004)	3R's model	Model comprises retrenchment, repositioning and re-orientation stages.
10	Brewster (2004)	3R's model	Slightly different from Boyne's 3R's model, this comprises rescue, renewal and re-orientation stages.
11	Burbank (2005)	The classic five-step turnaround process	Approach based on Bibeault's (1982) model as adopted by the Association of Certified Turnaround Professionals and includes: situation analysis, management change, emergency action, business restructuring and return to normalcy.
12	Smith & Graves (2005)	The turnaround process model	A process-oriented model involving turnaround situation, declining stemming strategies, recovery strategies and extent of recovery.
13	Manimala & Panicker, (2011)	Functional areas model	Classifies turnaround strategies by functional area, that is: HR, financial, marketing, operations, and corporate planning strategies.

First, consistent with Boyne (2004), and except for a few cases of congruency, for example (i) Pearce and Robbins (1993) with Chowdhury (2009), and Bibeault (1982) with Burbank (2005), the available models and frameworks are significantly different. This observation confirms the lamentation of Pretorius (2009) (2006) and Holtzhauzen (2011) that there is a lack of a standard approach or framework to guide turnarounds. Second, specific to frameworks, the research reveals the general absence of guiding frameworks in the business turnaround field. Notably, the list in **Table 2.4** shows only one framework to 12 turnaround models. Third and finally, all the presented approaches, serve for Boyne's (2004) 3R's model, have been developed from private sector background research – reinforcing the concentrated focus on private sector research and limited attention to SOC or the public sector.

2.7 KEY TURNAROUND DRIVERS

Strategy scholars isolate and highlight several key drivers for successful business turnaround, including: *bridging finance*; *turnaround leadership*; *a viable and competitive core business*; *a competent human resources team*; *effective stakeholder*

engagement and management; *effective communication; cultural renewal*; and *sound corporate governance* (Cascio, 2003; Joyce, 2004; Lohrke et al., 2004; Zimmerman, 2002). The following sections provide an overview of these turnaround drivers, highlighting how they influence business turnaround. Where possible, examples are provided on where the drivers have influenced turnaround.

2.7.1 Resource Munificence: Bridging Finance

Turnaround situations are characterised by dwindling and limited resources, particularly scarcity of finance to support recovery efforts and strategies. Also, in turnaround situations organisations encounter high employee turnover, with critical and knowledgeable staff leaving, uncertain of what the future holds (Keirulff & Petersen, 2009). This makes it very difficult for a company to flexibly manoeuvre to stop the decline and effect recovery. Ironically, the general perception with public sector turnaround is that resources are positively correlated with organizational recovery (Boyne, 2003). Human capital and bridging finance constitute two resource groups critical to successful business turnaround. Human capital influence on turnaround is discussed in section 3.4.4; this section focuses on bridging finance.

Bibeault (1999) posits that bridging finance is critical to take the firm through its turnaround phase. Similarly, bridging finance is positively related to firm growth (Castrogiovanni, 1991). Further, bridging finance is critical as it provides working capital or operating cash flow to keep the business afloat and going during turnaround times - and ensure turnaround initiatives are carried out (Keirulff & Petersen, 2009). Bridging capital also aids the business in re-establishing positive relationships with its key stakeholders (Scherer, 2003). However, at times, turnaround managers and researchers fail to acknowledge the significance of cash flow in turnaround situations (Stover, 2003). Without finance, turnarounds are typically impossible.

Bridging finance can be obtained from internal resources or from external support. Internally, bridging finance can be obtained from divesting non-profitable subsidiaries (Scherer, 2003), and managing for cash flow rather than managing for profit. There are several external financing sources, each with requirements to satisfy investor's needs and produce the risk/return relationship required (Correira, Flynn, Ulianna, & Wormald, 2007). External funding sources include commercial banks, investment

banks, venture capitalists, and development finance institutions like the Industrial Development Corporation, Public Investment Corporation and pension funds.

Unfortunately, turnaround situations usually constrain firms from accessing funding as the firms' integrity would have been tarnished. As such, creditors and financiers are anxious and, often, reluctant to commit additional funds unless a solid turnaround plan, based on realistic projections of the business's ability to support itself after turnaround, is presented (Scherer, 2003). In extreme cases financiers pull the plug on the firm and stop the turnaround initiative. For SOCs, the government is usually the main source of bridging finance. This approach, however, is generally met with serious public criticism, particularly if this occurs on a regular basis. The struggle to access bridging finance often provokes tension between stakeholders to the extent of disturbing the focus of the turnaround team. For example, the attempt by SAA, in 2012, to access funding support for its turnaround efforts was opposed that it led to resignations of the board chairman, several board members, the CEO and other executives. Without enough funding, business turnaround becomes colossal and futile mission.

2.7.2 Turnaround Leadership

Turnaround success is correlated with competent leadership. Joyce (2004) argues that successful turnaround is dependent on competent leadership that is able to craft an inspiring strategic vision and boldly define a new direction for the declining firm. Lorkhe et al. (2004) emphasize top management team (leadership) as strategic and influential in bringing about successful turnaround. In this research, turnaround leadership refers to both the Board of Directors and Executive Management. It is important that the two leadership structures work closely if the turnaround initiative is to succeed (Harker & Sharma, 2000). In practice, organisations usually adopt the CEO/chairman duality governance structure to create an unambiguous centre of power to avoid conflict between the CEO and the board during turnaround times.

Supporting the significance of leadership in successful turnaround, Harker and Sharma (2000) highlight three leadership attributes that ensure successful turnaround. These attributes include industry wisdom; destiny development and management; and organizational enhancement. Turnaround leadership should be experienced in the sector and have expert knowledge of both the business and its major stakeholders

(Joyce, 2004; Zimmerman, 2002). Zimmerman (2002) added that turnaround leadership should be afforded enough time with the company to effect recovery and should have absolute control to effect the required change. (Jas & Skelcher, 2005: 194) fittingly summarised the significance of leadership in public sector turnaround when they said, “where cognition and leadership capability are absent, organizations fail to self-initiate turnaround”.

However, it is observed that executives leading the turnaround of distressed South African SOCs have not lasted long in their positions. For example, Telkom SA had five CEOs in a period of seven years and SAA has had ten CEOs in 16 years, five of them between 2013 and 2017. Further, it is strongly believed that turnaround leadership is not bestowed with enough control to stir distresses SOCs along the recovery path – there is high perceived government interference. The regular change of the turnaround leadership and perceived limited control by the turnaround leadership could be impacting on the processes of crafting and implementing effective turnaround strategies as well as the recovery success. Examples of turnaround leadership include: Lee Iacocca of Chrysler, Carl Ghosn of Nissan (Abebe et al., 2012), John Sculley and Steve Jobs of Apple Computers (Castrogiovanni, 1991), Michael Capellas of WorldCom Inc -now MIC (Pandey & Verma, 2005), Percy Barvenik of ASEA/ABB (Brandes & Brege, 1993), and Louis Gerstner of IBM (Gerstner Jnr, 2002).

2.7.3 Viable and Competitive Core Business

Primarily, turnaround is predicated on an organization with a viable and competitive core business – implying that a SOC should have a product or service offering in demand by the market. Existence of a core business informs and justifies any business turnaround (Bibeault, 1999). SOCs invest in initiatives of national strategic importance aligned to support industrial policy and national economic growth – usually in areas that the private sector does not focus on. Normally, SOCs have clearly defined core businesses upon which to centre their turnarounds – and, often, they are regulated monopolies with legally mandated missions operating in areas where they are free of private sector competition (Reisner, 2002). SOC core businesses are customarily in the following sectors: energy and power, transportation, telecommunications, and water. However, some countries, like China and Zambia, nationalized the majority of their economies such to have a SOC in almost every sector.

Reisner (2002) posits that any innovative and transformative changes to the business during turnaround should be connected to the firm's core business. He blames the stalling and failure of the American Postal Service turnaround efforts to initiatives that were tangential to existing core operations. ASEA/ABB provides a classical example of a firm that capitalized on its core businesses, avoiding unrelated operations in successfully turning around an underperforming entity. In turning around the business, ABB leadership focussed on energy, railway engines, and environmental protection - activities which formed the core businesses for the firm (Brege & Brandes, 1993).

2.7.4 Human Resources Lever

Turnaround situations invoke severe shock to businesses, threatening firm economic independence (Harker & Sharma, 2000) and undermining the future of employees. Notably, when a company is in turnaround situation, the first and most typical response is the dismissal of people, even before considering the sources of the decline (Santana, Valle, & Galan, 2017). Periods of distress or turnarounds usurp management and workforce confidence, instilling feelings of uncertainty, anxiety and fear. Turnarounds, particularly those with worker retrenchments, result in employees losing pride, feeling despondent and weakened by a defeatist attitude. Turnarounds are like this because most recovery initiatives incorporate significant employee lay-offs as an initial part of asset retrenchment of the cost reduction stage (Santana, Valle, & Galan, 2017). Cascio (2003) concludes that the downsizing of human capital in turnarounds is premised on the view that the only two ways to make money in business include cutting costs and increasing revenues.

Considering Cascio's proposition, employee retrenchment forms a significant part of cost-cutting measures in business turnaround. However, in contrast to this approach, to make money in business and effect successful turnaround, it requires a motivated organization working at full potential – turning the defeatist workforce attitude to that of energized confidence. This can best be managed using the Human Resources Lever – a people-centred turnaround initiative (Srivastava & Bhatnagar, 2008). Practically, the human resources lever to business turnaround centres around a human resource (HR) strategy founded on the premise that employees are sources of innovation and renewal, with potential to grow the business.

Through the HR Lever, the firm has the right people in the right positions – that is - people with technical competency, credible turnaround experience, who are eager to face challenges and are hungry to perform (Srivastava & Bhatnagar, 2008) are collectively mandated to pull the firm out of decline. These resources can be brought from outside or can be developed from within the firm. Critical to this approach is the harmonization of employee relations, particularly the old and the new employees, as there is potential for conflict. To this end, leadership should institute psychological transformation, cultivate confidence and transmit a renewed exuberance across the entire organization. In this case, success requires dedicated and targeted engagement of employees, transparent communication, promoting a culture of performance, innovation and recognition of excellence (Choudhary et al., 2012).

The HR Lever has been successfully applied in turnarounds by several firms, amongst which include Motorola India-Mobile (Srivastava & Bhatnagar, 2008), Rourkela Steel Plant (Choudhary et al., 2012), ASEA/ABB (Brandes & Brege, 1993), and IBM (Balgobin & Pandit, 2001). All these firms were transformed from poor performing and loss-making entities into competitive, profit making firms - reversing market share loss and general business declines. Following application of transformative HR turnaround strategies, Motorola-India began competing with its long-time rivals like Nokia and Samsung. Similarly, Motorola India-Mobile Devices turned around its ailing business through hiring critical resources, promoting and monitoring performance, talent recognition, and demonstrating that, in turnaround situations, employees are assets to be developed rather than costs to be cut. In its turnaround, ASEA/ABB employed the HR Lever by empowering divisional managers, making them adapt from functionally based specialists to general managers with profit responsibility. Further, ABB changed its management promotion approach from seniority-based to being guided by capability and competence (Brege & Brandes, 1993).

2.7.5 Stakeholder Management

A thriving business is a network of stakeholders. As such, continued existence of a business is largely dependent on the strength of a firm's relationships with its key stakeholders (Christine Oliver, 1990; Pajunen, 2006). Appel (2005) emphasizes that, in both normal business and turnaround circumstances, stakeholder relations make a critical difference in ensuring a firm's survival. However, turnaround firms suffer from

strained relationships with their key stakeholders. This originates from a history of poor trading, inadequate communication, unfulfilled leadership promises, and unpleasant surprises. These factors, and the risk of exposure to failure, inadvertently, coalesce to erode stakeholders' confidence in the distressed firm (Slatter *et al*., 2006).

This study adopts Freeman's (1984) stakeholder definition of: "any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the firm". As public institutions, SOCs have a wider set of stakeholders. Freeman (1984) submits that the essence of stakeholder management lies in the identification and proper stakeholder mapping. Stakeholders are often classified into as primary or secondary stakeholders. Slatter *et al.* (2006) group stakeholders in turnaround situations into "mission critical" and less important. The objective is to focus on the "mission critical" stakeholders as resources are limited. Several scholars (for example, Arogyaswamy et al., 1995; D'Aveni & MacMillan, 1990; Rosenblatt, Rogers, & Nord, 1993) acknowledge the strategic role of stakeholders in business turnaround. Mitchell, Agle, and Wood (1997) and Pajunen (2006) posit that stakeholders possess three key attributes (legitimacy, power and urgency) that afford them varying degrees of influence over the firm. As a result, during turnaround, each stakeholder group requires customized consideration to satisfactorily address their requirements.

In the fear of loss from the declining firm, stakeholders, if not managed well, tend to behave cautiously, at times holding back services essential for the sustenance of the declining business. Suppliers and distributors may hold back services in fear of not being paid, employee productivity may drop as workers become despondent and anxious of the organization's future, and creditors may hold back funding, uncertain of whether the organization will honour its commitments.

From the foregoing, stakeholder management constitute a critical part of firm turnaround. Slatter, Lovett, and Barlow (2006) submit that the guiding principle in turnaround stakeholder management is that leadership must rebuild stakeholder confidence and restore business predictability through re-establishing a sense of direction and purpose, open and unbiased communication and provision of reliable information. They further add that the process requires robust advocacy of the firm's position. Pajunen (2006) simplifies the approach to stakeholder management to the

addressing of two key questions: (1) what kind of stakeholders are most influential (mission critical) in the organization's survival?, and, (2) how should a firm handle these stakeholders? If approached well, the process should result in the firm regaining stakeholder support and work cooperatively towards firm turnaround.

2.7.6 Effective Communication

During decline, stakeholders create perceptions about the organization's future which, if not managed, manifest as rumours that often lead to the company's demise. Troubled companies attract intense media attention; even more so for troubled SOCs. Having no structured and coherent communications plan in place leaves the organization firefighting and dodging the public – which fuels wild speculations and misinterpretations (Julsen, 2002). It is, therefore, critical that, as the firm works to revive its failing business, it communicates constantly, credibly, consistently, and confidently to both its internal and external stakeholders (Clausen, 1994). Structured communiqué, guided by a sound communications strategy, is effective in controlling the flow and quality of information, ensuring consistency to manage and influence stakeholder impressions and perceptions (D'Aveni & MacMillan, 1990).

While some scholars acknowledge communication as a key turnaround driver, there has been limited empirical research on the theme (D'Aveni & MacMillan, 1990; Julsen, 2002). Notable research on the theme includes the work of Staw, McKechnie, and Puffer (1983), and Salancik and Meindl (1984). Julsen (2002) indicates that, often, turnaround and bankruptcy teams include bankruptcy lawyers, turnaround managers, investment bankers, restructuring accountants and real estate advisors, with a conspicuous omission of the communication function. Some firms even question the significance of a dedicated communications specialist on the turnaround team.

However, in turnaround initiatives lacking carefully planned, structured and proactive communication, management resort to crisis-denial response approaches, often resulting in disastrous outcomes. D'Aveni and MacMillan (1990) report that such companies fail in their turnaround efforts, with many filing for bankruptcy. In trivialising communication, leadership lose control on information flow, leaving rumours to dominate and shape the stakeholders' views and firm image. As Julsen (2002) purports, "rumours of a company's demise, if left to grow unchecked, can become self-

fulfilling prophecy". Conversely, effective communication minimizes disruptive rumour mongering and ensures consistent information inflow, keeping stakeholders informed of current information and developments. The net effect is improved organizational image, repositioning it as a transparent, responsible firm amongst its key partners, with concomitant collaborative support to the turnaround initiatives by all concerned.

ASEA/ABB and Bank America Corporation distinctively used communication to drive their respective turnarounds. (Clausen, 1990) reports that, during its turnaround, Bank of America Corporation communicated credibly, constantly, and consistently to both internal and external parties. Clausen adds that this approach positively influenced the outcome of the bank's turnaround. Similarly, Percy Barnevik capitalized on his communicative skills to drive ASEA/ABB's turnaround success. Through skilful communication, he secured the support of trade unions (a renowned difficult constituency) for several severe, yet pivotal, decisions regarding firm reorganizations and reductions (Brege & Brandes, 1993). Also, ASEA/ABB constantly and consistently preached and spread the message of 'the New ASEA", to reinforce the new vision and strategic direction of the firm to key stakeholders. Partly due effective communication, both turnarounds were a success.

2.7.7 Cultural Renewal

Gatti (2002) posits that successful turnarounds are founded on major cultural renewal. Similarly, Korte and Chermack (2007) submits turnaround require a change in the shared organizational mental model. Schein (1992) describes organizational culture as an "organization's shared basic assumptions", while Korte and Chermack (2007) define it as the organization's underlying beliefs, values and norms – attributes that foster a dynamic, adaptable and essential in a firm. Higgins and Mcallaster (2004) and Srivastava (1985) identify five elements that define organizational culture. These elements include values and norms, myths and sagas, language systems and metaphors, symbols, rituals and ceremonies, and, use of physical surroundings including interior design and equipment. It is acknowledged that firms act on the basis of their underlying norms, beliefs, and values (Schein, 1992).

Cultural renewal starts from a new ideology and is complex. (Gatti, 2002) identifies four cultural renewal attributes critical to turnaround, that is, that:

- The process occurs over a long duration, such that leadership needs to keep employees engaged and involved throughout the change process.
- Cultural renewal should be designed as a dialectical process – where the key partners should be explorative and innovative.
- The process should ensure transformation from a coercive culture type to an enabling one. A coercive culture is characterised by stifling creativity, fostering dissatisfaction, and demotivating employees, while an enabling culture clarifies roles and responsibilities, reduces role stress, as well as encouraging employees to be more effective.
- Cultural renewal works very well as a mechanism for managing and governing the firm's fragility – both internally and externally.

Cultural renewal can be instituted through training, implementation of new managerial approaches and operating systems (Gatti, 2002), and through scenario planning (Korte & Chermack, 2007). Cultural renewal should be designed and spearheaded by leadership and top management team, ensuring improved leadership effectiveness, effective turnaround implementation, heightened commitment and enthusiasm across the entire firm and foster unity of intents.

The turnaround of IBM and Nissan showcase the power of cultural transformation in influencing turnaround. Louis Gerstner, as new IBM CEO, rebuilt leadership, revitalized the workforce's sense of purpose, and revamped the firm's ossified culture bred by its historical success. Gerstner fostered a culture of uniform and fair adherence to good principles and policies (Gerstner Jnr, 2002). Similarly, Yutaka Kume of Nissan, presided over a cultural change initiative that formed the bedrock of the firm's turnaround. In fostering cultural change, Kume appealed to everyone "to change the traditional currents and create a new corporate culture' (Isizhuna, 1990).

2.7.8 Corporate Governance

The influence of governance on firm performance and business turnaround have been reviewed by several scholars (for example: Drobetz et al., 2004; Filatotchev & Toms, 2003, 2006; Ramdani & van Witteloostuijn, 2010). Notably, recent research has particularly highlighted governance factors as a key constraint to managerial activity in turnaround situations (Filatotchev & Toms, 2006). It has been emphasized that poor

governance negatively impacts timeous and effective managerial response in crisis periods when urgent decisions are required (Kochlar & Hitt, M, 1998).

Several governance elements influence business turnaround, with key factors being board composition, board size, CEO duality, top management size and top management change (Mueller & Barker, 1997). Other governance factors include ethical and moral conduct and fair administration of contracts (Filatotchev & Toms, 2006). These factors impact the firm's strategic flexibility, defined as "a firm's ability to respond to varying demands from dynamic competitive environments" (Sanchez, 1995). Strategic flexibility can be a unique source of competitive advantage leading to both success and survival (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). Strategic flexibility is dependent on two elements: the inherent flexibility of resources available to the firm, and the ability of management to craft effective restructuring strategies in response to environmental, technological, market conditions and new opportunities.

The main, and often conflicting, theories supporting the strategic flexibility concept include: the agency theory, the stewardship theory and the resource dependency theory. In terms of the agency theory, the board should be dominated by independent non-executive members to ensure effective monitoring of executives. In addition, incumbents for the CEO and board chairman positions should be different to separate control (directing) from operational functions. The agency theory premises that effective monitoring improves firm performance by reducing agency costs (Hillman & Dalziel, 2003). However, the stewardship theory advocates for the board to be dominated by executive directors to promote effective decision making as executives are more knowledgeable of the business compared to non-executives. The stewardship theory also recommends CEO duality, arguing that this engenders strong leadership (Ramdani & van Witteloostuijn, 2010). In view of conflicting theories, turnarounds should have a balanced board to minimize leadership tension and promote efficient decision-making.

Mueller and Barker (1997) posit that successful turnaround firms are likely to have CEO/chairman duality, medium-sized boards, as well as greater outside control from a higher proportion of independent board members than failed turnaround firms. This view is corroborated by Chiang and Lin (2007) who argue that, in general,

CEO/chairman duality increases firm productivity. Contrary to these findings, Daily (1996) questions the effectiveness of board monitoring in preventing firm bankruptcy. On the contrary, Daily and Dalton (1994) argue that companies with CEO/chairman duality governance arrangements are more likely to fail in their turnaround attempts and file for bankruptcy. The concept of CEO/chairman duality is criticized by agency theorists who contend that this governance arrangement negates the board's primary monitoring role for the protection of shareholder interests but, instead, increases CEO entrenchment through consolidating corporate decision-making in a single person.

However, proponents of CEO/chairman duality argue that this governance structure promotes strong and unified leadership (Finkelstein & D'Aveni, 2004) which is necessary for quick strategic decision-making as turnaround situations require decisions to be taken in compressed timeframes (Slatter, 1984). Global cases where governance factors have been instrumental in ensuring turnaround success include: the turnaround of Chrysler by Lee Iacocca in the 1980s (CEO/chairman duality), and the turnaround of IBM by Louis Gerstner in the 1990s (CEO/chairman duality).

With corporate governance growing in importance, it is important to pay attention to its role in public sector turnaround, particularly in view of the observed high cases of corruption, questionable appointment of SOC boards, and board independence.

2.7.9 Other Drivers

In addition to the eight key drivers articulated in the foregoing sections, some scholars add responsible entrepreneurial culture, and project management (or rigour in strategy implementation) as important turnaround drivers (Sudarsanam & Lai, 2001). The success of IBM turnaround in comparison to the failure of its peers (Xerox, Phillips and Polaroid) is attributed to IBM's innovation capabilities (Gerstner Jnr, 2002). This research also reviewed the significance of these drivers in the SA SOCs' turnaround.

2.8 RESEARCH PROPOSITION(S)

Literature recommends researchers to strengthen studies with a hypothesis or propositions. Specific research propositions help in limiting the study scope, increases the chances of the chances of the research completing. Research propositions guide

in study data collection and discussions (Baxter & Jack, 2008). In concurrence with the literature recommendations as well as the gaps identified in existing literature on SOC turnaround drivers, this study was guided by the following proposition:

> *"Beyond the drivers identified in existing literature, there exist more drivers, some contextual and institutionally-oriented, that influence the successful turnaround of distressed South African state-owned companies*".

The proposition strengthened the basis of the research and provided invaluable guidance in data collection.

2.9 CHAPTER SUMMARY

In summary, the chapter first identified a fitting paradigm to guide the research, locating the study in a critical realist paradigm. It then reviewed the origins of SOCs and established their continued significance globally and locally in South Africa. The review also revealed significant performance challenges in state owned companies, in developed nations, developing countries as well as in South Africa. This finding justifies the need for SOC reform and appropriate approaches and strategies. Correspondingly, the chapter looked at SOC reform approaches, including corporatisation. For South Africa, the review established that the government intends to keep SOCs under its ownership and, therefore, best possible approach to address poor performance is through business turnaround initiatives.

The chapter also reviewed regional and country contextual differences between developed nations and developing countries (including South Africa) with respect to their influence on SOC turnaround process and attendant strategies. It also assessed business turnaround, providing summarised longitudinal reviews of research in both private and public sectors. The review established turnaround research gaps in general, gaps in public sector turnaround, and a paucity of turnaround studies in developing countries, including South Africa.

The chapter also assessed existing turnaround frameworks, establishing that there is a lack of a standard framework to guide public sector turnarounds. Also, most

approaches have been developed from private sector-based research, reinforcing the dominance of private sector research and corresponding limited research on SOCs turnaround. Finally, the chapter outlines a set of key turnaround drivers that is found in extant literature; establishing ten key drivers from the contemporary research.

The existence of knowledge and research gaps in turnaround as well as persistent underperformance and distress in South Africa's state-owned companies justify the need for detailed research in the turnaround of the country's SOCs.

CHAPTER 3 : THEORETICAL & CONCEPTUAL FRAMEWORKS

3.1 INTRODUCTION

This Chapter focuses on two elements critical to the scientific research, namely: the study theoretical framework and the conceptual framework. The first portion of the chapter looks at research theories culminating in the profiling of the study theoretical framework. The second portion outlines the study conceptual framework.

3.2 RESEARCH THEORIES & THE THEORETICAL FRAMWORK

Literature reveals lack of consensus on the role of theory in qualitative research (Sandelowski, 1993; Tavallaei & Talib, 2010; Wu & Volker, 2009). However, in practice there is increasing affirmation by scholars that all knowledge is theory-laden (Guba & Lincoln, 1989) and that research is theory-driven (Mitchell & Cody, 1993; Morgan & Smircich, 1983). On the contrary, Thomas (1997) argues against the use of theory in education research, contending that theory inhibits creativity among researchers.

Notwithstanding the lack of agreement among scholars, theory is always present in qualitative research and is pivotal to qualitative scholarship (Anfara & Mertz, 2006), 2006). Given its critical roles in research *vis-à-vis* the prevailing confusion among scholars relating to the same, there is a clear need to adequately define theory and distinctly situate it in one's study, that is, spell out its significance and functions prior to selecting the theory or theories underpinning a study. In view of this, this section articulates the theories underpinning the abstraction of study findings and the significance of underpinning theories to the study. The section is structured in three portions, as follows: **section 3.2.1** unpacks differing definitions of theory, **section 3.2.2** articulates functions of theory in qualitative study, and **section 3.2.3** articulates the key theories that have been applied in this study. To provide for a broad level of abstraction, the researcher adopted multiple theories framework, used in combination, to undergird the study. This theoretical framework is outlined in **section 3.2.4**.

3.2.1 Definitions of Theory

There is no single definition of theory. Underscoring this predicament, Anfara & Mertz (2006) acknowledge that the term theory does not have a clear and consistent

definition. As such, scholars define theory in different ways (see Anfara & Mertz, 2006; Argyris & Schon, 1974; Silver, 1983). Compounding the confusion, though saliently different, a number of researchers use the terms theory, theoretical framework, and conceptual framework interchangeably (Wu & Volker, 2009). **Table 3.1** provides examples of theory definitions found in literature, pointing to the lack of congruency and common understanding among researchers and scholars with respect to theory. In support of this view, Wu & Volker (2009) point out that not all scientists agree on what theory exactly is, underscoring that theory definitions evolve.

Table 3.1: *Summary of theory definitions*

Theory Definition	Source
▪ A set of interrelated constructs, definitions, and propositions that presents a systematic view of phenomena by specifying relations among variables, with the purpose of explaining and *predicting* phenomenon.	Kerlinger (1986)
▪ A set of interrelated propositions that have the same referent – the subject of the theory.	Argyis & Schon (1974)
▪ Using the Greek origination (theory – to see) of the now English term, Fawcett et al. (2001) posit that theory means "to reveal phenomena previously hidden from our awareness and attention".	Fawcett *et al*. (2001)
▪ A mental image of a coherent view of a phenomenon and/or its relationship to other phenomena.	
▪ An organized body of concepts and principles intended to explain a particular phenomenon.	Meleis (1997)
▪ A creative and rigorous structuring of ideas that projects a tentative, purposeful, and systematic view of phenomena.	Leedy & Omrod (2005)
▪ A set of concepts, definitions, and propositions that projects a systematic view of phenomena by designating specific interrelationships among concepts for purposes of describing, explaining, and predicting phenomena.	Chinn & Kramer (2008) Chinn & Jacobs (1987)

As aforementioned, given the varying definitions of theory, it is important to pronounce the definition adopted in one's study. It is equally essential to consistently apply the selected definition in the study (Fawcett, Watson, Neuman, Walker, & Fitzpatrick, 2001). This helps readers to follow the basis and thread of abstraction, meaning

making and knowledge development. This study adopted the theory definition by Chinn and Jacobs (1987) and Kerlinger (1986) in combination with Leedy and Omrod's (2005) definition. The rationale for the definition preferences are provided below.

Leedy and Omrod's definition is preferred for its simplicity and succinctness - yet it proffers the important structural elements of a theory (concepts and principles) as well as providing a theory's functional purpose. Kerlinger's and Chinn and Jacob's definitions provide expanded version of Leedy and Omrod's definition, as they both further underscore the interrelationships among key concepts in phenomena as well as bringing to the fore the fact that theory helps researchers in describing and predicting phenomena. When looked at closely, Kerlinger's theory definition is not that different from that of Chinn and Jacobs. It is also noteworthy to pronounce that, unlike in other works and literature, in this study, the terms theory, theoretical framework and conceptual framework are considered as distinct and taken to refer to separate issues. As such, these terms will not be used interchangeably in this study.

3.2.2 Functions of Theory in Qualitative Research

Theory has a few critical functions in a scientific research, qualitative studies included. Of significant note is that these functions traverse the full research cycle, from selection of research phenomena up until the write-up of the research results (Wu & Volker, 2009). Sandelowski (1993) underscores two pivotal theory functions in qualitative research, namely: (i) rationalizing or justifying the study methodology considered appropriate and responsive to the phenomenon, and (ii) providing a comparative context in the abstraction of study findings as well as in presentation of the findings. Other scholars (Anfara & Mertz, 2006; G. J. Mitchell & Cody, 1993) propose the following functions of theory:

- Informing the research questions, research paradigm selection, and shaping the assumptions to justify or rationalize study methodology.
- Providing a comparative framework for data analysis and interpretation.
- Triangulation of research findings.

Theory offers a framework that forms the basis for research design, research approach and explaining the phenomena being studied. Further, theory provides logic, order and

guidance on research's critical variables (Abdullah, 2007), including linkages among variables in a way that propositions can be made and empirically tested (Jonker & Pennink, 2010). In this study, theory was used across the full research cycle, informing the paradigm, methodology, analysis and findings abstraction. The next section outlines theories governing the study's theoretical framework.

3.2.3 Theories Underpinning Study – Theoretical Framework

Some subjects possess discipline-specific theories unique to their subject area (Ocholla & Le Roux, 2011). However, in turnaround and, in particular, public sector turnaround, a comprehensive and established theory does not exist (Boyne, 2003). This is corroborated by Chowdhury (2009) who posit that turnaround theory development has been rather stunted. In the absence of an established discipline-specific theory, turnaround scholars adapt theories from other disciplines, particularly from organizational economics and strategic management, to guide and inform their research (Abdullah, 2007). Notably, the adapted theories originate and derive from the private sector-oriented studies (Jas & Skelcher, 2005). In this light, several theories have guided turnaround research. Some of these theories include agency theory; contingency theory, institutional theory; new public management theory; profit maximization theory; resource-based theory; resource-dependency theory; and stage theory (Abdullah, 2007; Bruton et al., 2003; Chowdhury, 2009; Hennart, 1994).

Each theory has its unique strengths (and weaknesses) as well as settings and contexts in which it is more effective and provides distinctive explanatory or abstraction power. Also, some phenomena are best abstracted using a multi-theory comparative framework. Use of multi-theory frameworks to explain phenomena is gaining broader consideration, commanding wider influence and finding application by several scholars [examples include Oliver (1997) in a business strategy study; Wall, Devine-wright, and Mill (2007) in an environmental study; and Sherer and Lee (2002) in a study of institutional change in large law firms]. The strength multi-theory frameworks lie in them offering synergistic triangulation explanatory advantages.

In line with the philosophy of using multi-theories, this study applied a theoretical framework that combines three theories, namely: the industrial organization theory, the institutional theory, and the resource-based view (RBV) theory. This multiple-

theory framework was considered most appropriate to explicate the intricacies of SOC turnaround in South Africa. Specifically, integration of the three theories was selected to show how the combined interplay of industry-based competitive (macro-level) processes, firm-based resources and capabilities (micro-level) processes and institutional processes explain SA's SOC turnaround dynamics. These three theoretical lenses form the three integral legs of a strategy formulation process (Peng, Sun, Pinkham, & Chen, 2009; Su, Peng, & Xie, 2016), and, together, provide a holistic framework to explain the key considerations in ensuring successful turnaround of SOCs in a complex contextual setting such as that typified by South Africa. In the following sections, the author discusses key elements of each of the theories forming the multi-theory framework, highlighting their strengths, historic application in turnaround or business performance improvement research, and motivation for their consideration in the integrated abstraction framework.

a. The Industry-view Theory

The industry-view theory, better known as the industrial organization (IO) theory, is one of the long-used and dominant interpretive frameworks applied in strategic management research (Olsen & Safaldar, 2014). The IO is a macro-economic theory which originates from traditional economic research and follows the structure-conduct-performance (SCP) framework first developed by Bain in the 1950s (Porter, 1980; Weiss, 1979). The SCP paradigm assumes a linear one-way causal relationship between industry and market structure and firm performance.

The industrial organization theory places emphasis and primacy on the market structure - the market power imperative - as opposed to the firm (Raible, 2013). The theory posits that the industry structure determines firm strategy and influences the organization's competitive advantage and performance (Henderson & Mitchell, 1997; Meilak & Sammut-Bonnici, 2014). In practice, the IO theory conceptualizes the firm as a collection of strategic actions designed to enable the firm to adapt to industry or market conditions through positioning the firm attractively (Spanos & Lioukas, 2001).

From the foregoing, the theory can be regarded as a "positioning" theory, that is, firms should seek strategic fit between the external environment and internal resources. This implies that organizations should seek and identify best opportunities for superior

performance, that is, competitiveness and profitability (Meilak & Sammut-Bonnici, 2014). In this light, the paradigm argues that strategy is about the firm creating for itself a “market position” to defend itself from competitive forces or position itself at an advantage vis-à-vis its competitors and suppliers.

The IO theory identifies four industry structure elements as determinants of firm positioning: perfect competition, monopoly, monopolistic competition, and oligopoly (Meilak & Sammut-Bonnici, 2014). Similarly, the framework distinguishes seven market elements influencing firm strategy and performance, that is: number and size of firms, firm (buyers and sellers) concentration, product differentiation, entry barriers (Barthwall, 2004; Caves, 1980), degree of vertical integration, and diversification (Meilak & Sammut-Bonnici, 2014). Simplified, the market structure is defined by its actors, products and entry conditions (Raible, 2013). The utility of the IO theory is in analysing the extent of control of firms over product prices, entry and exit barriers, and information flow among industry players.

Several sub-models of the IO theory exist, with the prominent one being Porter's (1980) competitive strategy framework. Porter looks at the effect of five industry structural forces impacting on strategy and performance, namely competitive rivalry influenced by: nature of suppliers, buyers, substitute products, rivalry among industry incumbents, and new entrants to the market. Other sub-models used to analyse the industry environment include the opportunities and threats (OT) components of the SWOT (strength, weaknesses, opportunities and threats) analysis framework and the various variants of the STEP (social, technological, economic and political elements) analysis model (Meilak & Sammut-Bonnici, 2014). Used in an integrative manner, these sub-models provide a broad understanding of the major industry and market factors influencing firm turnaround strategy and attendant performance.

b. Resource-Based View Theory

The second theory underpinning the research is the resource-based view (RBV) theory. The RBV theory, advanced by Barney (1991), is predicated on the premise that firm-specific differences drive strategy and performance. Barney (1991) claims that it is the rational identification and deployment of valuable, rare, unique, difficult to replicate, and non-substitutable resources that brings about lasting competitive

advantage and superior market performance. The theory analyses and interprets internal resources and capabilities in crafting strategies to achieve sustainable competitive advantage (Madhani, 2010).

The firm-specific differences advanced by RBV theorists are anchored in costly-to-copy and idiosyncratic firm resources and capabilities (the sources of economic rents for the firm) and are, therefore, primary and fundamental drivers of firm performance and sustainable competitive advantage (K. E. Meyer & Peng, 2005; C Oliver, 1997; Tokuda, 2005). Burton and Rycroft-Malone (2014) underscore that the resource-based view theorises that firms comprise a blend of tangible and intangible resources that include physical, human, and organizational capital. Echoing Barney's (1991) view, Burton and Rycroft-Malone (2014) add and emphasize that differences in these resources explain variation in organizational performance, and where these resources have *value*, *rarity*, are *inimitable*, and *non-substitutable*, as well as position the *organization* in a place that can utilize them, a framework characterised as ***VRIN/O***, organizations boast sustainable competitive advantage and, therefore, perform well.

Peteraf (1993) identify four theoretical conditions which underlie the RBV competitive advantage: *resource heterogeneity* which ensures Ricardian or monopoly rents; *ex-post limits to competition* which sustains rents; *imperfect resource mobility* that ensure rents are bound to the firm and thus shared by the firm; and *ex-ante limits to competition* which inhibits costs from offsetting rents. Extending the argument, Barney (1991) posits that RBV theory assumes resources are heterogeneously distributed across competitive firms, and that resources are imperfectly mobile. Essential to note is that the RBV perspective advances that firm performance is critically dependent on successful identification and exploitation of resources, including profitable markets that form the basis for sustainable competitive advantage (Conner, 1991; K. E. Meyer & Peng, 2005). Conner further argues that, with RBV, not only do firms have to gain unique resources, but also be able to defend advantageous positions in strategic resources essential for its production and distribution – entrenching the concept of sustainable competitive advantage.

While boasting powerful components to underpin turnaround research, and having been instrumental in numerous strategy studies, the resource-based view theory has

some notable weaknesses. First, the theory does not examine the social context within which the resource selection decisions are rooted. Similarly, Peng and Wang (2008) argue that the theory, to its own detriment, ignores the formal and informal institutional underpinnings that provide competition context among industries and firms – only assuming institutions as imbedded "backgrounds". These arguments are critical as abstracting South African SOC turnaround only with the RBV theory results in a loss of the influence of firm traditions, network ties, and regulatory pressures as well as how context possibly influences sustainable firm difference Ginsberg (1994).

Ignoring institutional context may be considered reasonable in stable, developed economy environments. However, it is imprudent to do so in emerging economies whose institutions differ significantly and are known to shape firm strategy and performance (Hoskisson, Eden, Lau, & Wright, 2000; Wright, Filatotchev, Hoskinsson, & Peng, 2005). It is noteworthy that the way firms manage resources is influenced by context, bearing that the processes of developing, transferring, and exploiting resources vary in a transition context. Importantly, transition context is more pronounced in turnaround situations as such settings do not represent a static context but, rather, a volatile and highly dynamic context.

Second, Oliver (1997) argues that the RBV theory fails to address the process of resource selection, that is, how firms pick or fail to make rational resource choices in search or pursuit of good returns, and/or superior performance. Third, the resource-based view suffers the weakness of primarily focusing on internal organizational strengths to manage uncertainty (Kraaijenbrink, Spender, & Groen, 2009), and failing to capitalize on the external environment (Whittington, 1988). Excluding external environmental factors deprives a firm's turnaround process of a holistic analysis, thereby missing a critical and influential segment. Nevertheless, the RBV theory provides a connection between an organization's external and internal environments by explaining how the positioning and renewal of VRIN resources and capabilities promote the sustenance of firm performance (Burton & Rycroft-Malone, 2014).

Finally, the RBV theory is criticised for overlooking the role of entrepreneurial strategies and entrepreneurial abilities as important sources of sustainable competitive advantage (Tokuda, 2005). Tokuda highlights that entrepreneurial ability

forms one of the principal human resources possessed by a firm. Notably, the entrepreneurial ability is pivotal and instrumental in successful firm turnaround. As such, this weakens the RBV's abstraction capability if applied singly in interpreting turnaround research. The theory's failure to incorporate role of entrepreneurship as a source of competitive advantage in strategy process should be compensated for.

The RBV theory has long been influential in traditional strategic management research (Barney, 1991; Kraaijenbrink et al., 2009; Rumelt, 1984; Werntfelt, 1984), with pivotal literature including the works of Rumelt (1984). The theory has been applied to review firm performance in private sector, looking at financial performance and market share (Burton & Rycroft-Malone, 2014).

c. Institutional Theory

The institutional theory is a powerful explanatory framework that has risen to prominence and has been widely used in organizational research (Dacin, Goodstein, & Scott, 2002). Reviewing strategy research in emerging economies, Wright et al. (2005) acknowledge the predominance of the institutional perspective in contemporary scholarly research. In particular, the institutional theory has emerged as one of the leading frameworks underpinning research in emerging economies (K. E. Meyer & Peng, 2005). The theory attends to critical aspects of social life, focuses on processes in which "structures, including schemas, rules, norms, and routines become established as authoritative guidelines for social behaviour" (Scott, 2005: 465). Notably, social behaviour in this case is taken to include actions taken (or failure to act) by organizations in shaping the course of its future, including selecting and implementing strategies.

Primarily, the institutional theory looks into how structures, schemas, strategies, norms, beliefs, routines and rules (surrounding economic activity) get adopted, applied, and entrenched as authoritative guidelines for social behaviour or how they enforce socially acceptable economic actions (Oliver, 1997; Scott, 2004). Oliver (1997) aptly explains the institutional theory when she states that it "*examines the role of social influence and pressure for social conformity in shaping organizations' actions*". From Oliver's explanation, it can be deduced that the institutional context looks at the influence of the political, social and economic systems surrounding firms in shaping

actions and behaviour, predicated on the premise that organisational work arrangements are not pre-ordained by natural economic laws.

There is no single, universally agreed upon definition of an institution in the institutional school of thought. Veciana and Urbano (2008) define institutions as groupings of moral beliefs that configure power and share ability to disseminate authority or influence. However, Scott (1995: 33, 2001: 48) considers an institution as "social structures that have attained a high degree of resilience. [They] are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life". **Table 3.2** illustrates institutions classified in the three key paradigm elements.

Table 3.2: *Institutional theory pillars*

Cultural-cognitive	Regulative	Normative
▪ Personal networks ▪ Social networks ▪ Societal norms ▪ Cultural norms, e.g. ubuntu ▪ Traditions and customs ▪ Taken for granted rules and conventions	▪ The state and political power ▪ Legislative framework and laws ▪ Constitutions ▪ Court decisions ▪ Contracts	▪ Ethical codes of practice ▪ Professional bodies ▪ Labour unions ▪ Nationalism ▪ Trade associations

Institutions can be formal or informal. Their influence depends on their level of formality and legitimacy. It is essential to underscore that the institutional theory premises that organizational behaviour is influenced by all the three institutional elements in an interactive manner. Supporting this view, Andrews (2013) asserted that "… institutions are not just laws or norms and/or cultural-cognitive mechanisms; they are amalgams of the triad - the visible elements, the invisible elements, and the rules of the game".

Several contemporary strategy studies have applied the institutional perspective. Radaev (2002) applied the institutional paradigm to examine how the structure of transaction costs influences entrepreneurial strategies in emerging Russian business - premised on the view that enterprise behaviour (in this case type of entrepreneurial strategies adopted) was constrained or enabled by formal and informal institutions in Russia. Similarly, Puffer and McCarthy (2011) applied an institutional perspective to

look into Russian business and management research over last two decades. This review was informative given the transitory nature of Russia from a centrally-planned Soviet system to a more market-oriented economy – and the research outcomes showed that informal cultural-cognitive institutions have influenced Russian business more than formal ones (Scott, 2008). This has been attributed to the weak legitimacy of or lack of formal institutions (Tarun, Krishna, & Jayant, 2005).

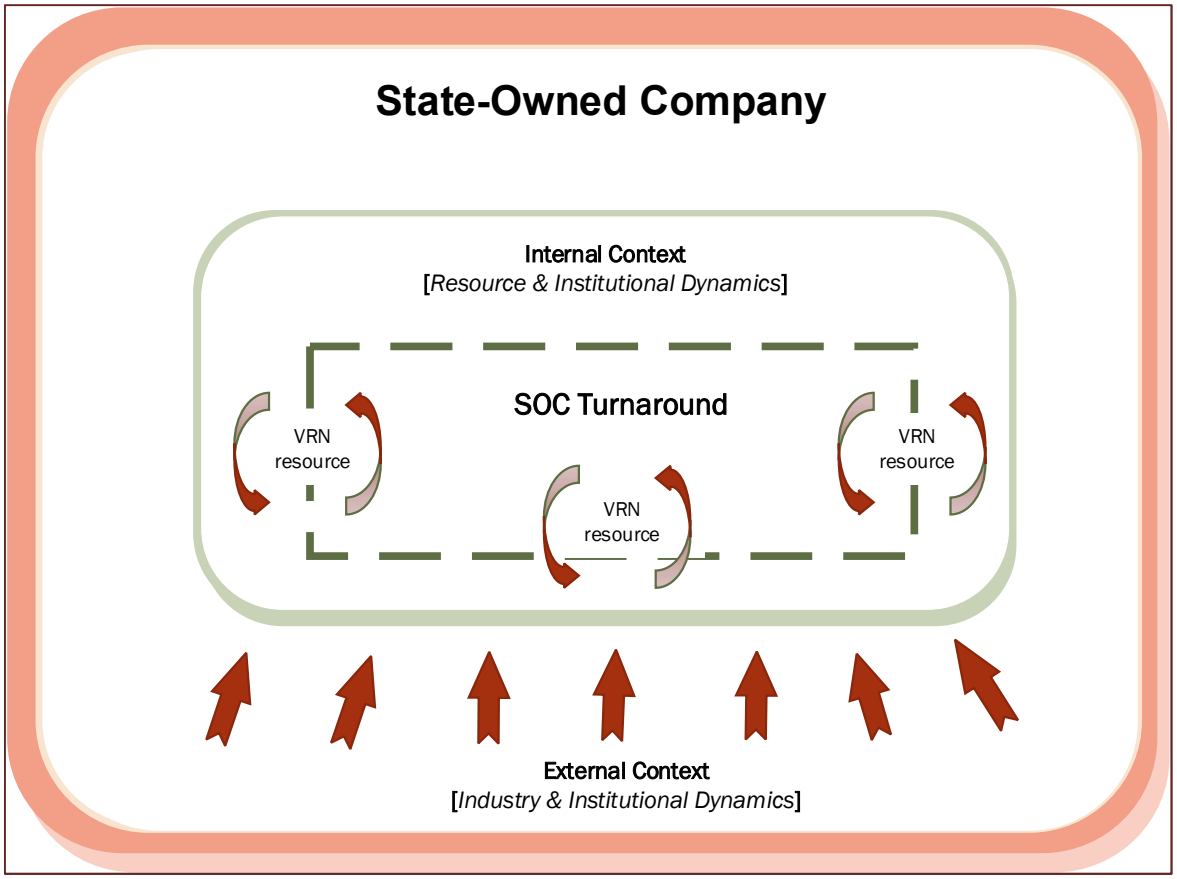
In the turnaround domain, Brutton, Ahlstrom and Wan in their two turnaround studies [(i) turnaround of large and mid-size Chinese-owned firms and (ii) turnaround in East Asian firms] applied the institutional theory. Both studies highlight the influence of culture-cognitive forces, particularly the Chinese ethnic culture and Confucian tradition, on managerial actions and the turnaround strategies adopted. Strategies like retrenchment and CEO replacement were found to be more difficult to apply in East Asia in comparison with the practice in the western world (Bruton et al., 2001, 2003).

3.2.4 Theoretical Framework Summary

Traditionally, two theoretical perspectives have largely guided strategy research, that is, Porter's (1980) industry-based view and Barney (1991) resource-based view (Olsen & Safaldar, 2014). The two theories, used together, complement each other, with the industry-view providing for external environment and the resource-based view catering for the abstraction of the internal environmental factors. Olsen and Safaldar (2014) posit that there is enough empirical and theoretical evidence supporting that both industrial and firm factors notably influence firm performance.

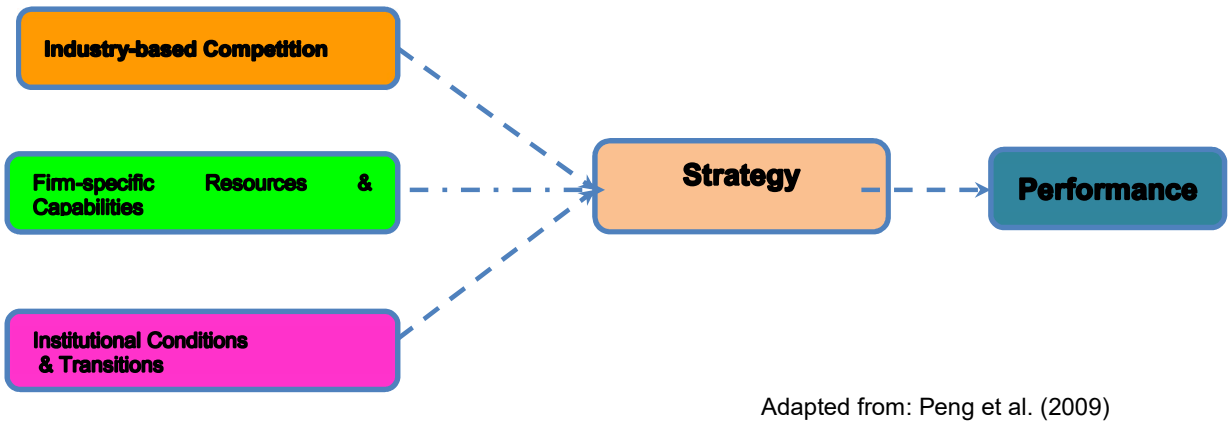
However, recent research has shown that the two traditional theories alone do not provide for a complete and holistic insight and guidance to firm strategy as well as fully explicating firm performance. In particular, these two dominant theoretical perspectives have been criticised for ignoring formal and informal institutional context underpinning competition and performance context among firms (Peng & Wang, 2008). In view of these strong perspectives, this study's analytical framework, in effort to cater for the shortcomings of each theoretical framework described above, combined the traditional frameworks with the institutional theory. This approach created a tripod theoretical framework comprising the traditional industry- and the resource-based views in combination with the institution-based view (**Figure 3.1** and

Figure 3.2). Through combining the three theories, the resultant theoretical framework fosters holistic analysis and, concomitantly, provides for expanded outcomes that are more value-adding and practical to turnaround practitioners.



Adapted from: Burton and Rycroft-Malone (2014)

Figure 3.1: *Interactive theoretical framework combining industrial, institutional and RBV theories*



Adapted from: Peng et al. (2009)

Figure 3.2: *Theoretical framework: industry-view, resource-view and institutional-view consolidated*

3.3 CONCEPTUAL FRAMEWORKS

This section of the chapter outlines the background and development of the study conceptual framework. The section looks at definitions by other scholars and then provides the framework definition adopted in this study. It also incorporates and builds upon the inputs from work on theoretical frameworks given earlier in the chapter.

A conceptual framework is a central research tool that guides the successful undertaking of a scientific study. It is pivotal in its providing conceptual coherence to a study. Ravitch and Riggan (2012), underscore that a conceptual framework provides the bedrock for solid empirical research. They further argue that a conceptual framework provides an argument for why the phenomenon under study matters and why the approach proposed to undertake the study is appropriate and rigorous. However, despite being critical, the term “conceptual framework” has been vaguely and imprecisely defined (Jabareen, 2009; Ravitch & Riggan, 2012). Leshem and Trafford (2007) add that the research community is uncertain about what constitutes a conceptual framework. These factors make it difficult for researchers to confidently and effectively use conceptual frameworks in their research.

3.3.1 Conceptual Framework Definitions

As aforementioned, there are varying views on what a conceptual framework is. The variations manifest in different definitions by scholars. It is, therefore, important for a researcher to provide readers with the definition one adopts for conceptual synchrony between the researcher and readers. In view of this, a few definitions offered by some scholars are provided before the definition adopted in this study is provided. Miles and Huberman (1984: 33) define a conceptual framework as “the current version of the researcher’s map of the territory being investigated”. Jabareen (2009: 51) defines it as a “network, or “plane” of inter-linked concepts that together provide a comprehensive understanding of a phenomenon or phenomena”. Maxwell (2005:33) describes a conceptual framework as “the system of concepts, assumptions, expectations, beliefs and theories that supports and informs your research”. Reichel and Ramey (1987) considers a conceptual framework as “a set of broad ideas and principles taken from the relevant fields of enquiry and used to structure a subsequent presentation”. Ravitch and Riggan (2012:7) offer a much more variant definition, suggesting that a

conceptual framework is: “an argument about why the topic one wishes to study matters, and why the means proposed to study it is appropriate and rigorous”.

The definitions given above vary and fail to coalesce to a clear and common pronouncement. Notwithstanding definitional differences, the author’s framing of a conceptual framework was guided by the definitions of Jabareen (2009), Maxwell (2005) and Miles and Huberman (1984). As such, the conceptual framework definition used in this study is:

> “The current version of the researcher’s mind map, network or plane of the territory (inter-linked concepts and beliefs) being investigated”.

It is important to draw attention to four notable elements of the definition, as far as they frame and build the adopted conceptual framework. The elements include:

i. That the framework comprises key concepts associated with the landscape being researched, being state-owned companies’ turnaround.
ii. The significance of the researcher’s beliefs as they influence the landscape being investigated.
iii. That the framework depicts how the research-defining concepts inter-relate or influence each other, that is, a conceptual framework is a relational and structuring model.
iv. Emphasis that a conceptual framework is only a mind model and that it could be transient, meaning the framework could change with time as the researcher’s understanding improves.

In addition, the researcher, in framing a conceptual framework, also considered the primacy of theory, particularly the analytical lens used to abstract meaning from the seemingly disparate and unconnected yet interfacing concepts.

3.3.2 Conceptual Framework Architecture

Structurally, a conceptual framework comprises coherent abstraction and synthesis of three inter-linked elements, namely: the researcher’s personal interests, topical research and the study’s theoretical framework (Ravitch & Riggan, 2012). These

conceptual framework pillars are briefly described in the next section.

Personal interests refer to the researcher's philosophical inclinations and biases, including the research paradigm, values and vested interests. Ravitch and Riggan (2012) posit that personal interests are influenced by one's social location, institutional position and life experience. Topical research includes extant studies, scholarly literature, policies and government publications reviewed by the researcher. Topical research relates to the body of knowledge and key concepts abstracted from the study's literature review (ibid). Also, a theoretical framework relates to formal theories of scholarly literature used to clarify or explain aspects of the phenomenon being studied (ibid). It defines the line of inquiry (Pajares, 2007) and informs identification of key research elements such as statement of research, study rationale, and research methods. A robust theoretical framework offers a credible rationale to conduct a study, including assisting the reader to understand the researcher's perspective. Simon and Goes (n.d.) assert that a theoretical framework provides assurance that the study is founded on established theory and empirical facts were obtained from credible studies.

In view of the submissions advanced above, this study's conceptual framework considered all the given three pillars. In this light, the framework combined, in a lucid structure, a critical realist paradigm, personal interests, topical research abstractions on SOCs performance and turnaround, and an inter-disciplinary theoretical framework comprising the interacting elements of three theories, namely: industry-based view, institutional theory and the resource-based theory.

3.3.3 Study Conceptual Framework

The study was conceptualised as a process in which successful SOC turnaround (strategy crafting and implementation) is a function of the dynamic interplay and inter-facing of five key elements. The elements include key drivers; extant knowledge; turnaround frameworks; local economic, social and geo-political biome; and, guiding theories. These five elements intricately interface to shape both the crafting and implementation of turnaround strategies most appropriate for South African SOCs. Of the five elements, local context is the defining element as it influences and localises the strategy process. This mental frame is visually depicted in **Figure 3.3** a relational

perspective and **Figure 3.4** in a process view. The study conceptual framework is described in the following sections.

a. Relational Network

Key Drivers: This element relates to key game changers in the SOC turnaround process. It forms an integral part of the strategy framework which, correspondingly, informs and guides the crafting and implementation of the turnaround strategy. There are many turnaround drivers and, as such, there is need for careful consideration and identification of those drivers critically influential to the reversal of the decline, as well as improvement of the sector under consideration. This element forms a central and pivotal component in this study as it is the focal point of the research.

Extant Research, Best Practice and Case Studies: This constitutes the rich body of knowledge and best practices documented in extant research and technical studies. This element makes significant input into, and influences, the determination of key drivers, development of the framework as well as the crafting and implementation of the strategy. In particular, case studies are a rich source of lessons learnt in previous turnaround attempts to guide new initiatives.

Of note, the element includes theoretical and empirical research conducted globally and locally. In this case, cognizance was taken that, as Thong et al. (2000) and Boyne (2003, 2004) attest, there has been limited SOC turnaround research conducted globally and, more so, locally. As such, extant literature required contextualization into local scenarios as explained in **section 3.2.3b** and by **Figure 3.2**.

Local Business Biome: This defines the powerful influence of the South African economic, social and political environment, especially considering the country's unique historical architecture that wields significant influence on government policies, including transformation requirements. The historic and even current political dynamics exert influence on government and professionals on how they deal with SOC matters. The element impacts a suite of other elements, including key drivers, potential frameworks and determining the appropriate theoretical framework the researcher and turnaround practitioners can use in strategy designing and implementation.

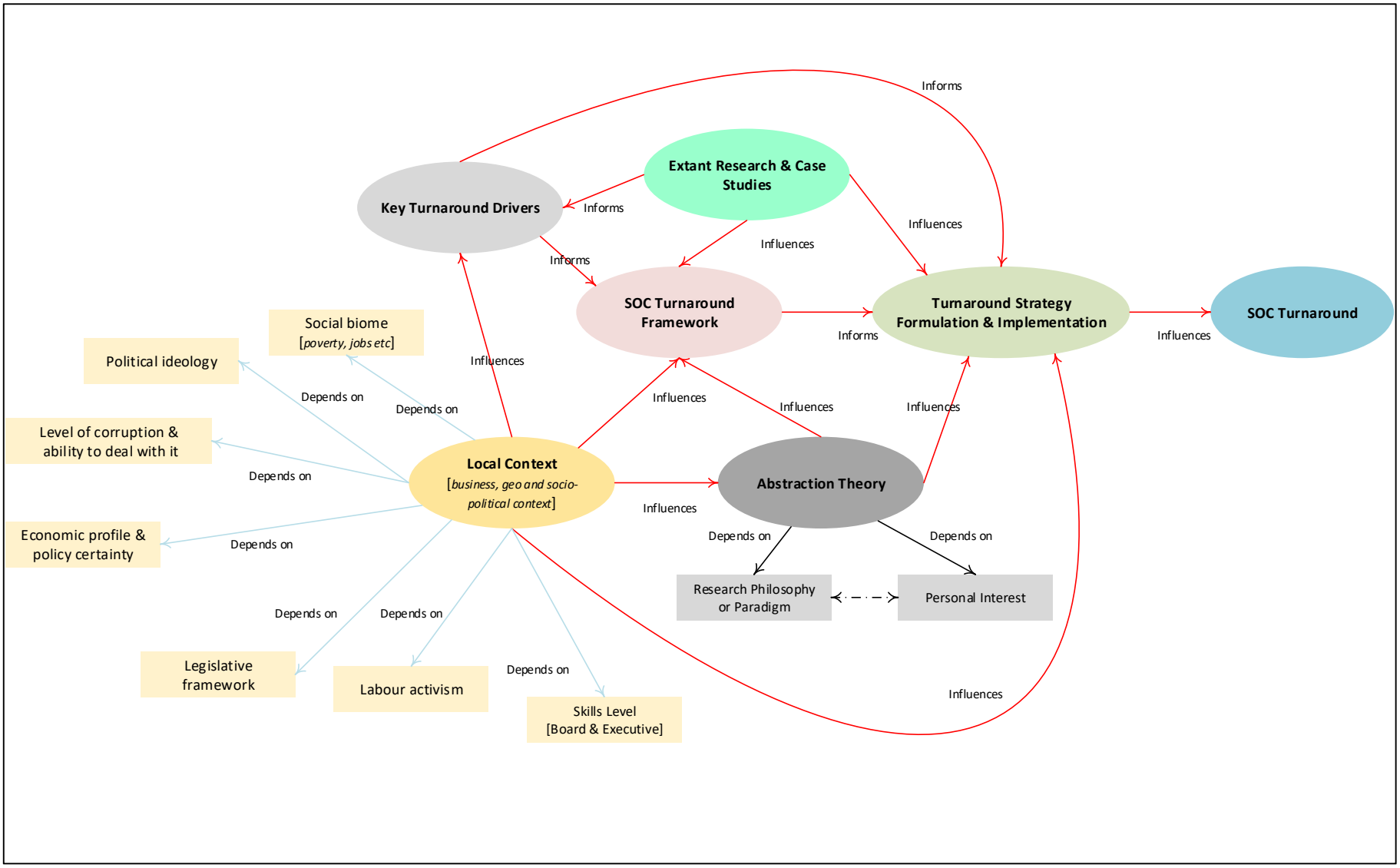


Figure 3.3: *Conceptual framework - relational network*

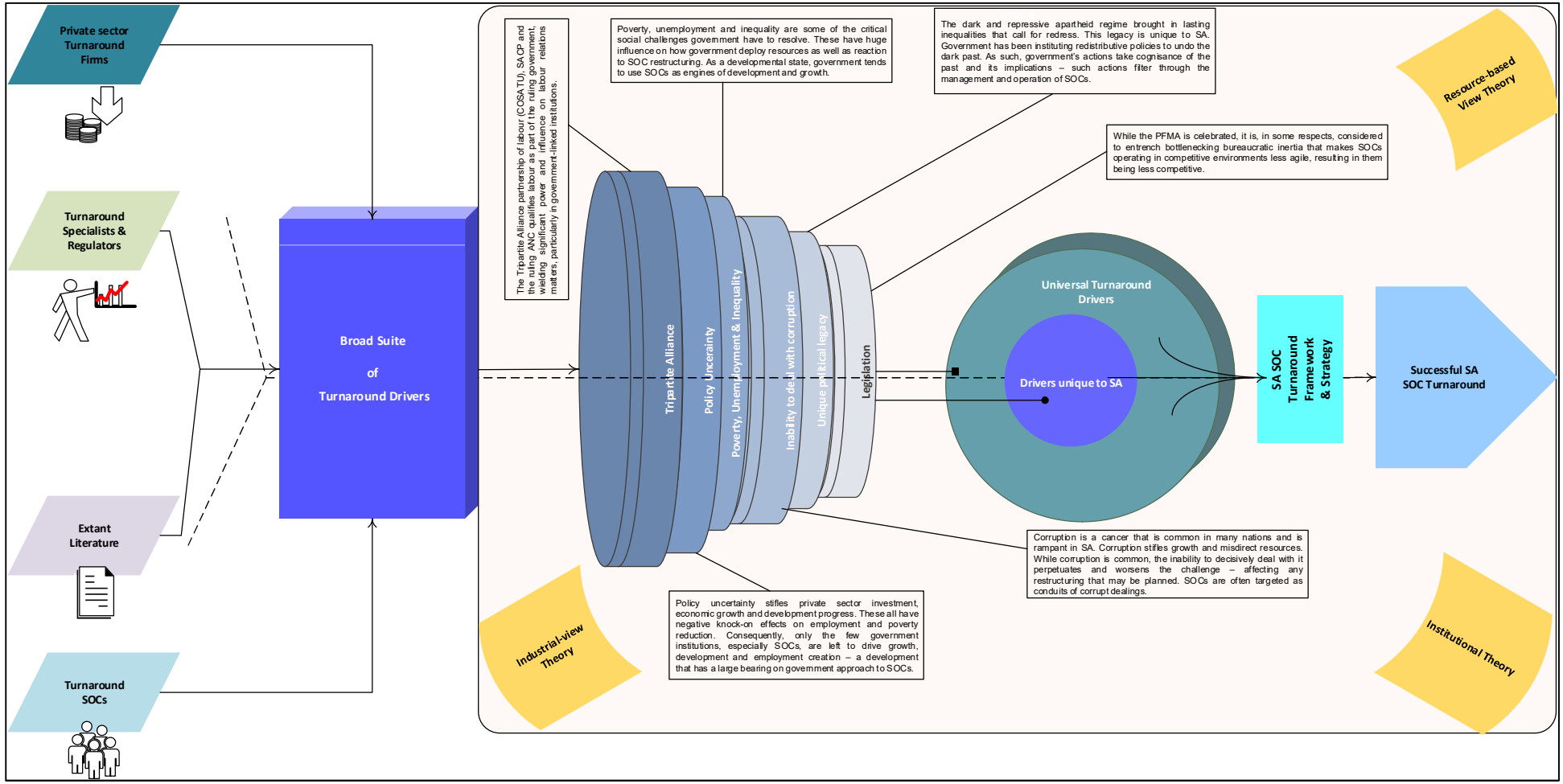


Figure 3.4: *Study conceptual framework – process flow*

Abstraction Theory: A multi-theory analytical framework was considered (see section 3.5.3) given the complex institutional and legal structures surrounding SOCs. While the SOCs informing the study are expected to operate commercially, they also are subjected to regulatory and legislative requirements, as well as meet some developmental objectives. In view of this, a multi-theory analytical lens was considered appropriate to accommodate all the intricacies. Theories influence both the formulation of the framework and crafting of the strategy. It is important to highlight that abstraction is also influenced by the research paradigm – in this case a critical realist paradigm.

Turnaround Framework: The framework consolidates the preparatory work towards strategy formulation and implementation. In conceptualizing the study, the turnaround framework was hypothesised as the product of inputs from the preceding four elements and that it informs strategy crafting and its implementation. Crafting of an appropriate turnaround framework was considered pivotal as several scholars bemoan the lack of a universally-accepted framework to guide private sector research (Holtzhauzen, 2011; Pretorius et al., 2008) as well as the public sector (Boyne, 2006).

b. Process Flow

The process flow perspective visualizes the research in terms of stages of information flow from inputs to processing until the final result, a successful SOC turnaround.

Input Information: Four input sources contribute to the research, namely: SOC turnarounds, private sector turnaround firms, turnaround specialists and regulators, as well as extant literature on state-owned company turnarounds. These input elements generate a broad suite of turnaround drivers that can be grouped into universal turnaround drivers and turnaround drivers unique to the South African setting.

Streamlining & Analysis: The broad suite of turnaround drivers is streamlined using a funnelling process, subjecting them to a validity and fitness test in terms of the local South African context. The streamlining process generates two sets of turnaround drivers, universal drivers and drivers unique to the SA SOC turnaround context. The drivers are then used to develop a SA SOC turnaround framework to guide turnaround strategies for the successful turnaround of distressed SOCs. Streamlining and

analysis are done using an analytical framework comprising the industrial view theory, institutional theory and the RBV theory, guided by a critical realist philosophy.

3.2.4 Conceptual Framework Quality Assurance

Considering the significant role, a conceptual framework plays in shaping and guiding the multi-facets of a piece of research, it is essential that the crafted and adopted framework is robust. One way to ensure a sturdy conceptual framework is to subject the framework to a rigorous evaluation standard. Brathwaite (2002) offers five-point conceptual framework evaluation criteria. The criteria include comprehensiveness of content, logical congruency, conceptual clarity, level of abstraction and clinical utility. In this vein, the study conceptual framework was subjected to rigorous quality check using Brathwaite's criteria. Finally, conceptual clarity was enhanced through diagrammatic expression to emphasize linkages and interdependences.

CHAPTER 4 : RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

A credible approach to an academic research is conceptualized in terms of five inter-related elements. These elements include research objectives, research questions, research paradigm, research strategy, and research instruments. Chapter 1 outlined the first two elements, while chapter 2 defined the third element, articulating and positioning the study in a critical realist research paradigm. Following this, chapter 3 synthesized and pronounced, through pulling together a broad array of extant literature and perspectives outlined in chapter 2, the study conceptual framework. Building on these foundational elements, this chapter outlines the study strategy including applied methodology and techniques. To ensure continuity with the other key study elements, the Chapter, firstly, outlines the inter-linkages of the selected research paradigm with the research design, methodology and research techniques applied in the research. Following that, the chapter:

- Unpacks the research strategy and methodology, including rationale.
- Defines and describes the research instruments considered.
- Articulates methods and data collection and analysis techniques.
- Outlines the ethical strategy applied during the study.

It is essential to note that, a credible research is dependent on the soundness and objectivity of the adopted research procedure. This can be achieved through a scientifically defensible research design. Considering this key requirement, the following section unpacks the research design.

4.2 RESEARCH DESIGN

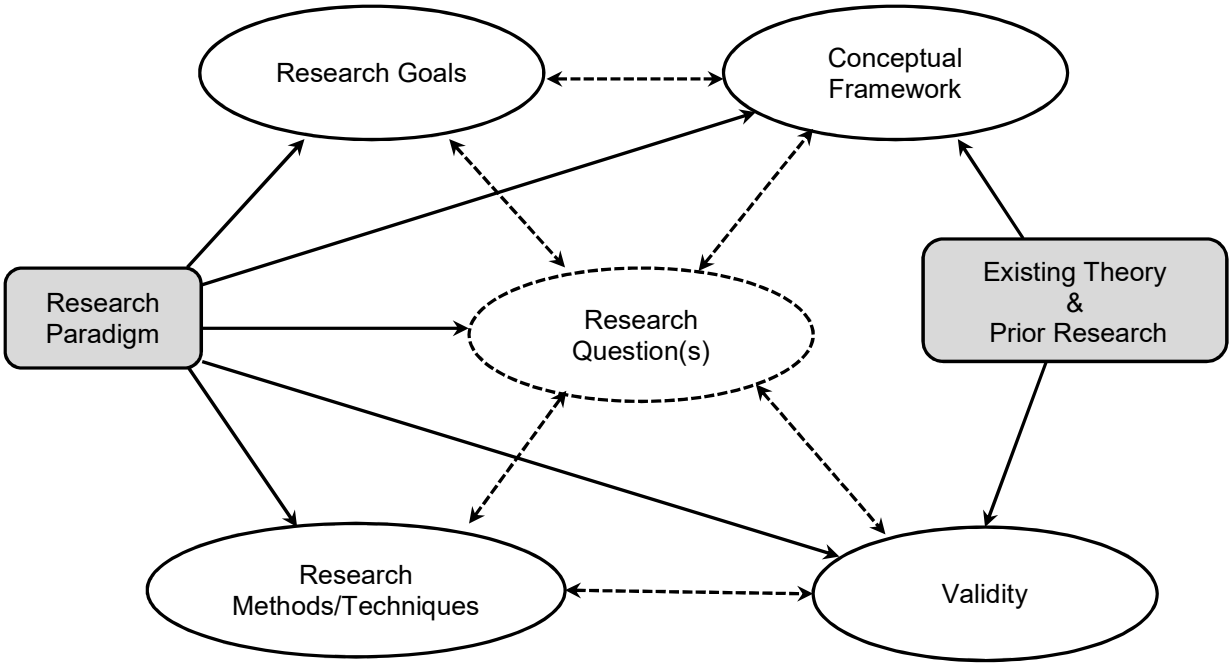
A research design is an overall plan, procedure or the logic defining the way a study is to be undertaken. It provides a detailed outline of how an investigation will take place, including how data is to be collected, what instruments will be used, how the instruments will be used, and the means for analysing data (Dictionary, 2015). Vogt (1993:196) defines research design as "*the science and art of planning procedures for*

conducting studies so as to get the most valid findings". Research design, therefore, ensures that the evidence collected enables the researcher to answer the study question as clearly as possible. To this end, it is essential to underscore the importance of an appropriately selected research design as it influences the credibility, validity and soundness of study outcomes. This implies that the research design constitutes an integral part of a credible research initiative.

For long, the choice for a research design has been dichotomous, comprising quantitative and qualitative research designs (Leech & Onwuegbuzie, 2009). Hussey and Hussey (1997) refer to these two broad research designs as positivistic designs and phenomenological designs, respectively. However, as research evolved, a third viable research design emerged: the mixed method design. Teddlie and Tashakkori (2006), however, group research designs into two categories, namely: monomethod designs and mixed methods designs. Monomethod research designs incorporate quantitative research designs and qualitative research designs.

Several factors influence research designs. Maxwell (2005) posits that a rigorous and integrated research design comprise of five interacting factors, namely: research goals; conceptual framework; research questions; research methods; and validity. In an expanded framework, Maxwell (2009) provides more factors influencing a research design by including contextual factors. However, Bryman (2004) consolidates the influencing factors into three sub-groups, namely: research paradigm; underpinning theory; and practical considerations.

In support of Bryman, Wong (2014) stresses that the first step in research design is the selection of the research paradigm. In selecting this study's design, guidance was taken from Maxwell (2009; 2005) and Wong's (2014) propositions, combining them with practical considerations. In this light, this study's design was structured to emphasize seven strategic elements, namely: research question(s); research goals; validity; research paradigm, conceptual framework; underpinning theory; and the research techniques. These elements and their inter-linkages are summarised in **Figure 4.1.** Importantly, the research question plays a pivotal role of pulling the other elements together for coherence and research validity (Bickman & Rog, 2009; Maxwell, 2005). These factors were jointly considered to frame the research design.



Source: Adopted from Maxwell (2005)

Figure 4.1: *Contextual factors influencing research design*

From the three broad research design genres described above, the researcher selected a qualitative research design. The choice was informed by three key factors: the type of phenomena under study, research question, and the research paradigm. As social science concepts, strategies and drivers for firm turnaround ontologically and epistemologically lend themselves close to qualitative research approaches; these issues mainly are best espoused through lived experiences of individuals and, therefore, cannot be simply reduced to numerical values using statistical analysis (Hewitt-Taylor, 2001). Similarly, the type of data the study relied on, documentary and interview data, lend themselves more to qualitative epistemic processes. Finally, the nature of the phenomena, and attendant research questions, required that the study be conducted in a natural setting using a context-sensitive approach – a requirement most amenable to and best fit a qualitative research design.

4.2.1 Research Paradigm

As stated in the introductory paragraph, the research paradigm concept, definition, types and how paradigms underpin scientific research have been articulated in Chapter 2. However, it is critical to stress that research paradigms are strongly

intertwined with and, concomitantly, influence the selection of a research strategy or methodology. Hesse-Biber and Leavy (2011) underscore that the paradigm's influence on research design goes beyond determining the methodology but extends to guiding the selection of attendant research techniques. The implication of the paradigm-research strategy nexus is that methodology selection becomes a balancing act driven by the selected paradigm's philosophical underpinnings (Schulze, 2003).

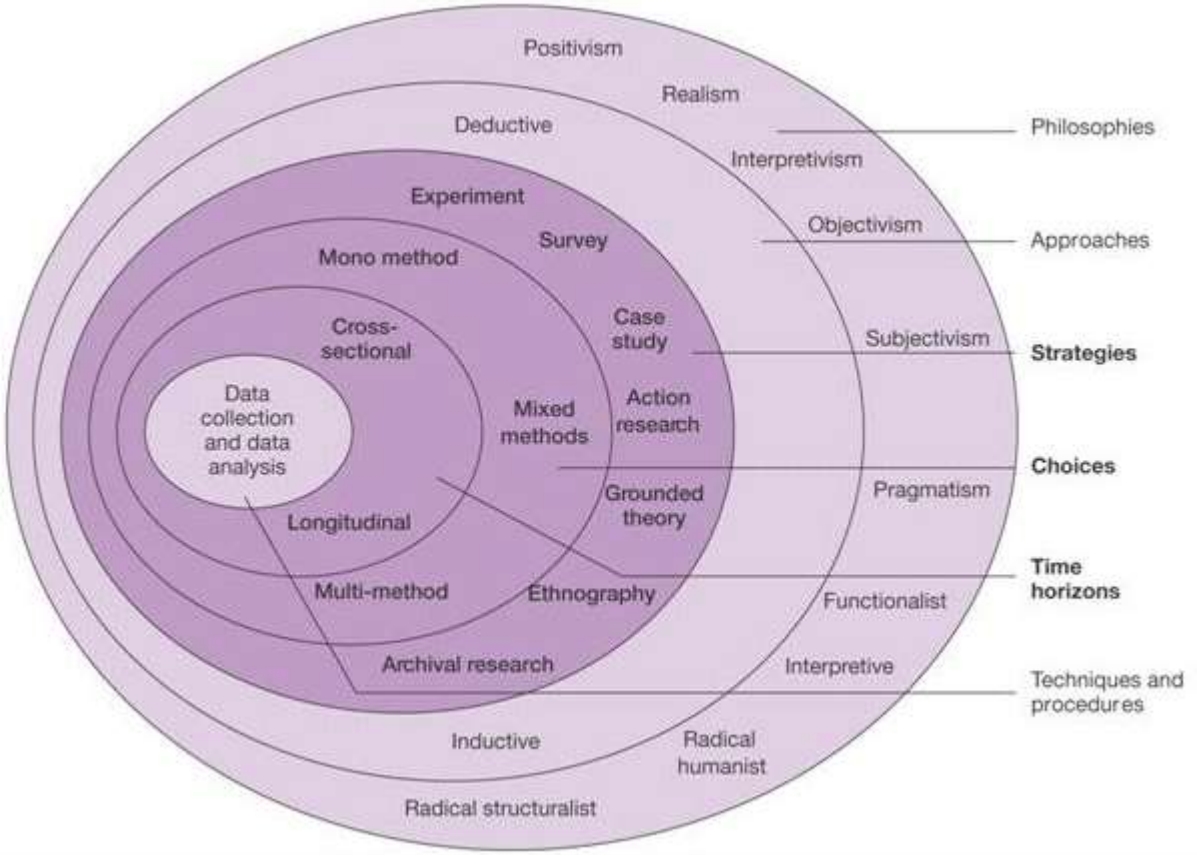
The research onion concept (**Figure 4.2**), by Saunders, Lewis, and Thornhill (2006) provides a succinct illustration of the paradigm – strategy nexus and offers a clear path from the paradigm towards a fitting methodology. The path starts with the philosophical orientation at the outermost layer and, with the peeling-off of each layer, proceeds inwardly towards determining the research approach, the strategy, and finally techniques and procedures. The paradigm-strategy interlink was further illustrated by Bryman (2004) [**Figure 4.3]**, Lincoln and Guba (1985) and Parkhe (1993).

In summary, guided by the paradigm-strategy interlink concept, and the nature of the turnaround phenomena, this study was underpinned by a critical realist paradigm (section 2.1), guided by a qualitative research design (pronounced in section 4.2).

4.2.2 Research Strategy or Methodology

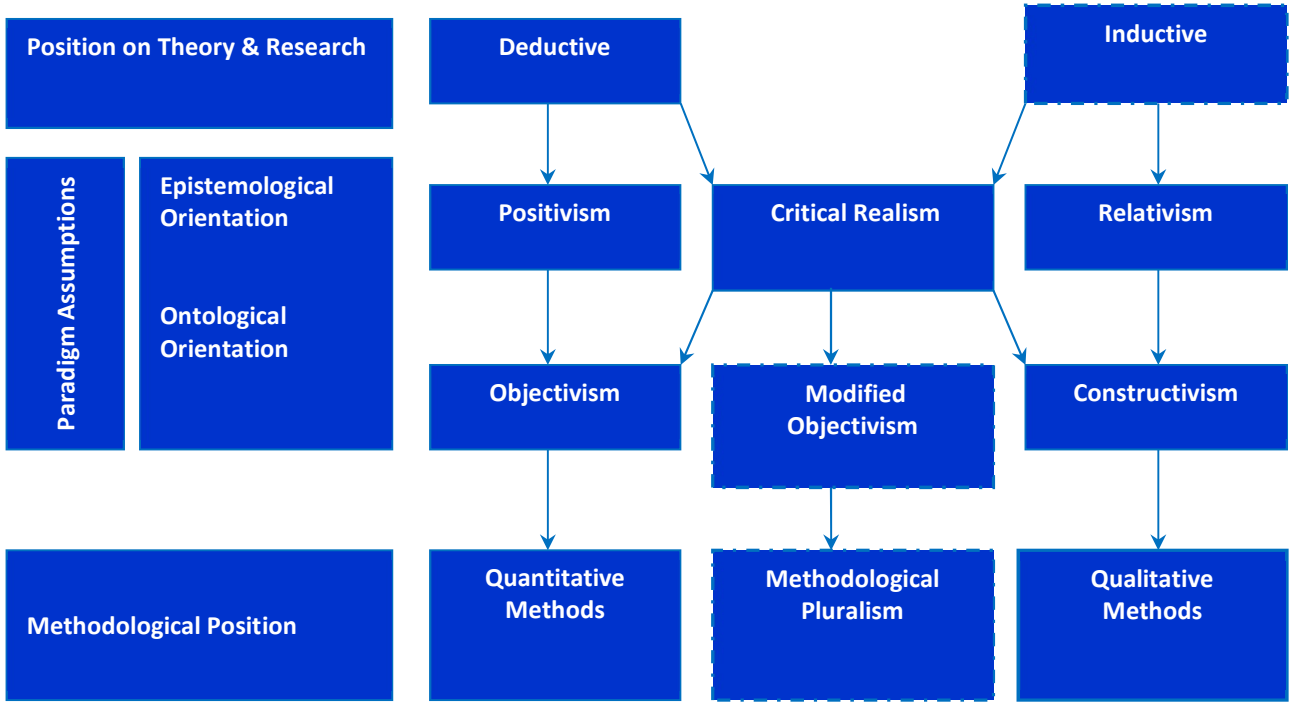
Each research design contains many strategies. Once a research paradigm and an overarching research design is selected, the researcher selects a research strategy, within the broad genre, that best suites the study in question. This ensures there is consistent ontological and methodological connection for a more fruitful research (Danemark, Ekstrom, Jakobsen, & Karlson, 2002).

A research strategy refers to the overall plan followed in undertaking a study. In line with the foregoing, selection of the research methodology was informed by a qualitative research design. Qualitative research design can use several methodologies, including: archival research, action research, case study research, ethnographic research, grounded theory research, in-depth interview research, narrative research, participant observation research, and survey research (Lee, 1999; Saunders et al., 2006; Yeh & Inman, 2007).



Source: *Saunders, Lewis & Thornhill (2006)*

Figure 4.2: *The research onion concept*



Source: Adapted from: Bryman, 2004

Figure 4.3: *Research paradigms – methodological positions & strategies*

Despite the wide selection of methodologies, none of the multiple methodologies is applicable to all research problems (Schulze, 2003). In this vein, the researcher has to select a combination of fitting methodologies - the selection of which was informed by the nature of research problem or social phenomena and the selected paradigm (Morgan & Smircich, 1980). As critical realism was the preferred paradigm for the study, it informed the selection of the research methodologies.

In line with the paradigm–methodology nexus and guided by a realist paradigm, a mixed research methodology was used in the study. The methodology combines a participant-oriented strategy coupled with a realist qualitative case study strategy. Participant-oriented research was used in the early stages of the study, while the case study strategy was used to validate the turnaround framework. Methodology choice was informed by practical and ethical considerations. The case study strategy is widely endorsed as most appropriate for exploring structure, events, and context to establish causal mechanisms (Easton, 2010; Mingers, 2000).

a. Justification for a mixed research methodology

The objective to ensure organizational and participant confidentiality and practical factors (mainly access to site) influenced the decision to use a coupled research methodology. Two issues are critical to note with respect to SOCs in South Africa. First, there are only a few SOCs in South Africa functioning in specific sectors. As such, almost all the SOCs are well-known by the South African society. Second, SOCs are currently in the spotlight for both political and performance-related factors. As a result, a weak identity protection would have been unacceptable.

Bearing the above, in South Africa it is easy for anyone familiar with the local business landscape to identify a SOC anonymously referred to in the research simply from its description and the sector it belongs to. As such, there was a risk of exposing some case study SOCs, particularly enterprises that failed in their turnaround efforts. Only following a case study approach would have, inadvertently, resulted in breaching of ethical requirements and the commitment to keep identities of research cases confidential (Ryan, Coughlan, & Cronin, 2007). Crow and Wiles (2008) emphasize participant anonymity and confidentiality as central to ethical research. Also, given the

sensitivities around SOCs, there existed a high risk of several SOCs denying the researcher access to their sites and personnel for fear of exposure.

To mitigate the risks, the study was structured into two phases (see **Figure 4.4**). Phase I used the participant-oriented strategy and Phase II used the case study strategy. As such, Phase I data collection focused on individual participant views and experiences rather than focusing on the enterprise. The essence of this approach was to enhance organizational anonymity and confidentiality through soliciting individual views without ascribing them to specific organizations, apart from associating them with a group of either successful or unsuccessful turnaround SOCs or private firms.

However, for Phase II, only SOCs that successfully instituted turnarounds were involved. These enterprises were proud of their achievements and, therefore, willing to profile their successful turnarounds. For this part of the research, the realist case study methodology was used, with participating enterprises granting the researcher formal consent to have their identities revealed in the study. The methodologies used in the coupled approach are described in the next sections.

b. The participant-oriented research

Participant-oriented research involves practitioner actions (Johansson, Sandberg, & Vuorinen, 2007). The approach is defined as the studying of a social situation with a view to improving the quality of action within the social situation (Eliot, 1991). It describes the relationship between the researcher and the researched and focuses on the lived experiences of practitioners and their understanding (Allwright, 2005).

In this study, the approach was particularly selected for its emphasizing participant's first-hand experiences with the phenomena (Hogan, 2007). Participant-oriented research draws its strength from the fact that knowledge is derived from experience-based models, moderated by scientific-based models – attributes which were strongly reinforced in this study by the high-calibre, professional and expert nature of participants involved (board members, executive leadership and senior strategy professionals). In addition, participant-oriented research fosters experience-based knowledge generation and tested in local practice which, in the case of the study, related to SOC turnaround among South African practitioners in their local context.

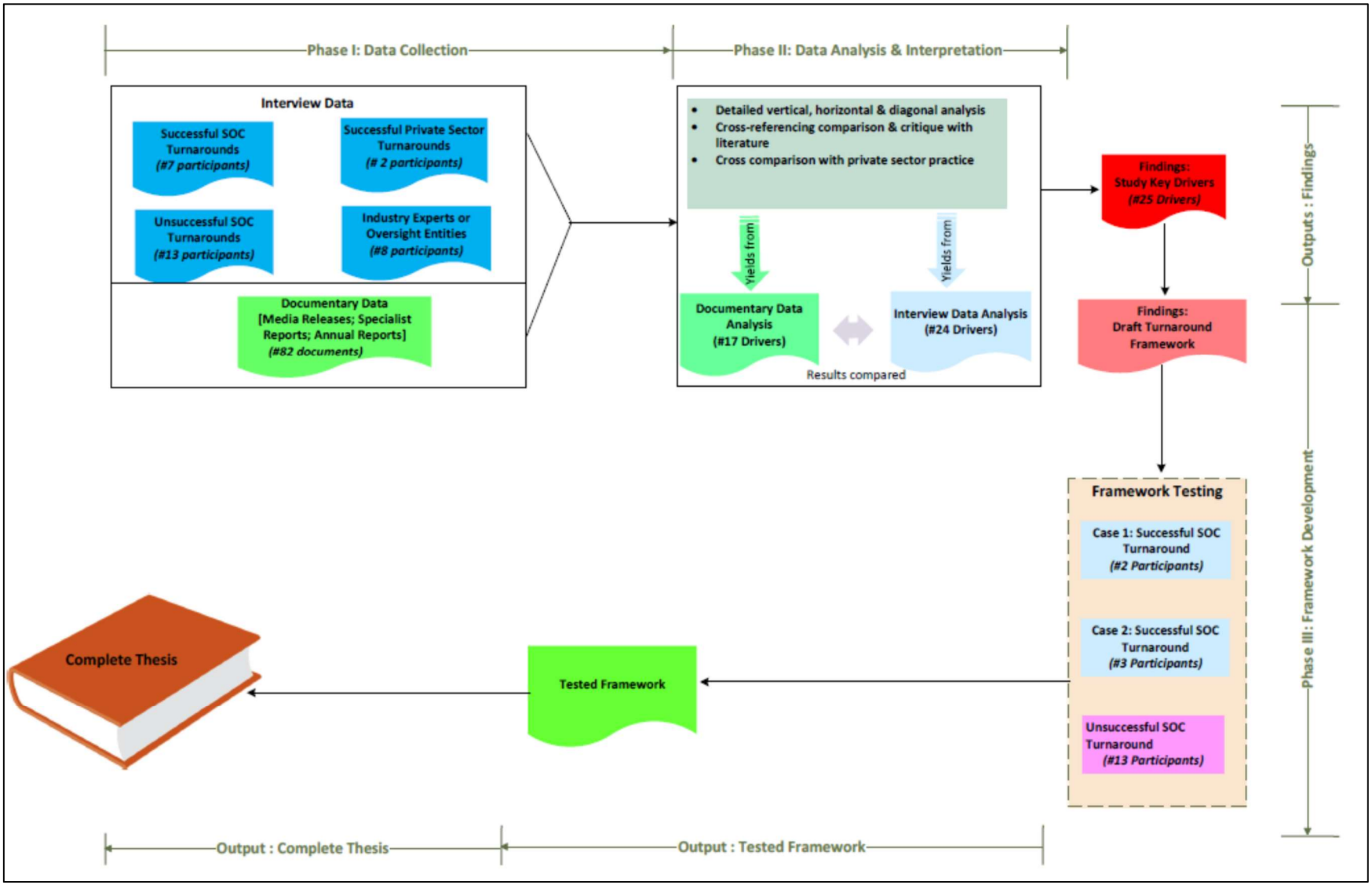


Figure 4.4: *Study process schematic*

Of importance, in this study, the researcher was determined to solicit the perspectives and views of those practically involved in the turnaround of South African SOCs – the view of the practitioner domiciled inside the organization who, as Coghlan (2003) posits, knows better than the researcher coming from outside. This allowed for the study to interrogate, compare theoretical knowledge from research to knowledge generated from practice (praxis). This enriches the building of robust knowledge frameworks for the sector that integrate theory and practice, two domains that are often difficult to merge (Aram & Salipante, 2005).

c. The realist qualitative case study

Yin (1989) defines a case study as, “an in-depth empirical inquiry that investigates a contemporary phenomenon within its real-life context using multiple sources of evidence”. Starke (1995) defines it as “the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances”, while Easton (2010) describes a case study as ‘involving investigating one or a small number of social entities about which data are collected using multiple sources of data”. Looking closely at these three definitions, it is clear that different authors share saliently varying views of the case study methodology. Notably, common to the definitions are singularity of study phenomena, contemporality of phenomena, phenomena complexity, contextual-orientation, and use of multiple data sources.

These attributes set the case study methodology apart in the study of contemporary socio-economic phenomenon. They also explain causal mechanisms and contextual factors (Wynn & Williams, 2012). The case study method also integrates the “how” and the “why” things happen. Case study explores the distinctiveness of the phenomena, including generating specific in-depth knowledge. It also: offers a holistic integrated approach to a study (Starke, 1995); captures a broad spectrum of emergent and imminent elements of phenomena under study (Bhattacherjee, 2012); uses triangulated data sources to confirm or refute findings; and captures different sources of evidence while, in the process, picturing a world of complexity.

It is, however, essential to note that the case study methodology is criticised for: purported lack of rigour; lack representativeness; subjectivity or lack of precision and objectivity (Patton & Appelbaum, 2003; Rowley, 2002); being data intensive; weak

validity and usefulness of findings (Hamel, 1993). Case study designs, therefore, need to devise mechanisms to minimize these weaknesses to improve study integrity. Strategies applied to mitigate these weaknesses are articulated in section 4.4, as part of multiple data collection and analysis.

Considering the aforementioned case study methodology attributes, this study applied a realist qualitative case study methodology in validating the turnaround framework developed from main study findings. Essentially, the methodology was selected for its ability to: (i) investigate particular context-focused phenomena (Eisenhardt, 1989; Merriam, 1988) such as public-sector turnaround as well as extricate contextual meaning within a bounded system (Robert K Yin, 1989); (ii) and study intricate social settings (Morgan & Smircich, 1980; Parkhe, 1993) as is the South African SOC setting. All these factors were critical in understanding the drivers for successful SOC turnaround and attendant frameworks to optimize SOC turnaround in a complex SA socio-political and economic business landscape.

4.2.3 Sampling Strategy

Selecting a study sample is a key step in any research as it is rarely practical to study the whole population (Marshall, 1996). Consequently, sampling is a core concern with a profound effect on determining the outcomes of the study (Coyne, 1997; Tuckett, 2004). Coyne adds that sampling in qualitative research is complex and is often misinterpreted – a concern that alerted the researcher to carefully consider sampling of both the participants and case study firms used for the study. Essential in qualitative study sampling, are the reasons for selecting and the process followed in identifying considered participants (Arcury & Quandt, 1999). Having adopted a coupled methodology, the research involved two sampling decisions: the choice of participants and the choice of successful SOC turnaround cases to validate the product turnaround framework. Selection approaches used are described hereunder.

a. Participant and case sampling

In this study, participant sampling involved the selection of interviewees (participants) who provided interview data. In this case, participant sampling involved: (i) selection of interviewees for both Phase I and Phase II of data collection. In Phase I, participants were selected from turnaround SOCs, private sector turnaround firms, and specialists

in the sector. For Phase II, selection of interviewees entailed identifying participants from the two case studies selected for the validation of the turnaround framework (refer to **Figure 4.4**). Scholars identify a number of qualitative sampling strategies (see Coyne, 1997; Marshall, 1996; Morse, 1991; Sandelowski, 1995; Strauss & Corbin, 1998). In this study, purposive sampling was used to select participants. Purposive sampling was considered because information on firm turnaround is mainly tacit, and held by a few members of society (Tongco, 2007).

With purposive sampling, selection of participants is significantly influenced by the aims of the study (Schatzman & Strauss, 1973) and allows for selection of the most productive sample to answer the research question (Marshall, 1996). Purposive sampling is the deliberate choice of participants for the qualities they possess and strives to incorporate participants who possess specific knowledge and experience essential to both the phenomena under study and the research question (Tongco, 2007) – what Bradley (1992) refers to as critical case or key informant sample. The logic and power of the purposive sampling technique lies in selecting information-rich cases to ensure study depth (M. Paton, 1990). Paton emphasizes that information rich cases are those from which one can learn significantly about critical issues central to the research purpose. More importantly, the technique allows participants to recommend other information-rich participants (snowball sampling), directing the researcher to pivotal sources of pertinent data. Critical to purposive sampling, and to ensure results reproducibility, is the determination, upfront, of a sampling frame which defines the qualifications or unique attributes of the participants and case studies that qualify to form the study sample (Tongco, 2007). This should also be supported by a detailed description of how the purposive sampling process was conducted.

b. Sampling of Cases and Participants

Selection of study participants involved several practical steps. First, the researcher as recommended by Tongco (2007) developed a sampling frame outlining key attributes of participants most suited to provide credible information for the study (see **Table 4.1**). Critical participant attributes included that participants: have credible experience in firm turnaround; have been part of leadership team (at senior management, executive or board-level) that presided over the turnaround of a South African firm (SOC or private); were subject matter experts; or were part of the oversight

team from a relevant government Department, including the National Treasury. Strict use of and adherence to a sampling frame resulted in the saving of numerous fruitless wild goose chases (Allen, 1971). For case selection, it was important that the firm be a South African state-owned company that had instituted a successful turnaround.

Table 4.1: *Study sampling frame - case and participant sampling criteria*

Participant Sampling	Case Sampling
▪ Member of entity/firm leadership (board, executive management or senior management) of a turnaround firm that is currently or was involved in the firm turnaround process. ▪ Expert turnaround professional (academic, consultant or corporate). ▪ Senior leadership employed by one of the key stakeholder institutions or line department of a South African SOC that has undergone turnaround.	▪ A South African state-owned company that has instituted a successful, sustainable turnaround.

Purposive case sampling was applied to ensure cases that provide knowledge depth and breadth on key drivers for successful SOC turnaround were selected. The primary objective was to select cases that replicate or extend emergent theory and/or fill theoretical categories as well as offer examples of divergent types (Eisenhardt, 1989). Selection of framework testing cases was equally influenced by a number of factors, namely: the purpose of study, class of cases, number of cases to be studied, and practical considerations. Practical considerations included availability of data, financial resources, research time constrains, and site accessibility (Rule & John, 2011). Of particular note, cases were selected from a very small population of the few South African state-owned companies that had, over the past twenty years, implemented successful turnaround programs. It is important to underscore that, SOC turnaround issues are (politically) sensitive in South Africa, more so because of the sensitive state capture conundrum that was at its peak during the time of the study. As such, few people were comfortable to express their views, and this made it extremely difficult to gain access to some target sites.

Second, to ensure one targets the most knowledgeable and reliable participants and appropriate cases (Snedecor, 1939), the researcher sought to develop a deeper understanding of the key elements defining the study population. This was achieved through reviewing sector-specific technical studies as well as soliciting guidance from key sector members. In particular, reports of the Presidential Review of SOEs of 2012, publicly available firm annual reports, performance reports from the Department of Public Enterprises and the National Treasury, and information obtained from company websites provided significant background knowledge and guidance. Also, being an employee within the SOC sector, the researcher engaged numerous sector colleagues to solicit pertinent information to guide participant and case selection. Equipped with a detailed understanding of the sector landscape, the researcher proceeded with selecting cases and participants, first relying on annual reports of turnaround SOCs to pick potential participants, selecting from board members and executive management. Targeted leadership members included: the Board Chairperson, the CEO, Board of Directors, the Chief Financial Officer, the Chief Strategy Officer or Head of Strategy, the Chief Operating Officer, Chief Risk Officer and Company Secretary.

Third, after selecting the first set of participants from annual reports and from sector colleagues, the researcher used the snowball or chain referral sampling technique to identify additional suitable and willing participants. At the end of each of the early stage interviews, the researcher asked the participant to nominate potential participants they considered meeting the sampling frame and were most suited to provide more enriching information on the study phenomena. The approach provided a considerable number of suitable study participants.

4.2.4 Study Sample Description

Following a review of the annual reports of several South African state companies', ten (10) turnaround SOCs were identified and had participants selected to take part in the study – these constituted the study sample. The sample comprised national, provincial and municipal firms, operating in diverse economic sectors. It is essential to highlight that only state firms mandated to conduct their operations on a commercial basis were considered in the study. In terms of the PFMA legislation, the sample consisted of schedule 2 and 3d companies. Schedule 2 companies are state entities that operate under business principles, while Schedule 3d companies are provincial

public entities that operate under business principles. As the study focused mainly on financial turnaround, financial performance (profitability) constituted the central and primary measure towards establishing SOC turnaround.

However, as SOCs, often, have dual financial and social mandates, where practicable, sustainability indicators were also assessed for study completeness. As such, using a bouquet of indicators defined and described in **section 4.2.6**, five (5) SOCs were classified as having had experienced successful turnaround, while five (5) SOC turnaround programs were considered as unsuccessful. Two SOCs, when taken over a long time stretch, were locked in a cyclical turnaround regime, moving out of distress and regressing to decline shortly thereafter – indicating lack of sustainable solutions. In this case success turnaround was defined as having sustainably moved, financially, from the red to the black. All financial information used to assess SOC turnaround was obtained from audited financial statements. One private sector turnaround firm participated in the study, being a successful turnaround case.

From the five successful turnaround SOCs, two were purposively selected as cases studies for the validation of the study findings and, the proposed turnaround framework developed as part of the research outputs. Beyond being among the few successful SOC turnarounds, the two case study entities were also considered for their willingness to be used as case studies and their uniqueness and information richness, that is, they constituted critical cases as defined by Bradley (1992).

In total, thirty-five (35) interviewees participated in the study, 30 in Phase I of the study and 5 in Phase II which involved verification of study findings and the framework. Of the 30 Phase I participants, 20 were drawn from turnaround SOCs, split into 5 from successful turnarounds and 15 unsuccessful turnarounds. Two (2) participants were from a successful private sector turnaround. The remaining 8 participants were drawn from private sector turnaround firms, sector specialists, and representatives of oversight or regulatory institutions for comparative and independent perspectives.

4.2.5 Basic Level of Abstraction: Unit of Analysis

The unit of analysis provides the basis of the study - it is the element of the population that the researcher focuses on (Berg, 2001). Grunbaum (2007) argues that a unit of

analysis holds specific information about the unknown a study intends to enlighten, and demarcates it to be individuals and/or the action of individuals. Yin (1994) and Rule and John (2011) add that the unit of analysis varies from being an individual, an organization, a policy, practice, a phenomenon, programme or a process. In this study, as Grunbaum (2007) proposed, the individual participant was considered as the unit of analysis. The rationale for the selection was that the purposefully selected participants possessed the knowledge that would better shed light on the SOC turnaround phenomenon that study sought to understand.

4.2.6 Successful SOC Turnaround Criteria

Turnaround is measured by assessing performance from decline up to at least 3 years after positive turnaround signs emerge. Three measures are used to evaluate SOC turnarounds, namely: *profitability; productivity*; and *investments* as used by Aivazian, Ge, and Qiu (2005). Similar performance measurements have been used in Boubakri *et al*. (2005) and D'Souza *et al*. (2005). These measures are outlined in **Table 4.2.**

Table 4.2: *Summary of turnaround indicators*

Indicator	Performance Index	Index Definition
Financial Performance/ Profitability	Return on Assets	Total profits (net income) divided by total fixed assets.
	Return on Sales	Total profits (net income) divided by total sales.
	SOC year-end profits	Surpass at least three consecutive years of Profits.
Operational efficiency (productivity)	Real output per employee	Output divided by total number of employees.
	Sales efficiency - real sales per employee	Real sales divided by total number of employees.
Investments	Investment to assets ratio	Total capital expenditure divided by total fixed assets
	Investment to sales ratio	Total capital expenditure divided by total fixed

It is acknowledged profitability indices are better suited for private sector firms whose primary objective is profit maximization (D'Souza, Megginsson, & Nash, 2005), and that measuring SOC turnaround using profitability may suffer from two weaknesses, namely, that: (i) SOCs are not only set-up for profit maximization, and (ii) SOCs often get financial support from the fiscus, which distorts their financial performance as the

subsidy, if not carefully considered, may, incorrectly, be counted as revenue. As such, measuring SOC turnaround success is complex as the entities are established with multiple, diverse and, often, blurred objectives including social dimensions, for example, job creation, income and wealth distribution, regional development, being model employers and for import substitution (Arbor, Ahuja, & Majumdar, 1998; Bozec, Breton, & Cote, 2002). Some of these objectives are incompatible with economic rationality, not easily quantifiable (Ahuja & Majumdar, 1998), and bring extra costs or reduce revenues (Bozec *et al*., 2002).

However, O'Kane and Cunningham (2012) consider a turnaround to be the return of an organisation in decline to profitability. As the study focused on commercial SOCs, the researcher considered it prudent to use SOC profitability or surplus to measure turnaround success. In this light, profitability indices were used in this study, particularly the net profit. Commercialized SOCs are expected to be profitable, have a surplus or, at the very least, be self-sustaining. Also, commercialized SOCs are expected to depend less and less on government subsidies. Where fiscal support has been provided to capitalize an ailing SOC, improved performance will also be measured through tangible and consistent reduction in such support as the entity's turnaround progresses, eventually becoming zero as the entity gets back to profitability. For each SOC, performance evaluation was conducted over a period of at least six years, since the onset of the decline. A SOC was considered a successful turnaround if it registered profit/surplus for at least two consecutive financial years after the turnaround was initiated. See **Appendix II** for detailed SOC profitability assessments. Where, practicable, particularly in the case studies, other parameters such as employment creation (or lack of retrenchment during the turnaround) and delivery or improvement of service were assessed.

4.3 DATA COLLECTION PROCESS

In research, once the research design elements are defined, it is essential to delineate the types of data, the sources of data, and the data collection techniques to be applied. Clearly defining these three elements provides clarity on a study's data collection process, as well as reinforcing the validity of the study data. This section articulates the types of data for the study, data sources and the data collection techniques used. The section concludes by outlining principles that guided data collection.

4.3.1 Data Types, Sources and Description

Broadly, research data is classified into quantitative and qualitative data. Type of data used in a specific research is informed by the research design. As aforementioned, the study followed a qualitative research design. In this vein, study data was qualitative in nature. Qualitative data are predominantly located in people; practices; print media; electronic media; and artefacts (Rule & John, 2011; Yin, 1981).

The study used two key data sources: documentary data and interview data. A data triangulation strategy was applied to test confluence of evidence for research credibility (Eisner, 1991), managing researcher bias, and improving research validity (Yin, 1984). This approach is well-supported in qualitative studies, with Bowen (2009) positing that qualitative studies should draw upon at least two data sources for convergence and corroboration. Maxwell (1998) corroborates Bowen, submitting that qualitative studies intrinsically rely on integration of triangulated data from different methods and sources. From the two sources, the study's data corpus comprised: interview tapes and transcripts, case data, media reports, firm annual reports, press releases, special technical reports, and firm website information. The following sections describe the two data sources of data used in the study.

a. Documentary Data Description

Documentary data was sourced mainly from publicly available documents including firm annual reports, special organizational reports, archival records, media reports, press releases, and information obtained from company websites. Case study SOCs also voluntarily provided additional documents for analysis. Following identification of the sample firms, the researcher scouted the study firms' websites for information pertinent to the study. Company websites provided electronic annual reports covering the duration of the firm's turnaround. Also, the researcher diligently followed news and press releases posted in print media by South African SOCs, collecting news articles relating to turnarounds. Special internet searches were also conducted for technical reports and case study reports in the public domain. These processes yielded a rich set of documentary data for the study.

A total of eighty-two documents were collected and used for the study, comprising thirty-six (36) media reports, twenty-eight (28) SOC annual reports, twelve (12)

specialist reports, and six (6) company website documents. Annual reports were obtained from AAA SOCs that underwent turnaround, BBB private sector firms that underwent turnaround. Specialist reports of note used include the Public Protector Reports on PRASA, SABC, and State Capture Report; Auditor General Reports on SOCs and Municipalities; the Presidential Review Committee reports (of 2012) on state-owned enterprises review; and the Department of Public Enterprises SOC review reports. The documents were loaded onto Atlas.ti software for coding and analysis.

b. Interview Data Description

Interview data was collected from thirty-five (35) participants using individual in-depth semi-structured interviews. Interviews were conducted with top management teams of companies that underwent turnaround. Each interview lasted for, on average, 90 minutes and was guided by an interview framework (see **Appendix III**). Participants were selected from current and past board members, executives, senior managers and decision-makers from South African SOCs, oversight and regulating organizations as well as from the private sector specialists and representatives of turnaround firms.

For each interview, the researcher first obtained informed consent from study participants, either telephonically or via email correspondence. The informed consent was formalised by having each participant signing a consent form prior to each interview commencing. In is essential to highlight that three categories of consents were obtained, namely: consent to grant the researcher an interview; consent to audiotape the interview, and consent to have the interview record kept for a period of 3-5 years after the studies are completed. All interviews were conducted in English. Recording of each interview was either through, subject to participant consent, tape recording or, where consent to audiotape was not granted, through taking detailed interview notes. In cases where audiotaping was not granted the researcher developed a detailed write-up immediately after the session when the information was still fresh in memory. Each participant voluntarily agreed to participate in the study, with thirty-three (33) participants granting both participation consent and audiotaping. Two interviewees opted not to be audiotaped.

Following each interview, the data was transcribed into text form for coding and analysis. A sample transcript is shown in **Appendix IV**. As with documentary data, the

transcripts were saved and loaded into Atlas.ti software for coding and analysis.

4.3.2 Data Collection Principles

Rowley (2002) recommends three key principles for data collection. These principles include triangulation of evidence, creating a portfolio of gathered evidence, and keeping and maintaining a chain of evidence. Triangulation is achieved through using different data sources and data collection methods. Rowley (2002) argues that a well-organized database strengthens study repeatability as well as increasing research transparency. Further, a chain of evidence assists the researcher to track the source of information during the compilation of the report, making it easier for the researcher to refer to the source during report generation.

The researcher views the principles as strong enablers for good and credible research. As such, all the principles were applied in this study. First, the study followed a dual data source approach, using documentary or text data and in-depth interview data to test corroboration and strengthening of findings. Second, the researcher created, as described in section 5.4.2, a database dedicated to the study where documents were systematically and securely stored. The study dataset comprised research notes, text data, interview audio tapes and notes, interview transcripts and analysis records. Third, during analysis and interpretation phase, the researcher consistently made reference and cross-linkage to information obtained in data collection to support and ground arguments. As recommended by Rowley (2002), the researcher followed the study protocol during data collection and carefully showed the inter-linkages with study objectives. It is essential to highlight that the researcher adjusted the data collection process (progressive focusing) as some concepts, for example institutional factors and governance, called for attention.

4.4 DATA ANALYSIS PROCESS

Qualitative data analysis is a complex, iterative and reflexive process that entails three elements: studying, understanding, and “sense making” of a vast set of data. Caudle (2004) defines data analysis as “the interplay between raw data and the procedures used to interpret and organize the data”. In the process, the researcher constructs thick case descriptions, identifies key themes, generates action explanations, and develops theories (Rule & John, 2011). Bhattacherjee (2012) posits that sound

qualitative analysis requires a creative and investigative mind-set grounded in an ethically-enlightened and participant-in-context attitude and supported by an appropriate set of analytic strategies or frameworks.

Analysis of both interview-based data and documentary data was accomplished using a hybrid inductive-deductive qualitative content analysis framework. At this juncture, it is important to highlight that many qualitative studies are criticised for not adequately describing the analytical strategies and approaches applied (Conger, 1998; Ryan et al., 2007). Notably, qualitative studies often fall short in providing sufficient detail characterizing the emergence of findings from data, thereby compromising opportunities for study replication. In this light, Holloway and Wheeler (2002) emphasize the significance of adequately explaining a study's analytical process to enable readers to judge whether the findings are grounded in data – an emphasis also supported by GAO (1996). To manage such shortcomings, the following sections describe the qualitative content analysis framework used to analyse data. The sections also describe how the framework was applied in the study.

4.4.1 Justification for Content Analysis Interpretive Framework

Content analysis is an analytical framework now widely used to study human behaviour (particularly people's views and perceptions) indirectly through examining written, verbal or visual communications (Fraenkel, Wallen, & Hyun, 2011; Elo & Kyangas, 2008). This study adopted a combination of Hsieh and Shannon (2005: 1278) and Schreier (2012) definitions for content analysis, taking the framework as method for interpreting and describing meaning of the content of the qualitative text data through the systematic classification process of coding, identifying themes, categorization and abstraction. This definition was considered to emphasize the systematic nature of the framework, the approach it follows, and interpretation and meaning description, elements that are pivotal to the framework.

Content analysis facilitates contextual meaning in text through creation of emergent themes (Bryman, 2001). Although it originated in the 1950s, as a quantitative method used to analyse content in media text (Berelson, 1952), content analysis has progressed into an objective and systematic qualitative analytic framework (Woods, Priest, & Roberts, 2002). The method is growing in use (Neundorf, 2002), and has

been applied in the fields of communication, journalism, sociology, psychology, nursing, education, and also business (Elo & Kyngäs, 2008; Sankey & Foster, 2012).

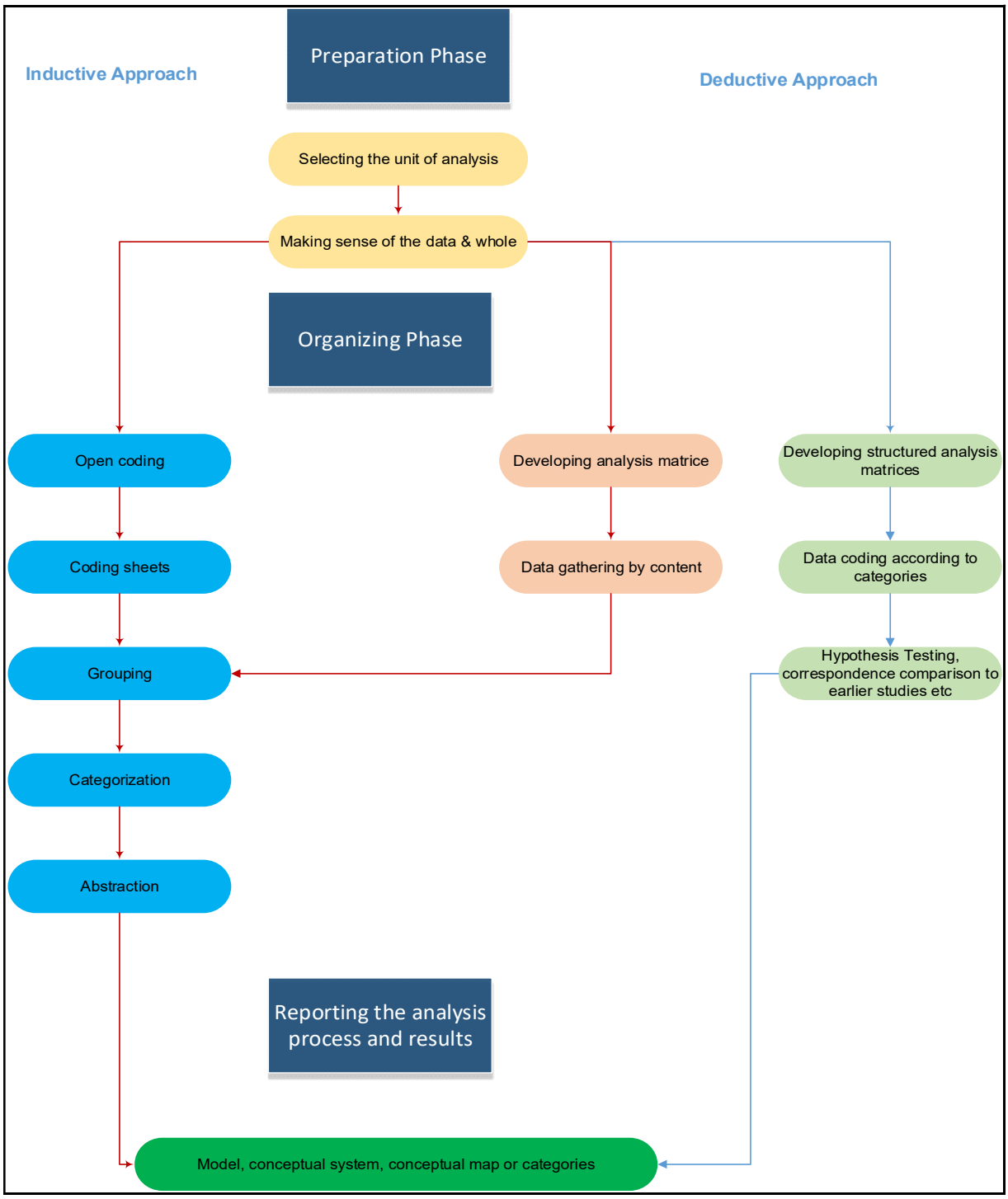
In this study, qualitative content analysis was used as the interpretive framework because of its compelling attributes, including: a content-sensitive method (Krippendorff, 2013); flexibility with respect to research design (Harwood & Garry, 2003); amenability to developing an understanding of the meaning of communication (Cavanagh, 1997); suitability for the analysis of any kind of communication materials – print, verbal or electronic - including interviews, printed media like books or manuals (Kondriacki, Wellman, & Amundson, 2007); expedience in identifying critical processes (Lederman, 1991); and that, as a method, it is systematic and objective in both quantifying and describing phenomena (Sandelowski, 1995). Content analysis also focuses on meanings, intentions, perspectives, consequences and context (Downe-Wamboldt, 1992) in drawing meaning. Finally, content analysis was considered for its strength and opportunity to quantify data (Vaismoradi, Turunen, & Bondas, 2013) through frequency analysis. Drawing from a realist paradigm and utilising interviews-based and document text, the researcher applied a context-sensitive analytical framework as interviews and documentary data is contextual and value-bound (Mishler, 1986), attributes that qualitative content analysis embodies.

Qualitative content analysis can follow one of three approaches in identifying codes and themes: a theoretical/deductive or concept-driven approach; a data-driven inductive or bottom-up approach (Braun & Clarke, 2006); or a hybrid approach that leverages the strength of the two basic approaches (Cho & Lee, 2014; Fereday & Muir-Cochrane, 2006). The hybrid technique has the advantage of broadening the analysis, generating more codes and themes that the basic approaches, used separately, might miss. Fereday and Muir-Cochrane (2006) further advance that the hybrid technique promotes study and analytical rigor, and, for that reason, this study elected to use the hybrid technique, integrating inductive data-driven coding with deductive theory-driven coding. This approach is also supported by Schreier (2012: 33), who asserts that qualitative content analysis is rarely used in an exclusively data-driven way.

4.4.2 Study Analytical Process

The analytical process followed the three phases characterizing the content analysis

framework, namely: preparation, data organization, and reporting (**Figure 4.5**). The analysis first followed a deductive approach, creating codes, categories and themes from literature review information and the study questionnaire. The deductive process was complimented by an inductive approach, developing more codes from the interview data and text data. These processes are described in the following sections.



Source: Elo & Kyngas (2008)

Figure 4.5: *Qualitative content analysis framework flow diagram*

a. Preparation Phase: Outlining Key Decisions

The preparatory phase involved two activities: (i) setting up a secure and organized data management system, and (ii) deciding on critical aspects of the analysis process. Organizing research data into a logical data management system avoids problems with data identification, access and retrieval (Caudle, 2004). To ensure ethical research, the system also must be secure to protect the identities and confidentiality of participants. In this light, the researcher created a password-protected database to manage and safeguard study data from loss and to promote source confidentiality. Only the researcher could access the system.

Interview data preparation entailed: transcribing interviews; checking transcriptions for correctness; refining the transcriptions following corrections; and saving the transcripts in the secure study database. For document data, preparation involved prearranging collected documents into a structured filing system and storing them in the database. The prepared interview and documentary data formed study's data corpus. In addition, it formed part of the study's chain of evidence. In its complete form, the data management system contained interview audio-tapes, interview notes, interview transcripts and documentary data which included: annual reports, media briefings, media articles, press articles, and specialized technical reports. The data management system was kept on the researcher's access-restricted personal laptop as well as on two dedicated large capacity external hard drives for back-up. Both external hard drives had restricted access for security.

As aforementioned, part of preparing primary data involved transcribing interviews. The researcher personally transcribed each of the thirty-three (interview) audio tapes into text transcripts. Each interview was transcribed within five days of the interview session while the episode was still fresh in the researcher's mind. A denaturalized transcription approach was followed as the researcher's primary interest was in the informational content of the interviews (McLean, Mechthild, & Alma, 2004). It is important to note that with denaturalized transcription, accuracy centres on the substance of the interview, that is, meanings and perceptions generated and shared during the engagement (Oliver, Serovich, & Mason, 2005). Correspondingly, this was the core objective of the selected study approach and, correspondingly, the interpretive framework.

Prior to analysis, the researcher took decisions on two parameters pivotal to analysis, that is: selection of a meaningful unit of analysis (Sankey & Foster, 2012) and deciding on what to analyse for, manifest content or latent content (Elo & Kyngas, 2008). Tesch (1990: 116) defines a meaningful unit of analysis as a "segment of text that is comprehensive by itself and contains one idea, episode, or piece of information". As the study used text data from interviews and documentary data, two units of analysis were selected being whole interview transcript and a complete document. The selected units of analysis were, as Graneheim and Lundman (2004:109) point out, "large enough to be considered whole and small enough to be kept in mind as a context meaning unit in the analysis process". This study used manifest content as it is less subjective.

In the final step of preparatory phase, the researcher immersed himself in the study data to make sense of it and unearth the story it was telling. In this regard, the researcher repeatedly read the transcripts and secondary documents, broadening and deepening one's understanding of the data in the process. The procedure took months of focused attention, with the researcher moving from scanning through transcripts, to skimming documents to establish trends and narratives concealed in the data. The approach is grounded in the view that no insights or theories can emerge from the data without the researcher being intricately familiar with it (Polit & Beck, 2004 cited by Elo & Kyngäs, 2008). Equipped with a tangible grasp of the data, the researcher proceeded to the organizing phase of the analysis.

b. Organizing Phase

The organizing phase of a hybrid deductive-inductive qualitative content analysis involves seven sub-processes that can be clustered into three groups: (i) preliminary deductive elements, (ii) preliminary inductive elements, and (iii) hybrid or common processes. Preliminary deductive elements include developing a coding frame and gathering data by content, while preliminary inductive elements include open coding and developing coding sheets. These two preliminary processes are a replica of each other, being the first organizing steps for deductive and inductive data organizing. Hybrid processes are common to both inductive and deductive approaches and include grouping of gathered data, categorization and abstraction.

i. Developing a coding frame or scheme

Consistent with a hybrid deductive-inductive content analysis framework, the researcher combined the concept- and data-driven approaches to develop a coding frame. First, the researcher followed a deductive process, using a *priori* approach, to develop a concept-based coding frame. This was informed by the interview guide, guiding the creation of the first set of categories as proposed by Winkelhage et al. (2008). The deductive approach generated twelve main categories, and 20 sub-categories. Deductive coding frame development was then followed by a data-driven inductive process, designed to broaden and strengthen the coding frame and create an exhaustive scheme. To achieve this, the researcher analysed, iteratively, three transcripts and a few sets of secondary documents to identify, through open coding, pertinent points to create new categories that had not been observed in the deductive coding phase. The inductive process identified a further 13 main categories and 30 subcategories, to create an initial coding frame consisting of 25 main categories and 50 sub-categories. A lot of effort was invested in ensuring the categories were clearly defined, comprehensive and mutually-exclusive. Detailed dictionaries defining each category were developed to guide application of the frame (MacNamara, 2005).

ii. Coding the data corpus and category condensation

Following the development of a comprehensive and consistent coding scheme, the researcher applied the frame to code the entire data corpus. Each data material was analysed for content and coded for correspondence with the coding scheme categories. To be exhaustive and to ensure accurate coding, the researcher read the text material numerous times for immersion and comprehension of key data elements (Sandelowski, 1995). Where necessary, particularly where new themes emerged that could not be coded into one of the predetermined categories, new categories were created, and the coding manual correspondingly updated.

The coding and analysis were conducted using Atlas.ti, a computer-aided qualitative analysis software (CAQDAS). The researcher considered using CAQDAS because of the technology's flexibility and coding versatility, ability to handle different and large amounts of data as well as its adeptness to easily create useful linkages and cross referencing (Smit, 2002). Atlas.ti also has the strength of providing a graphical network building feature that is useful in linking categories and concepts. In addition, Atlas.ti

has the capability to easily integrate and refine categories, developing higher order conceptualizations and creating code families or themes (Smit, 2002). Further, it seamlessly allows for the search of critical text within previously highlighted codes, enabling the researcher to access key information with ease. It is essential to highlight that Atlas.ti has been commended for its compatibility with qualitative content analysis. In this light, Krippendorff (2013: 356) asserts that the use of Atlas.ti software is advantageous because text explorations are systematic, "countering the natural tendency of humans to read and recall selectively".

To refine the analysis, the researcher reviewed all the categories to ascertain whether some categories could be merged into themes or if some needed to be sub-categorised. As such, similar categories, as proposed by Downe-Wamboldt (1992), were aggregated into broader higher order groupings, forming themes. The process of establishing themes is a "way to link the underlying meanings together in categories" (Graneheim & Lundman, 2004: 107). The aggregation exercise condensed categories into 25 themes, focusing and enhancing the study analysis. **Figure 4.6** shows the process in Atlas.ti, illustrating details for the expanded shareholder role driver.

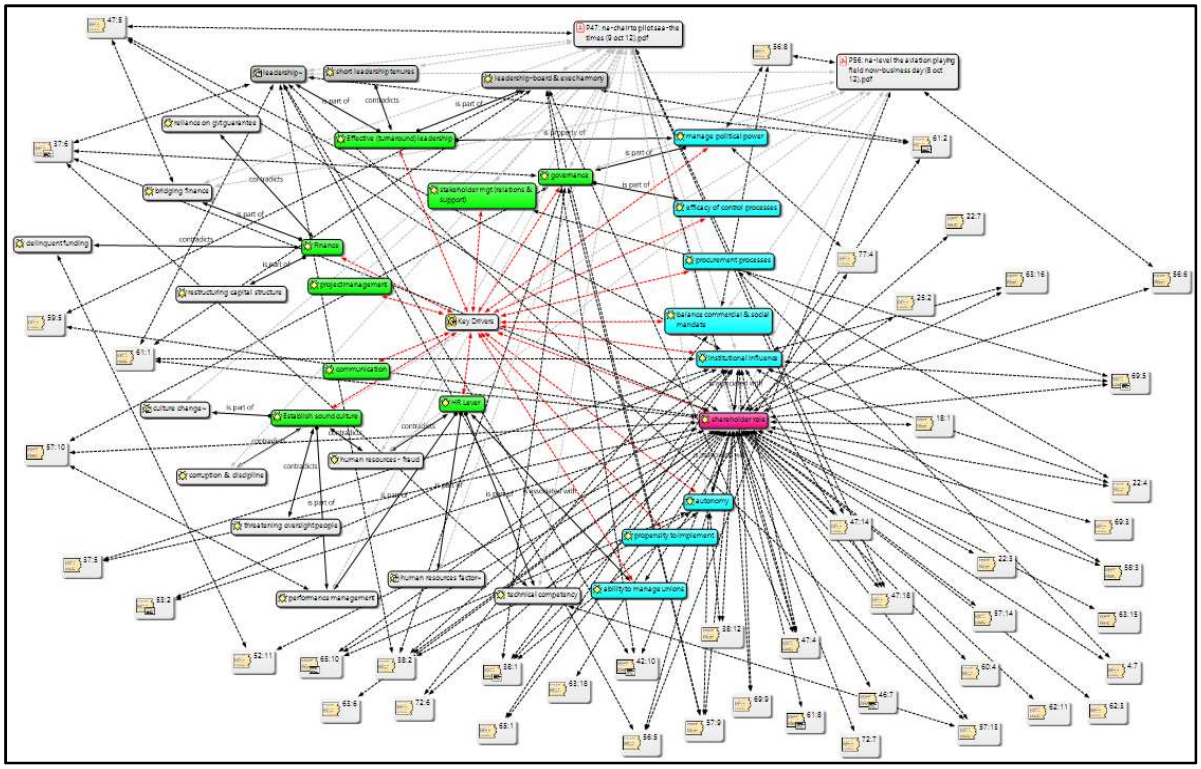


Figure 4.6: *Atlas.ti network diagram illustrating coding and analysis*

Figure 4.7 further illustrates the coding process, using the shareholder relations theme and demonstrating the linkage between the themes, codes, quotations, and source documents.

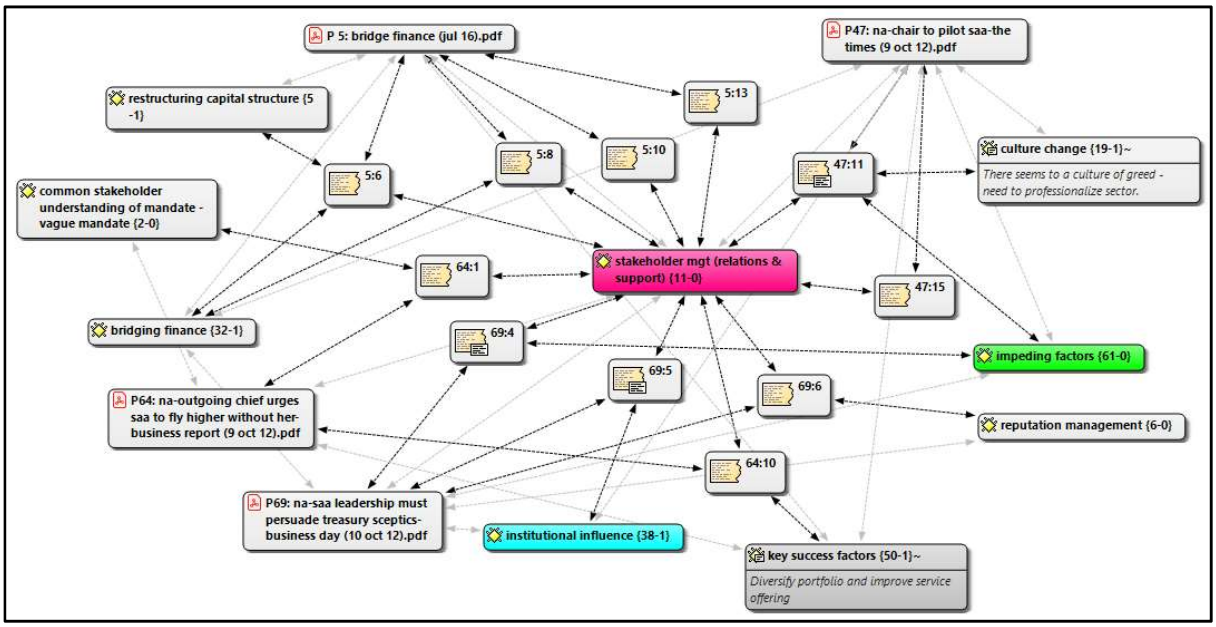


Figure 4.7: *Coding illustration for the stakeholder driver and associated themes*

The theme concept had three intrinsic interpretations critical to this study: it enabled the description of a structural unit of meaning essential to present qualitative results (Streubert & Carpenter, 1994); it was a recurring regularity identified within or across categories (Polit & Hungler, 1999); and aided in expressing latent meaning of text (Graneheim & Lundman, 2004). In summary, the theme concept provided for easier abstraction and interpretation of the research. The themes (25 in number) generated formed the study's key drivers critical in turnaround of distressed SOCs in SA.

iii. Interpretation and drawing conclusions

The interpretation stage relates to the process of drawing conclusions from the coded data through abstract conceptualizations (Spiggle, 1994). Qualitative analysis entails making sense of the key themes and categories identified from the coding and characterizing their properties (Zhang & Wildemuth, 2006) to facilitate understanding of the phenomena under study (Sargeant, 2012). Consequently, following data coding and process quality check, the researcher studied the outcomes and trends from the coded data to make inferences and extract meanings from the outcomes. In this light,

the researcher subjected the coded data to qualitative analysis and interpretation. These outcomes assisted in the presentation of the findings in **section 5.2**.

For analysis and interpretation processes, the researcher searched and identified recurrent categories from participants' interview statements and organized them according to semantic similarity; compared and contrasted statements, views and categories across transcripts and critical variables particularly key turnaround drivers and institutional factors; explored defining dimensions and characteristics of trending categories for deeper meaning; and searched for patterns and trends in categorized data and themes.

In addition, key findings were compared with those of other studies. In particular, the researcher explored how the key findings could be explained by the study's chosen interpretive theories. Effort was invested to establish relationships between themes and categories; and, as proposed by (Bradley, 1993), tested the themes and categories against the study data. The researcher also paid attention to the unsaid, which Schilling (2006) claim often yield very interesting results. This was particularly important on politically sensitive sub-themes such as the role of the shareholder, appointment of boards and the impact of corruption. This was particularly pertinent because of the current volatile climate in South Africa's SOC sector due to the ongoing state capture investigations in which SOCs are a prominent feature. Similarly, the researcher took interest in deeply exploring negative outcomes (i.e. those that do not confirm recurrent themes) to understand their meaning and implications on the overall results. With more in-depth knowledge and understanding of the data, the researcher integrated constructs for enriched meaning and findings.

c. Outcomes Reporting

Findings from analysis and interpretation need to be presented using an easy to understand display – which is an "organized, compressed assembly of information that permits conclusion drawing and action" (Miles & Huberman, 1994: 11). In this process, the researcher aimed to repackage key categories and themes to show relationships and insights from the interpretation process with a view to explain them clearly considering extant knowledge and theoretical perspectives (Sargeant, 2012).

Importantly, to accentuate meaning, display clear outcomes, and provide multi-dimensional perspectives and critical discoveries (Lengler & Eppler, 2007), this study used a combination of displays, namely selective justification (the process of justifying or supporting conclusions by reporting typical quotations from data) to develop elaborate understanding, as well as visual displays including a combination of graphs, charts, networks, or concept maps. The concept map was used to provide a visual overview of recurrent themes/categories from the participants' inputs.

Complementing the graphical presentations, study findings were also captured in a detailed narrative write-up, forming an essential part of the thesis. In reporting the study outcomes, the researcher elected a format that combines findings and discussion, linking each discovery, where applicable, to the work of other scholars (Burnard, 2004), reinforcing or contrasting the submissions with research data in the form of valid verbatim quotes, for selective justification. Findings presentation was largely informed by the research question and structured according to key themes emerging from the analysis. The findings are presented in Chapter 5.

4.5 RESEARCH VALIDITY AND TRUSTWORTHINESS

A credible scientific research should meet the key requirements of integrity and trustworthiness. These two parameters espouse research validity defined by Creswell and Miller (2000) as the degree to which a study account accurately represents participants' realities of the social phenomena and how credible it is to them. In particular, the researcher, borrowing from some of Cresswell and Miller's recommendations, applied four techniques to engender integrity and credibility in the research. Techniques applied include triangulation, member checking, thick description and subjecting work to peer review. Also, the researcher methodically kept a record of the study to ensure documentation of key decisions and activities through keeping a journal – a process that amplified the validity, integrity and trustworthiness of the study. This section describes applied techniques and the underpinning premise.

4.5.1 Triangulation

The principle of triangulation is inherent in most research designs and promotes validity by establishing convergence among multiple information sources to form study

categories or themes (Creswell & Miller, 2000). In this study, the researcher consistently and methodically compared participants' views and perspectives for convergence as well as differences of themes, corroborating or disconfirming evidence. Notably, as the study was privileged to use two data sources, that is, text data and interview data, comparative analysis involved comparing documentary data findings with findings from interview data, checking for corroboration or refutation.

4.5.2 Member Checking

Member checking promotes validity through the researcher requesting participants to verify the accuracy in the capturing of their views in the data as well as their interpretation. In this vein, in line with Creswell and Miller's (2000) recommendations, the researcher requested feedback on from the participants on the outcomes from interview data. Fifteen (15) of the initial thirty (30) participants provided verification feedback. In addition, the same proportion of participants provided a first-level review and commentary on the framework developed from the findings. Member checking or verification is a highly regarded research integrity technique - Lincoln and Guba (1985:314) consider it one of "the most crucial techniques for establishing credibility".

4.5.3 Thick, Rich Description

Thick description establishes study credibility through succinctly outlining the research setting, participants involved, and providing clear description of themes – thus giving rich and deep accounts of the study perspective and creating verisimilitude (Cresswell & Miller, 2000). In doing so, the researcher draws the reader into the study setting through broadened understanding. Correspondingly, the researcher, in effort to improve research integrity, provided detailed description of the setting, participants involved as well as the study themes. However, description of participants and organizations involved in the study was done with due care to retain anonymity to protect identities. Descriptions of the case studies are provided in **Appendix V**.

4.5.4 Peer Debriefing

The researcher applied peer debriefing as a credibility-promoting technique, making use of two selected professionals to peer-review the work. Beyond the study supervisor, who diligently reviewed the work and formally provided objective guidance

and critique, the researcher was privileged to have the work also reviewed by two contemporaries, both of which are doctoral graduates.

In line with Lincoln and Guba (1985), the peer-reviewers provided support, played devil's advocate, and challenged the researcher's assumptions, stretching his cognitive capabilities as they critically, independently and objectively questioned the viewpoints, methods and interpretations. The reviewers also provided written feedback while at times serving as regular sounding boards on key points along the study. Their inputs and critique significantly assisted in shaping the research.

4.5.5 Research Confirmability

Research confirmability, a key element of trustworthiness, addresses the potential influence of researcher bias on the study (Rule and John, 2011). It seeks to ensure that other researchers confidently attest that the study was undertaken in the manner described by the researcher (Lincoln & Guba, 1985; Miles & Huberman, 1984). Requirements of this parameter were achieved through, as Rule and John (2011) recommend, transparent and open disclosure of: the research process followed, researcher positionality, and ensuring sound ethical processes. First, the researcher, in promoting transparency, articulated in detail, as documented in this chapter, all the processes followed in conducting the research. Second, the researcher created and maintained an auditable portfolio of evidence comprising records of tape recordings, interview transcriptions, interview notes, peer-review comments and pertinent secondary documents with records of their sources. Third, strict adherence to ethical research was ensured throughout the study as documented in the next section.

4.6 ETHICAL CONSIDERATIONS AND PROVISIONS

Scientific research should be conducted ethically. Rule and John (2011)) posit that ethical research improves research quality and trustworthiness. It is, therefore, pivotal for researchers to actively manage ethical issues. To this end, this study strictly embraced ethical research practices from design to research implementation, particularly in data collection, data handling, analysis and reporting – areas that require sensitive and professional treatment of participant information. The researcher focused on three pivotal attributes: autonomy, non-maleficence and beneficence. Interventions applied in these three areas are described in the next sections.

4.6.1 Autonomy

Autonomy comprise participant privacy, confidentiality and anonymity. It also includes ethos of openness, transparency and informed consent. The study took the requirements of this attribute very seriously to ensure participant privacy and confidentiality were, in practice, respected. To achieve this, in all circumstances, prior to inviting involvement, participants were transparently informed of the study focus, its objectives, detailed project background, expected study outputs, as well as the planned capturing, reporting and dissemination of findings. This was achieved through preparing, and sharing, with interviewees, a detailed participant information sheet (**Appendix VI**). Where required, the researcher held preliminary introductory meetings with the potential participants to explain the essence of the study and address any questions participants would have.

Following full understanding of the study by would-be participants, formal informed consent was requested. Also, in cases where participants and case study firms required that their participation be kept confidential and details be anonymous, the researcher fully considered and respected such requests. In such cases, pseudo names were used in the report write-up to conceal their candidacy and protect their privacy. To entrench autonomy, where required, the researcher committed to signing confidentiality agreements as assurance to participating-firms of his dedication to uphold their anonymity. Two confidentiality agreements were signed with SOCs used for the testing of the proposed turnaround framework outlined in Chapter 6.

4.6.2 Non-maleficence

Non-maleficence focuses on ensuring that all participants are protected from any research-related risk of harm or danger at every stage of the study. By its nature, this study posed limited potential for physical harm to participants. However, the researcher considered three potential sources of harm, namely, harm from: (i) irresponsible treatment or handling of data, (ii) any form of malice by participants or the researcher, and (iii) unprofessional behaviour by parties to the study. These, collectively, had the potency to inflict personal or organisational reputation damage.

In mitigation, the researcher conducted himself, in line with the university's ethics code, in a professional manner, respecting the dignity of people through treating

everyone humanely. This approach was fostered by several formal protocols, including obtaining and implementing the requirements of the university's ethical clearance; respecting the conditions of signed confidentiality agreements and operationalizing the spirit and letter of signed informed consent letters. Each of the 36 participants signed an informed consent form. The form guided access and entry by the researcher to the participants, controlled data collection, recording (Preissle, 2002), treatment, and, in return, binding the researcher to respect and upholding participant's integrity. Two participants requested not to be audio-taped. In line with the principles of non-maleficence, their interviews were not audio-taped. As such, to record their inputs, the researcher took detailed notes during their interviews.

4.6.3 Beneficence

It is professional practice to honour and respect commitments made. The principle of beneficence speaks directly to this – requiring researchers to live up to their promises and negotiated agreements (for public good) like providing feedback, follow-ups of any promised or negotiated intervention (Rule & John, 2011). In this regard, the researcher, upon obtaining analysis results, engaged several participants and obtained feedback and verification on the key study outcomes. In particular, the researcher shared the study outcomes with all institutions that had requested, as a condition for offering access, that he shares the findings. In addition to strengthening the case for research ethics, this process also provided opportunities for the review of the findings with a view for improvements. It also elevated the case for the study's validity and transparency.

4.7 LIMITATIONS

Every study has limitations to its coverage of the chosen field of study (Hussey & Hussey, 1997). Similarly, it is acknowledged that this piece of research, on its own, could not exhaustively research issues in South African state-owned companies' turnaround domain. Numerous scholars have indicated the gaps existing in the public sector turnaround field. This study only focused on the turnaround of commercial state-owned companies, which, admittedly, is only a small portion of the sector. It is essential to highlight that the study outcomes may not be applicable across the full spectrum of the public sector - for example government departments, municipalities and other government institutions. Secondly, to the best of the researcher's knowledge, no

similar study has been conducted elsewhere in South Africa specifically looking at the study niche and also using the methodology adopted by this study. As such the study outcomes may need to be corroborated by further independent studies where the results outcomes can be further empirically tested.

CHAPTER 5 : DATA ANALYSIS, FINDINGS & DISCUSSION

5.1 INTRODUCTION

Data analysis is a pivotal step in scholarly research; it brings order, structure and meaning to the mass of collected data (Marshall & Rossman, 1999). As advanced in Chapter 4, analysis is an activity of making sense of, interpreting and theorizing data, drawing general statements among data categories (Schwandt, 2007). In this chapter, the researcher presents three elements characterising the outcomes of the research, namely: (i) the analysis of the raw data and the associated key findings, (ii) the interpretation of the findings, and (iii) the discussion of the findings for establishment of greater meaning for drawing of conclusions and recommendations.

Consistent with the selected methodology, data analysis and interpretation processes followed a qualitative approach and guided by: a critical realist paradigm, the selected conceptual and theoretical frameworks. The chapter is organised as follows:

(i) First, documentary and interview data are analysed separately, in **sections 5.2** and **5.4**, respectively; with the findings similarly presented in the aforementioned sections. **Section 5.3** summarises documentary data findings. The analysis focuses on identification of turnaround drivers, an assessment of the importance of each driver to distinguish whether it is influential and pivotal to SOC turnaround and an evaluation of the uniqueness of each driver to SOC turnaround in South Africa. Also, the analysis reviews the influence of local institutional factors on South African SOC turnaround. In addition, the findings from documentary and interview data analysis are compared, checking for corroboration or refutation of the outcomes from each data set data set. The results are compared with preliminary literature review findings in sections 2.5 (on turnaround drivers) and 2.6 (on frameworks), in Chapter 2.

(ii) Second, in section 6.5, review is undertaken on how the identified SOC turnaround drivers compare with those for private sector and developed world turnaround scenarios. The focus and objective of this comparative work include identifying similarities through corroboration, contradictions

through refutation as well as reasons for such. New findings may be unique to South African context or could simply be new findings that are not necessarily a function of the South African SOC context but having application in other settings, local, global or private.

(iii) Third, in **section 5.6**, the author articulates the participants' views on the use of generic turnaround framework. The section also provides an indication of how extant frameworks are being used in crafting and implementation of SOC turnaround programs.

(iv) Finally, the chapter closes with concluding remarks, captured in **section 5.7** and summarising key chapter highlights.

5.2 DOCUMENTARY DATA ANALYSIS AND FINDINGS

The outcomes of this section are informed by the review and analysis of more than eighty (80) documents. These documents were obtained from twelve turnaround organisations from South Africa, made up of seven (7) SOCs and five (5) private sector firms. To place the findings in context, it is important to highlight that documents used in this segment of analysis were publicly available reports, including annual reports, media releases, media reports and special technical reports. The suite of documents was coded and analysed using qualitative analysis software, Atlas.ti.

The analysis approach entailed a simple and direct search for key turnaround drivers (from coded themes) from within the documentary data, and assessing the identified drivers for similarity and corroboration, of findings from extant literature. The emphasis was to see relevance and applicability of the drivers found in extant literature to the SA SOC environment. The analysis also sought to identify any new drivers not recorded in existing literature.

The outcomes of documentary data analysis revealed that several drivers are pivotal to the successful turnaround of South African SOCs. In particular, the analysis identified seventeen (17) drivers as crucial to the turnaround of SOCs in South Africa. **Figure 5.1** shows, in diagram format, the identified key turnaround drivers. Green coloured drivers are documented in literature review, while cyan coloured drivers are additional drivers that emerged from the documentary analysis.

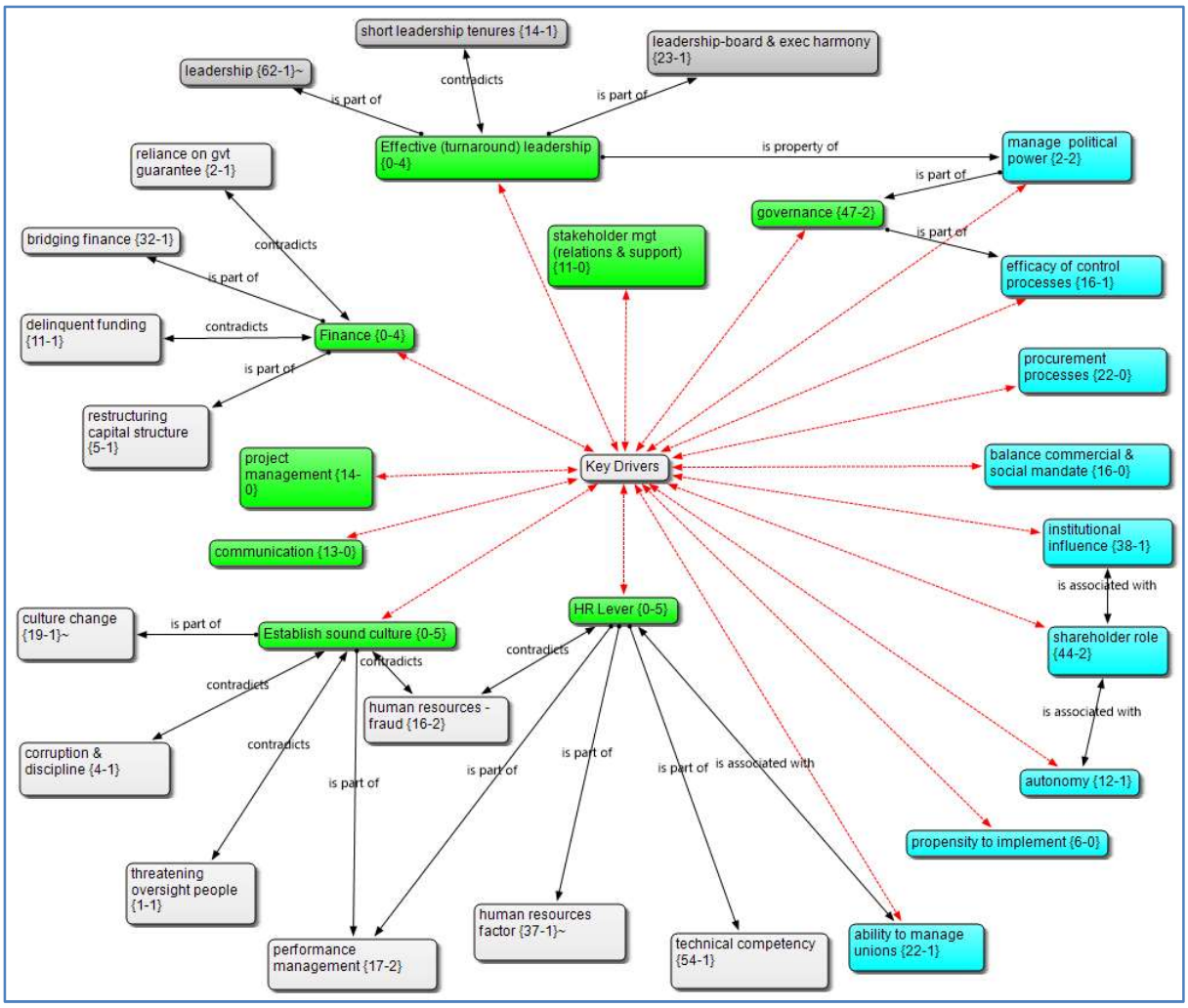


Figure 5.1: *Turnaround drivers obtained from documentary data analysis*

Analysis of documentary data revealed two findings. First, the results significantly corroborated twelve (12) of the thirteen (13) turnaround drivers identified in extant literature as presented and discussed in the literature review, section 3.4. Second, the analysis identified five (5) new turnaround drivers that are, in the main, considered most applicable SA SOCs, with three (3) of these drivers being particularly and distinctively prevalent in the South African landscape and context. Though critical, viable core business was the only driver not corroborated. The findings are presented in **Table 5.1.** The table shows the turnaround drivers identified from secondary data analysis and clusters the outcomes into drivers found in literature and corroborated and newly identified drivers, considered to be influenced by the local context.

Table 5.1: *Turnaround drivers obtained from documentary data analysis*

#	Key Driver Identified	Recorded in Extant Literature	Impact Level [for Framework]	Observations Synopsis
1	Bridging Finance	Yes	Operational	Availability of finance is often viewed as the all and all in SOC turnarounds. Consequently, money has been thrown at distress challenges without appropriate supporting strategies, resulting in inconsequential outcomes. Driver is well corroborated and strongly emphasized as critical and, at times, existential.
2	Effective and Sound Turnaround Leadership	Yes	Policy/Operational	In the South African SOC situation, numerous complex leadership challenges impede seamless and effectual turnaround practice. Critical impediments include, short leadership tenures at multiple levels (executive authority, board and executive) and lack of harmony or stressed relations at top management levels. Strongly corroborated and considered among the key and pivotal drivers.
3	Effective Communication	Yes	Operational	Two communication elements were observed to be pertinent and significant – ability to manage communication with political principles and the management of communications with the broader stakeholder community. Observed as pivotal to SOC turnaround success.
4	Effective Project Management	Yes	Operational	This driver is particularly observed in projectized institutions, where major projects form part of the business operations.
5	Human Resources Lever	Yes	Operational	In the SA context, three issues imaged as influencing SOC turnaround, that is, questionable technical competency, weak or poor performance management, and leadership errors. Driver confirmed as pivotal.
6	Cultural Renewal	Yes	Operational	In the South African landscape, negative cultural traits impacting SOCs performance were identified to include: greediness and corruption, rewarding of mediocrity (poor performance management, and growing culture of fake qualifications. These require addressing to inculcate positive working and performance-oriented environment.
7	Procurement Processes	Yes	Policy/Operational	In SA, public sector (SOC) procurement is unique, complex, highly regulated, used as a transformation tool and is, often, emotive. Its improper handling, in many cases, stumbles SOE turnaround efforts. Concept is, under-researched, not well documented and, therefore, not considered among key turnaround drivers.

#	Key Driver Identified	Recorded in Extant Literature	Impact Level [for Framework]	Observations Synopsis
8	Stakeholder Management	Yes	Operational	Being public entities, the suite of stakeholders to be managed by SOCs in broader than the case of private sector. The nature and depth of the relationships are even complex and abstract to effectively manage.
9	Sound governance	Yes	Policy/Operational	Issues of governance dominate among critical challenges affecting SOC performance and are pivotal for unfettered turnaround.
10	Viable Core Business	Yes	Policy	Secondary data does not bring this to the fore.
11	Ability to Balance Commercial and Developmental/Social Objectives	Yes	Policy/Operational	While this is inherently at the core of SOC business in practice, this capability becomes increasingly critical during turnaround/distress periods, often spelling make or break for SOC survival.
12	Institutional Autonomy	Yes	Policy	Limited empowerment of SOC leadership, both executive and board, to make strategic decisions remains a stumbling block to urgent decision-making synonymous with turnarounds.
13	Effective Control Processes	Yes	Operational	Lack of control processes are identified as a major challenge to turnaround. While a standard audit and finance parameter, this driver has not been identified or considered, in its own right, as an influential contributor to firm or SOC turnaround.
14	Ability to Manage Political Power	No (New Driver)	Policy/Operational	Driver is intrinsically influenced by the institutional structure or framework governing the South African SOCs; political heads are the shareholder representatives and have close and often direct interaction with business. Leadership needs courage and skill to effectively manage such authority.
15	Ability to Manage Unions	No (New Driver)	Policy/Operational	While it is known that union power is strong and influential in general management, the complex setting of the local government involving the Tripartite Alliance (unions in government) is uniquely South African and not recorded in extant literature.
16	Shareholder Role	No (New Driver)	Policy	Primarily, major challenges relate to lack of consistent and coherent guidance, particularly on highly technical domains.
17	Institutional Influence: Legislation, Unions, Governing Party	No (New Driver)	Policy	Complying with legislation is a mammoth task for SOCs, with the key financial regulating
18	Propensity to implement designed turnaround strategies	No (New Driver)	Policy/Operational	Identified as a major weakness in South African SOCs turnaround. Most turnaround SOCs are forever stuck in strategy crafting zone and is made worse by frequent change of the guard/leadership.

The following sections discuss analysis findings in more detail in, looking at their impact on SA SOC turnaround, whether they constitute a new finding or are already recorded in literature, the views from extant literature with respect to the finding, and how these findings influence turnaround practitioners and SA SOC turnaround.

A DISCUSSION OF DRIVERS IDENTIFIED IN LITERATURE REVIEW

This section looks at and discusses the turnaround drivers identified in extant literature, as articulated in section 2.5 of Chapter 2, outlining whether these drives have been corroborated by the study data or not. It also discusses the impact of the findings to SA SOC turnaround. Overall, these drivers were found to be influential to the turnaround of South African state-owned companies and were largely corroborated by the study data. Literature review identified thirteen turnaround drivers. Of the thirteen drivers, twelve were corroborated by the study's documentary data set. The following sections unpack the findings, articulating how the drivers have been corroborated and consequent impacts and relevance to SA SOC turnaround.

5.2.1 Bridging Finance

Bridging finance emerged as a critical driver to SA SOC turnaround, strongly supporting the extant literature as posited by Bibeault (1999) and Castrogiovanni (1991). The study corroborated existing theories, highlighting bridging finance as pivotal to turnaround, providing working capital support to operations, service debt, and ensuring that SOCs remain going concerns during the turnaround. In SA, several SOCs seek government support in form of bridging finance to support operations during turnaround. Evidence from data reveal that SOCs observed to have sought state support in one form or another during turnaround, include: SAA, ESKOM, South African Post Office, Denel, Land Bank, DBSA, South African Express, and Alexkor.

It is estimated that a total of R19.1 billion worth of guarantees have been advanced to SAA alone between 1999 and 2016 (National Treasury, 2015; SAA, 2016) to support its operations; a period during which the airline has been struggling and stuck in perpetual distress and turnaround mode. In particular, in 2016/17, SAA deferred presenting its financial statements because of liquidity and going concern challenges until receiving R5.2 billion financial aid to ensure going concern status (Merten, 2018).

ESKOM provides a more recent (2018) similar case of seeking bridging finance to prop-up the entity and support its going concern status (see quotes below).

- *"Eskom approached the PIC, indicating that it was experiencing enormous liquidity constraints, which were threatening the company's going concern status"* (Groenewald, 2018).
- *"So far, the company had raised funding to repay creditors, implement a turnaround plan and reached a settlement with labour to mitigate the possibility of strike action. Treasury has set aside R4.4bn as guarantee exposure for SAPO"* (Ormarjee, 2016).

The above quotes bring to the fore and accentuate the significance, as well as the pivotal role bridging finance plays to stabilize and provide a lifeline to SA SOCs during turnaround, even ensuring that they comply with legislative provisions, such the PFMA, to maintain going concern status and continue operating.

Analysis revealed several bridging finance sources commonly used by South African SOCs. Common sources of bridging finance identified include cash injection by the shareholder/government, commonly referred to as government bail-out; deferral of cash investment; government guarantees; life-line debt; and reduction of operating costs through improved efficiencies. In South Africa, however, fiscus cash injection and government guarantees were observed to be the main sources of bridging finance for SOCs, with traditional instruments like cost reduction and improved efficiencies, though, at times, considered, not being successfully implemented.

The analysis revealed three constrains impacting the tangible influence of bridging finance on South African SOC turnarounds resulting, in many cases, in the SOCs remaining in perpetual distressed mode. First, the results revealed that most South African turnaround SOCs are inadequately capitalized; and because of poor capitalisation, turnaround SOCs always face financial constrains to be able to carry out and effect their turnaround strategies. This observation is supported by the following extract from analysed secondary data:

- *"SAA justified its request on the grounds that it was never properly capitalised by the state. It said that cash injections received were not sufficient to establish a sound debt-to-equity ratio*" (Strydom, 2012).

Second, beyond capitalisation challenges, the results showed that distressed South African SOCs often lack sufficient finances to effect a turnaround, a position supported by the following extract which shows government conceding to not providing sufficient financial support during periods of distress:

- "*The Department of Public Enterprises earlier this year expressed government's view that it agreed with SAA that guarantees alone were not enough and would perpetuate a cycle of bail-outs"* (Ginidza, 2015).

Third, perceived guaranteed government bail-out in distress situations seem to engender and foster an unhealthy dependency and, inadvertently, complacency syndrome among SOCs. Seemingly, leadership in South African SOCs view government guarantees or bail-out as an entitlement that they can always fall back onto; serving as a safety net. This seems to be compromising the need for SOCs to be aggressive in managing the business for operational efficiency and profitability. The following extract tacitly supports this view as one of the turnaround SOCs' object, in its annual report, to labelling granted government support as bail-out:

- *"There was an expectation that if the airline was in trouble the government would step in and bail it out. It is a bad culture indeed, Magwaza told MPs* (Ensor, 2018).
- "*The R5.2 billion guarantee extended to SAA was not a bail-out but a lifeline that brought stability and created space for investment plans"* (Smith, 2012).

This dependency on government bail-out culture is, inadvertently, supported by government that seems to have no appetite or courage to let SOCs fail and file for bankruptcy; always bailing struggling SOCs out of financial trouble. Observations indicate that the South African government is less disposed to, even for perpetually loss-making SOCs, exit; always providing a financial life-line to failing SOCs. Data shows that the SA government regularly provided financial support to the following perennial loss-making SOCs: SAA, SAPO, and Alexkor. Despite the inadvertent negative culture amongst SA SOCs, bridging finance is pivotal in enabling SOC turnaround, it constitutes one of many key factors critical for a successful turnaround.

5.2.2 Turnaround Leadership

The study data affirmed, as advanced by several scholars (e.g., Michael Harker &

Sharma, 2000; Jas & Skelcher, 2005; Joyce, 2004; Lorkhe et al., 2004; Zimmerman, 2002), the primacy of capable and competent leadership in successful business turnaround. The data demonstrated, as pivotal to turnaround, several turnaround leadership attributes, particularly *leadership stability and long tenure, leadership harmony, and strong leadership attributes.* These attributes are discussed in more detail below, highlighting their impact on SA SOC turnaround.

a. Leadership stability and tenure

A turnaround situation defines a crisis period for a business. As such, it requires stable leadership over a considerable period to be able to deal with the root and systemic causes and restore order, stability, and performance as well as regain business confidence and trust. The results proved that leadership stability and long leadership tenure are important requirements for successful turnaround of South African SOCs as demonstrated in **Table 5.2.** The table shows examples of successful South African SOC turnaround, Transnet and TelkomSA, and the tenure of the CEOs and Board Chairs during the turnaround period. Both SOCs enjoyed stable leadership during their turnaround, both at board and executive level; each having been at the helm of the turnaround organisation for at least 5 continuous years. Similarly, in both SOCs, the CEOs were at the helm for no less than 5 years, covering the critical period of the turnaround. This provided continued vision, leadership stability, and the leveraging of collaborative relationships and trust with key stakeholders. As a result, at Transnet, Maria Ramos and her leadership team were able to turnaround Transnet from a loss of R6.3 bn in 2004 to a profit of R4.3 bn for the year ending March 2008.

Table 5.2: *Successful turnaround - effect of leadership tenure during turnaround period*

SOC	Turnaround Period	CEO	Board Chairman		
		Name	Tenure	Name	Tenure
Transnet	2004-2009	Ms. M. Ramos	>5 years Jan 04-Feb 09	Dr. B. Khumalo	Since Sept 2003
TelkomSA	2012 - now	Mr. S. Maseko	>5 years Since Apr 13	Mr. J. Mabuza	> 6 years Since 2012

Source: Author compilation

In contrast, the results revealed that unsuccessful South African turnaround SOCs,

depicted in **Table 5.3**, are characterised by short leadership tenures, and, in most cases, leadership that is locked in acrimonious battles either between the board and executive management (mainly the CEO) or with the shareholder Minister.

Table 5.3: *Unsuccessful turnaround examples– effect of leadership tenure during turnaround*

SOC	Turnaround Period	CEO		Board & its Leadership	
		Name	Tenure	Name	Tenure
SAA	Since 2007 when first restructuring plan was initiated.	Has had more than nine CEOs since first turnaround attempt in 2007; At 2015, SAA had 7 CEOs, including acting CEOs, in 3 years.		Mr. J. Magwaza Ms D. Myeni Ms C. Carolus Prof. J. Gerwel	Since Oct 2017 2012 to 2017 2009 to 2012 2004 to 2009
				The board under Ms Myeni was turbulent, and nothing close to stability.	
Eskom	Since 2007 when the country first faced power shortages, with rolling blackouts.	Mr. T. Gcabashe Mr. J. Moroga Mr. M. Makwana Mr. B. Dames *Mr. C. Matjila *Mr. B. Molefe *Mr. M. Koko *Mr. P. Radebe	2003 – 2007 2007 – 2009 2009 – 2010 2010 – 2014 2014 – 2015 2015 – 2017 2017 – 2017 Jan 18 to date	Mr. V. Moosa Mr. R. Godsell Mr. M. Makwana Mr. Z. Tsotsi Dr. B. Ngubane Mr Z. Khoza Mr. J. Mabuza	2005 – 2008 2008 – 2009 2009 – 2011 2011 – 2015 2015 – 2017 2017 – Jan 18 Jan 18 to date
		The leadership terms after Mr Dames were extremely short to offer any stability and continuity. Mr Molefe's term and those after him, have been too short, mired in serious controversy and accusations of corruption.		The leadership terms after Mr Tsotsi were extremely short to offer any stability and continuity	
SABC	Decline since 2007. First turnaround strategy in 2010	Has had more than 12 CEOs since 2008.		Has had more than seven Boards since 2008, including an interim board. In the 2009/10 financial year alone, SABC had 3 Boards.	
PRASA		Mr. L. Montana *Mr N. Khena *Mr C. Letsoalo *Mr L. Zide *Mr. C. Molepo	Oct 10 – Jul 15 Jul 15 – Jun 16 Jul 16 – Mar 17 Mar 17 – Dec 17 Dec 17 to date	Mr .S. Buthelezi Dr. P. Molefe **Adv. T. Makhubele **Ms. K. Kwenyama	2008 to 2014 Aug 14 to Oct 17 Oct 17 to Mar 18 Apr 18 to date
		Prasa had 3 Acting Group Chief Executive Officers in two years (since 2015).		Post Mr Buthelezi's board, Prasa has had 3 Board Chairs, with two Interim Board Chairs. The Board led by Dr Popo Molefe was embroiled in tense fighting with both Mr Montana and Mr Letsoalo, compromising leadership stability.	

** Acting CEO* *** Interim Board Chair*

For example, Ms Myeni at SAA, Mr Montana and Mr Letsoalo at Prasa, Mr Molefe and Mr Koko at Eskom. This often culminates in sudden or premature change or suspension of the CEO or the board - a development that is very disruptive in terms instituting a business turnaround. **Table 5.3** shows that these challenges are endemic

in local SOCs, impacting their possible recovery. Evidence of leadership instability and short tenures, including associated acrimonious relationships at top management level, are well captured in the following extracts sampled from the analysed data:

- *The average senior management vacancy rate was 17%, and six of the SOEs did not have a Chief Executive Officer at the end of the year* (PMG, 2018).
- "*The year under review has been an extraordinary year for the SABC. The Company has had three different Boards of Directors. The Board of Directors led by Ms Mkonza served from 1 April 2009 to July 2009. This Board was dissolved on 3 July 2009. The Interim Board of Directors led by Ms Charnley served from 10 July 2009 to 9 January 2010. The current Board led by Dr Ngubane assumed office on 10 January 2010"* (Ngubane, 2010).
- *"Mzimela was appointed from SA Express in February 2010 to replace Chris Smith who had been appointed as Acting Chief Executive for one year, following the dramatic departure of Khaya Nqgula in early 2009. Mzimela served as SAA CEO for two years and eight months. This is just four months short of the three years average tenure of the past five chief executive"* (Mzimela, 2012).

These SOCs have, resultantly, not been able to recover, because of, among other factors, lack of leadership stability that would provide continued vision and uninterrupted effort towards recovery. Apart from short leadership tenures, the results indicated that several turnaround SOCs had long vacancy periods at senior leadership levels such as at Board or Chief Executive level, with turnaround enterprises being led by interim boards, an acting chief executive officers or a combination of both. SOCs in **Table 5.3** reveal and support this submission. This observation is further supported by the following extract, taken from a former Minister of Public Enterprises:

- "*Over the last few years, I have established a practice that there should not be any vacancy, especially at the top level of chief executives and chief financial officers that remains for longer than three months. That practice will be complied with, if there is any delay, it must not be the board that has not satisfied that requirement - it must [be] that we are going for an election and that there might be changes in the cabinet*" (Magwaza, 2014).

Long vacancy periods in distressed SOCs create a leadership vacuum and, thereby, weakening the SOCs, and robbing them of visionary leadership essential in stirring organisations from decline to recover. The study showed this major weakness in non-turnaround SOCs, illustrated by SAA, Eskom, SABC, and PRASA. As can be observed

from **Table 5.3**, these SOCs did not have "permanent" CEOs for a long time. In contrast, turnaround SOCs, shown in **Table 5.2**, had permanent leadership that brought stability and provided vision to the enterprises. Similarly, private sector turnarounds were observed to fill critical leadership positions during turnaround periods, as the following extract from a private sector turnaround firm demonstrates.

- "*The board committed then to ensuring timeous filling of critical positions, and on 10th October 2013 announced the permanent appointment of the acting CEO, as well as the appointment of the permanent CFO, with effect from 1st April 2014*" (Johnson, 2014).

These results and the foregoing discussion underscore the importance of having stable long-tenure leadership to stir a distressed SOCs to recovery. Lack of stable leadership has been an obstacle in SA SOC turnarounds.

b. Leadership harmony

For a turnaround to succeed, the turnaround management team, and the organisation as a whole, should be working from and on the same vision and objective, as a united and aligned collective. Unity of purpose ensures all energies are directed at addressing firm distress, an argument supported and underscored by Lorkhe et al. (2004). Any conflict within the turnaround team disrupts and foils the efforts. Turnaround leadership should be clear of their roles, be allowed and be able to execute them without restrain. However, study results reveal that, in SA SOCs that fail to turnaround, leadership often gets embroiled in squabbles and strained relations involving the Board, Executive Management, and the Executive Authority (Minister); meaning there is often an absence of harmony and unity of purpose within and among leadership and key stakeholders. These sideshows distract the turnaround team's focus and energies and constitute a critical gap. Prevalence of these obstacles in SA SOCs is evidenced by the following extracts taken from documentary data:

- *"Six weeks into my appointment the board wanted to remove me. Every meeting with the board they wanted to remove me*" (Goba & Jika, 2017).
- "*In her resignation letter [the former CEO] refers to the strained relations between the [SOC] and the department"* (Smith, 2012).
- *"…… seven board members who resigned cited a breakdown in the relationship between themselves and Public Enterprises"* (McCauley, 2012).

These findings show of the lack of oneness and unity of purpose with the leadership of some distressed South African SOCs, and these are hindering focused attention to the business of turnaround. As such, practitioners and turnaround strategists need take these factors into cognisance at program and strategy planning and execution.

c. Leadership strength and capability

Turnaround is not the ordinary "run of the mill" business management executed under normal circumstances. Rather, turnaround is a special situation requiring specialised leadership that is strong, decisive, competent and experienced. More appropriate, however, the required experience and expertise should be in corporate or business turnaround. Joyce (2004) advocates that turnaround is dependent on competent leadership that inspire strategic vision and boldly define the future direction. On the contrary, the results showed that the turnaround leadership in most of turnaround SOCs was inadequate, weak, lacks vision, and is indecisive as the extracts from analysed data below show.

- "*It is our view that she was weak and not bold enough to take certain decisions*" (Speckman, 2012).
- *"Up till now there has been no vision. There have been a number of so-called strategies that were not implemented*" (Ndaba, 2012).
- "*At the meeting, the minister appeared to backtrack from her earlier statement accepting the board's decision to fire [the CEO]. Instead, she said "the final decision" to dismiss the CEO rested with her*" (Shoba, 2015).

These extracts bring to the fore the degree of lacklustre leadership in the SA turnaround SOCs. This contrasts with the type of leadership expected during turnaround times – leadership that is bold, decisive, punctuated by forthright decision-making. Lack of such mission-critical leadership qualities has evidently negatively impacted several SOC turnarounds, and where capable and strong leadership has been found, recovery has been achieved.

d. Leadership accountability

Results from documentary data analysis also showed that turnaround SA SOCs suffer from lack of leadership accountability, exacerbated by a lack of consequences for such critical failing. The following two extracts from the study data support this observation:

- *"…. they promise to actually hold their comrades and deployed cadres to strict account"* (Joubert, 2015).
- *"She excused herself yesterday, saying she was ill, but yet she attended the plenary in the National Assembly in the afternoon"* (Payper, 2017).

Accountability is one of the key elements of sound governance (PwC, 2015)) and lack of leadership accountability is considered a fatal leadership flaw, as a leader that fails to assume complete responsibility for the performance of a work group is bound to fail (Zenger & Falkman, 2007). The first extract point to the Executive Authority of one distressed SOC failing to hold deployed cadres to strict account – implicitly implying that cadres in leadership are not displaying accountability and are not being strictly monitored. Similarly, the second extract reveals a Minister who failed to attend a Parliamentary Portfolio Committee to account for a poorly performing SOC under her watch. Leadership's poor accountability does not help attempts to reverse SOC decline. Rather, it exacerbates the distress and, therefore, requires mitigation through appointing professional and capable leadership to oversee SOC turnarounds.

Overall, the study data revealed gaps in the SA SOCs' turnaround leadership with respect to its stability, unity of purpose, capabilities and expertise as well as its accountability. These elements collectively, limit the chances of turnaround success.

5.2.3 Strategic Communication

Turnaround situations require honest, transparent, and consistent communication with both internal and external stakeholders. This inspires confidence and trust. However, one of the key weaknesses and drawbacks observed in South African SOC turnarounds is the delivery of inconsistent and confusing messages, which result in loss of trust by key stakeholders as this may be viewed as attempts to misinform or conceal damaging truths. This conclusion is supported by Julsen (2002) and Clausen (1990) who submit that poor and incoherent communication during distress periods fuels wild speculations and misinterpretations. These outcomes are corroborated by the extracts below taken from two of South Africa's distressed SOCs.

- "*Eskom said it could not get diesel from PetroSA to power generators because PetroSA had ran out of diesel. And the Minister also reported that diesel "is expensive and sometimes not available. But PetroSA said it had been able to meet*

its obligations to Eskom right from when it first started making increased demands in November" (Baron, Weavind, & Mahlangu, 2014).

- *"Once the decision was taken both sides decided to hold media conferences on the matter, the Minister made frantic calls to the Board Chair, the CEO and other senior executives at Prasa to cancel the briefings"* (Shoba, 2015).

The above quotes show poor communication during times of crisis in distressed SA SOCs. Poor management of information release suggests lack of solid and well-thought communications strategy that governs and guides the release of structured and verified pieces of information on key decisions to stakeholders. What is evident, from the second extract on the hosting of different media conferences by different parties following a strategic decision, is the absence of structure and considered communication approach. This also suggests several shortcomings in the turnaround communication, including dissonance, lack of order and discipline as well as lack of control by the turnaround management team, including the Executive Authority.

These poor communication approaches in distressed South African SOCs are further corroborated by the following extracts that reveal a preponderance by crisis-ridden SOCs to use the media or press briefings as the formal channel of communication.

- *"I was never fired; I didn't even get a letter. I was informed through media reports," the beleaguered CEO told ANN7"* (J. De Villiers, 2017).
- *"At a media briefing at the Cape Town Press Club yesterday, Mr Gigaba expressed 'dissatisfaction over the fact that SAA had in the past presented the government with a number of "so-called" turnaround strategies that were not implemented"* (Ndaba, 2012).

The analysis reveals considerable lack of considered communication strategies in several SA SOCs during periods of turnaround. Some current practices are more damaging and working against the objectives of the turnaround program than being constructive and supportive. This, therefore, highlights sound communication as an area requiring attention and focus by the team tasked with SOC turnarounds to support positive SOC recovery through streamlined and coherent communication messages.

5.2.4 Effective Project Management

While the project management driver is recorded in extant literature as influencing turnarounds, observations in South African SOC turnarounds reveal that this key driver is predominantly lacking and one of the weak links in state enterprises' project success and performance. Study results show that turnaround programs and turnaround-linked projects frequently suffer from both time and budget over-runs, resulting in almost failed projects. These observations are captured in the following excerpts that depict SA SOC's struggles to manage and complete projects critical to organisational recovery.

- "*Medupi is three years behind and R30 billion over budget"* (Baron et al., 2014).
- "*In their planning and forecasting, did they not see this or the horizon so that they could introduce measures to militate against the impact'. Where and what was the strategy*?" (McCauley, 2012).

Such failure to effectively manage projects lead to failed turnarounds as anchor projects fail to complete as scheduled and continue to draw funds as costs escalate. Project delays also results in deferred revenues. This contrasts with the timeously executed and on-budget turnaround initiatives for the private sector, as the following extracts show:

- "*Gijima now completed the turnaround – on time and on target*" (Future Wave, 2015).
- "*SAA put in place project management office which plays a crucial role in ensuring group strategies make the crucial leap from idea to implementation*" (Mzimela, 2012).

In an era of projectized organisations, project management capabilities are pivotal in the delivery of strategic and costly initiatives. As the results discussed here show, several South African turnaround SOCs are being impacted in their recovery programs because of poor project management skills that, resultantly and inadvertently, are contributing to escalating costs, non-delivery of services and delayed revenue streams. If SOCs turnaround are to be realised, project management skills need to be prioritised and regarded essential in turnaround planning for SA SOCs.

5.2.5 The Human Resources Lever

While the HR Lever is a highly regarded turnaround driver in literature, particularly in private sector turnaround, study results indicated that this driver is not effectively applied in South African SOCs' turnaround. Instead, the analysis revealed that SA SOC turnaround leadership struggle balancing cost cutting through retrenchments with the over-arching government objective of job creation as part of the country's developmental agenda. The analysis also showed that use of retrenchment strategy is often challenged by powerful unions who are always ready to oppose any employee lay-offs (see extracts). As a result, SA SOCs struggle to introduce lean structures for cost efficiencies as prescribed by standard turnaround approaches (Cascio, 2003), thereby, indirectly impacting the effective application of the HR Lever driver.

At the heart of the HR Lever are three concepts, namely: seeing employees as assets rather than costs (Cascio, 2003), motivating employees for extraordinary performance (Choudhary *et al*., 2012), and innovation (Srivastava & Bhatnagar, 2008). These three parameters combined, help taking distressed businesses to improved performance levels. Notably, the analysis showed that the subdued role of the HR Lever as a turnaround driver in SA SOCs can, inadvertently, be attributed to several human resource-related factors, as submitted and argued in the following sections.

a. Poor technical competencies/capability

Turnaround is not the ordinary run of the mill" business management executed under normal circumstances. Rather, turnaround is a special situation requiring specialised leadership capabilities, competence and experience, elements recommended where there is sound human capital management. However, the study showed that the competency levels in declining SA SOCs are rather inadequate. In fact, the results showed that not only are the skills lacking at leadership level, but also at technical and operational levels too as proven by the following extracts from analysed data.

- *"This month alone has seen the announcement of the resignation of group CEO and a skills audit that showed more than half of senior managers lacked either qualifications or 'basic managerial competence"* (Gernetzky, 2015).
- *The lack of critical skills ranged from financial, commercial to supply chain management. "In that scenario you are en route to disaster. That is the serious quagmire that SAA finds itself in at present," he said.* (Ensor, 2018).

With poor planning, lack of credible strategy and basic managerial competence as observed from the data analysis, it is difficult to achieve a turnaround. The net effect of such critical shortcomings is a weak business that cannot reverse decline and, correspondingly, cannot readily turnaround, causing business to continually falter.

b. Poor or lack of performance management

Performance management is one key element effectively applied with respect to the HR Lever. This is traditionally structured with attractive incentives for good performance and consequences for undesired performance, building an effective "carrot and stick" set-up to promote progressive employee behaviours, while also stemming poor performance. However, the study showed poor performance management in South African turnaround SOCs. One extract, shown below, reveal continued missing of critical deadlines on a major project critical for an SOC performance turnaround but without attendant consequences for the failures. Further, the second extract question the existence of performance contracts between the Board and the shareholder.

- *The Minister must now act on his word and make sure some heads roll and face the consequences of poor management at the project. This is the third time the deadline at the project has been extended* (Buthelezi, 2013).
- *Ruel Khoza and Mohamed Adam argue for the existence of a shareholder performance agreement between the board and the shareholder. I don't know if one existed between the departed board and Public Enterprises, but mere existence of it would not have solved-the problem either* (McCauley, 2012).

Beyond the lack of consequences for poor performance, South African turnaround SOCs seem to reward non-performance as, notwithstanding the perpetual delays recorded in the extract quoted above and other signs of organisational financial strife, the corresponding SOC paid its executives large sums in bonuses during its period of decline. In addition, the SOC's financial health was under strain due to: low returns on assets over a sustained period due to above-inflation cost increases; declining sales revenue; ageing assets; increased unplanned maintenance from breakdowns of ageing plans; and declining production volumes (PMG, 2018). Ultimately, the SOC's going concern status was in question. This shows a poorly structured performance management scheme not aligned with organisational output or performance.

- *Eskom executives score R11 million in bonuses* (Business Tech, 2015).

In contrast, a similarly struggling private sector firm, Pick n Pay, had its executives forego bonuses as the company had its revenue declining. Notably this firm's turnaround program is showing positive outcomes. This submission is supported by the following quote from study data.

- *"Pick n Pay's remuneration committee may have set the scene for a tougher approach to executive rewards in the besieged retail sector with its decision not to pay a short-term bonus for the year to end-February 2017. The decision not to pay bonuses, as a result of poor turnover growth and failure to meet working capital targets, will hit the top executives hard"* (Shabalala, 2017).

Successful turnaround is closely linked to high performance culture with performance correspondingly being promoted and incentivised. This is, observably, missing in distressed South African state-owned companies where mediocrity is seemingly promoted through incentive bonuses to non-performing officials.

c. Leadership challenges or gaps

The results indicate that, instead of (leadership) inspiring positive psychological transformation, cultivating confidence and transmitting a renewed exuberance, leadership gaps in turnaround SOCs cause uncertainty, despondency and a sense of lethargy among employees as the following extracts reveal, with third extract being a comment about one of the turnaround SOCs CEO's perceived leadership weakness.

- *"These continuing financial trouble and lack of efficient management is causing big uncertainty among employees"* (Speckman, 2012).
- *"Tactical skills, the recognition of opportunities and the anticipation of new technology or trends tended to be poor or non-existent"* (Christodoulou, 2012).
- *"It is our view that she was weak and not bold enough to take certain decisions"* (Speckman, 2012).

It is argued here that, turnaround calls for strong and bold leadership that has capacity to take decisions, making the decisions timeously to arrest decline early and rescue the organisation. These qualities, the results show, are absent in the crop of leadership assigned to most South African turnaround SOCs. Not only are the gaps found at top management (executive) levels, but as the research show, capacity weaknesses filter

up the SOC structure to also impact even at board level as the following extract from the analysed data reveals and proves.

- *"As things are now, there is no sense that the board is in control of anything. It does not seem that there are controls at the entity to ensure good governance in line with legislation"* (Payper, 2017).

Evidently weak boards result in poor company direction and, consequently, limited chances of successful turnaround. The board, as the top leadership, it is submitted, sets the tone for change and new direction required for recovery. Right leadership inspire new energy, confidence, and focus towards making right decisions timeously (Barker, 2011). As the results show, this domain requires attention for redress if distressed SA SOCs are to be positively impacted.

5.2.6 Cultural Renewal

Literature advocates that successful business turnaround is predicated on a change of organisational culture or the shared organisational mental model (Gatti, 2002; Korte & Chermack, 2007). Also, change in organisational culture is always driven from the top, mainly by the Chief Executive Officer and guided by the Board. Louis Gerstner of IBM and Yutaka Kume of Nissan provide classical examples of leaders who successfully applied culture change as a turnaround lever (Isizhuna, 1990). However, the study data here did not succinctly provide evidence of cases where culture change was used as lever to achieve successful SA SOC turnaround. However, the study revealed several negative culture traits existing in South African turnaround SOCs that impede possible successful turnaround. Three negative culture traits were observed to be inhibiting positive turnaround in South African SOCs. The negative culture traits identified by the study include: entrenched greediness and corruption, culture of mediocrity, and a growing practice to use fraudulent qualifications. These inhibiting cultures are discussed further below.

a. Entrenched greediness and corruption

Research findings brought to the fore an entrenched culture of greediness, self-enrichment and corruption among officials and leadership in most declining SA SOCs. This finding is substantiated by three excerpts, provided below and taken from

analysed data from a sample of South African turnaround SOCs. These excerpts speak of corruption and fraud within the turnaround SOCs. The extracts also highlight acts of greediness perpetrated through unlawful salary hikes at a time the distressed SOCs should be looking at containing and reducing costs. Traditionally, as a first step, a turnaround firm uses asset and employee retrenchment as a cost containing strategy to stop the bleeding (Robbins & Pearce, 1992). It is submitted that this behaviour is inspired by a culture of greed self-enrichment. In addition, the excerpts revealed gross maladministration, particularly in tender irregularities presumably for self-gain.

- *"The allegation that the appointment of the Acting COO was irregular is substantiated. By allowing incumbent to act without requisite qualifications and for a period in excess of three months without the requisite board resolution and exceeding the capped salary allowance, the SABC Board acted in violation of the SABC's 19.2 Articles of Association which deals with appointments. The allegation that the Acting COO's salary progression was irregular is also substantiated in that he received salary appraisals three times in one year"* (Public Protector, 2014).
- *"Prasa's investigations into instances of irregular expenditure are still ongoing. National Treasury is currently investigating 100 cases, as well as an undisclosed number by Werksmans Attorneys, while the Hawks are probing an additional 39 cases"* (Payper, 2016).

The elements of fraud, corruption, maladministration and greedy irregular salary hikes manifested in SA SOCs experiencing distress and decline. These acts of maladministration, corruption and selfish personal gain engender a toxic corporate culture inconsistent with and non-supportive of the desired objectives for organisational performance improvement and recovery. It is argued, therefore, that such behaviours, instead, push the SOC into further distress and decline, and, therefore require exorcising and preventative strategies in future. Also, practitioners need to be wary of and work plan to mitigate these challenges.

b. Human resources (qualification) fraud

In terms of the resource-based view, a firm in turnaround needs to have resources or competencies that support its competitiveness (Gatti, 2002). If the resources are human, then the skills need to be genuine and of the right type to be able to lead and execute a business turnaround. However, data revealed that a number of leaders tasked with turnarounds lack the requisite technical qualifications and experience to

lead successful turnarounds. More serious, the study observed the prevalence of a culture or practice of faking qualifications by some leaders or personnel in key positions at distressed SA SOCs. This culture, arguably, undermines the proposition call for infusion of skilled competencies into declining organisations to revitalize them. The following extracts from selected SA turnaround SOCs support this observation:

- *"XYZ's degree collapses under slight pressure……..Yet on Friday, with the previous CEO out of PRASA, XYZ was suspended after an internal investigation revealed he "lacked the necessary qualifications"* (Msomi, 2015).
- *"There hasn't been good assessment of the people you are employing. Some have criminal records, and some don't have certificates"* (Cowan, 2017).
- *"That the Acting Chief Operating Officer committed fraud by stating in his application form that he had completed matric"* (Public Protector, 2014).

These incidents of qualifications fraud by SOC personnel do not encourage and support turnaround. Rather, it weakens the institution, making it more vulnerable to further decline. In fact, it points to inadequately qualified people leading a distressed entity, putting into doubt the chances of credible work – thus compromising turnaround success chances. This contrast the traditional practice and approach of recruiting the best skills to oversee a turnaround.

c. Rewarding mediocrity & Lack of sound performance management

The results also revealed a prevailing lack of consequence management, particularly in cases of underperformance. The essence of turnaround is to root out underperformance, replacing diligent result-oriented personnel with a high-performance culture. Lack of consequences for mediocrity seriously undermine any chances of turnarounds in SOCs. It is argued that this weakens SOCs leadership and inculcates a poor work ethic culture. Instead, as the quotes below indicate, SA SOCs seem to reward non-decision making and underperformance.

- *"Gigaba backtracks on 'heads will roll' threat for construction delays. The Minister must now act on his word and make sure some heads roll and face the consequences of poor management at the project. This is the third time the deadline at the project has been extended"* (Buthelezi, 2013).
- *"He stressed that stringent conditions would be attached to any future aid and that it would not come 'cheap and easy"* (Ensor, 2018).

The above extracts show evidence of lack of delivery on strategic SOC work, with no consequences to those responsible. The result is delayed arrest of decline and bleeding, cost escalation, and reputational damage. In contrast, private sector organisations with successful turnarounds, like Gijima, inculcated a positive culture to propel the organisation forward.

- *"There's a new spirit of optimism and excitement within the company, she adds. Gijima's culture is built on real South Africans, with the heart and soul of South Africa. Our transformed workforce is all about what is best about being South African; like never giving up and proud of being transformed and representative of a new era".* (Future Wave, 2015).

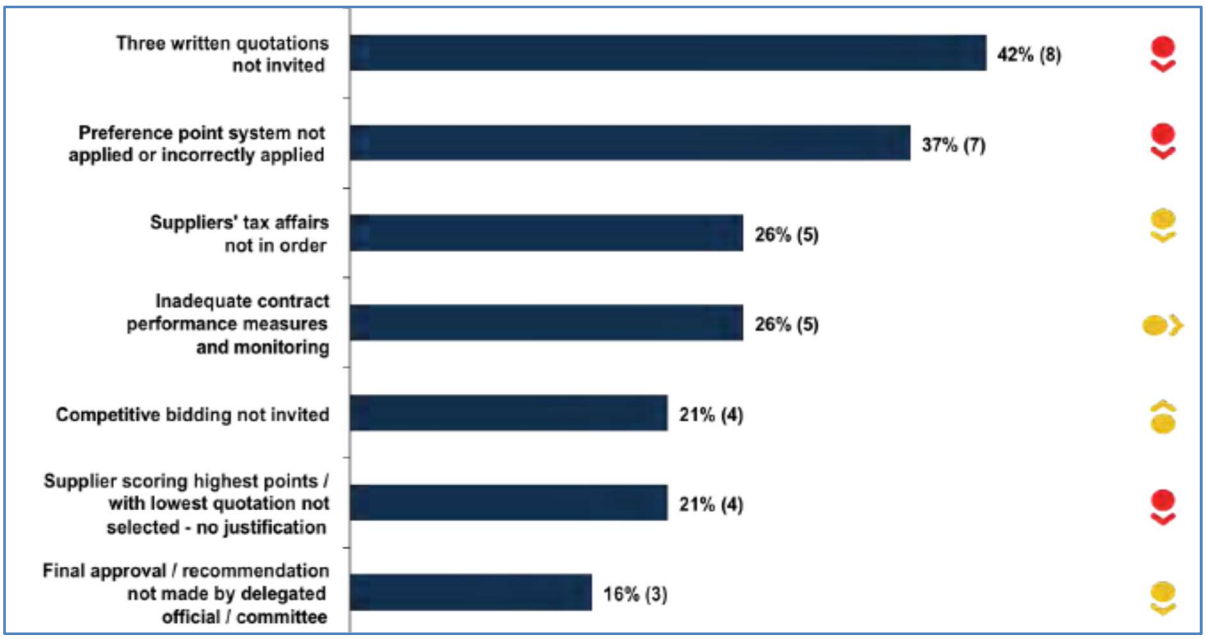
The identified cultures of corruption, fraudulent qualifications and poor performance management all run contrary to the cultures that promote successful turnaround. As the results show, these attributes constitute an obstacle to successful recovery of distressed SA SOCs and need to be addressed.

5.2.7 Understanding and Implementation of SCM/Procurement Processes

The study outcomes also revealed deficiencies and weaknesses in the application or implementation of supply chain management and procurement processes in several South African turnaround SOCs mainly those in decline. The outcome is consistent with the conduct of underperforming firms facing capital troubles – they have underperforming supply chain (Bruce, 2017). In SA SOCs, this is resulting in significant reputational/brand damage to the SOCs, lost productivity, significant loss or leakage of financial resources in the already undercapitalized and struggling entities and business uncertainty. This is supported by the Auditor General's findings in the 2016/17 report which outlined several SCM challenges (**Table 5.4** and **Figure 5.2)**.

Table 5.4: *Common supply chain and procurement challenges in sampled South African SOCs*

Entity	Irregular Expenditure (R' million)		Comment/Root Cause
	2016/17	2015/16	
Denel	146	-	
Eskom	4 043	-	Significant jump
SABC	687	764	Not following competitive bidding as required
SAPO	719	127	Significant jump. Non-compliance with procurement processes.
Transnet	923	-	



Source: Auditor General (2017)

Figure 5.2: *Common SCM challenges in SA turnaround SOCs*

The depth and veracity of the SCM weaknesses in the SA turnaround SOCs is corroborated by the following extracts.

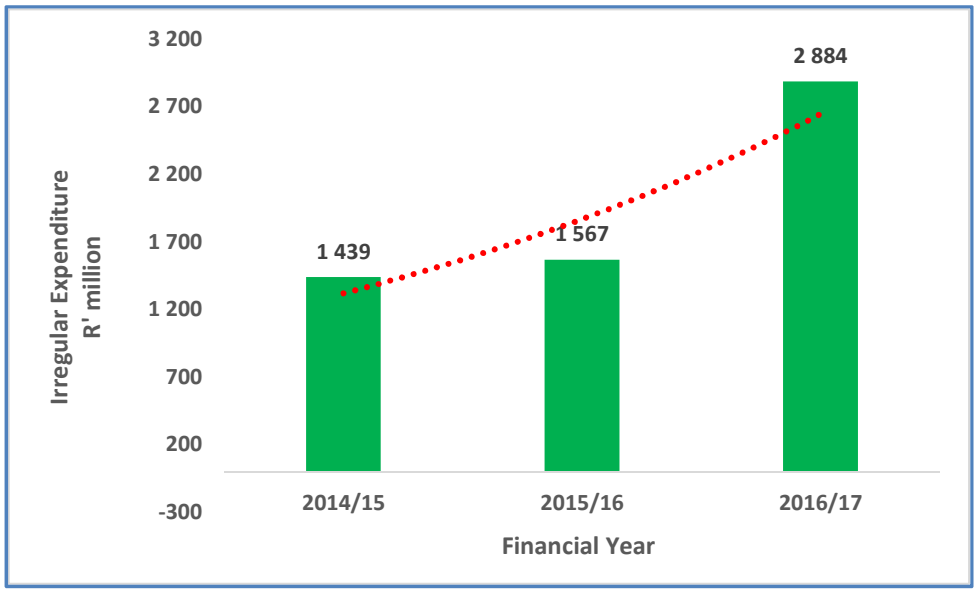
- *"We have been auditing and reporting on weaknesses in SCM for a number of years and our messages have been consistent on the need to pay urgent and focused attention to improving the SCM processes"* (Auditor General, 2017).
- *Out of 396 auditees (on supply chain management), 36% had material findings, 35% had findings and 29% had no findings. The findings revealed:uncompetitive or unfair procurement processes, inadequate contract management, awards to close family members and employees, suppliers' tax affairs were not in order, contracts were amended or extended without approval by delegated officials. 43% of the auditees had not complied with the preferential procurement regulations that encouraged local procurement"* (PMG, 2018).

These SCM weaknesses are exacerbated by accompanying financial leakages through irregular and wasteful expenditure, which were also observed to grow over the years among SA turnaround SOCs as shown by data in **Figure 5.3** obtained from analysed SA SOC data. The evidence shown in **Figure 5.3** is also corroborated by extracts shown below also taken from analysed data.

- *"[The CEO] and [the Chairman] are alleged to have also clashed over the R2.4 billion depot modernisation tender which the board refused to approve. They also*

fought over the public protector's report on allegations of maladministration and tender irregularities at Prasa". (Shoba, 2015).

- *The number of SOEs with irregular expenditure decreased slightly but the value increased significantly to R2 884 million, of which the Airports Company South Africa, South African Post Office, and South African Broadcasting Corporation were the main contributors. The reason for this was the increased weakening of SCM at SOEs – although SCM policies were in place, we found that officials were not familiar with the policies and the procurement processes they should follow, and in some cases circumvented the processes* (Auditor General, 2017).



Source: Auditor General (2017)

Figure 5.3: *Trends in irregular expenditure observed in SA turnaround SOCs*

Notably, these shortcomings weaken SOCs turnaround prospects through resource leakage, long procurement cycles, increased costs and bloated pricing, and reputational damage. It also usurps energy and confidence from usually anxious employees. As such, turnaround SA SOCs need to harness supply chain efficiencies, leveraging it as a core and distinct competitive advantage for the business.

5.2.8 Sound Stakeholder Relations Management

Sound stakeholder relations management was observed to be essential for SOE turnaround in South Africa. However, based on the level of incidence, the emphasis of the outcome was not as profound as was the case for other drivers such as bridging finance and turnaround leadership. None the less, the study confirmed the existence

of a broad range of stakeholders having influence and interest in SA SOCs – a situation that requires and demands sound attention, particularly during turnarounds. Also, the outcomes revealed that, for turnaround SOCs, maintenance of healthy relations with its Board, the shareholder Ministry line Department as well as the Ministry of Finance and its dedicated Department, the National Treasury, were pivotal and required careful, and dedicated management. Evidence was strong in revealing that turnaround SOCs require a harmonious and healthy working relationship between the turnaround SOC's leadership (both Executive and board) with the line Department as well as the Executive Authority, the Ministry. The extract below, taken from one of the pieces of analysed evidence from SAA, help to explain key this observation:

- *"In a resignation letter [SOC CEO] refers to the strained relations between the airline and the Department"* (Strydom, 2012).

Notably, the study showed that, in South African SOC turnaround process, a more complex network of stakeholder relations obtains, and requires careful and a particularly considerate management approach. A semblance of such complex stakeholder network is shown in **Figure 5.4**. The illustration reveals that, beyond the Executive Authority and the line Department, a web of stakeholders playing a pivotal role and, therefore, requiring vigilant management during the turnaround of South African SOCs is broad and include: board of directors, labour formations, general employees, financiers, rating agencies as well as regulatory bodies such as Parliament and its Committees. Also, since public entities are funded through the taxpayer's money, SOCs attract interest from numerous constituencies, particularly civic groups, opposition political parties, the media and various non-governmental organisations. This complexity particularly obtain in democratic countries as is South Africa, where good governance, transparency and accountability form key tenets and foundations of sound corporate practice (Transparency International, 2017). Successful turnaround is not possible without these stakeholders being well-managed.

For SOCs in distress to institute successful turnarounds, they require careful management of their diverse stakeholders. SA SOCs have been constantly scrutinized by the media, opposition political parties, non-governmental organisations and other civic watchdogs; all these demanding careful management as key stakeholders.

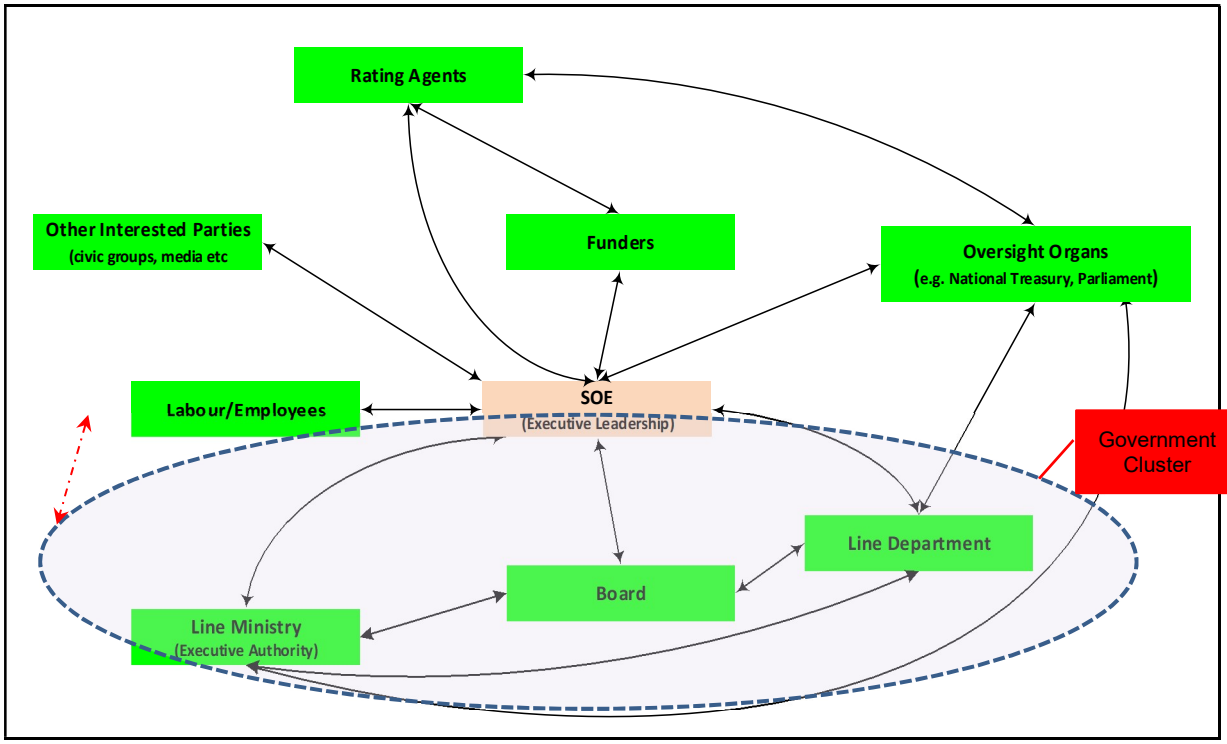


Figure 5.4: *The stakeholder network in South African SOC turnaround*

As such, for SA SOCs in distress to institute successful turnarounds, they require careful consideration and management of their diverse stakeholders. South African turnaround SOCs have been subject to constant scrutiny by the media, opposition political parties, non-governmental organisations and other civic watchdogs; all these inadvertently demanding careful management as key stakeholders.

The multiplicity of stakeholders and the corresponding requirement for broader management demands in SOC turnarounds has the drawback of diverting attention, efforts and energy of the turnaround leadership; such efforts would, ordinarily, have been productively invested and directed towards driving turnaround and growing the business. This makes stakeholder management essential and requiring considered attention. Of note is that in SOCs space, there is a lot of engagement required, making the process prolonged and more involving.

One unique and particularly complex-to-manage relationship observed in the South African SOC stakeholder network involves the government cluster - depicted in dashed blue oval in **Figure 5.4**. Traditionally, government has a mandate to advance

national socio-economic objectives which include, in South Africa's case, employment creation, addressing past social injustices and economic growth. In addition, the government of South Africa comprise the Tripartite Alliance, an alliance of the ruling ANC, SACP and labour. This implies labour is in government. During turnaround, the SOC needs to manage its relationship with labour as it forms part of government and, saliently wields power and influence as part of the shareholder. The high burden for social upliftment on the government cluster exerts an increasingly difficult to deal with dynamic in SA SOC turnarounds; which underscores the need to delicately balance social and commercial objectives.

5.2.9 Sound Corporate Governance

The study also identified sound governance as a key driver for SOC turnaround in South Africa, strongly corroborating findings in extant literature. In particular, the results strongly confirmed Filatotchev and Toms (2006) finding that governance issues, if poorly managed, are a constraint to managerial activity in turnarounds. The outcomes showed that very few of the turnaround SOCs can demonstrate adherence to sound corporate governance. This is despite there being, on paper and in theory, sound governance frameworks and structure exemplified by a constituted board with independent non-executive directors, a CEO and other related functionaries. In particular, poor governance is cited as a key weakness in SA SOCs by the Auditor General in his 2016/17 PFMA performance Report. These findings are supported by the following extracts from analysed data.

- *Most of these SOEs have a direct impact on the lives of citizens through the services and infrastructure they provide. Poor governance, mismanagement, fraud and corruption claims and a lack of financial sustainability at some of the SOEs have been in the spotlight for the past few years – attracting attention as taxpayers' money is used to sustain the failing SOEs* (Auditor General, 2017).
- *"Unless a new Public Protector charts a radically different course after the Public Protector's term ends on October 15, many more will join that list. She said in an annual report tabled in Parliament last week, and which has gone almost unnoticed, that her office is still working on several investigations into SOEs, and "showing worrying signs regarding improper appointments, handling of whistle-blowers and tender irregularities, including corruption, are PRASA, SABC, Eskom, SASSA, Transnet and Gautrain, among others"* (De Wet, 2016).

The above quotes are a semblance of the dearth in sound corporate governance in South African SOCs in turnaround. The Auditor General (2017) highlights that governance challenges have been a problem in SA SOCs and other public sector institutions for a considerable period. In particular, analysis results showed that the lack of sound corporate governance can be attributed to five distinct elements, namely: (i) *entrenched corruption and maladministration*; (ii) *lack of accountability and control*; (iii) *poor compliance with legislation and procedures*; (iv) *lack of role clarity within the leadership structure,* and *(v) series of dysfunctional boards*. More elaborations with supporting evidence are given in the following sections.

a. Entrenched corruption and maladministration

Evidence from study data strongly point to entrenched corruption, maladministration and fraud in several South African SOCs struggling with organizational performance and in decline. This observation is supported by the selected extracts from analyzed data shown below, each from different SA SOC that underwent turnaround.

- *"….. investigate maladministration at Medupi*" (Buthelezi, 2013).
- *"Yes, I know we account for the biggest amount. But there's a context to it. These are irregularities, which haven't been exposed before. But they've been exposed now. We're dealing with legacy issues that go back to 2012"* (Payper, 2016).
- *"She said the board had made progress in tackling fraud and corruption problems inherited from previous management"* (Strydom, 2012).

These three extracts reflect the predominance of compromised ethical and moral conduct and lack of control as posited by Filatotchev and Toms (2006). Governance weaknesses are evidenced by maladministration, irregularities and corresponding huge losses driven by fraud and corruption in a sample of South African turnaround SOCs. One of the implications of governance weaknesses is deeply crippled institutions incapable of pulling off a workable turnaround as it gets stymied in a dysfunctional state. These weak points require understanding as well as carefully planning for in the turnaround programs.

b. Weak accountability and controls

Good governance requires public sector and SOCs to achieve their intended objectives in the public interest at all times. This demands of SOCs to manage risks

and performance through robust internal controls (Tophoff, 2015). Also, effective governance in public sector strengthens accountability and resource stewardship. Leadership accountability is one of the anchoring principles of good corporate governance; being one of the cornerstones of governance and promotes sound decision-making towards organizational objectives, particularly in SOC turnaround situations. Against this literature backdrop, the study revealed lack of or weak accountability and controls in turnaround SA SOCs. This is shown in the following extracts from analyzed data.

- *"PRASA admits to 'collapse in controls' in R14.6bn spend"* (Payper, 2016).
- "*As things are now, there is no sense that the board is in control of anything. It does not seem that there are controls at the entity to ensure good governance in line with legislation*" (Payper, 2017).
- *Public Protector's probe into maladministration in the SABC has found damning evidence of "pathological corporate governance deficiencies", with the national broadcaster losing millions through a systematic purging of senior staff and irregular salary hikes*" (Gernetzky, 2015).

Several pertinent observations are drawn from the above extracts. First, it can be observed that internal controls and systems are lacking resulting in significant leakages amounting to billions of Rands (see extract 1 and **Figure 5.3**). Second, these observed resource losses are not well-accounted for, neither are they justifiable in any business practice, more so in a turnaround situation, where cost control and cost-cutting are important. Third, extracts 2 and 3 explicitly highlight lack of controls and serious dearth of governance principles better described in the extract as "pathological governance deficiencies". Fourth, it can be concluded that the leadership lack accountability. Accountability relates, in part, to answerability and enforcement, with enforcement suggesting sanctioning of the offending party or remedying the contravening behavior - actions that are, observably, lacking or patently weak in the distressed SA SOCs, given the trend in resource leakage through irregular and wasteful expenditure evidenced in the above extracts and in **Figure 5.3**.

From the results, it is surmised that SA turnaround SOCs suffer from weak accountability at various level, that is, weak political accountability, weak board accountability as well as weak executive accountability. In a world were accountability

exists, such challenges would have been effectively addressed. As such, these weaken and compromise chances of successful turnaround within the SOCs. These shortcomings should be consciously addressed at program design, strategy development, as well as their implementation.

c. Poor compliance with policies, procedures and legislation

One of the key objectives of sound corporate governance is achieving strategic targets through use of best practices and, among others, regulatory compliance. Notably, the South Africa SOC landscape is replete with legislation, attendant regulations and operational policies. As such, requirements for legal, regulatory and policy compliance rank high on SOC governance. However, study results show that South African turnaround SOCs struggle with respect to complying with the governing legislation, policies and procedures. This observation is evidenced below in selected extracts from analyzed data, highlighting the flouting of delegation of authority, contractual covenants, remuneration policies as well as procurement laws and procedures, in some cases, leading to significant and negative irregular expenditure.

- *It said procedures relating to [CEO's] gargantuan pay increase had been flouted, "leaving the board with no choice but to terminate his temporary tenure with immediate effect*" (Goba & Jika, 2017).
- *"The R115.1billion in irregular expenditure included R40.9-million on non-contractual payments, R162 million on payments in respect of which procurement processes were not followed, R142-million on payments in respect of which there was no tax certificate, and R225-million attributable to inadequate monitoring of contract adherence"* (Cowan, 2017).
- *"SAA arose after a forensic investigation by audit firm KPMG alleged that [CEO] had exceeded his authority by awarding retention bonuses and signing sponsorship deals as well in excess of the limits placed on his budget"* (Ndaba, 2012).

These findings reflect weaknesses relating to critical areas of procedure, legislative compliance, as well as control processes. The weaknesses are, in some instances, leading unceremonious loss of leadership (due dismissal). All these coalesce to poor governance and weakened prospects of a successful turnaround.

d. Lack of role clarity

In a functional organization, corporate and organizational leadership, particularly the

Executive, need to be empowered to be able to make firm and binding decisions on strategic business matters. This requirement is even more needed in turnaround circumstances where the business is on the verge of collapse or failure and there is no time to waste. For this to happen, roles must be very clear, and leadership must have the capacity, ability, and space to take decisions. However, from the analysis, there is evidence of lack of role clarity in most SA SOCs. This impinges on decision-making and frustrates turnaround efforts through creating uncertainty and, in some instances, conflict. This is supported by the following extracts from the analyzed data.

- *"The Minister says she has final word on former CEO's dismissal"* (Shoba, 2015).
- *"A plan to return SAA to profitability has suffered a blow after Public Enterprises Minister said yesterday that he had ordered the airline's management team to withdraw its tender for more fuel-efficient long-haul airplanes* (Gebhardt, 2014).

The quoted cases above reveal and underscore the confusion and lack of role clarity within some SOC turnaround top management structures, particularly the roles and tasks for the board and the Executive Authority. Traditionally and where good governance prevails, it is the role of the board to appoint the Chief Executive and to oversee the implementation of the strategy and policies, including procurement of strategic assets (KPMG, 2009). These distinct roles seem confused and unclear in SOCs as the extract shows. The extracts also point to clashes over roles between the board and the Executive Authorities. These grey areas and subsequent clashes divert attention and energy of the leadership from the core work of fixing the distressed entity. Such clashes also hint of the lack of alignment between top leadership groups, manifesting unhealthy working relationships; these are toxic to turnaround implementation and its likelihood of success.

e. Dysfunctional boards

One of the fundamental study findings on corporate governance is the seeming prevalence of dysfunctional boards of directors among South African turnaround SOCs. This is a finding with far-reaching implications on the proper functioning of a SOC or any other organization for that matter. Dysfunctional boards display power struggle, lack of civility and respect as well as symptoms of distrust and fights with the Executive (Alcorn, 2002). This destroys the morale of focus and unit of purpose within

the TMT and the organization. As the sample of extracts below (taken from SAA, SABC, and ESKOM) show, distressed SA SOCs often have an ensemble of cacophony and troubled boards, highlighting and, possibly, a battle for control, as well as governance weaknesses and breaches.

- *"….. report, "When Governance and Ethics Fail", covered eight allegations of systemic corporate governance failure at the SABC attributed to poor human resources management and a dysfunctional board incapable of oversight" (Gernertzky, 2015).*
- *In July 2015, Barry Parsons resigned as Chief Strategy Officer; he blamed a "dysfunctional" and "compromised board of directors" in whom he had "lost all confidence in... to lead and progress the business"* (Barlow, 2016).
- *Former CEO says board was dysfunctional when he joined ESKOM. He indicated that the issues at Eskom rendered the board dysfunctional in many ways* (Mnyanga-Gcabashe, 2017).

It is further advanced that dysfunctional boards are bad for the company bottom-line, destroy organisational reputation, culminating in further destruction of value of the distressed SOC. This state of boards in distressed SA SOCs contradicts the very objective of instituting a business turnaround – which is to preserve and build value. In addition, dysfunctional boards are a fertile ground for corporate scandals as is evidenced by some SA turnaround SOCs like the SABC as indicated in the first extract above taken from the Public Protector's report: '*When Governance and Ethics Fail*".

As observed and discussed above, dysfunctional boards impede successful SOC turnaround in SA; a factor observed to be a contributor to failed turnarounds in several South African SOCs that attempted recovery. To this end, resolute action on these shortcomings will significantly improve SA SOCs' chances of successful turnaround. Sound governance is pivotal to the continued existence of an organisation – setting the tone for performance against set objectives (Zoellick & Frank, 2005).

5.2.10 Viable Core Business

As advanced by Bibeault (1999), a functional enterprise and, correspondingly, a successful turnaround, is dependent on the presence of a viable core business; this anchors the corporation and is a condition justifying the essence of an establishment. Notwithstanding the existential significance of this driver to business and turnarounds,

outcomes from secondary data analysis did not identify this as a key driver for the successful turnaround of South African SOCs. Rather, the study brings to the fore an interesting finding; that most SA turnaround SOCs do not necessarily struggle with the need for a viable core business. Most SOCs, save for a few, function in quasi-monopolistic business segments, providing essential services to business, society and/or the state. The SOCs, even in their distress, are protected from losing market share and revenue levels, except for cases where there are competing substitutes.

Also, the SOCs' existence is determined by Acts of law. SOCs found to be in competitive business environments include SAA, SA Express, Transnet, and Telkom SA. These SOCs, however, need to review and ascertain the viability of their core businesses as their existence is threatened by competition. However, even for those SOCs in competitive environment, the continued and, seemingly, assured government support protects or shields them from ultimate collapse or takeover as is the case of private sector companies. Thus, though considered pivotal for continued existence, SA SOCs continue to thrive despite there being no viable core business.

5.2.11 Ability to Balance Commercial and Social Objectives

One of the most notable findings from the study is the need for South African SOCs to effectively manage and balance the dual requirement to be commercially viable and fulfilling government's social objectives – which comprise political and developmental goals. Creating this very delicate balance will ensure that both turnaround and non-turnaround SOCs are sustainable. It should be acknowledged that this is difficult to achieve, particularly for an organization in decline and distress as it will be loss-making and often with limited capital to fund operations. Also, most social objectives are non-commercial and, often, not funded – yet they have a cost attached to them. The importance and need for objectives balance in SA SOC turnaround is well articulated in the following excerpts taken from analysed data.

- *The trouble with SAA is that it is neither fish nor fowl: it is expected to be competitive internationally and domestically and fulfil the government's political and developmental mandate. But we cannot have our cake and eat it – either SAA must be properly capitalised and allowed to operate only on- profitable international routes, or we must accept that losses and occasional financial bailouts are inevitable*, (Strydom, 2012).

- *SAA needs to continue investing in its future if it is to achieve its commercial mandate of running a sustainable profitable business, and its inherent developmental mandate of improving economic linkages between South Africa and the rest of the world* (Kona, 2012).

From the data, it was observed that, in an environment where unemployment is so high, and officially above 25% (Stats SA, 2018), government utilises SOCs to promote employment creation as evidenced by the exceedingly high salary bill for SABC quoted in the first extract below, while the second extract also underscores, and provide evidence for, the job creation role of SOCs as well as positive knock-on commercial effects downstream.

- *The SABC group reported a loss of R411 million for the year to the end of March 2016. It lost R131 million in the previous year. It spent about R3.2 billion on salaries* (Cowan, 2017).
- *A recent study by Oxford Economics amply illustrated the importance of SAA to the economy. For example, SAA directly employs about 9000 people in South Africa, while sustaining about 18 000 jobs through its supply chain* (Kona, 2012).

The study also revealed that several social mandates assigned to public entities including SOCs are often unfunded or under-funded, forcing struggling turnaround SOCs to divert scarce own-revenue funds to meet these objectives. The study shows that, to achieve turnaround, declining SA SOCs, unless exonerated from fulfilling the requirements of unfunded social mandates during the period of decline, should be able to delicately balance income-generating objectives and the usually unfunded social objectives. This places a huge challenge on the SOCs – often prolonging the turnaround process. Ideally, turnaround firms emphasize cost reduction, to be lean and cost-efficient, yet SA turnaround SOCs find it very difficult to focus only on revenue generating activities and trim cost drivers or even use cost retrenchment strategies with imposed unfunded mandates. A PRC (2012) study recommended government to fund developmental or non-commercial mandates given to commercial SOCs. However, the recommendations of the PRC are yet to be implemented to this date.

5.2.12 Autonomy

Koch (2016) posits that the success of SOCs hinges on managerial skills and

autonomy. In advancing this proposition, Koch ascribes the success of Chinese and Norwegian SOCs to increased autonomy and sound managerial skills. In South Africa, however, the study shows that SOCs seem not to fully enjoy enough autonomy to take decisions and operate with some level of independence. This is so despite an existing governance framework that purportedly promotes independence of the majority of board members. Challenges and shortcomings in the South African SOC autonomy were revealed in the following extracts sampled from the study analysis.

- *"The point is that managing this difficult ship is possible only if you are totally at arm's length from the government. You can't do it with one hand tied behind your back"* (Cohen, 2012).
- *"What I can say, though, is that it is perfectly possible for the government to pursue its policy objectives through parastatals while giving the board space to provide strategic leadership to the business or entity. When the lines between the two roles get blurred there are bound to be problems*" (McCauley, 2012).
- *"Speaking at the airline's 2013 results presentation, the Minister said the request for proposals the airline had issued did not comply with government policies. "They did not contain crucial elements of industrialisation and localisation, which are vital to SA's policies"* (SAPA, 2014).

The above extracts provide evidence of limited autonomy of SA SOCs. This is observed to be a major obstacle to companies' capacity and flexibility to make decisions without having to involve the shareholder. In particular, the third excerpt shows active involvement by the Executive Authority (the Minister) in the operational decisions of procurement and the hiring, dismissal or contractual issues relating to the Chief Executive, when the Board is viewed to be without adequate space to provide strategic direction; and when entities are seen as having their hands tied behind their back and unable to take steps deemed appropriate to prosper the business. Adequate autonomy empowers SOCs to speedily implement turnaround decisions. These previsions seem missing and negatively impacting SA SOCs turnaround progress.

5.2.13 Effective Control Processes

The study also revealed that SA turnaround SOCs suffer from an endemic and debilitating lack of control processes and systems. This results in significant leakage of resources essential for business sustenance. Poor or lack of controls are observed in critical areas such as finance, human resources, and supply chain/procurement.

Such lack of control processes in SA SOCs is evidenced by widespread reporting of huge irregular, as well as fruitless and wasteful expenditure in a number of turnaround-SOCs, including the increase in the number of qualified audits experienced by SA SOCS, particularly those struggling to turnaround. The following extracts from analysed data support and attest to the lack effective controls.

- *The audit outcomes of SOEs continued to regress – most often as a result of inadequate controls, monitoring and oversight* (Auditor General, 2017).
- *The Passenger Rail Agency of South Africa admitted on Wednesday there was a "general collapse in controls" which led to irregular expenditure of R14.6bn in the 2015/16 financial year. "We must concede: there was a general collapse in controls in all areas of the business," said acting CEO. "In the area of finances, supply chain management, human resources – all these controls were non-existent and where they did exist they were inadequate"* (Payper, 2016).

These extracts point to an established lack of effective or working control systems and practices in turnaround SOCs. A number of impacts arise from such weaknesses, including loss of control of resource utilisation, resource leakages as well as reputational damage following qualified audits. This has concomitant challenges of poor credit ratings leading to costly loans. With such poor controls, accompanying resource leakages, and reputational damage, distressed SOCs find it difficult to borrow funding from the market. If they happen to access such funding, it will be expensive loans that would have factored in the associated risks. This compounds the turnaround task. All these militate against smooth turnaround processes, compromising opportunities for SOC recovery in South African SOCs.

B NEWLY IDENTIFIED TURNAROUND DRIVERS

In this section, the author discusses newly found turnaround drivers. In the main, these drivers are obtaining in the South African space, influenced by the local South African social and geopolitical context. This segment comprises five drivers, mostly associated with institutional structures dominant in the South African public sector landscape.

5.2.14 Ability to Manage Political Power

The study also identified the significance of South African turnaround SOC leadership to have the ability to manage political power to be able to, with some degree of

independence and professional latitude, stir declining enterprises to recovery. This is one the new drivers. It is noteworthy to highlight that South African SOCs function in a politically sensitive environment. As such, political influence was observed to manifest at several levels, including: (i) through the ruling party (as government organisation) influencing policy direction; (ii) through the Executive Authority (Minister) representing government; and (iii) covertly, often for personal enrichment, through powerful politicians from the ruling party pulling strings behind the scenes.

Notably, the study revealed that most, if not all, SOC top leadership, that is Board of Directors and Chief Executives, in South African SOCs have close links to the governing party. Their appointment is informed by the ruling ANC's cadre deployment policy (Twala, 2014). As a result, this makes SOC leadership political deployees. The following quote brings this observation to the fore.

- *"…. they promise to actually hold their comrades and deployed cadres to strict account" (Joubert, 2015).*

These institutional arrangements make the turnaround leadership vulnerable to political influence and may affect key decisions on how the turnaround is to take place as, often, the requirements from the politicians are not necessarily aligned with organisational and planned turnaround objectives. In some instances, political objectives are designed to achieve other agendas and possibly personal gain and enrichment. As such, as the extracts below reveal, for SA turnaround SOCs to focus on the turnaround agenda objectives, its leadership must be able to manage and sidestep undue political influence from powerful politicians.

- "*But boards are appointed to make tough calls, including telling shareholders where to get off when this is necessary for the well-being of the business"* (Strydom, 2012).
- *"And it raises questions about why the previous board allowed the situation to deteriorate to this extent without acting — even if that action was to resign well before now if they thought they weren't getting enough support from the government as shareholder"* (Strydom, 2012).
- *"What is clear, however, is that the "painful steps" that [CEO] is prepared to take will place him and the company on a collision course with the unions and to some extent the ANC, which is seeking to preserve and create new jobs. Given that government owns 38% of Telkom, it could be quite a dramatic run-in"* (Piliso & Govender, 2014).

Admittedly, this is no easy task as this requires professionals and leaders of high integrity, with courage and tenacity to stand up to powerful and influential people for the benefit of society. It also requires diplomacy, and tact, to, without creating undue tension, secure strategic alignment between the turnaround management team and the political powers above, normally represented by the Executive Authority. However, judging by the level of reported corruption, leadership with such qualities is rare to find in the country, resulting in the low level of successful SOC turnarounds. This makes this driver pivotal for successful turnaround as it has the potential to unlock the obstacles that frustrate SA SOC turnarounds.

5.2.15 Ability to Influence Unions

The study also established that successful SOC turnaround in South Africa is incumbent upon the ability of the TMT to manage its powerful and politically influential trade unions. It was observed that trade unions in South Africa are powerful for several compelling reasons, including the existence of strong supporting legislation, as well as the historical political activism of trade unions in the struggle for democracy and national independence. Notably, active involvement and participation in the political struggle by the trade unions earned them a vantage position, with power and influence in the general political governance of the country; a position that is strengthened by the formation of the Tripartite Alliance involving the ruling ANC, SACP and labour (represented by the Congress of South African Trade Unions, the largest trade union federation in South Africa). Effectively, what this implies is that unions form part of government as the ANC, their alliance and political partner, is the ruling party. Indirectly, unions are part of government and, as such, have tacit influence on government decisions. Amongst the interests that unions strongly guard and defend, include jobs for their constituency. The demands have, however, broadened. The following extracts, showing unions' influence on key turnaround decisions such as executive leadership selection, support this finding.

- *"However, the National Union of Mineworkers (NUM) wants the CEO fired. It has attacked his appointment, describing him as an individual with "questionable and dubious credentials" who had been quietly drawn into the executive layer of Eskom"* (Khuzwayo, 2014b).
- *Reluctantly, [CEO] has withdrawn a section 189 retrenchment process after union bosses were granted a court order last week* (Speckman, 2015).

- *The South African Transport and Allied Workers Union is leading the campaign, with its general secretary saying the union would go all out to defend the beleaguered CEO* (Msomi, 2015).

These extracts demonstrate and bring to the fore the power unions wield and the extent to which they exercise it in SA SOCs space. With such power, it calls for a capable, shrewd and diplomatic TMT to work with, influence and gain the unions' support in the turnaround journey. In view of Budeli (2012) submission on the complexity of unionism and politics counterbalanced by its prevalence in South Africa, SA SOC TMTs are required to unbundle this complexity. This is particularly the case in situations where asset and jobs retrenchments are likely to be part of the turnaround strategies to be applied. Failure to achieve common ground and alignment with the unions often results in an impasse and (chaotic) fighting, bringing about an unhealthy environment that does not support turnaround work. Here, unions often leverage their alliance relationship to evoke the sympathy and intervention of high powers in senior political offices, usually against turnaround solutions as organisational restructuring, leadership changes as well as employee retrenchments.

5.2.16 Shareholder Role

The study revealed several shortcomings relating to inputs expected of the shareholder in the normal functioning of SOCs, particularly those in turnaround. This brought to the fore the significance of the shareholder role in SA SOCs as a turnaround driver. The shortcomings observed include a combination of acts of omission and acts commission, with both categories curtailing the chances of distressed South African SOCs successfully recovering. For example, the study results highlighted that, for SA SOCs to reverse decline, the shareholder needs to refrain from being involved in operational decisions, consistently provide strategic support, ensure coherent policy direction, and offer sound and effective oversight and monitoring. These attributes are pivotal to SOC operations, including supporting business recovery. However, these attributes were found missing in several SA SOCs in turnaround, creating a bottleneck for success. These findings are explained further in the following sections.

a. Refraining from operational decisions

In a healthy organisation, there is a clear definition and separation of functions, roles

and responsibilities among key parties, including the role of the shareholder. The shareholder's role involves providing clear policy direction, setting the objectives, appointing the Board that oversees, and directs the organisation and, appointing the CEO at the recommendation of the Board. In turn, the Board, provides strategic direction and stewardship, while the executives are responsible for operations and running the enterprise. These role demarcations are useful, serve a purpose, should be respected, and should not be interfered with for sound governance and operations.

However, the study showed, as supported by the following extracts, that in SA SOCs, the shareholder often gets involved in operational decisions – thus confusing the business operations and, in the process, impacting the turnaround initiative.

- *"The air force was originally due to purchase eight A400Ms when the multibillion-rand procurement contract was controversially cancelled by former Defence Force Minister"* (Hosken, 2012).
- *"Minister tells SAA to ditch new fleet plan. Minister insists on procurement offsets"* (Gebhardt, 2014).
- *"Speaking at the airline's 2013 results presentation, the Minister said the request for proposals the airline had issued did not comply with government policies. They did not contain crucial elements of industrialisation and localisation, which are vital to SA's policies"* (SAPA, 2014).

From the extracts, it is evident that the shareholder is actively involved in procurement matters, which are mainly operational and should, at most, be concluded at Board level. From a process perspective, procurement follows strategy, which is approved by Board and endorsed by the shareholder. Similarly, large procurement documents are approved by Board prior to going to the market. As such, the actions shown in the extracts indicate an operational shareholder as opposed to a strategic shareholder that provides policy direction. This approach by the shareholder is problematic in that it conflates roles, responsibilities, accountabilities and decision-making in the SOCs. During turnaround, the TMT needs to be empowered to take decisions and run with them. As such, delegation of authority needs to be clear to ensure quick decision-making not to delay implementation.

b. Assured strategic support

The study also revealed that, often, SA turnaround SOCs struggle to get the much-

needed strategic support from the shareholder during distress situations, even in key decisions such as restructuring or the filling of key positions such as the CEO. In particular, the extracts reveal: boards lacking shareholder support; board members resigning citing lack of Executive Authority support; and, the Executive Authority not firmly standing with the Board on strategic matters, rather indecisive and equivocal and, in the process, exposing the board. For a turnaround to be successful, top management should enjoy and receive support from the shareholder to avoid any dissonance in the organisation as well as reinforcing the work towards performance improvement and recovery. The observed lacking strategic support and assurance to SA turnaround SOCs by the shareholder is displayed in the following extracts.

- *"And it raises questions about why the previous board allowed the situation to deteriorate to this extent without acting - even if that action was to resign well before now if they thought they weren't getting enough support from the government as shareholder. Chairman of the board and a board member both cited a difficult working relationship with the Department as one of the main motivations for their exit" (Strydom, 2012).*
- *In a dramatic move last week the Board Chair, and seven of her co-directors announced their resignation with immediate effect citing lack of support from the Department* (Cotty, 2012).

These revelations are profound – highlighting difficult working environments or microcosms for SOC turnaround teams. It is argued that the working space (microcosm) defined by the shareholder must be conducive and should support the turnaround. One condition for such conducive microcosm to prevail is the unequivocal shareholder backing. If turnaround is to happen, the conditions need to improve – underscoring shareholder's role as a key driver.

c. Providing policy direction

In the SOC sector, the government wears several hats of responsibility, including being the owner and shareholder, policymaker, as well as the regulator (Du Toit, 2005). As the shareholder, government should provide clear and coherent policy direction to guide its business entities in their business operations. However, the study results showed that SA turnaround SOCs encounter unclear policy prescriptions from the shareholder as the following extracts from analysed data indicate:

- *"Even a white paper presented to the cabinet in 1999 did not prompt the government to institute new generation projects. He was reacting to comments by the outgoing Chief Executive of Eskom, who told a media briefing that the utility was, until recently only allowed to conclude power purchase agreements with regional independent power-producers"* (Khuzwayo, 2014b).
- *"The President commissioned a review of parastatals about two years ago and the report is reportedly with the cabinet already. The National Planning Commission has also looked at the challenges and opportunities that parastatals face. We have done the analysis. Now is the time to consider the recommendations and take decisions and implement" (*McCauley, 2012*).*

These two extracts show a purported policy restrain to act and shareholder inaction on strategic investigations. Both would have been actioned through clear policy pronouncements which are missing. Notably, unclear policy direction results in a decrease in business activity (Redl, 2015). To this end, lack of clear policy direction hinders turnaround initiatives, as they await a definitive direction to follow.

d. Effective monitoring and oversight

While structures and legislation are in place to guide and regulate SOCs, the study brought to light evidence of ineffective monitoring and oversight of the country's SOC operations as well as their financial management. These shortcomings are highlighted by two pieces of evidence from the analysed data: lack of enforced performance agreements between boards and the shareholder (see extract 1 below), and frequent or year-on-year multi-billion-rand leakages in irregular expenditure referred to in extract 2 below as well as shown earlier in **Figure 5.2**. Also, extract 3 highlights macro-level challenges including lack of understanding of what SOC leadership does in support of the broader country growth. In cases where there is effective monitoring and evaluation, such lack of understanding will not prevail.

- *"…. argue for the existence of a shareholder performance agreement between the board and the shareholder"* (McCauley, October 2012).
- *Can the people who manage then relate what they do on a day-to-day basis it the big country picture? There does seem to be a problem at a macro level and here government must take responsibility"* (McCauley, 2012).
- *That there is failure by the SABC Board to provide oversight to the National Broadcaster as provided for in the SABC Board Charter and King III Report* (Public Protector, 2014).

While these concerns are observed at parliamentary portfolio committee presentation as well as during annual report presentations, these platforms, observably, seem ineffective in terms of driving, influencing and enforcing the required change, possibly because there are no consequences for the failures. There has been no recorded cases of Executives or Board members who have been charged for their indiscretions. It is highlighted that, although monitoring and oversight exists, it is ineffective and not engendering the right performance culture.

e. Adequate capitalization of the entities

Analysis of documentary data also revealed that, though not limited to distressed state enterprises, South African turnaround SOCs suffer from lack of adequate or proper capitalization by the state as the shareholder. This finding is supported by the following extracts from analysed SA SOC turnaround data.

- *"SAA justified its request on the grounds that it was never properly capitalised by the state. It said the cash injections it had received were not sufficient to establish a sound debt-to-equity ratio"* (Ndaba, 2012).
- *"Loubser last week described the loss-making airline to The Times as "undercapitalised" and said that requests to address the problem had been made to the Department more than a year ago"* (Strydom, 2012).

The knock-on effects of SOC undercapitalisation include the lack of sufficient capital to conduct normal business operations, service debt, mitigation of national challenges, including driving and financing the turnaround program during periods of distress. During turnaround situations, undercapitalised SOCs may run into working capital challenges, and cash-flow and liquidity problems. As a result, undercapitalised businesses may, due to the capital crunch, resort to the use of high-cost short-term credit as a funding source – an option to avoid in times of limited funding like in turnarounds as it is very expensive and contradicts the principle of stopping the bleeding and cost containment in turnarounds. These options compound and have the potential to derail the business recovery program.

The study further showed that this challenge of SA SOC undercapitalization is exacerbated by the reluctance of the shareholder (state) to fund SOCs through the fiscus or debt as the quote below indicates, particularly in a climate of low economic

performance, low revenue streams as well as concerns about the extent of the state's financial liabilities.

- *The Medium-Term Budget Policy Statement has indicated a reluctance to increase funding for SOEs through government expenditure or increased government debt* (Khuzwayo, 2014a).

Taken together, all these shareholder shortcomings: operational interference, lacking strategic support, lacking clear policy direction, poor monitoring and oversight, and undercapitalisation, complicate the progression of distressed SA SOCs' turnaround programs. These issues together show the significance of shareholder's role in ensuring recovery of distressed SOCs, which is evidently lacking in South Africa.

5.2.17 Ability to manage diverse institutional influences

Using the institutional theory lens, the study revealed that South African turnaround SOCs are subject to the influence of a diverse set of structures, norms, beliefs, and rules with a significant bearing on the SOCs operations and, for distressed entities, their likelihood to recover from distress. Key institutional elements identified as significantly influencing SA SOCs and their turnarounds are captured in the extracts from analysed data shown below and consolidated in **Table 5.5**.

- *He (the President) said the reconfiguration of the state was a far greater and more ambitious undertaking that had to go to the heart of the capacity of government to meet the country's developmental needs (Gerber, 2018).*
- *PRASA appeared before Parliament's finance watchdog, the Standing Committee on Public Accounts, to give account of its multi-billion-rand irregular expenditure cited in its latest annual report* (Payper, 2016).
- *"What is clear is that the "painful steps" that [CEO] is prepared to take will place him and the company on a collision course with the unions and to some extent the ANC, which is seeking to preserve and create new jobs. Given that government owns 38% of Telkom, it could be quite a dramatic run-in"* (Lourie, 2014).

Table 5.5: *Institutional elements with significant influence on SA SOCs*

Element	Institutional theory pillar	Example in SA SOCs	Observed impact
Structures		▪ Executive Authority ▪ Legislature –SCOPA	▪ Potency to limit autonomy, affecting decisions ▪ Long decision trail, limiting agility

Element	Institutional theory pillar	Example in SA SOCs	Observed impact
		▪ Political Parties (ruling)	▪ Challenge of cadre deployment require professional & objective supervision.
Rules	Regulative	▪ Legislation (The Constitution, Procurement laws, Forming Acts, Companies Act of 2008, Codes of Practice, e.g. King IV) ▪ Transformation Laws and Codes. ▪ Court decisions	▪ Requires clear understanding and incorporation into operations. ▪ To be applied objectively without abuse, with sustainability in mind. ▪ Need courage and maturity to stay focused in spite of decisions against organisation.
Norms/ Culture	Cultural Cognitive	▪ Corruption ▪ Wasteful Expenditure (Inefficiency) ▪ Ubuntu management philosophy ▪ Labour Unions	▪ Destructive, reduces value and misdirect resources. ▪ Reduces value ▪ Positive yet can, unintendedly, constrain through limiting aggressive decision-making ▪ Powerful and limiting agility
Strategies	Normative	▪ Transformation requirement	Necessary to correct past political ills, but implementation seem hijacked by valued destroying corrupt culture, including tenderpreneurship. Also need balance skills, expertise and experience in appointments of boards and executives.

As Scott (2004) advances, institutional factors get entrenched as authoritative guidelines for social behaviour. In the same vein, in South African state-owned companies' context, institutional factors have become guidelines for doing business. However, several identified institutional factors obtaining in SA SOCs have negative impacts on turnarounds. The observed institutional factors such as bureaucratic regulation, heightened value destroying corruption, and deployment of poorly skilled and inexperienced cadres to lead turnarounds all promote slow and poor decision-making to the detriment of the recovery of the distressed SOCs.

5.2.18 Lack of Propensity to Implement Designed Turnaround Strategy

In turnarounds, resolutions and strategies are pronounced to put SOCs on the road to recovery – thus crafted strategies and plans need to be actioned or implemented if

turnaround is to materialise. However, the study showed evidence of several SOCs continually crafting strategies that never get implemented fully. Analysis revealed that turnaround SOCs SAA, SABC, SAPO and even TelkomSA has had more than one turnaround strategy crafted with no tangible outcome, mainly from lack of full implementation. This observation is supported by the following extract from study data.

- *"Up till now there has been no vision. There have been a number of so-called strategies that were not implemented*." (Ndaba, 2012).
- *"While numerous attempts had been made to restructure, SAA had met with limited success due to a failure to translate into implementation".* (PMG, 2018)

Deeper analysis reveals that this challenge is propagated by leadership instability from frequent changes at Executive Authority level, Board Level, and CEO level in the turnaround SOCs. Traditionally, turnaround requires stable leadership for a considerable period of least five years – this allows enough time for the turnaround team to design and implement the program and strategy. The effect of the frequent leadership changes is discontinuity and the need for strategy change at each point of significant leadership change as leaders would like to implement and be accountable to a strategy they have can own and have been involved in crafting.

5.3 SUMMARY OF DOCUMENTARY DATA FINDINGS

In summary, documentary data analysis identified seventeen drivers as instrumental to the successful turnaround of state-owned companies in South Africa. Of the seventeen drivers, twelve were found in extant literature and were, well-corroborated by the study's documentary evidence or data. One driver, viable core business, identified in literature review, was not corroborated by documentary data. Importantly, documentary data identified five new turnaround drivers not previously documented as key turnaround divers. These new drivers include ability to manage political power by turnaround leadership; ability to influence powerful trade unions by the TMT; collaborative and supportive shareholder; ability to manage diverse institutional factors; and, propensity to implement designed turnaround strategies. These findings, particularly their degree of impact in SA SOCs, are mostly influenced by the prevailing local (South African) context especially within the public sector.

5.4 INTERVIEW DATA ANALYSIS AND FINDINGS

As outlined in the methodology section, the study used two data sources, documentary data and interview data, to establish its findings. With documentary data findings presented and discussed in the previous sections, this section presents and discusses outcomes of analysis of the study's second set of data, that is, interview data. The findings are based on in-depth qualitative interviews conducted with thirty (30) purposively selected participants. As indicated earlier, study participants comprised senior managers, current and former executive managers and board members selected from SOCs as well as turnaround specialists from the private sector. It also included official from SOCs oversight institutions. It is underscored here that participants were carefully selected from diverse, yet rich backgrounds: twenty (20) led SA SOCs during periods of distress and turnaround, five (5) were drawn from oversight institutions and three (3) were turnaround specialists from the private sector. Two (2) participants were drawn from a successful private sector turnaround firm.

In terms of participants' leadership levels or professional seniority, all participants were selected from very senior leadership or top management levels: four (4) were current or former board members; five (5) were current or former CEOs; twelve (12) current or former Executives or Director Generals; and nine (9) senior managers or turnaround specialists. The interviewees commanded deep and rich practical professional experience, acquired mostly in organisational turnaround. Participants experience ranged from ten years to 40 years.

The outcomes of interview data analysis are grouped, for presentation, into three categories. First, the participants' views on South African SOCs' turnaround success rate are presented. Responses to this pivotal question were essential as they have a bearing on whether current solutions are working. These findings are outlined in **section 5.4.1**. Second, the researcher outlines what participants proposed as the key turnaround drivers for South African distressed SOCs. These findings are also compared with preliminary findings from literature review as well as the outcomes from the first data set of documentary or text data to test corroboration or refutation. This also assisted in establishing new turnaround drivers. These findings are presented and discussed in the **section 5.4.2**.

5.4.1 South African SOC Turnaround Success Rate

Analysis of interview data revealed that South Africa has a very poor track record of turning around distressed SOCs. Participants indicated that attempts to turnaround SOCs in South Africa have not yielded good results. When asked to express their views on the success rate of SA SOCs turnaround, participants' responses included: not good; is there any; and, very low. The results are consistent with the researcher's submission that SA's troubled SOCs are in perpetual distress and turnaround. The following quotes selected from interview participants support the observations:

- *"It is very hard to come up with one or two SOCs that successfully turned around; the South African SOC space is highly politicised".* [P17]
- *"I don't think SA SOCs have been successful in their turnarounds. I say this because I think of SAA and SABC who have been in constant turnaround; they turnaround and fall back again; how many times do they have to be in turnaround"?* [P5]

Of the numerous South African SOCs that have instituted turnaround programs, participants isolated only a very few cases as having been successful; these being: The South African Post Office between 1996 and 2008; Transnet between 2002 and 2008; and the Land Bank between 2007 and 2014. The results also revealed that, even in cases where successful turnarounds were achieved, these turnarounds have not been sustained; evidence has shown that the SOCs before long digressed back into distress as depicted by the following quotes:

- *"There has been a few success stories here and there, albeit with a few challenges. However, we also have retrogression in SOCs with successful turnaround".* [P12]

Participants cited poor leadership selection, lack of succession leadership, lack of continuity and poor leadership stability due to quick changes in leadership, and vested interests by powerful and influential people as the reasons for lack of sustained turnarounds. When compared with the private sector turnaround performance, it was revealed that the low SOC turnaround success mirrors that of the private sector. In particular, the study showed that the success rate of formal business rescue in South Africa is only about 9.4% (quote below). This is supported by the following quote taken from the interview script:

- "*Official business rescue success rate in the country sits at 9.4%*." [P11]

Results indicate that turnarounds are generally difficult, with successes for both private sector and SA SOC sector being low. Given this low statistic, it implies that the turnaround sector needs deeper exploration to understand what works and what influences positive results. Importantly, the results highlight the challenge of regression by SOCs that, at some point, had instituted successful turnarounds.

5.4.2 Key Turnaround Drivers from Interview Data

The analysis of the thirty sets of interview data analysis identified twenty-four (24) drivers regarded by the participants as key to the successful turnaround of South African SOCs. Notably, within the 24 drivers identified from interview data analysis, participants corroborated seventeen (17) of the original eighteen (18) key turnaround drivers identified in both literature review (12 drivers) and in documentary data analysis (17 drivers). The only driver from the earlier findings that was not corroborated was 'project management" as a key driver for South African SOCs turnaround. Instead, the viable core business driver, identified in literature review but not corroborated by documentary data, was supported by interview data, particularly in projectized SOCs.

In addition, interview data established seven (7) additional drivers, four of which are recorded in extant literature while three are considered newly documented drivers. This brought to eight (8) the total number of newly found turnaround drivers for the study. These findings from interview analysis are summarised in **Table 5.6,** which provides comparison with documentary data findings and **Table 5.7,** which additional drivers from interview data. The results are discussed further in the following sections.

a. Discussion of corroborated turnaround drivers

As indicated above, in comparison with outcomes from documentary data analysis presented in **section 5.2**, interview data corroborated seventeen (17) of the eighteen (18) turnaround drivers. Only project management, identified in documentary data as key turnaround driver was not corroborated. Collectively, participants indicated that these drivers are important and positively influence the successful turnaround of South African SOCs. Strong corroboration was received for thirteen (13) of the key turnaround drivers, receiving confirmation by at least six (6) of the thirty (30)

interviewees. The other four turnaround drivers, namely, viable core business, ability to balance commercial and social objectives, institutional autonomy, and effective control process received support from fewer than 6 participants. That project management was not identified by participants as a key driver can probably be explained by the fact that it was probably subsumed by the HR Lever driver which covers matters relating to technical and managerial skills, redundancy issues, strategic human resources, and effective people management to arrest employee disengagement as argued by Whitehead (2018). **Figure 5.5** shows the summarises corroboration of the findings by interviewees.

As these turnaround drivers have been discussed in some detail in **section 5.2**, they will not be explained further here, save to underscore that, based on the strength of data triangulation approach that corroborated the findings and that the participants are credible, highly experienced professionals, the outcomes can be regarded as comprising factors pivotal for the turnaround of South African SOCs. For more emphasis and support of the drivers, participants' quotes are included in **Table 5.6**.

b. Discussion of additional key turnaround drivers

As indicated in the introduction, interview data analysis yielded 24 drivers considered pivotal for practitioners to understand and take cognisance when crafting and implementing turnaround strategies in SA SOCs. Seventeen of these drivers were described and discussed in section 5.2. In this section the discussion focuses on the additional 7 drivers identified in the analysis of interview data. These drivers are summarised in **Table 5.7.**

i. Understanding of the SOC business model

A significant proportion of the interview participants suggested that turnaround practitioners in South African state-owned companies need to clearly understand the business model of the entities. By definition, a business model is an abstraction of how an organisation creates value (Ungerer, Ungerer, & Herholdt, 2016). A business model outlines how a business works (Magretta, 2002) and it is a concept closely linked to organisational strategy.

Table 5.6: *Outcomes of interview data analysis*

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
1	Bridging Finance	P3, P7, P9, P13, P18, P19, P23	"Finance and to responsibly apply the available limited resources to the variety of issues. I have huge respect for CFOs - they have a key role to play. CFOs have a bigger role to play". [P9] "Our biggest challenge has been to lobby for the right kind of financial support". [P23]	The driver was well corroborated and deemed important for SOC turnaround. For SOCs, bridging finance is provided by the National Treasury as a loan, transfer or guarantee. National Treasury readily supports SOCs is seen as promoting complacency among SOCs.
2	Effective and Sound Turnaround Leadership	P1, P3, P7, P10, P11, P12, P13, P14, P15, P16, P17, P18, P19, P25, P26, P27, P28	"The change of Board has been a challenge for the past 2 years - it has been a revolving door – we recently, for the past two months, got a CFO/CEO for 2 years - this makes it very difficult to execute a turnaround as the CEO and CFO form the personification of a turnaround" [P23] "Strategic leadership that is streetwise and understands shareholder demands; have a good blend in the board". [P7] "There is need to identify the right leadership and also giving it the necessary stability and support from Department to enjoy the support for a long time". [P12]	Key issues relate to leadership capability, leaders of integrity, understanding shareholder needs, and be appointed on merit. SA SOC leadership qualities affected by patronage appointments, Driver well corroborated and pivotal to successful SA SOC turnaround.
3	Effective Communication	P3, P5, P7, P9, P14, P15, P16	"Turnaround strategy crafting and implementation are like painting an aeroplane while airborne – everyone must be aware". [P14] "The most important thing is communication - listen to your people - have a real conversation with your people. Must be able to pitch what you need to do with them, with integrity and with people's consideration. Have a compact with people - conversation with integrity - win people's trust". [P9]	Communication regarded as pivotal to keep stakeholders abreast of turnaround progress, maintain calmness among employees, maintain motivated employees, and ensures the right messages are going out to stakeholders. Driver was corroborated by interview data.

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
4	Effective Project Management	-	-	Although project management skills were not specifically identified in this data set, the dearth of appropriate skills in SOCs was noted. This is the only driver identified in documentary data that was not corroborated.
5	Human Resources Lever	P1, P2, P3, P6, P7, P8, P14, P15, P16, P18, P19, P20, P22, P23, P24, P25, P27, P28	"Identify and look for the real skills and capability in the market and bring it on board". [P8]	A well-corroborated driver. Key attributes to monitor include: appropriate skills, effective resource allocation, and to keep employees motivated for productivity.
6	Cultural Renewal	P1, P2, P3, P6, P13, P14, P15, P16, P24	"In SA in general there is a culture of apathy and hostile to your employer - are we responsible - we expect to receive - an entitlement culture. I think it is worsening turnaround - and it is very unique to South Africa". [P7] This result is a tense SOE culture which has negative impact on productivity. This culture is pervasive and is not being identified as critical to turnaround. [P6] "Also, if culture change does not work, you will struggle to have a turnaround". [P2]	Cultural renewal is essential for heralding and entrenching a fresh approach defining a new direction for the SOC. This is also essential to motivate staff to embrace a new vision as well as entrench productivity and accountability. Driver significantly corroborated. Negative cultures requiring change include: entitlement culture, hostility to employer. These elements do not support turnaround.
7	Procurement Processes	P6, P9, P19, P20, P22, P24	"The bulk of the challenges are in supply chain management - it takes up to 6 months to procure, ... we just approved a new supply management strategy - hope it will improve the turnaround". [P19]. "One of the things that was meant to help us save money is actually one of our worst enemies - which is the PFMA and supply chain management process; suppliers of these services inflate numbers and there is nothing you can do about it - we are buying at a premium". [P24]	As a highly regulated sector, this driver is pivotal for SOCs to deliver their services. Most SOCs services are outsourced – making proficient procurement pivotal. SOC procurement was identified as pivotal in that it can potentially be abused leading to irregularities, corruption and profiteering – elements that do not support reversal of decline. It has also been observed that providers have been charging exorbitantly, obviating cost-saving required in turnarounds.

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
8	Stakeholder Management	P1, P3, P7, P8, P9, P10, P11, P14, P15, P16, P19, P28	"The biggest problem was always getting alignment with your shareholder around strategy". [P2]	Several stakeholders in the SOC space require careful management and engagement – processes that lengthen the SOC turnaround process as turnaround success is strongly hinged to stakeholder alignment, particularly the TMT and the Executive Authority.
9	Sound governance	P13, P14, P15, P16, P20, P23, P26, P27	"Board appointments are a hit or miss thing - you would be lucky if you have a good board - the ruling party has a good job of cadre deployment. Need to appoint people who understand the landscape". [P26] "It is Board interference with decisions that led to significant loss of talent, e.g. the CFO, Head of Strategy, Head of Commercial, Head of Government and Regulatory all resigned. The resulted in deteriorating IT space - failed to maintain our infrastructure, creative contracting (corruption), and we failed to take up opportunities". [P28]	Key governance attributes in the SA SOC structures requiring attention include: appointment of competent and experienced executives and board members that have knowledge of business turnaround; board independence; and stable leadership during turnaround. SA SOCs are filled with lacklustre leadership courtesy of patronage and cadre deployment policies, which compromise independence, as well as objective and professional practice.
10	Viable Core Business	P2, P3, P13, P18	"Every entity needs to turnaround needs to answer the question as to whether they have a reason to exist - should they be there in any case". [P13] "Constitution or regulation influenced work may not be aligned with demand - there is very limited flexibility to change course of action". [P18]	Like any other business, SOCs need to be anchored on a viable core business. Should this be missing, there is slim chance of turnaround. SOCs have very limited flexibility to move out of their reason to exist – thus SOCs require highly innovative skills to diversify their product or service offering, while remaining within their primary mandate.

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
11	Ability to Manage Political Power	P1, P2, P5, P8, P22, P23, P26, P28	"One of the things encountered is that the most optimal solution is not always politically correct". [P1] "At XX, currently things are not going well. But had been on the right path; currently there is ripping of management - this is purely political". [P2]	In SOCs, political decisions often eclipse objective and optimal business solutions. In SA, because of a developmental agenda position, political decisions have been prevalent in SOCs. Turnaround and business success, therefore, depends on top management's ability to positively influence or persuade political powers towards choices that favour primary SOC business growth and turnaround. Success to result in agreed strategic alignment between TMT and Executive Authority. This requires tact.
12	Ability to Balance Commercial and Developmental/Social Objectives	P1, P3, P23, P26	"One thing that affects us is we need to be, while we execute our jobs, competitive and fulfil the reason for existence, and then you have the developmental objectives (developmental state): transformation, regional integration, skills development, industrial capacity – these are not funded". [P26] "Balance of how we do or achieve our objectives/mandate with how to make money. This balance is very critical". [P23]	This is a key yet difficult to effect turnaround driver for a country with a history as that of SA. There is proven and justifiable need for social upliftment – which can be practically achieved through state machinery including SOCs. However, the challenge is whether it can be sustainably be done using distressed SOCs as when in distress, approaches often focus on core business and lean structures and costs until business is profitable and functional and sustainable.
13	Ability to Influence Unions	P1, P5, P17, P19, P23, P25, P26, P27, P28	"Manage the bargaining council - it's too strong and impacting business as it is not about capacity or skills but politics". [P6] "Labour unions have too much power. The power of the unions sometimes tends to affect/stifle the success of turnarounds - they can actually stop it dead in the tracks, e.g. at the SAPO in 2015 - they had four months strike". [P27]	Given the political background of unions and the subsequent formation of an alliance with the ruling party, unions inadvertently wield power and influence in public sector – even to the point of forcing government decisions. The union power is punctuated by significant militancy and aggression. This kind of power leverage requires careful and tacit management by turnaround TMT to align.

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
14	Shareholder Role	P1, P2, P3, P5, P12, P21, P26, P27	"Our Minister had inputs in our strategy, she was adamant to see the turnaround plan, she commented on it and was keen to have specific elements in the strategy". [P5] "For the board to be given the necessary support to do their job, and the policy environment to be distinctly clear". [P12]	This driver calls for clear delineation of roles of the key players in the SOC structure – particularly that of the shareholder. Findings show a shareholder that gets involved in operational issues instead of being limited to providing policy direction – a strategic role. The driver well supported and corroborated.
15	Institutional Autonomy	P5, P9, P23	"It does make it difficult to execute your turnaround when you keep having to explain your rationale to every Minister and HOD it is only when government is clear and direct about their support and what they want to do that entity and provide financial support that you begin to see things moving". [P23]	This driver is closely related to the shareholder role and governance model of SOCs. For simple decision-making that support agile business operations, autonomy is central, with political heads operating at arm's length. While providing strategic and policy guidance. In SA, however, politicians are too close to business operations, trumping autonomy.
16	Institutional Influence: Legislation, Unions, Governing Party	P1, P2, P3, P5, P6, P7, P8, P9, P10, P11, P12, P14, P15, P16, P17, P18, P20, P21, P22, P23, P24, P25, P26, P27, P28	"Institutional factors most influential include labour unions and their intricate relationship with the ruling party through the Tripartite Alliance". [P6] "The legislation (PFMA) just slows you down. If you are going to be competing with private sector, you want to have speed similar to the private sector. Private sector operates on the basis of trust, and the PFMA operates on the basis of mistrust - private sector operates fast - PFMA forces procurement". [P26]	Key impediments here include: inflexible legislation (PFMA), high-level regulation; intense political involvement; and the impact of a politically-connected and powerful labour. In particular, section 54.2 of the PFMA is viewed by many SOCs as an impediment to quick decision-making as required in turnarounds.
17	Effective Control Processes	P18, P25	"Investing in systems to ensure all controls are maintained - away from manual systems. I am an implementer - using the budget and controls". [P18]	This driver points to a growing culture in SA public sector, also evidence by the Auditor General Report (2018) which cited slow or no response to implementing controls and addressing risk areas as a root cause for regression in audit outcomes.

#	Drivers from Data Set 1 [Archival Data]	Drivers from Data Set II [Interview Data] Level of Corroboration	Selected Supporting Quotes from Interview Data	Commentary
18	Propensity to implement designed turnaround strategies	P5, P7, P13, P17, P18, P19, P22, P25, P26, P27	"There is a divide between strategy planning and implementation that needs to be narrowed. Do not plan from a theoretical perspective". [P5] "The belief that if you have a fancy plan then it should happen - turnaround happens on the shop-floor, not in the boardroom". [P7]	Lack of strategy implementation was identified as endemic in SA – with many SOCs having churned many turnaround strategies but have not been implemented. This is an area requiring focused attention and need to be supported by a stable leadership. The driver was also viewed as affecting turnaround sustainability.

Table 5.7: *Addition drivers from interview data*

#	Key Driver	Supporting Participants	Recorded in Literature	Impact Level	Observations Synopsis
1	Understanding of business model	P2, P7, P8, P13, P14, P15, P16, P23, P28	No	Policy/Operational	There is a presumption that leadership lacks understanding of how the SOC sector in South Africa is structured and should be managed. The driver is, therefore, emphasizing this.
2	Ensure SOC competitiveness	P1, P3, P6, P12, P18, P21, P23, P26, P28	Yes	Operational	Competitiveness is a key challenge in SOCs. Key issues relate to strategic decision approvals, product quality and price, and production efficiency. This mostly impact SOCs operating in competitive environments. Any delay leads to loss of business to competition.
3	Understand decline root causes	P5, P19, P26, P27	Yes	Policy/Operational	This key driver is central to understanding what is at the core of the SOC's decline – and supports and anchors the "*organisational diagnosis*" step in turnaround management.
4	Focus on mandate	P20, P21, P23, P27	Yes	Operational	This driver speaks to the reason of being of a SOC – emphasizing the importance of focus and being strategic.
5	Technology	P3, P23, P24, P26, P28	Yes	Operational	The key argument and submission here are that, in the current business landscape, technology is a source of competitive advantage and SOCs need to adapt appropriate technologies and leverage them to promote growth and reversal of decline. It follows that organisations that successfully integrate technology and strategy create significant returns (Weiss & Anderson, 2004). IT has become a business strategy enabler and change agent.
6	Stability of turnaround team	P2, P3, P23, P25, P28	No	Policy	Unlike the significance of leadership capabilities that has been extensively researched and is recorded in extant literature, leadership stability, defined by adequate tenure, is a challenge in SA SOC space. Leadership changes so frequently impacting continuity of focus and vision.
7	Improve business agility	P1, P3, P7, P13, P18, P28	No	Policy/Operational	Though applicable generally to all turnarounds, the driver is most impacting SOCs in competitive environments. Findings show that SOCs have long decision cycles affected by a highly regulated environment and poor leadership leading to inertia in decision-making.

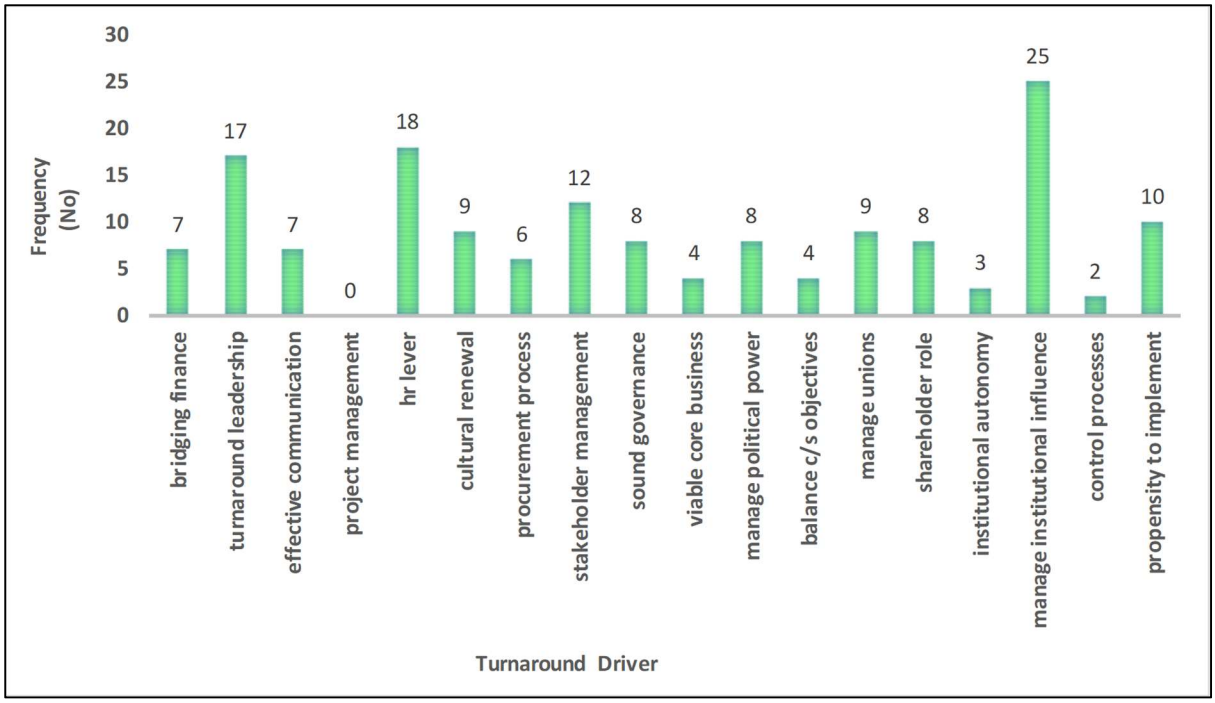


Figure 5.5: *Corroboration of key turnaround drivers*

In this study, three (3) of the thirty (30) participants highlighted a probable lack of appreciation and understanding of the value-creation model by the SOC turnaround practitioners. Beyond understanding the business model, participants also pointed to a greater need for practitioners to understand the core business of the enterprise. These sentiments are expressed in the following extracts from participants.

- *"Understand what core business is and what the business model is*". [P2]
- *"Understanding the business model and the business, why is it important and what does it do".* [P7]

This turnaround driver is pivotal in business operations and recovery as it provides linkage between the turnaround strategy and the operational aspects of the business. The driver enables a business to define the customer, what the customer values, the underlying economic logic of the business and how it makes money. Through this driver, crafted strategies can be translated into revenue generating or supporting activities. It, therefore, has a bearing on improving business or operational efficiencies and revenue generation, elements critical in turnarounds.

As the concept is a well understood business tool, the proposition of this driver for SA

SOCs turnaround probably speak to a lack of suitable skills and understanding of turnarounds in the leadership as indicated by the HR Lever. While the business model has been researched and published extensively, the researcher could not establish work that identifies business model understanding as a key turnaround driver.

ii. Ensure competitiveness

While traditionally SOCs have operated in monopolistic environments, without competition, economic liberalisation exposed SOCs to competition. This has also been the case in post–apartheid South Africa. From 1994, South Africa followed a free market economy policy, following trade liberalisation to stimulate growth and address poverty and inequality (Kowalski, Lattimore, & Bottini, 2009; Thurlow, 2006). Currently, several SA SOCs face competition (e.g. SAA, Transnet, SAPO, and SABC).

Study findings indicate that, for such SOCs operating in competitive environment to initiate a successful turnaround, it is pivotal to position themselves well against contending institutions from both local and international reach; failure to do so will banish the SOC to perpetual poor performance, low sales and revenues, loss of market share and eventual bankruptcy. Participants cited lack of SOC competitiveness, innovation and reliance on old monopolistic business practices. These arguments are supported by the following extracts from participants' interviews.

- "*You will find that SOCs were created in a sector as monopolies. Now as time have changed, they cannot cope with competition"*. [P21]
- *"There is reliance on sole business – monopolistic*". [P26]

If a SOC is to ensure successful turnaround, in a competitive sector it has to regard competitiveness highly on their set success drivers. In this regard, the SOC should have competitive: product quality, service offering, pricing, after-sale service, as well as securing new growth nodes. This should be accompanied by product innovation, quick adaption to markets, and short decision cycles on strategic matters to be ahead of competition. It was that the business be agile, an attribute SA SOCs need to enhance. SA SOCs can learn from the private sector where competitiveness, customer-centrism and business agility are central.

iii. Understand the root causes of decline

Participants also highlighted the significance of understanding the cause of the SOC decline prior to any attempts to craft the turnaround strategy. Understanding the cause of decline is known to inform the type of action and selection of requisite strategies to apply. Understanding the cause of decline is the first step the turnaround team should institute and is underscored by (Santana, Valle, & Galan, 2017a). This also forms an integral input and stage in the turnaround models of Pearce and Robbins (1993) and Trahms et al. (2013). As such, the propositions of study participants were consistent with and corroborates extant literature. The views of participants are captured in the sample extracts provided below.

- *"Know your problem, know where you are going. Make sure you have sufficient support, have resources to execute the plan that you say you need to execute. This is usually a challenge"*. [P26]
- *"Ensure you conduct a thorough initial assessment or a root cause analysis"*. [P19]

While widely acknowledged to be pivotal, participants also highlighted that it is usually difficult to establish the decline root causes. This challenge could be attributed to denialism, particularly by the old leadership team. Considering this, the TMT needs to be courageous to confront reality and seek to objectively establish the real root causes. In recognition of its significance and pivotal role in turnaround success, this driver forms part of the proposed SA SOC turnaround framework in Chapter 6.

iv. Focus on the SOC mandate

The driver, which focuses of the SOC mandate was echoed quite significantly by study participants. On face value and simplistically, this driver may be considered as close to focusing on core business. However, emphasis of the factor as significant by participants underscore the multiplicity of objectives that SOCs are expected to fulfil. Participants highlighted the expectation, by principles, for SOCs to fulfil developmental objectives that do not formally form part of the SOC mandate. Often, these requirements, the study found, are not funded. While the rationale for promoting development and transformation may be understandable, participants recommended that SOCs in decline and undergoing turnaround should focus on the core mandate and ensure the business is functional, financially sustainable and a going concern. It

is further argued that SOCs in distress have a higher chance of turnaround success if they lower the priority of, or even temporarily putting on hold, developmental requirements and focus on sustaining the business until the company has recovered and is in the black. This argument is clearly shown in the following extract from some the participants' inputs:

- *"First understand and focus on your mandate - understand government objectives, understand the sector".* [P21]
- *"During the turnaround, the developmental objectives where put on the back burner, to focus on the success of the turnaround*". [P27]

Of note, focusing on government objectives can be tricky. Objectives often include realistic and aspirational objectives as well as written and unwritten objectives. Aspirational and unwritten objectives are fluid to implement, particularly in times of distress. As such, the TMT would do better to use firm and confirmed sources such as the Acts, shareholder compacts and performance agreements.

v. Leverage technology

The study acknowledged the emergence of technology as a key business driver in the 21st century. The central argument here is that, in the current business landscape, both locally and globally, technology has become a growing source of competitive advantage. Despite contrarian views by Carr (2003), technology, particularly IT, can be a sound source of competitive advantage (Breznik, 2012). Adopting a RBV perspective, study participants felt that SA SOCs need to adapt appropriate technologies, as a key resource, and leverage them to engender business growth and competitiveness in their journey to decline reversal. While participants argued for universal relevance of the driver across the different types of SOCs, emphasized relevance was directed at SOCs in aviation, finance, as well as information and communication technology sectors. Notably, several South Africa's SOCs operate in these sectors, which are invariably technology-intensive environments. Examples includes: SAPO, Broadband Infraco, Telkom SA. Participants' emphasis to adapting to technology in SOCs is shown in the extracts below:

- *"Focus on all the correct things - finance, technology etc and keep on moving in the right direction"* [P3]

- *"Then after that the shift focuses on improving service efficiency, improve customer focus - how do I embrace technology and innovation".* [P26]

For these SOCs, quick and responsive adaption to technology is considered a game changer and determinant for survival in the market.

vi. Improve business agility

Participants also identified the lack of agility in SA SOCs as one of the key obstacles to successful turnaround. This manifests in the form of long decision cycles, sheer lack of decisions on strategic matters, or lack of implementation of agreed strategies. One cited example is the numerous turnaround strategies SAA had developed and not fully implemented. Several factors were highlighted as negatively influencing SA SOCs agility, including: an overly regulated environment; quasi-empowered leadership or decision-makers; a dearth of skills; and lack of consequence management and too high a frequency of leadership change – the revolving door syndrome. Despite being highly-regarded, the PFMA, particularly section 54.2, was widely cited by participants as a major stumbling block to SOC agility, quick decision-making and corresponding implementation of strategic matters. Section 54.2 of the PFMA requires public entities to inform the Treasury, in writing, seeking approval of strategic transactions many of which include key transactions common in turnaround such as asset retrenchment. These submissions are captured in the following extracts:

- *"Change in terms of the consequences for non-action – it's one sided – it punishes people for wrong decisions but not for lack of action. It does not promote risk taking and thus kills innovation and risk tolerance".* [P1]
- *"It takes months and months to get decisions - you do not have the agility - regulation needs to be looked at - too long approval process - too many loops to jump, particularly section 54 of the PFMA".* [P13]
- "*The legislation just slows you down. If you are going to be competing with private sector, you want to have speed similar to the private sector. Private sector operates on the basis of trust, and the PFMA operates on the basis of distrust - private sector operates fast - PFMA forces procurement. You cannot work on the basis of mistrust".* [P26]

Lack of business agility, in terms of time to decision and ability to innovate, humpers SOC turnaround. Turnaround situations require businesses to act with speed and to

innovate to speedily bring service offerings and products attractive to the market. Turnaround is not business as usual. The business is on a burning platform. This is essential in competitive environments, opportunities need to be taken without delay.

5.4.3 Contextual Factors Influencing SA SOC Turnaround

In order to better understand why the turnaround of SA SOCs is more involving and, often, more prolonged, the researcher analysed for factors that set the South African context apart. Aside of socio-economic challenges of poverty, inequality, dearth of technical skills, and high unemployment cited in the literature review and corroborated by the study, four distinct contextual factors were isolated as significantly influencing SA SOC turnarounds. These factors are unpacked below.

First, the study revealed that the SA SOC environment is overly regulated, with a several prescriptive legislations reducing business flexibility. Widely cited legislation includes the PFMA, transformation and procurement laws and regulations. High regulation impacts decision-making speed, an essential element in turnarounds. Further compounding the challenge, the SA SOC sector comprises a long chain of stakeholders that require consulting before a decision is taken – all slowing down the process. These arguments are evidenced by the following participants' quotes.

- "*The implications of the PFMA, the low level of risk tolerance, long time to decision making – leading to analysis paralysis (e.g. indecision to discontinue non-profitable routes*". [P1]
- *"It takes months and months to get decisions; you do not have the agility - regulation needs to be looked at - too long approval process - too many loops to jump"*. [P13].
- *"Rigid legislation that impedes flexibility in pricing products/services such as energy to ensure long-term planning; too much monitoring (biggest set-back) - the cost of over monitoring is too high - we are growing into a compliance nation"*. [P6]

These challenges would be less if the SOCs enjoyed more autonomy and flexibility.
Second, the study showed that beyond shortage of technical skills, attributed to a failing basic education system, the country also has a dearth of leadership skills. This is observed to be affecting board level, thereby compromising the quality of guidance and direction given to distressed institutions. Further, leadership challenges were seen to be influenced by an entrenched culture of cadre deployment and political appointees

at boards. Also, these appointments of weak leadership are not counterbalanced by a robust performance management system. The study underscored that such crop of leadership displays a lack the right competencies to direct SA SOCs out of distress and decline. These submissions are supported by the following interviewee extracts:

- *"Appoint people who should be able to make tough decisions - we suffer from the challenge of political appointees - this is an issue."* [P6]
- *"I think SOC boards are shocking, they are generally weak - this applies to both private and public sector. There are people sitting on boards who have no clue of what they are supposed to do".* [P11]

A meritocratic appointment of board of directors, with clear performance measures accompanied by a consequence management system would address these issues.
Third, the study clearly showed that South African SOCs are more susceptible to the powerful influence labour unions. Participants concurred that the complex partnership between unions and the governing party in the Tripartite Alliance strengthen the position of labour – a position that labour has strategically and successfully used to advance its interests in SOCs. This power manifests in the form of threats to withdraw election support for the governing party at elections. Most recent of such threats have been at SABC and Eskom (in 2018) where employee retrenchments were proposed as part of the SOCs turnaround programs. These threats have seen government yielding to the pressure. The following quotes more succinctly explain this argument:

- *"They see SOCs as an integral part of development and political tools to push elections and votes versus the need to drive efficiency and productivity".* [P6]
- *"The majority of the SOCs we see in South Africa are driven by leadership that is not attempting to make the SOCs successful - driven by other agendas, personal or political or they are serving their political masters at any cost"*. [P11]

Fourth, the study corroborated and further underscored the complex political landscape in which SA SOCs operate. The study also highlighted that the fluid political context was more heightened by an increased inclination towards a developmental state with more active involvement of the shareholder in planning and operations. Even worse, the scourge and challenges of state capture further mudded the SOC business landscape, compromising professional approaches to SOC turnaround in South Africa. The following excerpts detail the SA SOC political landscape:

- *"Politicians use the term developmental state as a tool to interfere. There are also policy challenges - policy uncertainty".* [P6]
- *"It is the nature of the beast. The shareholder is in a political formation and you cannot avoid that - every shareholder has preferences - it is how you handle it. Some things can be done some you can't".* [P18]

The net effect of these factors is to help erode the capacity and resolve of SA SOC leadership in championing business turnaround, resulting in many failed turnaround attempts, with some SOCs remaining in perpetual turnaround.

5.4.4 Verification of Interview Data Findings

Following collation of interview data results, the researcher instituted a verification exercise with Phase I participants. As Morse, Barrett, Mayan, Olson, and Spiers (2002) propose, the verification was conducted as a quality control measure to check, confirm, and ascertain the outputs as a true reflection of the participants' inputs. It also helped reduce potential researcher bias. The verification exercise was to establish whether the findings constitute key drivers for the successful turnaround of SA SOCs and, also, establish the degree of influence of each driver. A Likert scale was used to rate driver influence on SOC turnaround. The scale ratings ranged from 1 to 5, with 1 = not influential, 2= lowly influential, 3 = moderately influential, 4 = influential, and 5 = highly influential. The same scale was used in model validation in Chapter 6.

The results were shared with all the participants in the form of a summary of the key turnaround drivers collated from the interviews. For participants from close-by Gauteng, one-on-one feedback sessions were convened; these provided opportunities for richer engagement, clarification and improved understanding. For participants far afield, electronic feedback was used. Use of electronic media was influenced by logistical requirements including budgetary and time constraints. Interview data was collected nationally, from participants in nearby Johannesburg and Pretoria as well as from far places as Rustenburg, Durban, and Cape Town. Considering the stated constraints, it was not possible to convene a workshop for participants to come and discuss. Neither was it possible to visit every participant for individual discussion. Feedback was received from 15 of the 30 Phase I participants, and the results are shown in **Figure 5.6** and discussed below.



Figure 5.6: *Key turnaround drivers verification results*

The verification exercise reaffirmed the finding as all influential to SOC turnaround in South Africa, with all drivers achieving an average rating of 3 and above, where 3 is moderately influential. A high 15 of 25 drivers were rated as influential to highly influential, with the remaining 10 of 25 drivers being rated between 3.3 and 4.0 out of 5.0. Drivers accorded the highest rating include: effective leadership, understanding decline root causes, sound governance, effective communication, stakeholder management, and, effective project management – all with ratings of 4.5 out of 5.0 and above. Beyond affirming the findings as reflecting participants' views, the process also gave a tangible sense of the level of influence of each key driver on the SOC turnaround process.

5.5 COMPARATIVE ANALYSIS AND IMPLICATIONS

In this section, the researcher undertook comparative analysis focusing on three areas of inquiry, namely comparing: SA SOC turnaround drivers with those of the private sector; turnaround drivers of South African SOCs with those of their counterparts in

developed countries; and, comparing drivers prescribed by successful South African SOCs and those prescribed by non-successful turnarounds. The comparisons were conducted to deepen understanding on two fronts, first: the understanding of what distinguishes, from a drivers' perspective, successful South African SOC turnarounds from: (i) the private sector turnarounds and (ii) global SOCs turnarounds. These comparative analyses were designed to answer the second, third and fourth sub-research questions of the study as outlined in **section 1.6**, in **Table 1.1**. Second, comparative analysis tested if the data could help distinguish between drivers for successful from those for unsuccessful SOC turnarounds. The outcomes are outlined and discussed in the following sections.

5.5.1 Comparison of SA SOC & Private Sector Turnarounds

This section outlines the outcomes of the comparative analysis between the key turnaround drivers for South African state-owned companies and those for the private sector companies. The comparison was based on two inter-related questions, namely:

- "*How would you compare the drivers for successful SOC turnaround with those for a private company*?
- "*What informs the differences in the drivers between private sector and SOC turnarounds*?

This question was answered by twenty-nine (29) of the participants interviewed, with one responded opting not to answer the question. Of the 29 respondents, 6 elected to be neutral. Of those who responded to the question, seventeen (17) expressed that, while there could be common drivers, there were specific drivers only pertinent to SOC turnarounds in South Africa – drivers that are different from those of the private sector. Correspondingly, six (6) of the respondents advanced that there should be no difference in the turnaround drivers between the two sectors as both SOCs and private sector firms are businesses that should compete for survival. The distribution of participants' responses to these questions are summarised in **Figure 5.7**.

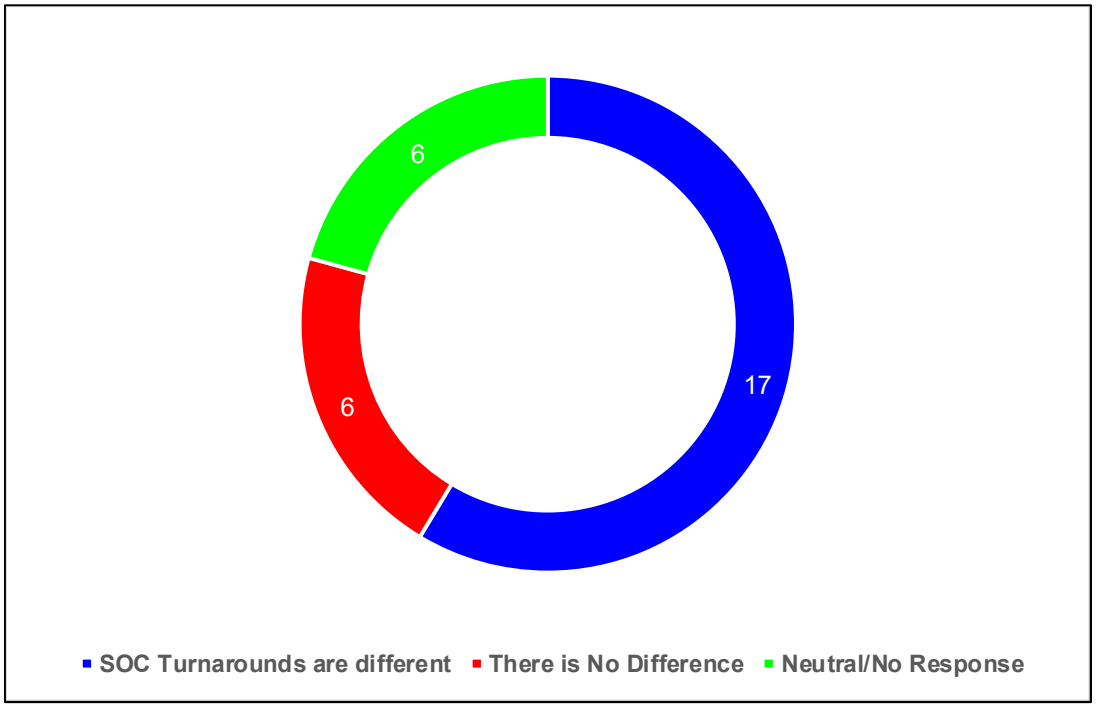


Figure 5.7: *Participants' views on universality or uniqueness of SA SOC turnarounds drivers*

Five reasons were advanced in explaining the differences in turnaround drivers between private sector firms and South African SOCs. The justifications advanced include: (i) the complex historical and political context prevailing in South Africa that impact the way state companies conduct business; (ii) legislation- and regulation-related impacts on SOC decision cycles, with SA SOCs having very long decision cycles that invariably constrain SOC agility; (iii) differences in the reasons for being between private sector companies and SOCs (iv) the relative vulnerability of SA SOCs to the power of politically-connected labour unions; and (v) the inability of SOCs to attract talent, in comparison to the private sector;. These factors combine to make turnaround of distressed South African SOCs very slow and protracted.

Participants ascribed the complex political setting in which SOCs operate as a major source of difference. While corporatized SA SOCs have governance and institutional structures resembling corporates – having executive management, a board and a shareholder with distinct roles – the influence of politics is deemed high, influencing operational decision choices and leading to long decision cycles. In addition, most decisions in the South African SOCs require a lot of consultation with a wide range of stakeholders, processes that contribute to prolonged decision-making.

In contrast, in the private sector, boards are empowered to make decisions and implement. In SOCs board decisions may need to go to the shareholder and selected oversight institutions before they can be implemented. A commonly identified institution, in this case, is the National Treasury where, in terms of section 54.2 of the PFMA, SOCs (the Accounting Authorities) are required to seek concurred from the National Treasury on strategic decisions. This is also compounded by the sector being over-regulated, with the regulations prescribing these elongated decision processes. The net effect of all these is a shackled entity with very limited or constrained agility. This is in stark contrast with the requirements of a turnaround, which Paton and Mordant (2004) describe as requiring rapid auctioning, meaning agility of quick decision making and agile business. Findings are supported by the following extracts:

- *"One of the challenges encountered is that the most optimal solution is not always politically correct*". [P1]
- "*There is a lot of political interference. They see SOCs as an integral part of development and political tools to use to push elections and votes versus the need to drive efficiency and business productivity*". [P6]
- "*The public sector or SOC turnaround is a long process, with a lot of stakeholder consultation - it is not a quick fix, unlike the private sector*". [P10]

In addition, participants underscored that the variance in formation objectives for private enterprises and SOCs influence the differences in the turnaround drivers. It was emphasized that the private sector's primary or sole objective is to maximize returns for its shareholders – the bottom-line; an objective they make their single and primarily focus during distress as they trim costs and concentrate on core business. In contrast, SA SOCs, even though corporatized, carry both a commercial and social mandate, with some of the social mandates being unfunded. Participants submitted that the continued concentration on unfunded social mandates is costly and drags distressed SA SOCs backwards and deep into decline, making for different approaches to SOC turnarounds.

In contrast, SOCs' shareholder, government, is led by politicians mandated to address the country's historical injustices and current social challenges comprising high levels of poverty, inequality and unemployment. The shareholder can only achieve these through its developmental agenda, transformation and empowerment programs.

5.5.2 Comparison of SA SOC & Developed Economy Turnarounds

In terms of comparison of the turnaround drivers for SA SOCs and developed economy institutions, several participants selected not to proffer their views as they felt their responses would be less informed by practice and experience. As a result, only 9 of the study participants provided insights as well as supporting explanation for their views. Of note, outcomes from the participants were mixed, with four (4) participants submitting that turnaround drivers are universal, both locally and globally, and are not influenced by geo-political context, while five (5) subscribed to the view that South Africa provides an environment that demands a set of turnaround drivers that are responsive and unique to the country's context. **Figure 5.8** summarises the distribution of interviews' responses.

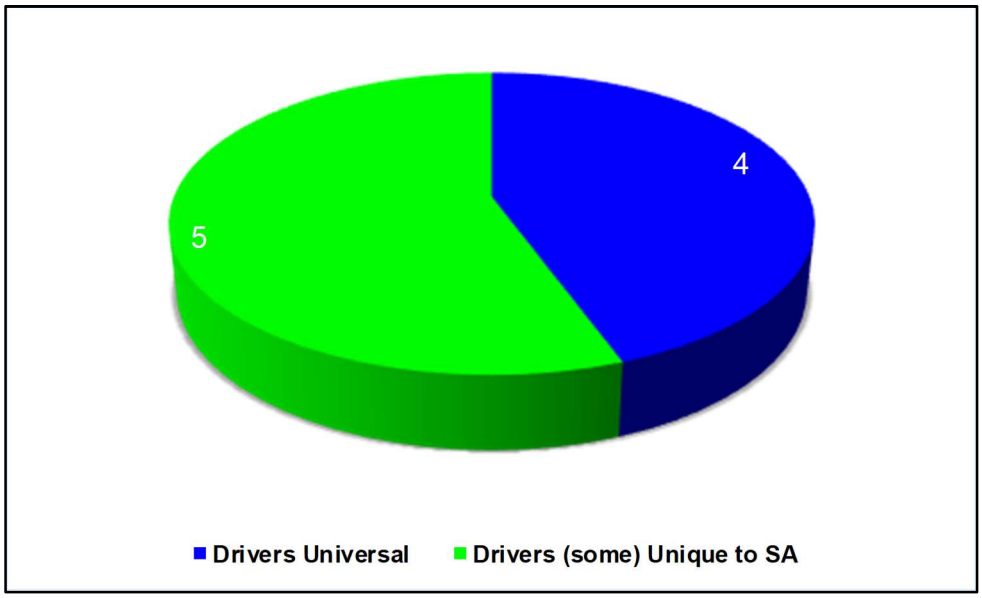


Figure 5.8: *Comparison of turnaround drivers for SA SOC and developed world*

Each group advanced arguments in support their positions. Those that considered all turnaround drivers to be globally universal, contended that business operations are similar across geographic locations and, as such, the drivers should be equally similar. The participants did not see any contextual matters obtaining the local business landscape as justifying any different treatment or special attention. This notion, however, is starkly contrary the overwhelming acknowledgement response by participants on the question "what is different in SA SOC turnaround" in which participants highlighted the unique and complex nature of the SA SOC environment.

The argument of universality of drivers is best captured by the sample extracts below from the participants:

- *This applies to both private sector and public sector, as well as in both developing and developed countries".* [P10]
- *"I think they should be the same - why should they be different?"* [P11]

However, a larger portion of interviewees supported the counterargument that there, are some turnaround drivers that are unique (or most impactful) to South African SOCs. Three outstanding motivations were extended to support the unique drivers' proposition. First, participants submitted that, unlike South Africa, developed countries have a lesser developmental agenda – one of the demands that burden SA state-owned companies, compounded by the fact that, often, this comes as an unfunded mandate. It is noteworthy to underscore that unfunded developmental objectives exacerbate SOC challenges as they already struggle with limited capital to fund their core operations. During decline, working capital is scarce and difficult to access. Delegating unfunded mandates worsen SOCs' financial positions.

Second, participants posited that distressed organisations in developed countries can, with relative ease, retrench assets and employees as part of cost cutting and containment. Asset retrenchment is a pivotal strategy in business turnarounds (Boyne, 2004, 2006). This is exceedingly difficult in South Africa, especially with respect to employee retrenchment. Participants underscored the power and influence of South African labour unions, particularly in state-owned companies. Notably, South African labour unions are known for their strong political affiliation Budeli (2012), through the Tripartite Alliance with the ruling ANC and the SACP, as well as their militancy. Employee retrenchments as part of turnaround have been strongly resisted at SABC, SAA, and Eskom, with the shareholder observably giving in. This submission is further supported by the following extract taken from study participants.

- *"Private sector doesn't have to fight with unions in the same manner as SOCs. While unionised, it is not union-driven. Public sector is unionised and union-driven". [P17]*

Third, participants argued that South African turnaround drivers are also influenced by the significant difference in approaches to appoint key personnel, particularly top

management teams (TMT). It is posited that in South African SOCs, TMT appointments are, inherently, partisan, non-meritocratic, and politically-linked while in developed nations leadership appointments are largely based on meritocracy. As a result, SA SOCs would have TMTs lacking experience in such a specialised field to ably and effectively lead the entities out of distress. These submissions are supported by the following extracts from the interviews:

- *"The developed world has lesser of a developmental agenda; they will not be challenged to address socio-economic objectives - that is the main difference".* [P2]
- *"We have not created an enabling environment where managers take responsibility and take decisions. People are always scared of making decisions, e.g. we just had a strike and executives ran away - could not engage the unions, people do not know how to communicate with their staff".* [P28]
- "*These drivers are common to African states - first world done mainly on meritocracy".* [P12]

While there were mixed and opposing views on existence of turnaround drivers uniquely pertinent to the South African context, it can be argued that some of the socio-economic conditions prevailing in South Africa call for unique approaches. Of note, are the historically- and politically-driven needs such as (i) restorative justice polices of empowerment and, (ii) cadre deployment of the ANC that affect the calibre of the TMT appointed to lead SA SOC turnarounds as well as the way turnaround happen in South Africa in general.

5.5.3 Turnaround Drivers Applied in Successful & Unsuccessful SA SOCs

Although not the primary focus of the study, the researcher also attempted to compare turnaround drivers suggested by and for successful SA SOC turnarounds with those by participants from SOCs that have been battling to achieve turnaround. The intent here was to establish whether there exist distinct and noticeable differences in the drivers considered and applied by each of the two groups of turnaround SOCs in South Africa. This was considered important to provide for instructive lessons to academia, policy makers and practitioners. Notably, of the thirty (30) participants interviewed, sixteen (16) participants were from unsuccessful SOC turnarounds, nine (9) participants from successful turnarounds, and five (5) participants from specialists, oversight institutions and the private sector (see **Figure 5.9**). Participants were drawn

from four SOCs that had successful turnarounds and six SOCs with unsuccessful turnarounds. The comparative analysis results are provided in **Appendix VII**.

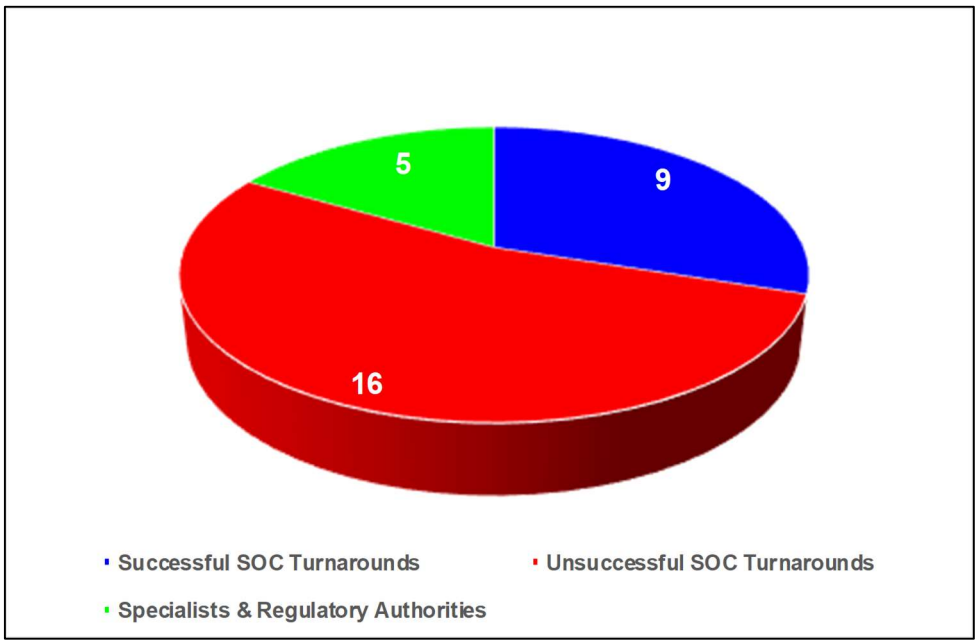


Figure 5.9: *Distribution of study participants*

The outcomes show no clearly distinguishable differences in the key turnaround drivers recommended by participants from successful SOC turnarounds and those from unsuccessful SA SOC turnarounds. In majority of the cases (22 of the 25 drivers), participants from either group identified these as key drivers for successful turnaround of SA SOCs. However, closer analysis isolated two distinct observations.

First, two turnaround drivers, namely *institutional autonomy* and *effective control processes,* were only identified by participants from unsuccessful turnaround SOCs. Second, the turnaround drivers *ensuring SOC competitiveness, propensity to implement designed turnaround strategies, institutional influence, ability to manage unions, shareholder role, the HR Lever, bridging finance, improve business agility, and, effective and sound turnaround leadership* enjoyed more consideration by participants from unsuccessful SOC turnaround participants than participants from successful turnarounds.

Two conclusions are drawn: that the results on this element are inconclusive and the area requires more research and that the outcomes depend on how the drivers are

applied - a conclusion requiring further research.

5.6 GUIDANCE FOR TURNAROUND STRATEGY DESIGN

Following establishing the key turnaround drivers, the researcher sought to understand how the practitioners framed or crafted their turnaround strategies. The objective was to understand the level of use of turnaround frameworks, which are private sector research informed, in crafting turnaround strategies in South African SOCs. To obtain this understanding, participants were asked to answer the question: "*In the turnaround initiatives you have been part of, what guiding frameworks did you apply*?" In this respect, twenty-seven (27), of thirty participants, responded to this question. The study showed that only one (1) responded had used generic turnaround frameworks in crafting their SOC turnaround programs and strategies. A majority 21 participants were not in favour of using generic frameworks, with the remaining five (5) respondents indicating they had used general strategy analytic tools. Results of this inquiry are shown in **Figure 5.10.**

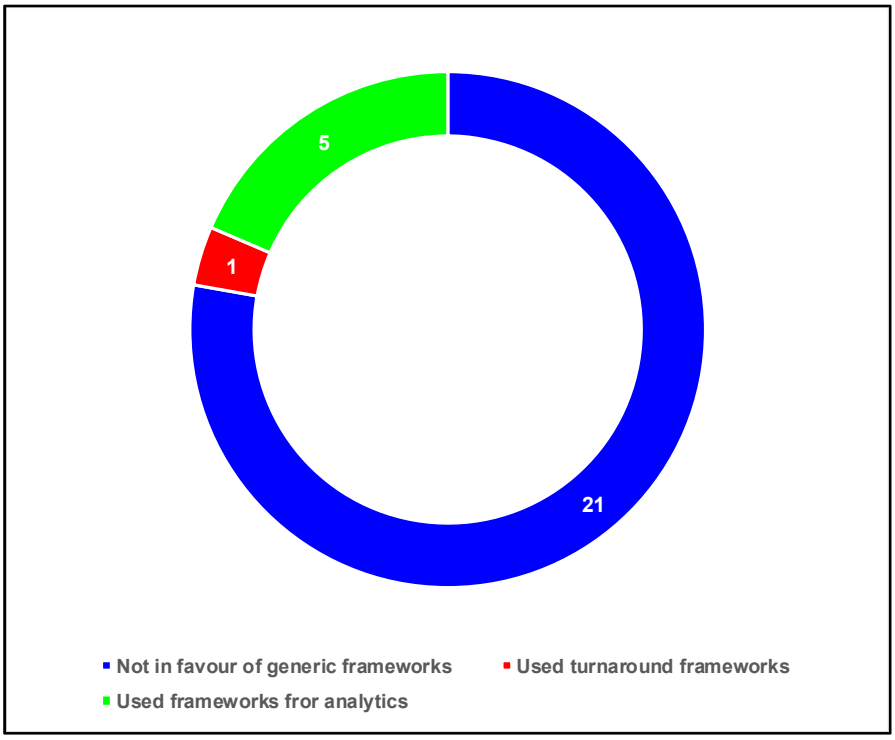


Figure 5.10: *Summary of results on use of generic turnaround frameworks*

The study showed that there is limited use of generic frameworks in crafting turnaround strategies. In several cases, however, participants cautioned against the

dogmatic use of frameworks, emphasizing that it is more pertinent for practitioners to understand the business. They also emphasized use of experienced leadership to lead the turnaround and designing the recovery programs. It is also essential to note that a significant portion of the SOCs used consultants to craft their turnarounds, which may mean that the proportion of SOCs that frameworks may be significantly high. Notwithstanding this, participants stressed that, where the need for frameworks arises, they should be customised, or they rather be used for benchmarking purposes.

The following quote captures these views more aptly.

- *"Frameworks in the hands of an experienced turnaround leader are good - otherwise they are dangerous. Need to understand the business - where did the money go and track key performance. Customise the framework - use framework as guidance, but there is no template".* [P7]

Participants also advanced two reasons as to why the wholesome application of extant turnaround frameworks in the South African SOCs is problematic. First, it was submitted that the architecture of private sector organisations and state-owned companies is different. As such, they each require different approaches and would correspondingly require different strategies. Second, participants submitted that the SOCs environment is replete with numerous institutional issues like corruption and illicit financial flows that are uncommon in the private sector. These issues would require a different perspective not easily covered in generic guides. These observations are supported by the following extracts from the interviews:

- *"You can benchmark against generic frameworks, but you need to create your own framework, because each organisation is different, and each turnaround strategy is different".* [P2]

- *"Frameworks are probably difficult to utilize because of the unique nature of the SOC turnaround - it is very difficult to bring them. Institutional issues like corruption and illicit financial flows common in SOCs are not common in private sector. The rest of the issues are difficult to use frameworks to address".* [P12]

Aside of the complex SOC institutional landscape and architecture, participants also underscored the lack of guiding structures or "points man" to guide practitioners as revealed in the following extract:

- "*There is a lack of mentors to guide turnaround.*" [P6].

The singling out of a lack of guiding structures/experts corroborates Boyne (2004), Pretorius (2009) and Holtzhauzen (2011) who posited that the turnaround sector lacks an accepted standard approach to guide practitioners.

In addition, 5 of the 27 respondents acknowledged use of extant frameworks to conduct analytical or diagnostic work. These frameworks were a combination of traditional strategy analytical tools such as the SWOT analysis framework; financial distress analytical tools such as the Altman's z-score framework; and the strategic planning and management systems such as the balanced scorecard. Apart from diagnostic analysis, these participants indicated that they did not use any generic turnaround frameworks. Although a sizable proportion, deeper analysis shows that these participants did not make use of extant frameworks to guide the crafting of the turnaround strategy; rather they indicated that when crafting their turnaround strategies, they used internally devised guidelines. As such, this proportion of participants, on the use of extant turnaround frameworks, can reasonably be grouped together with those who did not use frameworks at all.

It is noteworthy to underscore that the group of participants that acknowledged the use of a documented turnaround framework, mainly, comprised consultants/specialist in turnaround/business rescue, consulting to private sector businesses and, to a limited extent, to SOCs. In particular, participants cited regular use of the turnaround framework by Trahms *et al*., (2013). As most SOCs outsource the development of turnaround strategies, it can be concluded that frameworks for guiding SOCs turnaround are necessary and required.

5.7 SUMMARY OF FINDINGS

In line with the set research objectives, the study established findings in the six categories of: (i) the success rate of South African SOCs turnarounds; (ii) identification of key drivers for the successful turnaround of South African SOCs; (iii) assessing if there exist differences in drivers between successful and unsuccessful SA SOC turnarounds; (iv) establishing any differences (including motivations) between SA SOC turnaround drivers and those of the private sector; (v)establishing if there are

differences between SA SOC turnaround drivers and those for SOCs from developed economies; and, (vi) the use of extant turnaround frameworks in the South African SOCs turnaround initiatives. This section summaries the key findings organised along the three highlighted broad areas.

In the first cluster, the study established that the SA SOC turnaround success rate is low and poor. Several distressed SOCs remain in decline and locked in cyclic and perpetual turnaround mode. The study identified five contextual factors that help explain the poor record of SA SOC turnarounds. The inhibiting factors identified include over-regulation, poor leadership skills; non-meritocratic leadership appointments including boards; overly powerful and politicised unions; and an intricately complex political landscape within the SOCs domain. In addition, the study ascertained that the few SOCs that successfully turnaround often fail to sustain the positive turn, eventually slipping back into decline and distress.

In the second cluster, the investigation identified 25 drivers as pivotal to the successful turnaround of South African SOCs; turnaround practitioners need to consider these drivers when crafting and implementing turnaround programs for SA SOCs. Fifteen (15) of these drivers impact at policy level, while twenty-one (21) of the drivers were found to be influential at operation/function level. Importantly, 8 out of the 25 drivers are new discoveries that have not been recorded in extant literature as turnaround drivers. **Table 5.8** summarises the turnaround drivers identified by the study, including the levels at which they mostly influence.

Table 5.8: *Summary of key turnaround drivers identified in the study*

#	Key Turnaround Driver	Impact Level
A	**Turnaround drivers mentioned in extant literature**	
1	Bridging finance	Operational
2	Effective and capable turnaround leadership	Policy & Operational
3	Effective communication	Operational
4	Effective project management	Operational
5	Human resources lever	Operational
6	Cultural renewal	Operational
7	Procurement processes	Policy & Operational
8	Stakeholder management	Operational
9	Sound governance	Policy & Operational

#	Key Turnaround Driver	Impact Level
10	Viable core business	Policy
11	Understand decline root causes	Policy & Operational
12	Balancing commercial and developmental/social Objectives	Policy & Operational
13	Focus on mandate	Operational
14	Ensure SOC competitiveness	Policy & Operational
15	Institutional Autonomy	Policy
16	Technology	Operational
17	Effective Control Processes	Operational
B	**Newly identified Turnaround drivers**	
1	Propensity to implement designed turnaround strategies	Policy & Operational
2	Understanding the SOC business model	Operational
3	Ability to manage political power	Policy & Operational
4	Ability to influence unions	Policy & Operational
5	Shareholder role	Policy
6	Institutional Influence: Legislation, Unions, Governing Party	Policy & Operational
7	Stability of turnaround team	Policy
8	Improve the SOC business agility	Policy & Operational

Comparative analysis helped establish findings for the third and fourth clusters. The study established no noticeable difference in the turnaround drivers for successful and unsuccessful SA SOC turnarounds – participants from both successful and unsuccessful turnaround SOCs identified similar drivers as pivotal for SOC turnaround. However, the study established that there exist some turnaround drivers that are unique to SA SOCs turnaround – being different from those for private sector firms and developed economy entities. For the comparison between turnaround drivers for SA SOCs versus private firms, seventeen (17) participants submitted that there exist some different drivers. In this vein, the existence of drivers unique to SOCs was attributed to five (5) motivations, including: complex historical and political context; legislation- and regulation-induced long SOC decision cycles; differences in the reasons for being between private sector companies and SOCs; the relatively high vulnerability of SOCs to the power of politically-connected unions; and inability of SOCs to attract talent, in comparison to the private sector.

In the comparing between SA SOC turnarounds and those in developed economies, the proposition of existence of turnaround drivers unique to the South African context was supported by a sizable set of participants. Proponents of the view cited the need

to address developmental issues, lack of propensity to make decisions, lack of leadership skills, and differences in leadership appointments in the two groups as reasons influencing the uniqueness.

Finally, the study established that few SA SOCs use extant turnaround framework in crafting and implementing turnaround programs. Frameworks are mainly applied in diagnostics. Put together, these findings are essential for practitioners in assisting to understand their bearing and influence on SA SOCs turnaround designing, implementation and management. These findings were then used to develop a guiding framework presented in the next Chapter.

CHAPTER 6 : SOC TURNAROUND FRAMEWORK

6.1 INTRODUCTION

As one of its key outputs, the study set out to develop a framework to provide pragmatic guidance to practitioners for the turnaround of distressed South African state-owned companies. The framework offers guidance in the three areas of planning, development and implementation of turnaround programs and strategies for distressed and declining SOCs. This chapter presents and describes the proposed SA SOCs turnaround framework, important elements for its effective application, as well as notable limitations. Beyond designing, the researcher tested the framework to assess its structural logic, utility, and fitness for purpose. As such, the Chapter concludes with a presentation of the framework testing process and testing results.

6.2 PROPOSED SOC TURNAROUND FRAMEWORK

This section provides an outline of the proposed framework. It provides the framework executive summary, followed by the design rationale and full architecture description.

6.2.1 Framework Executive Summary

The proposed turnaround framework is a practical instrument to guide practitioners in the design and implementation of responsive turnaround programs and strategies for SA SOCs. The framework is also of useful in overall planning of business recovery initiatives. As the framework has been developed using South African research data, it is particularly suited for South African SOCs.

Theoretically, the framework is informed by and combines the strengths of the industrial theory, resource-based view theory and the institutional theory. The integration of theories ensures creation of a holistic guiding instrument that combines external industry perspectives, internal, firm-specific resources and capabilities with institutional context-rich attributes of the SOC and its environment in crafting and implementing turnaround programs and strategies. Structurally, the framework embraces an input-process-outcomes architecture. Framework inputs include turnaround drivers identified in this study, SOC decline root causes, and environmental scanning information. Processes comprise strategy development and implementation.

Pivotal to successful turnaround is the establishment, by the turnaround management team, of enabling power-governance dynamic and microcosm through negotiating strategic alignment between itself and the Executive Authority. Framework outcomes include a turned around and sustainably operating SOC. **Figure 6.1** shows the proposed SA SOC turnaround framework and is explained in the following sections.

6.2.2 Framework Background – Motivation for Need

Research show that there is limited research on SOC turnaround, including a corresponding lack of a standard framework to guide practitioners (Boyne, 2004, 2006; Holtzhauzen, 2011; Pretorius, 2008) and SOC recovery programs. These gaps jointly point to the need for a credible, research-based, pragmatic framework. In addition, the crafting of this framework was guided and informed by the study findings outlined and discussed in Chapter 5, particularly the key turnaround drivers, including contextual factors that typify the South African political and socio-economic landscape and impact business, particularly in the SOC domain. The framework is research-based and pragmatic, making it practically responsive.

The next sections outline and describe the architecture and building blocks of the proposed turnaround framework, starting with the rationale underpinning the design.

6.2.3 Framework Formulation Rationale

The proposed SOC turnaround framework is underpinned and founded on five guiding principles. These principles are outlined in the following sections.

a. *Framework is research output-based and key drivers characterised*: The framework's integral inputs derive from this study's primary findings, being the key turnaround drivers. As such, the framework is intrinsically research-based and was tested using real-life local turnaround case studies. It is, therefore, submitted that the framework is considerably pragmatic and tested.

b. *Framework is broadly encompassing and comprehensive*: Although research-output and drivers oriented, supported by a multiple-theory analytical model, the framework recognises and incorporates traditional strategy formulation ingredients of environmental scanning, industry analysis, and market analysis.

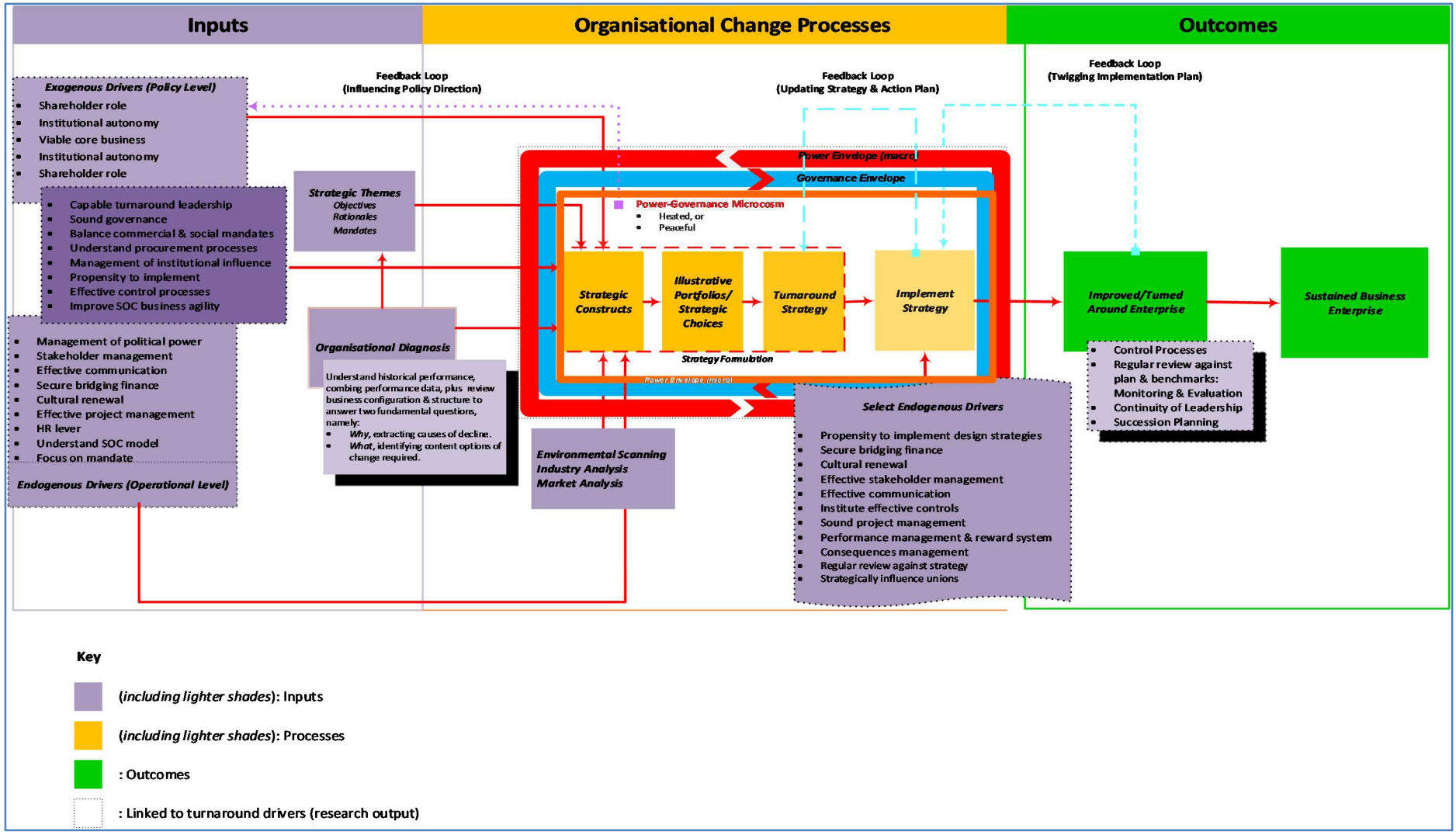


Figure 6.1: *Proposed SOC turnaround framework*

These tools support and engender detailed understanding of the distressed SOC's macro and micro-environment, including local contextual elements and pertinent intricate detail specific to the SOC. This allows for customised strategy formulation. These additional enablers, beyond the key drivers, ensure the development of holistic and responsive turnaround strategies and implementation plans, as well as ensuring effective implementation for lasting recovery. A holistic framework supports the full-cycle implementation of turnaround programs, especially in a country with a legacy of poor policy strategy implementation.

c. *Framework engenders strategy formulation predicated on root and systemic causes of decline*: The framework impresses upon the conducting of an organisational diagnosis that elucidates systemic and root causes of the decline including potential recovery options. This is pivotal for responsive interventions considering that turnaround programs and associated strategies respond to specific distress challenges and, thus, requires a full understanding of the reasons for decline and gaps to address.

d. *Applied the input-process-output/outcomes (IPO) framework*: Through adopting the IPO structure, the framework clearly espouses the desired outcomes, being a functional and sustainable turned around SOC able to deliver services to society. As a results-based approach, the IPO structure enables turnaround practitioners to work backwards from the objective of a successfully turned around SOC, providing a methodical approach to select strategies that are most likely to address the decline (IEG, 2012). The output/outcomes are linked to the inputs, obtained from the study, through aptly informed turnaround strategy design and execution processes that are undertaken in an objectively controlled internal environment or microcosm. This is made possible through recognising, and working to control, complex power-governance dynamics that characterise South African SOC landscape.

e. *Framework promotes continuous and iterative improvement:* The framework entrenches the principle of continuous improvement through a built-in monitoring and evaluation process and associated reinforcing and balancing feedback loops. These structures inculcate, as Senge (2016) advocates,

organisational learning and a systems approach to the turnaround process. In doing so, the framework allows for self-correction through incorporation of new insights and learnings in the strategy formulation and implementation process. Notably, the framework also allows for strategic adjustments at shareholder level through regular and structured feedback, with potential adjustment of policies to foster a more supporting environment. Taken together, these features serve to improve operational aspects of the SOC turnaround process and, potentially, influencing policy with long-term value-add.

f. *Framework entrenches long-term sustainability:* One of the challenges facing South African state-owned companies that undergo turnaround is sustaining the positive performance and momentum after the recovery. Notably, the study established that, after recovery, most SA SOCs regressed back into decline, inadvertently requiring further government support and intervention. This is exemplified by the Land Bank Ltd, the South African Post Office, Transnet, and Eskom SOC Ltd - all which, at some point, had successful turnarounds and then regressed into decline. This depicts unsustainable historical turnarounds. In view of this challenge, this framework pointedly requires of practitioners to plan beyond recovery through incorporating, in the turnaround plan, long-term sustainable practices to mitigate against SOCs relapsing into decline. This is supported by recommendations for regular monitoring and evaluation to be in constant dialogue with strategy through feedback loops. This ensures sustainability through continuous learning and adaptation, in a space that has dynamic challenges, with many moving parts, and, complex interdependencies.

Put together, these principles make for a comprehensive and responsive turnaround framework that addresses common shortfalls affecting the successful recovery of declining South African state-owned companies. The following sections describe the structural elements of the framework.

6.2.4 Framework Architecture

In this report, framework architecture refers to the structural components of the proposed SOC turnaround framework. It defines and describes the building blocks,

inter-relationships between or among the sub-components, as well as how the combined whole functions as an integrated unit in effecting or influencing positive turnaround. The framework architecture is built on three central elements comprising inputs, processes, and outcomes, with a cross-cutting interaction with key (turnaround) drivers and their potent influence on organisational recovery. The following sections describe the framework's central elements.

a. Framework Inputs

The framework inputs comprise three elements, namely: (i) traditional strategy formulation inputs of external environment scanning, industry analysis, market analysis, and internal (strength, weaknesses, opportunities and threats) analysis; (ii) organisational diagnosis (root and systemic causes of decline analysis) report; and (iii) key (turnaround) drivers considered pivotal in turning the fortunes of the SOC. Key drivers are a product of this study's findings (see Chapter 5) and constitute a novel input into turnaround framework arena and a major departure point from the traditional turnaround strategy crafting and implementation. Drivers constitute inputs across the full turnaround cycle.

Of note, the framework augments and enhances the traditional turnaround strategy formulation inputs of (i) internal and external environment scanning and (ii) problem diagnosis with the incorporation of key drivers. As aforementioned, key drivers are a product of this research study and a novel addition in the turnaround framework. Incorporation of key drivers is pivotal to the successful turnaround of SA SOCs as they guide practitioners in identifying levers that unlock key impediments to SOC turnarounds. For impactful effect, the drivers are clustered into two sub-groups - exogenous drivers associated with policy level considerations and internally focused endogenous drivers that are internally oriented. Combined, the inputs influence the development of the turnaround program, including selection of appropriate strategies.

b. Framework Processes

The framework comprises two processes, namely, (i) the process of crafting of a responsive turnaround strategy, including a corresponding detailed action plan, and (ii) the process of implementing the turnaround strategy and the attendant

implementation plan to effect recovery. It is acknowledged that these two processes are traditionally integral to turnaround programs' success. However, there are notable building and/or impacting features important to recognise for their potency to influence SOC turnaround success in South Africa and distinguish this framework from other formulations. These features are depicted in **Figure 6.2** and discussed further below.

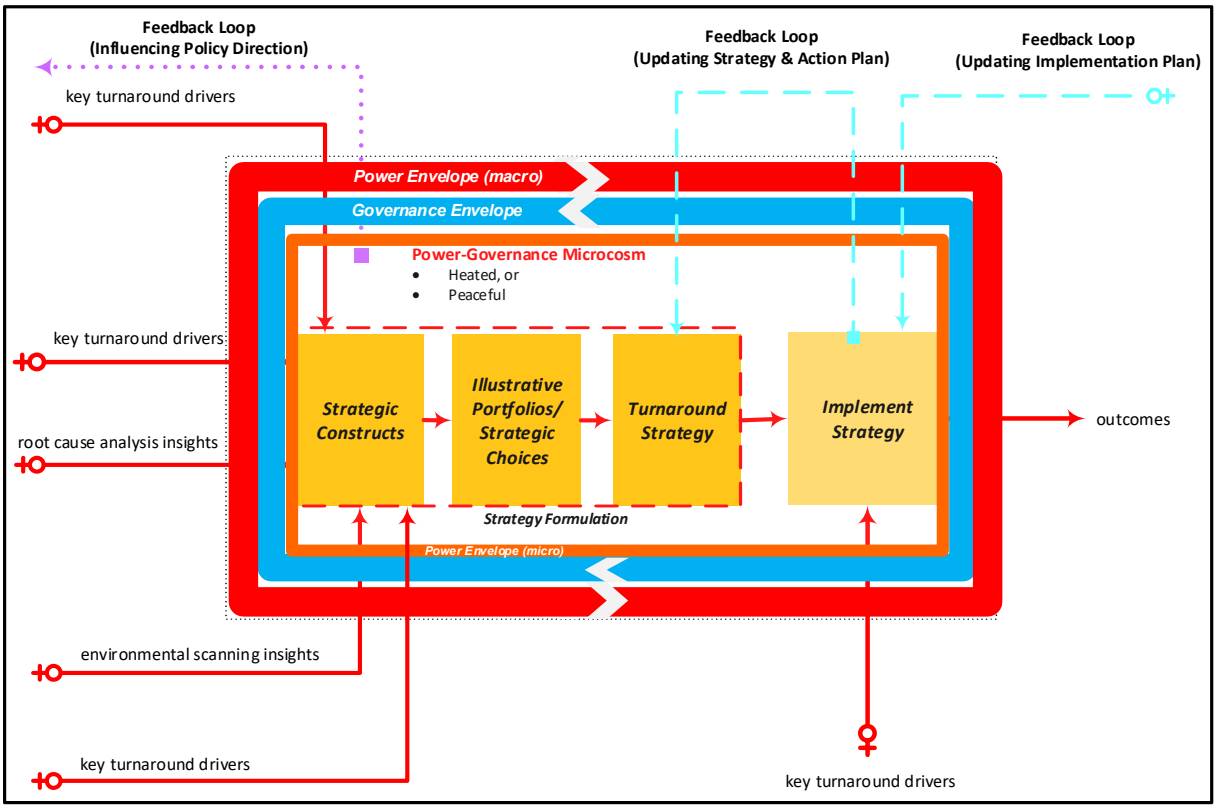


Figure 6.2: *Key processes elements of the proposed framework*

b.1 Crafting of the Turnaround Strategy

Traditionally, turnaround strategy formulation is predicated on two sets of input, namely: (i) an understanding of the status quo of the declining business, including the root causes of the distress and, (ii) an understanding of both the external environment and internal environment, influenced by either the resource-based view theory and/or the industrial organisation theory. These inputs are also important in the proposed framework, with the organisational diagnosis helpful in providing insights into the challenges faced by the SOC as well as the root and/or systemic causes of the underlying problems. In the same vein, internal and external environmental scanning equips turnaround teams with in-depth knowledge of the internal nuances of the

business and the broader environment in which the SOC is situated.

In crafting of the strategy, the framework recommends practitioners to incorporate a third class of inputs, key turnaround drivers, which are driving forces or levers of change that need to be accentuated or restraining forces that require management to minimize their impact. Through leveraging key turnaround drivers, practitioners are empowered to craft well-rounded strategies that, through incorporation of sector-informed, pragmatic, influential factors and best practices, maximise chances of successful turnaround in SOCs. In addition, the framework promotes the principle of continuous learning, incorporating lessons derived from early stages of the strategy deployment and observations from the recovering enterprises through regular monitoring and evaluation supported by real-time feedback loops. Use of lessons learnt adds the advantage of hindsight, highlighting what works and what does not. In this regard, the framework underscores and entrenches the principles and philosophy of a learning organisation, through enforcing continuous improvement.

b.2 Implementation of the Turnaround Strategy

Naturally, the framework positions strategy implementation as flowing straight from turnaround strategy formulation in the business turnaround process. Beyond providing a well-crafted turnaround strategy, the framework offers guidance to practitioners through providing special input, in the form of pertinent key drivers, for the successful strategy implementation of the turnaround strategy. The inclusion of guiding key drivers across the turnaround chain is new to traditional turnaround management approaches and, offers triggers at each strategic point of the process, that is, from conception, designing, implementation up to sustaining stages.

The implementation process is where the “rubber meets the road”. It involves the execution of crafted strategies and action plans aimed at remedying the SOC decline problem. It also tests the practicality and efficacy of the strategies. As such, the implementation process is pivotal in bringing about change and recovery of distressed and underperforming SOCs. The proposed framework, to aid this node and supplementing the overarching strategy, offers levers to leverage in the form of special

endogenous key drivers that, if effectively utilized, can bring about desired change. **Table 6.1** summarises turnaround drivers considered essential during implementation.

Table 6.1: *Turnaround drivers relevant during implementation phase*

#	Key Driver	Comments
1	Secure bridging finance	These key drivers are essential and would normally be incorporated in the turnaround strategy. They, however, deserve special mention
2	Institute effective controls	
3	Enhance stakeholder engagement and management	These drivers which are more hands-on in nature, if effectively applied, have the potential to effect lasting impact on the turnaround process.
4	Institute cultural renewal	
5	Foster a propensity to implement (developed strategies)	
6	Establish effective performance management and reward system	
7	Establish and institute a consequences management system	
8	Regular program review, with a dedicated monitoring and evaluation program with feedback.	

The implementation process is particularly important in the turnaround of South African SOCs. This is so because South Africa has a documented poor implementation record, both in its policies (Govender & Reddy, 2012; Luthuli, 2005; Marock & Grawitzky, 2010; Mtshali, 2006; Tebele, 2016) and its SOC turnaround strategies. Of note, SAA has formulated 10 turnaround strategies since 2007, SAPO has crafted partially implemented turnaround strategies since 2010 including the STP, and SAX has been struggling since 2009. Study results showed, as selected extracts from participants below show, the challenge of poor strategy implementation in South African distressed SOCs.

- *"There has not been any successful turnaround yet that I can think of. We have had a lot of turnaround plans and strategies - no implementation"* [P27].
- "*On strategy implementation - SOCs have muddled along - mainly due to the hard decisions that have to be made - the existence of a safety net make SOCs not have any sense of urgency"* [P26].
- *"We are not going full circle - there is limited strategy implementation. We do not have the right people and they are not focused because of corruption - there is too much politics"* [P22].

- *"The strategy or operational plan was not well implemented because some of the aspects required that some of the personnel behave in a particular way"* [P17].

The study reveals that, for several reasons, ranging from fear of taking difficult decisions, existence of a safety net (normally in form of assured government support), lack of the right expertise, corruption to political interference, SOC turnaround strategies are either not fully implemented or, at the very least, poorly implemented. As such, there is an endemic disconnect between turnaround strategy formulation and implementation in SA SOCs which results in turnaround failures or having organisations in perpetual turnaround mode.

In view of this identified gap, the framework prompts practitioners to be strongly inclined to implement designed turnaround programs and strategies, promoting the TMT to go full cycle and, thereby, bridging the strategy formulation and implementation disconnect. From a drivers' perspective, the framework prompts practitioners to give high regard to and put to effect the "propensity to implement strategies" driver amongst others. Of note, this process is also supported by regular review against the strategy blueprint, with feedback loops to foster continuous improvement and learning.

b.3 Contextual Impact: The Power-Governance Dynamic and Microcosm

Literature review (section 2.3.3) showed that the South African business landscape, particularly the socio-political context, in which SOCs do business is complex. The socio-political landscape complexity is characterised by competing and conflicting demands between two influential groups, namely: the corporate governance node, represented by the TMT and comprising the Board, the CEO and Executive Management; and the political power node constituting political figures from the governing party and the Government Executive represented by responsible Minister, the Executive Authority. As board appointments in SA are less meritocratic and follow the ruling ANC party's cadre deployment policy, boards are, in practice, less independent, inadvertently becoming extensions of the political power node as board members are likely and expected to be loyal to their political principals (Twala, 2014).

These nodes comprise two centres of power that also, in this study, constitute turnaround drivers that are significantly influential. Importantly, these centres of power

need to be strategically managed and coordinated to establish alignment necessary for a conducive working environment; otherwise their interplay risk generating dissonance including a leadership and operational vortex in the SOC internal environment that disturbs and compromises the turnaround initiative. Often, the study established, the two centres of power clash and wrestle to the detriment of the intended turnaround objective.

The proposed SOC turnaround framework denotes the interaction between the above-mentioned centres of power create what is termed in this study the Power-Governance (P-G) dynamic, with the arising internal environment referred to as the P-G microcosm. This nomenclature is illustrated in **Figure 6.3**. In the framework, the two centres of power are represented by overlapping envelopes that, due to varying and, often, conflicting interests, counteract each other, as depicted by the opposing arrows; the friction generating a heated or toxic vortex. Conflicting episodes manifest when personal interests of the high authorities trump the original objectives of the turnaround and SOC objectives. The political power node is the outer envelope depicted in red, while the governance node is the inner envelope shown in blue.

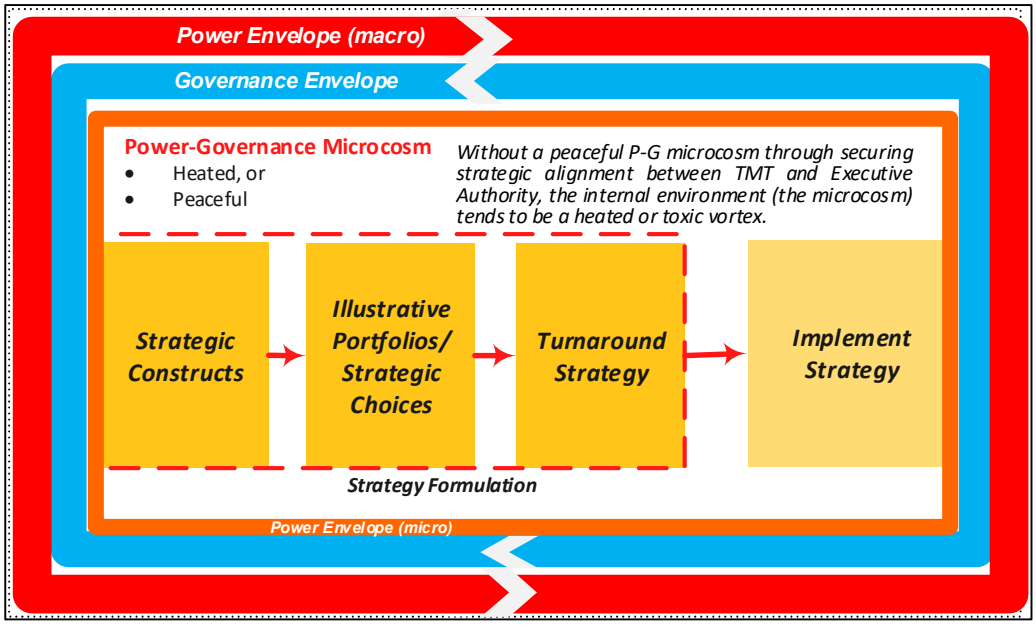


Figure 6.3: *The power-governance dynamic*

The framework identifies two P-G dynamics that, correspondingly, yield two P-G microcosms. The dynamics and consequent microcosms include:

- A P-G dynamic where there is strategic alignment between the (political) power and governance nodes, yielding a peaceful P-G microcosm.
- A P-G dynamic characterised by strategic dissonance, bringing to bear a heated and toxic P-G microcosm

These two internal environments (or microcosm) scenarios mapped and represented in the framework either enable or constrain the SOC turnaround process.

Recognition of the complex power-governance dynamics and the arising microcosm manifesting in SA SOCs, as described-above, forms one of the key elements (and contribution) of this framework. It is advanced that comprehension and corresponding ability to manage, tacitly control and positively influence the power-governance dynamic and microcosm, by the TMT, lies at the heart of successful SOC turnaround in South Africa. Notably, in this study, TMT mainly relates to the Chief Executive Officer and the Executive Team assigned the role to lead the turnaround, and, for wider influence and impact. The framework alerts the TMT of the predominant complex and delicate power-governance dynamics that often obtain in SA SOCs, and prompts it to, on the onset, work to establish a conducive P-G microcosm in which the turnaround team can focus on the task. This requires of the TMT to be savvy on issues of leadership, political landscape, as well as power dynamics and be able to subtly yet firmly influence such complex situations.

Also, the TMT need to command respect across key constituencies to influence an enabling power-governance microcosm. The framework proposes and guides that the TMT secures an unfettered conducive P-G microcosm by negotiating and obtaining strategic alignment between itself and the Executive Authority. Ideally, this should be obtained at the point of the TMT being appointed to the role of leading the SOC turnaround when it still has enough leverage. This is pivotal for the success of the turnaround as the following extract from one of the interview participants indicates.

- *“There is need to ensure SOCs are held to account; boards have to be strong and*

have teeth. It is essential for the board to be given the necessary support to do their job, and the policy environment to be distinctly clear." [P12].

In the South African context, the study showed that the power envelope seeks to advance diverse and multiple objectives including: the developmental agenda; socio-political objectives such as employment creation, poverty reduction, and correcting past injustices; transformational requirements; as well as self-interests and personal agendas propelled by corrupt tendencies. These requirements do not dovetail well and support the governance node's primary objective of stopping organisational bleeding, improving operational efficiencies which call for cost reduction through asset and employee retrenchment. This divergence of priorities and interests often yield fictitious relationship between the two nodes.

Informed by the analysis, the framework guides turnaround practitioners, particularly the TMT, to be politically astute, and courageous to strategically manage political power and influence. This includes having expertise and finesse to handle and weather bureaucratic infighting, parochial politics and destructive power struggles. Tactically, the framework, through engendering sound governance and fostering a conducive power-governance microcosm, empowers the TMT to:

- Avoid traps that result in power abuse and, ultimately, loss of control.
- Avoid being a victim of destructive or disempowering power struggles.
- Foster organisational productivity and innovation and creativity, and not be mired in bureaucratic politics or dysfunctional power conflicts.

Also, the framework is of utility to shareholders, guiding them towards selecting suitable leadership of integrity, able to influence strategies and tactics, including having the ability to positively influence P-G dynamics at play in South African SOCs. The framework raises the bar with respect to the quality of Board and Executive Management appointments. Beyond managing the complex interface with the political power node representing macro politics, the framework reminds the governance node or the TMT to also have control of internal micro power dynamics with staff. This internal power node is represented by the light red innermost annulus. This internal power centre is key as it defines unity of purpose around the turnaround objective and

is best managed by the TMT invoking the cultural renewal driver.

c. Framework Outcomes

The expected outcomes of the framework are two-fold. First, the framework is to enable the achievement of a rehabilitated, successfully turned around, and now well-performing state-owned company. Second, the framework is to ensure a sustainably functioning post-crisis business enterprise into posterity. These two distinct outcomes are direct products of soundly crafted and responsive turnaround program and strategy, operationalised through an aptly executed implementation program that is supported by robust controls. SOCs that have been successfully turned around should be sustainable businesses and be positioned to continue, long into the future, posting good results and growth while serving the society. This is essential as South African SOCs that previously instituted successful turnarounds struggled to sustain the recovery and digressed into distress as the following excerpts from the study show:

- *"However, we also have retrogression in SOCs that have achieved progress in turnaround - key challenge is appointment of succession leadership"* [P12].
- "*No entity has shown a sustained turnaround - they go through peaks and troughs, e.g. ESKOM and the Land Bank. SOCs seem to mirror the national economy. If the economy slumps, SOCs also slump as they lack financial support*" [P23].

The proposed framework fosters long-term sustainability of the recovered SOC. The framework achieves this through the promoting regular post-turnaround performance reviews and well-planned leadership succession within the state-owned company. It is important for the rescued SOC to be financially sustainable and be able to stand on its own, without relying on fiscal support.

6.3 DISTINCTIVE ELEMENTS OF THE FRAMEWORK

Traditional frameworks have, in the main, been characterised by following a stage theory and process approach to turnaround (Manimala & Panicker, 2011). Extant frameworks. Reviewed extant frameworks have, in the main, been found to be based or centred on the types and efficacy of turnaround strategies. In contrast, this framework distinguishes itself in the following ways:

- In architecture, the framework is an input-process-output, and influences and guides the full turnaround process including inputs to strategy formulation, components of the strategy and pointing to desired outcomes.
- The framework emphasises the centrality and significance of key drivers in the formulation and execution of SA SOCs turnarounds.
- The framework distinguishes and leverages the power of local context through underscoring and giving credence to the influence and significance of P-G dynamics and the attendant microcosms that characterise and dictate the operating culture in SA turnaround SOCs. As a solution, the framework guides the TMT to secure strategic alignment with the Executive Authority as a condition for success.
- Essential also to the South African environment with significant strategy formulation and execution, the framework emphasises implementation of crafted strategies, including the regular review of the impacts of the applied approaches, through feedback processes for learning and improvement. The later also fosters the sustainable operation of the turned around SOC beyond recovery from distress.

The framework is beneficial and distinct in being holistic and responsive through its context-informed drivers-based architecture as well as underscoring strategy implementation and guarding sustainability of recovered companies. The framework also brings to the fore the influential power-governance dynamic and microcosm concepts whose understanding are pivotal to the successful turnaround of SA SOCs, including the recommendation of the TMT securing of strategic alignment with the Executive Authority as solution to the challenge.

6.4 FRAMEWORK SUMMARY

The proposed turnaround framework was influence by and generated from the study's key findings, that is, - the key SOC turnaround drivers. The framework is recommended for guiding practitioners tasked with the responsibility to design and lead turnaround programs and strategies for South African state-owned companies.

The framework follows an input-processes-outcomes architecture, with key turnaround drivers for South African SOCs obtained from the research forming an integral and pivotal part of the structure as inputs. Other inputs include outcomes of organisational diagnosis and environmental scanning. Processes within the framework include strategy formulation and strategy implementation, with outcomes comprising a successfully turned around state-owned company supported by robust measures for long-term sustainability.

The framework emphasizes the establishment of a conducive operating environment or microcosm by the TMT – conditions required for turnaround success. To achieve this, the framework requires of the TMT to negotiate, upfront, and secure strategic alignment between itself and the Executive Authority, representing political constituency. This requires the TMT to manage and positively influence politicians to ensure a positive power-governance dynamic between the two nodes of power.

To promote continuous improvement through introspection and self-correction, the framework prompts practitioners to conduct regular monitoring and evaluation for lessons, with feedback loops to inform the adjusting of the turnaround program and strategies. Learnings from reviews feedback into both operations and policy centres.

The following sections, **sections 6.5 to 6.9**, articulate the framework testing process as well as the outcomes. The framework was tested using two successful South African SOC turnaround initiatives as well as inputs from unsuccessful turnarounds. The successful SA SOC turnaround case studies used included the Land Bank SOC Ltd and Johannesburg Water Pty Ltd, two well-documented cases of successful SOCs turnaround in South Africa.

6.5 INTRODUCTION TO TURNAROUND FRAMEWORK TESTING

Following the development of the proposed framework designed to guide the turnaround of South African state-owned companies, the researcher considered it prudent to test its structural logic, utility and fitness for purpose. The testing exercise was also designed to improve the newly formulated framework from stakeholder feedback, as evaluation is regarded as the engine that drives improvement and

innovation (ERO, 2016). In order to achieve these objectives, three approaches were followed, including: having the framework reviewed by a portion of the study participants, soliciting comments and inputs for adjustment and improvement; testing the framework against two cases of successful South African SOC turnarounds; and, finally, assessing the framework against inputs from participants from selected unsuccessful SA SOC turnarounds.

On the strength of the outcomes, the review confirmed the soundness of the framework's structural logic, its utility and appropriateness in guiding the turnaround of distressed and declining South African SOCs.

6.6 FRAMEWORK REVIEW PARTICIPANTS

In effort to uphold and foster quality of research outputs, the researcher subjected the draft turnaround framework to review and critique by the participants. A total of eleven (11), of the thirty (30) participants, from the interview data collection phase (this excludes the validation phase) participated in the review process. As indicated, the review was a quality check designed to critique and improve the framework's conceptual soundness, structural logic and utility. The process was undertaken using one-on-one engagements with the participants. For richer engagements, participants were given at least 3 days to review the framework prior to the one-on-one meeting.

Overall, the framework was well received, with participants providing positive feedback on its structural design. Participants also provided suggestions for improvement. Participants emphasized four areas of commendation and are summarised below:

a. *Concept Integration*: The participants commended the framework's strength of integrating the diverse elements required to structure and implement a turnaround. These include traditional strategy development concepts, the key turnaround drivers that the study yielded, emphasis of strategy implementation, and the inclusion of turnaround sustainability concept. Often, these elements are considered separately or, at the very least, not well-integrated. In addition, participants acknowledged the incorporation of regular review of processes across the chain through monitoring and evaluation, with feedback loops. These engender

continuous improvement of the turnaround process, with a unique opportunity to influence and guide policy review and improvement.

b. *Strategic Alignment Emphasis*: Participants acknowledged and commended the framework's proposition and emphasis for the TMT to have the courage to tactfully work with the shareholder to secure, upfront, strategic alignment so as to foster positive power-governance dynamics within the turnaround SOC. Reviewers indicated that the power-governance dynamic concept, and its understanding thereof, was pivotal to unlocking most of the SA SOC turnaround challenges.
c. *Strategy Implementation Emphasis*: Verification participants commended the framework for underscoring strategy implementation. This is useful as strategy implementation is considered a weak link in SA SOC turnaround programs. Participants emphasized that lack of or poor implementation is where most SA SOC turnaround programs fail.
d. *Turnaround Sustainability Emphasis*: The framework's emphasis on ensuring conditions for longevity of the turnaround was also considered a crucial inclusion, particularly in view of the high incidence of the relapsing into distress by SOCs that would have recovered from decline.

The review process discussed above achieved two objectives. First, it confirmed the appropriateness and fitness for purpose of the framework to help guide the turnaround of distressed South African state-owned companies. Participants acknowledged the presence of local context elements in the proposed guide. Second, the review process and the attendant comments provided useful inputs towards the updating and improvement of the framework prior to putting it to the next two testing phases.

6.7 FRAMEWORK TESTING WITH SUCCESSFUL TURNAROUND SOCs

The second initiative to assess the fitness for purpose of the proposed turnaround framework involved testing the framework against two cases of successful South African state-owned companies' turnaround. The cases used included Johannesburg Water SOC Ltd – a municipal state-owned company, and a national state-owned bank, the Land Bank SOC Ltd. The framework testing exercise followed a two-stage process, being: (i) reviewing the influence of the turnaround drivers identified in the study against the case study SOC turnaround success, and (ii) assessing the

framework structural logic, including the applicability or fit for purpose of the proposed framework to the case SOC turnaround. These objectives were achieved through interviewing selected TMT members on the relevance and influence of the research findings on their turnaround process, and intense discussions on the framework structure as well as the fitness of the proposed turnaround framework with the process they followed during their own turnaround. Discussions also included soliciting suggestions to further improve the framework. The exercise interrogated the framework assumptions, architecture, logic and the potency for application.

Five TMT representatives, three (3) from Johannesburg Water and two (2) from the Land Bank, participated in the framework review exercise. Participants involved comprised senior managers, executive managers, technical specialists, and board members. All participants were closely involved with the turnaround of each case study SOC. The following sections present and discuss the outcomes of the assessments, with each case preceded by a brief introductory description of each case study.

6.7.1 Framework Testing with Johannesburg Water Turnaround

Johannesburg Water SOC Ltd business turnaround is one of two case studies used to test both the relevance of the study outcomes as well as the utility of the proposed turnaround framework. Before presenting the assessment outcomes, a brief description of Johannesburg Water and its turnaround circumstances are provided to situate the case study. A detailed description of the case study is provided in **Appendix V, Part 1**.

a. Case Overview

Johannesburg Water SOC Ltd, hereafter referred to as Joburg Water, is a municipal entity established in terms of section 86 c (i) of the Municipal Systems Act of 2000. It is fully owned by the City of Johannesburg. The entity was incorporated in the year 2000, as an autonomous and private firm registered under private law, the Companies Act of 2008. The utility commenced business in January 2001 (Smith, 2006). Its primary role is to provide water and sanitation services to the City of Johannesburg. Joburg Water was formed as part of the transformation of Johannesburg Metro. In terms of the PFMA, Joburg Water is classified as a Schedule 3 provincial municipal

enterprise. However, as a municipal entity, Joburg Water's finances are governed in terms of the Municipal Finance Management Act, Act 56 of 2003.

At the time of Joburg Water's formation, the shareholder, City of Johannesburg, was itself in financial trouble and on the brink of bankruptcy (Van Rooyen, 2009; World Bank, 2010). As the utility was formed through merging disparate municipal entities with different financial capacities, the utility, in its early years, struggled to perform. Practically, the entity's early performance was dismal. This followed from the fact that water and sanitation services department, from which Joburg Water was created, was technically bankrupt by 2000 (World Bank, 2010). Several factors can be ascribed to these challenges, and these factors are briefly outlined below.

First, the newly created Joburg Water inherited a considerably poor service track record, especially in the former townships. Second, the new enterprise operated without cohesion and initially functioned without any systems or coherent institutional structures. This was influenced by the fact that initially, Joburg Water comprised five (municipal council) water administrations with very different approaches, most of which had little regard for customers (Smith, 2006). The impacts of the fragmented approach were exacerbated by a severe bureaucratic culture, poor accountability for results, low employee motivation (World Bank, 2010), poor customer service, and numerous operational problems (Suez Environment, 2010). Third, the management contractor, JOWAM, was initially given control of only 30% of its revenue source, with the city retaining control of most customers (World Bank, 2007). Joburg Water was given more control only in 2004, gaining control of 60% customers in terms of meter reading, pre-edits of billing, credit control and revenue control function – provisions that were originally agreed to in the Service Delivery Agreement (Smith, 2006).

These challenges culminated in low operational and financial performance by Joburg Water – with capital projects encountering time and cost overruns (World Bank, 2010). The newly formed Joburg Water encountered numerous wastewater treatment systems problems. The historical underperformance of the city and the continued poor operational and financial performance of Joburg Water indicated the need for a strategic turnaround program. The creation of Joburg Water triggered the operational

turnaround program of the utility. Although espoused at creation, Joburg Water crafted a financial turnaround strategy in 2003/04.

Joburg Water's turnaround strategy was anchored on a management contract. This involved outsourcing the services to a capable private sector entity through a private-public partnership arrangement. The model used an established and capable private firm to help set-up an efficient operation (Van Rooyen, 2009) and help build in-house capacity. Other key elements of the strategy include establishing and entrenching sound operation systems and processes; ensuring best practice, appropriate expertise and experience level in the turnaround team; and application of performance-based incentive scheme to improve efficiency ((SALGA, 2011; Van Rooyen, 2009).

The strategy also strongly emphasized financial discipline and control, including engendering a holistic look at the business. As such, measures were taken to increase revenue streams and curtail and control costs. Financial turnaround focused on:

- Reducing levels of unaccounted for water (water losses).
- Improving payment levels through enhanced revenue collection.
- Efficient cost management through zero budgeting (SALGA, 2011).

It is important to note that, not long after starting operations, Joburg Water experienced difficulties that resulted in financial losses in 2003 the utility incurred a deficit of R400 million (Van Rooyen, 2009). This was related to the limited number of accounts that had been transferred to the utility by the shareholder. Johannesburg Water negotiated for a revision in the number of accounts it would be responsible for, a development that spurred improvements it's the utility's financial performance.

Broadly, Joburg Water's turnaround was a success, especially when viewed from a background where it, as the former Water and Sanitation Services Department, was technically bankrupt in 2000/01. Specifically, under the management contract, the turnaround team significantly improved service delivery across several key performance areas including establishing a financially viable utility with improved capital expenditure. Beyond financial stability, other key areas that experienced

improved services because of the turnaround include basic services provision; water and wastewater quality; organizational efficiency and effectiveness; customer responsiveness; black economic empowerment and transformation; and, human resources capacity.

The proposed framework was tested against the full recovery program, comprising operational and financial turnaround. Testing results are described hereunder.

b.1 Results of Turnaround Drivers Review

As aforementioned, the first part of the assessment focused on reviewing the influence of the 25 key turnaround drivers obtained in the study on the SOC's turnaround process. To achieve this, participants were asked to rate the influence of the 25 turnaround drivers identified in the study on the Joburg Water turnaround process. A Likert scale with a scale of 1 = not influential, 2= lowly influential, 3 = moderately influential, 4 = influential; 5 = highly influential was used. Three (3) TMT members from Joburg Water participated in the review process. The participants included a former Board Chair and two former Executives of Joburg Water. Put together, the participants had a combined working experience (in management of SOCs in South Africa) of more than 80 years. The results of the framework testing exercise revealed that Joburg Water regarded all the study turnaround drivers as influential in the SOC's turnaround process. The results are summarised in **Figure 6.4,** and further discussed below.

It was observed that the Johannesburg Water TMT representatives ranked all the 25 key turnaround drivers highly, all with average ratings of between 4.0 and 5.0 out of 5.0 (shown by magenta band in **Figure 6.4**). This level of support is also evidenced by the following quotation taken from one of the review participants.

- "*All 25 drivers are important and cannot be mutually excluded, and in fact a successful turnaround strategy may not exclude any of the above considerations. All factors should be taken into account and adequately addressed*" [P29].

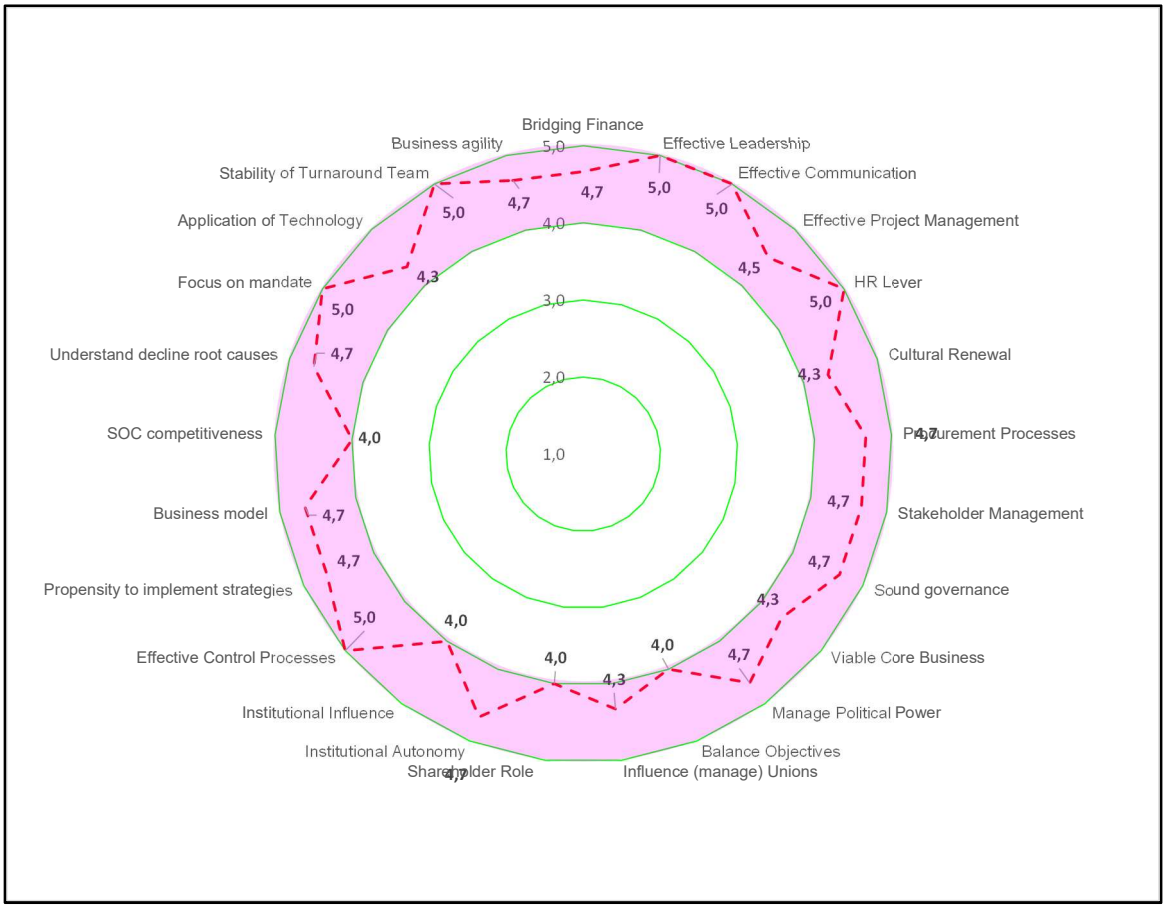


Figure 6.4: *Influence of study turnaround drivers on Joburg Water turnaround*

This, therefore, means that all the drivers were considered influential to highly influential in the Joburg Water turnaround. Six of the key turnaround drivers were rated as highly influential, being accorded average ratings of 5.0 out of 5.0 by all three participants. The turnaround drivers rated as highly influential by the Joburg Water TMT representatives include effective leadership, stability of the turnaround team, effective use of human resources (HR Lever), effective control processes, effective communication, and focusing on the SOC mandate. These were followed, in significance, by eleven (11) drivers that received an average influence rating of between 4.5 and 5.0 out of 5.0. These drivers comprise: ability to manage political power, effective stakeholder management, sound governance, institutional autonomy, sound business model, understanding of the decline root causes, availability of bridging finance, business agility, effective project management, effective procurement processes, and propensity to implement designed strategies. The remaining eight (8) drivers received average rating of between 4.0 and 4.4 out of 5.0. These are high ratings, showing significant influence in the Joburg Water turnaround.

From the assessment outcomes describe above, it can be established and confirmed that all the 25 key turnaround drivers identified in the study were relevant and significantly influential in the turnaround of Johannesburg Water SOC Ltd. All the drivers were rated above 4.0 out of 5.0 on a Likert scale ranging from 1 to 5.0.

b.2 Framework Testing Results

The researcher also reviewed the structural logic, usefulness and suitability (fit) of the proposed turnaround framework in the Johannesburg Water turnaround program. As aforementioned, this was accomplished through engaged discussions with the case study participants. Participants were asked to review and comment on the framework's structural logic, its usefulness, and comprehensiveness in guiding a SOC turnaround program. Participants were to conduct the review, retrospectively, with their organisation's turnaround program and strategies in mind, assessing whether the framework would have been a useful tool to guide the participants and their turnaround teams in crafting the organisation's turnaround. The following subsections present and discuss the outcomes of the review process.

i. Framework Structural Logic and Usefulness

With respect to the framework's architecture, structural logic and usefulness, the participants indicated that the framework was good and inclusive of key elements helpful in guiding South African SOCs turnaround. The participants considered the proposed framework to be comprehensive and covering aspects that are influential to the successful turnaround of state-owned companies in contemporary South Africa. This finding is reflected in the extracts shown below and taken from Johannesburg Water review participants.

- *"The model is good and comprehensive. It covers all the critical aspects required for SOC turnarounds* [P33].
- *"I am in agreement with the framework, model is very good"* [P34]

These comments of support were consistent with and complimentary to the outcomes of the review of the study turnaround drivers which the Johannesburg Water in which participants accorded average ratings of above 4.0 out of 5.0. Participants commended the incorporation, within the framework, regular monitoring and

evaluation, with corresponding feedback loops for learning and continuous improvement. Participants also acknowledged the inclusion of provisions to ensure a sustainable turned around SOC for longevity. Overall, the framework's structural logic received commendation and support from the Joburg Water review participants, describing it as good and comprehensive to guide SA SOC turnarounds.

ii. Key Framework Aspects with respect to Joburg Water Turnaround

While the broad framework was regarded to have been useful in the Joburg Water turnaround program, participants singled-out three elements of the framework as standing out and requiring emphasis. These elements are further discussed below.

Strategic Alignment: Clearly evident and considered most critical, was the presence of strategic alignment between the turnaround team/leadership and the Executive Authority (Johannesburg Water). In this case, strategic alignment was secured through a management contract – a legally binding document that distinctly defined what needs to be done by the TMT and what the Executive Authority should expect and track. This clear distinction of roles through a mutually binding legal contract removed any ambiguity and misalignment. Any deviation would only be effected through formal negotiated agreement. The establishment of strategic alignment at high level ensured a positive Power-Governance dynamic that lead to the creation of a positive or constructive environment within the SOC. This then empowered the TMT to focus and channel its energies, with limited distraction, on its core objective of crafting and executing a turnaround program and strategy to reverse the distress and decline. The significance of strategic alignment between the TMT and the shareholder in the Joburg Water turnaround is evidenced by the following extracts from the participants.

- "*The ability to secure alignment is critical. Joburg Water has been blessed with a series of six strong board chairs who managed to ensure alignment, and ability to engage the political leadership. This alignment is paramount*" [P34].
- *"The biggest problem was always getting alignment with your shareholder around strategy"* [P35].

In the Joburg Water turnaround program, positive P-G microcosm was also supported and sustained by good political will as evidenced by the shareholder's (Johannesburg

Metro Council) approval of using a management contract model despite intense and relentless criticism and opposition from the powerful unions (Marin et al., 2010). This council approval showed the commitment the shareholder had to turnaround Joburg Water and set the scene for establishing congruency, through a binding and legal contract with the outsourced service provider, represented by the TMT. It is essential to underscore that the presence of political will and support are pivotal and enable easier establishment of strategic alignment between the TMT and the political leadership represented by the shareholder or Executive Authority. In addition, the management contract model ensured enforcement of critical drivers such as performance management and consequences management – performance promoting attributes that are often difficult to enforce in South African public sector (Cameron, 2009, 2015). It also ensured implementation of the turnaround program and strategy as these formed the basis of the contract performance. This is was pivotal, as many turnaround SOCs struggle to implement designed strategies.

Ability to Engage and Influence (Manage) Unions: As the South African public sector is highly unionised (Bhorat et al., 2014), labour unions were observed to be powerful, strengthened by their alliance with the ruling party. As proposed by the proposed turnaround framework, engaging unions and securing their buy-in to the turnaround program was pivotal in the successful turnaround of Joburg Water. Engagement and influencing of unions are closely linked to and influence the power-governance dynamics in the state-owned company, including the securing of strategic alignment with the shareholder. This is particularly so due to the alliance partnership between union federation COSATU, the SACP, and the ruling party. For Joburg Water, even though approved by the board, unions had strongly opposed the use a management contract. Unions viewed this to be a form of privatization. This resulted in the unions pitted against the leadership, with one of the shareholder leaders being reportedly assaulted by the unions opposed to the process (Marin et al., 2010).

To address this potent risk, leadership instituted intensive consultation and mediation sessions with unions. In addition, the leadership promised not to retrench employees during the turnaround (Marin et al., 2010). Notably, the decision not to retrench contrasts the traditional turnaround approach/strategy of asset and employee

retrenchment commonly practised in turnaround situations (Casio, 2003). The significance of turnaround leadership's ability to positively and objectively influence the often-militant labour unions is expressed in the following extract from one of the review participants.

- "*Leadership needs to be able to carefully engage unions as they are politicised. Unions hold SOCs to ransom*" [P34].

In line with the above quote, the Joburg Water turnaround leadership carefully engaged unions to ensure alignment amongst key stakeholders. This was pivotal and enabled a stable business environment that allowed TMT to deliver on the turnaround.

Viable Core Business and Financial Autonomy: One of the requirements for a successful business turnaround is the presence of a viable core business (Bibeault, 1999). For Joburg Water the supply or provision of universally required water and sanitation services constituted the core business. As Joburg Water had monopoly in providing these services in the jurisdiction, the business was viable with ascertained revenue. In line with this submission/argument, the review participants also emphasized that the Joburg Water financial turnaround was made especially possible through increased revenue collection. This was achieved through the transfer of water accounts that enabled the business to collect revenue. Ability to collect revenue supported the utility's autonomy (from the shareholder) as well as ensured business viability. These two turnaround drivers were identified in the study and are integral to the proposed framework. Their significance to the Joburg Water SOC Ltd turnaround is expressed in the following extract from one of the participants:

- "*Autonomy is crucial. For Joburg Water, initially autonomy was intact but was eroded over time with the taking away of the revenue function*" [P34].

The extract highlights how financial autonomy is key to successful SA SOC turnaround. It was observed that Joburg Water enjoyed positive recovery during the period they had the independence to collect revenue for the (water and sanitation) services they rendered. Over time, around 2007/08, the shareholder reversed this arrangement, centralising revenue collection in the City. Taking away of revenue

collection function from the utility reduced Joburg Water's financial autonomy and, consequently, affected the business and the utility's continued good performance, resulted in the utility regressing into decline.

In summary, the Joburg Water turnaround case study supported and confirmed the significance of the twenty-five (25) key drivers identified as pivotal for the successful turnaround of South African SOCs. When assessing the influence of the key drivers on SA SOC turnaround, all the three participants rated the 25 drivers above 4.0 out of 5.0, on a 1 to 5 Lickett scale. The participant also commended the proposed turnaround framework developed from the key turnaround drivers, describing the framework as good and comprehensive. All these attributes, enshrined in the proposed framework, combined to deliver a positive financial and operational turnaround for the water utility.

6.7.2 Framework Testing with Land Bank SOC Ltd Turnaround

Land Bank's turnaround constitutes the second case study used to test both the study outcomes and the proposed turnaround framework. The case highlights operational and financial turnaround of the agricultural financier during the 2003-2012 period.

a. Case Overview

Land Bank SOC Ltd is a wholly government-owned development finance institution established in 1912, under the old Land Bank, Act 18 of 1912. The Bank was formed to be a government delivery agency in the agricultural sector to promote rural and agricultural development. In democratic South Africa, Land Bank assumed a broader focus, with expanded scope that combines financial and non-financial rural agricultural economic development issues (Xingwana, 2007). Land Bank also has a responsibility to focus on emerging farmers as well as rural small and medium-sized agricultural businesses. The bank is controlled through the provisions of the Land Bank Act, Act 15 of 2002 and the PFMA.

The Bank's first signs of decline were observed in early 2001/02, after the institution of transformation processes. This followed the 1995 Strauss Commission's review into the Provision of Rural Financial Services (Mazwai, 2006). The transformation process,

initiated in 1997, involved: broadening the bank's mandate, modernizing the bank, making the bank more inclusive as well as deracializing the bank (Land Bank, 2016). However, the transition experienced operational and financial performance difficulties, dragging the bank into financial distress for some years, until successful turnaround that began in 2008 when a new Board and Chief Executive Officer were appointed. The turnaround program ran between 2008 and 2013, culminating in a sound, stable and profitable bank. A detailed description of the Land Bank turnaround case study is provided in **Appendix V, Part 2**. The following sections provide the outcomes of the reviews on key turnaround drivers and the testing of the appropriateness of the proposed turnaround framework against the Bank's turnaround program.

b.1 Results of Turnaround Drivers Review

In this review, two TMT members from Land Bank participated in the process. The participants included former Executives of the Bank at the time of the turnaround. Put together, the participants had a combined working experience (in management of SOCs in South Africa) of more than 50 years.

Like the Joburg Water case study, the outcomes of the turnaround drivers' review against the Land Bank turnaround revealed that the identified turnaround drivers were all influential to the bank's turnaround process. Notably, 23 of the 25 study turnaround drivers received average ratings of 3.5 and above on a scale of 1 to 5. Only two drivers, institutional autonomy and cultural renewal, average ratings of 3.0 out of 5.0. Seven of the study turnaround drivers were rated as highly influential, being accorded average ratings of 5.0 out of 5.0 by the participants. Key drivers rated as highly influential include effective leadership, sound governance, stakeholder management, bridging finance, understanding decline root cause, sound business model, and effective management of political power. Eleven (11) of the drivers received average ratings between 4.0 and 4.9 out of 5.0 – a category implying that the drivers are influential to highly influential. Put together, 18 of the 25 study turnaround drivers were rated 4.0 (influential) to 5.0 (highly influential) with respect to the Land Bank turnaround process, and none were rated as not being influential. The results of the review of the drivers' influence on the Land Bank turnaround are summarised in **Figure 6.5**. The magenta band shows drivers with average ratings above 3.5.

From these results, it can be concluded that the bank's turnaround process corroborated and verified the study findings as applicable and influential to SOCs turnaround in South Africa, with all the drivers rated above moderately influential. Of note, 18 of the 25 drivers are considered influential to highly influential. This positive outcome provided a tangible confirmation of the relevance of the framework as these formed a critical element of the model as inputs. The next section discusses the outcomes of framework reviews against the Land Bank SOC turnaround process.



Figure 6.5: *Influence of study turnaround drivers on Land Bank Water turnaround*

b.2 Framework Testing Results

In a similar approach to that of Joburg Water turnaround, the researcher subjected the proposed turnaround framework to review against the Land Bank SOC Ltd turnaround initiative, assessing, retrospectively, the framework for its structural logic and usefulness. The review process also looked at key elements of the framework that stood out as most pertinent to the bank's turnaround process. The outcomes of the reviews are presented in the following sections.

i. Framework Structural Logic and Usefulness

In assessing the framework conceptual logic and utility, two reviewers who were actively involved in the bank's turnaround participated. These participants acknowledged the structure of the framework, commending it as being well-structured, sensible and logical (spot-on) with respect to SA SOC turnaround. The following extracts taken from the interviews with the participants support this view.

- *"The framework is well-structured – you need to effectively manage the tensions among key players and sustain the momentum"* [P35].
- *"The framework absolutely makes sense – it is spot on"* [P36].

The views of the Land Bank reviewers corroborated those from the Johannesburg Water SOC turnaround, both regarding the proposed SOC turnaround framework as well-structured and of utility in guiding South African state-owned companies' turnaround. In the next sections, the researcher presents and discusses key elements of the framework identified to be most pertinent to the bank's turnaround process.

ii. Critical Framework Aspects with respect to Land Bank Turnaround

The testing of the framework against the Land Bank turnaround program identified five elements of the framework as having been very pivotal in the bank's turnaround program. These elements include: the influence of the managing Power-Governance dynamics through securing of strategic alignment by the leadership and the four key turnaround drivers, namely: the shareholder role; ability to influence unions; leadership and turnaround skills; as well as, the propensity to implement designed strategies. Notably, these elements form central elements of the proposed framework, and their considered influence on the Land Bank's turnaround are further discussed below.

Strategic Alignment: Participants revealed that, for Land Bank, strategic alignment between the turnaround leadership and the Executive Authority was a pivotal element in the banks' turnaround success. It is reported to have ensured singleness of purpose among key stakeholders. In the Bank's case, strategic alignment between the key leadership groups, the Governance Node and the Political node, was secured through changing reporting and accountability lines for the Bank – moving the Bank from Department of Agriculture to the National Treasury. This was further strengthened by

the appointment of a new CEO who was recruited from the National Treasury. This ensured a likeness of mind and objectives among turnaround leaders and the shareholder. These two complementing elements were instrumental in harmonising and securing congruency among leadership, paving way for positive P-G dynamics and a healthy microcosm within the SOC. It also provided for collaborative relationships that supported unencumbered execution. These propositions are supported by the following extracts taken from interviews with the review participants.

- *"The CEO would not have taken that post if it was not linked to the National Treasury. We (new executives) also made it clear when we joined that if the bank moves to agriculture, we are leaving because we knew that the National Treasury has integrity, is held in regard and not susceptible to corruption, fraud, the level of political interference is low. That is why we were able to things that other SOCs were not able to do – we were able to run the bank like a business" [P35].*
- *"The function of the board is to manage the conflicting interests such as the push for execution of unfunded mandates, resistance to tariffs increases during elections and varying objectives that create tense power-governance dynamics. It is also the CEO's role – 80% of the time- he should understand politics and political protocol"* [P36].
- *"Land Bank managed the Power-Governance dynamic by being moved out of the Department of Agriculture to the Department of Finance – National Treasury. The National Treasury governance framework is similar to that of Land Bank, hence it was easy to align. The home (Department) of the turnaround SOC is very important – needs to have emotional detachment"* [P36].

The courage shown by the CEO and the newly appointed executives with respect to the terms and conditions upon which they would be willing to take up roles for the Bank's turnaround displays the influence of the TMT in soliciting for a healthy P-G microcosm. On the other hand, the power and influence of the shareholder manifests in the Executive Authority (the Minister) buying into the turnaround program and strategy on behalf of the political leadership contingent. As the framework emphasises, without buy-in from political leadership, turnaround will not happen.

Shareholder Role: As indicated in the suite of turnaround drivers identified in the research and, correspondingly, incorporated in the framework, the shareholder plays a role in SOCs turnarounds. The shareholder sets the tone. In line with this proposition, the Land Bank shareholder was pivotal in the bank's turnaround. That the shareholder, at the time of the turnaround, was the National Treasury, enabled the turnaround CEO

to take up the role, confident that the shareholder will provide requisite support, crucial for a successful turnaround; is not susceptible to corruption and harbours no tangential objectives. A supporting shareholder promotes positive Power-Governance dynamics and, correspondingly, paving the way for constructive and conducive strategic alignment between the TMT and the shareholder – a condition essential for successful turnarounds. In line with the proposed framework, participants attested to the significance of a trusted and credible shareholder that supported the turnaround team.

- *"The CEO would not have taken that post if it was not linked to the National Treasury. We (new executives) also made it clear when we joined that if the bank moves to agriculture, we are leaving because we knew that the National Treasury has integrity, is held in regard and not susceptible to corruption, fraud, the level of political interference is low. That is why we were able to things that other SOCs were not able to do – we were able to run the bank like a business"* [P35].
- *"Government is reluctant to retrench – it was election year and government was pushing for job creation. The agenda that the government was driving was at odds or conflicting with the SOCs turnaround objectives" [P35].*
- *"It would have been impossible to turnaround the bank without the support of the shareholder" [P35].*

Ideally, the turnaround works better when the leadership have increased independence from the shareholder to take tough and strategic decisions with limited interference from the shareholder. However, the principal requirement is for a supporting shareholder who provide political backing and policy direction. The requirements expected of the shareholder were at Land Bank's turnaround.

Ability to influence unions: The power and influence of labour unions in South African SOCs is a constant challenge to turnaround leaders as well as the shareholder. This is particularly so when the turnaround strategy options include asset retrenchment and cost reduction. Mopolami (2018) posits that, to unions, retrenchment is not a solution, but an act that worsens the employees' already dire situation. In such situations, unions are quick to close rank, and fight for the preservation of jobs and non-disposal of assets. In the Land Bank case, although government was reluctant to retrench, the TMT utilised a broad, transparent, consistent and regular communication strategy, actively engaging with unions to make then understand the plight of the bank and the long-term implications of an unresolved decline. The turnaround leadership also

actively and patiently engaged the unions discussing the bank's weak business position and the turnaround plan as well as its objectives. This strategy was further supported and incentivised using attractive severance packages for those willing to exit (see quotes below).

- *"We communicated with everyone, transparently and held regular workshops. We used direct communication a well as electronic communication. Fortunately, because we were a bank, we had a less militant labour union that appreciates drivers for sustaining an organisation. However, we took a lot of time engaging the unions. The unions were very professional. If you want to exit many people, you need to incentivise people – this is how we implemented our strategy. We offered a little bit more for people to exit"* [P35].
- *"Government is reluctant to retrench – it was election year and government was pushing for job creation. The agenda that the government was driving was at odds or conflicting with the SOCs turnaround objectives" [P35].*

The combination of these strategies worked in the bank's favour and helped influence the unions not to militantly oppose the turnaround proposals. It is also noteworthy to underscore that, while the bank's turnaround leadership worked hard to positively influence the unions, the unions covering the banking sector including Land Bank is generally not the militant type, being described by the review participants as professional and understanding. This contrast the approach of unions in other sectors, that are known to be militant. Coupled with the attractive severance incentives provided, the professionalism and non-militant nature of the unions, may have combined to work in favour of the peaceful turnaround engagements with the unions at Land Bank. Importantly, the bank put union militancy and associated distraction under control to the benefit of a smooth turnaround.

Leadership and Turnaround Skills: As successful turnaround is closely linked and intertwined with sound and capable turnaround leadership (Joyce, 2004), the Land Bank turnaround's success was, correspondingly, driven by a capable and experienced turnaround team. This turnaround leadership team had, as indicated by the review participants, the key skills critical for the design as well as execution of the recovery strategy. Not only was the bank led by a capable TMT, but the bank also had a good board of directors that provided sound direction and oversight. The following quotes from the bank's review participants support to this proposition.

- *"Leadership was able to put together a team with the right skills; assembled a team from the private sector. That was a big plus".* [P35].
- *"You need to have the right board members who have the skills, who would understand the complex landscape"* [P36].
- *"Leadership – there is nothing you can do without a good leadership"* [P35].

As underscored in the third quote above, the bank's turnaround was predicated on good leadership. The same goes for the rest of the SOCs. SOC turnaround will not be possible without capable leadership. This aligns well with provisions of the proposed framework as it emphasises SOC turnarounds to be led by competent and experienced leadership at both executive and board level, as it was with Land Bank.

Propensity to implement designed strategies: Unlike in other SOCs where designed strategies either fail to be implemented or are poorly implemented, the Land Bank turnaround leadership was focused and intent on implementing their recovery program and associated strategy. This submission is captured and supported by the quote (see below) taken from one of the review participants. The quote underscores the TMT's burning desire and commitment to implement the turnaround program.

- *"One critical success factor is implementation – we had the burning desire to succeed – there was that commitment to implement and succeed"* [P35].

The essence of strategy implementation is recorded in literature. In this vein, Springer (2005:9) posits that "the strategic planning process only works when strategies are implemented; formulating those strategies is difficult and executing them is much harder". However, a good strategy not implemented is as good as a bad strategy. In recognising this weakness, the Land Bank TMT ensured their program and strategies were implemented – leading to the recovery of the bank. Giving primacy to implementation is in line with the proposed framework, which prompts and guides practitioners and turnaround management teams to go full cycle from problem analysis, strategy design, and all the way to implementation for the recovery to be realised. Importantly, as encouraged by the framework, the Land Bank turnaround team implemented their strategy.

In conclusion, the framework testing process showed considerable fit between the proposed framework and the elements of the Land Bank turnaround process. As such, it can be concluded that the Land Bank case study supported the proposed turnaround framework as suitable to guide the design and implementation of turnaround programs for distressed South African SOCs. A number of the proposed turnaround framework's key elements were supported and validated during the review with the Land Band. In particular the following elements enshrined in the framework were confirmed and strongly supported to be pivotal: the importance of understanding of, and incorporating into recovery programs and strategies, the turnaround drivers, management of labour unions, the securing of strategic alignment with the Executive Authority to ensure conducive working environment within the SOC during the turnaround period, appointment of capable leadership, a responsible and supportive shareholder, and the courage to implement the designed recovery program and strategy.

6.7.3 Combined Assessment of the Cases Studies

Based on the feedback obtained from the framework testing process, supports the logic and potential utility of the proposed framework in the South African SOC environment. The review also affirmed the relevance of the 25 key turnaround drivers upon which the framework is founded. Following the individual review, the researcher combined the outcomes from the two case studies for a combined result. The combined results show that the twenty-five turnaround drivers identified in the study are essential for the turnaround of South African state-owned companies. **Figure 6.6** summarises the combined ratings of the influence of the drivers on SA SOC turnaround by participants from the two case studies.

It is, however, essential to highlight that not all the drivers identified in the study were equally applied in the Land Bank and Johannesburg Water programs. Neither were the drivers most applicable in the Land Bank turnaround similar to those applicable to Joburg Water's turnaround. Of note is that in both case studies, the securing of strategic alignment between the TMT and the shareholder was pivotal to the success of each turnaround.

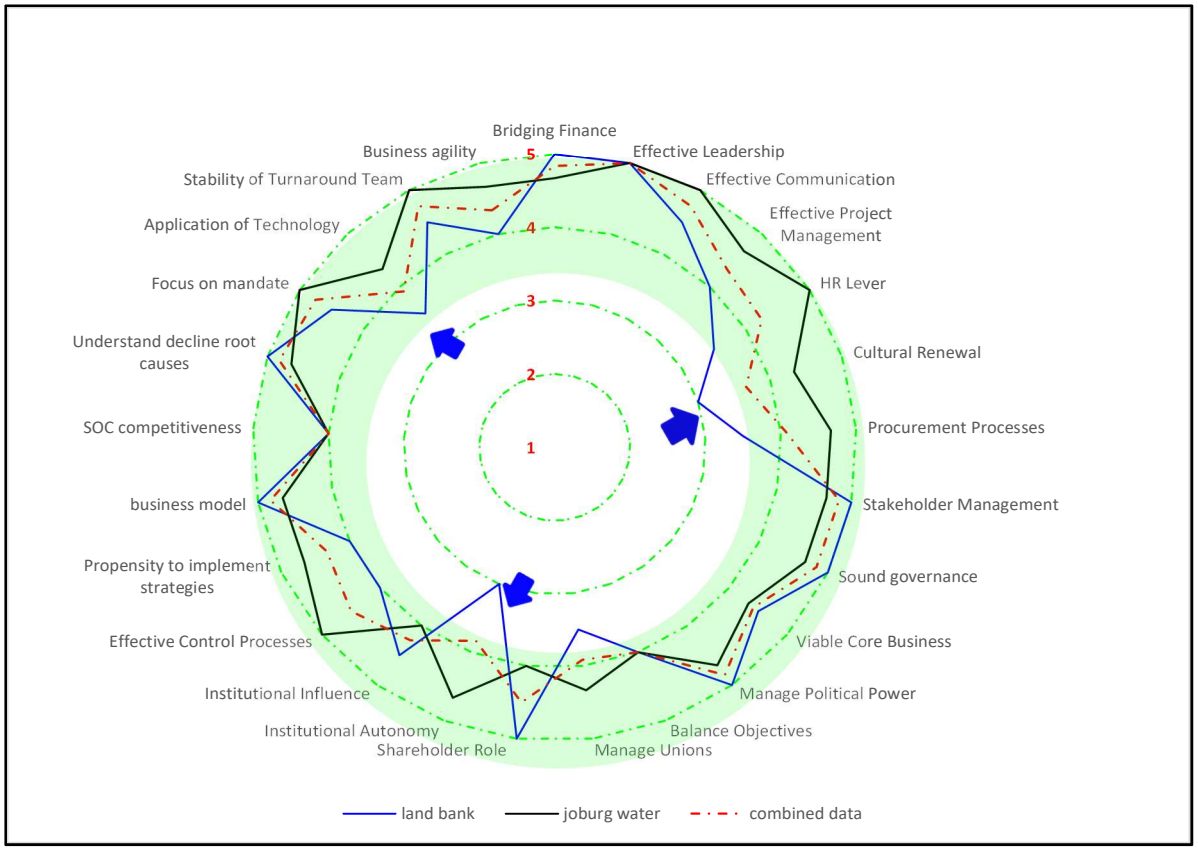


Figure 6.6: *Combined (Land Bank & Joburg Water) influence of key drivers on SOC turnaround*

In both cases, securing strategic alignment ensured and guaranteed conducive P-G microcosms necessary for unencumbered execution of the turnaround programs. This was possible courtesy of the TMTs being able to manage political power and the labour unions. The two framework testing case studies underscored the primacy and significance of this requirement and calls for courageous and capable leadership.

6.8 FRAMEWORK TESTING WITH UNSUCCESSFUL TURNAROUND SOCs

In addition to evaluating the framework against successful South African SOC turnarounds, the researcher also tested the framework against unsuccessful or continually struggling turnarounds. This was done to ascertain the framework's soundness across different scenarios as well as to establish the weaknesses of these institutions' recovery programs. Two approaches were applied in achieving the review: (i) the researcher tested the framework against interview data from unsuccessful turnarounds, and (ii) the researcher conducted review interviews with participants from unsuccessful turnarounds. Two participants, P28 and P29, from different unsuccessful state-owned companies participated in the review interviews, while data from four of

seven unsuccessful turnaround SOCs was used in this segment of the analysis, analysing for pertinent factors that supports or disapproves of the framework. The outcomes of the reviews are presented in the following sections, organized into sections for the review of the framework structural logic and utility, as well as a section assessment weak point of unsuccessful SOCs.

6.8.1 Review of Framework Structural Logic and Usefulness

In this segment of the review, participants in the review interviews supported the proposed framework as good and evidently helpful in guiding SA SOC turnaround. They supported and appraised the structural logic of the framework as evidenced by the following excerpt taken from the participants.

- *"The framework is 100% right"* [P29].

From the participants' inputs, it can be concluded that the framework was also endorsed by the participants from unsuccessful turnaround SOCs, supporting the framework's structural or conceptual logic as well as its potential utility in guiding turnaround programs and strategies for South African state-owned companies. The next sections present the areas of weaknesses identified in unsuccessful turnaround SOCs when measured against the proposed turnaround framework.

6.8.2 Framework Aspects Absent in Unsuccessful SA Turnaround SOCs

As aforementioned, the approach here took the form of assessing the actions of unsuccessful SA SOCs and measuring it against the framework's prescriptions. On that note, when viewed against the proposed framework, a few shortcomings were identified and attributed as (some of) the weaknesses that contributed to turnaround failures for the SOCs considered in this study. When measured against the proposed turnaround framework, unsuccessful SA SOC turnarounds were found to struggle in six areas. The areas of weakness include lack of appropriate turnaround leadership; lack of leadership stability; inability to influence unions; inability to manage political power; challenges in securing strategic alignment between the power-governance envelopes; and, lack of or inadequate implementation of designed strategies. The following sections provide detailed description, with supporting evidence from the research, of these identified areas of weaknesses.

Lack of Appropriate Turnaround Leadership: The review established that, while the proposed turnaround framework advocates recovery programs to be led by capable turnaround teams with appropriate turnaround expertise and skills, unsuccessful SA SOC turnarounds suffered from lack of appropriate leadership. Lack of turnaround experience and a dearth in typical turnaround expertise was cited as a key setback in unsuccessful turnarounds. The following excerpts from review participants brings this argument to the fore.

- *"I had not done an M&A or turnaround before - I had to go and research - it was a mess"* [P8].
- *"Organisation is about the quality of people - leadership is not a joke - the quality of leadership - I do not think we do have that in most SOCs; I do not think I should have taken that [CEO] role - I was not ready for it" [P8].*

The framework guides the shareholder and board to appoint suitable turnaround leadership as a prerequisite for successful turnaround. This includes strong, qualified and experienced board members, including qualified and experienced (in turnarounds) executive leadership. As the quotations above reveal, there is evidence of unsuitable appointments to positions of leadership, at the level of a turnaround SOC CEO who felt not ready and experienced to lead the turnaround program. In a typical case, the Parliamentary Committee Inquiry on Eskom confirmed weaknesses in SA SOC turnaround leadership, highlighting serious weaknesses and compromised competencies in the turnaround leadership (Parliament Portfolio Committee, 2018). These are issues that the framework points as requiring addressing if SA SOCs turnaround is to be successful.

Lack of Leadership Stability: Aside of requiring well-qualified and experienced turnaround leadership, for the turnaround to be successful, the TMT needs to be given enough time to plan, structure and implement the SOC recovery program. This is recommended by the proposed framework as one of the key turnaround drivers – captured as leadership stability and as an input to the process. While leadership change is prevalent in turnarounds (Bibeault, 1982; Hofer, 1980), the changes need not be too frequent and impetuous to result in destabilizing the organisation. However, the review process established that unsuccessful SA turnaround SOCs were weak on

this requirement for sustained leadership as proposed by the framework. Instead, unsuccessful turnaround SOCs were found to be plagued by frequent leadership changes that, inadvertently, impacted on the recovery programs through lack of leadership stability, continuity and sustained focus. The following extracts taken from participants corroborate this observation.

- *"Political stability - political leadership with integrity and having their hearts at the right place - not at a personal place - but at country place"* [P8].
- *"In 2015 we were flying high and change of leadership derailed us; the change was vicious"* [P29].

Lack of leadership stability is influenced by too frequent political changes with concomitant new political influence that, often, differs from the previous leadership. Such changes frustrate continuity and disrupts turnaround leadership visions with each episode of leadership change. Each new leader would like to define and design their own turnaround program and strategy guided by their own vision.

Inability to Influence Unions: The powerful hand of labour unions in advancing their interests, even when these interests are at odds with the long-term sustainability of the distressed SOCs was also observed to be a key cause of unsuccessful SA SOC recovery. This follows the highly unionised public sector in South Africa and reflects the inability of the turnaround leadership to negotiate and positively influence the politically linked unions as guided by the proposed framework. The following interview excerpts support this observation.

- *"Complex unions that are difficult to deal with – require careful approach given the political environment. We can't trim workforce. We need to be extremely considerate of the unions because if we are not it will be escalated to government and it will be taken back to our shareholder Ministry – so the political environment and the amount of pressure is high. Am not negative of unions – it's just that it is a different environment" [P1].*
- "*If I was to say there is one thing that SOCs will pull, is to bring harmony between management and organized labour, and ensure that these two parties can sit and agree on what needs to be done - no matter how much money you throw, this labour will down tools at any time for anything even if it does not make sense*" [P17].

Without the powerful unions supporting and in alignment with the TMT, distressed

SOCs struggle to stamp their influence and rein in (operating) costs, improve operating efficiencies, right-size the employee contingent, as well as institute strategies necessary to bring the organisation out of decline. These aspects are traditionally achieved through retrenchment strategies that promote the paring of non-core assets, laying off labour, and increasing worker productivity or efficiency. The lack of ability to influence and constructively engage with labour unions is intricately linked to the next challenge of lack of ability to manage political power. The two elements, combined, affect the establishment of a positive power-governance dynamic in the SOC, necessary for smooth turnaround, leading to tense environment where constructive decisions are neither made nor implemented.

Inability to Manage Political Power: The review process identified notable instances of political power exerting pressure on the turnaround leadership and unsuccessful SA SOC turnaround TMTs buckling under the pressure, demonstrating inability to manage political power and stir it into alignment with their professionally informed vision. The following extracts from participants bring this challenge to the fore, with examples of a shareholder issuing instructions on the handling of labour, as well as instructions to the turnaround leadership on typical operational matters. In institutions with sound corporate governance, the role of government, as the shareholder, is limited to setting the objectives, performance targets, appointing board and monitoring the board and SOC performance (Vagliasindi, 2008). Also, the shareholder's (or government) role is to provide policy direction, with the TMT implementing the turnaround.

- *"In a moment of wisdom, we were instructed by government to employ all temporary workers – this has got a lot of limitations – no longer have the flexibility. Government instructed us to stop using labour brokers from whom we got temp workers – it's not easy any more to use temps in incidental work"* [P1].
- *"You start getting political inputs; I thought I would follow process but had to change. I just did the way I was directed. I think I should have pushed back; I was listening to my principals"* [P8].

Turnaround leadership's ability to manage political power is one of the central turnaround drivers in the proposed turnaround framework. It is one of the drivers that distinguishes public sector from private sector turnarounds and the South African SOCs' turnaround. Skilled, experienced and strong leadership can engage the

Executive Authority and policy leaders, as well as unions and political power(s) on what is practical, workable and in the best interest of business for its turnaround. Outcomes in this regard have implications on securing strategic alignment among turnaround leadership, unions and the shareholder, as discussed in the next section. The study observed that the absence of capable leadership that can subtly manage political power led to serious governance failures that compromised turnarounds.

Lack of Strategic Alignment: The study established that unsuccessful SA SOC turnarounds were mainly affected by the lack of strategic alignment between the turnaround leadership and the Executive Authority, representing the shareholder, and, at times, the unions. In view of the proposed framework guidance, this created toxic power-governance dynamics that tear the organisation apart and, consequently, distract the focus of the turnaround management team from the primary role of steering the distressed SOC towards recovery. The following quotes from participants support this revelation.

- *"In a moment of wisdom, we were instructed by government to employ all temporary workers – this has got a lot of limitations – no longer have the flexibility"* [P1].
- "*If management and labour are able to sit and see eye to eye, because they are pulling in different directions and tearing the organisation apart. So the issues of organised labour and management tussling is at the core of SA SOCs"* [P17].
- *"The key missing element in our turnaround is the alignment between the turnaround leadership and the shareholder. The shareholder seems not focused and committed to the turnaround"* [P28].
- *"Leadership chose to go in a direction that is not consistent with the mandate" [P29].*
- *"Relationships need to be handled with kid gloves and ensure a win-win scenario or set-up. Beyond doubt, managing the relationship with the shareholder is key"* [P29].

The lack of strategic alignment was observed in such SOCs as PRASA, SAA, Eskom, SABC, and Denel; all being embroiled in bitter and damaging tussles between boards and turnaround executives. These tussles distract the TMT from focussing on the turnaround. Several factors were identified as influencing the negative power-governance dynamics. These factors include pressure on the shareholder from politically connected unions, conflict of interest amongst leadership, instability in executive leadership (Klein, 2010), turnaround leadership not following original

mandates, and, interference by the political power into operations and stifling flexibility. As a result of the lack of congruency among top leadership, unsuccessful SA SOC turnarounds fail to have a common purpose and focus to lead the recovery of distressed entities. This shortcoming is central in failed turnarounds as the provided quotes indicate. As the framework guides, this can be addressed by a strong and authentic turnaround leadership that is able to negotiate and secure strategic alignment with the shareholder and unions.

Incomplete or Lack of Propensity to Implement Strategies: The assessment of the proposed framework against unsuccessful SA SOC turnarounds also revealed a lack of implementation of the designed turnaround strategies. In some instances, where the turnaround programs and strategies had been implemented, the process was not completed. Classical examples of numerous designed turnaround strategies but incompletely implemented include SAA, SAPO, South African Express, and, SABC; all had several turnaround episodes of half implemented programs. This observation points to a low propensity to implement strategies – this was identified as a major setback in South Africa's public sector. The following quotations taken from study participants from unsuccessful SA SOC turnarounds attest to this observation.

- *"We are not going full circle - there is limited strategy implementation. We do not have the right people and they are not focused because of corruption - there is too much politics"* [P22].
- "*The bulk of the challenges are in supply chain management - it takes up to 6 months to procure, ... we just approved a new supply management strategy - hope it will improve the turnaround*" [P19].

The weaknesses of incomplete or sheer lack of implementation is a major shortfall of what the proposed framework advocates within unsuccessful turnaround SOCs. In particular, the proposed framework advocates for the implementation, including regular review of both the turnaround program and attendant strategy. Toxic power-governance dynamics as well as frequent leadership changes were considered to be among the major impediments to turnaround program and strategy implementation.

6.9 FRAMEWORK TESTING SUMMARY

The framework testing exercise confirmed the structural soundness as well as potential utility of the proposed turnaround framework for South African state-owned companies. This outcome is arrived at from the outcomes from the triple testing initiatives involving: review of outcomes and framework by primary participants; testing of the turnaround drivers and the framework using two case studies of successful South African SOC turnaround, and the reviewing the proposed turnaround framework against unsuccessful SA SOC turnarounds. It is important to note that the framework accommodated several variations. It tested balanced national SOCs and municipal SOCs, and combined SOCs from a monopolistic environment (Johannesburg Water) and competitive environment (Land Bank). All things considered, the framework testing and evaluations supported the relevance of the key turnaround drivers for successful SA SOC turnarounds, as obtained from the study. They also established that the proposed framework as a suitable tool to guide SA SOCs turnarounds.

Structurally, the framework was commended for its integrative strength, its comprehensiveness in covering the full turnaround cycle including post-recovery sustainability. The framework was also commended for underscoring strategy implementation – one area viewed as a weakness in the South African public sector, including state-owned companies. The review also revealed that each SOC turnaround case has unique elements and should be carefully considered when planning, designing and implementing turnaround programs and strategies. In particular, the turnaround team need to establish the underlying issues, through understanding the causes of decline and other motivating factors, as well as identify applicable drivers the turnaround needs to focus on. Notably, variations can also be informed by the presence or lack of competitive forces in the sector the SOC functions.

Importantly, the framework testing confirmed the significance of a number attributes of the instrument, particularly: (i) the significance and influence of power-governance dynamics and the attendant microcosms – it was confirmed that the P-G dynamics need to be managed through securing strategic alignment , managing political power, influencing unions and have stable turnaround and political leadership; (ii) the importance of ensuring implementation of the designed strategies these needs careful

management; (iii) the significance of ensuring the sustainability of the turnaround SOC – this demands of the TMT to putting in place sound succession planning; and, (iv) the importance of the shareholder role in setting the scene and providing the TMT its space to work without interference.

6.10 FRAMEWORK LIMITATIONS

It is essential to note and acknowledge that research products have inherent limitations. Similarly, the proposed framework needs to be applied cautiously, taking cognisance of its limitations. Two limitations are noted and highlighted here. First, in practice, framework testing should be undertaken by an independent party that is familiar with or sufficiently understands the framework and the phenomenon to which the framework applies (De Jongh, Larney, Mare, van Vuuren, & Verster, 2017). As the framework was developed in a focused doctoral study, it was not practicable to have the framework testing process undertaken by an independent party mainly due to time, financial resources, and logistical constraints.

Second, it is essential to bear in mind that verification cannot prove that a framework is correct and accurate for all scenarios. Rather, it provides evidence that the framework is sufficiently accurate for its intended use (Thacker et al., 2004). As such, practitioners are advised and recommended to consider these limitations when attempting to use the product.

CHAPTER 7 : CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This is the final Chapter of the study; an exercise that focused on investigating two inter-related elements, namely: the key drivers critical for the successful turnaround of state-owned companies in South Africa and using the findings to develop a pragmatic turnaround framework for South African SOCs. In line with the set research objectives, this final chapter consolidates the research work, integrating the set objectives with corresponding key findings. The Chapter also synthesises the study's contributions to the body of scholarly knowledge, policy, and practical contributions. Further, the chapter highlights the implications of the research to industry and academia as well as pointing to areas for further research. The chapter concludes with outlining the conclusions drawn from the study, including offering recommendations targeted at policy makers, practitioners, and researchers.

7.2 RESEARCH PROBLEM, OBJECTIVES & SUMMARY OF FINDINGS

Premised on the proposition that, beyond those found in extant literature, there exist additional turnaround drivers influencing the successful turnaround of distressed South African SOCs, the study set out to investigate and identify key turnaround drivers pivotal for the successful turnaround of distressed commercial South African state-owned companies. Most of these distressed SOCs have, for long, been in a perpetual turnaround cycle or have once turned around and regressed into decline and distress. Having identified the key turnaround drivers, the researcher was to develop and test a pragmatic turnaround framework that is responsive to the South African business context – a context considered different from that of developed countries from which mainstream turnaround literature, theories and models are based. These objectives were designed to help address the endemic challenge of distressed, poorly performing South African SOCs that are failing to deliver optimal services to the populace and threatening to ruin the national economy.

The study also sought to contribute to the body of knowledge on turnarounds by providing a South African context, a sector identified by Holtzhauzen (2011) as a new

discipline and requiring further exploration. This section summarises the key findings in relation to the research proposition, objectives and the research questions.

a. Proposition & Objective 1 Findings: Identifying Key Turnaround Drivers for SA SOCs

The study identified 25 drivers as key and pivotal for the successful turnaround of distressed SOCs in South Africa, providing an additional eight (8) turnaround drivers over and above the original seventeen (17) drivers generally found in existing literature. In light of this, the findings supported the study proposition that there exist more drivers, some contextual and institutionally-oriented, that influence the successful turnaround of distressed South African state-owned companies. These new drivers will enhance practitioners' knowledge and approaches, equipping them with more diverse tools. This is further explained in the following sections.

Overall, 15 of the identified 25 study drivers were found to impact at policy level, while 21 impact at operational level. Four (4) of the drivers only impact at policy level, while ten (10) impact at operational level only, with the remaining eleven (11) of twenty-five impacting both operational and policy levels. Also, seventeen (17) of the drivers were found in extant literature and were well-corroborated by study findings. Finally, eight (8) of the identified drivers were regarded as newly found drivers and considered to be influenced by the local business context. **Table 7.1** (**Table 5.8** reproduced for ease of reference) summarises the study turnaround drivers and their impact levels.

Table 7.1: *Summary of key turnaround drivers identified in the study*

#	Key Turnaround Driver	Impact Level
A	**Turnaround drivers mentioned in extant literature**	
1	Bridging finance	Operational
2	Effective and capable turnaround leadership	Policy & Operational
3	Effective communication	Operational
4	Effective project management	Operational
5	Human resources lever	Operational
6	Cultural renewal	Operational
7	Procurement processes	Policy & Operational
8	Stakeholder management	Operational
9	Sound governance	Policy & Operational
10	Viable core business	Policy
11	Understand decline root causes	Policy & Operational

#	Key Turnaround Driver	Impact Level
12	Balancing commercial and developmental/social Objectives	Policy & Operational
13	Focus on mandate	Operational
14	Ensure SOC competitiveness	Policy & Operational
15	Institutional Autonomy	Policy
16	Technology	Operational
17	Effective Control Processes	Operational
B	**Newly identified Turnaround drivers**	
1	Propensity to implement designed turnaround strategies	Policy & Operational
2	Understanding the SOC business model	Operational
3	Ability to manage political power	Policy & Operational
4	Ability to influence unions	Policy & Operational
5	Shareholder role	Policy
6	Institutional Influence: Legislation, Unions, Governing Party	Policy & Operational
7	Stability of turnaround team	Policy
8	Improve the SOC business agility	Policy & Operational

Beyond the identification of key turnaround drivers, the study revealed several institutional factors as influencing SA SOC turnaround. Institutional factors relate to schemes, structures, strategies, norms, beliefs, routines, and rules (including legislation) that get adopted as authoritative guidelines for social behaviour (Scott, 2004). Institutional factors found to influence SA SOCs turnaround include political influence, rigid legislation, corruption, high unemployment, culture, the transformation agenda, and powerful politically-linked unions. The SA SOC sector was also observed to involve a wider selection of stakeholders requiring intense engagement and consultation for strategic alignment. These requirements result in the SA SOC turnaround process being a long, protracted and, inadvertently, costly episode. Put together, these factors set the SA SOC landscape apart, making it unique and requiring careful consideration when planning turnaround programs as well as in the formulation and implementation of recovery strategies. Such a landscape also calls for strong-willed, strategic, and competent leadership.

b. Objectives 2 & 3 Findings: Comparison of SA SOC and Private Sector Drivers

The study showed that, while there are common and shared turnaround drivers between SA SOCs and the private sector, there are drivers regarded mostly pertinent to SA SOCs. This uniqueness, the study showed, is informed by several factors. In particular, the study identified the factors to include: a complex political history that

have a bearing on several SOC operating policies and practices; a highly regulated SOC environment that, inadvertently, impedes quick decision-making; differences in reasons for existence; comparatively high susceptibility of SOCs to politically-connected unions; and, limited ability by SA SOCs to attract talent and skills relative to their private sector counterparts due to low incentives and inflexible working climate. Policies observed to influence the unique landscape include the developmental agenda policy, transformation policies and empowerment policies. Also, the SOC leadership selection process – known to follow cadre deployment approach (patronage) – and a low propensity to implement developed strategies provide for a unique setting, albeit a difficult one. Finally, by their public nature, SOCs were found to have a wider range of stakeholders that all must be extensively consulted before decisions are made, making for long decision cycles and poor agility. These factors combine to both influence and distinguish SA SOCs turnaround from private sector turnarounds and highlighting the former as more demanding and complex.

c. Objective 4 Findings: Comparison of SA SOC Drivers with Developed World Drivers

The investigation also established that, unlike SA SOCs, developed economies' turnaround drivers are less influenced by developmental agenda requirements. Relatively, developed economy entities can more easily use retrenchment strategies to effect cost reduction and stopping the bleeding as advanced by numerous turnaround scholars (for example Balgobin & Pandit, 2001; Pearce & Robbins, 1993). In addition, unlike SA SOCs, developing economy entities use more objective and merit-based approaches in appointing turnaround leadership. All these contrast SA approaches where SOCs are used to advance national development as well as address the injustices of the past through transformation and empowerment.

Also, the study established that SA SOCs find it difficult and struggle to reduce costs through both asset and employee retrenchment, as advocated by extant literature (Boyne, 2004; Brewster, 2004; Chowdhury, 2009). This is because of strong opposition from politically-leveraged unions – complicating cost reduction initiatives. Finally, SA SOCs were found to apply the established culture of cadre deployment or patronage appointments often at the expense of experience and expertise. In essence, this objective's outcomes confirmed the influence of local context and refuting

proposition that management has the autonomy to pare assets and lay-off workers as advanced by Bruton et al. (2003).

d. Objective 5 Findings: Develop Pragmatic Turnaround Framework for SA SOCs

After establishing key turnaround drivers pivotal for the successful turnaround of SOCs in South Africa, the study sought to, using the findings, develop a guiding framework designed to assist turnaround practitioners. In this light, using the study outcomes, the researcher developed a drivers-driven turnaround framework mainly designed to assist or guide South African SOCs turnarounds.

The framework is based on an input-processes-outcomes architecture, with the drivers obtained in the study being one of the pivotal inputs. The framework underscores the significance of a conducive power-governance microcosm, to be created by the turnaround leadership, within the SOC. In essence, the framework requires of the turnaround leadership to have capacity and influence to secure a conducive power-governance microcosm, through establishing a binding constructive strategic alignment with the Executive Authority. A binding strategic alignment between TMT and the shareholder fosters leadership's attention to the turnaround of the distressed SOC. Without strategic alignment, the study established, SA SOC turnarounds have been embroiled in costly and disruptive power battles that undermine and diminish the efficacy of the turnaround assignment. As such, securing strategic align between TMT and the Executive Authority engenders favourable power-governance dynamics and microcosm. This helps to prevent unnecessary battles for direction among top leadership which distract the TMT's attention from the turnaround task at hand – a situation common in many SA turnaround SOCs. Establishing a binding strategic alignment was observed to be a condition for SA SOC turnaround success.

Other key elements of the framework significant to the South African context include emphasis for the implementation of designed strategies and ensuring sustainability of the recovered SOC. The framework was tested using two SA SOCs that instituted successful turnarounds as well as information from unsuccessful turnarounds. Cases of successful turnaround used to test the model include, the Land Bank and Johannesburg Water SOC Ltd. Both successful and unsuccessful turnarounds

attested and acknowledged the architecture and utility of the proposed framework.

7.3 STUDY CONTRIBUTIONS

One of the hallmarks of a doctoral study is the creation of an autonomous piece of work that makes a contribution to the body of knowledge (Gill & Burnard, 2012). In this light, this thesis provides knowledge contributions in three areas. The areas of knowledge contribution are classified into the following clusters: distinctive collation and synthesis of turnaround literature, addressing of a critical research gap in the turnaround domain, and a practical contribution though developing and offering a pragmatic framework to guide South African SOCs turnarounds. Put together, these contribution areas help in extending insights into and understanding of the critical domain of organisational turnaround, in general, and the South African SOC turnaround in particular. The following sections provide more details of the study's contributions.

a. Distinctive Collation and Synthesis of Turnaround Literature

Cray (2014) advocates that academic scholarship can contribute to knowledge through creating a distinctive synthesis of pertinent literature in the area of study. While the turnaround concept has experienced growing attention over the last two decades, several scholars describe the outcomes as fragmented, non-cumulative and ambiguous (Cater & Schwab, 2008; Chowdhury, 2009; Pandit, 2000). Granted the fragmentation of extant turnaround literature and considering that turnaround is a multi-faceted and multi-disciplinary concept, in this thesis, the researcher assembled and synthesized, in a single volume, a distinctive collation of diverse, yet intertwined themes pivotal to practitioners' understanding of the turnaround of state-owned companies. The collated synthesis of essential turnaround literature comprises:

- The history, growth, and significance of state-owned companies.
- Local and global performance of state-owned companies, underscoring their global and perverse underperformance, as well as highlighting notable pockets of excellence.
- The South African business context, underscoring its uniqueness and the embeddedness of the country history and its socio-political dimensions into

public sector business, including its influence on SOC management.

- Options for SOCs reform, including outlining why SOCs continue to be part of the South African business genetic make-up or architecture.
- A synopsis of business turnaround fundamentals, incorporating extant knowledge on public sector turnaround with practical examples.
- A review of literature on turnaround models.
- Extant knowledge on turnaround drivers, with cases of practical application.

This carefully selected compendium of literature, all influencing decisions on SOC management, is essential for informed understanding of how to address SOCs challenges and for structuring responsive organisational turnaround programs and associated strategies. The collation also brings to the fore contextual factors to consider whenever South African SOCs are undergoing turnaround. Further, the compilation synthesises, in a single volume, literature forming the backbone of turnaround practice and this is useful to readers, policymakers and practitioners.

b. Filling of a Research Gap and Solution to a Trending Challenge

Central to academic scholarship is contributing to knowledge in the chosen area of study. In line with this requirement, this study adds to the turnaround knowledge bank through extending scholarly understanding of business turnaround in general and, particularly, to turnaround of South African state-owned companies' domain. A review of literature identified the node of turnaround of public sector entities in developing economies (including South Africa) as understudied (Beeri, 2012; Beeri & Navot, 2014; Thong *et al*., 2000). Consequently, this area requires sustained and substantive investigations (Ahlstrom & Bruton, 2004; Boyne, 2004, 2006; Walshe et al., 2004). The dearth of turnaround knowledge, and the significance of the knowledge gap in this sector (SOCs sector) in South Africa, was corroborated and currently evidenced by the predominance of distressed state-owned companies in the country, many of which struggle to institute successful turnaround programs (e.g. Alexkor, SABC, SAA, SAX, South African Post Office, to name just a few); with SOCs' poor performance trending as a key challenge in SA and adversely impacting the economy and the citizenry. This new knowledge becomes more relevant to the South African SOC sector as SAA's distress deepens and is now in business rescue.

In view of the above, the study's findings and documented in this report, contribute towards bridging the turnaround sector's knowledge gap, particularly the state-owned companies' node. Specific contributions include knowledge on key drivers for the successful turnaround of distressed state-owned companies in South Africa, understanding of the influence of the institutional factors, the pronouncement of the differences between SOC and private sector drivers, and the detailing and explanation of variations between SOCs and developed economy turnaround drivers. Notably, the study unveiled the 25 turnaround drivers considered key to SA SOC turnaround. More essentially, the study added eight (8) new turnaround drivers to the existing field's knowledge bank.

c. Practical Contribution: Proposition of a SOC Turnaround Framework

It is recorded that, in spite of available turnaround research, numerous scholars advance the lack of a universally accepted framework or standard approach to guide turnarounds (Boyne, 2004; Holtzhauzen, 2011; Pretorius, 2009). Also, Boyne (2006: 370) concludes that "no model of the turnaround process in the public sector has been developed". In light of these acknowledged gaps, this study also contributes to turnaround domain by proposing a pragmatic turnaround framework designed to guide practitioners in the formulation and implementation of responsive turnaround programs, particularly for South African state-owned companies. The framework is also helpful in the crafting of the turnaround strategies. Further, the framework is drivers based and sensitive to local context including local socio-political dynamics.

The framework's strength and utility are in its built-in capability to prompt practitioners to conduct a power-governance dynamics diagnostic within the SOC and help the turnaround management team to secure strategic alignment with the Executive Authority, an initiative that help establish a conducive internal microcosm necessary for the execution of turnaround work. The study established that understanding a SOC's governance dynamics status and securing strategic alignment are pivotal and a condition for successful turnaround of SA SOCs.

These three contributions, individually and in combination, extend our understanding and learning of the SOCs turnaround phenomenon and academic scholarship.

7.4 STUDY IMPLICATIONS

In light of the multiple findings emanating from the research, the study has significant implications affecting theory, policy, practice, and research. First, the study augments existing literature and knowledge on state-owned companies' turnaround, a field that several scholars acknowledge has received limited research (Beeri, 2012; Boyne, 2006) and extant research regarded as foundational (Ahlstrom & Bruton, 2004). With this backdrop, research findings extend the boundaries of turnaround knowledge. In particular, the study offers pivotal literature nuggets on the turnaround of South African SOCs. The identification of key turnaround drivers that act as levers and game changers in SA SOC turnarounds is valuable and pertinent, particularly at a time when the SA SOC sector is in a state of severe distress and decline.

Second, research outcomes are insightful and instrumental for policy review and improvement in several public sector domains, but more specifically in the state-owned companies' field. As identified key drivers impact at both operational and policy levels, this study prompts for policy review and updating in such areas as: board and executive leadership appointments in SOCs; institutional arrangements, including level of SOC autonomy; SOC architecture and probably ownership structure; governance model of SOCs; and, possibly legislative instruments defining SOCs and other public institutions. To this end, policy reviews have the potential to streamline the way SOCs are structured, operated, governed, and managed, engendering efficiency and productivity improvements to ensure sustainable operations.

Third, the study outcomes provide improved understanding to SOC turnaround practitioners, offering a pragmatic and tested driver based SOC turnaround framework. Pivotal and success defining is that, the framework demands practitioners (top management team) to secure, upfront and as a condition of engagement, strategic alignment with the shareholder to ensure a positive power-governance microcosm within the SOC during the turnaround.

Finally, the study opens avenues for further exploration for knowledge improvement and deepening understanding of the turnaround of public sector institutions and state-owned companies, in particular. Guidance in this area is discussed in section 9.6.

7.5 RESEARCH LIMITATIONS

Although the study yielded insightful findings including development of a pragmatic turnaround framework for SA SOCs, these products should be considered against some potential limitations. First, because of the sensitive nature of the subject of state-owned companies decline and state of distress in South Africa, particularly at a time of equally sensitive national politics characterised by challenges of state capture, it was extremely difficult to access all the planned data sources. Notably, access to participants was a challenge; the study would have benefited from a much broader set of information from a larger set of participants than the 36 participants that the study eventually used. It is, however, acknowledged that the study mitigated this challenge through data triangulation, using two data sources (documentary and interview data) that corroborated the findings.

Second, the study focused on investigating the turnaround of South African SOCs, drawing close linkages of the country's social, economic, and geo-political context into the review. In light of this, the results should be carefully interpreted if used beyond South Africa. Some of the findings are significantly informed by the obtaining South African context. As such, stakeholders outside South Africa should consider the prevailing local context when using the findings. Similarly, the study followed a qualitative approach, an approach which attracts great debate among academics when it comes to the generalisation of findings (Norman, 2017) as the approach represents subjective perspectives of interviewees. It should, however, be noted that these shortcomings were addressed by using data triangulation, moderating weaknesses of conclusions relying on a single data set.

Finally, the proposed turnaround framework was only tested by the researcher. Ideally, framework or model testing should be undertaken by an independent party familiar with the phenomenon and who fairly understands the framework. However, this was not practicable under the study setting. These limitations imply future research directions, some of which are outlined in the coming section.

7.6 FUTURE RESEARCH DIRECTIONS

The study covered a broad range of turnaround issues and, correspondingly, yielded

practical and informative findings. The study also pointed to areas requiring further exploration to extend the developed knowledge for improved understanding of the turnaround phenomenon, application and practice. Four (4) future research areas have been identified and are outlined below.

First, as the study focused on SOCs turnaround, one of many domains in the public sector, it would be useful if this research could be extended to other public sector entities such as municipalities where poor performance is endemic in South Africa, with some municipalities being classified as dysfunctional. Achieving this will promote growth in public sector knowledge in this critical domain identified by other scholars (for example Beeri, 2009; Jas & Skelcher, 2005). Similarly, further research can be conducted to test applicability of the developed turnaround framework in other state entities including municipalities and non-commercial SOCs.

Second, as the current study confined its research focus on SA SOCs, incorporating the country's social, economic and geopolitical context, opportunities for future research exist in other African states, exploring similar SOC turnaround themes to compare with SA outcomes, validate findings as well as improve both the identified key turnaround drivers and the attendant framework for wider application. Such a research is pertinent for two reasons, namely: (i) that it will help broaden research-based public sector turnaround knowledge in developing Africa where turnaround research has been limited, and (ii) that struggling African SOCs will have improved chances to address their distress and reverse decline. This is particularly pertinent as the African continent has a significant proportion of state-owned companies (Nellis, 1994; Balbuena, 2014), many of which are performing poorly (Nellis, 2005b).

Third, although the study improved general understanding on the turnaround phenomenon, particularly on public sector turnaround and on SA SOCs, it was less theoretically inclined. The research was more empirically focused. Both empirical and theoretical research advance scientific knowledge (Trinajstić, 1996). However, to further understanding on turnarounds, particularly under-researched public sector turnaround and in South Africa, it is recommended that more theoretically-focused research be done to support this current work as well as broaden the knowledge base.

Finally, this study could not establish and distinguish between drivers applied by successful turnaround SOCs from those by unsuccessful turnaround SOCs. Due to time limitations, this aspect could not be adequately explored. This knowledge is, however, valuable to practitioners for structuring and executing their strategies. This area is, therefore, recommended as a worthy point for research for improved turnaround understanding.

7.7 CONCLUSIONS

Drawing from the consolidated study outcomes, it is concluded that the study accomplished its set objectives of identifying key turnaround drivers critical and pivotal for the successful turnaround of South African state-owned companies and using the findings to develop a pragmatic turnaround framework for South African SOCs. More importantly, the study outcomes supported and confirmed the researcher's primary premise that different backgrounds and associated contexts influence different turnaround drivers (Owusu, 2006; Wilkinson & Mellahi, 2005).

Overall, the study identified twenty-five (25) turnaround drivers as key and pivotal for SA SOC turnarounds. Of the 25 drivers, eight drivers were observed to be closely associated and influenced by the South African context of high inequality, poverty, complex political landscape, militant and politically linked labour, and a shareholder that is often operational as it drives a developmental agenda. These drivers include stability of turnaround leadership, understanding of the SOC business model, ability to manage political power, ability to influence unions, and the HR Lever. Other drivers influenced by local context are effective control processes, improved business agility, procurement process, and propensity to implement designed strategies.

Also, the research identified eight (8) drivers not previously identified in extant literature. The study findings were instrumental in the development of a pragmatic turnaround framework designed for South African SOCs. It is important to note that the majority (7 of 8) of the newly identified drivers, although requiring attention at operational level, impact at policy level. Several of the traditional drivers also impact at policy level. As such, it is concluded that, going forward, improved SA SOC turnaround success requires a review and streamlining of the policy and regulatory

regime, particularly towards a flexible and less bureaucratic environment.

On the strength of the study findings, it is also concluded that, while there are some drivers common to both SOC s and the private sector turnarounds, there exist a set of drivers that are more pertinent to SOCs. These variations are mainly informed by the differences in the two groups' objectives as well as their level of flexibility, with the private sector being more focused on the bottom-line and with much pronounced flexibility in decision-making. In the same vein, the study concludes that SA SOC turnarounds are different from developed economy turnarounds. A major factor informing the differences is that, unlike SA SOCs, developed economy SOCs have less of a developmental agenda requirement.

7.8 RECOMMENDATIONS

Considering the study outcomes and acknowledged limitations, it is recommended that:

a. Turnaround practitioners embrace the study findings and put them to the test to validate their utility and efficacy.
b. Turnaround practitioners apply the proposed turnaround framework and stress-test it to confirm its strengths and identify areas for improvement. In particular, practitioners are called upon to review and further explore the two concepts of power-governance dynamic and attendant power-governance microcosm and their intricate linkage to strategic alignment between the shareholder and the turnaround leadership.
c. The government of South Africa, as the sole or majority shareholder of SOCs, undertake a review of the policy and regulative regime governing SOCs. The study identified policy and regulatory regime/factors as impinging on SOC turnaround. In particular, the unintended impacts of section 54.2 of the PFMA, deemed to delay urgent strategic decision-making (a key requirement in turnaround situations), needs review. Such policies are known to affect business agility which is important for quick decision-making and implementation of recovery strategies. This is essential for SOCs in competitive sectors.

d. The government, as the shareholder, professionalise the SOCs sector through adopting a policy of appointing leaders on merit rather than patronage and cadre deployment, maximizing institutional autonomy, and ensuring stable leadership in SOCs (curbing frequent leadership changes).
e. Academics and the research community commit to extend research on the turnaround phenomena, particularly the areas suggested in section 9.6 to broaden SOC turnaround knowledge in South Africa and beyond.

In summary, the study revealed that successful turnaround of SA SOCs can be enhanced through fully understanding and carefully applying a set of key levers or turnaround drivers, pertinent to the local economic and socio-political context, in the crafting and implementation of recovery programs and strategies. Essential to the success is that the shareholder objectively reviews the regulatory and policy regime to improve SOCs operational flexibility and competitive business agility. The study offers support for improved SA SOCs turnaround success by providing a framework for practical guidance.

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APPENDICES

Appendix I: List of Major South African SOCs

#	Name of State-owned Company	Department
1	Air Traffic and Navigation Service Company	Transport
2	Airport Company of South Africa	Transport
3	Alexkor	Public Enterprise
4	Armscor	Defence
5	Central Energy Fund	Minerals and Energy
6	Denel	Public Enterprise
7	Development Bank of Southern Africa	Agriculture
8	Eskom Holding (Pty) Ltd	Public Enterprise
9	Independent Development Trust	Public Works
10	Industrial Development Corporation of South Africa	Economic Development
11	Land and Agricultural Development Bank of South Africa	Agriculture
12	South African Broadcasting Corporation	Communications
13	South African Forestry Company	Public Enterprise
14	South African Nuclear Energy Corporation	Minerals and Energy
15	South African Post Office	Communications
16	Telkom SA Limited	Communications
17	Trans-Caledon Tunnel Authority	Water and Sanitation
18	Transnet Limited	Public Enterprise

Appendix II: Evaluation of SA SOCs Turnarounds

Appendix II: Group 1 - Unsuccessful Turnaround Initiatives

SA SOC Profitabily & Turnaround Analysis

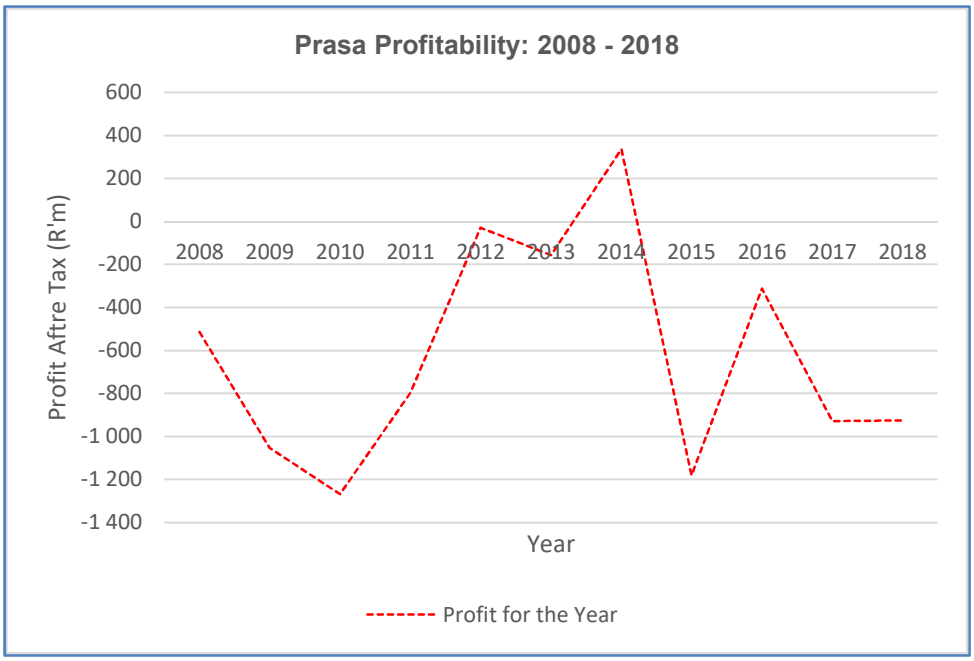
Group 1: Unsuccessful Turnaround SOCS

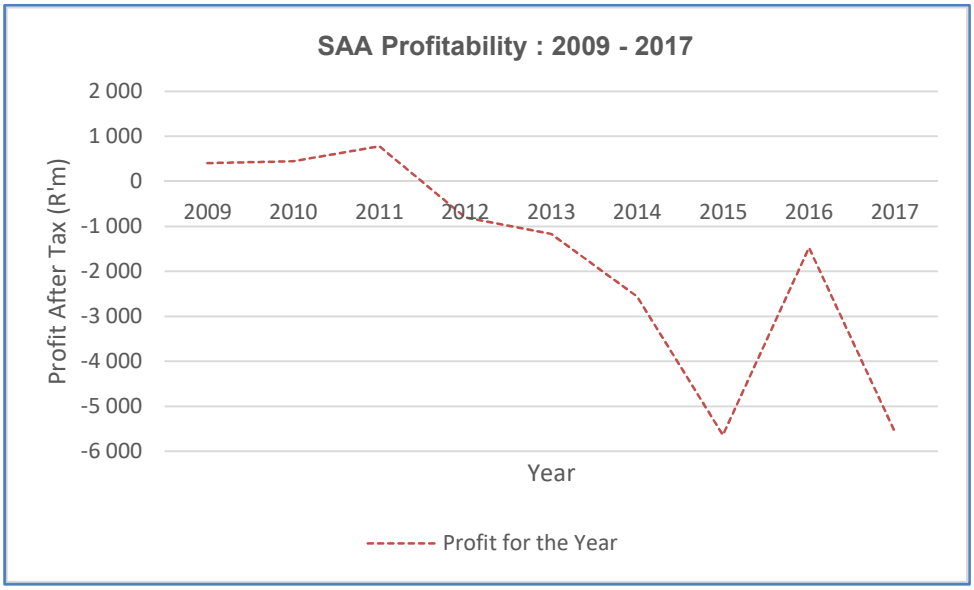
SOC	PRASA: 2008 - Present										
Period/Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit (R'm)	-514	-1 053	-1 269	-796	-29	-157	336	-1 181	-312	-928	-925

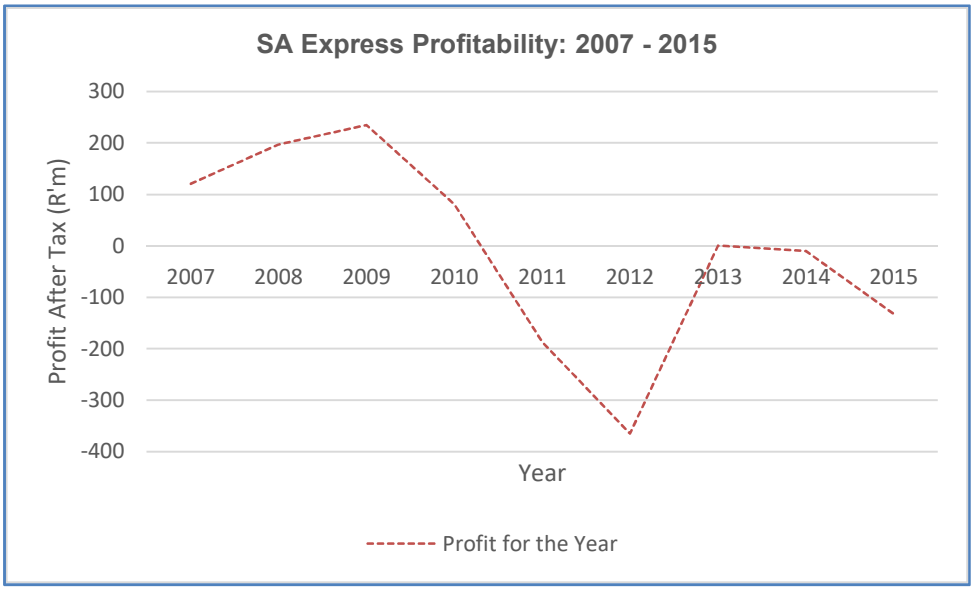
SOC	SAA - 2009 to present								
Period/Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Profit (R'm)	402	442	779	-802	-1 168	-2 559	-5 639	-1 478	-5 569

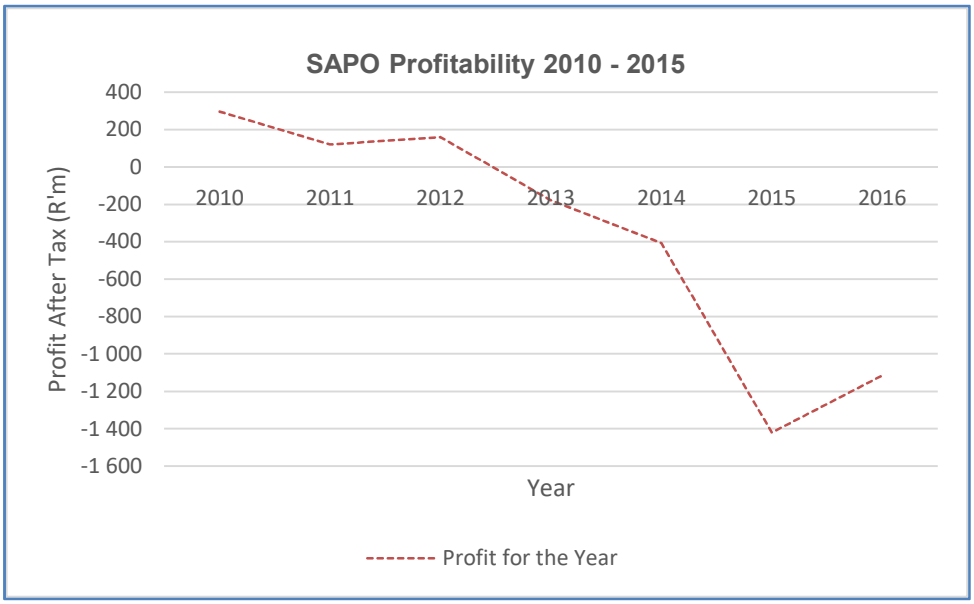
SOC	SA Express: 2007 - 2015								
Period/Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Profit (R'm)	121	197	235	81	-187	-365	1	-10	-132

SOC	SAPO: 2010 to date								
Period/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit (R'm)	296	120	159	-179	-407	-1 421	-1 115		


Prasa Profitability: 2008 - 2018
600
400
200
0
-200
-400
-600
-800
-1 000
-1 200
-1 400
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Profit Aftre Tax (R'm)
Year
Profit for the Year


SAA Profitability : 2009 - 2017
2 000
1 000
0
-1 000
-2 000
-3 000
-4 000
-5 000
-6 000
2009
2010
2011
2012
2013
2014
2015
2016
2017
Profit After Tax (R'm)
Year
Profit for the Year


SA Express Profitability: 2007 - 2015
300
200
100
0
-100
-200
-300
-400
Profit After Tax (R'm)
2007
2008
2009
2010
2011
2012
2013
2014
2015
Year
Profit for the Year


SAPO Profitability 2010 - 2015
400
200
0
-200
-400
-600
-800
-1 000
-1 200
-1 400
-1 600
Profit After Tax (R'm)
2010
2011
2012
2013
2014
2015
2016
Year
Profit for the Year

Appendix II: Group 2 – Successful Turnarounds Initiatives

SA SOC Profitabily & Turnaround Analysis

Group 2: Successful Financial Turnaround SOCs

SOC	SAPO: 2003 - 2010							
Period/Year	2003	2004	2005	2006	2007	2008	2009	2010
Profit (R'm)	-128	-74	1 190	486	351	377	362	296

SOC	Denel: 2004 - Present														
Period/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit (R'm)	-378	-1 561	-1 363	-549	-347	-533	-240	111	41	71	194	270	395	282	-1771

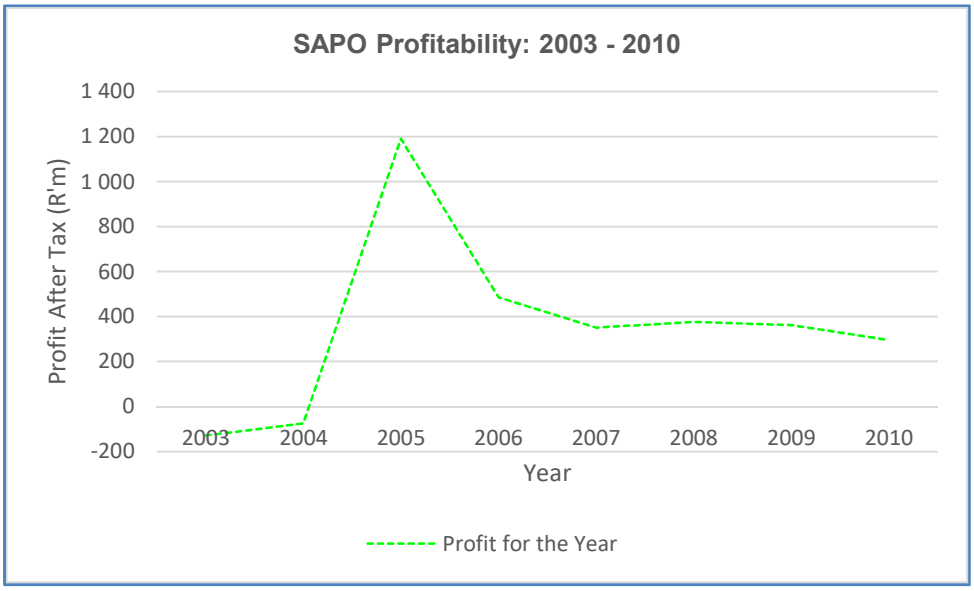
SOC	SAA: 2003 - 2011								
Period/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Profit (R'm)	-5 977	-8 610	648	65	-883	-1 085	402	442	779
Comment									

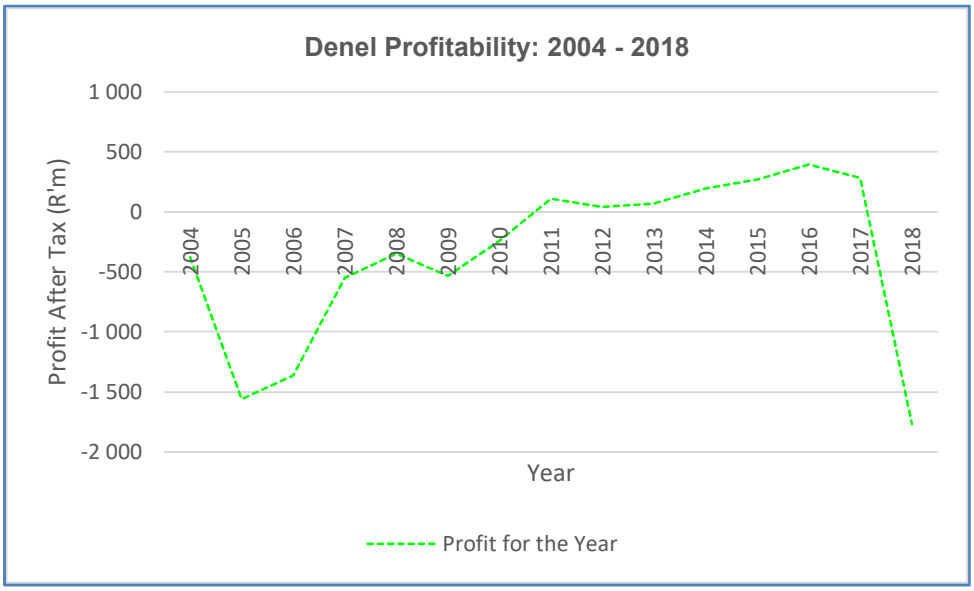
SOC	Transnet: 2003 - Present															
Period/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit (R'm)	-421	-6 332	6 810	4 456	7 387	6 451	5 226	3 150	4 184	4 119	4 340	5 170	5 302	393	4851	2765

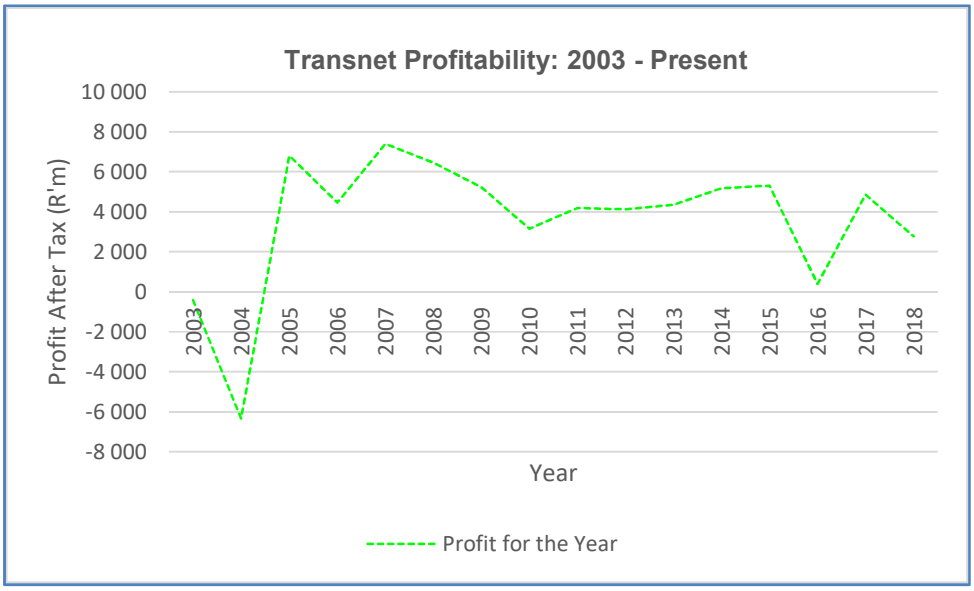
SOC	Telkom SA: 2009 - Present									
Period/Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit (R'm)	4 247	3 353	1 342	-179	-11 636	3 943	2 376	3 184	3 907	3 158

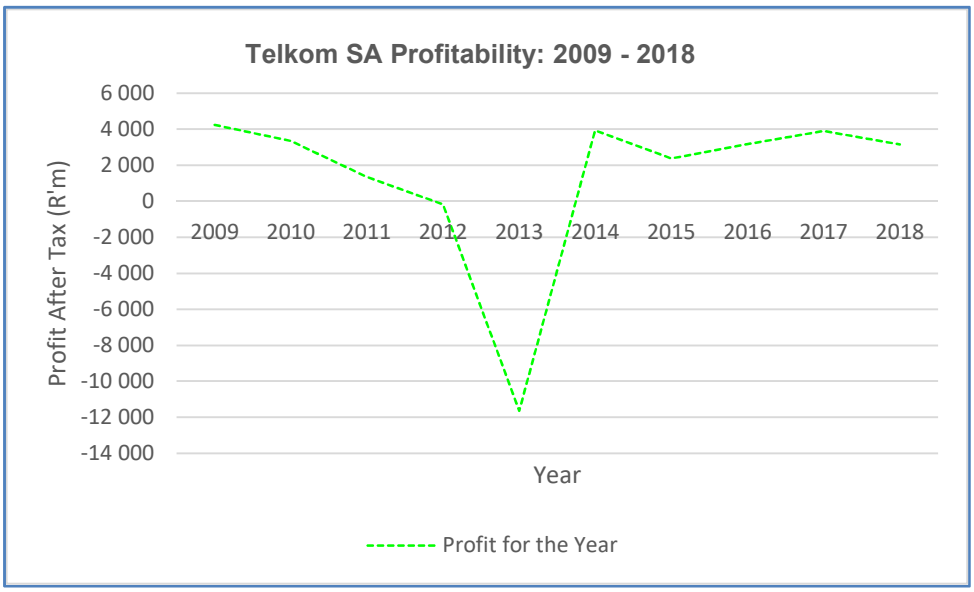
SOC	Land Bank: 2005 - 2013										
Period/Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Profit (R'm)	-330	-15	-10	17	145	354	306	187	304	360	311

SOC	Joburg Water: 2002 - 2007						
Period/Year	2001	2002	2003	2004	2005	2006	2007
Profit (R'm)	-20	-12			25	244	793


SAPO Profitability: 2003 - 2010
1 400
1 200
1 000
800
600
400
200
0
-200
Profit After Tax (R'm)
2003
2004
2005
2006
2007
2008
2009
2010
Year
Profit for the Year


Denel Profitability: 2004 - 2018
1 000
500
0
-500
-1 000
-1 500
-2 000
Profit After Tax (R'm)
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Year
Profit for the Year


Transnet Profitability: 2003 - Present
10 000
8 000
6 000
4 000
2 000
0
-2 000
-4 000
-6 000
-8 000
Profit After Tax (R'm)
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Year
Profit for the Year


Telkom SA Profitability: 2009 - 2018
6 000
4 000
2 000
0
-2 000
-4 000
-6 000
-8 000
-10 000
-12 000
-14 000
Profit After Tax (R'm)
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Year
Profit for the Year

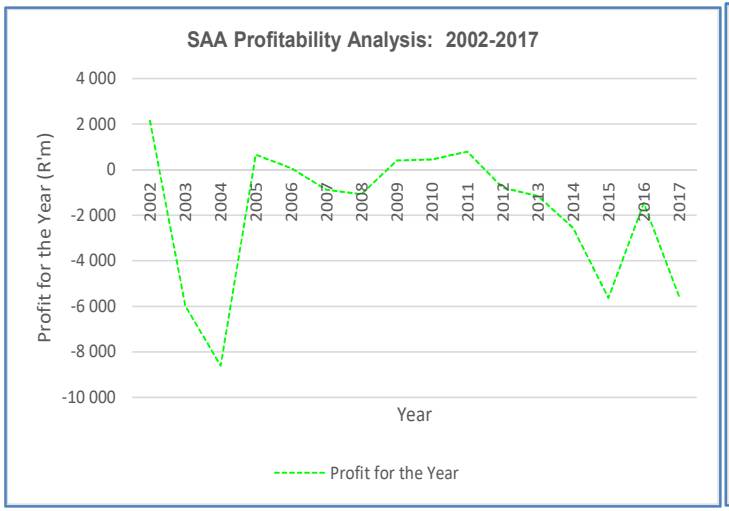

SAA Profitability: 2003 - 2011
2 000
0
-2 000
-4 000
-6 000
-8 000
-10 000
Profit After Tax (R'm)
2003
2004
2005
2006
2007
2008
2009
2010
2011
Year
Profit for the Year

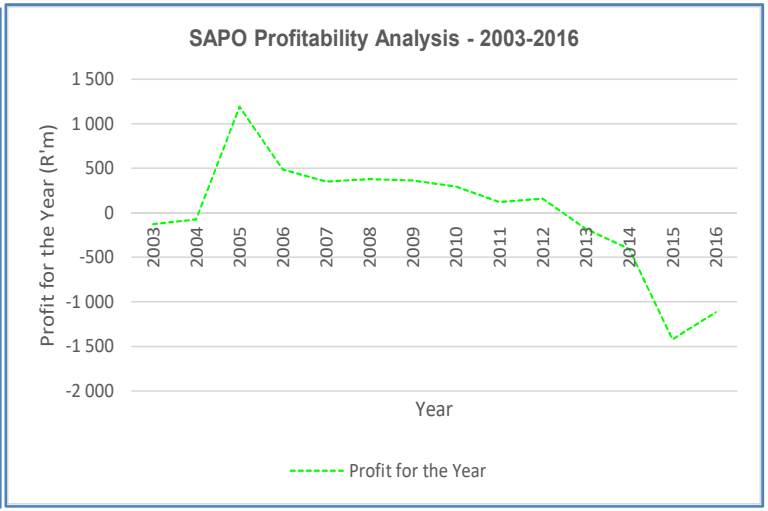
Appendix II: Group 3 – Cyclic Turnarounds

Group 3: Cyclic SOC Turnarounds - Illustrating Lack of Turnaround Sustainability

SOC	SAA: 2002 - 2017															
Period/Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Profit (R'm)	2 144	-5 977	-8 610	648	65	-883	-1 085	402	442	782	-802	-1 168	-2 559	-5 639	-1 478	-5 569

SOC	SAPO: 2003 - 2016													
Period/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Profit (R'm)	-128	-74	1 190	486	351	377	362	296	120	159	-179	-407	-1 421	-1 115





Appendix III: Interview Framework/Guide

WITS BUSINESS SCHOOL

PhD Research: A Framework for the Turnaround of State-Owned Companies in South Africa

Interview Guide

[Max Planned Time = 90 minutes]

#	Question
P	**Preliminary Questions**
P.1	How long have you been involved in your field of expertise? Which sector(s) have you been involved: private or public sector? Any exposure to SOCs?
P.2	Of your working experience, how much time has been associated with company turnaround?
P.3	In your organization, how long has the organization been working towards turning around the firm? Which period was this?
P.4	Did the firm make use of an external specialists/consultants to lead the turnaround process?
P.5	Will you at liberty to name the external specialist firms involved in the turnaround?
P.6	Were the consultants involved involved in both strategy design and implementation?
P.7	In your view, **what do private consultants miss or fail to provide** when it comes to SOC turnaround?
A	**Why are most South African SOC turnaround initiatives are mainly not successful & turnaround strategies applied.**
A.1	Please take me through your experience with the organization's turnaround initiative?
A.2	What would you regard as the **central strategies applied** by the firm in turning arround the business?
A.3	Looking back what would you regard to be the **key lessons** derived from the turnaround initiative?
A.4	If you were to have a second attempt at the turnaround exercise, what would you do differently?
A.5	What is your view of the **success rate of South African SOCs' turnaround initiatives?**
A.6	From your experience, why do many SOE turnaround initiatives struggle to quickly bear tangible results?
A.7	From your view, what is it that **is different (from normal practice) will ensure successful SOC turnaround** in South Africa?
B	**Key drivers for successful SOC turnaround in South Africa.**
B.1	What would you consider to be the **key drivers** that were central to the successful turnaround of your organization?
B.2	Which of the key drivers will be your **top three** in importance? Would you kindly elaborate
B.3	I am curious to know, in your view & experience, if these key drivers would also be of the same significance if the turnaround was in a developed economy firm?
B.4	Tell me, in your firm turnaround process, how did you build and ensure sustainable perfomance, ensuring durability and inimitabe strategic firm position?
C	**How key drivers for SOC turnaround COMPARE with the drivers for private sector turnaround.**
C.1	How would you compare the drivers for successful SOE turnaround for a private company?
C.2	Kindly share with me what you think informs the differences in the drivers for private and SOC turnarounds?
C.3	In what way do these differences in determinants influence your approach to your turnaround efforts at your organization?
D	**Influence of Institutional Factors on key drivers for SOC turnaround.**
D.1	From your experience of the turnaround business environment, would you consider institutional factors to influence the SOC turnaround drivers? How so?
D.2	Each business landscape has structural & institutional elements defining it. What is your view of the influence of institutional factors on SA SOC turnaround strategies?
D.3	In your experience which institutional factors have most influence on South Africa's SOC turnaround? Can you elaborate for me?.
D.4	What is your view of the influence of the influence of: local culture & norms; country history; labour relations; local unionism; etc.
E	**SOC turnaround Frameworks to guide developing economy SOCs.**
E.1	In turnaround initiatives you have been part of, what guiding frameworks did you apply? Tell me more about these frameworks.
E.2	Would you say these frameworks were effective: what would be the key elements of the guiding framework?
E.3	If you had carried out this turnaround in a first world country, would you have applied these frameworks as they are and achieve same outcomes?
E.4	If not, what do you think would be different and why?
F	**Turnaround Strategy Implementation Effectiveness**
F.1	I am interested in how the strategy was implemeneted. Would you kindly take me through the execution of the designed turnaround strategy.
F.2	Would you say the turnaround initiative was successful? How do you define turnaround success in an SOC organization?
F.3	Compared to strategy crafting, how much would assign the success or failureof turnaround success to implementation?
F.4	What are the key challenges encountered in implementation success?
F.5	In your view, was the overall process (strategy crafting & implementation) able to create sustainable firm competitive advantage?
G	**Concluding Remarks**
G.1	We have come to the end of our interview, is there anything else you would like to add before we close?
G.2	Thank you very much for sparing your time to share with me your experiences in firm turnaround processes. Again your information and identity will be kept confidential. Also the information will be used soley for my PhD research study. Should there be any need for clarity, would you allow me to contact you again on the subject matter?

Appendix IV: Sample Interview Transcript

WITS BUSINESS SCHOOL

PhD Research: A Framework for the Turnaround of State-owned Companies in South Africa

Interview No: SS001

Participant ID: USS001
Interview Name; SOE Turnaround
Interview Site: Participant's Office
Date of Interview: 9 March 2016
Interviewer ID: JM
Transcriber: JM

#	Brief Question Description	Response	Preliminary Comments/ Notes
P1	Duration in field of expertise & sectors served?	Have been employed by the SAA for twenty years 'without overtime – with overtime more than twenty years, in several roles within the organization. Moved to position of Strategic Project Manager in 2010. Deployed to turnaround SAA Technical, a subsidiary of SAA. Appointed HOD PMO responsible for overall firm turnaround. Also currently occupy the role of Acting Chief Strategy Officer following resignation of Chief Strategy Officer who was instrumental in the crafting of the firm's turnaround strategy in late 2015. Also involved with private companies in the same sector – was seconded to private firms (SWISS Air) by SAA.	
P2	Time associated with company turnaround?	More than six years.	
P3	Period organization has been in turnaround?	SAA has gone through 8 turnaround programs since 1998; with the current LTTS started in 2013 being the longest one the firm has been consistently making progress.	The LTTS, started in 2013 – has been the longest one consistently applied [now just over 3 years].
P4	Involvement of private consultants in organizational turnaround?	Yes, in seven of the 8 turnaround programs, SAA used specialist consultants in its turnaround initiatives. The last one, the LTTS, was drafted by SAA people for SAA but was externally validated to give National Treasury comfort.	
P5	Names of consultants used in turnaround(s)?	McKinsey; Seabury; and Ernest & Young.	
P6	Role of consultants (strategy crafting and/or implementation)?	Crafting of the strategy and implementation of easy tasks and "quick wins". Consultants always shy away from the difficult elements of the turnaround.	
P7	What do private consultants miss/fail to provide in SOE turnarounds?	Internal competency existed. Complexity of implementation within a difficult red-tape environment. Strategically (deliberately) avoid the difficult implementation tasks as they do not readily bring returns – pricing based on percentage of benefit accruing – if the rest of the turnaround process was easy consultants would stay for the money. Many consultants add value to SOEs. SAA moved from a total "state department" with a budget and not worried about revenue to a commercial entity. Secondly, liberalization led to SAA moving into a competitive environment, competing with agile firms that can quickly make and implement decisions. With SAA it takes six months to get approval and six months to get it implemented.	

#	Brief Question Description	Response	Preliminary Comments/ Notes
A1	Personal experience with organization's turnaround initiative.	I have been involved in all the past turnarounds, and as the HOD for the PMO am responsible for the overall turnaround program.	
A2	Central strategies applied by firm in turning around firm? Follow-up question: What obstacles did you encounter?	Firstly, you cannot shrink yourself into profitability (retrenchment strategies not always feasible)- so you grow revenue, drive costs down (saved R2.1 bn in first year then R800 mil in second year), excellent customer service, drive revenue growth through ancillary revenue, focus on customers to grow market share (grow and retain customers); governance and compliance; process optimization; improve operations efficiencies; keep best skills; make IT an enabler; improve people productivity; create positive culture in work environment. One of the things encountered is that the most optimal solution is not always politically correct – politically correct – government has responsibility of creating jobs (clash of commercial objectives with social objectives); there is also a problem of labour unrest - when you start putting pressure on labour government affiliated unions start running political interference in what you want to achieve, your government is also the union because of the tripartite alliance. You also do not have legislation that assist SOE s to go into liquidation, the equivalent of the US Chapter 11.	Compare these with the 3R's strategy of Boyne (2006).
A3	Key lessons derived from turnaround initiative? Follow up question: Has there been congruency at SAA – between board and the Executive?	In SOCs, the level of risk tolerance is low – risk tolerance not incentivised. If there is no clear agreement between the shareholder (including NT), executive/management and the board, the turnaround will fail – all three facets need to align. I have seen 3 CEOs in the last three years –difficult to motivate people with constant changes to leadership or revolving doors. Frequent change in leadership is a huge problem. Leadership stability, long-term tenure of the CEO and Executive Management forms one of the top ten success factors for change management. You can't keep people motivated as leaders keep changing. As others have left, I stayed and have tried to rally the top 150 leaders around the turnaround strategy – so there has been continuity. But I must say I struggle. Leadership change, coming in of new Board Chair and disagreements between the Board Chair, the Minister and executives around what to do led a loss of 6 months. Lack of agreement between board and management is a recipe for disaster. It's difficult to change the ship's direction. If the Shareholder, board and executives do not agree you are wasting your time.	
A4	If given a second attempt, what would you do differently?		
A5	Your view of SA SOE turnaround success rate?	One of the reasons we have many SOE turnarounds in SA is because it's a step change – it's extremely difficult for me to fire anyone – in a normal situation you say we are restructuring and retrench people easily, can easily remove non-performing people or dead wood. Very difficult to measure turnaround success rate – depends on how you measure success – personally I think half of the turnarounds did add value, others took more management time	
A6	Why do SA SOE turnaround initiatives take long to yield results?	SOE turnaround is a mammoth task, the biggest challenges or difference between private sector and public sector is the implications is the PFMA – there is one flaw with the PFMA – (i) "if you do something wrong you can go to jail but does not say what happens if you do something right – no provision for benefits for risk tolerance (does not reward risk taking unlike in private sector – where one can bet on an idea with 90% of success – whereas is public sector one would bet with a 10% chance of going to jail) (ii) it does not allow for incentivising positive progress- does not allow bonus	1. Fear of taking wrong decisions for fear of imprisonment as prescribed by the PFMA – stifled risk appetite.

#	Brief Question Description	Response	Preliminary Comments/ Notes
		payment when no profit is made – private sector can pay incentives to successful depts.- this raises viability of taking risk for reward. In SOEs people are not punished for saying no but can go to jail for saying yes – this results in analysis paralysis. This prolongs the turnaround of activities (e.g. withdrawal from loss making routes approval took too long, only approved after a R1 billion loss). Critical to ensure in any SOE turnaround that one mitigates against taking too long to make decisions.	2. Taking too long to decide on critical issues – not agile. 3. Poor incentive landscape.
A7	What is different from normal practice in SOE turnaround?	The implications of the PFMA, the low level of risk tolerance, long time to decision making – leading to analysis paralysis (e.g. indecision to discontinue non-profitable routes – a billion rand later), lack of incentives or rigidity of incentive structure, not being able to reward performing divisions despite overall firm not performing – raises viability for taking risks, and lack of consequences for non-performance. No proper legislation in place, like the USA chapter 11 that assists entities to go into bankruptcy to protect SOCs going into bankruptcy. Challenge of government affiliated unions – shareholder is also part of the unions through the Tripartite alliance – so strategies like outsourcing not possible – which hinders implementation of optimal solutions. Often shareholder or government takes too long to move in leaving SOC to deteriorate until it's too late to help, e.g. look at the Post Office. You do not have the facility as in Chapter 11 to take over the company, renegotiate onerous agreements. We are sitting with old onerous agreements that we cannot negotiate ourselves out – am sure many SOCs are sitting with similar problems.	Read rights of government in the PFMA -also check the new Companies Act.
B1	What are/were the key drivers for successful SOE turnaround? **Follow up question**: Are these easy to achieve in an SOE set-up? What is the situation regarding head count reduction? Is that in legislation?	Sound and working performance management with appropriate incentives and penalties for non-performance. It goes both ways. Ability to get rid of dead wood or nonperformers. Buy in from key stakeholders, i.e. board, unions, management and shareholders. A clearly articulated strategy of where the company is going. Not at all, we have to be creative in terms of your behaviour rectification to set clear and align direction of the company and ensure people perform according to the basis of the turnaround – that is not so easy. In a moment of wisdom, we were instructed by government to employ all temp workers – this has got a lot of limitations – no longer have the flexibility. Government instructed us to stop using labour brokers from whom we got temp workers – it's not easy any more to use temps in incidental work.	Unions, COSATU in particular, vowed to have labour brokers banned – influence of unions.
B2	Of the key drivers, which would rank in top three?		
B3	Are these key drivers unique to developing economy contexts or can apply to developed world environments as well?	In the developed world there is higher level of accountability in first world and the rectification actions for non-performance is harsher – people opt to resign for non-performance or any scandal to keep or retain and left reputation – that is not possible here. Creates an atmosphere of let us see how long we can last. Secondly, the unemployment rate is not that high in developed countries – people do not fight hard for jobs. Here, there are no jobs – there is high unemployment rate – people fight to death to keep their jobs – that is why unions fight so much – which is understandable.	

#	Brief Question Description	Response	Preliminary Comments/ Notes
B4	How do you ensure sustainable turnaround/good performance?	Measure the results – have sound performance indicators, set and agree on clear targets and track accordingly – I you see any deviation raise alarm. That is why we quickly went to parliament to raise alarm when we found we were losing money on some routes.	
C1	How would you compare the key drivers to private sector turnaround situation? Follow on question: What would be the key drivers to private sector turnaround	In SOEs there are: ▪ Competitive approval delays which make it difficult in competitive markets. ▪ Additional complex legislative requirements. In private sector key decisions are formulated by executive management and taken to board for approval following which they are implemented. On the contrary, in SOEs executive management recommends to Board, which then takes it to the Minister and then to National Treasury – this take long to get decisions finalised. ▪ Complex unions that are difficult to deal with – require careful approach given the political environment. We can't trim workforce. We need to be extremely considerate of the unions because if we are not it will be escalated to parliament and it will be taken back to our shareholder Ministry – so the political environment and the amount of pressure is high. Am not negative of unions – it's just that it is a different environment. ▪ Money, the bottom line.	
C2	What informs differences key drivers between private & public sector?	In the private sector, the shareholder will be the board, and there is no confusion and clarity on board playing an executive role. The shareholder is hands-on, and the board is hands-on. -…… in SOEs there are too many cooks. Board and EXCO work hand in hand and there are no other parties. Board is reviewed every 1-2 years on its performance and replaced if it is useless. Secondly, PFMA does not apply to private sector – so you can be mean and lean.	
C3	How do differences in key drivers influence turnaround approach?	One has to be sensitive to the local environmental circumstances.	
D1	Do you consider institutional factors to affect SOE turnaround? How so?	SOEs have two-legged mandate – not profitability but sustainable and developmental. It's a challenge – I feel for Post Office, not a viable entity, must be subsidized – e.g. their office in Venda needs to sell stamps and needs infrastructure but the selling o stamps does not generate revenue enough to pay for the infrastructure. Reason for SAPO existence needs more subsidy. Developmental mandate is growing but I do not know if their subsidy is growing. Developmental mandate not always funded and that is why we were able to ask government to either pay us for the developmental routes or we cancel the routes. "*Because you can't tell us to go to Beijing and we lose R1 billion a year and ask us to break even*". Big developmental routes are political. We succeeded to cancel these routes when we became under the NT as the shareholder department. We still have a few developmental routes where we are making a loss but are commercially informed – the big political ones are cancelled. We struggling to get approvals from DPE. It's understandable as government had sensitive commitments under the BRICS partnership agreement – it could not just ignore BRICS partnership growth promises pronounced by the President. To cancel we had to put a financial business case and as a high profile SOE government could not allow to keep bleeding. These impose tough political restrictions.	
D2	Which institutional factors most affect SA SOE turnaround?	Board appointment, legislation [PFMA] and political environment.	

#	Brief Question Description	Response	Preliminary Comments/ Notes
	Follow-up question: In your view, what would need to change in the PFMA?	Change in terms of the consequences for non-action – it's one sided – it punishes people for wrong decisions but not for lack of action. It does not promote risk taking and thus kills innovation and risk tolerance. Look, the person who decided to directly fly to Sydney was suspended. When deciding on new things no one knows exactly, one relies on models, it's not exact. PFMA does not reward risk taking.	
D3	How do the institutional factors affect SA SOE turnaround?	Big. If I look at Comair procurement strategies versus our own – it's crazy – they are lean and mean. We have to empower military veterans etc. Not that it is not important, but it does not level the playing field – it adds about 10% to our aircraft costs because of red tape, laws and PFMA.	
D4	What is your view of: local culture & norms; country history; labour relations; ubuntu; unionism; legislative framework; & political ideology on SA SOE turnaround? Follow-up question: What would you change about the SAA board?	Because of the competitive environment, people (employees) think like private company than SOE – we do not work the 8-5 day. If you ask people here whether they work for government, they would say NO, we work for SAA. I would have more people – currently there are only 3 people on the board – with small boards the difference between EXCO and Board is very little – you have a board that functions like EXCO – roles become blurred. Being a commercial entity, I will also have many of them strong from a commercial background to support the kind of thing required in corporate.	
E1	In your SOE turnaround work, did you use generic turnaround frameworks? Follow up question: Would generic turnaround frameworks work in the SOE.	That I can't say – the guy who did the original LTTS was a consultant with many, many years of experience. But here and there we could have used generic frameworks – we customised our own South African environment – We have a unique operating environment: that is semi-government, have a developmental mandate, PFMA, difficult governance environment and also competing in free market. I cannot think of which generic frameworks to use – Look, you can take some aspects from different strategies out there but you still need to customise them. But if you can create a basic guideline on how to turnaround a company – you can read a great book titled: '*Great boss dead boss*". ❖ Book explains human behaviour in a turnaround – written by a South African on an American company.	
E2	Were the frameworks effective & what were the key elements of the frameworks you used?	NA – Not sure, think customised generic turnaround frameworks rather than apply frameworks.	
E3	Would these frameworks have worked better in developed economy contexts?		
E4	Why would the frameworks work better in developed economies?		
F1	Kindly narrate how the turnaround strategy was implemented? Stress the critical points of the implementation process.	One needs to keep focused on the goal in turbulent times, some prefer to focus on rocks rather than the destination. I sit on EXCO to keep executives informed of the progress and everything aligned [*hands-on*].	
F2	Was the turnaround successful? What indicators of success did you use?	LTTS is beginning to yield results. Now we have losses coming down, projects are ongoing etc.	

#	Brief Question Description	Response	Preliminary Comments/ Notes
	Follow-up question: *How do you define successful SOE turnaround*?	Sustainability, If we get…, I do not need to have this crap of being here, look, I love my country [*expressing frustration*]. SAA is such a core part of SA, if we close it down, as you here people saying, we lose a lot. SAA supports a broad range of sectors, capabilities and the GDP. Private sector (international players) will outsource most of what SAA does here – taking away jobs and opportunities. Sustainability means being able to pay one's owns debts and operate.	
F3	What influences turnaround success more: strategy crafting or implementation?	Both.	
F4	What challenges did you encounter during implementation phase?	Leadership instability, board movements, small board, and high employee turnover – you have to keep training people to keep new people in tune, mitigate external factors such as exchange rate challenges [*fuel hedging*].	
F5	Was turnaround process able to create a sustainable firm?	[Turnaround still in progress]	
G	Any additional comments not covered in interview?	I think your questionnaire covers most of the critical things – will you be able to share your results. ---Yes!	

Appendix V: Framework Testing Case Studies

CASE STUDIES FOR FRAMEWORK TESTING

INTRODUCTION

The study, as outlined in the Research Design and Methodology section, chapter 4, followed a reflective and coupled approach, where the main output, an SOC turnaround framework, would be tested and validated using selected successful SOC turnaround cases. It is essential, prior to use in the framework validation, to provide succinct background information of each case study in order to place each case study in the broader context (Budgell, 2008). This chapter, therefore, provides background description and context of each of the two case studies used in the validation of the SOC turnaround framework developed from the research.

Structurally, for each case, the chapter first describes the SOC, core business, mandate(s), performance, as well as the entity's role in the South African economy. Focus is then directed towards the period of decline, looking at the causes of the decline and the time turnaround was initiated. Finally, the chapter provides a description of each organization's turnaround program, the key elements, initiatives and measures applied; and a review of the key drivers or game changers for each organization's turnaround success.

As per design, two case studies were used to validate the findings. The two case SOCs used to validate the findings are Johannesburg Water SOC Ltd and the Land Bank SOC Ltd. The key factor underpinning the selection of each SOC for this role, outlined in section 4.2.3, is that the SOC should be a South African enterprise that implemented a successful, sustainable turnaround. Additionally, as is required of ethical research and by the university, the SOC should formally grant the researcher informed consent to use the firm as a case study in the research. Consistent with the requirements, the SOCs underwent successful turnarounds and formally granted the researcher consent to use the entities in the study.

The SOCs also assisted and provided rich information and on their background turnaround programs. As with Phase I of the study, informed consent was obtained from each of the five participants who gave in-depth interviews, with agreement and

pledge to keep their identities and confidential. It is also important to highlight that both firms granted the researcher formal authorization to disclose their identity. These firms and their turnaround experiences are described hereunder.

CASE I: TURNAROUND OF JOHANNESBURG WATER SOC LTD

This case involves the turnaround, between 1998 and 2008, of an underperforming water and sanitation division within the City of Johannesburg through the creation of a corporatized entity, Johannesburg Water, and giving it the freedom to operate as a commercial enterprise. The corporatization process was supported by enlisting private sector support using the contracting model in which a private firm, the Suez Group-led consortium, was awarded a management contract in the early years of the turnaround to operate and manage the newly established utility, thereby anchoring it on a sound and viable footing (Van Rooyen, 2009) with good corporate performance.

Background, Formation & Mandate

Johannesburg Water SOC Ltd, hereafter called Joburg Water, is a wholly-owned entity of the City of Johannesburg. Its primary role is to provide water and sanitation services to the City of Johannesburg. The utility was incorporated in 2000 as an autonomous, private firm registered under private law, the then 1973 Companies Act. It commenced business in January 2001 (Smith, 2006). Through corporatization, Joburg Water was designed and structured to conduct business like a normal, commercial company with latitude to: do its own billing for services; collecting its own revenue; assuming debt for capital projects and making capital expenditures to improve and extend services (Van Rooyen, 2009). From inception, Joburg Water was meant to be self-sustaining and financially viable without huge tariff increases that would burden the citizenry and potentially resisted by society (World Bank, 2010).

Joburg Water was formed as part of the transformation of Johannesburg Metro. The Metro had just been formed through consolidation of 13 separate local government administrations that were historically divided along racial lines in the apartheid regime (Van Rooyen, 2009). Joburg Water was formed through the amalgamation of seven utilities which incorporated townships, the historically marginalized parts of the city (Smith, 2006). At its formation, the shareholder (City of Johannesburg) was in financial

trouble and on the brink of bankruptcy (Van Rooyen, 2009; World Bank, 2010). In particular, the water and sanitation services departments were practically bankrupt by the year 2000 (World Bank, 2010).

Joburg Water is classified as a Schedule 3 provincial municipal enterprise in terms of the Public Finance Management Act (1999), and, though it predates the Act, its finances are governed in terms of the Municipal Finance Management Act, Act 56 of 2003. The firm was set up to be the water services provider for the City of Johannesburg – with a primary mandate to provide quality, efficient and reliable water and sanitation services to a strategic commercial centre (of 4.5 million people), an economic hub for Gauteng Province, South Africa and even the African continent (BSIV Joburg, 2015; Johannesburg Water, 2015).

Location, Socio-Economic & Geo-Political Context

Johannesburg covers 1 650 km^2, and resident to 4.5 million consumers (Smith, 2006). To put the city's significance into perspective, it is noteworthy to highlight that Johannesburg is a world-renowned metropolis and economic hub – ranked the 27th largest city economy globally. The city generates 17% of South Africa's gross national product – an economic output that outranks all economies in Sub-Saharan Africa except for South Africa, Nigeria and Angola (BSIV Joburg, 2015) – and employs 12% of South Africa's national workforce (Van Rooyen, 2009). These statistics relay the pivotal position and role the City of Johannesburg is and how critical the functions and responsibilities of Joburg Water are in maintaining and sustaining the city's socio-economic life through successful provision of water and sanitation services.

However, prior to the dawn of democracy in 1994, Johannesburg, like many parts of South Africa, was a place of two contrasting economies, a predominantly white community with high incomes living in the affluent northern suburbs, juxtaposed with poor, mainly African, households living in townships and earning well below the national minimum household subsistence level (City of Johannesburg, 2001). The metro's inequality and race-based differentiated service offering left Johannesburg polarized (Smith, 2006). As evidence of inequality, Johannesburg's Gini coefficient

averaged around 0.60 (HSRC, 2014), reflecting high levels of imbalance and signalling inherent differences in ability to pay for services such water and sanitation.

These imbalances extended to provision of water and sanitation services in the city, with the wealthy and middle classes served by modern and functional infrastructure. On the contrary, lower economic classes did not have good infrastructure. They also struggled to pay for services. Concomitantly, the newly established metro, in efforts to balance historical disparities, struggled to provide quality, affordable and sustainable services to all residents. In addition, the city was faced with a myriad of complex challenges, including: continued expansion of the city at an exponential rate stimulated organic growth and in-migration; rapid development of informal settlements that made it difficult to service communities; limitation of water resources, against growing competing requirements, as the Metro, including the Gauteng Province, is mainly supplied by water resources imported from Lesotho and the uThukela catchment in KwaZulu Natal (Dipenaar, 2015); and pressure from expectant previously discriminated communities. The new Metro had the challenge of intricately balancing these divergent, yet critical requirements, in an environment where there were very limited financial resources. As such, an innovative solution that would turn the city's water and sanitation services provision, amongst others, was required.

Johannesburg Water - The Business

Joburg Water's core business is to provide drinking water and wastewater services to the people in Johannesburg jurisdiction. The utility annually purchases 480 000 megalitres of purified water from Rand Water, a statutory water board in the region, and distributes it to end-users through 9 800 kilometres of distribution network and 100 reservoirs and water towers (Smith, 2006). In addition, the utility was responsible for the collection, treatment and disposal of 310 000 megalitres, annually, of wastewater through 920 kilometres of sewer network, seven wastewater treatment works and two sludge handling facilities (Smith, 2006). Closely linked to these two key functions, the utility is also responsible for infrastructure rehabilitation and maintenance, client billing, metering, revenue collection and credit control.

Institutional and Governance Arrangements

To facilitate performance improvement, Johannesburg Metro adopted the contracting model of city governance – separating the responsibilities of policy-making and operations and implementation (Van Rooyen, 2009). In this case, the Metro retained the regulatory role while enlisting private sector help to create a corporatized business-focused utility in the form of Joburg Water (World Bank, 2010). The management contractor was sourced through soliciting bids, which was won by Suez Group led joint venture named Johannesburg Water Management (JOWAM). This governance structure provided for the utility to conduct business as a normal, commercial firm, with capacity to bill for services and collect own revenue, assume debt for capital projects, as well as making capital expenditures. Notably, Joburg Water would operate without subsidies (World Bank, 2007). Structurally, the utility would be led by an independent Board accountable to the City, with Executives, in turn, appointed by Board.

To entrench corporatization, Johannesburg Water entered into two agreements with the city, namely: (i) a Sale of Business Agreement which facilitated the transfer of the then Greater Johannesburg Municipality Council's water and sanitation infrastructure assets to the newly-formed utility at a cost of R1.5 billion, including the transfer of a 2 500 strong employee contingent, and (ii) a 30-year Service Delivery Agreement (SALGA, 2011; Smith, 2006). The asset transfer arrangement enabled Joburg Water to have a balance sheet and skilled manpower to conduct its business, while the service delivery agreement provided a ready and guaranteed project pipeline and business for the new entity.

Early Firm Performance

As Joburg Water was formed through the merging of disparate municipal entities with opposite financial capacities, it struggled initially to post good performance – meaning the entity's early performance was poor. It is reported that the municipality's water and sanitation services department was technically bankrupt by 2000 (World Bank, 2010). Several factors contributed to these challenges as articulated below.

First, the newly-created utility inherited considerably poor service track record, especially in the former townships. Second, the new enterprise operated without

cohesion and initially functioned without any systems or coherent institutional structures. This scenario was influenced by the fact that initially, Joburg Water comprised five different municipal council water administrations with very different approaches, most of which had little regard for customers (Smith, 2006). The impacts of entity's fragmented approach were exacerbated by a severe bureaucratic culture, poor accountability for results, low employee motivation (World Bank, 2010), poor customer service and numerous operational problems (Suez Environment, 2010). Third, the management contractor, JOWAM, was initially given control to only 30% (14 000 customers) of its revenue source, with the city retaining control of most customers (World Bank, 2007). The utility was given more control only three years later, in 2004, gaining control of 60% in terms of meter reading, pre-edits of billing, credit control and revenue control function – provisions that were originally agreed to in the Service Delivery Agreement (Smith, 2006).

These challenges resulted in low operational and financial performance by Joburg Water – with capital projects encountering time and cost overruns (World Bank, 2010). In particular, the newly formed enterprise met numerous wastewater treatment systems problems. Consistent with these challenges, as aforementioned, Joburg Water's financial performance declined, resulting in the enterprise being technically bankrupt at the point its creation (World Bank, 2010). The historical underperformance of the city and the continued poor operational and financial performance of Joburg Water indicated the need for a turnaround program.

The Turnaround Program

Joburg Water's turnaround strategy was anchored on a management contract. This involved outsourcing the services to a capable private sector entity through a private-public partnership arrangement. The model used an established and capable private firm to help set-up an efficient operation (Van Rooyen, 2009) and help build in-house capacity. Other key elements of the strategy include: establishing and entrenching sound operation systems and processes; ensuring best practice, appropriate expertise and experience level in the turnaround team; and application of performance-based incentive scheme to improve efficiency (SALGA, 2011; Van Rooyen, 2009).

The strategy also strongly emphasized financial discipline and control, including engendering a holistic look at the business. As such, measures were taken to increase revenue streams and curtail and control costs. Financial turnaround focused on:

- Reducing levels of unaccounted for water (water losses).
- Improving payment levels through enhanced revenue collection.
- Efficient cost management through zero budgeting (SALGA, 2011).

It is important to note that, not long after starting operations, Joburg Water experienced difficulties that resulted in financial losses in 2003 the utility incurred a deficit of R400 million (Van Rooyen, 2009). This was related to the limited number of accounts that had been transferred to the utility by the shareholder. Johannesburg Water negotiated for a revision in the number of accounts it would be responsible for, a development that spurred improvements it's the utility's financial performance.

Outcomes of the Turnaround Program

Broadly, Johannesburg Water's turnaround was a success, especially when viewed from a background where it, as the former Water and Sanitation Services Department, was technically bankrupt in 2000/01. Specifically, under the management contract, the turnaround team significantly improved service delivery across several performance areas including establishing a financially viable utility with improved capital expenditure. **Figure A. 1** illustrates the move to profitability of the utility under the turnaround program. Beyond financial stability, other critical areas that experienced improved services because of the turnaround include: basic services provision; water and wastewater quality; organizational efficiency and effectiveness; customer responsiveness; black economic empowerment and transformation; and human resources capacity. These improvements are articulated in the following sections.

Financial Performance

Financially, Joburg Water turned from a loss making and nearly bankrupt institution as a water and sanitation services division of the Metro and at the beginning of the management contract around 2001 to a financially stable utility from 2005/06 onwards.

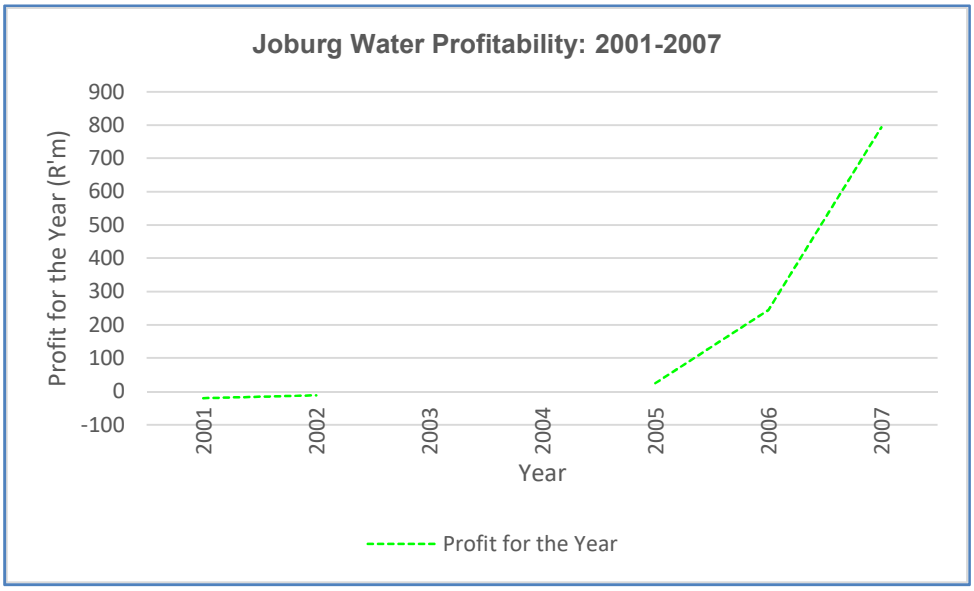


Figure A.1: *Johannesburg Water profitability analysis – 2001 to 2007*

From posting a huge loss in 2003, the utility was back to financial health in 2005, turning out a small profit (R24 million) and subsequently posting above R700 million profit in 2007. The water utility also, through the turnaround, achieved a cash balance in excess of R600 million in 2007. It is noteworthy to underscore that this was achieved without any employee lay-offs (World Bank, 2010). The utility managed to consistently post strong profitability and positively move towards independent business sustainability (Johannesburg Water, 2010). From a governance perspective, following receiving qualified audits in each year, Joburg Water obtained its first unqualified audit in 2007; this has been successfully maintained since then.

Operational Performance - Service Delivery

In terms service delivery, the utility improved access to rudimentary water supply from 97.2% in 2002 to 98.7% in 2006. Similarly, over the same period, rudimentary sanitation increased from 89.3% to 94.1%. The quality of water and wastewater also improved, all exceeding the set 95% SABS standard for E.Coli/100 ml count. As of 2005/06, 67% of Johannesburg Water's wastewater treatment plants were achieving 97% compliance with licensing conditions (Van Rooyen, 2009). The utility also improved the efficiency and effectiveness of its water and wastewater systems, reducing costs by a high 70% over the management contract period and posting

savings amounting to R34 million. The frequency of water quality monitoring increased from 150 samples to 500 samples per month. This improved quality assurance (*ibid*).

Customer Responsiveness

The turnaround also improved customer responsiveness following the establishment of a dedicated customer centre with 24-hour call centre. Through the call centre, by 2006, all customer queries were being dealt with better than before as proven by customer satisfaction surveys. Unlike in most private sector turnarounds, Joburg Water's employment number increased over the transformation period, increasing from 2509 in 2001 to 2663 in June 2006. Essential and critical to underscore was the commendable skills transfer that occurred during the management contract period.

Close review of Johannesburg Water shows that the turnaround was positive, managing to save a virtually bankrupt entity into a financially viable and operationally sound utility. Evidence also show that the turnaround was sustained beyond the management contract period with surplus and sound cash flows beyond 2007.

Joburg Water Turnaround Drivers

Joburg Water's turnaround success was influenced by several key drivers, including: presence of a viable business; selection and use of a good functional model; some semblance of autonomy; presence of supporting high-level political commitment; single-mindedness towards accomplishing the objective; presence of a professional working environment for the contracting party without undue interference; and the human resource factor. These drivers are described in the following sections.

Presence of a Viable Business

Johannesburg Water had the strength of a viable, monopolistic water and wastewater services business, with a guaranteed client base of 170 000 accounts (World Bank, 2007). As the only approved supplier of these two essential services, the business had no competition at all. In addition, World Bank (2010) underscores that, unlike in most third world countries, Johannesburg Water inherited infrastructure in fairly good condition, allowing the utility to focus on improving staff management and developing a new corporate vision towards entrenching operational efficiency and customer focus.

It is, however, important to highlight that Johannesburg Water did not get access to the full client base of 170 000 accounts, but initially only got the top 14 000 accounts that accounted for 30% of the revenue base, and a further set in 2004, after protracted negotiations, that increased the percentage to 60%. Inability of Johannesburg Water to control a larger proportion of its revenue base compromised its viability and ability to effectively turnaround the business (Smith, 2006).

Selection of an Appropriate Functional Model

Consideration and application of a contracting model was well thought and instrumental in Johannesburg Water's turnaround. With the country having just transitioned from an apartheid regime, institutional structures not yet well established and with the extra burden of highly expected transformation following the first democratic elections, there was limited internal capacity and expertise to pull together such a turnaround. The task was particularly complex given that it came at a time when City of Johannesburg had merged with many separate local government administrations that were divided along racial lines (Van Rooyen, 2009). The corporatisation model, applied in a setting guided by strategic direction of the Metro, iGoli 2002 strategy, played a major role in promoting collaboration from most stakeholders (World Bank, 2010), with the resultant positive turnaround outcome. Notably, the iGoli 2002 strategy was designed to resolve the city's financial and organisational problems. It focused on five key issues, namely: financial stability; service delivery; frameworks of accountability; administrative efficiency; and political leadership. Corporatisation was further enhanced through a private public partnership management contract with the Suez Group led consortium. The approaches infused operational autonomy, international best practice and management expertise in critical areas of the business – elements that are important for professional operation.

High-Level Political Commitment & Support

The City of Johannesburg shareholder representatives approved and supported the use of a management contract model for the turnaround despite intense and relentless criticism and opposition from labour unions. The Metro leadership, without any external influence, displayed strong sense of ownership of the model choice to bring in an experienced private operator. Were it not been for the strong political

commitment, with the union pressure, it would have been impossible to use private expertise in the turnaround of a public entity.

Utility Autonomy

The creation of a corporatized water utility, structured and managed along the companies Act and private sector principles provided for some separation of authority between the firms and its operations and Johannesburg Metro. Clearly, the creation of Johannesburg Water under the Companies Act empowered the utility to "run like a business" with its own board of directors (Smith, 2006). In this set up, the City played the role of a facilitator and a regulator. In the early years, the utility's operational autonomy was further enhanced by use of a private public partnership arrangement using Suez Group led management contract. The separation of functions played a significant role in allowing Johannesburg Water to focus on improving the business's operational efficiency.

However, several authors (see Smith, 2006; World Bank, 2007; Van Rooyen, 2009) indicate that Johannesburg Water did not get full autonomy. Particular autonomy challenges related to the city not transferring the number of accounts agreed to in the Service Delivery Agreement and the blanket policies that the city expected to be implemented across its institutions regardless of relevance to the utility. Lack of accounts transfer compromised Johannesburg Water's revenue, profitability and viability. Expecting utilities to implement city policies without selection affected utility costs – one case used to explain this is the city's HIV/AIDS policy for all staff provides a good example. While sensible for the city, the relevance of the policy to Johannesburg Water's primary business could be questioned. A fully autonomous entity should have the discretion to choose whether or not to implement this policy, after assessing its value-add, cost implications and business relevance.

Having & Focusing on a Single Clear Objective

A review of the way performance targets and were designed and tracked shows clearly that the turnaround program was crafted with a single clear objective of establishing a viable, corporatized public water utility. Clarity of purpose supports effective delivery of objectives. Literature shows that, often, SOCs are given multiple and often

conflicting mandates that are difficult to effectively execute. The single clear objective, therefore, contributed to the successful turnaround of the utility.

Lack of Political Interference

It is acknowledged that the management contractor was able to perform its function well as it worked in a conducive, professional and enabling environment. The city authorities refrained from interfering with the day-to-day management of the utility. World Bank (2010) acknowledge and commend the professional way City of Johannesburg Authorities professionally conducted themselves and supported the management contractor in this turnaround. The bank singles this as one of the instrumental factors for the success as literature identifies this as a key bottleneck in the administration of public entities including SOCs. Instead, the Metro appointed competent executives to support and complement the management contractor in the corporatization of Joburg Water as part of the turnaround. The two parties built a relationship of trust – a critical ingredient when managing a turnaround.

Human Resources Lever

Skills development and capacity building of local personnel by the managing contractor formed a critical element of the turnaround. This was designed to ensure local personnel are trained with a view to assume key responsibilities in future. As such, the managing contractor brought in a considerable contingent of expatriates during the beginning of the turnaround to ensure rapid transfer knowhow. Specifically, JOWAM, the management contractor, brought 13 executives and experts to facilitate rapid skills transfer to build internal capacity and change to the utility (World Bank, 2007). A competent management team from the city was gradually trained and slowly replaced the expatriates in positions of responsibility (World Bank, 2010). Notably, unlike traditional turnaround programs, the corporatisation and the turnaround process did not lead to employee lay-offs (World Bank, 2007). The approach shows that employees were treated as critical assets and partners in the ongoing turnaround.

CASE II: TURNAROUND OF THE LAND BANK SOC LTD

The Land Bank case study highlights the operational and financial turnaround of the country's long serving agricultural financier during the 2003 to 2012 period. Decline for the bank surfaced in early 2001/02, after the institution of transformation processes following the 1995 Strauss Commission's review into the Provision of Rural Financial Services (Mazwai, 2006). The transformation process, initiated in 1997, involved: broadening the bank's mandate, modernizing the bank, making the bank more inclusive and deracializing the bank (Land Bank, 2016). However, the transition encountered some operational and financial performance snag, dragging the bank into financial distress for some years, until successful turnaround around 2009/10.

Firm Background, Role and Mandate

The Land Bank is a wholly government-owned development finance institution established in 1912, under the old Land Bank, Act 18 of 1912. The Bank was formed to be a government delivery agency in the agricultural sector and, primarily, to promote rural and agricultural development. In a democratic South Africa, Land Bank has a broader focus with expanded scope that combines financial and non-financial rural agricultural economic development issues (Xingwana, 2007). The Bank pays attention to emerging farmers and rural small and medium-sized agricultural business. The bank is now controlled through the provisions of the Land Bank Act, Act 15 of 2002 and PFMA guidelines. Land Bank aspires to be a world-class agricultural development bank, is a key sector player and the financial backbone for agriculture, providing both retail and wholesale finance to emerging and large-scale commercial farmers.

As is common to SOCs, Land Bank has a dual mandate designed to address both commercial and social obligations. This mandate is supports, promotes and facilitates the development and transformation of the country's agricultural sector through the objects of the Land Bank Act (Impumelelo, 2016). Key elements of the social mandate include: making the bank more accessible to the broader South African community, contributing to rural development and stability, promoting social upliftment, job creation, and bringing on board famers from the historically marginalized (Land Bank, 2016). In addition, the Bank drives broader developmental objectives, including maximizing agriculture's contribution to economic growth and social development,

advancing food security, environmental protection, and promoting rural development (Didiza, 2005). One pivotal approach applied by the bank to promote developmental objectives include its dedicated commitment towards supporting the implementation of the Agricultural Black Economic Empowerment framework.

Governance and Institutional Framework

In terms of the PFMA, the Land Bank is a Schedule 2 state-owned enterprise with governance arrangements that give it autonomy. This governance structure also enables the Bank to align its strategies with government policy (National Treasury, 2015). Traditionally, the Bank's shareholder representative has been the Ministry of Agriculture, Forestry and Fisheries as represented by the Minister, who is the Executive Authority. However, during the period of distress, the Ministry of Finance, as represented by the National Treasury, became the shareholder representative. Although self-funding, the Bank also reports to Department of National Treasury. The Bank is governed by a Board of Directors, appointed by the Executive Authority (Land Bank, 2008a), and is the Accounting Authority, having overall responsibility and control over the financial position, operation and management of the entity (Land Bank, 2016). It follows, therefore, that the turnaround strategy is driven by the Board with Executive Management responsible for the daily operations and strategy implementation.

The Board comprises majority non-executive directors and a few executive members, including the Chief Executive Officer. The Board is accountable to the Executive Authority, the Minister, for the Bank's performance. The Board constitutes a key base for the application of corporate governance within the Bank. As aforementioned, Land Bank is governed by and adheres to the statutory provisions of the Land Bank Act of 2002, the PFMA and other pieces of legislation governing the banking and the financial sector. Further, the Bank subscribes to the Code of Corporate Governance for South Africa, the King Report on Corporate Governance (Land Bank, 2008).

Firm Performance and Era of Decline

Following the release of the Strauss Commission in 1997, Land Bank, in response to the Commission's recommendations, broadened its service coverage, while the government, likewise broadened the bank's mandate – including contributing to socio-

economic development. In line with these changes, the demand for agriculture finance support increased, as well as the impact of the new requirement to incorporate the previously disadvantaged communities. By 2003/4, the bank's financial performance began to show signs of weakness, with leadership observing the need for measures and strategies to turnaround the bank.

Beyond 2003/04, the Bank consecutively posted net losses four years in a row beginning with the 2004/05 financial year results. Similarly, the Bank received successive qualified audits from the auditor general over the same period (Van der Merwe, 2007). Financial losses were attributed to declining interest income influenced by a poor-quality loan book that concomitantly resulted in huge impairment losses over the period. The value of non-performing loans, as a percentage of the total loan book, increased to 11.4% in 2006 (Land Bank, 2006), escalating to 15.5% in 2007, all breaching the set target for 2007 of below 5.7% (Land Bank, 2007). To put the severity into perspective, the country's non-performing loans in 2007 and 2008 averaged 1.1% and 1.4%, respectively (World Bank, 2016).

In addition, non-performing loans forced Land Bank to make significant impairment provisions and bad debt write-offs starting from 2001/2002. These impairment provisions and write-offs seriously reduced the bank's capital levels, dropping 65% from R3.1bn as of 31 December 2001 to 1.1bn on 31 March 2006 (Van der Merwe, 2007). Further, Land Bank's overdraft grew from zero in 2004 to R1.4 million in 2005, escalating to a high R208 million in 2006 (Bank, 2005; Land Bank, 2006). The bank's poor performance was also manifest in other financial indicators. For example, the institution's return on assets (ROA) and return on equity (ROE) were very low and at times in the negative during the period. Notably, the bank's capital adequacy ratio (CAR) was lower than the target of 8.8%. As of 2007, the minimum required total CAR applicable to all banks in South Africa, in terms of the Banks Act of 1990 and in terms of the South African Reserve Bank, was 10.0%, while the minimum required tier 1 CAR was 7.5%.

Further, with declining company performance, the bank's staff morale deteriorated, evidenced by a high employee turnover which rose to 27% in 2007/08. This Bank's

staff turnover compared to an industry average of below 9%. The excessive rate of employee loss concomitantly led to elevated vacancy levels, in particular, affecting a high number 114 critical positions by 2008 (Land Bank, 2008b). All these adverse circumstances foreshadowed the existence of deep uncertainties which put to question the bank's ability to continue as a going concern.

The Turnaround Program

In response to the poor firm performance articulated above, Land Bank instituted a turnaround program to rescue the financing institution from collapse. In this effort, the bank underwent two turnaround initiatives. The first turnaround program was instituted in 2004 (Bank, 2005), with support from McKinsey Consulting who helped the bank in crafting the strategy. Sadly, the early turnaround attempts did not yield tangible results, as the bank continued sinking deeper into crisis. A revitalized turnaround initiative began in the 2007/08 financial year following a drastic change in leadership and more direct intervention from the National Treasury. This section articulates elements of the bank's turnaround programs, especially the successful program. For completeness, the section starts with an overview of the first turnaround strategy.

Failings of the First Turnaround Strategy

Although crafted with the assistance and input from a well-renowned and reputable consultancy firm, McKinsey Consulting, the first strategy failed to yield positive results and reverse the bank's decline. Multiple causes led to the strategy's failure, including:

- A severely damaged reputation and image.
- An uncompetitive operating model.
- Growing loss of commercial clients migrating commercial clients.
- High operating costs.
- Lack of core business and management processes.
- Ineffective strategy implementation (Land Bank, 2008a, 2008b).
- Competition from established, strong and agile commercial banks.
- Weakening stakeholder confidence.

These plethora of problems and strategic missteps resulted in the bank remaining in decline and with limited signs of improvement. In particular, in the 2007/08 financial year, the bank struggled with numerous adverse operating developments including: low capitalization and sustainability concerns, high non-performing loans and write-offs, and migration of clients to the private sector (Land Bank, 2008a). These further compounded their performance challenges.

The New Turnaround Strategy of 2008

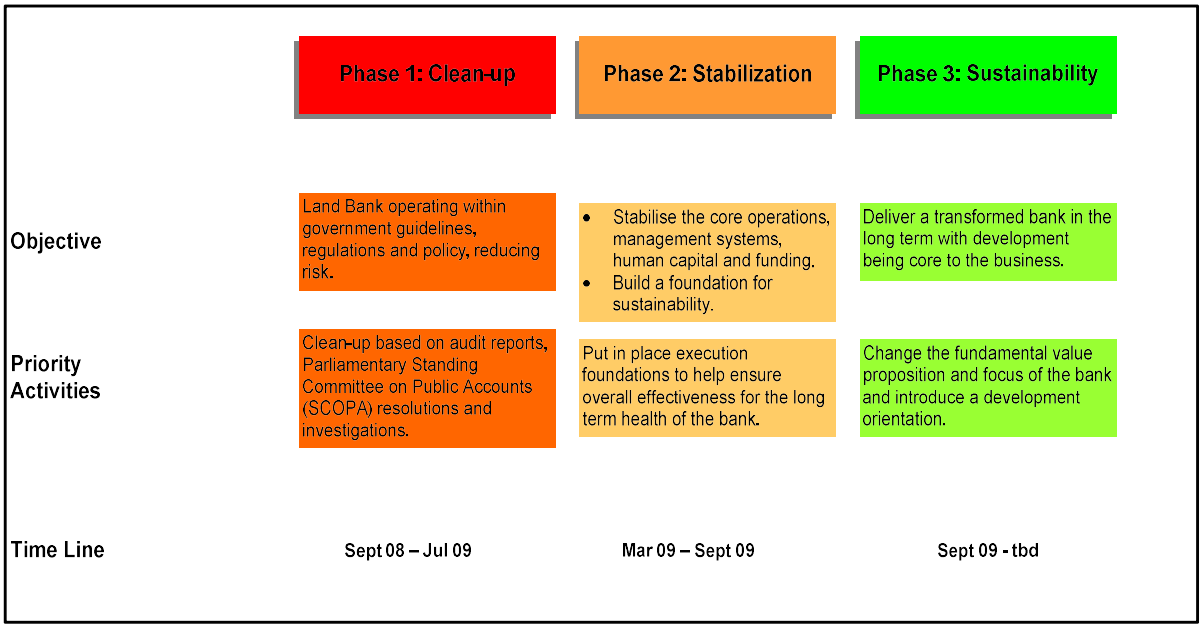
As the decline worsened, the shareholder changed the bank's leadership, starting with the Board in March 2008 and, in July 2008, an Interim Chief Executive Officer seconded from the National Treasury. The new leadership reviewed the previous turnaround strategy and the progress in its implementation. Using identified weaknesses, the new leadership reconfigured the strategy, crafting the New Turnaround Strategy of 2008/09. This strategy is described here below.

The new strategy comprised three process-related phases, namely the: clean-up phase; stabilization phase; and sustainability phase. **Figure A.2** shows the New Turnaround Strategy process architecture, highlighting the key phases, phase objectives, priority activities and implementation timelines. In terms of structural content, the bank's new turnaround strategy had a few elements that were uniquely different from the earlier one. First, the new turnaround was designed to be a holistic, across the board transformation. Second, to align the business with shareholder interests and core mandate specifications, the new leadership, unlike in the past, boldly adopted the development agenda as a core element of the business. It should be underscored that making development as core to business constituted a major shift in the bank's strategy and business model, a move that required innovative steering of the business, particularly in a turnaround situation. Adoption of development as core to business became the new strategic intent (see **Figure A.3**).

Outcomes of the Turnaround Program

Literature shows that, under the new leadership and the 2008 turnaround strategy, the Land Bank became stable and profitable. **Figure A.4** illustrates the profitability of Land over the turnaround period, moving from the red to the black starting in 2008 and

sustaining that long into the future. The turnaround strategy was declared successful by 2010 (Land Bank, 2010). The Bank posted its first profits in 2008/09 following four consecutive years of losses. Thereafter, the Bank went on to post profits in all the subsequent years – showing that the turnaround was sustainable.



Source: Land Bank (2008b)

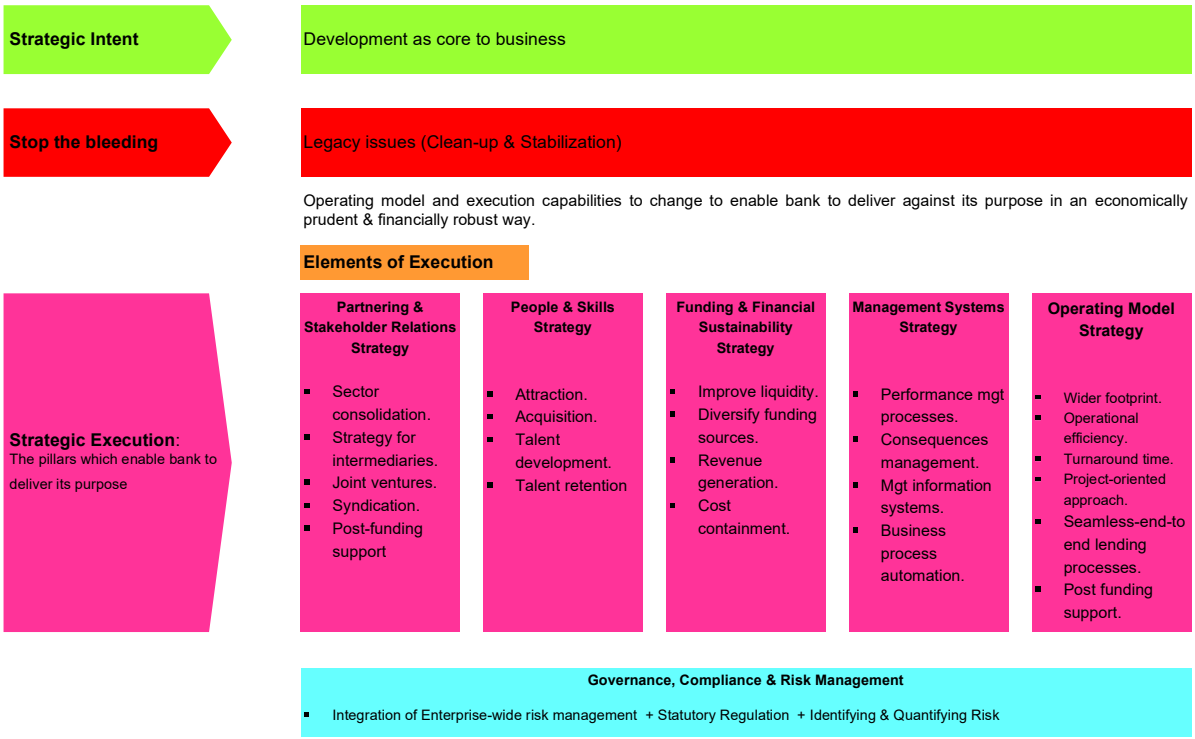
Figure A.2: *Summary of Land Bank Turnaround Strategy*

In addition, for the first time since 2002, the bank received a clean, unqualified audit, pointing to improved governance and overall bank operations. In addition, Land Bank's liquidity improved, with the Bank also having adequate cash buffer. Also, the quality of the Bank's loan book continued to improve. Other critical parameters that had significantly improved by 2010 include the Bank's capital adequacy ratio that grew more than 40% (Land Bank, 2010).

Land Bank Turnaround Drivers

Analysis of secondary data reveals ten elements as pivotal drivers to Land Bank's turnaround success. The pivotal turnaround drivers identified include: a capable leadership, sound alignment of business operations with formative legislation and regulations, mastery in strategic partnerships and stakeholder relations, effective deployment of a people and skills strategy, availability and effective use of cheap

bridging finance, emphasis of operational and financial sustainability and a healthy balancing of social and commercial objectives.



Source: Land Bank (2008b)

Figure A.3: *Key elements of the Land Bank turnaround strategy*

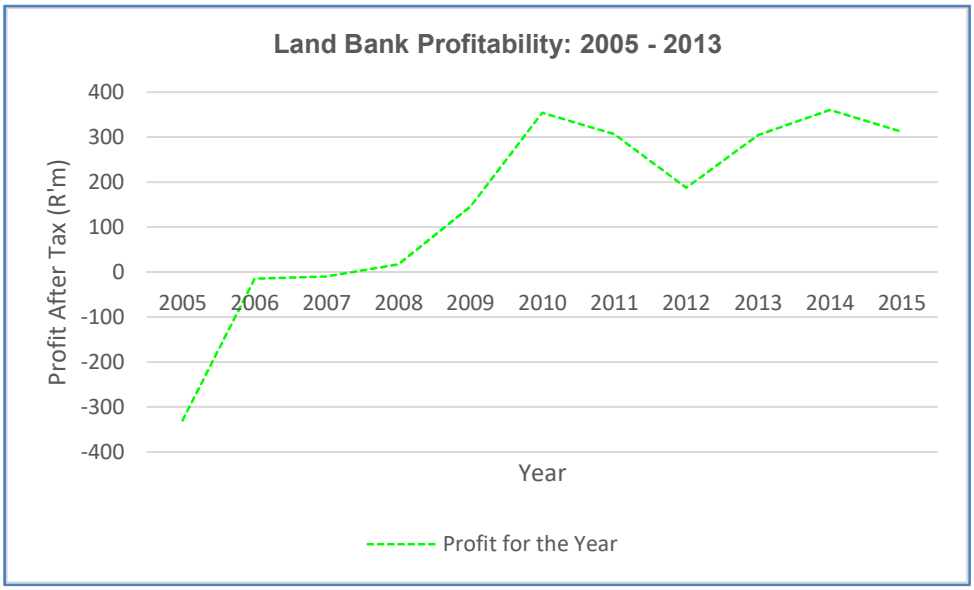


Figure A.4: *Profitability analysis of Land Bank between 2005 and 2013*

These seven pillars were supported by three equally important elements, namely: relentless drive for efficiency, savings and cost reduction; research and development for innovation; and risk management appropriately matched with the bank's risk appetite. The following sections articulate how these drivers influenced Land Bank's successful turnaround.

Effective Strategic Partnerships & Stakeholder Relations Management

First, the success of the clean-up phase required the bank, as one central intervention, to forge closer relationships with the Auditor General (AG) and Parliament's Standing Committee on Public Accounts (SCOPA) – two pivotal stakeholders within the South African SOC domain that hold significant influence on the entity's business and welfare. The AG conducts audits on SOCs and had given unclean audits to Land Bank since 2002. This points to a need to fully understand the AG's requirements and expectations of the bank to obtain a clean bill of health. Similarly, SCOPA has oversight responsibility on all public entities; even the Executive Representatives of SOCs accounting to it. In the past, the bank had failed to fulfil the SCOPA's recommendations resulting in loss of public trust and significant reputation damage.

The bank's move to forge closer working ties with both the AG and SCOPA ensured the removal of institutional dissonance that had become associated with the SOC. In addition, it led to the building of trust and credibility through unqualified audits and fulfilment of the requirements of oversight institution, SCOPA.

Management of Paradoxes: Healthy Balance of Social & Business Imperatives

While the Land Bank was continually declining, with growing losses and non-performing loans escalating, the cornerstone of the entity's turnaround was making development core to its business. In distress and decline moments, an institution often promotes revenue generating programs, yet most developmental agenda mandates are non-revenue generating – quite a complex paradox. In Land Bank's case the challenge included contributing to poverty reduction, increasing previously disadvantaged individuals' access to land, raise rural incomes and contribution to rural economy (Land Bank 2008a & 2008b) and, in practice, these are social non-income generating initiatives that do not contribute to profitability and/or financial sustainability.

As such, under normal circumstances these are often set aside to first stabilise a declining firm. It is acknowledged that since 1994, Land Bank had struggled to find and strike a healthy balance between its developmental mandate and the business requirement of running a sustainable institution (Trevor Manuel, in Land Bank, 2009).

Second, the bank opted not to retrench staff – one of the commonly selected strategies used to stem the bleeding in a decline phase – another paradox. As such, the bank managed to improve efficiencies without reducing head-count. Therefore, the successful implementation and management of such clearly paradoxical strategies by the bank's turnaround team is pivotal and instrumental to its turnaround success.

Aligning Business with Legislation and Regulatory Requirements

A common cause for qualified audits and attendant reputational loss in public sector institutions, including SOCs, relates to failure to meet statutory or regulatory requirements. This challenge is clearly evident at Land Bank, revealed through a series of Land Bank's qualified audits over the period the bank was in decline - that is, from 2002 to 2008. Pieces of legislation that SOCs usually fail to correctly align with and, therefore, stumble, include the PFMA and the specific corporation Act, the Land and Development Bank Act in the case of Land Bank. The piece of legislation governing the formation of a particular entity outlines the government's mandate to the state entity. Further specific government requirements are often prescribed to the SOC by the Executive Authority through Directives. In many cases, political principals have aspirations that are not quite in line with the legislated requirements, making it difficult for the SOCs to execute. Hadebe, in his 2009 CEO Report, acknowledged that, during the period of distress, Land Bank was unable to implement its development mandate as articulated in the Land Bank Act (Land Bank, 2009). These deviations from the mandate resulted in qualified audits and a drop in investor confidence in the Bank.

In addition, SOCs are required to correctly follow procurement, empowerment and social development enterprise regulations that stem from the PFMA. As corporatized entities, SOCs are expected to comply with the requirements of the 2008 Companies Act and the King IV governance requirements. Notably, the complex and intertwined plethora of statutory regulatory compliance requirements are extremely difficult ad

rather onerous to fulfil. As such, to achieve this requires the establishment and consistent maintenance of a dedicated, competent, experienced and ethical leadership that can nimbly wade through the complex regulatory maze and direct the organization to sound governance. Having such capability has the knock-on effect of routing out fraud and corruption in the enterprise. This, too, forms a key and pivotal driver for the successful turnaround of Land Bank.

Affordable Bridging Finance

Often, as articulated in section 3.4.1 of the main report, distressed firms struggle to access finance to effect the necessary changes. Characteristic of turnaround firms, during distress, Land Bank incurred significant losses for a number of years. Specifically, between 2001 and 2008, the Bank, except for the 2004 financial year, incurred losses for seven years (Land Bank, 2009). These perennial losses depleted financial resources, impairing the Bank's liquidity and viability. However, the Bank fortunately received a R3.5 billion capital injection from government. The capital injection strengthened Land Bank's capital adequacy and financial sustainability, enabling the Bank to accelerate service delivery, improve operations as well as build market confidence through improving systems and processes and enhancing management capacity. Armed with a sizable amount of bridging finance, as Keirulff and Petersen (2009) posit, the Bank had the flexibility to manoeuvre to stop the decline and effect recovery.

Deployment of an Effective People Strategy: The HR Lever

The new turnaround strategy was anchored on a critical set of capable human capital (Hadebe in Land Bank, 2009). It is, however, important to point out that a gap review towards the strategy development identified a lack of appropriate skills within the Bank (Land Bank, 2009:10). The turnaround strategy and approach, therefore, emphasized capacity building and resourcing the Bank with requisite skills and capabilities. As a key enabler to the turnaround, Land Bank designed an organisational structure that responds to its mandate and recruited capable personnel to drive the recovery.

At executive level, the Bank recruited several key personnel, including: a chief financial officer, a chief treasurer, a group operations and investment officer, a chief legal officer and a chief information officer. This new crop of leadership, together with the new

Chief Executive Officer (CEO), formed a core leadership team that conceptualized, crafted and guided the implementation of the Bank's turnaround. The executive leadership was supported by a strengthened layer of research and development, and together formed a formidable human resources lever, that as Srivastava and Bhatnagar (2008) point out, became the fulcrum upon which the turnaround was anchored. Resourcing the Bank with competent personnel was not only limited to top leadership, but across the organization as succinctly profiled by this statement from the 2009 annual report:

> "During this period the Group paid particular attention to improving its human capital management practices. All jobs were profiled, evaluated and graded with a remuneration strategy in place; a process culminating in improved organisational design and the filling of all critical vacancies. A talent management framework and a performance management system are now in place" (Land Bank, 2010: 10).

The Bank acquired the best talent and developed its existing staff – striving to be an employer of choice (Land Bank, 2008a). It is also critical to note that the Bank, unlike in most turnarounds, particularly in the private sector, did not retrench employees as a cost cutting and efficiency measure. Rather, the Bank recruited competent staff, thus stemming the high employee turnover and filling some of the 114 critical gaps that had opened up by 2008 (see Land Bank 2008b).

Capable leadership

Closely-linked to the HR-lever articulated above, Land Bank's turnaround was successful because it was steered by a capable leadership that as introduced as part of the new turnaround strategy. This corroborates the findings in the literature review, in particular the views of Harker and Sharma (2000) and Joyce (2004) and Lorkhe *et al*. (2004) who distinctly associated strong leadership with successful firm turnaround. In this light, Land Bank first introduced a new CEO who then recruited a new set of executive leadership following the designing of a new organisational structure in in the 2008/09 financial year (Land Bank, 2009).

Emphasis on Operational and Financial Sustainability

Central to Land Bank's positive turnaround was a relentless focus on ensuing that all

the Bank's lending applications promoted institutional sustainability. This was achieved through: (i) insisting and ensuring all new loan applications are self-sustaining and not reliant on continuous grant funding, (ii) ensuring all financing proposals exhibit commercial viability, and (iii) ensuring that, for each loan application, there exist a reasonable expectation that the Bank will be able to recover it.

The three initiatives undergirded the Bank's operational and, supported by the government's R3.5 billion capital injection, financial sustainability. It is important to underscore that this dedicated focus on organisational sustainability during turnaround distinguishes Land Bank from other turnarounds. Most South African SOCs in turnaround have failed to recover despite receiving government support and have continued to request for more capital injection, with some even failing to present their annual financial statements due to questionable going concern status.

Research and Development for Innovation

Capacity to innovate is known to be weak area in state enterprises – more so for those in distress. However, Land Bank, unlike many distressed firms, created a special research and development unit with the objective to inculcate and promote innovation. The research unit also strengthened the Bank's market knowledge in niche areas of agribusiness, enabling the Bank to broaden its opportunities and participate in the entire agriculture value chain (Land Bank, 2009).

Promote Efficiency Savings and Cost Reduction

In its recovery journey, Land Bank relentlessly pursued efficiency savings and cost reductions. These initiatives formed a core part of the Bank's stabilisation process. Cost savings were achieved through improved management of marketing activities and avoiding expenses not aligned with the Bank's operations and business objectives. In efforts to upscale its operational efficiency, the Bank persistently improved employee accountability. In addition, Land Bank discontinued the Land for Development Financing Unit as its loans came under increasing pressure, with additional impairments required.

Implementing Sound Risk Management

Astute risk management is a core element of any banking or finance institution.

However, one of the critical weaknesses informing the Land Bank's distress included persistent operating losses stemming from weak risk management and inadequate internal controls. In this vein, Land Bank improved its risk management by first defining its risk appetite and then matching it against the capacity of its balance sheet to withstand shock. In addition, the Bank created partnerships with other entities, for example other SOCs, to diversify its provision of services.

SUMMARY

The case studies presented in this chapter represent two of few successful South African SOE turnarounds; most distressed South African SOCs struggle to recover. These cases make interesting to review in that they represent SOCs sanctioned by both national government (Land Bank) and provincial government (Johannesburg Water). Importantly, review of publicly available data for the two cases reveal a spectrum of key drivers pivotal for South African SOCs to recover from distress. Notably, the identified drivers can be grouped into two distinct groups, namely:

- Drivers pivotal for SOC turnaround but are recorded in extant literature. These drivers have been widely researched and globally applied, particularly in private sector turnaround initiatives. Such drivers are still essential and necessary for successful SA SOC turnaround. However, they are not necessarily unique to either the South African context or the South African SOE sector. This group of drivers include: a viable core business; strong turnaround leadership; and use of the HR lever.
- Key drivers pivotal and unique to the South African SOC turnarounds. These rivers directly respond to the challenges and complexities imposed by the local South African context. These unique drivers are, therefore, considered and classified as key SOC turnaround drivers, and include: ability to align institutional mandate with formation legislation; ability to create a healthy balance between developmental and business imperatives; and ability to manage (political) power dynamics.

These drivers are further analysed for broader understanding and validation in Chapter 6 in the main thesis body.

Appendix VI: Participant Information Sheet & Consent Form

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PARTICIPANT INFORMATION SHEET

PHD RESEARCH STUDY

RESEARCH STUDY TITLE: **A FRAMEWORK FOR THE TURNAROUND OF STATE-OWNED COMPANIES IN SOUTH AFRICA**

Study Supervisor: Dr Dominik Heil
Contact Information: dominikus.heil@wits.ac.za or dominikheil@gmail.com

Researcher's Name: Jeremiah Mutamba
Contact Information: jerrymutamba@gmail.com or jmutamba@tcta.co.za
+27 84 474 7077

Study Focus and Purpose

My name is Jeremiah Mutamba. I am a PhD student at the Wits Business School. I am conducting my doctoral research which seeks to evaluate the turnaround strategies of South African state-owned enterprises, with a particular focus on identifying the key drivers for successful turnaround. The study is supervised by Dr Dominik Heil. I write to kindly request you to participate in my doctoral research study on turnaround strategies for state-owned enterprises in South African state-owned enterprises. I am approaching you because of your experience in the state-owned enterprises sector, particularly your work relating to the ABC turnaround.

The study follows the basic qualitative approach methodology, with primary data collected through depth interviews with selected participants. Participants will be purposively selected from current and former senior leadership (that is board members, executives, and senior managers) of South African state-owned enterprises, private sector firms as well as sector turnaround specialists that have designed and implemented business turnaround. The study is purely academic (to fulfil the requirements of a PhD research). The objectives of the research include: identifying and establishing the key drivers for successful SOC turnaround in developing economies; establishing how the key drivers for SOC turnaround compare with the drivers for private sector turnaround; establishing how institutional factors influence the key drivers for SOC turnaround; and, using knowledge gained from the enquiry, develop a pragmatic SOC turnaround framework to guide developing economy SOCs.

As indicated in the introduction, data collection will be through in-depth one-on-one interviews. Each interview will not exceed 90 minutes in length. The interviews will be audio-taped for efficient data capturing. Specific interview date and location will be arranged with yourself in advance and will be at a date, time and location most convenient for you. The interviews are planned to be conducted between April 2017 and February 2018. All the information provided in the study will be strictly confidential, and your name will not appear in any form of the study data collection and output documentation. Instead, your interview documentation (e.g. transcriptions and interpretation documents) will contain an identification number that is known only by the principal investigator and the research student. The research outputs, the thesis and journal articles, will be available in the public domain, with the thesis, in particular, being made publicly available through the university's online ETD archive.

Your participation is voluntary. You may refuse to participate or may discontinue your participation at any time during the interviewing process. While we may not compensate you for your participation, your participation will be highly invaluable to our study in understanding key drivers for SOE turnaround in developing countries and will significantly influence the development of a normative turnaround framework that is sensitive and responsive to the developing world context.

You will have the opportunity to ask, and to have answered, all your questions about this research. Should feel you require clarity on some issues regarding this request, feel free to email or call me or the study supervisor and we will gladly provide further details. All enquiries are confidential.

Participant's Agreement Confirmation and Informed Consent
If you agree to participate in my study, kindly send me your confirmation through email. At the time of the interview and prior to us commencing the interview exercise, we will formally have you sign the Informed Consent Form, a document which formalizes your granting me consent to interview you for my study. I have, however, attached a copy of the Informed Consent Form with this communication for you to familiarize with it so long.

As soon as I receive your confirmation of willingness to participate in my study, I will contact you to schedule an interview date with you.

I thank you for your willingness to help.

Yours Sincerely

Jeremiah Mutamba
PhD Research Student
Wits Business School

INFORMED CONSENT FORM

My name is …….. I confirm that have read and am familiar with the information provided in the Participant Information Sheet of Jeremiah Mutamba's (of the Wits Business School) PhD Research on the topic: "*A Framework for the Turnaround of State-owned Companies in South Africa*". I confirm that I voluntarily agree and grant consent to participate in this study. After signing this Informed Consent Form, I understand that I will participate in an interview relating to the study. I grant my consent as summarised in **Table 1**.

Table 1: *Granted informed consent: PhD research on a Framework for the Turnaround of SOCSs in SA*

#	Consent Category/Description	Mark [X] as Appropriate	
		YES	NO
1	**PERMISSION TO BE INTERVIEWED**		
1a	I agree to be interviewed for this study.		
1b	I know I can stop the interview at any time and do not have to answer all the questions.		
2	**PERMISSION TO BE AUDIO-TAPED**		
2a	I agree to be audio-taped during the interview.		
2b	I know that the audio-tapes will be used this PhD Research Project.		
3	**INFORMED CONSENT**		
3a	It has been explained to me and I understand that: ▪ My name and information will be kept confidential and safe and that the name of the organization will not be revealed or appear in the research report or articles. ▪ I do not have to answer all the questions and can withdraw from the study at any time. ▪ I can ask not to be audio-taped. ▪ All data collected from the data will be destroyed within 12 months from completion of the research study.		

…….. …….

Signed **Date**

Appendix VII: Comparative Analysis

Turnaround Drivers Applied in Successful & Unsuccessful SA SOCS

#	Turnaround Drivers	Suggestion Distribution	Successful SOCs Turnarounds	Unsuccessful SOCs Turnarounds
1	Bridging Finance	P3, P7, P9, P13, P18, P19, P23	P7	P3, P7, P9, P13, P18, P19, P23
2	Effective and Sound Turnaround Leadership	P1, P3, P7, P10, P11, P12, P13, P14, P15, P16, P17, P18, P19, P25, P26, P27, P28	P14, P15, P16, P26, P28	P1, P3, P7, P10, P11, P12, P13, P17, P18, P19, P25, P27, P28
3	Effective Communication	P3, P5, P7, P9, P14, P15, P16	P14, P15, P16	P3, P5, P7, P9,
4	Effective Project Management			
5	Human Resources Lever	P1, P2, P3, P6, P7, P8, P14, P15, P16, P18, P19, P20, P22, P23, P24, P25, P27, P28	P2, P6, P7, P14, P15, P16, P20, P28	P1, P2, P3, P8, P18, P19, P22, P23, P24, 25, P28
6	Cultural Renewal	P1, P2, P3, P6, P13, P14, P15, P16, P24	P2, P6, P14, P15, P16	P1, P2, P3, P13, P24
7	Procurement Processes	P6, P9, P19, P20, P22, P24	P6, P20	P9, P19, P22, P24
8	Stakeholder Management	P1, P3, P7, P8, P9, P10, P11, P14, P15, P16, P19, P28	P7, P14, P15, P16, P28	P1, P3, P8, P9, P10, P11, P19, P28
9	Sound governance	P13, P14, P15, P16, P20, P23, P26, P27	P14, P15, P16, P20, P26	P13, P23, P27
10	Viable Core Business	P2, P3, P13, P18	P2	P3, P13, P18
11	Ability to Manage Political Power	P1, P2, P5, P8, P22, P23, P26, P28	P2, P26, P28	P1, P5, P8, P22, P23, P28
12	Ability to Balance Commercial and Developmental/Social Objectives	P1, P3, P23, P26	P26	P1, P3, P23
13	Ability to Manage Unions	P1, P5, P17, P19, P23, P25, P26, P27, P28	P26, P28	P1, P5, P17, P19, P23, P25, P27, P28
14	Shareholder Role	P1, P2, P3, P5, P12, P21, P26, P27	P2, P26	P1, P3, P5, P12, P21, P27

#	Turnaround Drivers	Suggestion Distribution	Successful SOCs Turnarounds	Unsuccessful SOCs Turnarounds
15	Institutional Autonomy	P5, P9, P23		P5, P9, P23
16	Institutional Influence: Legislation, Unions, Governing Party	P1, P2, P3, P5, P6, P7, P8, P9, P10, P11, P12, P14, P15, P16, P17, P18, P20, P21, P22, P23, P24, P25, P26, P27, P28	P2, P6, P7, P14, P15, P16, P20, P26, P28	P1, P3, P5, P8, P9, P10, P11, P12, P17, P18, P21, P22, P23, P24, P25, P27, P28
17	Effective Control Processes	P25		P25
18	Propensity to implement designed turnaround strategies	P5, P7, P13, P17, P18, P19, P22, P25, P26, P27	P7, P26	P5, P13, P17, P18, P19, P22, P25, P27
19	Understanding of business model	P2, P7, P8, P13, P14, P15, P16, P23, P28	P2, P7, P14, P15, P16, P28	P8, P13, P23, P28
20	Ensure SOC competitiveness	P1, P3, P6, P12, P18, P21, P23, P26, P28	P6, P26, P28	P1, P3, P12, P18, P21, P23, P28
21	Understand decline root causes	P5, P19, P26, P27	P26	P5, P19, P27
22	Focus on mandate	P20, P21, P23, P27	P20	P21, P23, P27
23	Technology	P3, P23, P24, P28	P28	P3, P23, P24, P28
24	Stability of turnaround team	P2, P3, P23, P25, P28	P2, P28	P3, P23, P25, P28
25	Improve business agility	P1, P3, P7, P13, P18, P28	P7, P28	P1, P3, P13, P18, P28