

The Role of the Leadership Team in a Corporate Turnaround from Financial Distress

Nikolaus Rohrmoser

SMBS-University of Salzburg Business School, Sigmund-Haffner-Gasse 18, 5020 Salzburg,
Austria

Abstract

Questions about the influencing factors and measurement of a company's turnaround performance have attracted growing research interest in the last decades, as insolvency rates are continuously high and the likelihood of successful turnarounds are not satisfactory. Performance declines and company failures are therefore a prevalent issue for practitioners and researchers. The leadership team is the key driver in a successful corporate turnaround as they manage the processes and content but the management is depending on certain context elements. The executives of a company can influence the content of restructuring like implementing retrenchment and or innovative recovery strategies and can focus on short-term actions and or long-term reorientation. They can manage the process of turnaround by chosen the speed of change, the timing of turnaround initiatives, and prioritization of the requirements of key stakeholders in the turnaround process. However, they are limited by certain context factors like the cause of decline, severity of the crisis, slack of resources, industry and economic specific factors amongst others. This paper contributes to stakeholder theory in turnaround research and proposes a model that presents a guidance for the leadership team as being the key stakeholder in a financial crisis situation. The leadership team is responsible to keep their key stakeholders motivated and committed during a financial distress situation in order to achieve a successful turnaround. The proposed model provides a holistic view on important elements that need to be considered for the management of stakeholders that are critical for the continuation of the business.

Keywords: financial distress, corporate turnaround, stakeholder management, leadership team