

# **THE ROLE OF EMOTIONAL INTELLIGENCE IN BUSINESS RESCUE IN SOUTH AFRICA**

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## DECLARATION

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## **ABSTRACT**

Existing literature highlights a positive correlation between leadership performance and emotional intelligence (EQ). EQ is a person's ability to understand their emotions, act on their intentions and make decisions on important matters. A business rescue practitioner (BRP) plays a fundamental role in rescue proceedings, having to develop a business rescue plan and turnaround the affairs of the financially distressed company within a defined space of time. Therefore, it is key for a powerful BRP to be appointed to increase the likelihood of the business rescue case being a success.

Due to the low success rate of business rescue in South Africa, it is questionable whether the EQ of a BRP is considered during an appointment to a business rescue case. Section 138 of the Companies Act is silent in this regard.

This study focused on the EQ traits required for a BRP to be successful in South Africa. This was a quantitative study that used a closed-ended questionnaire to gather data for the study. The questionnaire was administered to 161 BRPs that are currently licensed by the Companies and Intellectual Property Commission (CIPC) to operate in South Africa and the response rate was 20%. Secondary data in the form of previous studies and findings was used to corroborate the findings of this study. The Statistical Package for the Social Sciences (SPSS) was used to analyse the data that was derived from the questionnaire.

Results of the questionnaire revealed that the EQ of the BRP is not considered upon appointment. Moreover, the respondents agreed that the BRP takes on the role of a leader, having to make decisions and resolve conflicts. Their tasks include collaboration with stakeholders, dealing with setbacks and adapting to these accordingly. The findings showed that the respondents of the questionnaire were in agreement that an effective BRP should display self-awareness, self-regulation, motivation, social skills and empathy in their tasks. This study developed a framework of questions that can be used by courts of law to assess the EQ of a BRP upon appointment. These questions were based on the tasks of the BRP.

The results indicate that EQ is an important contributing factor for a successful BRP. Therefore, it is recommended that the interview process should include questions that

would assess the level of EQ of the BRP upon appointment. This will help to determine whether the BRP will be successful in rehabilitating the financially distressed company.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

|      |                                                |
|------|------------------------------------------------|
| BRLC | Business Rescue Liaison Committee              |
| BRP  | business rescue practitioner                   |
| CIPC | Companies and Intellectual Property Commission |
| CPD  | continuing professional development            |
| EQ   | emotional intelligence                         |
| IQ   | intelligence quotient                          |
| NPO  | non-profit organisation                        |
| SPSS | Statistical Package for the Social Sciences    |

# **CHAPTER 1: INTRODUCTION TO RESEARCH STUDY**

## **1.1 BACKGROUND OF THE STUDY**

South Africa had been combating slow growth rates, soaring unemployment, a substantial fiscal shortfall and a dilating debt-to-GDP ratio preceding the COVID-19 pandemic (Marais, Ntsoane, 2021). The “coronavirus disease of 2019” (COVID-19) is an infectious respiratory disease that has spread around the world (WHO, 2021). In an attempt to curb the spread of COVID-19, the government imposed lockdown restrictions resulting in the South African economy being 2.7% smaller than it was prior to the pandemic (Stats SA, 2021).

In the latter part of 2019, the South African economy had entered a technical recession, with unemployment rates increasing from 27.3% to 29.1% (Stats SA, 2019) and poverty levels remaining high at 49.2% (Chitiga-Mabugu, 2020). The effects of the pandemic have caused disruptions in multiple businesses and industries globally. Within the first eight months of the COVID-19 pandemic in South Africa, 233 businesses filed for legislated business rescue in an attempt to rehabilitate their business (CIPC, 2020).

The year 2022 marks 11 years since the introduction of business rescue legislation in the South African Companies Act 71 of 2008. This corporate rescue method replaced judicial management, which was governed by the Companies Act 61 of 1973. Business rescue aims to provide companies in financial distress with an opportunity to restructure their affairs and return to profitability. This is beneficial to businesses and the overall economy (Naidoo, Patel, Padia, 2018). The business rescue provisions afford distressed companies “breathing space”, endeavours to secure jobs for employees as well as returns for creditors (Kubheka, 2020).

Despite it being more than a decade since the introduction of business rescue as a rehabilitation mechanism, the success rate for business rescue remains low. According to CIPC, as at October 2020, a mere 18% of all business rescues filed between 2011 and December 2021 have been successful (CIPC, 2021). The economic repercussions from the COVID-19 pandemic have brought the business rescue industry to the fore (Marais, 2021), necessitating research to be conducted

within this field in an attempt to add insight to the reasons for the low success rate in South Africa.

Existing literature has identified some of the reasons of business rescue failure which include a lack of post commencement funding (Ramnanun, 2018), inexperienced courts to handle business rescue cases (Ensor, 2014), high costs associated with rescue proceedings (De Abreu, 2018), delays in filing for rescue (Rajaram, Singh, Sewpersadh, 2018) and a lack of skills by the business rescue practitioner (BRP) (Mphuthi, 2019). The BRP plays a crucial role in rescue proceedings (Mphuthi, 2019) and is responsible for devising the business rescue plan to be voted upon by the creditors of the financially distressed company. Hence, it is of utmost importance that the BRP be suitably skilled to ensure a successful rescue.

Pretorius (2013) described the tasks and activities of the BRP as complex, requiring a broad set of competencies to achieve success in business rescue. Existing literature has identified technical skills, legal knowledge, restructuring and turnaround skills, and conflict resolution abilities to be competencies required by a BRP to effectively manage the rehabilitation of a financially distressed company (Rajaram, Singh, 2018). However, the rescue process also involves distinguished business management and human relations (Pretorius, 2013).

Sections 140 and 141 of the Companies Act set out the powers and functions of a BRP. Once appointed, the BRP takes control of the business and can remove from office any individual that is part of existing management (Buskin, Wilde, 2020). The BRP has the power to delegate tasks and functions to the pre-existing management team but still has the final say (Buskin, Wilde, 2020). There is a difference between leadership and management (Stretton, 2018). The success of the management of a company is measured by their ability to achieve the goals of the organisation through the application of theoretical knowledge. On the contrary, leadership dictates that results should be accomplished by applying people skills (Naughton, 2013) cited by (Stretton, 2018).

The BRP takes on the role of a business leader (Mphuthi, 2019) and faces a challenging job in resuscitating the distressed company. In leading the company to stable conditions where it can continue to exist and operate, the BRP has to make decisions and direct the turnaround process (Pretorius, 2018). Collaboration with the

affected parties is required to gain an understanding of the business so that strategic thinking can be applied to the unique circumstances on hand (Pretorius, 2013). The role also involves having to cope with setbacks and the ability to adapt and respond to these. The BRP should also have a success-driven mindset (Pretorius, 2018), thereby having the motivation to achieve the objectives that are set out in the business rescue plan. These tasks require emotional intelligence (EQ) attributes. It has been found that EQ is directly proportional to leadership performance (Boyatzis, 2009).

Emotional intelligence is a person's ability to identify, control, assess and understand their own emotions together with those of the people around them (Pathak, 2021). The most successful leaders are alike in one significant way – they have a high degree of EQ (Goleman, 1998). Given the fact that the distressed company is in a state of crisis (Mphuthi, 2019), it is clear that the BRP is required to work in a high-pressure environment and accomplish a successful turnaround within a tight deadline – generally three months (Levenstein, 2015). For a BRP to effectively execute the tasks in the business rescue plan, it is vital that they are aware of their emotions and can control these to prevent rash decision making and behaviours and to ensure best results.

Section 138(1)(a) to (f) in Chapter 6 of the South African Companies Act 71 of 2008 sets out the prerequisites for a person to be appointed as a BRP. Eligibility of a BRP requires the following:

- A qualification in accounting, law or management;
- A licence granted by CIPC;
- The person should not be subject to probation;
- The person should not be disqualified from acting as a director of the distressed company;
- Independence from the distressed company and its related parties.

CIPC issues a conditional licence to a BRP if they are satisfied that the candidate is suitably qualified, has a good track record and good ethical principles (Bagwandeem, 2018). There is no consideration of the EQ attributes which are required to lead the company to stable operating conditions.

## **1.2 PROBLEM STATEMENT**

Upon appointment of a BRP, the directors of the company entering rescue use the prerequisites under Section 138 of the South African Companies Act 71 of 2008 to assess the competence and suitability of the candidate to fill the position. Despite EQ being positively correlated to one's performance as a leader (Mphuthi, 2019), it is unknown whether, and to what extent, the EQ of the BRP is considered upon appointment. Emotionally intelligent leaders are better suited than those with low levels of EQ in the sense that they can swiftly recognise, frame and deal with issues based on their own emotional experiences (Salovey, Mayer, 1990). It has been established that a successful leader possesses a high degree of EQ (Goleman, 1998) and as a result, they are better decision makers (Mulla, 2010).

Given the low success rate of business rescue in South Africa, it is questionable whether any thought is given to the fundamental attributes of EQ when appointing a BRP. This study aimed to determine whether emotional intelligence is a core competency for the success of a business rescue practitioner. The outcome and results of this research will allow companies in distress to appoint emotionally intelligent BRPs, thereby increasing the likelihood of a successful turnaround.

## **1.3 AIM OF THE STUDY**

The aim of this research was to establish whether emotional intelligence is a core competency for a business rescue practitioner to be successful.

## **1.4 RESEARCH OBJECTIVES**

The objectives of this study were as follows:

1. To determine the extent to which a BRP's EQ is considered upon appointment in South African business rescue cases.
2. Establish EQ traits that a successful South African BRP should possess.
3. Develop a framework of questions that should be asked when appointing a BRP in South Africa to assess their level of EQ.

## **1.5 RESEARCH QUESTIONS**

This research set out to answer the following questions:

1. To what extent is the emotional intelligence of the business rescue practitioner considered upon appointment in South Africa?
2. What are the emotional intelligence traits that a successful South African business rescue practitioner should possess?
3. What questions should one ask a business rescue practitioner in South Africa to determine their emotional intelligence during the interview process?

## **1.6 CONTRIBUTION OF THE STUDY**

Based on the outcome of research on this topic, companies and courts that appoint BRPs will understand the importance of emotional intelligence as a competency trait. It will enable them to ask questions to BRPs to assess their level of EQ on appointment. This will ensure that the person appointed can successfully lead the distressed company to stable financial health. This research will also help BRPs to understand how to apply the different EQ traits in rescue proceedings to best suit the situation. This study builds on existing literature on primary competencies that BRPs should possess.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This section covers existing literature on business rescue and highlights the importance of the business rescue practitioner (BRP) in the rescue proceedings. The tasks and activities of the BRP are identified and the skills required to successfully achieve these tasks are explained.

A link is made between a BRP and a business leader – the competencies required from a successful leader is applied to the tasks of a BRP. This chapter discusses the status of the success rate of business rescues in South Africa. Due to the significant role of the BRP in rescue proceedings, the BRP's skills and qualifications are assessed upon appointment.

Section 138 of the Companies Act 71 of 2008 sets out the qualifications of the BRP and these criteria are applied by courts of law when appointing a BRP. However, the tasks of the BRP require skills beyond technical qualifications and experience. Emotional intelligence (EQ) has been identified as a key leadership skill (Goleman, 1998). Judging from the low success rate of business rescue cases in South Africa, it is questionable whether the EQ of the BRP is considered upon appointment.

### **2.2 THE EXISTENCE OF A FIRM**

A business plays a fundamental role in modern society, engaging groups of people to work towards a common economic goal (Aremu, Ayanda, 2016). Existing literature has described a business as one that involves regular manufacture and distribution of goods with the aim of satisfying the needs and wants of society (Stephenson, 2008), (Aremu, 2012). Fink, (2019) described the purpose of a business not to be solely in the pursuit of profits. Purpose is the underlying reason to achieve success and earn profits (Fink, 2019). The purpose of a business joins management, the workforce and society which develops business culture and values (Fink, 2019). This creates a central framework for uniform decision-making, thereby ultimately aiding the sustainability of financial returns in the long term (Fink, 2019).

Companies are primarily juristic persons in that they are separated from the individuals that are responsible for the control and execution of business operations. Despite the separation, there are many similarities between companies and individuals. Like

individuals, according to Kenton (2020), a company has legal rights and responsibilities. It can enter into contracts; it has the right to borrow funds, possess assets, recruit employees; it has the right to sue or be sued and the responsibility to pay taxes. The shareholders, on a periodic basis, appoint the board of directors to make decisions on behalf of the company. Following Schooley (2020), the directors of a company are responsible for the oversight of the company's affairs which are executed by a management team who carry out the day-to-day operations.

Companies seek to thrive in the business world. This commercial success is not limited to profit (Hollensbe, Wookey, Hickey, George, 2014). The diverse priorities of a business means that whilst pursuing profit, the business needs to establish a reputation in the industry, gain market share, satisfy customers and recruit employees (Rodrigue, Hickso, 1995). Regardless of the size of a business – in order to be successful, entrepreneurs must have strong planning abilities (Aremu, 2016). In industries where competition is rife, it is crucial to have product differentiation to deliver distinctive value to clients (Stowers, 2020). In addition to these considerations, financiers need to be sought and compliance with legal regulations need to be covered.

The two most important perspectives of a firm are the resource-based view (RBV) and the knowledge-based view (KBV) (Theriou, Aggelidis, Theriou 2009). The resource-based view holds that a firm comprises diversified tangible and intangible resources (Coleman, Farhat, Cotei, 2013). The function of an entrepreneur is to obtain, grow and maintain these resources to achieve a competitive advantage and better the chances of survival for the firm (Barney, 1991). The table below identifies key resources that are essential for an company's survival. Irrespective of the size and structure of a firm, these resources have been recognised as fundamental contributors to the survival rate of entities (Coleman, Farhat, Cotei, 2013). The resources shown below can be harmonised by the entrepreneur to generate profits for the firm.

**Table 1: Resources required by a firm to survive**

|                                |                                                                                                                                                                                                                                                                                         |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Experience of the entrepreneur | The business owner's expertise and proficiency to manage a business is essential for a business to survive and be successful.                                                                                                                                                           |
| The entrepreneur's age         | As the entrepreneur matures with age, they develop profound problem-solving abilities.                                                                                                                                                                                                  |
| Education of the entrepreneur  | Highly knowledgeable entrepreneurs are likely to have the necessary resources at their disposal to assist in the management of the firm. These individuals are also expected to have critical analytical skills, sound decision-making abilities and the expertise to prioritise tasks. |
| Research and development (R&D) | A company that conducts R&D activities is able to create distinctive assets that are difficult to duplicate by competitors, thereby creating barriers to entry and protecting the market share of the firm.                                                                             |
| Initial capital                | Firms that start up with a greater magnitude of financial capital have a higher chance of survival and can finance their activities over a longer period.                                                                                                                               |

*Source: Adapted from (Coleman, Farhat, Cotei, 2013, pages 5-8)*

The knowledge based view of a company focuses on knowledge-based resources for a firm to survive and grow. Based on this view, a company is able to achieve a competitive advantage if it can gather, combine and utilise market knowledge to create fresh products and services through innovative processes (Kogut, Zander, 1996). Possession of the skill to collect and use market data can benefit a firm by enabling it to predict changes in the industry and business environment and respond to these swiftly. There are two types of knowledge, namely tacit or procedural knowledge and explicit or declarative knowledge. The first type can be accomplished through first-hand experience and the second can be derived from education and training (Yin, Jahanshahi, 2018).

## **2.3 THE LIFE CYCLE OF A BUSINESS**

Similar to the life cycle of a human being, organisations have their own life cycles. Within the human life cycle, different behaviours, strengths and weaknesses are

displayed at each stage, a business has a similar life pattern. When a business is started, it is likely to operate at a loss in the initial stages. As it establishes itself in the market, its profits begin to grow. The most growth in a business takes place between the first and second stages of its life. Thereafter, both the growth of the company and its profits stabilise as the business reaches maturity. The last phase in the life cycle is decline – this is where profits decrease and the company experiences financial distress (Baird, 2014).

### **2.3.1 Genesis**

Genesis refers to phase zero of a business – this is when a business is born. An entrepreneur aspires to create a business from an idea which can either be a great success in the marketplace or an absolute failure. In bringing a company into existence, the entrepreneur goes through an intense planning process which can be rather daunting but at the same time, exciting and stimulating. The focus is on building a brand in the market, attracting customers by offering good service and customer support and using criticism constructively. It is common that businesses run at a financial loss in their infant stages, therefore it is vital to have sufficient funding saved up (Unleashed, 2018). Investors need to be convinced that the business idea is capable of generating positive returns for the company.

### **2.3.2 Survival**

Survival is the second stage in the life cycle of a business. Once a business has established itself as a role player in the market it needs to keep its head above water. The main goal in this phase is for the business to grow from its initial losses and either break even or generate profits. The entrepreneur starts to think of the other aspects of their business plan such as staff, networking with similar companies in the industry and attracting new customers (Unleashed, 2018). The company also seeks financiers to invest in the business so that it can realise its full potential. This stage determines whether the new business will succeed or fail, those businesses who received great support are likely to become profitable establishments (Salamzadeh, Kesim, 2015).

### **2.3.3 Maturity**

The maturity phase of the business is when the organisation has reached its peak in terms of revenue and profit. Sales begin to slowly decrease resulting in lower profit margins whilst cash flows are rather static. At this stage, the major capital expenditures

have been incurred already. Therefore, the organisation's cash generation exceeds the profit as per the income statement. It is recommended that business owners consider refreshing their businesses at this stage in order to stay relevant and attract customers and investors. This can be done through investment in new technology, as well as latest trends and developments (CFI, 2015). It is vital for managers to carefully monitor the company's financial performance once it reaches maturity due to the fact that the company can easily reach its decline once its sales and profits begin to decrease.

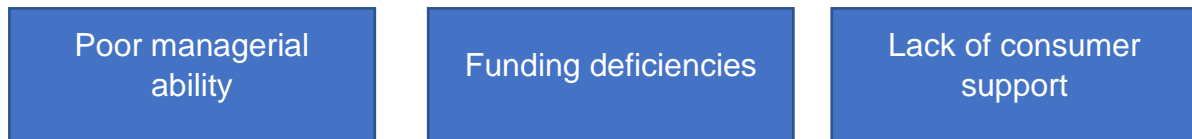
#### **2.3.4 Decline**

When a firm is established, there is a general presumption that it will be in existence for the long run (Rajaram, 2016). However, it is inevitable that a company will reach a stage of decline in its lifetime (Baird, 2014) and there are few recommendations on how entities can avoid this dark phase (Rockwell, 2016). It is crucial to distinguish between what causes a business to decline and signs of business decline. The cause of decline leads to the signs that a company's financial performance is deteriorating (McDonald, 2016). Causes of decline lead to the business underperforming and these include poor management, insufficient funding, lack of customer support, rife competition in the marketplace and as well as the industry the business operates in. Existing research shows that more than 70% of small and medium-sized enterprises fail within the first two years of existence (Pays, 2019).

Managers can benefit from understanding a business's life cycle by being able to identify how a company changes in its growth and development. A business's life cycle is made of activities and structures which change over time, and this requires managers' priorities having to change over time as well. It is found that top management tend to pay more attention to external issues when an organisation is in its early stages of life. As the business grows and reaches maturity, this attention is then shifted to the internal complications. Although difficult, it is possible for a company to regress to earlier stages, remain in one stage for a long period of time or fail to survive past its early stages of life, leading to a quick death (Lester, Parnell, Carraher, 2003).

## 2.4 THE CAUSES OF DECLINE

The causes of failure are multiple and can be categorised into endogenous and exogenous factors. Exogenous causes of decline are beyond the control of management such as competition and technological changes. Endogenous causes of decline can be controlled by management, an example of this is the management structure within the organisation (McDonald, 2016). The main causes of decline are shown in the figure below:



**Figure 1: Causes of decline**

*Source: Adapted from (Mphuthi, 2019)*

### 2.4.1 Managerial ability

Human potential determines the future of a company (Finkelstein, 2003) and (Rodrigue, Hickso, 1995). The role of a manager in a business has a substantial influence on company performance as well as on the culture of a company. Managers are tasked with multiple responsibilities – their functions comprise setting strategies for the organisation (McDonald, 2016) (Finkelstein, 2003) and devising a plan of how this will be achieved. Therefore, work and responsibilities need to be communicated and assigned to appropriate staff members who have received the necessary training to complete a task.

Managers must also monitor performance and measure these against the targets that were set. The duties of a manager are demanding, and a subordinate, through deficient communication abilities, could easily default in this role. The absence of clear instructions or the lack of adequate direction can lead to employees defaulting in the task at hand due to misunderstandings in communication. This then filters into their productivity and impacts their overall performance which bears the seed to resentment affecting staff morale. A less enthusiastic labour force leads to the quality of a company's fruits of labour being compromised, decreasing the general operational effectiveness of the company and leading to financial struggles (Foster, 2017).

Quality financial management is the foundation for a successful business. However, it is increasingly common for businesses to default in the management of their finances due to time constraints, a lack of accounting knowledge and resource limitations. Small and medium-sized enterprises rarely have adequate segregation of duties in place which results in one person being responsible for multiple tasks. In managing the day-to-day activities of a business, one can neglect their finance function leading to huge administrative backlogs and financial losses. In cases where the owner of the business handles the accounting aspect as well as business operations, there tends to be an absence of discipline in the process. Personal finance and that of the business are merged leading to accounting complexities in the finance function (Steppingstone, 2016).

#### **2.4.2 Funding**

Securing funding is one of the most critical causes of failure for businesses (Rajaram, 2016). Businesses that are in the start-up phase tend to struggle in obtaining funding due to an absence of noteworthy collateral. It is highly unlikely for a firm to ensure their cash flows are consistent within their first year of trading and they are unable to supply sufficient records of their operating history to build up their credibility. Banks are also reluctant to finance a company that already has debt with other institutions (Goldin, 2014).

#### **2.4.3 Customer support**

In addition to the management and financing of a company, a business also needs a solid customer base to thrive. Customer retention affects profits in that the costs of maintaining and marketing for an existing customer base are lower than attracting new customers. Furthermore, loyal customers spend more as they value good services and are not willing to compromise quality. Providing customer support is vital and is a determining factor of whether the customer will buy the product or not. An unpleasant experience has the power to drive away customers, resulting in lost profits for the business as well as negative reputational consequences (Geraghty, 2014). These factors result in a company incurring losses which when accumulated over time, leads to financial distress.

## 2.5 FINANCIAL DISTRESS

A financially distressed business is one where it is reasonably probable that the business will become insolvent in the next six months (Hutton, 2020). A business is also declared as financially distressed if it is unlikely to be able to pay its debts as they become due and payable in the next six months (Patel, 2018). The first part of the definition refers to “commercial insolvency” whilst the second part relates to “factual or balance sheet insolvency” (Jordaan, 2020). In deciding whether a company is financially distressed, courts of law apply this “two-stage test” (Kubheka, 2020).

A company can commence business rescue proceedings when it first encounters financial difficulty. A typical case would be if a company is operating profitably and generating positive cash flows yet it does not have sufficient funds to settle debt that is payable within six months – this company would be declared as being financially distressed and would qualify for rescue. The directors of the company can also apply for the company to be placed under rescue since it is in a negative liability position (Kubheka, 2020).

### 2.5.1 The options faced by a financially distressed company

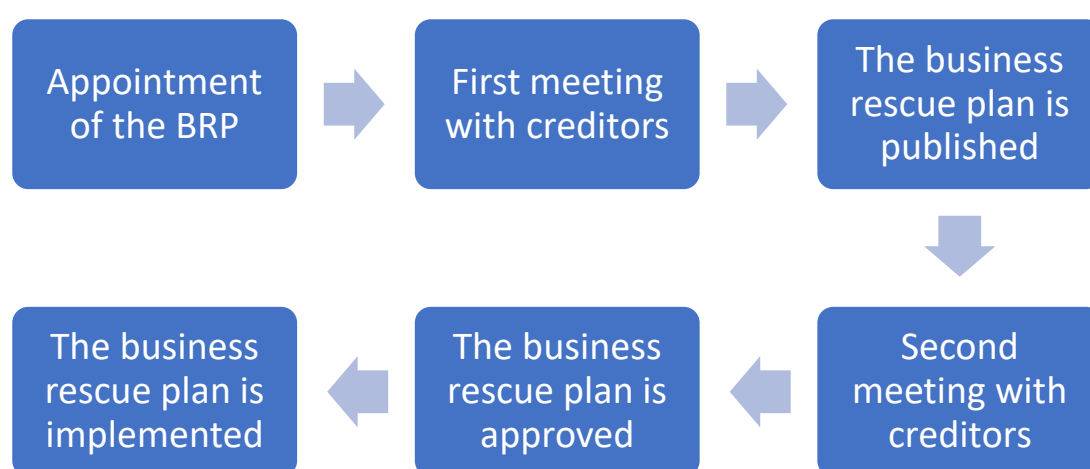
A financially distressed South African company has the option of being *liquidated*, undergoing *informal turnaround*, or applying for *business rescue* (Rajaram, 2016). Liquidation is the last resort for a distressed company, it occurs when the directors see no prospects for the financially distressed business, the assets of the company are sold, creditors are paid and the remainder of the monies are divided amongst shareholders (Moloi, 2019). Liquidation is disastrous for all stakeholders involved and has serious economic and social repercussions.

Preferred alternatives to liquidation are *informal restructuring* or legislated *business rescue*. Informal restructuring is when managers identify the causes of decline and take active measures to rehabilitate the business and improve performance. Restructuring requires the company to negotiate with creditors without a formal process in place and to reach a conclusion where the organisation’s financial health is restored (Harduth, 2017). A major drawback of this process is that businesses cannot rely on the statutory moratorium (stay) offered by business rescue. Creditors may seek to be paid ahead of others; some may even apply for liquidation for the debtor company in order to ensure they receive what is due to them.



During May 2011, business rescue was introduced as a rehabilitation mechanism for financially distressed companies in the South African Companies Act 71 of 2008. This corporate rescue method replaced judicial management, which was governed by the Companies Act 61 of 1973. Business rescue aims to provide companies in financial distress with an opportunity to restructure their affairs and return to profitability. Research has shown that there has been a decline in the number of liquidations, and this is attributable to the fact that more financially distressed businesses are opting to be rehabilitated rather than liquidated (Naidoo, Patel, Padia, 2018).

## 2.6 THE BUSINESS RESCUE PROCESS



**Figure 2: The business rescue process**

*Source: Adapted from (Brinkley, Le Roux, 2018, page 4).*

Figure 2 depicts the main processes that take place when a company is placed under business rescue. The BRP has ten days from appointment to understand the business affairs of the distressed company, establish whether there is a reasonable prospect of survival for the company and discuss this with the creditors of the company. Within 25 days of appointment, the BRP must prepare a business rescue plan, which is presented and voted upon at the second creditors meeting (Brinkley, Le Roux, 2018). Once the plan has been approved and implemented, the company begins its journey to recovery.

### 2.6.1 Voluntary and compulsory business rescue

Financially distressed organisations can choose *voluntary business rescue* whereby the directors can adopt and file a resolution to commence the rescue process under the administration of a BRP. Proceedings commence once the stipulated documents

are filed with the company's office. On the other hand, a company may undergo *compulsory business rescue* whereby affected persons such as creditors, shareholders and employees submit a formal application to a law court, requesting that the organisation be placed under rescue. Rescue proceedings commence once the papers have been filed with the court (Motshwane, 2017) and last for a period of three months, and this short period places significant pressure on the BRP to ensure a successful turnaround (Loubser, 2010) cited by (Rajaram, 2016).

### **2.6.2 Reasonable prospect**

The Companies Act of 1973 did not refer to "reasonable prospect" in legislation, it did however refer to the phrase "reasonable probability" (Kubheka, The requirements of business rescue proceedings in South Africa: a critical analysis of "reasonable prospect" in light of business rescue proceedings in terms of Companies Act 71 of 2008, 2020). Even so, legislation did not offer a meaning for this phrase which resulted in courts facing difficulty in the interpretation thereof. This was one of the contributing factors to the failure of judicial management. The Companies Act of 2008 also does not provide a meaning for the term "reasonable prospect".

The term "reasonable prospect" was highlighted in case law. In the case of *Swart v Beagles Run Investments 25 (Pty) Ltd*, the applicant sought a court order to place the company under business rescue. The applicant envisaged all creditors being paid and the company functioning on a solvent basis should the court grant the order for the company to be placed under business rescue. The applicant was required to provide sufficient evidence that the company would return to stable financial health if the company was placed under business rescue – this proves that there is a "reasonable prospect" to rescuing the company (Kubheka, The requirements of business rescue proceedings in South Africa: a critical analysis of "reasonable prospect" in light of business rescue proceedings in terms of Companies Act 71 of 2008, 2020).

The seriousness of decline as well as the rate at which the business is deteriorating are important determinants for the potential to turnaround the business. Business rescue is for an *ailing* organisation, where if undertaken on time, the rescue will be successful (Levenstein, Barnett, 2013). In most cases, the warning signs of financial distress are addressed too late. Managers may regard these warning signs as "environmental disturbances" (McDonald, 2016) and are reluctant to deviate from

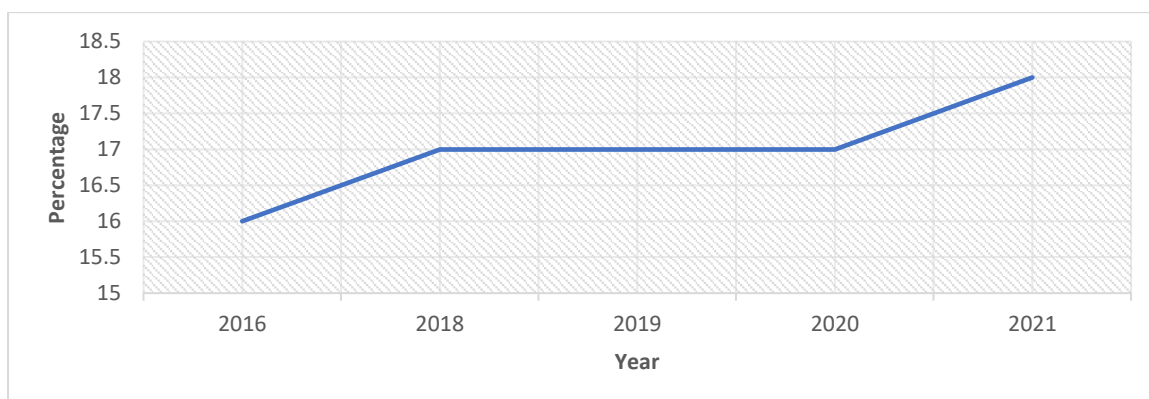
strategies and responses to these challenges that worked well in the past. When owners and managers of struggling businesses fail to see the commercial reality of the situation, this is referred to as the “ostrich syndrome” (Smith, 2020).

### 2.6.3 Removal of the BRP

A BRP can be removed in terms of Section 139 of the Act (Clyde & Co, 2020), on the grounds of illegality, incompetence, lack of independence or non-performance of the duties expected, as well as incapacitation.

## 2.7 THE SUCCESS RATE OF BUSINESS RESCUE IN SOUTH AFRICA

The new business rescue legislation was enacted in 2011; however, the success rate of business rescues in South Africa remains low. Figure 3 shows the success rates for South African business rescues over the past five years. In December 2016, 16% of business rescue cases were successful, as of December 2021 the success rate is roughly 18% (CIPC, 2021), evidencing very little growth of this rescue regime in the past five years.



**Figure 3: Percentage of successful South African business rescue cases in the past five years**

*Source: Adapted from (CIPC, 2021)*

The success of business rescue is to a great extent dependent on the person administering the business rescue process (Mphuthi, 2019). One of the principal functions of the business rescue practitioner is to devise a business rescue plan to be approved by stakeholders and thereafter implemented (Rajaram, 2016). Therefore, the competence and qualifications of the BRP is a crucial element that contributes to unsuccessful business rescues.

## **2.8 THE BUSINESS RESCUE PLAN**

The business rescue plan is drawn up and published in line with Section 150 of the Companies Act. This is one of the most crucial responsibilities of the business rescue practitioner which needs to be completed within 25 days of their appointment. Within ten days of publication of this plan, the business rescue practitioner must meet with the creditors to formally present the plan and announce whether there is a reasonable prospect to rescue the financially distressed company. A vote is conducted with the attendees of the meeting regarding any modifications, deferment, and initial agreement of the plan (Naidoo, Patel, Padia, 2018). The involvement of the affected individuals in devising and adopting the plan allows the distressed business an opportunity to circumvent liquidation (Rajaram, 2016).

The plan proposes the anticipated end results and discloses the steps that need to be taken for the company to accomplish a successful turnaround (Lebeloane, 2017). This plan must envision a better result than what would occur in the circumstance of liquidation. Chapter 6 of the Act highlights the fact that the preparation of the rescue plan should be a consultative exercise. The process should cover consultation with affected stakeholders throughout composing, developing and implementing the plan (Lebeloane, 2017). Upon final adoption of the plan, it becomes binding on the company, its creditors, and shareholders. This applies to all creditors and shareholders regardless of whether they attended the meeting or not (Lebeloane, 2017).

### **2.8.1 Contents of the business rescue plan**

Section 150(2) of the Companies Act serves as a guideline for the development of the plan, which is the focal point around which the rescue proceedings will develop (Bagwandeem, 2018). Together with disclosing the grounds on which the company is under rescue, the background information should entail a comprehensive way forward that will reassure all affected stakeholders of the fruitfulness of the plan and secure their support. The second part of the rescue plan narrates proposed strategies that will assist the company in finding a solution to its challenges and managing its debts (Levenstein, 2008). The third part of the plan contains the assumptions and conditions to be fulfilled prior to, during and after the rescue proceedings. Figure 4 shows the three parts of the business rescue plan and what each part is required to entail in accordance with Section 150(2) of the Act.

### **Part 1: Background information**

- A breakdown of the assets and liabilities of the company.
- A list of the company's shareholders.
- Whether the company's creditors can expect to receive a dividend in the event of the company being liquidated.
- Stipulation of the business rescue practitioner's remuneration.
- Whether the plan comprises an informal proposal made by a creditor of the company.

### **Part 2: Proposals**

- Any suggested debt moratorium and the nature and period thereof.
- The degree to which the company will be released from its debt and whether any of this debt will be converted into equity.
- Whether the company will fulfil its existing contracts.
- The company's property and whether this will be used to settle creditors' claims.
- The order in which creditors will be paid their dues in the event of the plan being adopted.
- The pros and cons for the creditors if the plan is adopted versus the company facing liquidation.

### **Part 3: Assumptions**

- Stipulation of the prerequisites to be met in order for the plan to be set in motion.
- How will the number of employees and their terms of employment be affected by the plan?
- A three year forecast of the financial position and financial performance of the entity if the plan is adopted.

**Figure 4: Components of the business rescue plan adapted from**

*Source: Adapted from (Rajaram, 2016, pages 52 – 53)*

The framework in Figure 4 serves as a guideline for the development of the plan which is the focal point around which the rescue proceedings will develop (Bagwandeem,

2018). It is not sufficient for the plan to only conform to the requirements of the Act, it should also be directed at the creditors' interests to attain their votes (Rosslyn-Smith, 2014). Together with disclosing the grounds on which the company is under rescue, the background information should entail a comprehensive way forward that will reassure all affected stakeholders of the fruitfulness of the plan and secure their support. The second part of the rescue plan narrates proposed strategies that will assist the company in finding a solution to its challenges and managing its debts (Levenstein, 2008). The assumptions and conditions section of the plan covers all obligations to be fulfilled prior to, during and after the rescue proceedings.

#### ***2.8.1.1 Company's assets and liabilities***

The background information needs to list the material assets of the company. This is important disclosure as it depicts the actual financial affairs of the company and governs the rescue proceedings. Legislation does not specify for these assets to be independently valued but the BRP can estimate the values of these assets to enable the affected parties to ascertain whether the company has a chance for survival or not. The company's creditors and their classification should also be listed as creditors have substantial rights in the rescue process. They are permitted to vote for adoption or rejection of the plan and their decisions are binding on all affected parties. Creditors can also approach the court to overrule adverse conditions during the rescue proceedings (Lebeloane, 2017). A company's largest creditors are generally banks, whose interests are secured in the form of collateral.

#### ***2.8.1.2 Holders of securities***

A list of the company's security holders needs to be compiled in the background information, stating how their interest in the company will be impacted. Ideally, this group of stakeholders need some reassurance that their interest in the business is secured. Upon adoption of the plan, it is binding on all shareholders although they may not have attended the meeting or voted against the plan. Despite shareholders having the same rights as employees and creditors, the BRP is not required to consult them as they are regarded as being subordinated to the employees and creditors of the company (Jijana, Chetty and Karodia, 2016). In the event of liquidation, these security holders' shares will be valueless. Therefore, a turnaround would suit the shareholders better as they are bound to receive a return on their investment when the company's financial health is restored.

### ***2.8.1.3 Remuneration of the business rescue practitioners***

The BRP is entitled to charge daily fees for their services based on the size of the organisation under rescue. The make-up of the remuneration, based on the time spent by the BRP on the rescue process, has been found to be excessively high. This narrows the finances available for the rescue proceedings and causes the costs of the rescue to spiral out of control (Rajaram, 2016). It has been found that some BRPs take on multiple business rescue projects at once and are unable to give adequate attention to all of them. They also place entities under rescue incorrectly or they file for rescue too late in the process only for their own monetary gain (Du Preez, 2012). The BRP also qualifies for a contingency fee if the rescue proceedings are completed timeously or the desired outcome is accomplished (Rajaram, 2016).

### ***2.8.1.4 Creditors' proposals***

The business rescue plan should include a clause that touches on the proposals made by creditors at the meeting where the rescue plan is introduced by the BRP. In many cases, the creditors propose alternatives to the original plan before the plan can be voted upon and adopted. The court evaluates the rescue plan without prejudice and enforces a plan that benefits all creditors (Lebeloane, 2017). Once the plan has been approved and implemented, a creditor may not demand from the company in distress any funds due to them which existed immediately before the commencement of the rescue proceedings. Hence it is in the best interests of creditors to participate in the rescue process and to understand and vote on the rescue plan because this impacts the way in which they are entitled to a business rescue dividend (Levenstein, 2017).

### ***2.8.1.5 Moratorium***

The first part of the rescue plan covers the background information of the company in distress. The second part focuses on the strategies that the company could implement to achieve a successful turnaround. The term 'moratorium' refers to a temporary suspension of activity until future consideration of the company's financial affairs. The business rescue plan should stipulate the type and period of moratorium required by the company to restructure its affairs. During this period, the company does not settle creditors' claims but also tries not to burden the creditors so much that they cannot continue business (Conradie, Lamprecht, 2015). The company in distress must find some sort of balance in fulfilling its contracts and settling creditors dues whilst undergoing resuscitation (Lebeloane, 2017).

#### ***2.8.1.6 Release of debt and conversions to equity***

As per Section 154 (1) of the Act, creditors to the financially distressed company cannot claim their dues after the business rescue plan has been adopted. In the event of any residual remaining on the assets after the liabilities have been settled, the option to convert debt into equity is considered. The residual value serves as an indication of what the investors and creditors can expect to receive if the company is liquidated (Museta, 2012). This could benefit the distressed company by them being able to maintain their credit rating as they would be saved from defaulting on their debt payments. This is also a cheap way to obtain capital that may be needed. The downside to this arrangement is the loss of control by the shareholders of the distressed company as well as the fact that value of a share in the business may exceed the value of the debt obligation.

#### ***2.8.1.7 Trading and honouring contracts during rescue proceedings***

Once the company enters rescue proceedings, the fulfilment of current contracts by which it is bound must be considered. The business rescue practitioner, having full control over the management of the company, can scrap or suspend any contracts in its entirety or partially. This can be done without the approval of the creditors. This process provides clarity on how business will be carried out and which business relations will be given priority (Museta, 2012). The BRP is legally entitled to make decisions for the company and can replace existing management (Veldhuizen, 2021).

### **2.9 THE BUSINESS RESCUE PRACTITIONER**

#### **2.9.1 Appointment of the BRP**

In appointing a BRP, the size of the company must be considered. Regulation 127 of the Companies Act differentiates between the size of companies based on their public interest score. A company with a public interest score ranging from 100 and 500 is medium-sized, whereas a company with a public interest score of 500 or more is a large company. A senior BRP can be appointed to restructure a financially distressed medium or large company. An experienced BRP is one who, immediately prior to their appointment, actively practised business turnaround for a minimum of five years. An experienced BRP can be appointed to a small company – one that has a public interest score of less than 100 (Fin24, 2015).

The business rescue practitioner is nominated by the person who makes the application to the court (an affected person), or by the directors should the board be



initiating rescue proceedings. In the case of the latter, the directors have five business days to elect the BRP (Moolla, 2017). Within ten days of appointment, the BRP needs to scrutinise and understand the company's financial status and in doing so, give thought to whether there is a reasonable prospect of turnaround for the company. A meeting must be convened with creditors within this ten-day timeframe to inform them of the prospects for turnaround (Brinkley, Le Roux, 2018).

During 2016, a study was conducted on a group of business rescue practitioners and it was identified that many BRPs lack the skills required to perform their duties successfully (Patel, 2018). Two recommendations resulted from the study which would improve the quality of BRPs that are appointed. The first recommendation is that experience should not be substituted – in cases where a junior BRP with little experience is appointed, a senior BRP should be jointly appointed (Patel, 2018). The second recommendation is that a BRP should not be appointed based on accounting and legal knowledge alone (Patel, 2018).

### **2.9.2 Qualifications and competencies of the business rescue practitioner**

The BRP's qualifications are set out in Section 138 of the Companies Act. It requires a person to have a professional accreditation in Law, Accounting, or Business Management. Once nominated, the business rescue practitioner is licensed conditionally for a determined rescue project. This once-off license is granted based on the business rescue practitioner's track record and experience. It has been found that there is a lack of specifications in place that can be considered by directors of financially distressed businesses when appointing BRPs (Pretorius, 2018). Section 138 of the Act is vague in that it does not mention the precise competencies required of a BRP as well as the activities which they perform (Pretorius, 2013).

Therefore, existing research set out to establish a set of criteria for the qualifications, experience, and competencies of the BRP to serve as a guide when licensing business rescue practitioners (Pretorius, 2014). To be able to identify the competencies and academic prerequisites of the BRP, it is important to bear in mind the functions and activities of the business rescue practitioner (Pretorius, 2013) cited by (Rajaram, 2016). These are shown in Table 2.

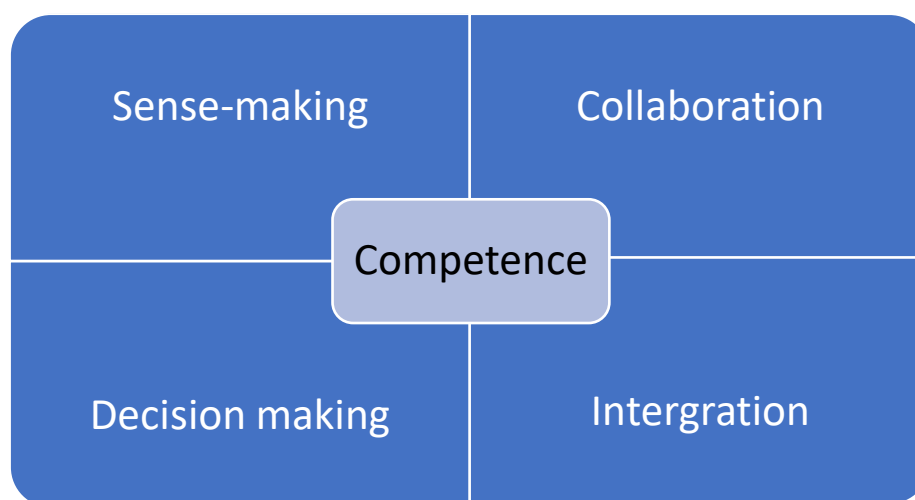
**Table 2: The functions and activities of the BRP**

| Functions                                       | Activities                                |
|-------------------------------------------------|-------------------------------------------|
| Take over management control                    | Perform a viability analysis              |
| Explore the functions of the distressed company | Undertake a feasibility analysis          |
| Devise a business rescue plan                   | Meet with the relevant affected parties   |
| Implement the business rescue plan              | Devise a business rescue plan             |
| Compliance with the statutory plan              | Adhere to the steps of the rescue process |

*Source: (Pretorius, 2013, pages 17 – 18) cited by (Rajaram, 2016, page 65)*

Existing research has explored the competencies required to achieve the functions and activities set out in Table 2. The notion of *competence* focuses on proficiencies or capabilities, which in turn is based on the characteristics that make up these capabilities. These characteristics are important requisites to be able to convincingly demonstrate competence (Gonczi, 2009). *Competency* is linked to performance that can be exhibited by an individual in carrying out their functions relating to their appointment as a business rescue practitioner (Pretorius, 2014).

It is often found that when appointing the BRP, the board of directors of the distressed company are focused on the task on hand rather than the attributes that comprise the competence of the BRP. This is the primary factor that has led to narrow mindedness when it comes to competency standards.



**Figure 5: Attributes making up the notion of competence**

*Source: Adapted from (Pretorius, 2014)*

Figure 5 shows that a business rescue practitioner who can successfully restore the financially distressed business should display eminent levels of competency in their sense-making, decision making and integration through collaboration (Pretorius, 2014).

At the beginning of the rescue process, the business rescue practitioner is faced with an overwhelming amount of information to unpack. They are required to understand the relationship between people, activities, and events through determined and unceasing efforts. The BRP works through the data and affairs of the business and in doing so, develops patterns in the information which provide insight into the basis for distress – these processes are known as sense-making. As soon as the business rescue practitioner has made sense of the company, important decisions need to be made at each step of the rescue process.

Pretorius (2014) cited by (Mphuthi, 2019) explained that the business rescue practitioner must be equipped with sound problem-solving capabilities such that they are able to examine scenarios and make swift and precise decisions, every so often with insubstantial information. Integration is linked closely to decision making and sense-making. It involves combining the loose ends into the business rescue plan and then implementing this plan. These elements could be internal or external – they could form part of the company's business procedures, or they could originate from the company's suppliers, investors, or the business rescue practitioner's network.

The BRP is required to communicate and meet regularly with the relevant stakeholders and establish a relationship of trust between himself and the various role players during proceedings. This communication must be effective and transparent, it must promote inclusivity to achieve maximum collaboration. The BRP must be able to establish a relationship of trust between himself and the various role players during proceedings. The business rescue plan that is formulated by the BRP must be voted upon by the creditors of the business. A plan that has been developed with a high level of collaboration has greater prospects of being accepted.

The four higher order competencies identified and explained above must be supported by technical knowledge, specifically relating to finance, legal and business management skills (Pretorius, 2014). A study undertaken by Rajaram and Singh (2018), cited by (Mphuthi, 2019), found that a successful business rescue practitioner

should carry an accounting qualification or be a recognised turnaround management professional. Important skills in addition to an accounting qualification should be a strength in decision making, the potential to effectively roll out cash management plans and a success-driven mind.

### **2.9.3 The business rescue practitioner as a leader**

Bartram (2005) cited by (Mphuthi, 2019) developed a framework that sets out categories of key competencies for successful leadership in business. This framework is called the “Great Eight Leadership Competencies Framework”. This research study considered these competencies with reference to the business rescue practitioner.

**Table 3: Application of competencies to the tasks of the BRP**

| <b>Factor</b> | <b>Competency domain title</b> | <b>Application of the competency to the business rescue practitioner</b>                                                                                                                            |
|---------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1             | Leading and deciding           | The BRP takes on a leadership role during rescue proceedings, initiating action and giving direction to the distressed business.                                                                    |
| 2             | Supporting and cooperating     | The BRP considers the viewpoints of the stakeholders involved in devising a business rescue plan.                                                                                                   |
| 3             | Interacting and presenting     | Collaboration with the relevant affected parties to understand the business is needed, communication with these individuals must be carried out in a transparent manner.                            |
| 4             | Analysing and interpreting     | The BRP must be able to communicate effectively in a verbal and written format. The ability to think clearly by application of the mind to complex situations must be present in communication.     |
| 5             | Creating and conceptualising   | Strategic thinking must be applied to match the uniqueness of the business in distress. The BRP must be open to new ideas and strategies and must support and drive positive organisational change. |
| 6             | Organising and executing       | The business rescue plan must be executed in an organised and systematic manner. The correct procedures should be followed at each step to ensure quality of the proceedings.                       |
| 7             | Adapting and coping            | The BRP must be equipped to deal with setbacks and adapt and respond to these accordingly, embracing new methods and seeking learning opportunities.                                                |
| 8             | Enterprising and performing    | The BRP must show commitment to achieving a successful turnaround of the business. The turnaround procedures in the business rescue plan must be aligned with the objectives of the rescue process. |

*Source: Adapted from (Bartram, 2005)*

Mumford, Todd, Higgs and McIntosh (2017), cited by Mphuthi (2019) developed a framework that highlights cognitive skills, which they suggest are vital for good performance leadership and can be used to assess the ability to lead. This research study applied the skills set out in the framework to the BRP and their functions during business rescue proceedings.

**Table 4: Application of cognitive skills to the tasks of the BRP**

| No. | Key competency           | Application of the competency to the BRP                                                                                                                                                               |
|-----|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | Problem definition       | The BRP must be able to identify the causes of financial distress.                                                                                                                                     |
| 2   | Cause / goal analysis    | Analyse what goals the distressed organisation needs to work towards. This can be documented in the business rescue plan.                                                                              |
| 3   | Constraint analysis      | Identify the limitations that may come up that could hinder the achievement of restructured goals.                                                                                                     |
| 4   | Planning                 | The business rescue practitioner must come up with activities to achieve the goals that have been set.                                                                                                 |
| 5   | Forecasting              | The BRP should have the ability to foresee the pitfalls in executing the strategy.                                                                                                                     |
| 6   | Creative thinking        | Be able to compose fresh ideas and adapt to situations.                                                                                                                                                |
| 7   | Idea evaluation          | Each approach to achieve the goals in the business rescue plan should be evaluated for feasibility and the risks associated with these need to be considered and alternate solutions should be sought. |
| 8   | Wisdom                   | The business rescue practitioner must be wise enough to apply the ideas to the specific situation at hand.                                                                                             |
| 9   | Sense-making / visioning | The BRP must have a clear vision of what should be achieved at completion of the business rescue process. The plan must make good business sense to the stakeholders involved.                         |

*Source: Author's compilation (2022)*

Uncertificated practitioners have a disadvantageous impact on the success rate of business rescue. The role of the BRP is vital in the rescue process as they are the ultimate drivers of the business rescue plan being successful. Reasons why the BRP is often considered the root of the failure of business rescue include them having a liquidation mindset, insufficient knowledge, lack of skills, as well as their abuse of the business rescue legislation (Rajaram, 2016) cited by (Rajaram, Singh and Sewpersadh, 2018). It is understandable that the BRP cannot be expected to have expert knowledge in the field of management, finance, and legal issues; however, they are required to have the skill of delegating duties to others which they themselves cannot perform.

Communication skills are fundamental in rescue proceedings – for example, there must be some middle ground between the BRP and creditors. Ineffective

communication on the part of the practitioner can lead to creditors being unwilling to cooperate, resulting in a failed rescue. It is also found that a lack of understanding of legislature can cause non-compliance with applicable legal proceedings which leads to the rescue becoming a nullity. Furthermore, the BRP must be business minded. In instances where a liquidator is appointed to turnaround a distressed business it is likely that the rehabilitation will be unsuccessful. A liquidator is proficient at salvaging a distressed company, they do not have the skills to work through the problems being faced by the company and implement positive change to ensure a successful turnaround (Rajaram, Singh and Sewpersadh, 2018).

The business rescue practitioner must be a dynamic individual capable of identifying problems that were not apparent to the existing management team (Baird, 2014). An ideal BRP would share their vision for the distressed organisation with all affected stakeholders, motivate and challenge the existing staff to do better and drive the change that is needed by the organisation for rehabilitation. (Burns, 1978) cited by Baird (2014) developed the theory of the transformational leader, which is not influenced by status in the company. He explained that transformational leadership takes place when leaders and followers work together and seek potential in each other to achieve the goals of the organisation.

## **2.10 BUSINESS RESCUE AND CONTINUING PROFESSIONAL DEVELOPMENT (CPD)**

Educators were in need of a framework to steer the process of teaching competencies that are required by BRPs. This framework will be found useful by regulatory officials and professional bodies to license BRPs. Courts can also make reference to the framework when judging matters relating to business rescue. The turnaround process and the business rescue practitioner are criticised continuously, principally in cases where the affected parties of the distressed company feel they have been faced with injustice. Existing research shows that the BRP is a crucial constituent for the business rescue to be successful (Pretorius, 2018).

It has been found that there is a lack of specifications in place that can be considered by directors of financially distressed businesses when appointing BRPs. BRPs promote themselves by recording the number of instances where they were approached by a company to take over the reigns from an existing BRP who the creditors are unhappy with. Simultaneously, they are criticised by directors who

appoint them for their failed efforts to restore the financial health of a company. BRPs also inculcate other technical details for their failure. Their excuses include the absence of a reasonable prospect to rescue the company from the beginning of the process, together with a dearth of willing financiers to provide post commencement financing (Pretorius, 2018).

Business rescue practitioners deal with a range of rescue cases, each having their own distinctive characteristics and complexities. In appointing a BRP, distressed entities require guidance on what competencies to be on the lookout for to ensure that the professional hired is capable of rescuing the business. On the other hand, budding practitioners need a breakdown of the competencies they should embed to be licensed as a BRP. Those in the education field would also embrace a framework of competencies as teaching conventional business management skills is inadequate in an increasingly complex business world. In addition, professional bodies that govern the BRP profession beseechingly require a framework to monitor BRPs and their processes (Pretorius, 2018).

The Business Rescue Liasion Committee (BRLC) set out the requirements for a business rescue practitioner's continuing professional development. This policy has been effective from 1 January 2020 and will be revised annually to ensure the regulations therein are relevant and up to date. This policy has been enforced so that BRPs are committed to lifelong development in their area of expertise, enabling them to procure the necessary skills and knowledge to practise as a BRP. In applying to register as a BRP, this policy sets out the responsibilities which the BRP must be aware of and undertake in order to fulfil the role to the best of their ability. It also provides guidance on what constitutes CPD, how it will be monitored by CIPC and the consequences of non-compliance thereof (Government Gazette, 2020).

The BRLC uses an input-base approach that sets out the development that a BRP needs to complete. A BRP is required to undertake at least 20 hours of development activities within every year. Furthermore, a minimum of 12 of these hours needs to be verifiable – four of these hours should be directly connected to business rescue while the other eight hours can relate to CPD in an area of study linked to business rescue, such as taxation, management or financial accounting or any other relevant legislation. CPD is verifiable if evidence can be provided that the learning activity was undertaken



as well as whether that piece of learning is relevant to the current or future growth of the BRP (Government Gazette, 2020).

For CPD to be verifiable, it is not obligatory to spend copious amounts of time attending workshops and conferences or to spend a fortune on completing courses and activities. Individuals are permitted to acquire their development from a source that is relevant to their learning requirements. Depending on which areas of expertise the BRP wants to gain knowledge in, they will complete the specific training and courses to fulfil that need to achieve growth in that area and to satisfy the minimum CPD requirements. Moreover, accredited professional bodies offer their members a range of products and services that count towards CPD (Government Gazette, 2020).

Annually, accredited professional bodies will establish whether individuals satisfied the aim of CPD. They randomly sample members to examine and evaluate whether they have complied with the CPD requirements and review corresponding CPD documentation. The requirements of CPD are applicable to all active BRPs, one can only qualify for an exemption from these if they are not active as a BRP. In circumstances where an individual provides services to distressed companies for no charge, this will be regarded as being active in the profession and they will be required to comply with CPD requirements. Should an individual resume practising as a BRP after a long absence from the profession, they will be required to undertake additional CPD to ensure they can perform the work of a BRP with utmost diligence and due care (Government Gazette, 2020).

## **2.11 EMOTIONAL INTELLIGENCE**

### **2.11.1 The intelligence quotient (IQ)**

The intelligence quotient is a score used to assess the ability of a person to analyse data and logically formulate conclusions based thereon. IQ tests date back to the early 1900s where Alfred Binet, a French psychologist developed IQ tests for schools in America and Europe to identify learners who would struggle academically (Martschenko, 2017). IQ ranges and their classifications are shown in the table below.

**Table 5: IQ Ranges and classifications**

| <b>IQ Range</b> | <b>Classification</b>   |
|-----------------|-------------------------|
| 90 – 109        | Average                 |
| 110 – 119       | High average            |
| 120 – 129       | Superior                |
| 130 – 144       | Gifted or very advanced |

*Source: Adapted from Stanford-Binet Intelligence Scale Fifth Edition*

There are different motives for conducting IQ tests and it will only be effective for people who have been raised in common social and cultural circumstances. *Crystallised intelligence* is measured by asking knowledge-based questions (Stevens, 2016). This form of intelligence is derived through experience and is displayed in one's skills and vocabulary and can grow throughout a person's life as long as the opportunity to learn is available (Drigas, Papoutsi, 2018). *Fluid intelligence*, on the other hand, deals with memory (Stevens, 2016). Elements of this form of intelligence are how well your mind works, the speed at which you can think and remember things. Fluid intelligence develops well during adulthood but decreases as a person grows older (Drigas, Papoutsi, 2018).

During the 1980s, Robert Sternberg, an American psychologist, came up with an intelligence theory to expand the conventional notion of intelligence. He observed that the true performance and success of a person was not directly comparable to the results of tests they were subjected to. Whilst people achieved high scores on mental tests, they did not fair well in real circumstances, and the opposite occurred too. In the opinion of Sternberg, intelligence existed in three parts. Analytical intelligence relates to the ability to solve problems. Creative intelligence is being able to apply expertise and skills gained previously to new cases. Practical intelligence is when a person has the flexibility to adapt to new conditions and environments (Drigas, Papoutsi, 2018).

### **2.11.2 Emotions**

Emotions have been described as a composite mix of feelings developing bodily and cerebral changes that impact our thoughts and conduct. Disregarding one's cultural heritage, gender or race, all people express their feelings. Emotions influence many facets of our lives and we have to acknowledge these key events connected to our survival and growth and therefore, emotions serve numerous purposes (Drigas, Papoutsi, 2018).

*“Any person can become angry, that is easy, but to be angry with the right person, and to the right degree, and at the right time, and for the right purpose, and in the right way, that is not within everyone's power, that is not easy.” – Aristotle cited by (Drigas, Papoutsis, 2018).*

It is apparent that the human brain can be set apart from the heart, yet they are somehow linked if we are to conserve human integrity (Ryback, 2012). If this were not the case, we would engage in mechanical decision making which is basically the same as the work of a computer. As the world of business evolves, we require a carefully tweaked blend of mind and heart. Whilst competition intensifies vastly amongst businesses year on year, there is also a large focus on interaction – not only within the workplace but externally as well. The hub of attention in business circles is leadership techniques, especially how leadership patterns can be improved at top management.

Emotional intelligence (EQ) helps individuals understand their feelings, act on their intentions and make cultivated decisions regarding key matters (Improving Emotional Intelligence (EQ), 2020). It is common knowledge that the most sharp-witted people are not the most successful and content in their lives – they struggle socially in terms of meeting people and public speaking. Although IQ plays a big role in being accepted at university, it does not help manage pressure and the emotions felt during stressful times. Emotional intelligence is a growing field of study due to its characteristics of being logical and progressive.

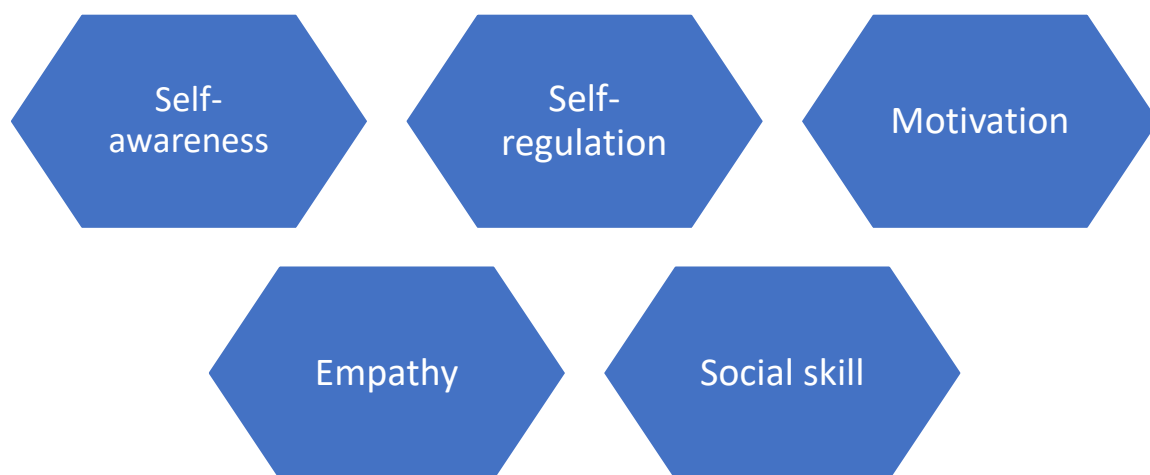
The importance of EQ plays a role in multiple facets of life. Being unfit to manage your emotions leads to poor management of stress levels causing stress related health risks. Mental health also takes a toll when you are unable to control your anxiety when situations get tense. These issues also impact relationships and one can find yourself in loneliness if you cannot handle your emotions. Being able to convey your feelings and understand that of others leads to improved communication with others and helps you build tight-knit relationships. Social intelligence is the art of being in sync with your emotions and being able to identify these different emotions and act on them accordingly (Improving Emotional Intelligence (EQ), 2020).

### **2.11.3 Emotional intelligence in business**

Although technical capabilities and IQ play a vital role when assessing the competence of a good leader – these are preambular requirements in the world of business

(Goleman, 1998). Emotional intelligence is proposed to be a foundational competency for BRPs (Mphuthi, 2019). According to existing research, an individual's EQ accounts for up to 75% of success in work and social life. Studies show that the key to success lies in one's ability to recognise and control emotions (Webb, 2018). Emotional intelligence was described by Daniel Goleman (Goleman, 1998) to be the *sine qua non* of leadership. Despite an individual having top-notch training and ceaseless theoretical knowledge, they will not make a great leader without emotional intelligence.

Daniel Goleman developed a framework which shows five attributes of emotional intelligence at work. This is shown in Figure 6.



**Figure 6: Emotional intelligence attributes**

*Source: Adapted from (Goleman, 1998)*

Daniel Goleman undertook a study whereby he aimed to identify the personal competencies that drove exceptional performance in an company and to what extent. He arranged these competencies into three classifications (Goleman, 1998):

1. Practical expertise – This category involves being able to perform accounting functions and administrative tasks.
2. Cognitive skills – This function relates to the ability to set trends and identify patterns, plan ahead and respond to unexpected changes in the workplace and the industry in which the business operates.

3. Capabilities that exhibit emotional intelligence – This involves the potential to collaborate with others and being successful in driving change.

In examining the data from the investigation, Daniel Goleman found that intellect was key to achieve outstanding results and that cognitive skills were also especially necessary. However, when he calculated the ratios of these three categories of competencies to drivers of outstanding performance, he found that emotional intelligence manifests itself as being doubly important compared to the others and this was the case for all levels of jobs in the organisation (Goleman, 1998).

#### **2.11.4 Can emotional intelligence be learnt?**

One may question whether this is an art that can be improved. Self-reflection helps an individual identify their mistakes and think of how these can be improved on (Diehl, 2018). Emotions are key bits of information that tell us about our very own selves as well as others. However, when faced with stress, this takes us out of our safe haven leading to impulsive behaviour. Yet, if we learn to control our emotions, we can equip ourselves to meet with disconcerting situations without behaving irrationally. We can find a way out in a healthy manner by managing our emotions, living by our values and self-disciplining ourselves (Say, 2020) This is known as self- management.

The first step to emotional intelligence is coping with stress. The next step is self-awareness. The ability to identify with your emotions is critical to understand how your beliefs and activities impact your emotional wellbeing (Say, 2020). Scrutinise whether you experience sentiments that flow – experiencing thoughts and feelings one after another as circumstances change (Say, 2020). This is also partnered with physical stirrings in your stomach or chest. Consider whether you experience independent emotions like joyfulness, regret, fury, and terror and if these are facially expressive. When such emotions are intense enough, they can draw your attention as well as that of others. If these descriptions of feelings are unknown, it means you are not in sync with your emotions (Say, 2020). This is where mindfulness comes into play.

To adopt social awareness, we need to live in the moment. This means being conscious of others during interactions so that we can learn from their views and beliefs. This allows us to understand how we feel towards the opinions and values of the people around us which develops our emotional being. Once we are aware of the emotions of others, we can build on our emotional skills which help grow relationships.

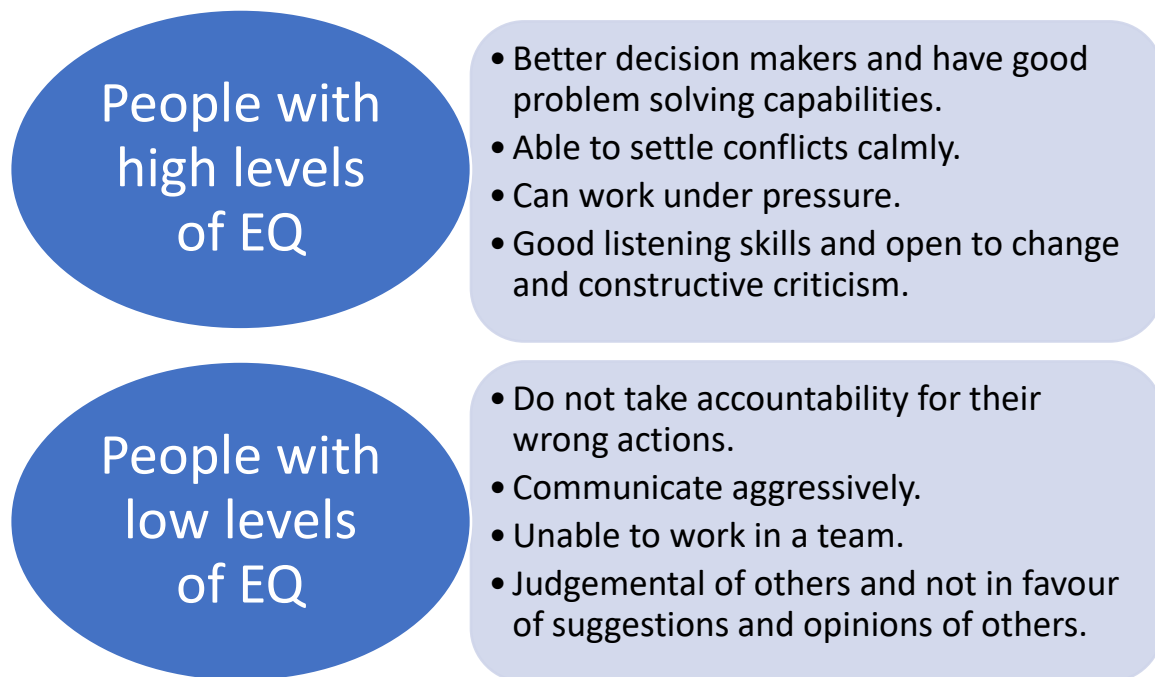
It is important to be aware of the signals that are sent out to people through our body language (Deutschendorf, 2019). Body language needs to fit right in with the words that come out our mouth and the tone we use when speaking to others. If this is not the case, the interpretation of what one is trying to say is not in line with its actual meaning.

Empathy is also a trait of emotional intelligence. An empathetic leader can understand what others need and is mindful of their emotions and thoughts. By understanding the needs of those we work with we will understand what it takes for them to be successful and can provide the necessary support, allowing them to strive towards their goals and overcome the challenges they face. This also builds a relationship of trust between the employee and the person in a leadership role, strengthening teamwork and boosting productivity. Empathy is a trait that comes naturally to a person, and it can be shown to others by listening to them, which should not only be verbal but by paying attention to the body language of others as well (Naseer, 2011).

As we live through uncertain times caused by the global COVID-19 pandemic, it is becoming ever so important to be empathetic to others. Leaders are being judged by how they respond to the needs of their employees during these trying times. Millions of workers face immense fear and need support to be able to do their jobs to the best of their ability. An empathetic leader makes themselves accessible to their staff and shares their personal fears which may help them deal with their own emotional battles. Offering constructive solutions to the problems of others would also help them grow emotionally and improve their professional performance (Ungerboeck, 2020).

Social skill is also a characteristic of emotional intelligence. An individual with good social skills can understand their own emotions as well as those of others and use this understanding to build relationships and communicate effectively. Crucial social skills include the ability to listen and communicate both verbally and non-verbally. Social skills can be learned by practising eye contact in communicating with others and observing the other person's social skills. Conversations flow better by asking open-ended questions and being attentive to what others say (Cherry, 2021). Emotional intelligence in business is a highly valued skill which can be learned and improved. According to a survey conducted in the workplace, 75% of employers value EQ over and above IQ (Cherry, 2020).

Figure 7 compares people with high levels of EQ to those with low levels of EQ.



**Figure 7: Comparison of the characteristics of high and low EQ (Cherry, 2020).**

Emotional intelligence should be studied at several levels. Behavioural emotional intelligence – being an individual form of EQ – has a specific way in which it is measured. It provides for a more rounded context of EQ while keeping the criticisms associated with EQ at arm's length. The behavioural level allows for EQ to relate to professional and personal outcomes other than general mental aptitude and character traits. Thus, EQ not only resides in one's personality in the form of a trait or an ability, but also in one's behaviour (Boyatzis, 2018). Behavioural EQ is defined as follows:

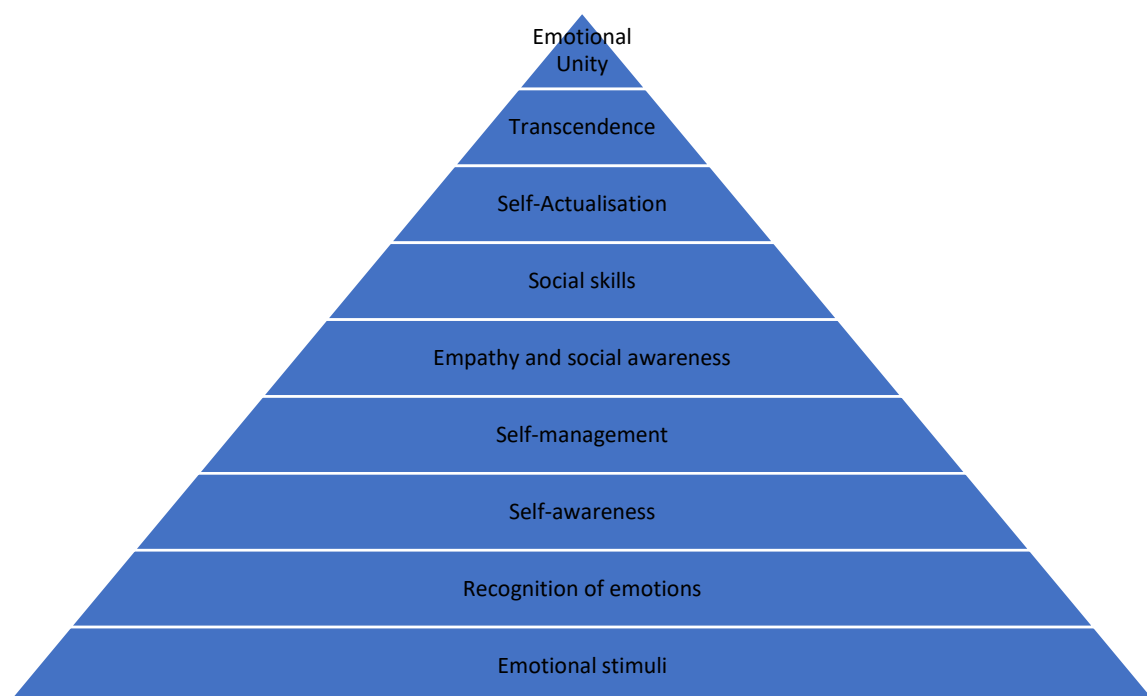
- a. An emotional intelligence competency is the ability to acknowledge, understand, and use emotional information about oneself that results in fruitful performance; and
- b. A social intelligence competency is the ability to understand and use emotional information about others that results in fruitful performance (Boyatzis, 2018).

There are two research projects that gave rise to the behavioural view of EI, namely coding of simulations by assessment centres and inductive analysis through conducting interviews posing scenario-based type questions. In these research projects, the individuals with whom the interviews were conducted were selected

through nominations which is more stringent than performance ratings or rankings. The performance of those selected for the interview was compared to the average performance group – those who were not nominated by their colleagues. This process of selection mitigated the general biases that are associated with questionnaires such as gender, language, and cultural aspects (Boyatzis, 2018).

The interviews conducted with the employees attempted to recreate a typical work situation and gauge how the employee would react in such circumstances. The interviewee was asked a scenario-based question such as, “Give an example of a time when you were in a conflict. How did you react and what was the result”? The response from the candidate was recorded in a codebook and follow-up questions were asked such as “How did you feel and what were your thoughts at that time”? Judging from the behaviour displayed in the various scenarios, the employees’ competencies were recorded in the codebook that benchmarked outstanding performers from those that were average (Boyatzis, 2018).

Figure 8 shows levels of EQ, the characteristics that ought to be learnt at each level and the development path to reach the desired levels of transcendence and emotional unity.



**Figure 8: The Nine-Layer Model**

*Source: Adapted from (Drigas, Papoutsis, 2018).*



#### ***2.11.4.1 Emotional stimuli and emotional recognition***

Information is received from our environment on a daily basis, and we need to process this information and the many stimuli into different groupings to develop our understanding of the world and those around us. When situations arise, the agent receives sensorial stimuli. These stimuli are processed by cognitive mechanisms which control what emotions will be felt and what reactions these feelings will cause. The next step in the pyramid involves recognising emotions which is a vital part of interacting with others regularly. It involves the ability of accurately decrypting the expressions of others that are displayed in their body language and gestures (Drigas, Papoutsis, 2018).

#### ***2.11.4.2 Self-awareness and self-management***

The first step to developing EQ is to work on self-awareness. It is impracticable to understand and respond to the emotions of others if we lack self-awareness. Learning self-awareness over time impacts our thoughts which enable us to change our thoughts and ultimately our actions. Self-awareness involves understanding and accepting our feelings, beliefs, strengths, and weaknesses. Once self-awareness has been conquered, we can then manage our emotions better. Self-management does not require one to ignore negative feelings. On the contrary, negative feelings can be recognised and changes can be made to how we react to these feelings (Drigas, Papoutsis, 2018).

#### ***2.11.4.3 Social awareness and social skills***

Once a person has developed the ability to accept and control their own feelings, they can recognise and understand the feelings of those they interact with. In being socially aware of others' emotions, you must be able to show empathy. Once you think from another person's perspective, you can understand their distress and form a relationship with them (Drigas, Papoutsis, 2018). From a leadership perspective, having good social skills makes you approachable to those you work with. There is a better chance of achieving the goals of the organisation when there is democratic leadership, and all members have the freedom to share their ideas and have a sense of belonging.

#### ***2.11.4.4 Self-actualisation***

It must be noted that this level of the pyramid does not mean "happily ever after". Self-actualisation is a recurring process of growth. This is a very important part of emotional intelligence; it measures your sense of having a significant peculiar devotion to life and

the understanding that your presence in the world is valued. At this level, you can identify with mankind as a whole which creates universality of emotions – although emotions may be dependent on different cultures, an emotionally intelligent person belonging to one culture can understand the emotions associated with another culture even if they are different (Drigas, Papoutsis, 2018).

#### ***2.11.4.5 Transcendence and emotional unity***

At this level, those that have made it to self-actualisation motivate others to reach their full potential. To a great extent, transcendence is in tune with self-esteem, psychological well-being and universal empathy. Self-transcendence is expressed in many ways through etiquette and perspectives. Words of wisdom are exchanged with others, it is accepted that death is inevitable, and those that are emotionally intelligent show interest in leading others to learn about the world, to detach oneself from lost battles and to seek ethereal significance from life. In emotional unity, harmony is experienced. In this stage, there are feelings of immense joy and fulfilment, and people are optimistic about life and the challenges they are faced with (Drigas, Papoutsis, 2018).

There is a difference between leadership and management (Stretton, 2018). The success of the management of a company is measured by their ability to achieve the goals of the organisation through the application of theoretical knowledge. On the contrary, leadership dictates that those results should be accomplished by applying people skills (Naughton, 2013) cited by (Stretton, 2018). The tasks and activities of the BRP show that their role in business rescue is that of a leader and therefore, there is a need to consider whether emotional intelligence is a core competency for them to be successful. “At the end of the day, it all boils down to people” (Finkelstein, 2003) cited by (Rao, 2004).

In recent years, emotional intelligence has become very relevant for those in leadership roles. Although the significance of general intelligence is neither undermined nor recast, we must recognise EQ as being an equally important characteristic that should be sought when appointing business rescue practitioners. Studies have proven there is a direct relationship between EQ and cognitive abilities and that this empowers mankind and their character which benefits society. EQ is a skill that can be acquired and developed (Drigas, Papoutsis, 2018). As individuals progress through each level of the pyramid, they are developing their EQ to reach the

stage of emotional universality where they have the skills to succeed in personal and professional life all by recognising and managing emotions and how they react to these.

## **2.12 LEADERS AND DECISION MAKING**

In a study undertaken by Hind, Wilson and Lenssen (2009), emotional awareness was found to be a competency required for corporate responsibility. This study defined emotional awareness as the capability of understanding how decisions made by leaders impact on others. It is natural for one to react to decisions based on emotions and perceptions rather than logical analysis. It is common for leaders to describe their thoughts on business matters in entirely logical terms, disregarding the fact that their perspective is not only driven by intellect but is also influenced by their feelings and impulses. A leader must be willing to recognise that emotions shape the decisions that they make – decisions are not based on logical economic processes alone.

According to Wilson and Holton (2003), decision making in the context of a business environment requires a manager to act in the following manner:

- Be open to fresh ideas and encourage colleagues to embrace new working methods;
- Understand the role of different stakeholders and how they connect with each other;
- Strategically engage with internal and external stakeholders to form networks and balance the competitive demands of these parties;
- Respect and understand diversity and be able to adapt behaviour to suit the situation;
- Adopt a strategic view to business.

The characteristics above consist of a blend of expertise, attitudes and knowledge. In managing a business, there are certain competencies required of a manager to be able to lead effectively and make sound decisions. Hind, Wilson and Lenssen (2009) identified the following attributes, listed in Table 6, to be necessary for responsible leadership.

**Table 6: Attributes of responsible leadership**

| <b>Leadership attribute</b>             | <b>Explanation</b>                                                                                                                                                   |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integrity                               | Good leaders do the right thing even when it is not easy. Honesty and the willingness to challenge unethical behaviour are attributes of integrity.                  |
| Open-mindedness                         | The ability to use criticism constructively and as an opportunity for improvement is important for a person to be successful as a leader.                            |
| Long term perspective                   | An organisation's leader should recognize the corporate social responsibility of the company and the role it plays in the environment.                               |
| Ethical behaviour                       | Striving for an organization to be ethically compliant beyond the minimum prescribed standards. A good leader acts ethically to set an example for others to follow. |
| Care                                    | The ability to empower others through creation of unique opportunities that will result in the growth of people.                                                     |
| Communication                           | Having respect for diverse opinions and being honest and open with those you work with are key factors for good decision making within an organization.              |
| Responsible management outside the firm | A good leader ought to engage with external stakeholders and build strong relationships.                                                                             |

*Source: Adapted from Hind, Wilson, Lenssen (2009)*

## **2.13 CONCLUSION**

The life cycle of a business and the options faced by a financially distressed company were discussed in this chapter. The procedure to apply for business rescue was explained, which led to the business rescue practitioner's role in the proceedings. The importance of the business rescue plan was highlighted, and the competencies required of a BRP to perform the tasks and activities required, was illustrated. The chapter also covered the continuing professional development that BRPs are required to undertake. It has been established that the BRP should be a good leader and that emotional intelligence in the world of business is very important to ensure successful leadership. The next chapter presents the research methodology.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

Research is undertaken to formulate and advance concepts and premises (Doorasamy, 2015). There are two categories in which research can be conducted – *basic* and *applied* research (Doorasamy, 2015). Basic research entails the expansion of knowledge through the creation of new theories or modification of existing theories (Formplus, 2020). On the other hand, applied research analyses empirical evidence to deliver solutions to defined problems (Formplus, 2020).

In this study, the researcher conducted basic research. Existing literature established that there is positive correlation between leadership performance and EQ, and this study applied the EQ traits from Goleman's (1998) EQ framework to the tasks of the BRP. The aim of this was to generate a framework of questions that can be asked to the BRP to assess their EQ upon appointment. Methodology is essentially an analysis of methods (Aliyu, 2015). The most significant distinction between methods is that between quantitative and qualitative methods (Aliyu, 2015). This chapter sets out the methodology adopted for the study, the population and sample size, and how the data was collected and analysed.

### **3.2 RESEARCH DESIGN**

The research design is a broad overview of the underlying basis of the study and how the study was carried out to meet the research objectives (Essa, 2018). The elements of research design include the research questions, data collection and analysis methods. The objective of this study is to formulate a framework of questions that can be asked to the BRP to determine their EQ upon appointment. This study sought to answer the following research questions:

1. To what extent is the emotional intelligence of the business rescue practitioner considered upon appointment?
2. What are the emotional intelligence traits that a successful business rescue practitioner should possess?
3. What questions should one ask a business rescue practitioner to determine their emotional intelligence during the interview process?

### 3.3 NATURE OF THE RESEARCH

Essentially, there are two principal research methods, comprising quantitative and qualitative research (Essa, 2018). *Qualitative research* involves the collection, analysis and interpretation of non-numerical statistics. This form of data can be collected through comprehensive interviews, the results of which will be analysed using grounded premises (McLeod, 2019). The table below shows the pros and cons of qualitative research.

**Table 7: Pros and cons of qualitative research**

| PROS                                                                                                                                                                                       | CONS                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Different attitudes towards phenomena by a target population can be captured.                                                                                                              | It is questionable whether the sample size selected will be a true representation of the perspectives of the entire population.                        |
| In cases where the responses do not conform to the researcher's expectation, these are equally advantageous as this data will shed light on context that statistical data does not reveal. | The researcher might be biased in selecting a sample. The researcher could knowingly or unknowingly select a sample to favour the deliberated outcome. |
| Qualitative studies allow flexibility in the sense that questions can be adapted and settings can be changed to improve responses.                                                         | If the right questions are not asked the researcher can overlook informative "how" and "why" questions where insight can be gained.                    |
| This method of research allows the researcher to be hypothetical about the domains they want to investigate. The researcher uses instinct for where useful information will be derived.    |                                                                                                                                                        |

Source: (Vaughan, 2021)

*Quantitative research* is a process of even-handed collection and analysis of numerical statistics to outline, forecast or manipulate appealing variables. The aim of this type of research is to evaluate general interrelations between variables, develop a prognosis and apply the results to greater populations. This study encompassed a quantitative research approach. The table below shows the pros and cons of quantitative research.

**Table 8: Pros and cons of quantitative research**

| PROS                                                                                                                                                             | CONS                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| This type of research supports anonymity. The researchers identity is preserved which gives the respondents confidence to reveal the information that is sought. | This method does not allow for the researcher to seek further clarification from respondents once the questionnaire is completed.     |
| This research method allows for the data set to be subject to various tests to affirm its reliability.                                                           | Higher costs are likely to be incurred since the results have to be analysed by a professional data analyst.                          |
| The data derived by this research approach is in the form of statistics that can be objectively scrutinised.                                                     | Bias could set in when samples are selected. The researcher could select samples that are likely to give rise to the desired results. |
| Data can be collected quickly which is advantageous in situations where there are time constraints.                                                              | There is no way to verify the accuracy of the participants answers to the survey.                                                     |
| Larger sample sizes are used to collect data. The researcher can explore broad-ranging subjects and gather more accurate results.                                | The results are in the form of statistics. This may not be entirely conclusive of the matter being studied.                           |

*Source: (Layne, 2021)*

Quantitative research forms important conclusions about a population using statistics (Lowhorn, 2007). The size of the population is irrelevant, what matters is that all individuals that form part of the sample should meet the criteria of the group under study (Lowhorn, 2007). According to Streefkerk (2022), quantitative research is used to assess or validate theories and assumptions. Quantitative research requires many respondents so that an overall conclusion can be formed about the matter being studied (Streefkerk, 2022).

In this study, the researcher sought to confirm that the BRP takes on the role of a leader during business rescue proceedings. An effective leader has a high level of EQ (Goleman, 1998). The research set out to confirm that the BRP should manifest EQ attributes clearly in his tasks in order to be successful. A quantitative research method was chosen so that data could be collected in a short space of time. Furthermore, one of the research objectives was to determine whether the appointment process of the BRP addresses their level of EQ. This question can be appropriately answered through quantitative methods. It would be difficult to form consensus over this question

through a qualitative research method due to few participants that usually form part of the sample size.

There are two types of quantitative research. The first type, *experimental research*, is widely used in social and physical sciences, education and psychology (Harappa, 2021). In this research method, the relationship between a dependant and independent variable is studied by observing and comparing the effect on the dependant variable caused by manipulation of the independent variable (Harappa, 2021). The results are interpreted and conclusions are formed. The advantages of this research method are: it generates very specific results and it lays the foundation for further testing and research to be conducted (Harappa, 2021). On the other hand, this method is also expensive, time-consuming and contains a risk of human error (Harappa, 2021).

The second type of quantitative research is *descriptive research* (Lowhorn, 2007). This method is effective when there is a research problem to be studied (Formplus, 2020). It describes the situation on hand and aims to answer what, where, when and how questions. Surveys, secondary data and observations are used to gather data for the descriptive research approach (Invoke, 2021). This method does not manipulate or control any variables, the variables can only be observed and measured (McCombes, 2022). Descriptive research was deemed the appropriate method to be used for this study.

### **3.4 SAMPLE FRAME**

The sample frame comprises the elements from which a sample will be selected from the population. "Population" is defined as any determinable assembly of things (Treiman, 2009). The CIPC website was used to identify business rescue practitioners to whom the questionnaire was sent. CIPC published a list of active licensed BRPs in April 2022 – this list has 393 licensed business rescue practitioners that belong to various professional bodies and constituted the population for this study. BRPs from all professional backgrounds were sampled.

This list shows whether the BRP is junior, experienced or a senior BRP. Random sampling was used to identify the BRPs to whom the questionnaire was sent. This sampling method was appropriate for this study as CIPC is a complete list of all licensed and active practitioners, the contact details are available for each of these



individuals and there was adequate time to collect the data from the sample size (Thomas, 2020).

### 3.5 SAMPLE SIZE

Sample size refers to the number of consumers in the target population to whom the questionnaire was sent. An online sample size calculator, as shown in Figure 3.1 below, was used to determine the sample size – this required a confidence level, margin of error and population size to be computed. Confidence level is the statistical probability that a parameter will fall in a specified range. A confidence level of 90% was used due to there being evidence that EQ is directly proportional to leadership performance. Margin of error is the maximum difference that can be accepted between results and the population. A small margin of error will ensure that the results are more representative of the population. A margin of error of 5% was computed. The population size computed was 393 – this being the total number of licensed BRPs in South Africa. The calculator yielded a sample size of 161. This was split proportionally for junior, senior and experienced BRPs (Martin, 2021).

The screenshot displays the flexMR website's sample size calculator. The main content area features a form with the following inputs: Population Size set to 393, Confidence Level set to 90% (via a dropdown), and Margin of Error (%) set to 5. Below these inputs are 'CALCULATE' and 'CLEAR' buttons. The result, 'Sample Needed', is displayed as 161. The website header includes navigation links: HOME, INSIGHTHUB, SERVICES, ABOUT, BLOG, and RESOURCES. On the right, there are buttons for 'BOOK A DEMO' and 'REQUEST PRICING', along with an email icon. A sidebar on the right contains a bio for Christopher Martin and a 'SUBSCRIBE' button. At the bottom, a cookie consent banner is visible with 'Accept' and 'Decline' options. The Windows taskbar at the very bottom shows the date as 11/04/2022 and the time as 08:45 PM.

**Figure 9: Sample calculator**

### 3.6 DATA COLLECTION

Quantitative research aims to gather statistics from a group of individuals and extrapolate those results over a larger population to form a consensus over a matter (Humans of data, 2018). A self-administered questionnaire with a Likert scale, encompassing closed-ended questions was used to realise the purpose of the study.

The researcher sent the questionnaire to participants via a Google form. The researcher also sent reminder emails to the participants on a weekly basis during the first two weeks of data collection. Thereafter, reminder emails were sent every four days. The data collection period was over six weeks. Section 1 of the questionnaire aimed to achieve demographic information about the participants. This section covers information such as gender, race and age. The questions in sections 2, 3 and 4 aimed to achieve the objectives of the study.

Closed-ended questions were used so that the results could be easily quantified and conclusions could be drawn on the research questions, thereby decreasing the amount of irrelevant feedback received (Dawer, 2019). Furthermore, closed-ended questions are not time consuming to answer which increases the chances of receiving a higher response rate (Dawer, 2019). The responses to closed-ended questions can be grouped and analysed by academic qualifications and years of experience (Dawer, 2019).

A Likert scale is made up of a scale of ratings that is used to analyse viewpoints, attitudes and actions (Bhandari, 2020). A broad range of insight can be measured in Likert scales, it can be used to measure agreement, quality, experience and likelihood as per the table below.

**Table 9: Types of items measured using a Likert scale**

| Item being measured | Range                                                                       |
|---------------------|-----------------------------------------------------------------------------|
| Agreement           | Strongly agree, agree, neutral, disagree, strongly disagree                 |
| Quality             | Excellent, good, fair, poor, very poor                                      |
| Experience          | Very positive, somewhat positive, neutral, somewhat negative, very negative |
| Likelihood          | Extremely likely, somewhat likely, not at all likely                        |

*Source: Bhandari (2020)*

One of the advantages of using a Likert scale in a survey is that it is user-friendly. This enables the participant to fill out the survey in a short space of time without having to provide a reason of opinion. Furthermore, hypotheses can be tested statistically and comprehensive insight is derived on behaviors and attitudes towards a certain phenomena (Bhandari, 2020). The questionnaire also contains binary answer categories under section 2. These were designed to ascertain a fixed response on

whether BRPs have specifically experienced these particular questions during the interview process.

In a study undertaken by Dolnicar (2003), the researcher set out to determine the contrast between the behaviors, perceived complexities by participants and the duration when completing ordinally scaled three-way surveys and binary surveys. It was found that the results from an ordinally scaled three-way survey was not significantly different to justify the preference of this type of answer categories compared to binary answer categories (Dolnicar, 2003). In addition, the study found that binary format questions are less time consuming and have synchronous validity (Dolnicar, 2012). The questionnaire was sent electronically to the participants of the study, with the questions therein derived from the literature review. According to Greetham (2009), a questionnaire is a fruitful tool to gather data to attain a comprehensive understanding of a situation. The questions therein must be concise and simply structured (Greetham, 2009).

### **3.7 DATA ANALYSIS**

The data that resulted from the questionnaire was analysed using descriptive statistics in the form of frequency tables and graphs. This information was summarised and key relationships were identified. BRPs' views on EQ as a competency trait were analysed in terms of the number of years of experience of the BRP and their level of education. The contributions from the BRPs were the only source of evidence, while the researcher applied accepted principles in research theory to identify themes that formed the concluding results of measure (Pretorius, 2018).

The Statistical Package for the Social Sciences (SPSS) is a data analysis tool used to manipulate and decipher data generated from surveys. The SPSS software consists of four programs to help the researcher analyse data. These are listed in the table below.

**Table 10: Programs in SPSS**

| Name of Program                    | Functionalities                                                                                |
|------------------------------------|------------------------------------------------------------------------------------------------|
| Statistics program                 | Key statistical functions are used to develop contingency tables and frequencies.              |
| Modeler program                    | Ultra-modern statistical methods are used to build and substantiate predictive models.         |
| Text analytics for surveys program | The responses to open-ended questions in the survey are analysed to identify valuable insights |
| Visualisation designer             | Data is analysed in the form of visual aids                                                    |

*Source: Adapted from Alchemer (2021)*

The visualisation designer and the statistics program were used to analyse the data generated from this study. This software was chosen for data analysis since it is a user friendly application. SPSS allows users to import and export data files from other applications and offers a vast selection of graphs and charts for data presentation (Choudary, 2021).

### **3.8 VALIDITY AND RELIABILITY**

Validity in the context of quantitative research refers to the extent to which the research measures the deliberated phenomena (Mphuthi, 2019). The questions and statements contained in the questionnaire were aligned to the objectives which this study aimed to achieve and were derived from facts in existing research. The supervisor also reviewed these questions to assess whether they correspond to the intended objectives.

Reliability refers to the extent to which the results are consistent (Essa, 2018) and free from error. The reliability of the results of this study were measured using Cronbach's alpha which measures the internal consistency of items in a group. Cronbach's alpha can range from 0 to 1, with 1 meaning higher reliability (Institute for Digital Research and Education, 2021).

### **3.9 ETHICAL CONSIDERATIONS**

The University of Kwazulu-Natal's Humanities and Social Sciences Research Ethics Committee approved the study by granting ethical clearance in April 2022. A consent form was emailed to the subjects of the study. This consent form explained the

purpose of the study, details of the researcher and how the data derived from the study will be used. The consent form also ensured the confidentiality of the participants and their responses.

### **3.10 CONCLUSION**

This chapter presented the method in which the objectives of the study would be achieved, detailing the sample frame and size, and how the validity and reliability of results would be determined. The next chapter presents the analysis of the results derived from the questionnaire.

## **CHAPTER 4: DATA PRESENTATION AND ANALYSIS**

### **4.1 INTRODUCTION**

A questionnaire was designed by the researcher and administered to BRPs that are currently licensed to operate in South Africa. The questionnaire aimed to answer the following questions:

1. To what extent is the emotional intelligence of a business rescue practitioner considered upon appointment to a business rescue case?
2. What are the emotional intelligence traits that a successful business rescue practitioner should possess?
3. What questions should one ask a business rescue practitioner to determine their emotional intelligence during the interview process?

A 20% response rate was achieved from the study. The low response rate can be attributed to the fact that many of the participants selected to be part of the sample had not yet been appointed to a business rescue case. The response rate is acceptable since the survey was sent to external participants, it was more than twelve questions long in length and there was no incentive offered for completion of the survey (Lindemann, 2021). Therefore they could not provide insight into the details of the interview process of a BRP. The findings from the questionnaire corroborated similar findings in existing literature. The secondary data used to enhance the findings of this study was derived from the work of researchers in the field of EQ and leadership performance.

This chapter analyses the responses from the questionnaire and substantiates the “emerging themes” (Naidoo, 2016) using existing literature. The previous chapter explained that statistical analysis in SPSS was conducted in this study and then used to analyse the data. The SPSS output tables were used to interpret the findings. The results from the output tables were extracted and illustrated in the form of tables and figures.

### **RELIABILITY**

Cronbach's alpha is a reliability coefficient that is based on the mean correlation of units within a test if the units are homogenous. If the units are not homogenous, Cronbach's alpha is based on the average covariance among the units (Rajaram,

2016). Cronbach's alpha can range from 0 to 1 and was calculated for the questions as per the table below. The questions below were used to calculate reliability because they present variables that make up the essence of the study – whether EQ of the BRP is considered upon appointment and whether the BRP is of the opinion that EQ is an important factor for a business rescue case to be successful.

**Table 11: Questions on which Cronbach's alpha has been calculated**

| Question                                                                                                         | Factor |
|------------------------------------------------------------------------------------------------------------------|--------|
| 2.7 The BRP is asked questions about conflict or ethical dilemmas and how they responded to the situation        | 1      |
| 2.6 The BRP is asked scenario-based questions to ascertain how they would behave in certain circumstances        | 1      |
| 2.4 The emotional intelligence (EQ) of the BRP is a strong determining factor for the success of business rescue | 2      |
| 2.5 Emotional intelligence of a BRP is equally important to IQ for the rescue to be successful                   | 2      |

The first construct per the table above relates to the extent to which the EQ of the BRP is considered upon appointment. The second construct relates to the BRP's opinion of the importance of EQ in business rescue.

**Table 12: Cronbach's alpha**

| Question    | Cronbach's alpha |
|-------------|------------------|
| 2.6 and 2.7 | .864             |
| 2.4 and 2.5 | .767             |

The values of Cronbach's alpha both exceed 0.7 thus indicating reliability of these composite variables.

## 4.2 METHODS OF ANALYSIS

### 4.2.1 Spearman's correlation

Spearman's rank correlation ranges from 1 to -1. A ranking of 1 means there is perfect correlation between variables whereas a ranking of -1 means there is perfect negative

correlation between variables. A 0 ranking indicates that there is no relationship between the variables.

#### **4.2.2 The one sample t-test**

The one sample *t*-test could be used in this study since data was collected from a single population; data was not compared between groups. This test is used when the mean value of the results is compared against a predefined number. This data analysis method was used in instances in this study where data had been collected to test one variable. (GraphPad, 2022). It tests whether a mean score is notably different from the norm.

#### **4.2.3 Binomial test**

This test is used to analyse data where the question provides two possible options. This analysis method was used in section 2 of the questionnaire for questions that were structured to determine the current status of EQ questions being answered during an interview.

The paragraphs below highlight the main ideas derived from the responses of the BRPs.

### **4.3 PRESENTATION OF RESULTS**

#### **4.3.1 Section 1: Demographic information**

The first section of the questionnaire was designed to gather the demographic information of the respondents as well as their experience in the business rescue field. Questions 1.1 to 1.5 covered the biographical data of the respondents, which included their gender, age, race, level of education and number of years of experience as a business rescue practitioner. Questions 1.6 to 1.11 of the questionnaire covered the number of business rescue cases the BRP were appointed to, the number of cases that they had been appointed to before and after the COVID-19 pandemic and the number of cases in which they had been successful, unsuccessful or left incomplete.

Ninety percent of the responses to the questionnaire was received from male participants. The majority of respondents had postgraduate diplomas or an honours degree. Fifty-three percent of the respondents had more than 5 years of experience in the business rescue industry.



Spearman's correlation was applied to test for relationships between age and experience. The Spearman correlation coefficient ( $r_s$ ) is used to analyse the strength and direction of the relationship between two variables (Gupta, 2021). The results of this test are shown in Figure 10 below.

|                    |                         | Age   | Experience |
|--------------------|-------------------------|-------|------------|
| Spearman's rho     |                         |       |            |
| Cases_appointed    | Correlation Coefficient | .280  | .819**     |
|                    | Sig. (2-tailed)         | .133  | .000       |
|                    | N                       | 30    | 30         |
| Cases_beforeCOVID  | Correlation Coefficient | .179  | .715**     |
|                    | Sig. (2-tailed)         | .345  | .000       |
|                    | N                       | 30    | 30         |
| Cases_afterCOVID   | Correlation Coefficient | .051  | .538**     |
|                    | Sig. (2-tailed)         | .789  | .002       |
|                    | N                       | 30    | 30         |
| Cases_success      | Correlation Coefficient | .248  | .674**     |
|                    | Sig. (2-tailed)         | .186  | .000       |
|                    | N                       | 30    | 30         |
| Cases_unsuccessful | Correlation Coefficient | .328  | .520**     |
|                    | Sig. (2-tailed)         | .077  | .003       |
|                    | N                       | 30    | 30         |
| Cases_incomplete   | Correlation Coefficient | -.171 | .245       |
|                    | Sig. (2-tailed)         | .365  | .191       |
|                    | N                       | 30    | 30         |

**Figure 10: Spearman's correlation**

*Source: Author's compilation (2022)*

As per the results in Figure 10, it was found that there is a positive correlation between the number of years of experience and the number of business rescue cases undertaken. However, the results of the questionnaire indicated that the number of successful outcomes of business rescue cases is  $\rho \leq .001$ . The closer the correlation coefficient is to 0, the weaker the relationship between the two variables. Therefore, there is a negative correlation between the number of business rescue cases undertaken by a BRP and the number of these that have actually been successful.

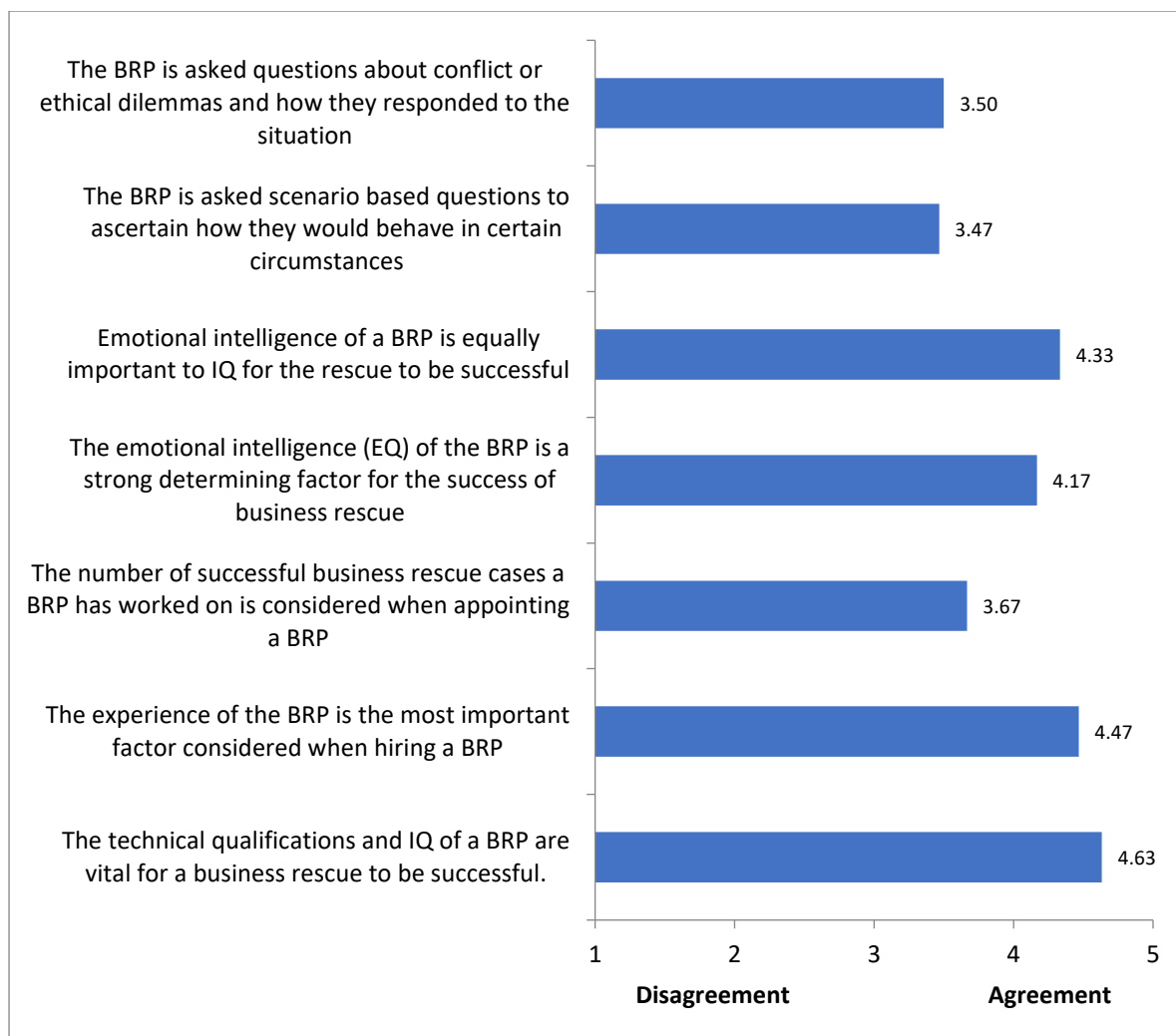
#### **4.3.2 Section 2: Considering the EQ of the BRP during appointment**

The second section of the questionnaire aimed to establish the extent to which emotional intelligence of the BRP is considered upon appointment. The one sample t-test was used to analyse the findings of this test. The mean value derived from each of these questions is documented in Figure 11 below. The average agreement score was tested against the central score of 3.

The results in the figure show that the majority of respondents were in agreement that the technical qualifications and the IQ of the BRP are vital for business rescue to be successful. The respondents also agreed that the experience of the BRP is an important consideration during the interview process. The results of these questions resulted in a mean of 4.63 and 4.47 respectively. In a study undertaken by Baird (2014), it was stated that knowledge, education, experience, skills and the psychometric profile are attributes for a successful turnaround specialist.

According to Naidoo, Patel and Padia (2018), the competence and knowledge of a BRP is crucial because they are given management powers and they have the responsibility of developing the business rescue plan. The results of the study carried out by Naidoo, Patel and Padia (2018) highlighted that the experience of the practitioner is very important and that the "qualification by experience is the real qualification" (Naidoo, Patel, Padia, 2018). The participants in a study undertaken by Mphuthi (2019) highlighted that the development of a feasible business rescue plan requires business acumen.

The findings in Figure 11 also show that the respondents equate the importance of emotional intelligence to IQ for a BRP to be successful. The respondents ranked EQ as a strong determining factor for business rescue to be successful.



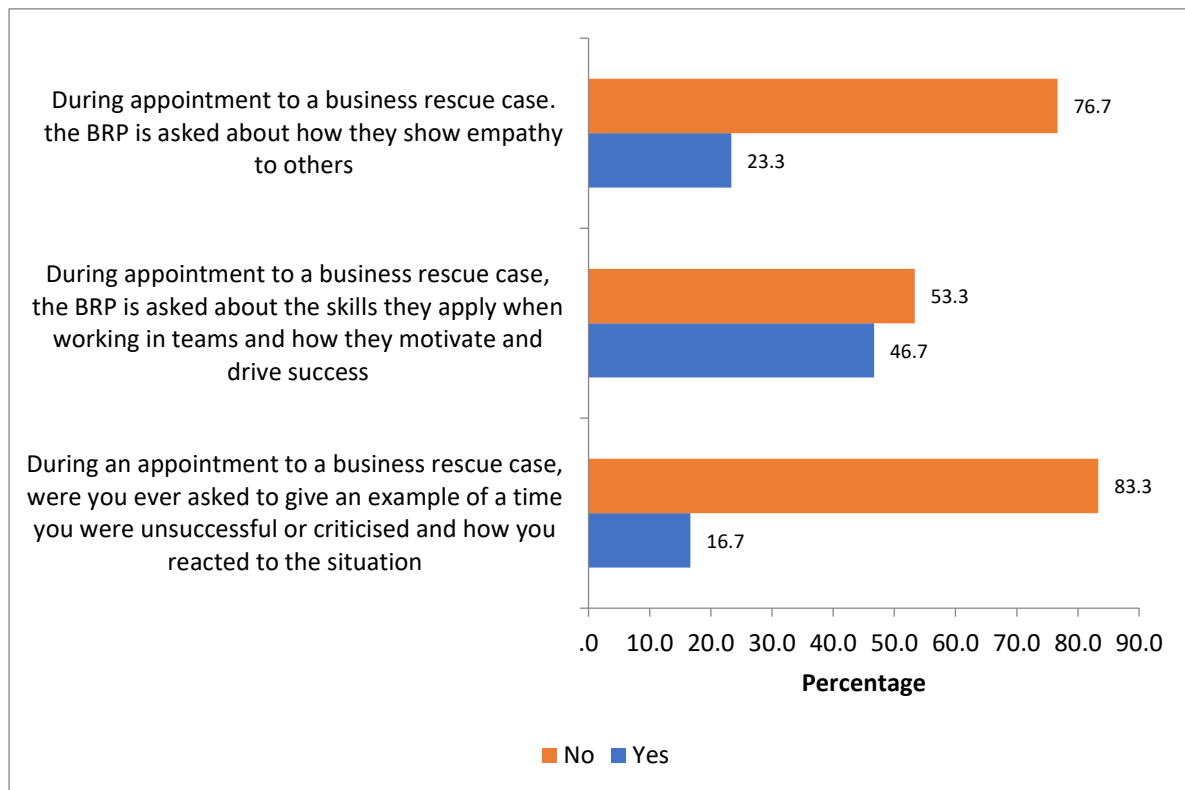
**Figure 11: Results from section 2 of the questionnaire**

*Source: Author's compilation (2022)*

The majority of the respondents agreed that questions about how one would respond to conflict or ethical dilemmas are asked when a BRP is interviewed. The results also show that the BRPs were asked scenario-based questions to ascertain how they would behave in certain circumstances. These questions were designed to form part of the questionnaire to assess whether the personality traits of the BRP are considered upon appointment. According to Baird (2014), there is a connection between personality and behaviour. Personality is a dominant factor in performance and positive results (Baird, 2014).

Section 2 of the questionnaire in this study also contained binomial questions. These were set out to determine whether the BRPs have been asked these questions or not during an interview previously undertaken for appointment to a business rescue case.

These questions are listed in Figure 12 below. It is clear that a majority of the respondents have not been asked these questions during an interview.



**Figure 12: Questions asked during an appointment to a business rescue case**

*Source: Author's compilation (2022)*

***Question 1: During appointment to a business rescue case, the BRP is asked about how they show empathy to others***

The results in Figure 12 above show that 76.7% of the respondents have not been asked about how they show empathy to others. In a study conducted by Mphuthi (2019), the findings show that the BRP must connect with stakeholders and show empathy to their circumstances. Since personality cannot be brought onto the business rescue plan, the BRP is required to adopt a personality in which they engage with people, encourage them to move forward and remain productive (Mphuthi, 2019).

***Question 2: During appointment to a business rescue case, the BRP is asked about the skills they apply when working in teams and how they motivate and drive success***

The results in Figure 12 above show that 53.3% of the respondents have not been asked about the skills they apply when working in teams and how they motivate and drive success. This skill is applicable to situations where the BRP is required to work with other turnaround professionals to rehabilitate the distressed company. According to the respondents in a study undertaken by Mphuthi (2019), some business rescue cases take on a joint appointment of BRPs. This is beneficial in the sense that one BRP alone is not required to have all the skills sets necessary to deal with the crisis situation. The co-appointments will have other areas of expertise such as knowledge of management or law.

A joint appointment of BRPs necessitates collaboration. This competency requires the BRP to have skills of “stakeholder management, negotiation, communication, emotional intelligence and delegation, crisis management and networking” (Mphuthi, 2019).

***Question 3: During appointment to a business rescue case, were you ever asked to give an example of a time you were unsuccessful or criticised and how you reacted to the situation***

Figure 12 shows that 83.3% of the respondents have not been asked to give an example of a time they were unsuccessful or criticised and how they responded to the situation. This is a significant response to adjudicate that BRP may be biased or ineffective in their assignment, since critical characteristics (emotional intelligence, attributes of empathy, motivation, social skills, self-awareness and self-regulation) of the BRP may perhaps be ignored during appointment. Furthermore, the manner in which a leader responds to failure serves as an indication of their attitude towards motivation to succeed. It also informs one about their level of self-awareness and self-regulation – whether they are able to recognise their emotions when under pressure and also control these emotions to avoid impulsive behaviour that could be counterproductive.

This finding is consistent with the findings of Pretorius’s (2013) in which it was reported that there are no distinct criteria with regard to the competence and experience of the BRP other than the requirements per Section 138 of the Companies Act.

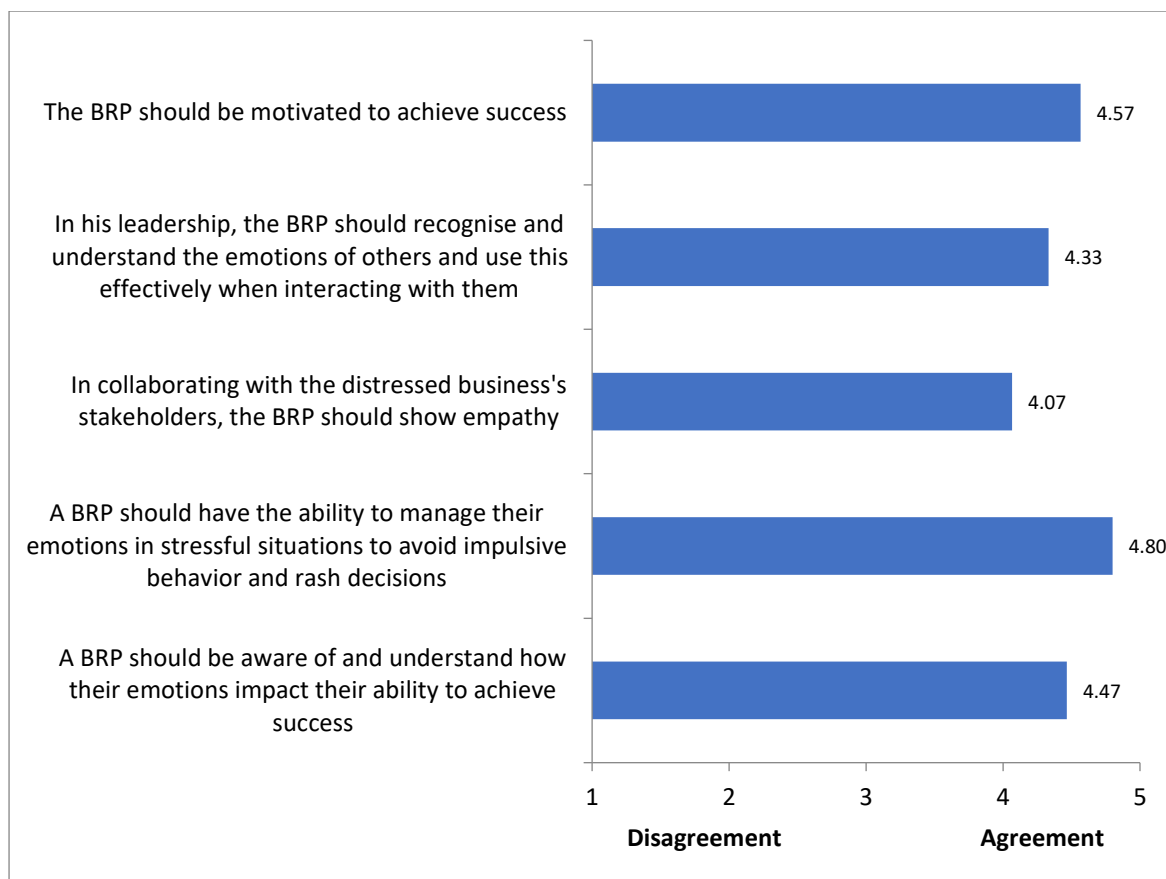
#### 4.3.3 Section 3: Establish the EQ traits that a successful BRP should possess

This section of the questionnaire focused on the EQ traits that a BRP should possess in order to be successful. Each statement in this part of the questionnaire was designed to address an emotional intelligence trait that was identified by Goleman (1998) as being effective in a leader's performance. The table below shows the statements that formed part of section 3 of the questionnaire and the components of EQ that each statement relates to.

**Table 13: Linking EQ traits to the questionnaire**

| Statement per the questionnaire                                                                                                        | Component of EQ |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| A BRP should be aware of and understand how their emotions impact their ability to achieve success.                                    | Self-awareness  |
| A BRP should have the ability to manage their emotions in stressful situations to avoid impulsive behaviour and rash decisions.        | Social skills   |
| In collaborating with the distressed business's stakeholders, the BRP should show empathy.                                             | Empathy         |
| In his leadership, the BRP should recognise and understand the emotions of others and use this effectively when interacting with them. | Self-regulation |
| The BRP should be motivated to achieve success.                                                                                        | Motivation      |

The one sample t-test was used to analyse the results from this section of the questionnaire. Figure 13 below displays the findings that were derived. It is evident that there is significant agreement that an effective BRP should possess all the EQ traits mentioned in Table 13 above. In comparing the mean score for each of the statements in this segment to the central score of '3', the results show mean scores that range from 4.07 to 4.8.



**Figure 13: Emotional intelligence traits that a successful BRP should possess**

*Source: Author's compilation (2022)*

#### **4.3.3.1 Motivation**

According to Goleman (1998), a good leader must be passionate about their work and show optimism even when faced with the risk of failure. In a qualitative study carried out by Mphuthi (2019), the respondents to the study highlighted that the mindset of the BRP outweighs the importance of their technical competence and educational background. South Africa has a high unemployment rate and the economic stability fluctuates almost constantly, therefore BRPs are required to “pursue the spirit of business rescue and save jobs” (Mphuthi, 2019).

#### **4.3.3.2 Social skills**

Mulla (2010) undertook a study which examined the effect of EQ on the performance of employees. The findings showed that for employees whose job involves a high level of interaction with people, EQ was notably related to their performance on the job. Stronger relationships were developed between employees who showed sincere concern for their colleagues' problems compared to others where concern was feigned

(Mulla, 2010). Business rescue requires a collaboration of skills and efforts (Mphuthi, 2019). Leaders should have the ability to recognise their constraints and constructively delegate to others with the appropriate expertise (Mphuthi, 2019).

#### ***4.3.3.3 Empathy***

In a study conducted by Hess and Bacigalupo (2013), the researchers set out to identify how EQ can be applied to enhance the decision-making capabilities of leaders within a non-profit organisation (NPO). The researchers stated that leaders in an NPO often encounter problems that cannot be resolved straightforwardly. Furthermore, it is important to consider the impact of the decision on those who will be affected by it. Decision makers who can perceive the emotions of others are able to prepare for negative results ahead of the decision being made (Hess, Bacigalupo, 2013). A leader that practises the empathy trait can envisage the outcome of their decision before it is implemented (Hess, Bacigalupo, 2013). In addition, the manner in which decisions are communicated are equally important as the decision itself (Hess, Bacigalupo, 2013).

#### ***4.3.3.4 Self-regulation***

A qualitative and quantitative study was undertaken by Hind, Wilson and Lenssen (2009) which focused on how an company can develop leaders who have the competence to sustain an organisation. The findings confirmed that a leader with book knowledge does not necessarily behave responsibly. It is important how a leader behaves in accordance with their attitude (Hind, Wilson, Lenssen, 2009).

Sometimes a leader feels the need to show initiative in order to feel a sense of achievement, and in these situations they are faced with the impulse to make all decisions independently (Hess, Bacigalupo, 2013). In circumstances where decisions that were made independently lead to undesirable outcomes, it is important to note whether the decision maker takes accountability for the decision that was made. According to Lerner and Shonk (2010), decision makers who accept accountability for their decisions are better equipped to manage their anger.

#### ***4.3.3.5 Self-awareness***

Deeter-Schmelz and Sojka (2003) conducted a study on the relationship between certain EQ traits and performance on a group of sales personnel. The findings showed that the salespersons displayed conscientiousness towards the moods of customers that they served. (Deeter-Schmelz, Sojka, 2003). Any job that requires interaction with

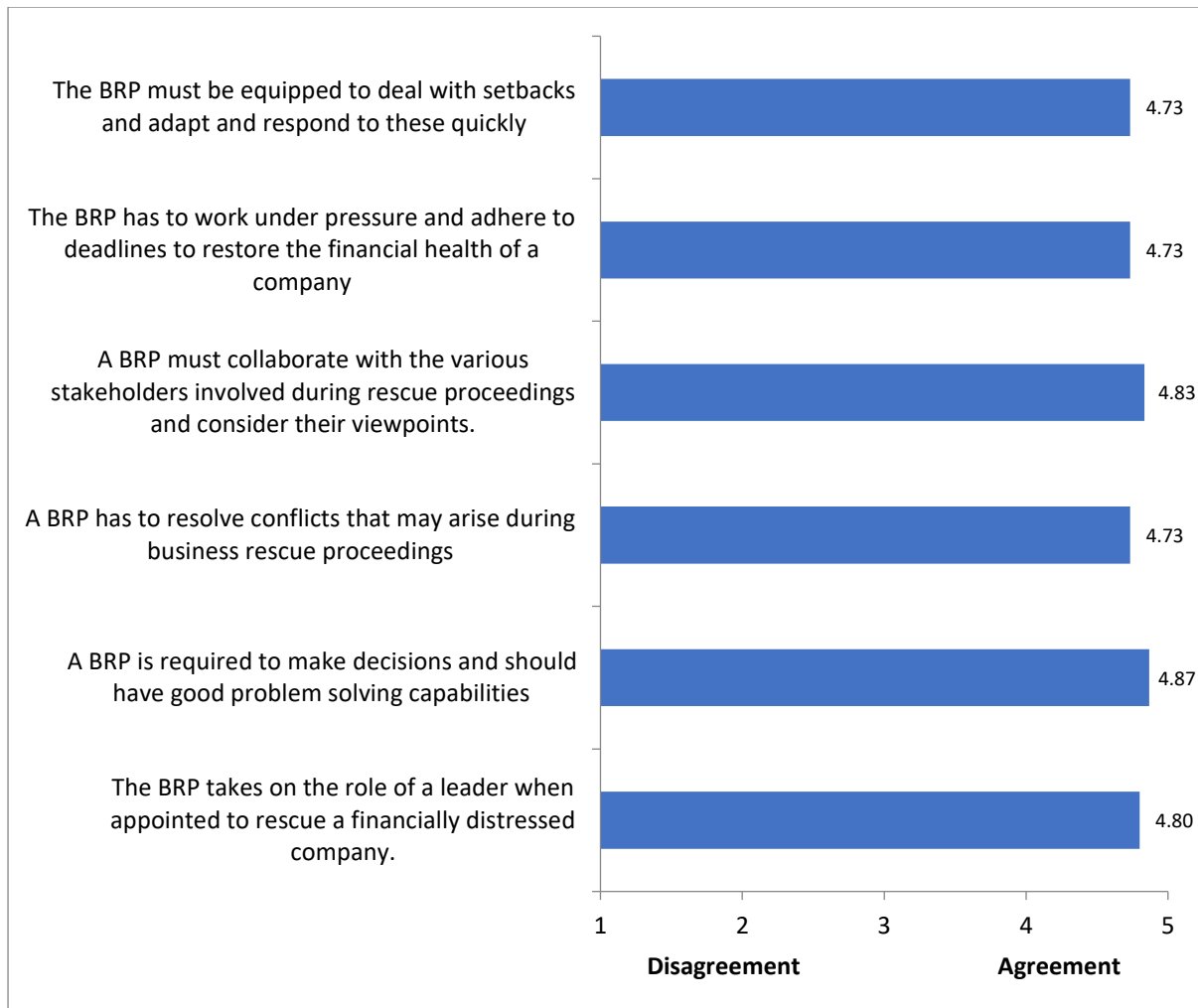


people requires one to be aware of one's emotions as well as the people around one. According to Deutschendorf (2019), a person's body language conveys what the person is feeling. Being aware of body language can help a leader interpret how the other person is feeling.

According to Goleman (1998), although business leaders have individual leadership styles, the most successful leaders have in common the characteristics of motivation, social skills, empathy, self-regulation and self-awareness (Hess, Bacigalupo, 2013). The results from section 3 of the questionnaire in this study showed that EQ helps to build strong social connections among people and this can enhance the performance of them through guidance and social aid (Mulla, 2010). A powerful BRP with a high EQ could help those they interact with during the business rescue proceeding to elevate their level of EQ. This will inherently result in an overall improved organisational functionality and a healthier organisational climate (Ramchunder, Martins, 2014).

#### **4.3.4 Section 4: Establish a framework of questions to determine a BRP's emotional intelligence during an interview**

This section of the questionnaire structured the tasks of the BRP and the role that they take on as a leader during business rescue. The findings to questions 4.1 to 4.6 are displayed in Figure 14 below. The one sample t-test was used to analyse the results that were achieved. The figure shows significant agreement by the respondents to the tasks and situations that the BRP can be expected to encounter. This is evidenced by the mean score in the results ranging from 4.73 to 4.87.



**Figure 14: Developing a framework of questions to ask a BRP to assess their EQ**

*Source: Author's computation (2022) from the data obtained from respondents*

The respondents to the questionnaire agreed that the BRP is required to work under pressure and adhere to deadlines to restore the financial health of the company. This element of the BRP's tasks is justified by section 150 of the Companies Act 71 of 2008. The Act entails the requirements for drawing up the business rescue plan. During the first ten days of appointment, the BRP is required to investigate and understand the affairs of the business such that he is equipped to make an informed decision of whether the company can be rescued (Naidoo, Patel, Padia, 2018). Within these ten days, the BRP must meet with the creditors of the financially distressed company to inform them of the prospects for turnaround (Brinkley, Le Roux, 2018).

Figure 14 shows that the participants of the study agreed that the BRP takes on the role of a leader when appointed to a business rescue case. This is justified since the BRP has the authority to exercise managerial powers (Naidoo, 2016) and is responsible for devising the business rescue plan which governs the rescue proceedings. Pretorius (2013) described a financially distressed company as a “real emergency-ward business”. Business rescue involves prominent business management and financial mastery, interpersonal skills and expertise in legal undertakings and frameworks (Pretorius, 2013). These are the characteristics that are sought in an individual to direct the rescue proceedings.

A principal competency of the BRP is to be equipped to deal with setbacks and to adapt and respond to these quickly. The findings of the questionnaire show remarkable agreement with this characteristic. This is consistent with the findings of a study conducted by Mphuthi (2019). According to Mphuthi (2019), “change is an inevitable part of business rescue”. The findings in Figure 14 also confirm that the BRP is required to make decisions and solve problems. This is in keeping with the findings of existing literature – BRPs should be skilled in identifying and defining problems through analysis of the business environment (Mphuthi, 2019). More importantly, unique problem-solving methods and solutions are needed to suit the circumstances at hand (Mphuthi, 2019).

Collaboration with stakeholders is an important task of the BRP and the results in Figure 14 show significant agreement from the respondents that the BRP is required to cooperate with stakeholders and consider their viewpoints. This finding is consistent with existing literature – complex rescues that involve several affected persons call on the insight of more than one person (Pretorius, 2013). Although the BRP may be solely appointed to conduct the rescue proceedings (Pretorius, 2013), the BRP must be able to identify their limitations and appropriately delegate tasks that are outside their area of expertise. Baird (2014) identified transparent and efficient communication with stakeholders as an important characteristic for a BRP to be successful.

In collaborating with stakeholders, the BRP must adopt an inclusive approach (Pretorius, 2013). This approach secures involvement by stakeholders and builds trust between the directors and management of the distressed company and the BRP (Pretorius, 2013). In taking management control of the business, the BRP has to

engage with existing management. The BRP educates the affected parties about the process and delegates duties to staff (Pretorius, 2013). As a result, conflict resolution abilities are vital – Figure 14 shows that the respondents are in strong agreement of this characteristic.

The tasks of the BRP set out in Figure 14 have been applied to a “decision-making checklist” that was developed by Hess and Bacigalupo (2013). Hess and Bacigalupo (2013) applied Goleman’s (1998) five attribute EQ framework to the decision making of leaders in an NPO and developed a checklist to guide NPO leaders in their decision making. The questions that formed part of this checklist address EQ attributes and the answers from these questions can be used to gauge a person’s EQ.

**Table 14: A framework of questions to assess the BRP’s EQ upon appointment**

| <b>Task of the BRP</b>                                                                                                       | <b>Questions to be asked to determine EQ</b>                                                                                                                                                                                                                 | <b>EQ trait that is being addressed</b>     |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| <i>The BRP must be equipped to deal with setbacks and adapt and respond to these quickly</i>                                 | <ul style="list-style-type: none"> <li>Are you prepared to modify your decision-making processes from the past to adapt to the circumstances on hand?</li> </ul>                                                                                             | Motivation                                  |
| <i>The BRP has to work under pressure and adhere to deadlines to restore the financial health of a company</i>               | <ul style="list-style-type: none"> <li>Do you show excessive focus on the desire to achieve prompt results?</li> </ul>                                                                                                                                       | Self-regulation                             |
| <i>A BRP must collaborate with the various stakeholders involved during rescue proceedings and consider their viewpoints</i> | <ul style="list-style-type: none"> <li>Are you comfortable identifying your limitations and delegating tasks to others?</li> <li>Are you prepared to take accountability for decisions taken by you or for the delegation of authority to others?</li> </ul> | Social skills<br>Empathy<br>Self-regulation |
| <i>A BRP has to resolve conflicts that may arise during business rescue proceedings</i>                                      | <ul style="list-style-type: none"> <li>What are your personality</li> </ul>                                                                                                                                                                                  | Self-regulation<br>Empathy                  |

|                                                                                                        |                                                                                                                                             |                                                                             |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
|                                                                                                        | characteristics in managing conflict?                                                                                                       |                                                                             |
| <i>A BRP is required to make decisions and should have good problem-solving capabilities</i>           | <ul style="list-style-type: none"> <li>How do you communicate with stakeholders in the decision-making process?</li> </ul>                  | Self-regulation<br>Self-awareness                                           |
| <i>The BRP takes on the role of a leader when appointed to rescue a financially distressed company</i> | <ul style="list-style-type: none"> <li>What is your leadership style and how will this add value to the business rescue process?</li> </ul> | Self-awareness<br>Self-regulation<br>Motivation<br>Social skills<br>Empathy |

*Source: Author's compilation (2022)*

Due to the fact that the BRP is required to adapt and respond to setbacks, they must have the motivation and ability to think quickly and come up with alternatives when faced with curveballs. To determine the motivation of the BRP, this research suggests that the following question be asked: *“Are you prepared to modify your decision-making processes from the past to adapt to the circumstances on hand?”* Each business rescue case has unique circumstances and past practices cannot be the standalone process to rescue a financially distressed company. The BRP's answer to this question will give an indication of their willingness and motivation to take up challenges that they will face in the rescue process.

The BRP has to work under pressure to meet deadlines during rescue proceedings. It is inevitable that the BRP will encounter feelings of anxiety and stress. The emotional intelligence trait to cope with this task is self-regulation. The ability to control ones' emotions and behaviour in pursuing long-term goals is regarded as self-regulation (Cuncic, 2022). To determine the self-regulation of the BRP, this research suggests that the following question be asked: *“Do you show excessive focus on the desire to achieve prompt results?”* A BRP that is excessively eager to achieve results quickly during the rescue process is likely to disregard the participation of stakeholders which leads to trust being lost in the BRP (Hess, Bacigalupo, 2013).

The collaboration of the BRP with other stakeholders and the requirement to consider their viewpoints triggers self-regulation, empathy and social skills. To establish these EQ traits of the BRP upon appointment, this research study suggests that the following

questions be asked, firstly, “*Are you comfortable identifying your limitations and delegating tasks to others?*” and secondly, “*Are you prepared to take accountability for decisions taken by you or for the delegation of authority to others?*”? The answers to these questions will provide an indication of whether the BRP has the ability to consider the impact of decisions on other stakeholders. Furthermore, it addresses whether the BRP has the confidence to delegate tasks to others and has a sense of responsibility to be answerable for their actions.

The BRP must have conflict resolution abilities. The EQ traits that are required of the BRP when managing conflict are empathy and self-regulation. This research study suggests that the following question be asked during appointment of the BRP to determine how the BRP handles conflict “*What are your personality characteristics in managing conflict?*”? Dealing with conflict is difficult and requires head on confrontation, with a significant amount of empathy and sensitivity (Campbell, 2021). This question will provide an understanding of the BRP’s approach to resolving conflict and the extent to which they are able to control their emotions during conflict.

In addition to solving problems, the BRP is faced with decision making in the business rescue process. The EQ traits required of the BRP to be able to make sound decisions are self-regulation and self-awareness. This research study suggests that the following question be asked to determine whether the BRP possesses these EQ traits: “*How do you communicate with stakeholders in the decision-making process?*”? The BRP should understand that some stakeholders prefer in-person dialogue whereas others opt for written communication. The ability of the BRP to understand how decisions will be perceived by other stakeholders prior to the decision being communicated is self-awareness. The BRP must also be conscious of the manner in which the decision is communicated, thereby taking into account the self-regulation EQ trait.

The BRP takes on the role of a leader when they are appointed to rescue the financially distressed company. All five attributes of EQ, as suggested by Daniel Goleman’s model (1998), are triggered for the BRP in a leadership position. The question suggested by this research study to assess the EQ traits of the BRP as a leader is “*What is your leadership style and how will this add value to the business rescue process?*”? There are six emotional leadership styles and each of these has a different impact on the emotions of people (Goleman, Boyatzis, McKee, 2002). Harmony and

positive end results are likely to occur in authoritative, democratic, coaching and affiliative leadership styles whereas pacesetting and coercive builds up tension and only suits specific situations (Goleman, Boyatzis, McKee, 2002).

#### **4.4 CONCLUSIONS**

The results of the questionnaire that were analysed have been presented in this chapter using descriptive statistics. The interview process of the BRP does not fully address their emotional intelligence. The respondents of the questionnaire agreed that an effective BRP should display motivation, social skills, self-awareness, self-regulation and empathy. The results of the study also revealed that the BRP takes on the role of a leader, having to make decisions and resolve conflicts. They must collaborate with the stakeholders involved in the business rescue process and be equipped to cope with setbacks and adapt to these accordingly. BRPs must be prepared to work under pressure and adhere to the deadlines of the rescue proceedings.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

Business rescue legislation was enacted in the Companies Act in 2011. Despite it being more than a decade since the implementation of this method of rehabilitation for financially distressed companies, the success rate remains low at 18% (CIPC, 2021). Existing literature set out to investigate the reasons for the low success rate, one of these reasons is the competencies of the BRP (Mphuthi, 2019).

Research has found that sense making, decision making, integration and collaboration skills are required of a BRP (Pretorius, 2014). Section 138 of the Companies Act states that an individual can be appointed as a BRP if they are in possession of an accredited accounting or legal qualification. According to the Act, this individual must not be subject to probation or disqualified from acting as a director of the company. They should also be licensed by CIPC. Mphuthi (2019) undertook a study whereby it was confirmed that legal and financial knowledge are core competencies for a BRP. The participants of Mphuthi's study also highlighted EQ as a competency trait that a BRP should possess.

EQ is positively correlated to leadership performance (Boyatzis, Ratti, 2009). A BRP is a business leader that is appointed to restore the financial health of a company (Mphuthi, 2019), therefore a unique mix of educational and personality aspects are required for a successful turnaround professional (Baird, 2014). Based on the literature reviewed for this study, it is evident that findings of research that has been conducted on the competencies required of a BRP confirmed that education and experience are key to be successful as a BRP. Although leadership qualities of the BRP have been touched on in previous research, there has been little research conducted on the role of EQ in business rescue.

### **5.2 SUMMARY OF DATA COLLECTION AND FINDINGS**

There are three components of human personality – cognitive, behavioural and affective. Perceptible behaviours form part of the behavioural component and the cognitive component covers intellect and reasoning. Attitudes, feelings and emotions make up the affective component (Mulla, 2010). Previous studies on EQ focused on two principal models. The first model is an ability approach that regards EQ as



combination of cognitive abilities. The second model is a dispositional approach that combines capabilities with diverse character traits (Mulla, 2010). This study applied the dispositional model, applying the tasks of the BRP to the EQ trait required to successfully complete the task.

This research study set out to determine whether the EQ of the BRP is considered during the appointment process. It also established EQ traits that a successful BRP should possess. Furthermore, a list of questions to ask a BRP to determine their EQ upon appointment was compiled. This was a quantitative study that made use of a questionnaire for data collection. The questionnaire was sent to BRPs that are currently licensed by CIPC to operate in South Africa. The list of active BRPs is publicly available on the CIPC website. This questionnaire was administered via a Google form to junior, senior and experienced BRPs spread across all provinces in South Africa and belonging to different professional bodies.

The data collection period was from 18 April 2022 to 31 May 2022. The questionnaire was sent to 161 BRPs and a response rate of 20% was achieved. Statistical analysis in SPSS was conducted in this study and then used to analyse the data. The SPSS output tables were used to interpret the findings. The results from the output tables were extracted and illustrated in the form of tables and figures. Spearman's correlation, the one sample t-test and binomial tests were used to interpret the data that was derived from the questionnaire. The findings from the questionnaire corroborated similar findings in existing literature. The table below shows how the data generated from the study satisfied the research objectives.

**Table 15: Alignment of findings to research objectives**

| RESEARCH OBJECTIVE                                                                                                 | FINDINGS                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| To determine the extent to which a BRP's EQ is considered upon appointment in South African business rescue cases. | The results from the questionnaire revealed that EQ attributes of the BRP are not fully addressed during the interview process.                          |
| Establish EQ traits that a successful South African BRP should possess.                                            | The respondents of the questionnaire agreed that a successful BRP should display motivation, social skills, self-awareness, self-regulation and empathy. |

|                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Develop a framework of questions that should be asked when appointing a BRP in South Africa to assess their level of EQ. | The data disclosed that the BRP works under pressure to adhere to the deadlines of the rescue proceedings. The BRP is a leader that must make decisions, resolve conflicts, collaborate with the stakeholders involved in the business rescue process and be equipped to cope with setbacks and adapt to these accordingly. Based on the responses to the questions in section 4 of the questionnaire, a list of questions was developed which should be posed to a BRP to assess their EQ upon appointment. |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 5.3 LIMITATIONS

The findings of this study are limited by the design of the research questions. These were answered by the BRPs based on their personal experiences in the business rescue field. The response rate to the questionnaire was only 20%. Furthermore, there is limited existing literature available on the BRP's role as a leader. The population for the study consisted of BRPs that are currently licensed to operate in South Africa and whose details are available on the CIPC website.

### 5.4 RECOMMENDATIONS FOR FURTHER RESEARCH

Although previous research has been carried out on the impact of EQ on leadership performance, there is a paucity of research on a BRP's EQ as a competency trait. Studies have been undertaken to expand on the competencies required of a BRP in an attempt to improve the low success rate of business rescue in South Africa. However, there is little emphasis on the importance of EQ for the BRP's performance.

This was a quantitative study in which a questionnaire with closed-ended questions was used to determine whether the EQ of the BRP is considered upon appointment to a business rescue case. The five attributes of EQ that were identified by Goleman (1998) were applied to the tasks of the BRP. There is scope for further research to be undertaken quantitatively or qualitatively to identify other elements of EQ that are important for a BRP to be successful. Qualitative studies could be undertaken focusing on EQ traits applied by the BRP during a business rescue case and the resulting outcome. Further studies could also be undertaken to substantiate the findings of this research.

## **5.5 CONCLUSIONS**

This chapter set out a summary of the research that was undertaken. It also set out the limitations of this study and the recommendations for further research to be carried out on the topic. The findings of this study have confirmed that the BRP is required to display empathy, social skills, self-awareness, self-regulation and motivation during rescue proceedings. The framework of questions developed by this study can be used in the appointment process of a BRP to determine their EQ. A high level of EQ is expected to have superior performance which will result in an improvement in the success rate of business rescue in South Africa.

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## APPENDIX A: QUESTIONNAIRE

### SECTION 1: Demographic Information

#### 1.1 Gender:

|      |        |       |                   |
|------|--------|-------|-------------------|
| MALE | FEMALE | OTHER | Prefer not to say |
|      |        |       |                   |

#### 1.2 Age:

|         |         |         |         |             |
|---------|---------|---------|---------|-------------|
| 21 - 30 | 31 - 40 | 41 - 50 | 51 – 60 | 61 and over |
|         |         |         |         |             |

#### 1.3 Race:

|       |          |        |       |       |
|-------|----------|--------|-------|-------|
| BLACK | COLOURED | INDIAN | WHITE | OTHER |
|       |          |        |       |       |

#### 1.4 Number of years in practice as a business rescue practitioner:

|             |             |                   |
|-------------|-------------|-------------------|
| 1 – 2 years | 2 – 5 years | More than 5 years |
|             |             |                   |

#### 1.5 Highest level of education:

| MATRIC | DIPLOMA | DEGREE | POST GRADUATE<br>DIPLOMA/HONOURS | MASTERS | PHD<br>DOCTORATE | OTHER |
|--------|---------|--------|----------------------------------|---------|------------------|-------|
|        |         |        |                                  |         |                  |       |

1.6 Please indicate the number of business rescue cases to which you have been appointed as a business rescue practitioner:

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

1.7 Please indicate the number of business rescue cases which you worked on that commenced BEFORE the COVID-19 pandemic

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

1.8 Please indicate the number of business rescue cases which you worked on that commenced AFTER the COVID-19 pandemic

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

1.9 Kindly indicate the number of the business rescue cases you have worked on that were a SUCCESS

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

1.10 Kindly indicate the number of the business rescue cases you have worked on that had an UNSUCCESSFUL outcome

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

1.11 Kindly indicate the number of the business rescue cases you have worked on that were INCOMPLETE

|   |   |   |   |   |    |
|---|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5+ |
|---|---|---|---|---|----|

**SECTION 2: To what extent is the emotional intelligence of the business rescue practitioner considered upon appointment?**

This section intends to achieve the objective of whether emotional intelligence is considered during the appointment of a business rescue practitioner.

|                                                                                                                    | <b>Strongly disagree</b> | <b>Disagree</b> | <b>Neutral</b> | <b>Agree</b> | <b>Strongly agree</b> |
|--------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|
| 2.1) The technical qualifications and IQ of a BRP are vital for a business rescue to be successful.                |                          |                 |                |              |                       |
| 2.3) The experience of the BRP is the most important factor considered when hiring a BRP.                          |                          |                 |                |              |                       |
| 2.4) The number of successful business rescue cases a BRP has worked on is considered when appointing a BRP.       |                          |                 |                |              |                       |
| 2.5) The emotional intelligence (EQ) of the BRP is a strong determining factor for the success of business rescue. |                          |                 |                |              |                       |
| 2.6) Emotional intelligence of a BRP is equally important to IQ for the rescue to be successful.                   |                          |                 |                |              |                       |

|                                                                                                             |  |  |  |  |  |
|-------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
|                                                                                                             |  |  |  |  |  |
| 2.7) The BRP is asked scenario-based questions to ascertain how they would behave in certain circumstances. |  |  |  |  |  |
| 2.8) The BRP is asked questions about conflict or ethical dilemmas and how they responded to the situation. |  |  |  |  |  |

|                                                                                                                                                                                  | YES | NO |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 2.9) During an appointment to a business rescue case, were you ever asked to give an example of a time you were unsuccessful or criticised and how you reacted to the situation? |     |    |
| 2.10) During appointment to a business rescue case, the BRP is asked about the skills they apply when working in teams and how they motivate and drive success.                  |     |    |

|                                                                                                             |  |  |
|-------------------------------------------------------------------------------------------------------------|--|--|
| 2.11) During appointment to a business rescue case, the BRP is asked about how they show empathy to others. |  |  |
|-------------------------------------------------------------------------------------------------------------|--|--|

### **SECTION 3: What are the emotional intelligence traits that a successful business rescue practitioner should possess?**

This section intends to achieve the objective of establishing EQ traits of a good business rescue practitioner.

|                                                                                                                                      | <b>Strongly disagree</b> | <b>Disagree</b> | <b>Neutral</b> | <b>Agree</b> | <b>Strongly agree</b> |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|
| 3.1) A BRP should be aware of and understand how their emotions impact their ability to achieve success.                             |                          |                 |                |              |                       |
| 3.2) A BRP should have the ability to manage their emotions in stressful situations to avoid impulsive behaviour and rash decisions. |                          |                 |                |              |                       |
| 3.3) In collaborating with the distressed business's                                                                                 |                          |                 |                |              |                       |

|                                                                                                                                             |  |  |  |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| stakeholders, the BRP should show empathy.                                                                                                  |  |  |  |  |  |
| 3.4) In his leadership, the BRP should recognise and understand the emotions of others and use this effectively when interacting with them. |  |  |  |  |  |
| 3.5) The BRP should be motivated to achieve success.                                                                                        |  |  |  |  |  |

#### **SECTION 4: What questions should one ask a business rescue practitioner to determine their emotional intelligence during the interview process?**

This section intends to achieve the objective of developing a framework of questions that should be asked when appointing a BRP to assess EQ.

|                                                                                                       | <b>Strongly disagree</b> | <b>Disagree</b> | <b>Neutral</b> | <b>Agree</b> | <b>Strongly agree</b> |
|-------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|
| 4.1) The BRP takes on the role of a leader when appointed to rescue a financially distressed company. |                          |                 |                |              |                       |
| 4.2) A BRP is required to make decisions and should have good problem solving capabilities.           |                          |                 |                |              |                       |
| 4.3) A BRP has to resolve conflicts that may arise during business rescue proceedings.                |                          |                 |                |              |                       |
| 4.4) A BRP must collaborate with the various stakeholders involved during rescue proceedings          |                          |                 |                |              |                       |

|                                                                                                               |  |  |  |  |  |
|---------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| and consider their viewpoints.                                                                                |  |  |  |  |  |
| 4.5) The BRP has to work under pressure and adhere to deadlines to restore the financial health of a company. |  |  |  |  |  |
| 4.6) The BRP must be equipped to deal with setbacks and adapt and respond to these quickly.                   |  |  |  |  |  |



## APPENDIX B: TURNITIN REPORT

| The role of emotional intelligence in business rescue - final |                                                           |              |                |
|---------------------------------------------------------------|-----------------------------------------------------------|--------------|----------------|
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