



Practices applied by practitioners to achieve management and financial control during business rescue

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Orientation: To resuscitate financially distressed companies in South Africa, business rescue as introduced through the enactment of Chapter 6 of the *Companies Act 71* of 2008 requires the business rescue practitioners (BRPs) to take management and financial control as part of their specific powers and duties.

Research purpose: This study investigated what practices BRPs apply in order to achieve management and financial control.

Motivation of the study: Business rescue practitioners are faced with complex assignments with no clear measurements in practice, thus making judgements subject to the perception of the enquirer. It was important to better understand the practices applied by BRPs to achieve management and financial control.

Research design, approach and method: A qualitative study was conducted and 13 BRPs within the Gauteng Province were approached. These BRPs were registered with the Companies and Intellectual Property Commission and consisted of junior, senior and experience BRPs. A thematic analysis was conducted to analyse the interview data. This study was approved by the Research Ethics Committee of the Faculty of Economics and Management Sciences at the University of Pretoria.

Main findings: The findings indicate that management control is pursued via four main categories of tasks: meeting with stakeholders; clarification of roles; taking control of decision-making and understanding the business model. Taking financial control consists of managing finances, examining key financial information and engaging with financial people.

Practical/managerial implications: For practitioners and educators, this study highlights the importance of using these practices to take control and remain in control in conjunction with management to achieve a productive rescue outcome.

Contribution/value-add: This study minimises the gap that exists in the literature, detailing the specific activities conducted to achieve management and financial control and how to remain in control.

Keywords: business rescue practitioner; management control; financial control; practices; business rescue; generic qualitative study; South Africa.

Introduction

In 2013, 'Business Rescue Practitioners reported that up to then, they have been flying blind and learning as they go' (Pretorius 2013:4). Less than 10 years later, we ask: is this still relevant? To date, several problems have been reported to the Companies and Intellectual Property Commission (CIPC) which have called for an alternative system of licensing business rescue practitioners (BRPs) (Levenstein 2018:11). Subsequently, a decision was made by the regulator, with the assistance of the Department of Trade and Industry, to allow professional bodies to be responsible for the accreditation of BRPs. This has significantly changed the business rescue landscape (Pretorius 2018:4). Because of these recent developments, any practitioner who wants to apply for a licence to act as a BRP must be a member of a professional body accredited by the CIPC (Levenstein 2018:11). Professional bodies have their own selection criteria, in which 'proof of professionalism' seems to play a major role.

Business rescue practitioners are mostly faced with complex assignments with no clear measurements in practice, and they are also faced with unique and different business rescue

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situations, making judgements subject to the perception of the enquirer (Elliot 2015:3). In commencing business rescue, BRPs are appointed to supervise distressed entities. In line with Sections 140 and 141 of the *Companies Act 71 of 2008*, the four tasks executed by BRPs are: taking control of the management; investigation of the company's affairs; preparation of a rescue plan; and lastly, the implementation of the plan if approved by creditors. A BRP assumes full management control of the company in place of its board and management and investigates the affairs of the company to determine if there is any reasonable prospect of rescuing the company (Section 141 of the Act) and therefore the interest in how this is achieved.

Previous studies have been conducted on the tasks and activities conducted by BRPs. However, there is limited knowledge about the actual practices applied by BRPs during business rescue, specifically those on taking management and financial control. The regime on business rescue is fairly new, as stated by Conradie and Lamprecht (2015:1), and it is evidenced in previous literature that BRP tasks or practices are complex and only available to the relevant observer. This makes information sharing difficult, as the information provided is vague and hardly useful to 'outsiders'. In addition, BRPs have been found to be very protective of their knowledge and skills, which appear to be tacit in nature (Pretorius 2013:5). Moreover, the four tasks stipulated in the Act serve only as direction regarding what BRPs are supposed to do in practice and are not detailed on the specific practices and techniques that could be used by BRPs to achieve management and financial control (Pretorius 2013). Previous studies therefore did not focus on the specifics, the techniques applied and the extent to which these practices help BRPs to achieve management and financial control.

In this study, management control is the process by which organisations endeavour to achieve desired and planned results (Šljivić, Skorup & Vukadinović 2015:40). Financial control informs decision-making and refers to procedures designed to control assets and to ensure that all financial transactions are recorded, to mitigate errors and fraudulent activities (Wakiriba, Ngahu & Wagoki 2014:1). Practices, on the other hand, refer to the cognitive, motivational and physical resources combined, coordinated and adapted by practitioners in constructing practices or accomplishing a collective activity (Jarzabkowski, Balogun & Seidi 2007:6). Investigating the practices applied by practitioners enables us to have a better understanding of how management and financial control is achieved. The purpose of this study was therefore to investigate and better understand what practices BRPs apply in order to achieve management and financial control. Business rescue practitioners from Gauteng province in South Africa were approached, and the data were collected through semistructured interviews.

The research questions that guided this research were:

- What are the business rescue practices conducted by BRPs when taking management control?

- What are the business rescue practices conducted by BRPs when taking financial control?
- How do BRPs achieve these business control practices?
- Which techniques do BRPs apply to achieve these control practices?
- To what extent do these business control practices or activities help to achieve management and financial control?

Choosing the research questions addresses the current gap that exists with the limited information on the business rescue field, with specific focus on the practices conducted by BRPs, thereby adding value to the academic field. The authors explore the specific activities by BRPs to achieve management and financial control and the techniques applied. This information is useful in training and educating current and future BRPs in applying management and financial control and remaining in control, which may enhance successful business rescue execution. By identifying and understanding these practices, an extensive educational and qualifications framework may be developed, which may assist regulators regarding the relevant qualifications and experience that current and future BRPs should possess and the competencies thereof.

The remainder of the article is structured as follows: a literature review discussing the background to business rescue in South Africa; literature on management and financial control, powers and duties conferred on BRPs; and lastly, the general activities conducted by BRPs. Next, the methodology used is explained and the findings of the study in the context of the literature and research questions are presented. Lastly, conclusions and implications of the study are presented.

Literature review

The core to business rescue in South Africa

Business rescue, as stipulated in Chapter 6 of the *Companies Act*, aims to resuscitate financially distressed companies to provide them with an opportunity of survival and ability to continue as going concerns (Rosslyn-Smith & Pretorius 2015:2). In resuscitating a financially distressed company, BRPs are appointed during that period in order to apply their skills to re-establish the financial health of that company (Kaudeer 2016:1). This is done in line with Section 140 of the Act, by taking control of the management and constantly remaining in control to achieve a successful rescue.

Management and financial control

To make sense of the practices applied by BRPs to achieve management and financial control, it is important to understand previous literature on control as a management function. The two phenomena of investigation related to control in the context of this study are management and financial control.

Management control

It is crucial to understand what control entails from a management perspective. Control refers to procedures or 'techniques' devised with the essential purpose of ensuring that the results of activities that an organisation conducts are in line with the goals that the organisation has established (EI Filali & Hassainate 2018:3). Management, on the other hand, refers to the effective use of material, human, financial, information and technological means for achieving organisational objectives set in advance (EI Filali & Hassainate 2018:3). Šljivić et al. (2015:40) therefore define management control as an organisational process that strives to achieve set objectives, desired results or performance. Organisations undertake various actions that assist in minimising negative effects arising from both the internal and external environment. That said, management control represents a method by which organisations manage their performances (Šljivić et al. 2015:40).

Financial control

Wakiriba et al. (2014:1) define financial control as designed procedures aimed at protecting an organisation's assets to ensure that financial transactions are properly recorded, preventing errors as well as fraud. Financial control is critical in measuring the performance of an organisation and it is one of the performance tools that managers use. Moreover, it is used as a means of effectively and efficiently managing financial resources within an organisation in order to bring about positive change and results from activities for which funds are allocated (Chemeltorit, Namusonge & Wandera 2016:43). This is important, as financial resources tend to be mismanaged and abused by the people who have been put in charge (Chemeltorit et al. 2016:43). Managers may use a variety of control measures and systems in dealing with challenges the organisation faces. The aim of having a strong financial control system is to enable an organisation to reach its set objectives (Wakiriba et al. 2014:1). This is done by providing reliable financial data, safeguarding of assets and records, evaluating the efficiency of operations within an organisation through a budget and employing organisational control mechanisms as well as encouraging adherence to policies and regulations (Wakiriba et al. 2014:1).

Business rescue practitioners' powers and duties, as stipulated in the Act

When a BRP is appointed, this is accompanied by specific powers and duties as per the *Companies Act*, and as a result, these powers can be split into 'investigative and managerial powers' (Mpofu, Nwafor & Selala 2018:22). Business rescue practitioners are faced with assignments and tasks that are complex, while there are no clear measurements available in practice (Pretorius 2018:2). Most importantly, BRPs are faced with unique and different business rescue situations, making judgements subject to the perception of the enquirer (Elliot 2015:3). That is, the tasks as stipulated in the Act are only visible to the observer but reveal very little about the detailed actions and inputs executed by practitioners during business rescue proceedings (Pretorius 2013). Although the details of

tasks or activities of BRPs are not clearly articulated, Sections 140 and 141 of the *Companies Act* shed some light on which directives to follow. The Act highlights the four main tasks to be executed by BRPs. These include taking management control of the company, investigation of the company's affairs, preparation of a rescue plan and lastly the implementation of the plan, subject to the approval of creditors through a vote (*Companies Act 71 Section 141*). There is, however, no mention of the specific practices and techniques required to be used by BRPs in practice to achieve these tasks.

Assumption of full management control by Business Rescue Practitioners

Section 140(1)(a) of the Act highlights the fact that upon appointment, a BRP assumes complete management control of the company in place of the board and management, which can be regarded as managerial powers. This means that upon the assumption of office as a BRP, the board and pre-existing management are supplanted, and all powers that were previously exercised by the board and the management are now bestowed upon the BRP (Mpofu et al. 2018:22). By highlighting this, Mpofu et al. (2018:22) argue that the Act's intention was to try to eliminate any dispute or any uncertainties that may emerge between the two parties (BRP and the board) on what BRPs can do in relation to the board. In taking management control, the BRP becomes the main decision-maker, and this can either be autocratic or democratic (Pretorius 2018:9). Business rescue practitioners are, however, accountable for the decisions they make (Pretorius 2016:483).

Delegation of powers and functions

Section 140(1)(b) stipulates that although the BRP assumes full management control of a company upon appointment, a BRP has the authority to delegate any functions or powers to any person who formed part of the existing management before the company was put in rescue. Braatvedt (2014:23) contends with this notion, arguing that the problem in delegating powers and functions to any person who formed part of the board or pre-existing management is that a BRP will be delegating what is in fact a financial disaster to a person who might have been the cause of it to begin with. However, it can also be argued that in most instances, the BRP cannot personally assume all functions of the board and management, and therefore there is a need to delegate some of these tasks (Vanderstraeten 2016:16). That said, directors and pre-existing management are usually in a better place to take on this responsibility, given that they are already familiar with the operational side of the business (Kaudeer 2016:10).

Investigating of the affairs of the business

Business rescue practitioners are conferred tasks to investigate the affairs of a company as soon as practicable subsequent to appointment, as prescribed in Section 141(1) of the Act. In line with the same Section, investigating the affairs of the company involves investigating the business, the financial

position of the business and its assets, thereafter determining whether there is any reasonable prospect of the company being rescued. Mpofo et al. (2018:23) postulate that this is the very first responsibility given to BRPs and must be done very well. In investigating the affairs of the company, a BRP is obliged to report any contraventions of any law such as reckless trading, misappropriation of assets, fraud or any criminal activity and is obligated to rectify such contraventions. This includes the recovery of misappropriated funds (Vanderstraeten 2016:13).

General activities conducted by business rescue practitioners that inform control

Pretorius (2013:15) conducted research on the tasks in line with the Act and identified 15 activities associated with these tasks to be executed by practitioners during business rescue. These tasks are summarised in Table 1, informing how control is pursued.

Pretorius (2018:9) postulates that management control includes variables such as managerial control, financial control, control of employees and clarification of roles for all parties affected in business rescue, especially existing management within the company. Management control, however, depends on initiated communication by the BRP with the different stakeholders, meetings with affected parties, communicating the steps to be implemented and controlling the process of change management (Pretorius 2018:9). These are the tasks and responsibilities that BRPs must carry out during business rescue, and these activities (as highlighted in Table 1) are important for this study, as they may serve as a guide to the actual practices applied during the BRP process. While these activities are extremely important, this study attempts to explore the specifics of these tasks and activities and how these tasks are achieved specifically in achieving management and financial control during business rescue, which are currently unknown.

Research methodology

Research design

Guided by the principles of a generic qualitative research, this study investigated participant opinions, perceptions, reflections of their experiences and factors around the world outside of themselves (Percy, Kostere & Kostere 2015:78). We wanted to identify and better understand what BRPs do in practice and therefore applied a generic qualitative study (Merriam 2009:22). Moreover, the aim of the study was to investigate and gain a better understanding of the practices that BRPs apply to achieve management and financial control. This required in-depth information based on BRPs' experiences, opinions and perceptions in answering the study's research questions.

Sampling

The units of investigation were BRPs who are licensed individually in their personal capacity from Gauteng, South Africa. Thirteen BRPs participated in the study, permitting face-to-face semistructured interviews. The final sample size was deemed to be sufficiently in line with the guidelines by Guest, Bunce and Johnson (2006:61), with data saturation achieved after 10 interviews. Purposive sampling was used to select individual BRPs to allow the researcher to obtain rich information and better insight in answering the research question of what BRPs do to take management and financial control and to remain in control (Creswell 2012:206). Homogeneous sampling was used to select the individual participants who met the inclusion criteria of being registered with the CIPC and holding a junior (< 5 years), experienced (> 10 years' experience) or senior (5–10 years) BRP licence and who had taken appointments, administered at least one business rescue case and possessed the necessary extensive knowledge and experience in the business rescue field. Participants included eight senior, three experienced and two junior practitioners.

TABLE 1: Business rescue practitioner tasks, activities and activity explanations.

Tasks	Business rescue activities	What BRPs do or what they should do in practice
Task 1: Taking management control	Taking management control	Becoming visible, taking charge of management, engaging with structures of decision-making in order to establish authority.
	Taking financial control	Obtaining signing powers, assuming payment control and controlling daily cash for decision-making and information to flow through the BRP.
	Clarification of roles	Advising management and directors of their responsibilities, establishing delegations, informing staff of rights and educating affected parties of their rights.
	Analysing feasibility	Determining causality, demand for the future, confirming capacity, calculating the financial model, determining the cash-flow position and identifying potential caveats.
	Meeting with stakeholders	This involves meeting with shareholders, management, creditors, employees, key suppliers, legal advisors, banks and affected persons.
	Executing day-to-day activities	Monitoring operations, running daily affairs, regular visits to the business, overseeing delegations as a way of supervising the business.
Task 2: Investigating the affairs of the business	Open communication	Regular communication with all affected persons internally, externally, formally and informally. This enables the BRP to have a perception of impartiality as well as blocking rumours.
	Investigating affairs	Obtaining necessary details, investigating caveats, that is, litigations and sureties and confirming reporting lines. This assists the BRP to make sense of reasonable prospect and verify viability.
	Analysing viability	Verifying data integrity, investigating the cash status, developing a balance sheet and creating a workable financial model.
	Intervening in human resources (HR)	Identifying key employees, assessing capabilities, establishing key positions and involving change champions.
	Collaboration with stakeholders	Building trust, ensuring participation, involving necessary parties, being inclusive and engaging in making decisions to determine the rescue style and cooperation by stakeholders.

Source: Pretorius, M., 2013, 'Tasks and activities of the business rescue practitioner', *Southern African Business Review* 17(3), 1–26.
BRP, business rescue practitioner.

Data collection and analysis

The data for the study were collected through semistructured face-to-face interviews. Semistructured interviews were used as they were the most appropriate, and open-ended questions were asked of individual participants, allowing free-flowing answers to be elicited (Creswell 2012:218). A discussion guide was developed from a thorough review of literature. The discussion guide was pretested with a participant whose characteristics were similar to the target sample to determine if sufficient information was elicited; minor adjustments were made based on the pretest results. The discussion guide broadly included questions such as what BRPs do upon assumption of office to make sure that management and financial control (respectively) is transferred to them and whether there were any specific control activities that allowed BRPs to establish management and financial control. These two questions were crucial to solicit responses on the actual practices applied to achieve management and financial control. Business rescue practitioners were further asked if they applied any techniques to achieve management and financial control and the decisions taken to ensure that they remained in control. These were the broader questions, amongst others, that shed light into the specific practices and techniques undertaken to achieve control by BRPs and how they remained in control. Probing questions were used to explore responses.

Interviews took place from August 2019 to September 2019 at the participants' workplaces, while some were in restaurants. Interviews ranged from 18 min to 86 min, with an average of 46 min. Each interview commenced with the researcher providing a brief description of the study's purpose, asking each participant to sign a consent form, assuring them of anonymity and confidentiality and requesting permission to record the interview, which was granted. The researcher then asked the main questions in the discussion guide, followed by probing questions to solicit in-depth responses. The transcripts of all interviews were later transcribed during the data collection process by the researcher's listening to all audio recordings repeatedly to correct any transcript errors.

A thematic analysis was then conducted to analyse the interview data collected for this study (Braun & Clarke 2012:57). The researcher listened to all audio recordings while reading the interview transcripts to familiarise herself with the recordings. Inductive codes were generated from the data and combined with the deductive codes identified (Braun & Clarke 2012:4). Themes were identified from the codes, and a code list was generated.

Trustworthiness

To ensure credibility, the researcher made use of a well-established data collection method of semistructured interviews that is commonly used in qualitative research in line with the suggestions by Polit and Beck (2008:585). The researcher also provided participants with a thick description of the context of the study (research design, sampling methods

and inclusion criteria for participants) in order to ensure transferability; a comprehensive and detailed description of the processes employed in the study was given to ensure dependability (Shenton 2004:70). Lastly, the researcher safely stored all audio recordings and transcripts to ensure confirmability (Milne & Oberle 2005:416).

Ethical considerations

This study was approved by the Research Ethics Committee of the Faculty of Economics and Management Sciences at the University of Pretoria. Prior to commencement of interviews, participants signed a consent form which stipulated that their participation in the study was voluntary and they could withdraw at any time. Assurances of anonymity and confidentiality were provided; this requirement was met through the use of pseudonyms for the names of the individuals in the final presentation of the data.

Results

The findings of this study are reported in this section.

Management control practices and activities

Management control practices and activities consist of meeting with stakeholders, clarifying roles, taking control of decision-making and understanding the business model.

Meeting with stakeholders

Consistent with the findings by Pretorius (2013:17), the study confirms that BRPs meet with all the key stakeholders involved during business rescue, which are creditors, banks, management, suppliers, employees, shareholders and unions, to ensure that there is a flow of information and to ultimately develop a feasible business rescue plan. Business rescue practitioners also establish the board of directors, establish what business they are in, and meet with the key management team; all of these help in understanding the key drivers of underperformance. Underlying this subtheme is the need to access the data for making decisions:

'... There's two things: the business has to run; the information has to flow; we have to engage with creditors, suppliers, shareholders, employees, unions to make sure we get to a plan that's going to work.' (BRP 2, Male, Senior BRP)

'... I mean, it's establish the board of directors, establishing what business you're in, meeting with the key management team, understanding the key drivers of underperformance...' (BRP 10, Male, Experienced BRP)

Clarification of roles

Confirming the study by Pretorius (2013:17), clarification of roles requires BRPs to establish delegations and inform staff of their roles. Participants indicated that they formally delegate duties to management; managers get presented with a letter that refers to the Act, regarding their roles and responsibilities, and they are expected to act under the direction of the (business rescue) practitioner. Management

is further required to sign that they have read and understood what their roles are in the business rescue process. Business rescue practitioners make it clear that they are responsible for rescuing the company, developing the business rescue plan and providing oversight, while management has fiduciary duties to carry out and must continue in their respective roles. Participants indicated that a BRP needs all spheres of management, including the chief executive officer (CEO), reporting to the practitioner. Practitioners emphasise having a structure to meet with management essentially every week, evaluating cash flows and their plans and thereafter approving those plans.

'There's two aspects: our engagement letter contains reference to the Act and specifically management's duties and responsibilities. We lift that out of the Act, bring it to management or the directors' and management's attention. We make them expressly aware that they act at the pleasure of the practitioner or under the direction of the practitioner. We make them sign that they have read and understood those.' (BRP 2, Male, Senior BRP)

Participants also indicate that part of management's duties includes providing the BRP with all the information in their possession. Business rescue practitioners are emphatic about getting the statement of affairs and a 'confession', which is like a declaration by the board and managers to assist the practitioner in investigating the affairs of the company. Practitioners highlighted that it is very important to work with management in the first 10 days to understand the scope of operations, the distress situation and have the directors provide the BRP with the most needed information:

'We're quite emphatic about getting the statement of affairs from the board, as the Act calls for a statement of affairs which directors have to provide. Many matters that doesn't happen; we insist on it because that's almost like a declaration by them.' (BRP 11, Male, Senior BRP)

Taking control of decision-making

In taking management control, BRPs take control of all decisions regarding the business. Practitioners make governance decisions on whether the board is going to remain in place or not and decide if there are advisors required on the board. Business rescue practitioners also make strategic decisions that involve establishing whether there is a business to be saved, where the business is going and how the business can be turned around. Practitioners further make operational decisions which involve being informed about how the staff is doing against performance criteria and how things are done, and this way they are able to achieve partial control:

'One is the governance decisions you need to make: so is the board still going to remain in place or not, who are the other advisors that are required on the board? Then there are the strategic decisions: do you have a business, which way is it going, how are you going to approach the turnaround? Then there are the short-term operational decisions, what are they doing and how they are doing it.' (BRP 12, Male, Senior BRP)

Business rescue practitioners also make financial decisions which involve establishing whom to pay, salary runs, paying for daily expenses and cash-flow decisions which involve establishing where to get money to continue trading and how to proceed in raising post-commencement finance. By doing this, BRPs achieve control of the financial decision-making via payment controls:

'Who to pay is very important; cash-flow decisions are crucial; cash-flow management is crucial; the decisions as to where to get money to trade with is another massive decision and how to proceed raising post-commencement finance.' (BRP 6, Male, Junior BRP)

Understanding the business model

In taking management control, BRPs make sure that they understand the business (value) model, interrogate key drivers of value and understand how the business makes money; ultimately, they make sure they are equipped to develop an operating strategy. Participants indicate that it is important to establish if there are still customers willing to buy from the business and if suppliers are willing to continue supplying the business and on what basis, which would in most cases be on a cash basis. This is important for practitioners to make an assessment on whether or not a business still exists:

'And then you start the process of understanding the business, and there I follow a particular process of understanding the business. What is the business model? How do they make money? What is it that they do, and interrogating the key drivers of value.' (BRP 12, Male, Senior BRP)

'You need to understand the customers; if the customers are still there, if they will still be willing to buy from the company and also understand the suppliers; if they will still be willing to supply the company and on what basis, but in most instances they would want you to buy on a cash basis.' (BRP 3, Male, Senior BRP)

Financial control practices and activities

Managing finances (decision-making)

The study found that to take financial control, BRPs take control of the bank account where internal processes are followed and financial transactions are reviewed and signed off by internal financial people. Business rescue practitioners therefore authorise and pre-approve all payments, and this is a very crucial task, because whoever controls cash controls the business. The specific activities involve the practitioner going to the banks, changing passwords and getting online access to the accounts, which ultimately makes the BRP the main signatory. Managing finances also entails BRPs requesting or establishing reports they need such as financial management accounts, cash flow forecasts, budgets, creditors list, age analysis and the debtors' lists, which are then analysed to check if they make sense. Practitioners indicate that in order to achieve financial control, a BRP must take control of the money and the spending:

'We take control of the bank account is the first thing, so the bank account we implement, we do a review of financials, management accounts and audited financials.' (BRP 10, Male, Experienced BRP)

'So normally I go there with the director, because most banks want the director there as well, and then fill in the forms, get it changed, get that online access and get the passwords.' (BRP 11, Male, Senior BRP)

Business rescue practitioners take control of the accounting function, which involves reviewing financial transactions, contracts and daily cash payments, but BRPs are not responsible for capturing transactions. Business rescue practitioners identify key cost drivers, the cause of distress, monitor daily costs, pre-approve all costs, allocate cash flow accordingly and implement overall cost-cutting measures. This is important to ensure that practitioners gain control:

'I take control of the accounting, maybe not the capturing of the transactions but the review of all transactions.' (BRP 6, Male, Junior BRP)

'You need to identify where their cash leaks; you need to identify the low-hanging fruits. What are the things that you can cut in order to save costs, because remember the company is in distress because there's no money.' (BRP 5, Male, Experienced BRP)

Examining key financial information

In taking financial control, BRPs examine, review and verify key financial information, which includes both current and historical financial statements to identify trends. The findings indicate that practitioners analyse cash flows, interrogate the numbers, look at cash-flow projections, determine the spending of money, look at budgets, examine the statement of financial position (balance sheet) and establish if there are sufficient funds available to run the business. Business rescue practitioners therefore set up a rolling cash flow and review it daily or weekly, depending on the circumstances:

'I would obviously request the reports that I need, like the financial management, financial management accounts, their cash flow forecasts, their budgets, the creditors list, age analysis, the debtors...' (BRP 3, Male, Senior BRP)

'We put in place a rolling thirteen-week cash flow forecast, which we review daily or weekly, depending on the circumstances.' (BRP 10, Male, Experienced BRP)

Findings also indicate that it is important for BRPs to get a list of all company assets, verify them, understand the assets and their value and safeguard those assets. Practitioners check if the company has sufficient control over those assets, if creditors have security over them and if there are any unencumbered assets that can be used to raise post-commencement finance:

'It's important to understand the assets of the company and safeguard those assets.' (BRP 11, Male, Senior BRP)

'It's an insolvency process – where are we? Do we have no assets at all, does the bank have security over all of the assets or you have unencumbered assets that you can utilise to raise post-commencement finance?' (BRP 7, Male, Junior BRP)

Engaging with people with financial liabilities

The BRPs take financial control with the assistance of financial people (employees) who are accountable and responsible in

providing financial information. The key specific financial people are the financial manager, chief financial officer (CFO) or the accountant, depending on the title used in that company. In smaller companies, participants indicate that they engage with the bookkeepers and debtor clerks. These financial people are the custodians of all the financial information which practitioners interrogate and verify. Business rescue practitioners also engage with auditors to better understand the issues facing the company, and in this phase, practitioners are already starting to evaluate the quality of information received and the quality of the people involved to better inform their decisions:

'Yes, the CFO and the financial manager. In fact, the CFO in particular is the custodian of all the financial information within the organisation. What you do is you engage with him; he must give you all the information you need to interrogate the numbers. You even need to engage with the auditors because the auditors will tell you what are the issues.' (BRP 5, Male, Experienced BRP)

Aim of business control practices

Clarification of directors' role to achieve continuous involvement

Consistent with the study by Vanderstraeten (2016:16), BRPs delegate certain duties to directors as they cannot assume all functions; the findings indicate that BRPs are specific with respect to those duties. Participants indicate that directors are responsible for the day-to-day operations with a certain level of oversight and report to the practitioner. Preferably directors have to continue in their normal roles and act in the best interest of the company:

'It would normally be day-to-day operational management but with a level of oversight in terms of certain decision-making.' (BRP 2, Male, Senior BRP)

Participants indicate that directors are very instrumental in the relationships they already have with clients. Directors are therefore responsible for engaging with staff, maintaining relationships with customers and key suppliers and also introducing the BRP to those clients. Directors maintain these relationships developed over the years, find new business and keep customers happy, because practitioners cannot go and develop these long-term relationships in a short period of time:

'I would give them to manage the business on a daily basis, to engage with the staff, engage with customers and suppliers, because mostly those are the relationships they have and I'll ask them to introduce me to those.' (BRP 13, Male, Experienced BRP)

'Their role very much is to try and find business and keep customers happy. They know the customers and the suppliers, so they need to maintain relationships, because a BRP can't go and develop 30 years of relationships in such a short time.' (BRP 6, Male, Junior BRP)

Monitoring the accomplishment of tasks

The findings reveal that in order to achieve the decision on control practices, BRPs constantly monitor the accomplishment of tasks. Business rescue practitioners therefore implement

a feedback approach which involves meeting regularly with directors on a daily or weekly basis depending on the issues at hand, requesting reports and doing a follow-up to see how directors are doing against performance criteria:

'I have regular management meetings with them to see how they are doing against those performance criteria.' (BRP 12, Male, Senior BRP)

Practitioners also indicate that in order to achieve these business control practices, they work with management to understand the issues, as management have industry knowledge and critical information about the business. Practitioners take control of the management in conjunction with the actual company, which means that there is a partnership and an agreement on what needs to be done to make sure that tasks are accomplished:

'So my approach is always, you know, I need to work with management and understand the issues, because they are the ones who understand the industry.' (BRP 5, Male, Experienced BRP)

The findings also indicate that if directors are not cooperative, the practitioner can dismiss or demote them. The lack of cooperation also creates room for suspicion in the sense that they may be the cause of the company's demise. Where directors are found to be complicit in the crisis and disrupting the business rescue process, BRPs apply legal or labour action to have directors removed:

'Either dismiss them or demote them. Okay, they've got to work with me and if they don't work with me then there's room for suspicion as well; you know, why aren't they working with me? Maybe they are party to this financial distress.' (BRP 4, Male, Senior BRP)

'I've only had one case like this; we enforce legal, labour action to remove them.' (BRP 8, Female, Senior BRP)

Creditor management

The findings also indicate that achieving their business control practices is important and that BRPs ultimately strive to achieve a successful rescue outcome or a better return than in liquidation. Business rescue is a creditor-driven process (despite opposing claims) and participants reveal that a BRP's approach to business rescue is important. Creditors should be on board from the beginning and, as such, practitioners constantly engage with creditors through a creditors' committee, negotiating with them so that by the time the business rescue plan is tabled, there are no surprises:

'Your approach to business rescue is very important. If you draw up a plan, the creditors have to be on board. If the creditors are not on board, you don't have a plan. So you spend a lot of time talking to the creditors, negotiating with them. By the time the plan is tabled, there's no surprises.' (BRP 8, Female, Senior BRP)

Skills and competencies underlying the techniques applied

General skills and techniques

Participants reveal that in taking both management and financial control, they apply communication skills to

effectively engage with people running the business, key stakeholders, creditors and management on how to restructure the business, monitor and manage the business efficiently. Communication skills are the basic skills that a practitioner needs, as the business rescue process is about maintaining relationships and negotiations, which ultimately require the basic skills of communication:

'So the particular skill, I suppose, is being able to engage effectively with the runner, the people running the business, and to be able to watch and manage and engage in that process.' (BRP 2, Male, Senior BRP)

The BRPs further apply interpersonal skills, establish good working relationships and understand role players and their needs and concerns. Good interpersonal skills allow the BRP to easily have access to information, as the people found there understand the business and know where pressure points are. Business rescue practitioners use these interpersonal skills to better understand people and, in addition, insist on the use of the employees' committee to have a better understanding of how the business is being run. From a skills perspective, it becomes crucial for a BRP to listen and understand people so that the BRP will be sure about the contractual position of the business:

'There are interpersonal skills as obviously trying to at least work with people, understand the people, understand what their needs are, understand what their concerns are; they know things about that business that you don't know about yet; they understand the pressure points.' (BRP 7, Male, Junior BRP)

Participants reveal that a BRP also applies negotiation and relationship management skills, as business rescue is all about negotiation and relationship management. Business rescue practitioners indicate that it is important to have a good trust relationship between management and creditors, because it makes things much easier. Practitioners also highlighted that it always boils down to the relationship you have with management and creditors, and if these stakeholders are aware that a practitioner has knowledge about the industry and has worked with different stakeholders before, then it is easier to build a trust relationship. Negotiation and relationship management skills are the soft skills that BRPs need in order to be successful in their jobs:

'This business is all about negotiation and relationships; that's it.' (BRP 9, Male, Junior BRP)

Professional skills and competencies

The findings indicate that BRPs apply professional skills depending on the practitioner's background or field of expertise (finance, management or legal). However, the most important competency that BRPs should possess is sense-making. By sense-making, participants indicate that practitioners must have self-awareness of what skills they possess – strengths, weaknesses – at the same time identifying what skills they lack and acquiring those skills. Findings therefore indicate that if a BRP does not have a particular skill set, they acquire those skills by employing experts (advisors

and consultants) in those areas of expertise. Participants also reveal that experience and knowledge are important and that BRPs from professional backgrounds with general business skills and experience make good BRPs. When BRPs understand themselves and making sense of what's going on in the business, the best practitioners will complement themselves with specialist skills where they need it:

'One of the most important competencies in business rescue is sense-making. I think what helps a business rescue practitioner is to have a high level of self-awareness and to understand where your skills and weaknesses exist, your strengths and weaknesses, because if you are a very strong financial person then you may need to support yourself with a person who has maybe a little bit more management background.' (BRP 10, Male, Experienced BRP)

Participants indicate that practitioners apply financial skills to assess the current situation within the distressed company to understand where the shortcomings are. Having a general understanding of financial statements is important, as BRPs are faced with the numbers at some point, which they must interrogate and understand. Financial information seems to be the main source BRPs rely on. Business rescue practitioners, however, indicate that if a practitioner lacks any of such skills, these skills can be outsourced:

'Yes, because I think if you don't have financial skills, for instance, you won't be able to assess the current situation and see where the problem is.' (BRP 11, Male, Senior BRP)

'It helps for you to understand because you are going to be faced with the financial statements, you are going to be faced with those numbers so you need to have an understanding.' (BRP 1, Male, Senior BRP)

Extent of achievement

Stakeholder cooperation

Participants indicated that it is important that directors work with the BRP to achieve management and financial control because without their cooperation, the business rescue will probably fail. Business rescue practitioners therefore mostly take the directors into their confidence and take them along. Practitioners specifically highlighted that directors provide them with older documentation, background information or history transactions that helped bring the BRP up to speed about the business in that short space of time. Directors have institutional knowledge, which is helpful for BRPs in taking both management and financial control, while it becomes difficult for practitioners to move forward without this knowledge and information:

'Our general policy is we work with the current management; so by removing the current management, the business rescue will fail.' (BRP 8, Female, Senior BRP)

'Yeah, I think you need to make sure that you take directors into your confidence and you move along with them.' (BRP 10, Male, Experienced BRP)

The findings also suggest that creditor cooperation is important in business rescue. Practitioners, however, make a distinction between secured and unsecured creditors.

Secured creditors have an entitlement over the company assets, and as such, having their cooperation makes things easier (depending on the asset-based agreement) in terms of using the assets during business rescue proceedings. With unsecured creditors who do not have security, they are useful to a practitioner if they agree to continuous terms, continuing to supply the business with raw materials, etc. When creditors are comfortable, they cooperate, provide the practitioner with information and continue to supply the company, which helps ease the business rescue process and ultimately contributes to a productive rescue outcome:

'Creditors are very useful in terms of taking control, and the fact that they are comfortable allows you to get the rescue to work.' (BRP 9, Male, Junior BRP)

The importance of business control practices

The findings indicate that taking control is essential and that BRPs must get both management and financial control, as required by the Act. The way BRPs achieve this is by applying the business control practices for taking management and financial control, and it is the only way it can be done. Without these control practices, achieving control and executing business rescue becomes difficult, if not impossible:

'Well, I think it's essential to get both management and financial control. If you don't utilise those practices, you won't be able to get control, and that's what the Act requires from you: to get control. Normally, with no control of the company, then you can't do the business rescue.' (BRP 11, Male, Senior BRP)

Conclusion

Summary of findings

The study aimed to investigate and offer a better understanding of the practices applied by BRPs to achieve management and financial control. In taking management control, BRPs meet with key stakeholders, clarify roles, take control of decision-making – which involves governance, strategic and financial decisions – and make sure to understand the business model in order to develop a turnaround strategy. In taking financial control, BRPs manage finances, which involves taking control of the bank account, the accounting function and costs. Business rescue practitioners also examine historical financial statements to identify trends and other key financial information, which includes the statement of comprehensive income (income statement), statement of financial position (balance sheet), cash-flow statement and verifying company assets. Practitioners engage with the financial manager, CFO, accountant or bookkeeper, who is the custodian of all financial information which BRPs interrogate.

To achieve these business control practices, BRPs clarify the specific roles of directors, which include day-to-day operations under BRP supervision and maintaining relationships with clients. For management control, BRPs must check on the accomplishment of tasks, collaborate with management and potentially remove uncooperative directors if they are disruptive. The study finds that BRPs apply general and generic business skills such as communication,

interpersonal skills, negotiation and relationship management skills. Business rescue practitioners also apply professional skills and competencies depending on the field of expertise they come from, such as finance, management or legal. The findings further suggest that if BRPs do not have a specific skill set, they employ other people (advisors and consultants) in those areas of expertise.

Theoretical implications

It can be concluded that the theoretical implications of this study have added to the current limited knowledge by informing the 'how' of business rescue practices in taking management and financial control from a South African perspective and thereby adding value to the academic field. This study also informs the apparent gap on what BRPs do to achieve the business control practices, the skills and techniques applied and the extent to which these practices help BRPs achieve management and financial control, to ultimately achieve a productive rescue outcome.

Managerial recommendations

Practitioners should constantly work with management, provide management oversight and work out a strategy on how to save the specific venture. Business rescue practitioners should therefore take management control in conjunction with the actual company, as the company strategy will ultimately be carried out by the management after the rescue. Business rescue practitioners need to understand that control is a matter of trust, and the more trust the practitioner can have in the management team and their capabilities, the less control they need. However, that does not change the oversight role that the BRP has to provide in achieving management and financial control. The defining factor is therefore that oversight has to remain, and the nature of control varies between hostile, nonhostile and trusting. It therefore opens the question of BRP competencies again. Business rescue practitioners need to be more selective about the matters they take on, because when they take on a company that is dead on arrival, it may belong to liquidation. That means if a practitioner cannot at the first creditors' meeting explain the logic, basis or declaration of whether there is a reasonable prospect to rescue the company, the distress should not be dragged on for longer. If BRPs are more careful about the matters they take on and pre-assess the business rescue, they may have a better chance of achieving management and financial control.

Limitations and further research

This study focused on one stakeholder group, that of practitioners, and thus presented a single point of view which may not be complete. Future research may include other stakeholder groups such as directors and shareholders on how they assist the BRP in achieving these practices. Given that business rescue has been heavily criticised, as indicated by Saunders, Lewis and Thornhill (2009:327), participants' responses in this study may have been subject

to social desirability bias. Moreover, the number of participants interviewed limits the generalisability of the findings; yet while they cannot be generalised, this study provides a starting point on the specifics of taking management and financial control. Future research could potentially focus on the management of labour; there are going to be people working in the company with rights. Often in rescue situations there are going to be job losses, and managing labour is a crucial part of BRPs' taking control.

The researchers were somewhat disappointed not to have identified practices that are unique and provide 'explosive' insights. Potentially, this is informed by BRPs' protecting their 'intellectual property' to maintain competitive advantage.

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Authors' contributions

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Data availability

The data that support the findings of this study are available on request from the author. The data are not publicly available because of restrictions; for example, the data contains information that could compromise the privacy of research participants.

Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

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