Investigating the confidence business leaders have in business rescue

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Abstract

Purpose – The study measures business leaders' perceptions of the likelihood of recovery, the competency of business rescue practitioners and the level of support they are expected to provide to businesses in rescue. By examining these three facets of confidence, using expectancy theory, the study seeks to reveal the perceptions of directors as decision-makers in commencing proceedings by inferring their level of confidence in the business rescue process to the likelihood of directors initiating business rescue proceedings timeously.

Design/methodology/approach – An online survey targeted South African business leaders, especially directors, was developed to recognise the confidence in the business rescue process. The study combined quantitative (Likert scale) and qualitative (open-ended questions) methods. Data were analysed using the expectancy theory, linking behaviour to anticipated outcomes, to derive confidence in the rescue process. Limitations such as the sensitive nature of insolvency and its inherence negative inclinations should be noted.

Findings – The study revealed some complex sentiments surrounding the business rescue proceedings. The responses are indicative of both confidence in and scepticism of the process, offering a nuanced look at South Africa's insolvency proceedings from outside the confines of the industry itself.

Research limitations/implications – The limitations of the study are notably reflected in its reliance on qualitative insights, which may inherently skew towards negative perceptions due to the nature of the subject – business rescue proceedings. Moreover, despite the anonymity of the survey, there remains a possibility that respondents, who are directors with fiduciary duties, may not have been completely forthcoming. This reticence could stem from an unconscious bias to present themselves and the decisions they make in a more favourable light, thus potentially downplaying or overlooking their own hesitations or misgivings about the business rescue process. This may lead to an underrepresentation of both the depth of scepticism and the complexity of the challenges faced in initiating business rescue proceedings.

Originality/value – The originality of this paper lies in investigating the confidence business leaders have in the business rescue process in the context of South Africa derived from a survey instrument.

Keywords Turnaround management, Business rescue, Insolvency, Confidence

Paper type Research paper

Introduction

A status quo report published by the Companies and Intellectual Property Commission in South Africa (2015) revealed that only 9.4% of firms that entered business rescue proceedings emerged successfully. One of the main variables that are suspected to be contributing to the low success rate has been late filings by directors (LoPucki and Whitford, 1993; Srhoj *et al.*, 2023). A late filing is when rescue proceedings are initiated at a point where the company is too distressed for there to exist a reasonable prospect to be rescued, or it is likely to increase the overall losses suffered by creditors and shareholders. Generally, the decision to file for formal turnaround proceedings resides in the "zone of insolvency", a financial condition that resides over a company during an indeterminate period between its solvency and insolvency (Chon, 2007). During this period, directors will contemplate the merits of formal turnaround and contrast them against informal tools. However, this deliberation is often marred by bias, agency, ignorance and lack of confidence in the formal mechanisms available (Kahneman and Tversky, 1979; Kyle *et al.*, 2006; Collett *et al.*, 2014).

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If a lack of confidence in the business rescue process could be to blame for the delayed commencement of proceedings, it may be useful to assess the general sentiment that directors have in the business rescue process. This would, in turn, provide academics, business rescue practitioners (BRPs) and legislators with a possible means to improve the general success rate of business rescue and limit the losses suffered by creditors and shareholders. If a negative stigma develops, it may potentially result in delayed filings (Fay *et al.*, 1998).

Confidence, in the context of this study, refers to the subjective expectation and perception of business leaders and managers about the effectiveness of the business rescue process in rehabilitating the company. A high degree of confidence can then inherently be considered a leading indicator of the timeous commencement of proceedings when in financial distress, as it reflects the degree to which business leaders trust that the process will remedy their financial woes. Our understanding of confidence is therefore grounded in the concept of subjective probability, which suggests that individuals make decisions based on their perceptions and beliefs about the likelihood of future events. Confidence in this context can be seen as a psychological construct that reflects the degree to which individuals believe that if they are found in financial distress, the formal turnaround process of business rescue will be favourable or unfavourable.

Investigating the confidence business leaders have in business rescue can provide a cross-sectional indicator over time by measuring changes in the level of confidence among leaders in their insolvency system over a given period of time. By collecting data on business rescue confidence at regular intervals, such as quarterly or annually, analysts and policymakers can track changes in confidence and identify trends and patterns, allowing them to infer changes to legislation or disseminate key information to key stakeholders.

The aim of this study is to investigate the confidence business leaders have in the business rescue process in South Africa. Specifically, the study measures business leaders' perceptions of the likelihood of recovery, the competency of business rescue practitioners and the level of support they are expected to provide to businesses in rescue. By examining these three facets of confidence, using expectancy theory, the study seeks to reveal the perceptions of directors as decision makers in commencing proceedings, by inferring their level of confidence in the business rescue process to the likelihood of directors initiating business rescue proceedings timeously. The South African business rescue process was chosen as it remains the most progressive informal turnaround procedure on the continent and may offer insight into similar voluntary out-of-court procedures elsewhere.

Should business leaders have a high level of confidence in the business rescue process, this may indicate that directors are more likely to initiate proceedings without delay, as they believe that the process is effective and can lead to a successful recovery. On the other hand, if directors have a low level of confidence in the business rescue process, this may suggest that directors are likely to initiate proceedings as a last resort, as they may perceive the process as ineffective or unlikely to lead to a successful recovery.

Literature review

Business rescue is a formal legal turnaround process in South Africa that allows a company to avoid insolvency, by enabling it to reorganise or restructure its business and finances. The primary goal of business rescue is to rehabilitate the company by ensuring it is economically viable and sustainable. The process is designed to protect the interests of all affected parties, including employees, creditors, and shareholders. It is a process overseen by an independent practitioner, who assesses the financial situation of the company, develops a rescue plan, and works with the company's creditors to negotiate an acceptable agreement.

Business rescue provides for a dual gateway in commencing proceedings. Section 131 offers affected parties a court-driven gateway, while section 129 extends to the company's board the power to initiate business rescue proceedings voluntarily. A voluntary filing, which is far more common, requires the board to have reasonable grounds to believe that there appears to be a reasonable prospect of rescuing the company (Companies and Intellectual Property Commission, 2015). Business rescue is important for directors of companies in South Africa to understand, as it provides a mechanism to continue trade while financially distressed. While the decision to commence proceedings must be ratified by the practitioner, the directors are the ultimate decision makers in this regard (Pretorius, 2018).

As the firm slides into the zone of insolvency, the initial phase is plagued by what is known as the "twilight zone", where directors are either unaware of or deny the existence of early distress (INSOL International, 2013). As depicted in Figure 1, once the signs of distress are triggered, informal turnaround attempts are likely to be made; however, if these are unsuccessful, formal turnaround becomes a more suitable mechanism (Adriaanse and van der Rest, 2017; Pretorius, 2017). Directors will contemplate the merits of formal turnaround and contrast them against informal tools. However, this deliberation is often marred by bias, agency, ignorance and lack of confidence in the formal mechanisms available. Furthermore, under formal turnaround directors face a loss of control, exposure of personal liability, public awareness of distress and greater uncertainty (Morrison, 2008; Nigam and Boughanmi, 2017). These factors, as well as a misjudgement of the severity of the situation, may lead directors to delay filing for business rescue. Confidence in the rescue process therefore manifests itself in two distinct but intertwined ways: the directors' trust in the efficacy of the formal process and their overconfidence in their own capacity to manage the business crisis.

If the company continues to slide deeper into distress without enacting formal procedures, this may result in the deterioration of the business's position beyond the point of recovery. This is because, as a business's financial health erodes, it loses its operational and strategic flexibilities – employees may leave, suppliers might demand cash on delivery, credit lines could dry up, and customers could start seeking more reliable partners. As such, lack of confidence in the formal procedure not only exacerbates the crisis but might also send the company into an unpreventable downward spiral, rendering the prospect of rescue implausible.

In the discourse on business rescue, contrasting views may suggest that confidence in the process does not necessarily lead to timely filings due to several counterbalancing factors. Firstly, directors may be overconfident in their ability to navigate the company out of financial distress without formal proceedings, a cognitive bias known as overoptimism (Kyle *et al.*, 2006). This misplaced self-assurance can delay the decision to seek business rescue, irrespective of their general confidence in the system's effectiveness. Another perspective could argue that external pressures, such as expectations from shareholders, creditors, and the market, may weigh more heavily on directors than their personal confidence in the business rescue process. These stakeholders might advocate for alternative strategies or exert influence to avoid the perceived negative implications of a business rescue filing, such as loss of control and reputational damage (Collett *et al.*, 2014).

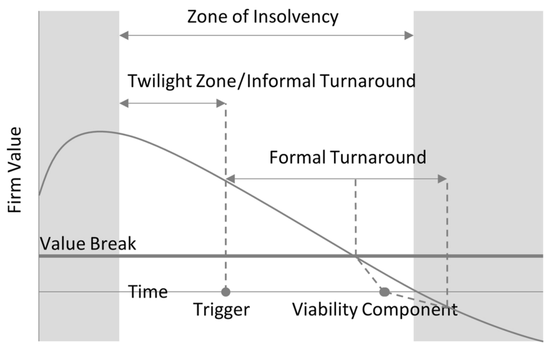

Figure 1. Adaption of Rosslyn-Smith (2018): commencement of reorganisation in relation to the zone of insolvency

Expectancy theory

The decision to file for business rescue rests on various factors, with confidence playing a critical role. Directors' confidence in this process isn't formed in a vacuum. Instead, it is shaped by their past experiences, their knowledge, and their understanding of the severity of the crisis (Gatewood *et al*., 2002). This choice, with all its intricate layers of beliefs, biases, and emotions, adds a thick layer of complexity to this already challenging decision-making process (Chen and Lou, 2002). To help us make sense of this dialectic combustion of factors, we can turn to the expectancy theory, an idea first proposed by Vroom (1964).

Expectancy theory suggests that individuals, acting through self-interest, adopt courses of action perceived as maximising the probability of desirable outcomes for themselves (Isaac *et al*., 2001). The theory is an equation of sorts, a blend of our belief in our ability to influence an outcome (expectancy), belief that our actions will lead to the desired outcome (instrumentality), and the value we place on the outcome (valence). In essence, it's an intricate dance between these three key elements. The theory becomes particularly insightful when studying the confidence levels of business leaders who consider business rescue as a turnaround solution. The way they perceive and interact with rescue proceedings and the stakeholders involved, their perceptions of recovery likelihood, their faith in the competency of business rescue practitioners, and their attitude towards a business in rescue – all these aspects can be probed through the lens of Expectancy Theory. Here's how these components have been applied.

Although there has been moderate support for expectancy theory's main tenets, theory critiques include its complexity and the difficulty in measuring the three components due to their subjective nature and individual differences in perception (Van Eerde and Thierry, 1996). Additionally, the theory assumes that individuals act rationally, systematically evaluating potential outcomes before making decisions, which overlooks the significant impact of emotions, cognitive biases, and irrational factors on director behaviour (Autere and Autio, 2000; Smith and Hitt, 2005). The researchers however have attempted to limit these shortcomings of the theory as much as possible.

The level of confidence business leaders have in the business rescue process will be influenced by their belief in the effectiveness of the process explained by the expectancy component. This belief affects their willingness to take action and pursue formal rescue procedures in a timely manner. A positive sentiment towards business rescue indicates high expectancy, while a negative sentiment suggests low expectancy and may lead to delays or a preference for informal workouts.

The instrumental component can be tied to the likelihood of recovery in business rescue. If participants perceive a high likelihood of recovery for a company in business rescue proceedings, it indicates a strong belief in the instrumentality of the process — that the performance (initiating and going through the formal procedure) will lead to a positive outcome (successful recovery) (Chen and Lou, 2002; Chiang and Jang, 2008).

The perceived competency of business rescue practitioners will influence the expectancy and instrumentality components of the theory. If leaders perceive practitioners as competent and useful, it boosts their expectancy that efforts in business rescue will lead to desired performance, and their belief in the instrumentality of this performance leading to successful recovery (Suciu *et al*., 2013).

A director's support for another business in business rescue is related to the valence component, intertwining with the general debt-forgiveness culture of business leaders with their understanding of insolvency. If there's significant support for a company in business rescue proceedings, it suggests that the potential outcomes of the process are highly valued. This high valence can, in turn, positively influence the leaders' confidence in and pursuit of business rescue.

Expectancy theory therefore was chosen over more common theories like stakeholder or agency theory for this study due to its unique ability to dissect the motivational aspects of decision-making processes. It focuses on how business leaders' perceptions of outcomes influence their motivation to act, aligning perfectly with the study's aim to measure perceptions of recovery likelihood, practitioner competency, and support levels.

Confidence in the business rescue process, as analysed through the lens of Expectancy Theory, emerges from the intersection of expectancy, instrumentality, and valence components. Leaders' trust in the formal process, their belief in a successful outcome, and their perceptions of the competency of practitioners all contribute to their confidence. Business rescue still operates within a creditor-friendly system of insolvency, which inhibits the formation of a debt-forgiveness culture necessitated by such a reorganisation procedure (Boraine *et al*., 2015). The value attached to potential outcomes, as expressed through support for the business in rescue proceedings, reinforces this confidence. While Expectancy Theory serves as a valuable tool in identifying these key components, it doesn't account for all the nuances involved, suggesting a need for further exploration of other factors impacting on leaders' perceptions and decisions in business turnaround situations.

Methodology

Business rescue procedures serve as an ideal subject for studying the content of confidence in formal turnaround in Africa, primarily because it has been in place long enough to allow a comprehensive analysis of stakeholders' trust and acceptance of the system's effectiveness in navigating financial distress. This study was conducted online, targeting a broad range of business leaders across various industries. Our primary focus was directors, given their decisive roles in voluntary business rescue filings. Other roles such as employees, shareholders, and board members were also considered, due to their proximity and potential influence on directorial decisions. A survey instrument was developed as a data collection tool, featuring a mixture of quantitative and qualitative components. We incorporated a Likert scale into the survey to capture the degree of agreement or disagreement each respondent harboured towards a series of pre-set statements. In addition, the survey contained open-ended questions, aimed to capture richer and more profound qualitative insights into the participants' experiences and perspectives regarding the business rescue process. The targeted population constituted all business leaders across various industries in South Africa. A non-probabilistic, online sampling method was used, resulting in a sample size of 2,254 participants.

The core variable underpinning our research was the perception that each participant held about the business rescue process. Participants were not evaluated on their understanding of business rescue. Instead, we centred our focus on collecting data that embodied the participants' individual subjective perspectives of the process in the form of a confidence construct. Following data collection, we applied the expectancy theory to analyse the acquired data, as it proposes that behaviour is a function of expected outcomes. The perceptions we obtained from the participants served as a measure of their confidence in the business rescue process. The analysis of these perceptions provides pivotal insights into ways to motivate and expedite the timing of filing for business rescue.

Participants' profile

Participants were asked to indicate the role that best describes their position within their company. The total sample consisted of 2,254 participants from a variety of companies and positions within those companies. Table 1 below provides a breakdown of the various roles of participants who took part in the study. The majority of participants, 76.1%, held the title of director.

Participants were solicited to identify if their professional experience pertained to the business rescue/insolvency domain. To acquire an external viewpoint on the industry, Table 2 delineates the segregation of participants actively involved in the business rescue/insolvency field from those involved in our study. Notably, the substantial majority of participants, equating to 93.1%, reported no direct employment within this field. Conversely, a minority of

Table 1. Participants' roles

Role	*N*	%
Employee	170	7.5
Shareholder	218	9.7
Board member	150	6.7
Director	1716	76.1
Total	*2,254*	*100.0*

Source(s): Created by author

Table 2. Insolvency or business rescue field

Business rescue/insolvency field	*N*	%
No	2,098	93.1
Yes	156	6.9
Total	*2,254*	*100.0*

Source(s): Created by author

6.9% affirmed their active roles within the business rescue/insolvency sector, warranting their exclusion from the results to maintain an unbiased perspective.

Data collection

SPSS was used to analyse the set of quantitative data collected through the survey. Specifically, the researcher utilised descriptive statistics to summarise and interpret the data. The survey included questions on the participant's profile, their sentiment towards business rescue proceedings, their perception of the likelihood of recovery, their perception of business rescue practitioners' competency, and whether or not they supported the business rescue process. Participants were asked to indicate their general sentiment towards business rescue proceedings by indicating whether it was positive or negative. The "likelihood of recovery" measures participants' perceptions of the likelihood of recovery for a company that is placed in business rescue proceedings. Participants were asked to rate the likelihood of recovery of a company in business rescue on the following scale: (1) extremely likely, (2) somewhat likely, (3) somewhat unlikely and (4) extremely unlikely. The "competency of BRPs measure" measured the respondent's perceptions of the competency and usefulness of the BRP. Participants were asked to rate the competency of BRPs on the following scale: (1) extremely useful, (2) very useful, (3) slightly useful and (4) not at all useful. "Support for business rescue" measured the respondents' support for a company in business rescue proceedings. Lastly, participants were asked to rate their support on the following scale: (1) extremely positive, (2) somewhat positive, (3) somewhat negative and (4) extremely negative.

Following the guidelines of Braun and Clarke (2012), the researcher conducted a thematic analysis to analyse the qualitative data collected through the surveys. The first round of coding yielded 131 descriptive codes. The codes were then rethought, in terms of similarity and difference, and all redundant codes were combined through an iterative process. This process resulted in 43 codes. The revised quotes were then grouped into four descriptive and overarching themes: (1) business rescue sentiment, (2) likelihood of recovery, (3) business rescue practitioner competency, and (4) business rescue support.

Limitations and ethical considerations

The study raises ethical considerations related to informed consent, confidentiality, and potential harm to participants. Participants were fully informed about the study's purpose and the potential consequences of their participation. The study ensured that participants' responses were kept confidential and not used for purposes beyond the research project. Additionally, where participants' responses revealed sensitive information that could potentially harm their business or professional reputation, researchers took steps to protect their anonymity. The use of open-ended questions required careful consideration of the potential impact of participant responses and potential harm to individuals or their company. Furthermore, the study considered the potential conflicts of interest or biases in the selection of participants and the interpretation of results. While the Likert scale might limit some analytical depth, the study's interpretivist philosophy aimed to understand participants' subjective perceptions and confidence in the business rescue process.

The limitations of the study are notably reflected in its reliance on qualitative insights which may inherently skew towards negative perceptions due to the nature of the subject—business rescue proceedings. Such proceedings are often associated with failure or distress, which can predispose respondents to a more critical viewpoint. Moreover, despite the anonymity of the survey, there remains a possibility that respondents, who are directors with fiduciary duties, may not have been completely forthcoming. This reticence could stem from an unconscious bias to present themselves and the decisions they make in a more favourable light, thus potentially downplaying or overlooking their own hesitations or misgivings about the business rescue process. This may lead to an underrepresentation of both the depth of scepticism and the complexity of the challenges faced in initiating business rescue proceedings.

Empirical analysis

Confidence levels of business leaders in business rescue

Participants were asked to indicate their general sentiment towards business rescue proceedings by indicating whether it was positive or negative. Table 3 shows more than half (53.3%) of participants had a negative sentiment towards business rescue proceedings.

Table 4 summarises the participants' sentiments towards business rescue within their respective roles. Employees (54.1%) and board members (57.3%) had a mainly positive sentiment towards business rescue. In contrast, Directors (54.4%) and shareholders (58.3%) had a mainly negative sentiment towards business rescue proceedings.

Participants who shared a positive sentiment regarding business rescue highlighted the importance of business rescue, given the state of South Africa's tough economic climate. Factors such as loadshedding and a lack of skills and training have a negative impact on the

Table 3. Business rescue sentiment

Sentiment	*N*	%
Satisfactory	1,052	46.7
Unsatisfactory	1,202	53.3
Total	*2,254*	*100.0*

Source(s): Created by author

Table 4. Business rescue sentiment (different roles)

Sentiment	Board member	Director	Employee	Shareholder
Satisfactory	86 (57.3%)	783 (45.6%)	92 (54.1%)	91 (41.7%)
Unsatisfactory	64 (42.7%)	933 (54.4%)	78 (45.9%)	127 (58.3%)

Source(s): Created by author

longevity of businesses in South Africa, especially SMEs. Participants were of the opinion that the economy could not sustain the degree of liquidations that are being filed. Therefore, financially distressed firms should use the business rescue avenue in order to prevent job losses and further economic hardships. Very few companies, specifically SMEs, make it out of business rescue; therefore, SMEs need all the support they can get for the sake of the industry and employment. Participants were of the opinion that business rescue should be viewed in a positive light, as it could save jobs and ultimately the livelihood of employees, which is important given the socio-economic situation in South Africa.

The general sentiment around business rescue proceedings is that the Act (South Africa, 2008) has not been drafted in sufficient depth. This is consistent with a study conducted by Pillay *et al*. (2020), who stated that the Act was badly drafted and seriously flawed. As a result, there are too much uncertainty and contradictions. Participants stated that they supported the business rescue concept; however, the industry is poorly regulated. There is a lack of oversight by the Companies and Intellectual Property Commission over the industry – more specifically, BRPs. BRPs are believed not to be held accountable by a regulator, resulting in BRPs running amok and getting away with unethical behaviour and abuse of the process.

Likelihood of recovery

The likelihood of recovery measures participants' perceptions of the likelihood of recovery for a company that is placed in business rescue proceedings. Participants were asked to rate the likelihood of recovery of a company in business rescue on the following scale: (1) extremely likely, (2) somewhat likely, (3) somewhat unlikely and (4) extremely unlikely. The likelihood of recovery obtained a mean of 2.87, suggesting that, on average, respondents tended to agree that the likelihood of recovery is "somewhat unlikely". Table 5 expanding this analysis shows consensus across the various participant roles. Table 6 breaks down the scale results showing a favour towards a poor likelihood of recovery.

Many participants believed there was a low likelihood of recovery as they were of the opinion that the process simply does not work. These participants have come to this conclusion through their own experience with business rescue, either directly or indirectly. A large number of participants indicated that, in their experience, they had not come across any successful business rescue cases. One participant highlighted the fact that there is no reliable data on the success rate of business rescue proceedings, resulting in a perception in the industry that business rescue has a very low success rate.

Table 5. Likelihood of recovery measures (different roles)

	Board member	Director	Employee	Shareholder
Mean	2.66	2.90	2.63	2.91

Source(s): Created by author

Table 6. Likelihood of recovery measures (scale)

Scale	*N*	%
Extremely likely	113	5.0
Somewhat likely	741	32.9
Somewhat unlikely	733	32.5
Extremely unlikely	667	29.6

Source(s): Created by author

Consistent with the findings of Rosslyn-Smith and De Abreu (2020), participants viewed business rescue as being akin to liquidation and therefore it simply delays the inevitable liquidation. Therefore, participants argue that most companies placed under business rescue have no prospects of being saved. As a result, proceedings simply waste time and costs to the detriment of creditors.

Several participants did share the sentiment that the business rescue procedure and policy are sound. However, participants were of the opinion that business rescue can only be successful if implemented timeously. However, they were of the opinion that there is a low likelihood of recovery as most companies file for business rescue too late. This is in line with the findings of Rajaram *et al*. (2018), who found that the low success rate was attributable to companies filing for business rescue late. Should companies file sooner, the outcome would be positive (Rajaram *et al*., 2018). In addition, participants stated that, by the time companies file for business rescue, it is too late and confidence in the process is already tarnished to such an extent that recovery is nearly impossible. Therefore, no matter how good the BRP is, there is little for the BRP to salvage.

Participants are of the opinion that, in order to increase the likelihood of recovery, there should be limited external influences (e.g. political, management and employee interference). In addition, business rescue can only be successful if BRPs are afforded sufficient time to turn the company around. Other participants argued that the likelihood of success is dependent on the reason for distress. If the company's financial distress is due to external factors, then there may be a better chance of survival. If the company is in distress due to unethical behaviour or incompetent management, then success is unlikely. However, there is lack of empirical research to corroborate the recovery potential with root causes of decline (Schweizer and Nienhaus, 2017).

Business rescue practitioner competency

The competency of BRPs' measure assessed the respondent's perceptions of the competency and usefulness of the BRP. Participants were asked to rate the competency of BRPs on the following scale: (1) extremely useful, (2) very useful, (3) slightly useful and (4) not at all useful. The competency of the BRP obtained a mean of 2.77. This suggests, that on average, respondents tended to agree that BRP competency is "Slightly useful". Tables 7 and 8 provide a breakdown of the participant's perception on BRP competency by role and scale from the survey.

Table 7. Likelihood of recovery measures (different roles)

	Board member	Director	Employee	Shareholder
Mean	2.63	2.79	2.53	2.89

Source(s): Created by author

Table 8. Likelihood of recovery measures (scales)

Scale	*N*	%
Extremely useful	128	5.7
Very useful	684	30.3
Slightly useful	1,023	45.4
Not useful at all	419	18.6

Source(s): Created by author

Pretorius (2013) presents the various competencies needed by a BRP, underpinned by the various complex tasks the practitioners must undertake. Participants who share a negative sentiment towards BRPs' competence question the qualifications of BRPs. Participants argued that BRPs have no practical industry knowledge of how businesses operate and seldom have experience in operating their own successful businesses. The industry is dominated by rebranded insolvency practitioners, accountants, and attorneys rather than real or experienced turnaround specialists. Another issue highlighted by participants is that BRPs cannot salvage a company without institutional knowledge. Regarding BRPs' skills, participants highlighted that, during proceedings, there is a lack of communication with affected parties, more specifically, creditors. There is not enough easily accessible information available to companies and creditors within the process.

In contrast, participants who share a positive sentiment towards a BRP's competence state that BRPs are independent and competent professionals who may come up with new ways of doing business. BRPs have the ability to look at the business with fresh eyes and in an unbiased manner in order to evaluate whether the business is still viable. In addition, BRPs may provide expertise, skills and processes that management may have not considered and can assist management in formulating a strategy that could avoid liquidation.

Business rescue support

Support for business rescue measured the respondents' support for a company in business rescue proceedings, be that a supplier or customer. Participants were asked to rate their support on the following scale: (1) extremely positive, (2) somewhat positive, (3) somewhat negative and (4) extremely negative. Support for business rescue obtained a mean of 2.67 which suggests that, on average, respondents rated their support for business rescue as "somewhat negative". Tables 9 and 10 provide a breakdown across the different participant roles and the measurement scales.

Participants seemed to base their negative sentiment towards business rescue and their lack of support for business rescue based on what is reported in the media. The media typically report on unsuccessful cases, with very few success stories being published, resulting in a loss of confidence in the process by the public and making the chance of recovery very slim. The negative media attention has also created a perception in the market that business rescue is a pre-liquidation step. Participant-referenced media report that the process and BRP come at a very high cost. In addition, the statistics published by the CIPC indicate a very low success rate, resulting in a loss of confidence in the process.

Table 9. Likelihood of recovery measures (different roles)

	Board member	Director	Employee	Shareholder
Mean	2.53	2.70	2.42	2.72

Source(s): Created by author

Table 10. Likelihood of recovery measures (scales)

Scale	*N*	%
Extremely positive	194	8.6
Somewhat positive	837	37.1
Somewhat negative	735	32.6
Extremely negative	488	21.7

Source(s): Created by author

Participants highlighted that there is a lack of support for business rescue due to the stigma associated with proceedings. Due to this, participants are of the view that companies cannot survive the process.

Participants also highlighted that filing for proceedings results in reputational damage. Due to the reputational damage, stakeholders may be reluctant to support the company. This is in line with Rosslyn-Smith and De Abreu (2020), who state that the stigma associated with business rescue proceedings may cause key stakeholders to withdraw from the firm. Participants shared the same sentiment: that several stakeholders do not support the process and as a result, this interference prevents BRPs from executing their mandate. Within the company, parties such as creditors, government, employees and management often work against the BRP and do not provide them with the necessary support. Business rescue, if left unhindered and applied without outside interference, can lead to a successful rescue attempt. Participants agree that business rescue can work well if all parties are dedicated to the objective of the rescue; however, there is too much political and union interference in the decision-making process. As long as there is no political and union interference, participants believe that business rescue can work well.

Several participants stated that they are or were creditors of companies under business rescue. Based on their previous experiences, they do not support the business rescue process. This is because creditors are not treated equally and fairly. The laws governing business rescue favour major secured creditors and discriminate against small unsecured creditors in their view. Participants are of the opinion that BRPs are manipulated into favouring the bank's interests, and BRPs make every effort to placate banks while ignoring small creditors.

Participants stated that there is a perception in the industry that business rescue is simply being used as a tool to avoid payments and write off debt. As a result, these participants do not support rescue proceedings. Participants provided examples explaining that they have not received payments that are due to them, years after proceedings have been concluded. In some cases, the companies involved are no longer under rescue and are still trading. As creditors are seldom paid during proceedings, their existence is threatened. When suppliers are unable to recover the monies that are due and payable to them, this can create a knock-on effect which may create a solvency and liquidity risk for these suppliers. In contrast, some participants support business rescue as they state it provides creditors with a better chance of receiving what is due to them than what they would have received had the company gone straight into liquidation.

Discussion

The study revealed some complex sentiments surrounding the business rescue proceedings. The responses are indicative of both confidence in and scepticism of the process, offering a nuanced look at South Africa's insolvency proceedings from outside the confines of the industry itself.

From the participants, more than half held a negative sentiment towards business rescue proceedings, while others conveyed that it serves as a crucial lifeline for businesses in the challenging economic climate of South Africa. The survival of these businesses is seen as critical for job preservation and economic sustainability, aligning with the valence component of the expectancy theory, which places high value on the potential outcomes of the process. Criticism focused on how business rescue was being used and the regulation of the industry. The negative sentiments were further bolstered by perceptions of misuse of the business rescue process. Some respondents suggested fraudulent practices, such as collusion between management and the BRPs, leading to funds being siphoned off to the detriment of creditors. When aligned with the low expectation component in the expectancy theory, it could explain the reluctance to engage with the business rescue process.

When we analysed the perceptions around the likelihood of recovery, the responses skewed towards the negative, with an average rating of 2.87 indicating that recovery is "somewhat unlikely". This perception is drawn from participants' exposure to business rescue, either directly or indirectly, and their lack of reliable data on successful business rescue cases. This finding is of significance, as it provides a direct tie to the instrumentality component, wherein belief in the likelihood of the process leading to a positive outcome is low. BRPs were given a rating of "Slightly useful", suggesting moderate confidence in their competency. Participants voiced concerns about BRPs lacking practical industry-specific knowledge or prior successful business operation experience. However, those with a positive view on BRP competence highlighted their independence and ability to provide fresh, unbiased evaluations of business viability, as well as potentially novel strategies to avoid liquidation. The mean support for a business already in rescue was rated as "somewhat negative" at 2.67. Participants' experiences as creditors influenced their sentiment, with some feeling discriminated against in favour of major secured creditors. The negative perception of business rescue as a tool for avoiding payments and writing off debt further dampened support. However, some participants saw business rescue as offering a better chance of recovering dues compared to liquidation, showing a nuanced perspective on its value.

The results expose a complex interplay between expectancy, instrumentality, and valence components in the context of business rescue. Confidence in the process is clearly marred by bias and naivety but nonetheless impacts on the behaviour of business leaders as a function of expected outcomes, therefore influencing the timing of filing for business rescue. This highlights the need for regulatory improvements, increased transparency, and practitioner competency to enhance the confidence in, and efficacy of, the business rescue process.

Conclusion

The findings underscore the intricate sentiments towards South Africa's insolvency proceedings, particularly concerning business rescue. The study's results point towards a prevailing sentiment of scepticism and lack of confidence in the process, underpinned by perceptions of misuse and an overarching bias towards negative outcomes. However, there also exists a recognition of the process as a crucial means to business survival and economic sustainability, despite the criticisms. The research presented thus calls for a series of critical recommendations.

To start, concerted efforts should be made to improve confidence in the business rescue process. This can be achieved through better decision-making by directors, which requires the cultivation of trust in the competence of the process and professionals involved, which will lead to business leaders making more informed and strategic choices. Business leaders who have faith in the process are more inclined to engage and comply, leading to better results for all stakeholders. Steps should also be taken to reduce the stigma attached to insolvency, encouraging early engagement and increasing the chances of successful business rescue.

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