

Turnaround leaders' attributes and firm recovery: An exploratory discovery of Transcendent Leadership

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ABSTRACT

The Board of Director's (BOD's)/Owner(s) most important hire may be the top leader that manages the day-to-day operations of the firm. This is especially important in firms that are underperforming and face a turnaround. Within the literature, there is insufficient general understanding of the common attributes that make an effective turnaround leader. This paper produced a qualitative study from the perspective of turnaround leaders and stakeholders who participated in a successful past turnaround. A grounded theory methodology was used to create a theoretical model of the attributes that turnaround leaders possessed that had a positive and direct effect on firm performance. The attributes of Transcendent Leadership emerged from the semi-structured interview data as the core concept within the theoretical model. The emerged model advances scholarship within the segmented turnaround literature through the introduction of Transcendent Leadership within the turnaround process. BODs/Owner(s) of firms facing existence-threatening decline may use the model as a guide to hiring the appropriate turnaround leader to reverse the decline of their underperforming firm.

Keywords: turnarounds, turnaround leadership, Transcendent Leadership, direct engagement

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INTRODUCTION

The turnaround leader may be the most important hire for the Board of Directors (BODs)/Owner(s) in a struggling firm. Chen and Hambrick (2012) describe that most BODs/Owner(s) are incompetent when making leadership replacement decisions. Chen and Hambrick's (2012) detailed study on leadership succession in turnaround situations found that replacement by itself had no effect on the subsequent performance of firms that were in trouble. If this is the case, are there common attributes of turnaround leaders that lead to subsequent positive performance? Schoenberg et al., (2013) explain there is insufficient general understanding of the common attributes that make an effective turnaround leader. To the researchers' best knowledge, Bibeault (1982) provided the last comprehensive, interview-only, grounded theory study on the attributes of turnaround leaders.

Why is it important and necessary to assess the attributes of turnaround leaders? First, leadership scholars have struggled to understand individual attributes and personal differences that explain leader effectiveness and role occupancy (Antonakis and Day, 2017). Antonakis and Day (2017) further explain that there is no all-encompassing leadership attribute theory and that its research constantly evolves. Second, Hambrick and Mason's (1984) influential Upper Echelon Theory explains a leader's attributes manifest into strategic actions that lead to future firm performance. Zaccaro et al. (1991) explain that context-based performance requirements impact leadership behaviors. Therefore, assessing the common attributes among turnaround leaders will explain the strategic actions they take to recover a firm facing an existence-threatening decline.

Third, there are disagreements within the literature on which turnaround leader attributes lead to the reversal of a firm's existence-threatening decline. Abebe (2009) found that turnaround leaders with an output-related background (marketing, sales, and R&D) exhibited better turnaround performance. Chen and Hambrick (2012) found that turnaround leaders' throughput-related backgrounds (operations, production, engineering, and accounting) exhibited better turnaround performance. With this difference, Antonakis and Day (2017) suggest that research instead needs to focus on the specific situation (turnarounds) that influences a leader's expression of their attributes.

Fourth, firms facing a turnaround are in dynamic and competitive environments (Bibeault, 1982; Murphy, 2008; Schoenberg et al., 2013). Crossan and Mazutis (2008) explain that dynamic and competitive environments may lead to ethical leadership challenges. Thus, since firms facing a turnaround are in dynamic, competitive, and ethically challenging environments, this study seeks to assess the attributes of turnaround leaders, including their functional backgrounds and character traits that lead to a firm's recovery.

In addition to studying a turnaround leader's attributes, turnaround research is theoretically and empirically fragmented, inconsistent, lacking cumulative theory building (Trahms et al., 2013), and under-specified in terms of methodologies and techniques (Safrudin et al., 2014; Gotteiner et al., 2019). Therefore, this study strives to answer the following research question: How do the attributes of turnaround leaders lead to a positive and direct effect on the recovery of a firm's performance? The purpose of this paper is to provide a qualitative study using grounded theory methodology to see if there are common attributes that turnaround leaders possess that lead to the recovery of a firm's performance. The objective of this study is to create a theoretical model by interviewing turnaround leaders that achieved a positive turnaround in a

prior firm, as well as one or more stakeholders (employees, investors, board of directors members, consultants) of that firm during the leader's tenure. The assessment of turnaround leader attributes allowed the researchers to examine the reasons why the top leader used certain decision-making processes during the firm's challenging economic situation.

LITERATURE REVIEW

Definition of a Turnaround

Harker and Sharma (2000) describe a turnaround as a process that takes a company from a situation of poor performance to a situation of good, sustained performance. Arogyaswamy et al. (1995) explain a turnaround as taking a firm from an economic existence-threatening decline to a much-improved level of sustainable performance. Abebe (2009), Barker and Patterson (1996), and Barker et al. (2001) characterize a firm turnaround as those that went through a period of existence-threatening decline followed by periods of improved return on investment. Pandit (2000) defines a turnaround as "the recovery of an organization's economic performance following an existence-threatening decline" (p. 32). Pandit (2000) further describes recovery within the definition of a turnaround, in its most subdued form, constitutes economic survival. In its most positive form, recovery leads to the superior and sustainable competitive position of the firm. For this study, the researcher believes that Pandit's (2000) definition above is the most appropriate moving forward.

Upper Echelons Theory in Strategic Leadership

Upper Echelons Theory (UET) states that CEO/leader characteristics manifest in firm strategic actions that lead to future firm performance (Wang et al., 2016). UET's core thesis is that top leaders' "experiences, values, and personalities... affect their choices" (Hambrick, 2007, p. 334) "and, through these choices, organizational performance" (Hambrick and Mason, 1984, p. 197). UET is an important strategic leadership theory behind the research question for this study. Therefore, the belief is that common attributes amongst turnaround leaders will help explain the recovery of their firm's economic performance following an existence-threatening decline.

Emotional Intelligence/Competencies in Leadership

With Emotional Intelligence/Competencies in leadership, high EI leaders regulate their follower's moods because they can express their own emotions effectively, thus creating empathetic bonds (Kellett et al., 2006). Positive moods transfer from leader to follower through a communication process of emotional transmission (Miao et al., 2018). Because EI individuals are better at expressing emotions and communicating, they are more likely to emerge and be perceived as leaders (Kellett et al., 2006; Walter et al., 2011). Emotional Intelligence and Emotional Competencies emerged as high-level constructs and key attributes for turnaround leaders to effectively lead the recovery of a distressed firm.

Trust in Leadership

A willingness to accept vulnerability evolves over time in a relationship through a history of reciprocity and repeated interactions (Baier, 1985; Stooksberry, 1996; Govier, 1994; Jones & George, 1998; Lewicki et al., 1998). Therefore, for the purpose of this research, trust will be defined as “a psychological state comprising of the intention to accept vulnerability based upon positive expectation of the intentions of behaviors of another” (Rousseau et al., 1998, p. 395). The turnaround leaders overall expressed that the recovery of a firm cannot happen without the entire organization’s trust in the turnaround leader. Without trust in the turnaround leader, the core concept of Transcendent Leadership cannot be achieved.

Transcendent Leadership

Individual leadership theories began with the Great Man Theory (Carlyle, 1841), followed by the trait theory era (Allport, 1937; 1950), then McGregor’s (1960) Theory X and Theory Y Managers and Blake and Mouton’s (1964) Managerial Grid behavioral theories era, followed by Fiedler’s (1967) Contingency Model and Hersey and Blanchard’s (1977) Model of Leadership contingency-situational theory era. After these eras, there were prominent leadership theories that followed: Greenleaf’s (1977) Servant Leadership, Meridith Belbin’s (1993) Team Role Theory from the 1970s to the early 1990s, Dansereau et al. (1975) Leader-Member Exchange Theory, and Bass and Avolio’s (1994) Transformational Leadership Theory.

Following the transformational leadership era is the emergence of Transcendent Leadership. Transcendent Leadership does not fully evolve as a theory until the mid-2000s under the researchers Crossan et al., (2008). Crossan et al. (2008) define a transcendent leader as “a strategic leader who leads within and amongst the levels of self, others, and organization” (p. 570). Prior to their study, leadership of others was the focus of leadership research; whereas leadership of self was in its infancy (Rosenbach et al., 2012).

Crossan et al. (2008) proposed that most turnaround leaders typically have the following types of strategic leaders: High short-term performance, low long-term performance, high levels of leadership of organization, and low leadership of self. Instead, the full concept of Transcendent Leadership emerged from the interview data. The interviewed subjects concluded that a turnaround leader cannot consistently lead firm recoveries without leading the organization, others, and one’s self.

Definition of a Turnaround Leader

In literature, the turnaround leader has multiple synonyms that are interchangeable. A researcher may use the terms turnaround CEO, turnaround specialist, and/or turnaround artist (Gotteiner et al., 2019; Schoenberg et al., 2013; O’Kane & Cunningham, 2012; Chen & Hambrick, 2012). In this study, turnaround leader is the preferred term. Turnaround leader is used because titles given to the leader of a turnaround are interchangeable. The turnaround leader may receive a title from the BODs/Owner(s) such as President, CEO, Corporate Restructuring Officer, or another similar top-leader title. The title itself is not important. It is the role of the top individual that is imperative. The turnaround leader must be in charge of the turnaround that is set forth by the BODs or owner(s) of the firm.

The definition of a turnaround leader can further be examined through the fit-drift/shift-refit model (Finkelstein et al., 2009). When BODs/Owner(s) select a turnaround leader, they will select a leader with experiences and qualifications that fit the immediate crisis. Following the turnaround leader's short tenure, the firm needs to hire a long-term (custodial) leader with experiences that are congruent to the firm's refit (Chen & Hambrick, 2012). The key aspect of the turnaround leader is that his/her tenure is on a temporary, interim basis.

Attributes

Haserot states that "attributes can be construed only as distinct but inherent and mutually inseparable characters of substance" (Haserot, 1953, p. 513). The word substance is defined by Merriam-Webster (2020) as "a fundamental or characteristic part or quality." Merriam-Webster (2020) defines an attribute as "a quality, character, or characteristic ascribed to someone or something." Therefore, in this study, attributes will be defined as characteristics, traits, skills, and competencies that are distinct, inherent, and inclusive of a turnaround leader's background.

Functional Experience

There are disagreements about what the ideal functional background is for a turnaround leader. For example, in Chen and Hambrick's (2012) study from Standard and Poor's 1500 index of firms that participated in a turnaround from 1990 to 2003; they found that turnaround leaders with a throughput-related (operations, production, engineering, and accounting) background had a better chance to improve turnaround performance. Abebe's (2009) study of turnaround leaders from troubled manufacturing firms from 1985 to 2000, found that turnaround leaders' backgrounds of output-related (marketing, sales, and R&D) functional experiences exhibited better turnaround performance. In addition to Chen and Hambrick's (2012) and Abebe's (2009) studies, Finkelstein et al. (2009) argue that there is "no evidence of a generally advantageous functional profile for top executives" (p. 104). This study found that all the interviewed subjects' backgrounds consisted of some combination of throughput-related, output-related, and peripheral-related functional areas that attributed to their ability to achieve a firm turnaround. However, the interview data revealed a turnaround leader must have some experience in operations to fully recover a declining firm.

Engaged Leadership – Hands-on

Other than impression management described by Bibeault (1982) and Bass (1998), there is a lack of research on leadership work engagement from the perspective of the leader himself/herself. However, there is rich research on work engagement from the perspective of the employee/follower (Katz and Kahn, 1978; Kahn, 1990; Wefald et al., 2011; Vincent-Hoper et al., 2012).

In assessing the direct engagement, hands-on leadership research topic, the researchers for this paper believe the field of education provides the most appropriate assessment (Quinn, 2002; Soini et al., 2016). Quinn (2002) describes principal education leadership behaviors within K-12 school environments. He describes effective principal leaders as those that practice instructional leadership. Quinn (2002) uses Leithwood's (1994) definition of instructional leadership "as a series of behaviors that are designed to affect classroom instruction" (p.3). Even though this definition is used for K-12 education, it can also apply in a turnaround situation where a leader's behavior is designed to affect manager instruction towards the frontline workers.

METHODOLOGY

Grounded Theory Approach

Corbin and Strauss (2008) defined grounded theory “as a specific methodology developed by Glaser and Strauss (1967) for the purpose of building theory from data” (p. 1). Researchers explore the concepts and variables within grounded theory strategies to consume the core phenomenon without damaging its nature. This is the primary objective for qualitative, grounded theory research in management disciplines (Glaser, 2001, 2003). In grounded theory, the real-life stories of the actors provide the data through its epistemological tradition of interactionism.

Reliability and Validity

Smith and McGannon (2018) explain the issues of reliability techniques such as member checking, inter-rater reliability, and universal criteria within qualitative, grounded theory research. They conclude that none of these techniques are acceptable to address reliability in a qualitative study; particularly qualitative studies that use interviews to gather data. Smith and McGannon (2018) explained that “seeking reliability becomes nonsensical because a qualitative researcher seeking rich and personally meaningful information from people in interviews, does not ask the same questions, in precisely the same order, with the same non-verbal expressions or emotional tone, in repeated social contexts and situations, with no change in the knowledge-based on previous interviews, and so on” (p.112).

After reading the previous quote, one might think that Smith and McGannon (2018) believe it is unnecessary to address reliability all together. This is not the case. Instead, they focus on two suggestions for reliability within qualitative studies that use interviews for gathering data. The techniques they suggest using are a relativist approach and critical friends. The relativist approach “means that when judging the quality of qualitative work, researchers use criteria from lists that are not fixed, rigid, or predetermined before the study, but rather are open-ended; they can add to or subtract characteristics from the list” (Smith and McGannon, 2018, p. 116). The relativist approach for this study was established with the critical friends’ technique. The study’s critical friends were the researchers’ research team, established during prior doctoral studies. Smith and McGannon (2018) define critical friends as “a process of critical dialogue between people, with researchers giving voice to their interpretations in relation to other people who listen and offer critical feedback” (p. 113). The role of critical friends is “not to ‘agree’ or achieve consensus but rather to encourage reflexivity by challenging each other’s construction of knowledge” (Cowan and Taylor, 2016, p.508; cited by Smith and McGannon, 2018, p. 113).

As for validity, the research team helped derive a plan for the appropriate sample selection of turnaround leaders/stakeholders from the research team’s professional and personal networks, along with and the lead researcher’s affiliation with the TMA (Turnaround Management Association) organization. The validity of the interview protocols was established from the team’s experience in qualitative, grounded theory research. The team coached and rehearsed with the lead researcher through the process of properly asking open-ended questions to gather data from the subjects without leading the participants into predetermined answers. These techniques were further established by following the theoretical sampling process by Corbin and Strauss (2008) and Friese (2019). In addition, the lead researcher arranged calls with

the team on a routine basis. During these calls, the research team provided critical friends feedback on the interviewing, coding, and analysis process for this study.

Data Collection, Sample and Analysis

Data Collection

Data collection was obtained through semi-structured interviews of turnaround leaders and stakeholders referred by the turnaround leader during their tenure. The data for the semi-structured interviews were recorded through Skype audio, and some subjects agreed to participate in the video. The audio MP3 files from Skype were then uploaded to a transcribing software called Happy Scribe. Next, the Happy Scribe transcripts were uploaded into the computer-assisted qualitative data analysis (CAQDAS) software Atlas.ti. The researcher then interpreted the data and developed categories (code groups) that led to higher-level theoretical concepts (Suddaby, 2006; Friese, 2009).

Sample

The researcher targeted turnaround leaders who achieved a positive turnaround for a past firm, taking the firm from an existence-threatening decline to recovery (Pandit, 2000). Turnaround leaders were recruited from the researcher's personal network, the research team's network, and members from the Turnaround Management Association (TMA). Thirteen out of the sixteen subjects interviewed were current or past members of TMA. "The Turnaround Management Association (TMA) is the most professionally diverse organization in the corporate restructuring, renewal, and corporate health space. Established in 1988, TMA has almost 10,000 members in 54 chapters worldwide, including 34 North American chapters. Members include turnaround practitioners, attorneys, accountants, advisors, liquidators, consultants, as well as academic, government employees, and members of the judiciary" (Turnaround, 2020a).

The recruitment from the research team's sphere of influence and TMA is known as a convenience sample (Marshall & Rossman, 2006). During the research for this study, the primary researcher was a member of the Southern California and Florida Chapters of TMA. Twelve out of the sixteen interviewed subjects were turnaround leaders. Four subjects were stakeholders affiliated with the turnaround leader during his/her tenure. The breakdown of the personal, company, and demographic information of all interviewed subjects is in Table 1 (Appendix). Following each interview, the researcher asked the participants if they could refer individuals who may qualify for this study as turnaround leaders or affiliated stakeholders. This referral technique is known in the literature as snowballing (Marshall & Rossman, 2006).

The purpose of interviewing the stakeholder (s) in addition to the turnaround leader was to cross-reference multiple perspectives to see if the turnaround leader and stakeholder(s) agreed on the leader's common attributes that led to the firm's recovery. This cross-referencing of multiple perspectives followed the qualitative research method used by Ranft and Lord (2002).

Analysis

The lead researcher began to gather data by interviewing turnaround leaders and affiliated stakeholders. Approximately 13 hours of interviews were transcribed onto 300 pages. The average interview lasted just under 46 minutes with the average length of transcription over 18 ½ pages.

Data collection started the process of theoretical sampling within Tweed's and Charmaz's (2011) grounded theory framework shown in Figure 1 (Appendix). Corbin and Strauss (2008) define and explain theoretical sampling as "a method of data collection based on concepts derived from data" (p. 144). It is different from conventional methods because "it is responsive to the data rather than established before the research begins" (Corbin & Strauss, 2008, p. 144).

The coding process within Tweed and Charmaz's (2011) framework starts once the transcribed interviews were uploaded into Atlas.ti. This begins the coding activity within the N-C-T Model developed by Friese (2019). The "N" stands for 'noticing.' Friese (2019) explains this starts the process of finding interesting things within the transcripts. When the researcher discovers interesting words, sentences, or anecdotes, he/she will provide a label for these interesting things through a process called open coding.

The "C" in Friese's (2019) N-C-T Model refers to "collecting." During the "collecting" phase, a researcher will start to notice similar things in the data and some of it will fit within previously named codes. Sometimes the data does not perfectly align with previously named code. Therefore, the researcher may assign its own open code to this data segment that emerged.

The "T" in Friese's (2019) N-C-T Model stands for "thinking about things." As the data collection continues, the researcher needs to start coming up with appropriate names for codes and developing categories, sub-categories, sub-concepts, and properties. "Thinking about things" allows the researcher to start noticing relations and patterns amongst the data.

As the lead researcher went through the initial process of coding the raw data, 216 codes emerged from the interview data. The 216 codes were created from both a top-down and bottom-up process. The top-down (deductive) process refers to the process of creating codes based on the literature that was reviewed on the phenomenon studied. The bottom-up process (inductive) refers to the process that emerges from the original raw data (Edwards and Lampert, 1993). After continuing the N-C-T Model process, similar codes were combined, and the researcher reduced the open codes to 176.

After the 176 initial open codes were established, Friese (2019) explains that higher-level concepts emerge that are referred to as categories and their following multilevel sub-categories, sub-concepts, and properties. As the researcher followed this category and multilevel sub-category creation, 24 categories (code groups) emerged from the 176 open codes. After consulting with the research team, reviewing the literature, and analyzing the codes again, 176 open codes consolidated into 147 codes. From these final 147 codes, the remaining 13 categories (code groups) and their sub-categories, sub-concepts, and properties emerged; creating the theoretical model. In Figure 2 (Appendix), there is an example of a "Category" (code group) and its Sub-Categories, 'sub-concepts', and [Properties].

To explain Figure 2 (Appendix) in more detail, the parenthesis () that is next to the "Category", Sub-Category, 'sub-concept', or [Property] is the number of quotations linked within the transcripts that are associated with that specific label. The brackets [] that are next to the parenthesis () represent the total number of quotations linked to the label that is inclusive of their "Categories", Sub-Categories, 'sub-concepts', and/or [Properties].

RESULTS

The following sections describe in detail the Sub-Categories, ‘sub-concepts’, and [Properties] that built the “Categories” (code groups) of the emerged theoretical model. A limited amount of supporting quotes will be used within the core concept section of this model due to space constraints. The following sections beyond the core concept will not provide quotes. However, a substantial number of quotes from the interview data were used to build the theoretical model shown in Figure 3 (Appendix).

Core Concept – Transcendent Leadership

Transcendent Leadership emerged from the data as the core concept within the theoretical model. The key difference between Transcendent Leadership and transformational/transactional leadership is the development of self within the leader. Crossan et al. (2008) explain that the changing and developing of the self in Transcendent Leadership is built from Quinn et al.’s (2000) Advance Change Theory. The leader needs to change the self to change others and engage in high levels of behavioral, moral, and cognitive complexities (Crossan et al., 2008). Transcendent Leadership embodied the key attributes that turnaround leaders implemented to achieve the recovery of a firm’s performance.

As the researcher interviewed the turnaround leaders and stakeholders, a pattern of working on the self emerged from the data. Thus, the sub-categories Self-Development and Self-Reflection on Turnarounds emerged from the data within the core concept of Transcendent Leadership.

Self-Development is defined as a habit of turnaround leaders to work on the self and constantly improve. Self-Development has two sub-concepts ‘adventurous background’ and ‘authentic’. An example of the importance of Self-Development was explained by a turnaround leader that led turnarounds in multiple industries. The turnaround leader explained that Self-Development was more than just the cognitive aspect. In addition, a turnaround leader needed to work on their emotional and physical selves to change others who will then change the firm:

“you have to keep yourself in good shape. You know, you always have to exercise. That's part of you know, you've got to really respect your body. And what it does, you've got to be willing to take a break when you need it. If your head needs a little help, you need to go see your therapist your counselor. You know, you can't be afraid to ask for help for things that help you strengthen up. But I think you always have to read.....You just have to continually try to be a better person, you know, you have to continually try to improve yourself, because ultimately when you improve yourself, you're helping others. You know, and you're helping. In my case, me helping companies get themselves back on their feet” (Interview 7, 8, 37:11).

*The citation (Interview 7, 8, 37:11:00) is interpreted as: Interview 7 = Interview #7 out of 16 interviews. The following number 8, refers to the transcript number (some interviews required multiple transcripts). The following 00:00:00, refers to the hour, minutes, and seconds of the transcript from the recorded audio session. [This labeling will be used throughout the rest of the study.]

The sub-concepts of having an ‘adventurous background’ and being ‘authentic’ emerged from the Self-Development sub-category of the core concept Transcendent Leadership. Multiple turnaround leaders explained having an ‘adventurous background’ helped develop themselves as better turnaround leaders. These types of adventures included high-altitude backpacking, mountain rescues, competitive sports, third-world exotic travels, etc. Their adventures taught them how to overcome challenges necessary to achieve turnarounds.

“The only other thing I can think of is that when in my younger years I was quite an adventurer. And so, I bummed around the world several times, got stranded on an uninhabited island in the Pacific for a few days and the storm ended up in a Real-Life Philippine Pirate's Village, where in this day and age they kill people. Spent a few days in the slums of Bangkok, hunted in the African bush, and so on and so forth. And that helps with turnarounds in one very significant way. The experiences, these experiences being in places where....Westerners....Hadn't been in years or even generations. I was in very remote places. Teaches you tolerance and acceptance. I have, for example, been pretty much in every specific house of worship, of every religion that ever existed on this planet. Now I've always been treated with great respect by wonderful people that taught me a lot” (Interview 4, 4, 22:28).

Self-Development has a second sub-concept ‘authentic’. The ‘authentic’ sub-concept refers to turnaround leaders being open and transparent through learned self-awareness to lead people effectively. A stakeholder explained this quality when referring to the firm’s turnaround leader during their tenure.

“There are certainly leaders who have been students of leadership and have learned leadership traits. I think [name removed] is a completely natural leader, much in the same way that that I am. He's very authentic. It's who he is. And I think because of that, he's formed those relationships in a very honest way. But he's also a very skilled, learned leader, too much more so than I am” (Interview 2, 2, 32:28).

Another aspect of developing the self with turnaround leaders was the constant practice of Self-Reflection on Turnarounds. The turnaround leaders were transparent on the mistakes they made during their previous turnarounds. Even though the turnarounds were successful, there was a sense that they could have done better. They wanted to learn from their mistakes, self-improve, and apply those lessons to future turnarounds. Without the self-reflection to improve them, they would not be able to evolve in their ever-changing business environments. Therefore, Self-Reflection on Turnarounds became a sub-category of the core concept Transcendent Leadership. Below is an example of Self-Reflection on Turnarounds on how a turnaround leader may improve.

“Yeah, I think there's always, I think, yeah, there's definite things that we could of done better. Be better with every transaction. This one, I think there is times there are certain people in the accounting department, which, you know, I, defended and tried to push through and persevere. It's not that they didn't have skills or knowledge. Maybe there's some skills lacking. But it wasn't a good fit culturally for the organization, especially with certain management members. So, when I held on to this person probably too long and then they let the person go, and, you know, I think everybody was really upset. But the same time, I think it was for the betterment of the organization. So, I think to more to unify.....the providing value that sometimes it is not a fit, just to better off for the organization and better part of it after the person they go [their] separate ways. So that's something I could of done better at” (Interview 16, 18, 9:10)

Antecedents of Transcendent Leadership

Trust in Leadership

“Trust in Leadership” emerged as a key antecedent category of the core concept Transcendent Leadership. The “Trust in Leadership” category (code group) definition explains that a turnaround leader must build trust from their employees and inside/outside stakeholders to accomplish the firm turnaround. Without the trust received from their employees and inside/outside stakeholders, the turnaround will fail. “Trust in Leadership” has two sub-categories: Credibility and Establish Vision. Establish Vision has a sub-concept ‘consensus builder’.

Credibility emerged as a sub-category of “Trust in Leadership.” Credibility is established by the turnaround leader through proof of success in past turnarounds, as well as understanding the industry of the current turnaround’s business. A second sub-category of “Trust in Leadership” was Establish Vision. Establish Vision is the pathway a turnaround leader presents to the organization as a blueprint for the turnaround. He/she does this through confidence/conviction, courage, and articulating that change is needed. Establish Vision has a sub-concept ‘consensus builder’. A ‘consensus builder’ is a turnaround leader who has the ability to build a collective organization through buy-in at the individual, team, and organizational level; inclusive of the stakeholders.

Emotional Intelligence/Competencies

“Emotional Intelligence/Competencies” has three sub-categories: Empathy/Sympathy, Humility, and Leading Ethically. Empathy/Sympathy is where the turnaround leader shows that he/she cares about the feelings of the firm’s employees and stakeholders. He/she displays this by being relatable to their employees, loving their people throughout the organization; and when lay-offs occur, executes it with integrity.

The sub-category Humility describes the turnaround leader as humble, respecting the importance of everyone in the organization from the frontline workers to the c-suite executives. A humble turnaround leader believes they are not above anybody in society; regardless of gender, race, religion, or socioeconomic status. The sub-category Leading Ethically refers to the emotional competency of character. A turnaround leader should never sacrifice their ethical core for money, profit, achievement, or a leadership position.

Transactional/Transformational Leadership

Leaders applying transactional leadership display behaviors that involve clarification of follower roles and tasks, set clear objectives, and monitor outcomes while providing performance-based positive and negative rewards (Antonakis and House, 2002; Bass and Avolio, 1994). Transformational leadership encourages “performance beyond expected standards by developing an emotional attachment with followers and other leaders, which is tied to a common cause,which contributes to the ‘greater good’ or higher collective” (Avolio and Yammarino, 2002, p. xvii). The “Transactional/Transformational Leadership” category has four sub-categories: Influential Work Background, Leadership Development, Transferable Multiple Skills, and Transformational Leadership. Leadership Development has one sub-concept ‘learn by doing’. ‘Learn by doing’ has two properties [Comfortable With Uncertainty/Chaos] and [Work Ethic Perseverance]. Transformational Leadership has three sub-concepts ‘relationship developer’, ‘psychological artistry over mechanical’, and ‘collective good over personal interest’. ‘Collective good over personal interest’ has a property [Mission Focused].

A common Influential Work Background among many of the turnaround leaders was a background in accounting/finance. The accounting/financial background came from academics and/or on-the-job training. Other Influential Work Backgrounds included sales, operations, legal, and consulting/management.

The second sub-category within “Transactional/Transformational Leadership” is Leadership Development. Leadership Development describes a variety of education, opportunities, and mentorship that led to the turnaround leader’s development as a leader. The turnaround leaders expressed leadership development through academic graduate education, mentors, parents, entrepreneurs in family, military training, and being exposed to multiple departments across a corporation before becoming a turnaround leader. Leadership Development has a sub-concept ‘learn by doing’. ‘Learn by doing’ has two properties: [Comfortable With Uncertainty/Chaos] and [Work Ethic/Perseverance].

Leadership Development has the sub-concept ‘learn by doing’. ‘Learn by doing’ is learning a business, industry, turnaround process, and/or skills through direct experience. Many interviewed turnaround leaders expressed the way they learned general business and turnarounds was by actually “doing it.” It could not be learned simply through a classroom.

‘Learn by doing’ had two properties [Comfortable With Uncertainty/Chaos] and [Work Ethic/Perseverance]. The property [Comfortable With Uncertainty/Chaos] refers to a turnaround leader who is comfortable in uncertain and chaotic situations. Within uncertain and chaotic situations, some turnaround leaders explained having to deal with threats to both themselves and the organization.

The property [Work Ethic/Perseverance] of ‘learn by doing’ is the work ethic, dedication, and perseverance a turnaround leader must have to successfully recover a firm’s performance. A turnaround leader cannot ‘learn by doing’ if they don’t have [Work Ethic/Perseverance].

The third sub-category of “Transactional/Transformational leadership” is Transferable Multiple Skills. Transferable Multiple Skills are skills a turnaround leader acquires throughout their career and those skills are transferable to any turnaround situation, no matter the industry. These skills include finance, operations, accountability, and soft skills.

The final sub-category of “Transactional/Transformational Leadership” is Transformational Leadership. Transformational Leadership is its own exclusive sub-category because of its importance as a building block to the core concept TRANSCENDENT LEADERSHIP within the “Transactional/Transformational” category and its multiple sub-concepts and property. Transformational Leadership has three sub-concepts: ‘relationship developer’, ‘psychological artistry over mechanical’, and ‘collective good over personal interest’. ‘Collective good over personal interest’ has one property [Mission Focused]. The sub-category Transformational Leadership involves a turnaround leader’s behaviors beyond transactional task management. Transformational Leadership behaviors include inspiring, encouraging, and empowering the firm’s employees and stakeholders. This also includes the creation of talent development initiatives within the firm.

The first sub-concept under the sub-category Transformational Leadership is ‘relationship developer’. ‘Relationship developer’ is defined as a turnaround leader who develops relationships through support/advocacy for their employees, listening to other’s perspectives, and maintaining a sense of humor through the challenging times of the turnaround.

The second sub-concept of the sub-category Transformational Leadership is ‘psychological artistry over mechanical’. ‘Psychological artistry over mechanical’ is the importance of a leader being able to handle the psychology of the organization and its people to

complete the turnaround. Once the turnaround leader has the mechanical operations of the turnaround established, the completion of the turnaround becomes more psychology and artistry. A turnaround leader having common sense and placing personnel within their strengths are included with “psychological artistry over mechanical”.

‘Collective good over personal interest’ is the third sub-concept of Transformational Leadership. ‘Collective good over personal interest’ includes the property [Mission Focused]. ‘Collective good over personal interest’ is where the turnaround leader puts the needs of everyone involved inside and outside the firm above his/her own. [Mission Focused] is where the mission is bigger than the individual, whether it is the turnaround leader or other individuals in the firm.

Moderator: BODs/Owner(s) – Outside Stakeholders Support

The moderator “BODs/Owner(s) – Outside Stakeholders Support” emerged as a moderating variable in the ability of a turnaround leader to recover a firm’s performance. Without the support of the Board of Directors (BODs), the owner(s), and/or the outside stakeholders, the turnaround leader’s ability to recover the firm is nearly impossible. An example from the interview data was where a turnaround leader of a veterinary pharmaceutical company explained the turnaround was successful until the board chair left their position. Soon after the turnaround leader completed the turnaround, their efforts were reversed once a new board chair was in control (Interview 15).

A second example was when a turnaround leader explained that his team went to a small town in Oklahoma to turnaround an underperforming firm. They had full support from the owner, and the team felt they could complete the recovery of the firm. However, prominent business leaders within the community that were on the town council did not like “northern” outsiders coming into their town. The opposing town council hindered the process of permits and created obstacles. Even though the turnaround leader and the owner had a committed process to recover the firm, the town’s other stakeholders established too many opposing obstacles. Unfortunately, the company was dissolved soon after (Interview 3).

Turnaround Process

In the theoretical model shown in Figure 3 (Appendix), there is a circular illustration, plus a two-directional arrow between “Financial Priorities” and “Peripheral Priorities.” This illustration developed from the interview data when turnaround leaders were asked how their turnarounds evolved and the initial action taken when they first entered the firm. In multiple cases, the “Financial Priorities” were addressed first, followed by the “Peripheral Priorities.” However, in other cases, the “Peripheral Priorities” were addressed simultaneously with the “Financial Priorities.” In some cases, the “Peripheral Priorities” were addressed first. “Operational Priorities” was the last category and key aspect within the turnaround process section of the theoretical model.

Financial Priorities

“Financial Priorities” are the financial issues a firm faces in a turnaround. In most cases, these priorities take precedent as the turnaround leader tries to stabilize the firm and prevent its path towards bankruptcy. The turnaround leaders explained multiple types of “Financial

Priorities” they had to address: cash crisis, invoicing issues, lender renegotiations, loss of customer support, vendor and supplier costs, etc.

Peripheral Priorities

“Peripheral Priorities” are the priorities a turnaround leader must address to recover the declining firm apart from the “Financial Priorities” and “Operational Priorities.” These priorities are considered peripheral because they are outside the core “Financial Priorities” and “Operational Priorities.” Even though they are outside the core “Financial Priorities” and “Operational Priorities”, they are still very important to address in a turnaround. “Peripheral Priorities” has four sub-categories: Legal Issues, Personnel Changes, Safety/Environmental Issues, and Cultural Issues. Culture Issues has two sub-concepts ‘ethical issues’ and ‘improve low morale’.

Legal Issues are lawful issues the turnaround leader needs to address that have led to the decline of the firm. These include lawsuits/settlements, government investigations, etc. Personnel Changes are actions by the turnaround leader that include employee reduction and top management team (TMT) changes to recover the firm's decline. Safety/Environmental Issues are actions a turnaround leader takes to address safety and the environment (green issues) that led to the decline of the firm.

Cultural Issues are cultural challenges that led to the decline of the firm. Cultural Issues have two sub-concepts: ‘ethical issues’ and ‘improve low morale’. ‘Ethical issues’ are integrity and/or criminal issues a turnaround leader needs to address. ‘Improve low morale’ describes improving the low morale/confidence within the firm the turnaround leader must address.

Operational Priorities

The turnaround leaders explained that “Operational Priorities” are the key aspects to complete the turnaround process. Examples of “Operational Priorities” the turnaround leaders had to address: adding a profitable line of business, growing the employee base, technology improvements, equipment fixes, repairing inventory/scheduling, and overall production/mechanical efficiency. “Operational Priorities” emerged with such an emphasis from the turnaround leaders that the important sub-category of Operational Knowledge Over Financial Knowledge developed. Financial knowledge helps address the financial issues to stabilize the firm to prevent it from potentially entering bankruptcy. However, without the turnaround leader’s ability to fix the “Operational Priorities” of the firm to grow revenues and create a better profit margin, the turnaround is nearly impossible.

Direct Engagement

“Direct Engagement” is a crucial aspect of “Operational Priorities.” However, “Direct Engagement” of the turnaround leader within the process of “Operational Priorities” became such an important emphasis in the data that it emerged as its own category. “Direct Engagement” is a category that emerged as a key leadership aspect that must be implemented operationally to achieve a turnaround. A turnaround leader needs to be constantly and consistently engaged with his/her employees and stakeholders out on the "floor" inside the firm, or "field" outside the firm. “Direct Engagement” cannot happen with the turnaround leader hiding away from the organization inside their office. “Direct Engagement” has sub-categories

of Hands-on/Outside-of-Office, and Honest/Direct. Hands-on/Outside-of-Office has two sub-concepts 'adaptive' and 'improve customer experience'. 'Adaptive' has two properties [Quick-on-Foot Thinking] and [Innovative/Creative Thinking].

The Hands-on/Outside-of-Office sub-category refers to the actions taken by the turnaround leader to be out in front of the organization, down at the front-line worker level, digging deep, and being investigative to find the solutions to the issues causing the decline of the firm. This involves going from department to department, including getting out on the manufacturing floor next to the employees, leading by example.

A sub-concept of Hands-on/Outside-of-Office is 'adaptive'. 'Adaptive' refers to the chameleon abilities of the turnaround leaders. He/she leads others depending on the situation and their personalities. All people cannot be led the same.

[Quick-on-Foot Thinking] is a property of the sub-concept 'adaptive'. [Quick-on-Foot Thinking] is an 'adaptive' skill that turnaround leaders use to make quick decisions in a moment's notice and then move on to the next decision. A turnaround leader does not have time to dwell on decisions for long periods of time. Often, they need a short-term focus.

[Innovative/Creative Thinking] is also a property of the sub-concept 'adaptive'. [Innovative/Creative Thinking] is an 'adaptive' skill that turnaround leaders will use to take innovative/creative actions to find solutions to problems. This includes having an entrepreneurial/intrapreneurial and risk-taking mindset.

'Improved customer experience' is the last sub-concept of the sub-category Hands-on/Outside-of-Office. 'Improved customer experience' involves the turnaround leader getting out-of-office to meet the customer face-to-face to repair the relationship.

The final section of the "Direct Engagement" category involves its last sub-category Honest/Direct. The Honest/Direct definition is that a turnaround leader needs to be direct and honest with his/her people in a truthful, clear, well-spoken, articulate manner. This also involves integrity. The turnaround leaders need to have the integrity to tell individuals inside/outside the firm the truth, even if it is bad news.

DISCUSSION

Summary of Findings – Transcendent Leadership

Transcendent Leadership emerged as the core concept within the study's theoretical model. Crossan and Mazutis (2008) explain that leadership of self extends beyond emotional intelligence/competencies of self-awareness and self-regulation. Leadership of self is about developing a set of character traits that will guide leaders through ethically challenging, competitive, dynamic business climates of today. Crossan and Mazutis (2008) cite Peterson's and Seligman's (2004) six core moral virtues as character guidance: humanity, knowledge and wisdom, courage, temperance, justice, and transcendence. Dynamic environments place a premium on leadership of self. Leaders face tradeoffs that arise in changing and complex environments. To navigate this, leaders need high levels of profound judgment and self-awareness (Crossan & Mazutis, 2008).

Today's climate for turnarounds is significantly more dynamic than it was in the past. Turnaround leaders should go beyond traditional cost-cutting and restructuring, and establish a healthy, sustainable growth environment that can be turned over to the following long-term succession leader. In addition, with the turnaround leader implementing the leadership of self to

transformational behaviors, he/she will prevent the motivation, commitment, and loyalty of their followers into the wrong projects (Crossan et al., 2008; Crossan & Mazutis, 2008).

Lastly, the turnaround leader needs to provide Transcendent Leadership by displaying leadership of the self in balancing the needs of internal/external stakeholders and the firm's business environment. By using his/her attributes of Transcendent Leadership, the turnaround leader becomes more focused on the behaviors that lead the recovery of a firm, without being distracted by influences that negatively affect their morality and strategic actions.

Theoretical Contributions

This study contributes to the turnaround literature because it identified the concept of Transcendent Leadership as necessary for a leader to recover a firm from existence-threatening decline. Crossan and Mazutis (2008) explain that most leadership research in academia and practitioner literature is on one level of leadership. It is either on the leadership of others or the organization (dyadic and small level). It is rarely on the leadership of the self, which this study provided.

This study also added to the turnaround process literature in multiple ways. For example, an important moderator emerged from the data: "BODs/Owner(s) – Outside Stakeholders Support." The turnaround leaders and stakeholders overwhelmingly described the necessary support from BODs, Owner(s), and outside stakeholders to perform their duties. Argoyswamy et al. (1995) explain in their seminal Turnaround Theory the importance of the external-facing aspect with the first stage of the turnaround. However, the data emerged from the interviews that "BODs/Owner(s) – Outside Stakeholder Support" is not a stage of the turnaround, it is an aspect that must be addressed before and throughout the turnaround. This includes permission and resources for the turnaround leader to execute his/her plan without interference and micromanagement from the BODs, Owner(s), and outside stakeholders.

The study went into an in-depth analysis on the application of turnaround strategies and tactics inside the turnaround leader's firm. The concept of "Direct Engagement" emerged from the data as an important component of the "Operational Priorities" of a turnaround. "Direct Engagement" emerged as the actions a leader must partake to affect the "Operational Priorities." In the turnaround literature, Bibeault (1982) and Murphy (2008) mention "Direct Engagement" leadership actions at the surface level with 'impression management' and 'hands-on' descriptions. However, Bibeault (1982) and Murphy (2008) do not describe in detail these 'hands-on' actions, or how important they are to the turnaround versus "Financial Priorities" and "Peripheral Priorities."

To fully implement the recovery of a firm, the "Operational Priorities" must be fixed to recover a firm and establish an environment for sustainable growth. The turnaround leaders described that "Financial Priorities" and "Peripheral Properties" primarily stabilize the firm. However, without fixing the "Operational Priorities" through "Direct Engagement" behaviors, the firm will not recover. The fixing of "Operational Priorities" through "Direct Engagement" adds to the literature by establishing consensus on the backgrounds of successful turnaround leaders.

Lastly, as mentioned earlier, there were disagreements within the literature on the functional backgrounds a turnaround leader must have to recover a firm (Abebe, 2009; Chen and Hambrick, 2012). This study adds to the literature where the interviewed subjects expressed that

a turnaround leader must have some operational experience to fix the “Operational Priorities” to recover a declining firm.

Practical Implications

The study provided a theoretical model for BODs and firm owners to use when looking to hire the right turnaround leader to recover their firm from existence-threatening decline. Because of the diversity of industries represented in this study, the theoretical model has a strong chance to create an effective blueprint for company BOD(s)/Owners to use to hire their turnaround leader.

In the practitioner world, how does a BODs/Owner(s) hire a turnaround leader with Transcendent Leadership attributes? It is important for the BODs/Owner(s) to focus on the self-level of leadership when interviewing turnaround leader candidates. During the interview process, the BODs/Owner(s) need to ask questions to find out if the candidate is someone that believes in leadership of self. For example: “Describe your current self-development process?” What were the most influential courses/programs outside of academia in your leadership development? What kind of self-development will you continue to pursue if hired?”

Following the turnaround leader candidate interviews, the BOD(s)/Owner(s) must thoroughly research the candidate through their references. The BOD(s)/Owners should investigate the turnaround leader candidate by asking their references questions on the candidate’s self-development. Next, the BOD(s)/Owner(s) must investigate the morality of the candidate through their references on Peterson’s and Seligman’s (2004) six core moral virtues on character guidance: humanity, knowledge, and wisdom, courage, temperance, justice, and transcendence.

An important finding for the practitioner business world is that firms facing existence-threatening decline do not need to hire expensive, large turnaround firms with multi-skilled teams to achieve a turnaround. As a turnaround leader in this study states, (who is one of the most successful turnaround leaders of the last 50 years): “a lot of them aren't turning around crap. They're...They're financial jockeys and they don't know operations and they don't dig in deep enough to do it” (Interview 6, 6, 1:23:04). This study suggests it is better to hire a single turnaround leader to recover one’s firm than an expensive large company that charges by the hour. The interviews revealed that successful turnaround leaders have a variety of industry and practical backgrounds with Transcendent Leadership attributes that can perform turnarounds. There is no need to hire a large-scale, team-based, hourly invoiced turnaround firm.

Limitations and Suggestions for Future Research

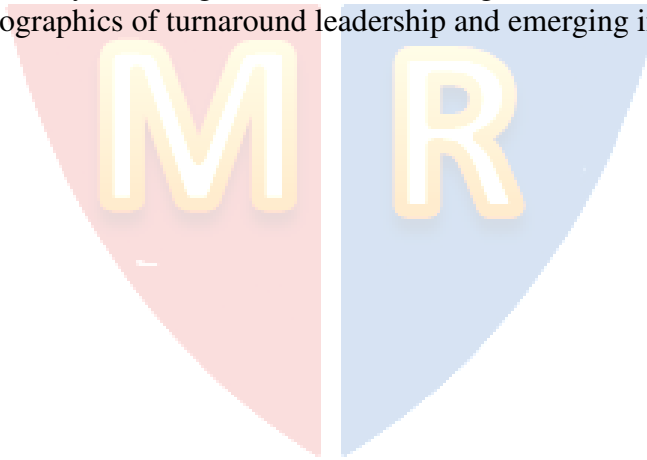
The study’s participants came from a convenience sample of the researchers’ personal networks, research team’s network, and the Turnaround Management Association (TMA). All interviewed subjects identified their ethnicity as Caucasian between the ages of 52-78, where one participant’s ethnicity and age were not available. Men accounted for 13 out of the 16 interviewed subjects. Would the attributes of a turnaround leader that leads to a firm’s recovery be different for a person of color, a woman, a different age group, or in another country?

Lastly, more qualitative studies need to happen within the realm of turnaround leadership. There has been very little grounded theory, if any, interview-only research within the turnaround field since Bibeault’s (1982) study. There are multiple reasons for this. First, turnaround leaders are defined by Marshall and Rossman (2006) as elites. These men and women rarely have the time to sit with a researcher for an hour to provide an interview. Because of this limited

availability, the ability of a researcher to collect enough interviews to obtain saturation of emerging categories within the grounded theory methodology, can be difficult. Second, the long process of qualitative research causes a problem for career academics who must abide by publishing requirements. Gephart (2004) explains that qualitative researchers' careers should be judged on the quality and significance of their manuscripts instead of the amount produced.

CONCLUSION

The purpose of this study was to use a qualitative approach to see if there were common attributes that turnaround leaders possessed that led to the recovery of a firm's existence-threatening decline. The objective of this study was to create a theoretical model using grounded theory methodology, by interviewing accomplished turnaround leaders and an associated stakeholder during their tenure. This study achieved both its purpose and objective. A theoretical model emerged from the data that revealed the core concept of Transcendent Leadership. Transcendent Leadership attributes are the commonalities this study's participants had that led to the recovery of their firm's existence-threatening decline. This study advanced scholarship within the turnaround field and deepened the understanding of strategic leadership, turnaround, and individual leadership theories. For academia, the research provided a necessary qualitative, grounded theory method study on turnaround leadership. For practitioners, the theoretical model provided a blueprint for BODs/Owner(s) to hire the appropriate turnaround leader for their firm that may be facing existence-threatening decline. Further research on underrepresented demographics of turnaround leadership and emerging industries are necessary to advance this field.



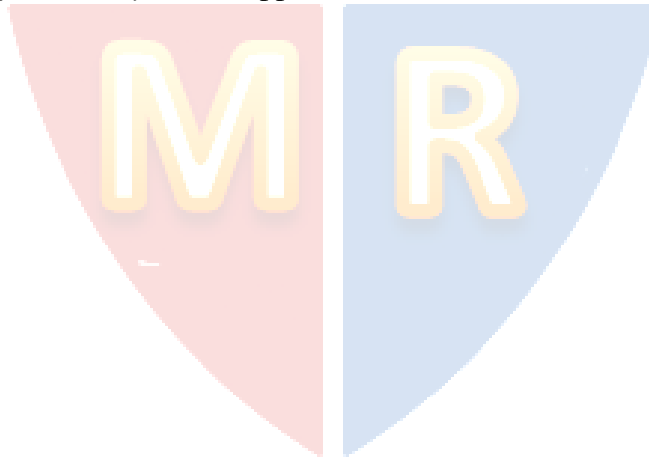
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APPENDIX

Table 1: Personal, Company, and Demographic Information of Interviewed Subjects
Source: Interview Data

Int. #	Age	Gender	Position	Current Location	Highest Level of Education	Industry	Tenure with Company
1	63	M	Turnaround Leader	Jacksonville, FL	DBA	Healthcare Cancer	3 yrs (2015-2018)
2	57	M	Stakeholder (Physician-in-Chief)	San Diego, CA	MD	Healthcare Cancer	3.5 yrs (2015-2018)
3	53	M	Turnaround Leader	Dorset, VT	MBA	Aerospace Machine Parts	4 mths (2016)
4	67	M	Turnaround Leader	Reunion, FL	PhD	Automotive Parts	2 yrs (2008-2009)
5	75	M	Stakeholder (CEO of acquiring company)	Newport, RI	MBA	Aerospace Machine Parts	4 yrs (2016-2020)
6	78	M	Turnaround Leader	Novato, CA	PhD	Steel	3 yrs (1979-1981)
7	65	M	Turnaround Leader	Calhoun, GA	MBA	Agriculture	4 yrs 8mths (2008-2012)
8	65	F	Turnaround Leader	Indianapolis, IN	MBA, JD, LLM	Insurance Consulting	1.5 yrs (2010-2011)
9	56	M	Turnaround Leader	Charlotte, NC	MBA	Higher Education	8 mths (2009)
10	65	F	Turnaround Leader	Chicago, IL	MBA Courses	Pork Processing	4 mths (2008-2012)
11	65	M	Turnaround Leader	Evanston, IL	JD	Financial Services	4 yrs (2008-2012)
12	52	M	Stakeholder (VP of Sales)	Granite Bay, CA	MBA	Agriculture	3 yrs (2010-2013)
13	55	F	Turnaround Leader	Barrington, IL	Bachelor's	Construction Supplier	6 mths (2019)
14	66	M	Stakeholder (President)	Arlington Heights, IL	2 Master's	Insurance Consulting	11 yrs (2003-2014)
15	73	M	Turnaround Leader	Ponte Vedra, FL	PhD	Veterinary Animal Health	5 yrs (1990-1995)
16	n/a	M	Turnaround Leader	Orange County, CA	MBA	Mental Health Substance Abuse Non-Profit	5 yrs (2015-2020)

Figure 1: Grounded Theory Process and Analysis
Source: Reprinted from Tweed and Charmaz (2011)

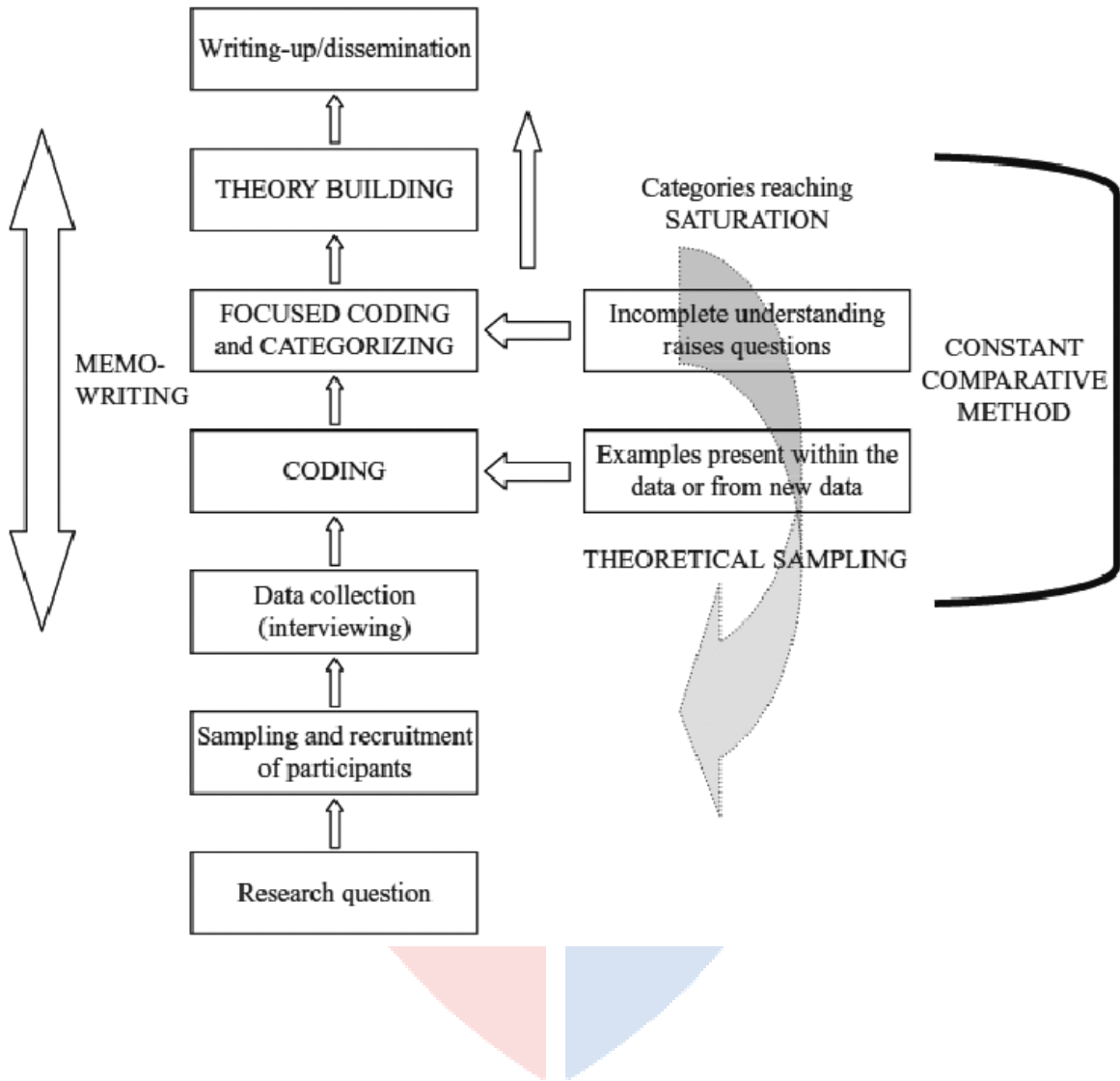


Figure 2: “Direct Engagement” (code group) and its Sub-Categories, ‘sub-concepts’, and [Properties].

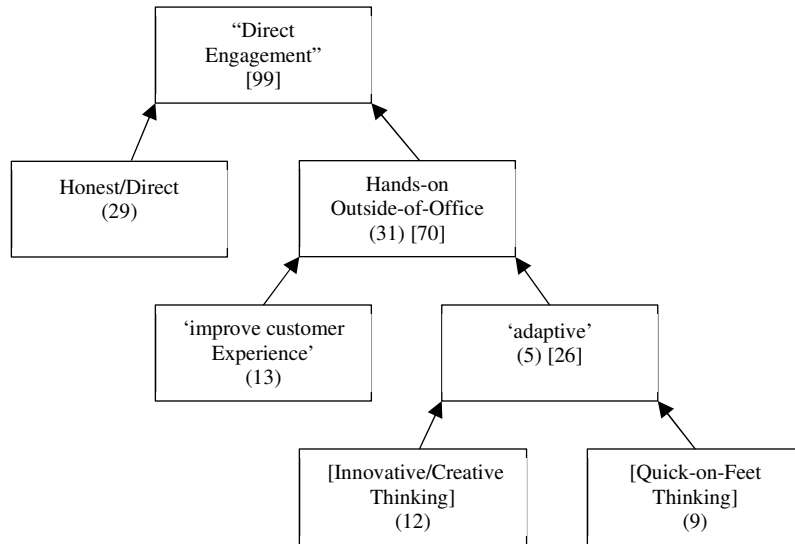


Figure 3: Theoretical Model

