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DOCTORAL THESIS SUMMARY

SYSTEMS APPROACH IN TURNAROUND MANAGEMENT UNDER EMERGING NEW CHALLENGES

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KEY WORDS:

Active Turnaround, Turnaround Management, Business Continuity, Resilience, Change Management, Diagnosis, System Thinking, System Engineering.

INTRODUCTION

The main objective of the thesis entitled “SYSTEM APPROACH TO TURNAROUND MANAGEMENT UNDER EMERGING NEW CHALLENGES”, is to explore and define the concept, attributes, and practical implications of **Active Turnaround**, as an answer to the new era called “Disruptive Eve”, in which humankind stepped in since the beginning of the twenty-first century. Under these conditions, where the systems either: economic, social, geopolitical, etc., are getting more complex, marked by exponential evolutions, the main imperative for companies is to ensure business continuity, good resilience capacity, and economic growth.

In the endeavor to argue the need for these new concepts, paradigms, and practices it is mandatory to have a structured research approach, stemming from the causes, and triggers of this “disruptive eve”, its challenges, solutions and their implicit changes and conditionalities.

From this perspective, it should be worth having an overview of the causal chain of causes, challenges, and solutions. Figure no. 1 gives this perspective of an argumentative guideline of the thesis:

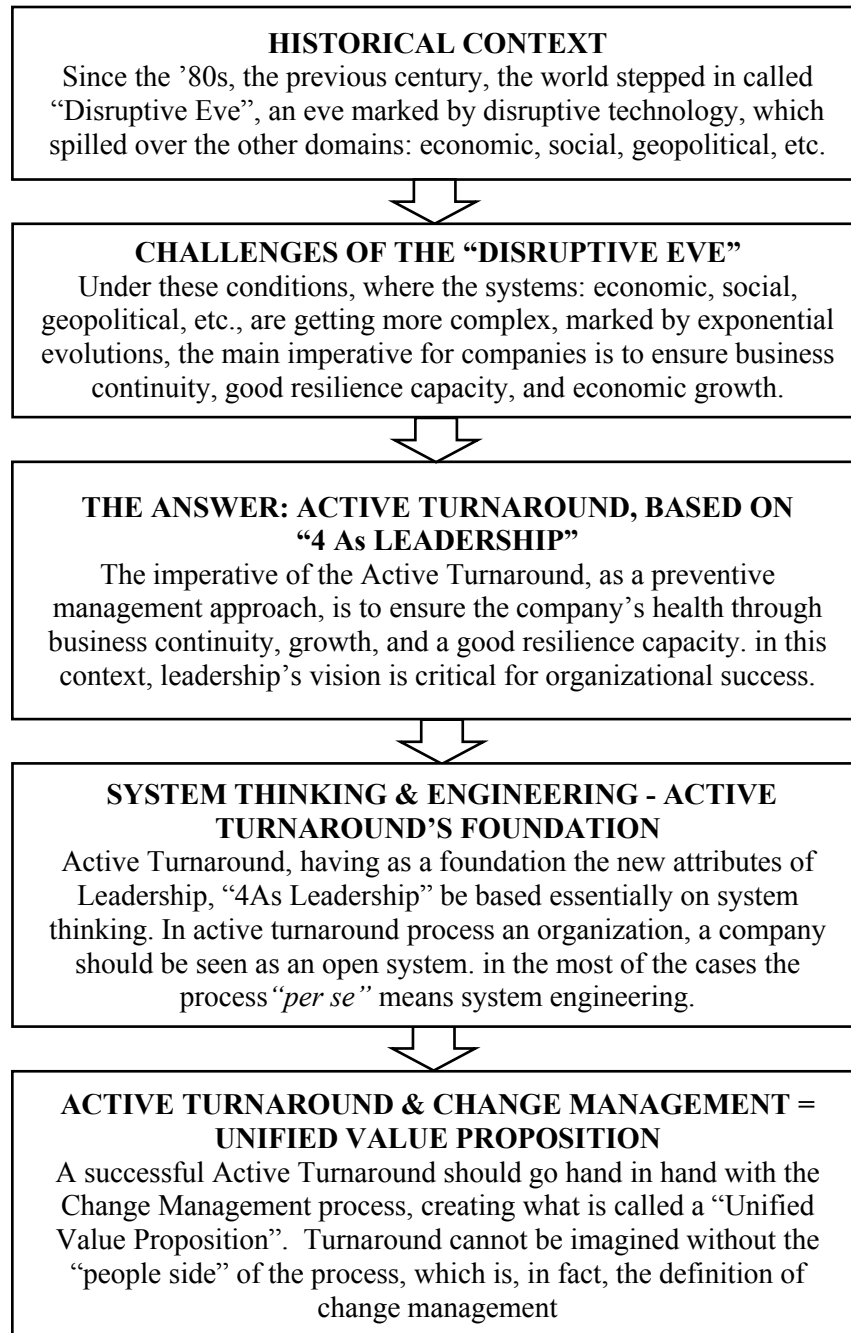


Fig. no. 1 The causal chain of causes, challenges and solutions

Source: Author's own contribution

Among other fundamental principles, paradigms, concepts the thesis aims to explore the difference and similitudes between turnaround management and restructuring. Due to their need for specific applicability to companies that should keep their business continuity, in many cases the two approaches are seen as being similar. Therefore, it is important to make a clear

distinction between their scope, their role, and their points of convergence. But it is equally important to detail what differentiates them fundamentally. Based on this comparative analysis, the author sustains and demonstrates the need for active turnaround, as a new concept and process.

Since the '80s, the world stepped in called “Disruptive Eve”, an eve marked by disruptive technology, which spilt over the other domains: economic, social, geopolitical, etc. The process was even more deepened by the pandemic disruption “COVID-19”.

Under these conditions, where the economic, social and geopolitical, systems are getting more complex, marked by exponential evolutions, the main imperative for companies is to ensure business continuity, good resilience capacity, and economic growth. From this perspective, the thesis investigates causes, factors that generated these ample phenomena, and even more, their impact in various domains. The main analysis is dedicated to the challenges that the companies should deal with, to keep them alive, ensure business continuity and good resilience capacity, and provide economic growth.

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In this framework, the imperative of the active turnaround, as a preventive management approach, is to ensure the company’s health through business continuity, growth, and a good resilience capacity. Leadership’s vision is critical for organizational success. Disruptive events are omnipresent, having unpredictable impacts on the organization’s stability. These events can

critically impact the companies' strategy, necessitating dramatic change. It may ask for radical change in the company's vision, core purpose, strategic objectives, functional structure, etc.

The active turnaround concept and process can be approached from the "System thinking" and "System engineering" perspectives. Taking into consideration a company, irrespective of its dimension, it can be easily noticed that the organization under scrutiny is an economic system, having several components. Their interaction concurs to performing its fundamental scope, hence generating and providing goods, and services addressed to its market, and stakeholder value. The larger the dimension, the more complicated its functional structure is. Even more, a company is not an entity that lives, works or acts in isolation. It is a part of an environment, a complex system, interacting with other competitors, platforms, external stakeholders, regulatory bodies, etc.

The turnaround process has been and still is the subject of debate for many decades. The effective scholarly debate started in 1970, the most relevant contributors at that time being: Altman (1968); Bibeault (1982); Gordon (1971); Hambrick and Schechter (1983); Schendel *et al.* (1976). Scholars from various fields tried to define the turnaround as being "*a decline and recovery from distress*".

Based on scholars' debate, the specialized literature clustered turnaround management as being either "operational" or "strategic in nature". From this perspective, it is worth mentioning several scholars who brought substantial contributions: Hambrick and Schechter (1983); Ofek (1993); Pearce and Robbins (1993); and Schendel *et al.* (1976).

Despite these efforts, as Schwier L. and Nienhaus A., concluded in their research: "*No study to our knowledge accounts for all turnaround literature, encompassing content, process, and context dimensions across multiple research fields*" (Schwier & Nienhaus, 2017)

Despite analyzing a significant number of scientific articles, the author could not identify more relevant advancements in these undervalued, yet very important concepts. Therefore, it is even more important to generate a scientific debate on this subject and to clarify these terms and their specific characteristics.

This thesis aims to go even further, advancing the new concept of Active turnaround, to fill the obvious gap in the existing literature. The new concept and practice of the active turnaround

were advanced, as an answer to the current “disruptive eve”. Under these conditions, where the economic, social, and geopolitical systems are getting more complex, marked by exponential evolutions, the main imperative for companies is to ensure business continuity, good resilience capacity, and economic growth. Therefore, one of the thesis’s main results is the exploration and definition of the conceptual and practical differences between turnaround and restructuring and the advancement of the new concept of active turnaround.

Chapter I. Research Methodology and Objectives

Chapter objectives:

- 1. Defining the research problem.**
- 2. Demonstrating the relevance of the research topic.**
- 3. Aim of the research.**
- 4. State the research questions and objectives.**
- 5. Presentation and clarification of the research methodology used.**

1.1 Defining the Research Problem

The thesis’s research is dedicated to the concept and practice called turnaround management. The main role of turnaround is to provide the principles, vision, processes, and tools, which aim at keeping the company in renewal, in good standing, providing business continuity, resilience capacity, and even more, economic growth. Turnaround management, under a disruptive environment, with an ever-increasing complexity, marked by exponential evolutions, is getting new dimensions, and new imperatives, defined by the author as active turnaround. By essence, leadership and active turnaround are tidally linked.

The thesis also focuses on the analysis of the relationships between the risks given by a complex and disruptive environment and the company’s leadership need to assure business continuity, resilience capacity and growth.

The research problem was formulated as follows:

Researching a systems approach to turnaround management under emergent new challenges generated by the disruptive eve.

1.2 Relevance of the Research Problem

The main objective of the thesis is to explore and define the concept, attributes, and practical implications of **Turnaround management**, as an answer to the new era called “Disruptive Eve”, in which humankind stepped in since the beginning of the twenty-first century.

Due to their need for specific applicability to companies, the concepts of turnaround and restructuring are seen as being similar in many cases. Therefore, this thesis also aims to make a clear distinction between their scope, their role, and their points of convergence. But it is equally important to detail what differentiates them fundamentally, their specific applicability and who should be in charge of each process. Based on this comparative analysis, the author goes further on, to sustain and demonstrate the need for active turnaround, as a new concept and process.

Under these conditions, where the economic, social, geopolitical systems etc. are getting more complex, marked by exponential evolutions, the main imperative for companies is to ensure business continuity, good resilience capacity, and economic growth.

From this perspective, this thesis proposes to investigate the causes, and factors that generate these ample phenomena, and even more, their impact in various domains. The main analysis is dedicated to the challenges that the companies should deal with.

In the context of the active turnaround, as a preventive management approach, leadership’s vision is critical for organizational success. Disruptive events are omnipresent, having unpredictable impacts on the organization’s stability. These events can critically impact the companies’ strategy, necessitating dramatic change. They may ask for radical change in the company’s vision, core purpose, strategic objectives, and functional structure.

1.3 Aim of the Research

In accordance with the realities of the current socio-economic, and political landscape, the doctoral topic addresses in an integrative manner the concept of "Turnaround Management".

The scientific research is mainly carried out at the confluence of two major fields of knowledge – leadership, and business continuity challenges, dealing in varying proportions with elements related to:

- Leadership, Governance and General Management
- Strategic Management
- Management by Objectives
- Change Management
- Performance Management.

Considering these elements, the *purpose of the research* can be defined as follows:

Analyzing and developing an in-depth understanding of the systemic approach to turnaround management in the context of new challenges brought by the disruptive eve, by creating theoretical and practical support for companies, to ensure business continuity, good resilience capacity, and economic growth.

1.4 Research Questions and Objectives

In order to fulfill the stated purpose, the research was broken down into a series of theoretical and empirical *research questions*:

- a. What are the theoretical and practical characteristics of turnaround management, and in particular, what is the leader's contribution to this process?
- b. What are the challenges faced by companies in order to attain business continuity, good resilience capacity, and economic growth?
- c. What are the practical scientific tools that can be used to implement the turnaround management process in companies?

Each of the research questions formulated covers a very broad area. For reasons of research economy, the paper aims to focus on the following *research objectives*:

- a. To research and characterize turnaround management in companies;
- b. To investigate the fundamental role of leadership in turnaround management;
- c. To analyze and investigate the challenges faced by companies to attain business continuity, resilience capacity, and economic growth;
- d. To develop a conceptual framework and a coherent research methodology for turnaround management implementation in Romanian companies.

1.5 Research Methodology

The integrative study of the issues related to the present research problem requires a complex research strategy, given the novelty of the domain, the high degree of complexity, and the relatively ambiguous and poorly defined nature of some of the variables involved.

More precisely, the concept of active turnaround, which aims at being consecrated by the thesis, is a new one. There are a large number of debates on turnaround and restructuring, more of them not having a clear definition regarding the differences and similitudes between them, in many cases not being anchored in a substantial practice. Turnaround does not have a unanimously recognized definition and characterization but is still the subject of numerous academic and other disputes between those who investigate it.

For this reason, the research strategy and methodology of this topic must be based on a review of the perspectives expressed in the literature, and adopt the most appropriate research direction, in accordance with the realities of the scientific space under investigation.

The model presented in Fig. no. 2 delineates the variables addressed in the research and the inter-relationships investigated, and also outlines the structure of the research, with each chapter of the paper dealing extensively with one variable, both from a theoretical and a practical research perspective:

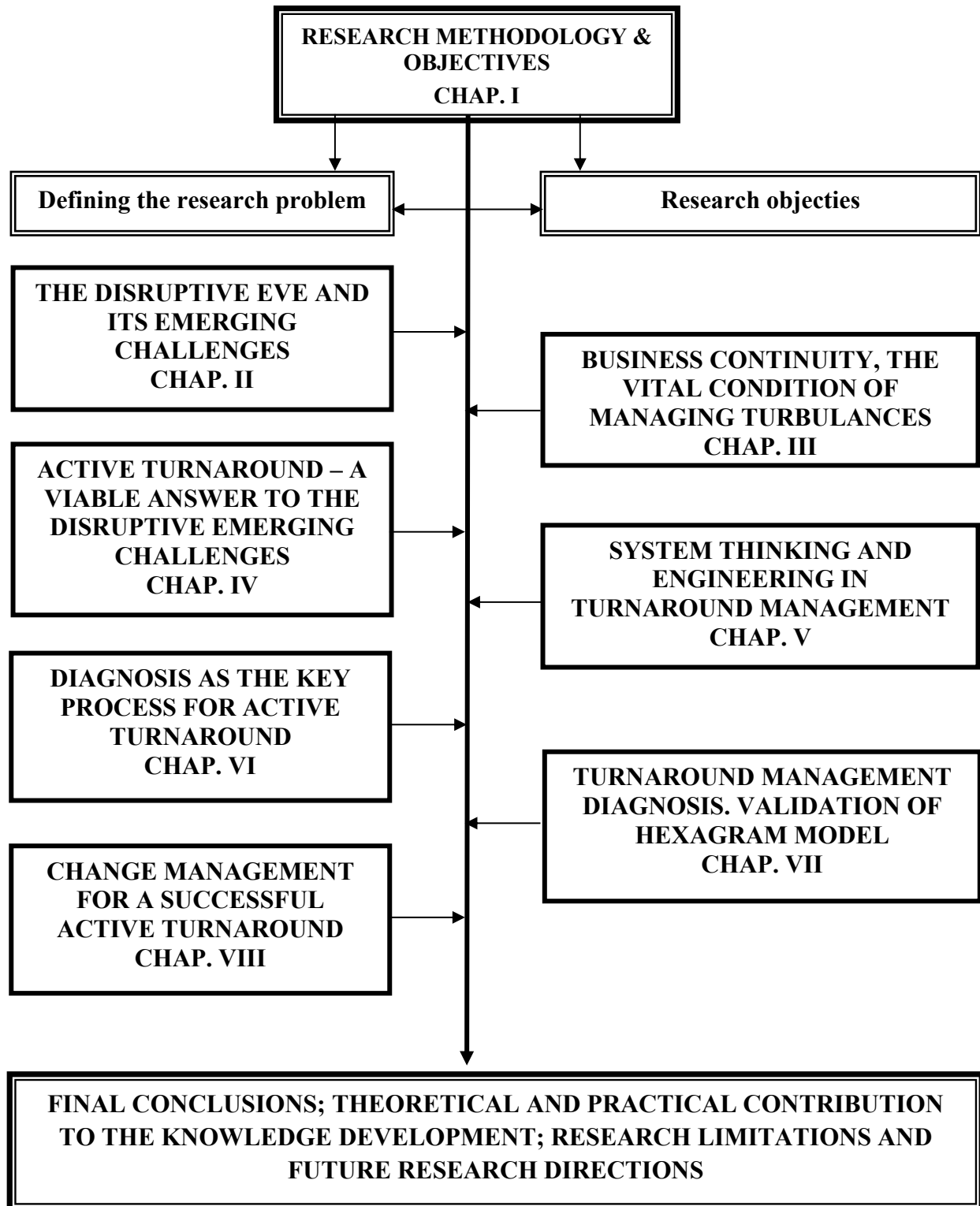


Fig. no 2 Research structure

Source: Author's own contribution

The research methodology of the thesis aimed to explore each variable component of the model and the relationships and interdependencies between them in the given context in an integrative manner.

For this purpose, quantitative and qualitative methodologies were combined, depending on the nature of the research approach (exploratory, descriptive, explanatory), the type of variables targeted, and the concrete possibilities of investigation. The main research method was multi-case analysis.

Chapter II. The Disruptive Eve and its Emerging Challenges

2.1 Short History of Human Revolutions

Looking at that evolution, over tens of centuries, there can be identified several revolutions. Historically, revolutions have emerged when new ways to see the world and new technologies have generated deep transformational changes within social and economic systems. Synthesizing, the road of human, revolutionary evolution is described in Table no. 1:

Table no. 1 Historical Human Evolution

Almost ten thousand years ago took place the first step within this long history, when they succeeded in domesticating wild animals
The next step was the Agrarian Revolution whereby the man invented the plough. This revolution which combined human creativity with the animal force, brought a huge leap – increasing food offers and healthiness. The direct outcome was a substantial increase in population, the first ancient cities.
After that, a long stagnation took place, a new revolution was born – The First Industrial Revolution. This new revolution started at the end of the XVIII century and the beginning of the XX century, marked by a steam engine, railroads, encouraging technical production, and assembly lines.
After almost one more century a new revolution emerged, The Second Industrial Revolution characterized by mass production.
The historical time-compressed and humankind witnessed The Third Industrial Revolution, in the middle of the XX century, the 80s. This revolution has been coined as the “digital revolution”, which was created in the 90’s Internet emergence.
Now we are in the middle of the Fourth Industrial Revolution, which was born at the beginning of this century, and has the roots in digital development.

Source: Author's own contribution

2.2 Disruptive Eve Triggered by the “Disruptive Innovation”

It is important to mention that the “disruptive eve” is marked by disruptive technology which induces disruptions in all other domains: social, economic, political, geopolitical, etc.

The disruptive events are driven by disruptive innovation. This particular type of innovation has become a buzzword, since Christensen coined it in the mid-1990s, to describe how new entrants in a market can disrupt incumbent businesses. It has gained even more prominence in the past two decades, and countless other startups have emerged intending to change their industries. According to Christensen, disruptive innovation is the process whereby a smaller company, usually with fewer resources, can challenge an established business (often called an “incumbent”) by entering at the bottom of the market and continuing to move up-market:

“Disruption describes a process whereby a smaller company with fewer resources can successfully challenge established incumbent businesses”

(Christensen & et al., 2016).

In *“Disruptive Technologies: Catching the Wave”*, J.L. Bower and C.M. Christensen (1996), describe how large incumbents lose market share by listening to their customers’ demands and providing a high “value proposition”, while the entrants look to serve low-value customers with poorly developed technology so that improving that technology incrementally until it is good enough to quickly take-over from market shares of an established business. Christensen recommends that large companies maintain agile, small, nimble divisions that attempt to replicate this phenomenon internally to avoid being blindsided and overtaken by startup competitors.

It should be mentioned that disruptive innovation generates new products, new industries, and thus new jobs and increased prosperity, but not all companies survive technological change. The reasons for this are very diverse and were analyzed in 1997 by Christensen in *“The Innovator’s Dilemma”* using several case studies (Christensen, 1997). His research emphasizes that this type of innovation, in particular, leads to the failure of existing companies. He explains why most incumbent companies miss the new waves of innovation. Irrespective of the industry, a successful company will get pushed aside unless leaders know how and when to abandon traditional business practices. “The Innovator’s Dilemma” gives a set of rules for capitalizing on the phenomenon of disruptive innovation.

2.3 Disruption Eve's Dimensions

So far, the thesis discussed the impact of technological disruption. The disruptive eve is not only the eve of technological disruption, in equal measure is the eve of social, economic, and geopolitical disruption.

Another dimension of disruption is the exponentiality of economic, technological, political, and social evolution the world is facing. Azeem Azhar (2021) in his book *“Exponential: How Accelerating Technology Is Leaving Us Behind and What to Do About It”*, called this stage in humankind's evolution as being the “Exponential Eve” marked by the continuous risk of exponential disruption. According to his view, humankind entered a period of unparalleled and destabilizing change: *“a wholly new era of human society and economic organization – what I call the Exponential Age”*.

Azhar (2021) identifies computing and artificial intelligence, renewable electricity and energy storage, biotech, and manufacturing, as the areas in which innovations are developing at an exponential rate: *“New technologies are being invented and scaled at an ever-faster pace, all while decreasing rapidly in price”*.

As far as the disruption's dimensions are concerned, it is worth considering them, to understand their impact and need for a new leadership approach.



To conclude, the “disruptive eve” generated by disruptive technology and Covid 19, the last pandemic experience, brought with them huge challenges and deep transformations: economically, socially, and geopolitically, which a more complex world than ever, where the evolutions in the previously mentioned domains are exponential.

Under such conditions, the main challenge for company leadership is to ensure: business continuity, resilience capacity, and not lastly, growth capacity. These imperatives are possible only if the leadership develops new attributes: Alertness, Agility, Anticipative, and Adaptivity.

Having this analysis done, should be concluded that the “disruptive eve” marked the whole domains, technological, economic, social geopolitical, etc., generating huge challenges. To

summarize in a “Disruptions Chain”, as can be seen in fig no. 3, based on the author’s experience and extensive research (citing some of the authors: Klayton Christensen, Klaus Schwab, Mathew Goodman, Susana Malcorra), Disruptive Innovation is the trigger that has a direct effect on the technological domain, being split over afterwards into the other domains (economic, social, and geopolitical). The impact of Covid 19, despite its deep effect, had a temporary impact. Most probably, in the future, due to the climatic changes, there will be some other impacting pandemic events.



Fig. no. 3 Disruption Chain;

Source: Author’s own contribution

From the Report’s perspective, the biggest challenge is to provide the company’s business continuity and resilience, so that, it not only survives over but provides economic growth, as well. The key condition is to provide active turnaround, based fundamentally on “4As Leadership”, as can be seen in Fig no. 4 ”Disruptive Eve Challenges”.



Fig. no. 4 Disruption Eve Challenges;

Source: Author’s own contribution

Stemming from G. Sikich's (2003) seminal work, “Integrated Business Continuity - Maintaining Resilience in Uncertain Times” and the author’s own perspective, regarding the role which should be played by the active turnaround, in providing business continuity, resilience capacity and growth, Fig no. 4 describes the link between the disruptive eve challenges and “4 As Leadership”

Chapter III. Business Continuity, the Vital Condition of Managing Turbulences

3.1 Business Continuity Underpinnings

In providing business continuity, the Organization's leadership plays a vital role. G. Sikich (2003), in his seminal work, "Integrated Business Continuity - Maintaining Resilience in Uncertain Times" emphasized the leadership's mission in the turnaround process. It is mandatory to embrace business continuity as a fundamental imperative of the organization's strategy.

The main ingredients for providing business continuity are: Strategy, Competitive Intelligence, Event Management, and Knowledge Management, (Table no. 2). All these four ingredients are going hand in hand.

Table no. 2 Business Continuity Ingredients

Strategy	Mission, Vision Values are key drivers of strategy.
Knowledge Management	A systemic process whereby, the data are processed into information, by education and experience are transformed into knowledge. Knowledge capital and management is one of the key conditions of a performance Strategy, Competitive Information and Events Management.
Competitive Intelligence	A systematic and ethical program for gathering, analyzing, and managing external information that can affect your company's plans, decisions, and operations. Acquisition denial operations. Competitive intelligence—the acquisition and/or denial of information—is an integral part of the strategy process.
Event Management	A company's response, management, and recovery from disruption, and effectively adjusting strategy and competitive intelligence initiatives—is also an integral part of how business should be conducted.

Source: G. Sikich

The key ingredient, as a fundamental contributor to providing **Business Continuity, Growth, and Resilience is the Organization's Strategy. The strategy**, based on leadership's vision, gives the ability, and capacity to identify risks, assess their consequences, and provide stability without being severely hampered by disruptions.

3.2 Business Continuity as a Key Pillar of a Good Resilience Capacity

It is important to define the two concepts the convergence between them, and how they are sustaining each other. The business continuity, as already defined, represents essentially the

capacity of an organization to provide value under a predefined capacity and timeframe when facing a disruption whatsoever.

As far as business resilience is concerned, the term “business resilience” has been used in a variety of ways. In general, business resilience can be defined as the organization’s capacity to absorb stress and recover critical functionality. In short to assure the “bounce back”.

Business resilience builds on business continuity but extends much further so that to assure the organization’s immune system in its struggle to tackle challenges and bounce back more quickly. Joseph Mathenge (2020), in his article “Business Continuity vs Business Resiliency: What’s The Difference?” published in BMS Blog. relevantly gives an intrinsic relation between business continuity and business resilience, as can be seen in fig. no. 5.



Fig. no. 5 BMC Chart;

Source: Joseph Mathenge (2020)

Further on, they delve into a deeper analysis of such steps, and processes. Through this effort a better understanding of the processes, of their complexity in achieving the essential scope, business continuity, as an intrinsic condition of good resilience capacity.

Table no. 3 Resilience Capacity Conditions

Risk Assessment	The first step is to identify which risks pose the biggest threat to your organization. This will differ from business to business but could include things like supply chain disruption, data loss, or power outages.
Business Continuity Planning	Once you have identified the risks, you need to put plans in place to ensure that your business can continue to operate in the event of an adverse event. This might include things like having a backup power supply or implementing a remote working policy.

Crisis Management	A key part of business resilience is being able to effectively manage a crisis if it does occur. This includes having a clear plan of action and designated roles and responsibilities for each team member.
Employee Training	It's important to ensure that all employees are aware of the business resilience plan and know what to do in the event of an incident. Regular training and drills can help to ensure that everyone is on the same page and knows what their role is.
Testing and Review	The final step is to regularly test your plans and procedures to ensure that they are effective. This might include simulating a power outage or running a fire drill. It's also important to review your plans regularly to ensure that they are still relevant and fit for purpose.

Source: Chazey's Partners Chart (2020)

Under an environment characterized by high complexity, disruptions, and exponentiality, resilience capacity is the key condition to deal with and to provide the “bounce back”. One of the key conditions in “4As Leadership in Turnaround”, along with business continuity is to provide a real good resilience capacity.

3.3 Turnaround as a Primary Condition of Business Continuity, Growth, and Resilience

Under a disruptive environment, marked by exponential evolutions and ever-increasing complexity, the main commandments of every organization are represented by business continuity, growth and good resilience. To provide successfully these conditions, is mandatory to embrace active preventive leadership, “4As Leadership”, where turnaround management plays a crucial role.

3.3.1 Business Continuity

As has been mentioned, active turnaround is fundamentally a leadership process, which tries to assure the company’s business continuity, growth, and increased resilience capacity.

Under a disruptive world governed by ever-increasing unpredictability, and high complexity, where the world is governed by exponential economic, social, political, and technological evolution, the main challenge of the company’s leadership is providing an active turnaround, so that assure business continuity. Geary W. Sikich, in his work “Integrated Business Continuity. Maintaining Resilience in Uncertain Times makes the following remark:

“Development and implementation of an integrated business continuity process - from the top down and the bottom up – are essential for businesses to survive, grow, and assure resilience in these uncertain times” (Sikich, 2003).

Leadership’s vision is critical for organizational success. As has been mentioned, disruptive events are omnipresent, events might occur having unpredictable impacts on the organization’s stability.

3.3.2 Resilience

Under an environment characterized by high complexity, disruptions, and exponentiality, the resilience capacity is the key condition to deal with and to provide the “bounce back”. Once again, the essential condition of a Company to deal with these challenges is to have a “4 As Leadership”, so that to assure not only business continuity but growth, as well.

The key ingredients in performing successfully by “The 4As Leadership” is to bring together: strategy, governance, people, and communication. Through this approach, the Company strengthens its capacity not only to be resilient but to become “Antifragile”.

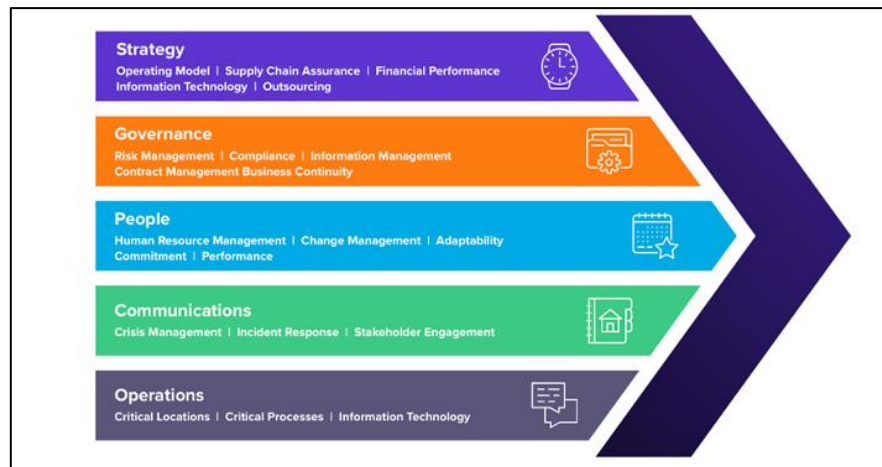


Fig. no. 6 Business Resilience Vision;

Source: “I3 Australia” (2023)

CHAPTER IV. ACTIVE TURNAROUND – A VIABLE ANSWER TO THE DISRUPTIVE EMERGING CHALLENGES

As mentioned, the present thesis is dedicated to Active Turnaround, as a viable answer as a key condition to the disruptive challenges mentioned above.

Reiterating, under a disruptive eve, governed by exponential complexity, companies are facing huge challenges to deal with. By far the greatest challenge is business continuity, growth, and resilience capacity. To provide successfully these conditions is mandatory to embrace active preventive leadership where active turnaround plays a crucial role.

Active Turnaround is based fundamentally on leadership, in “4As Leadership”, which should consecrate four imperative traits, and capacities: Alert, Agility, Anticipation, and Adaptability. Without this approach is difficult, if not impossible, to cope with all these intricacies given by a such complex and disruptive world.

4.1 The Role of the Turnaround Process

The cornerstone of the turnaround process is the diagnosis, whereby, are identified the symptoms, downturn causes, and measures, the therapy which should be taken.

It is fundamentally important to know that in the diagnosing process:

- ✓ The financial indicators, key performance indicators (KPIs), represent the effect, not the distress causes. They provide indications regarding the Organization’s symptoms;
- ✓ Distress causes should be searched in the qualitative side of the Organization, in the “Corporate Blocks” (leadership, corporate governance, development, operational management, process management, IT Governance, etc.). The risk triggers generate “bleeding holes”, weak resilience capacity, and a lack of adaptability to the market’s disruptive challenges. The turnaround solutions should be addressed there.

Diagnosis’s conclusions determine the needed solutions, which might be, as described in fig. no. 7 “Turnaround Roadmap”: Strategic Turnaround, Operational Turnaround, or Financial Turnaround. In many circumstances, all these three are integrated into the “one solution” package:

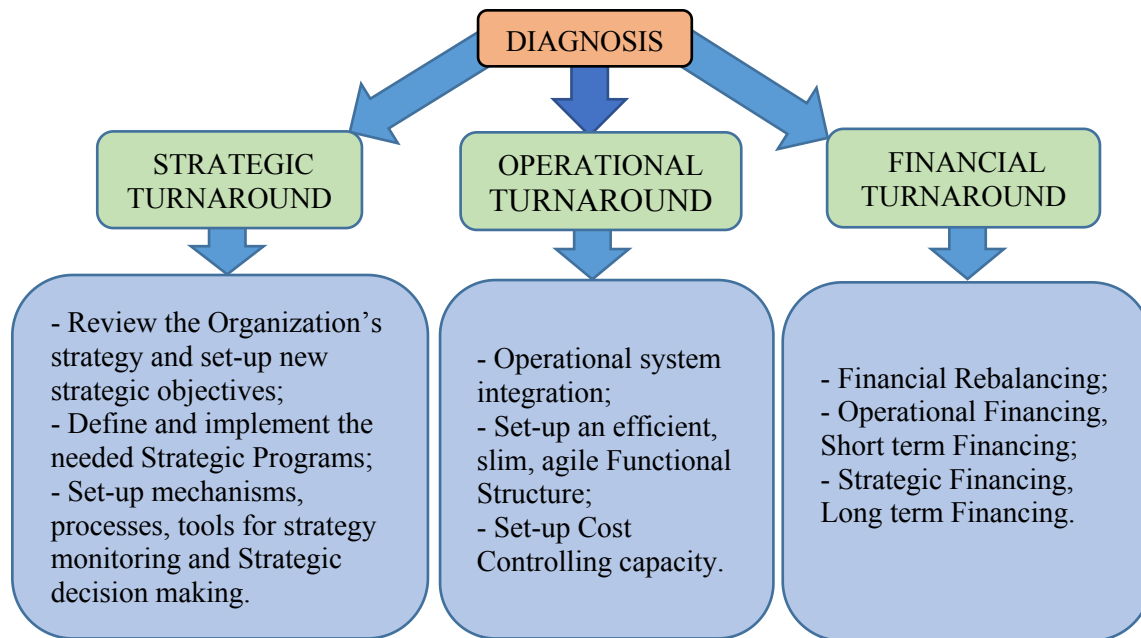


Fig. no 7 Turnaround Management Roadmap;

Source: Author's own contribution

As already underlined, the key commandments of active turnaround, as a preventive approach, is to provide the company's healthiness through business continuity, growth, and a good resilience capacity. Leadership's vision is critical for organizational success. Disruptive events are omnipresent, events might occur having unpredictable impacts on the organization's stability.

4.2 The Dichotomy of Turnaround and Restructuring

There is a real debate regarding the role of turnaround and the difference between turnaround and restructuring. Between those two there are significant differences (Table no. 4):

Table no. 4 Comparison of Turnaround and Restructuring

Criteria	Turnaround	Restructuring
Time scale	Before creditors' notification of the company's difficulty status	After creditors' notification of the company's difficulty status
Responsibility	Leadership & management	Creditors
Objectives	To maintain business continuity and resilience	To avoid default and bankruptcy
Perception	Preventive, proactive	Reactive

Interest	Company's stakeholders	Creditors, to avoid payment default
Control	Alert, by Early Warning Systems (EWS)	Postfactum, based on Independent Business Review (IBR)

Source: Author’s own contribution

Regarding their points of congruence, it should be mentioned that turnarounds and restructuring are both aimed at reviving a business trying to avoid insolvency and its further spectre of outcomes: insolvency, reorganization, and, finally, bankruptcy.

While restructuring is fundamentally a reactive approach to a company’s imminent risk of insolvency, being governed by a formal, judicial system (e.g. European Directive for Preventive Restructuring 2019/1023, national insolvency laws, etc.), turnaround is fundamentally a leadership process that tries to ensure the company’s business continuity, growth, and increased resilience capacity. Through this process the distress, the insolvency is avoided.

4.3 “4As Leadership” Model for Active Turnaround

Active Turnaround asks for an innovative comprehensive model, which the author entitled “**4As Leadership**”. Under a disruptive world marked by pandemic, geopolitical, and technological risks, a world called “*Exponential Eve*”, where the evolutions are no longer linear ones, governed by more and more complex systems. The “4As Leadership,” asks for several mandatory traits in dealing with the emerging challenges:

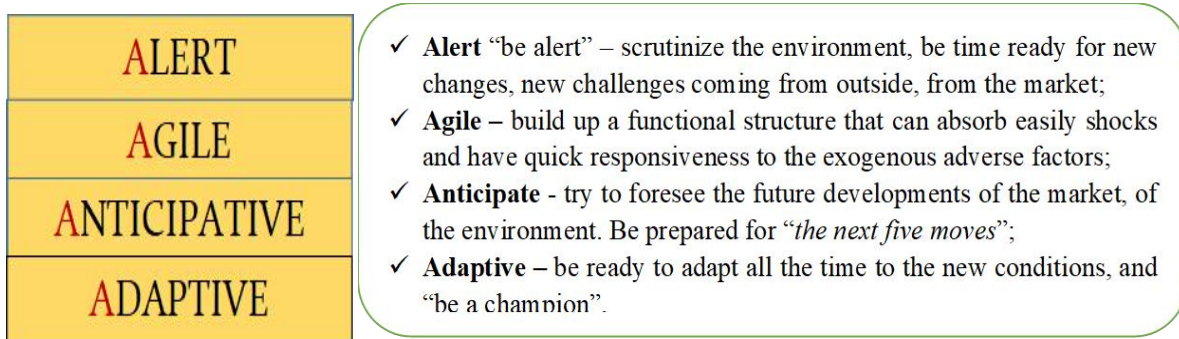


Fig. no. 8 “4As Leadership” traits;

Source: Author’s own contribution

In conclusion, active turnaround is fundamentally a leadership process, an informal one, which tries to ensure the company's business continuity, growth, and increased resilience capacity. Through this process the distress, the insolvency are avoided.

Looking at the intrinsic relation of active turnaround and business continuity, a vital condition is to develop a constant assessment of the potential criticalities to survive under the disruptive eve, which impacts the company, to assure growth, and to exhibit resilience. This assessment process is not by far an on-time event, it should be a perpetual exercise, full of dynamism.

CHAPTER V. SYSTEM THINKING AND ENGINEERING APPROACH TO TURNAROUND MANAGEMENT

As mentioned, the essence of active turnaround is to bring or to keep the organizations, and companies in a good condition, to assure business continuity and development, and to deal with the challenges arising from “economy renewal”.

The haul process entails that the organization or company is a system, a complex system. Therefore, a deep understanding of the systems, system thinking, and system engineering is the fundamental condition to deal with the challenges and problems that a turnaround process arises in front of the leadership and management.

By definition an organization, a company is a system that: on one hand, is made up of several subsystems, which interact with each other to perform the organization's scope; on the other hand, itself is an open system that interacts with other systems parts of economic, social, technological and, why not the political environment.

5.1 Systems Underpinnings

Should be mentioned from the very beginning that most systems are made up of subsystems, “elements”, and parts, which are “interconnected”, having a specific function within the system, interacting to get the system's “purpose”. It is already consecrated the principle that “A system is more than the sum of its parts”. A system is adaptive, dynamic, and self-preserving.

In this respect, is worth mentioning Donella Meadows’s (2008) perspective. Due to the interconnectivity of its elements, the system as a whole is affected by internal elements (in fact subsystems) and external elements. It is responsive to forces from the external environment as a self-preserving feature.

“How to know whether you are looking at a system or something different.
 A. Can you identify parts?
 B. Do the parts affect each other?
 C. Do the part together produce an effect that is different from the effect of each part on its own?
 D. Does the effect, the behavior over time, persist in a variety of circumstances?”

Analyzing the System Structure process is mandatory to look at the system’s main features, which define its DNA. Here-below there are described these main features (See Table. no 5)

Table no. 5 System Features

Purpose	<i>A system has a purpose by definition;</i>
Input	<i>Every system gets inputs</i>
Output	<i>Every system gives output;</i>
Feedback	<i>Any system needs a feedback mechanism that can provide its self-regulating</i>
Entropy	<i>Measures the degree of disorder in a system;</i>
Internal Environment	<i>Any system operates in an environment which has internal and external components. The internal system, by itself, is an environment populated by components;</i>
External Environment	<i>A system’s external environment is that part over which it has no control, but might affect its functionality;</i>
Subsystem	<i>A system is usually composed on its own of interrelated systems that are called subsystems;</i>
Supersystem	<i>A system composed of two or more systems;</i>
System Boundary	<i>A borderline at which data flows from one system to another;</i>
Interdependence	<i>Systems rarely exist in isolation.</i>

Source: Author's own contribution

5.1.1 Systems Feedback Loop

As has been mentioned, in the organization’s synergy, interconnected elements, to achieve the purpose, interact through the flow of information.

As Donella H. Meadows, in her book “THINKING IN SYSTEMS”, mentioned:

“Many of the interconnections in the system operate through the flow of information. Information holds systems together and plays in determining how to operate. The flow of information signals that go to decision points or action points within a system”. (Meadows, 2008)

The mechanism of the information flow is the condition of generating the feedback loop. The feedback mechanism has a primary role in providing control over the system’s parameters, being the premise of the decision and action process. The presence of a feedback mechanism is not a guarantee that the system works well. In many cases, the information can come too late, be unclear or to go the wrong place.

Therefore, it is important to understand that the role of the feedback loop is to self-regulate the system. A feedback loop might play a double role: Balancing the feedback loop or reinforcing the feedback loop.

Coming back to Donella Meadows’s feedback analysis is important to note that she looks different in those two kinds of loops:

Table no. 6 Two Kinds of Feedback Loops

Balancing feedback loops	Are equilibrating or goal-seeking structures in systems and are both sources of stability and sources of resistance to change? Delay in a balancing feedback loop makes a system likely to oscillate
Reinforcing feedback	Are self-enhancing. Reinforcing loops are found wherever a system element can reproduce itself or grow as a constant fraction of itself. The reinforcing feedback loop is the central engine of growth in an economy.

Source: D. Meadows (2008)

And, as a conclusion, the feedback loop provides the direction in which the system evolves. There should be a reinforcing loop which drives the growth and a balancing loop constraining the growth, keeping it balanced.

5.2 System Thinking & Engineering as the Bedrock of Organization's Turnaround Management

Fundamentally, an essential condition to provide the turnaround process is to see, understand and operate with the company as a system, as an open system. By its essence, turnaround is a System Engineering Process, which is based necessarily on system thinking.

5.2.1 The role played by system thinking, system engineering and system approach in organization's turnaround management

The process of turning around the organization, of the company is fundamentally based on system thinking and system engineering.

As was already emphasized, the organization, per se, is a system consisting of subsystems (elements, interacting with each other), being at the same time, a subsystem, part of a larger system: the economic, social, and technological environment.

System thinking represents the cornerstone of system engineering, it is the needed condition to understand the system's world and to develop a system approach, which is the main prerequisite in solving systems problems.

Another perspective of system thinking is given by Cristina Mele (2010), in "A Brief Review of Systems Theories and Their Managerial Applications", where it reveals the high importance of organizational behaviour within organizations, the importance of individuals, looking to social relationship dynamics, individual motivations, etc. Even more, she develops a view, whereby the system thinking enables the organization to become a "learning organization". Therefore, the system thinking assumes the "mission" of the organization's value creation.

5.2.2 The link between Systems Thinking and System Engineering

Turnaround management, by itself, is a process of system engineering or re-engineering. A manager in charge of the turnaround process is, in fact, a system thinker, and a system engineer.

As an example, INCOSE's system engineering perspective represents a strong link between system thinking and system engineering. System thinking is a fundamental condition of system

engineering, whereby, it is vital to approach a system as a whole, “the primacy of the whole”, “*System engineering is based fundamentally on systems thinking.*” (INCOSE, 2019)

System thinking is the direct result of the discovery, learning, and diagnosis process. There is the system thinker’s role to manage the systems in day-to-day life.

In essence, system engineering is the process of identifying and solving the critical issues which impact the system. There is the key role of turnaround management to identify and solve the right problems – what are the most critical issues which should be addressed, and which is the information to be valued in solving the right problems?

Some conclusions could be drawn, iterating hereabove analysis:

- The essential prerequisite of a successful turnaround process is to be based on a system thinking and system engineering approach, other ways risks to fall apart.
- On its own, system engineering is based fundamentally on systems thinking. Systems thinking is a unique perspective on reality.
- The system is the direct result of the discovery, warning and diagnosis process. There is the system thinker's role to manage the systems in day-to-day life.
- In essence, system engineering is the process of identifying and solving the critical issues which impact the system. There is a key role in turnaround management.

5.2.3 The Organization Seen as a System

In many scientific articles regarding System Theory, System Thinking, and System Engineering the organization is seen as one of the most relevant models of a complex system.

5.2.4 The Organization as a Subsystem in a Larger Ecosystem

A company there is not an entity that lives, works and acts in isolation. It is a part of an ecosystem, being part of a complex system, interacting with other competitors, platforms, external stakeholders, regulatory bodies, etc.

5.2.5 The Organization as a Socio-Technical System

Emery and Trist (1960), address organizations as socio-technical systems, underlining the two main components of the firm seen as a system: "*a social component (people), and a technical component (technology and machines).*"

5.2.6 Agent-Based Model

One of the most important conditions in the turnaround process is the one, whereby the organization, the company is seen as an "Agent-Based Model".

This approach should create the perspective of modelling the system, to provide the most effective solutions in dealing with turning the organization, and the system up.

In "Agent-Based Social Systems", G. P. J. Dijkema, Z. Lukszo, M. P. C. Weijnen - Agent-Based Modelling of Socio-Technical Systems-Springer Net - give the following perspective of the agent-based model, whereby an "*agent-based system*" is made up of several "*agents*": a real person, organization, department or groups, being programmed to interact as the real actors, experiencing the same constraints, and having access to the same knowledge.

Agent-Based Modeling

The turnaround process, by its essence, means the Organization's system modelling. The direct and subsequent effect of the agent-based model, in turning around an organization, is the modeling process of its system, called "*Agent-Based Modeling*" as described by: G. P. J. Dijkema, Z. Lukszo, M. P. C. Weijnen, in "Agent-Based Social Systems" .

5.2.7 The Organizations Integrated Management System, an Imperative Condition of System Engineering

Starting from this perspective, this need for effective self-organizing is to define the mechanism of an "Integrated Management System (IMS)", (see fig. no. 9). As mentioned in the "Methodology", the author, based on his extensive experience as a Certified Turnaround Practitioner, developed the "Integrated Management System (IMS), whereby to define the concept and methodology of the organization as an integrated system, based on system thinking, system engineering, feedback loop process.

This mechanism, this process is made up of some integrated steps:

- The organization system, by its interaction with the Environment's systems, gets data, which are taken over by its subsystems.
- Its subsystems, to achieve the organization / system's scope, generate processes (core processes, business processes, support processes, and economic-financial processes). Their interacting processes generate the flow of data, which is captured by the "Management Information Subsystem" (made up of various integrated IT applications – ERP, and some other IT applications).
- The Management Information Subsystem processes the data, converting them into pieces of information.
- All this integrated information is processed in a "Business Intelligence" (BI) Module, generating the "Decisional Management" information, the Subsystem which is the bedrock of the feedback loop, whereas, providing the self-organizing mechanism.

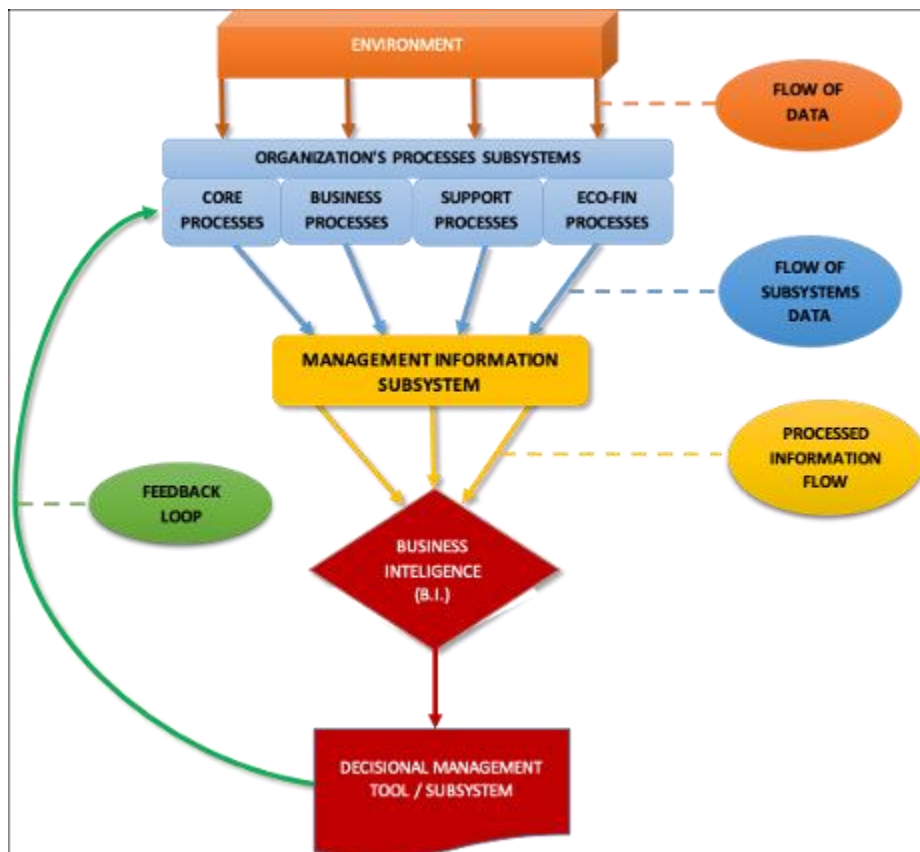


Fig. no. 9 Integrated Management System Chart;

Source: Author's own contribution

CHAPTER VI. DIAGNOSIS AS THE KEY PROCESS FOR ACTIVE TURNAROUND

As has already been mentioned, the turnaround process is a medical act, addressed not to human beings but to companies. Financial indicators and other indicators represent the effects, symptoms not the causes of a body, of a company in this case. The only chance to keep the body, the company alive, and even more to provide a continuing health condition is to get real insights regarding the causes which trigger the body's suffering, the bleeding holes, to have a "zoom in" process.

Therefore, the most important condition to provide perpetual healthiness, in the company's case, to guarantee the turnaround, is to perform an accurate diagnosis. There is an already consecrated principle, given by Implement Consulting Group (2013): *"To move forward, you must know where you are standing right now. To know this, you must perform diagnostics"*

6.1 A New Systemic Diagnosis Model – The Hexagram Model

Further, the research thesis aims to develop a new Systemic Diagnosis Model, entitled the "Hexagram Model". The hexagram model is a systemic building blocks approach. As mentioned in the "Methodology", the author, based on his extensive experience as a Certified Turnaround Practitioner, developed a Diagnosis Model, called "Hexagram". The key concept, the principle of this model is that: irrespective of the Company's business model, there are six "building blocks" whereby, an accurate diagnosis should be made:



Fig. no. 10 Systemic Hexagram Diagnosis Model

Source: Author's own contribution

The Diagnosis Process is a holistic and systemic one. As in every system, each block is interconnected and interacts with the others. Further, diving into each block is a “zoom-in” process, where criteria and conditions are set based on the assessment.

Table no. 7 Diagnosis Process Model

DIAGNOSIS BLOCKS	GENERAL TURNAROUND SOLUTIONS
Financial Analysis	Financial Turnaround/ Restructuring. Most of the distress imbalances and causes should be solved, in a period of a maximum of three months.
Strategic & Leadership	By definition, this block is dedicated to long-term elements of analysis (leadership, corporate governance, strategy, business model, etc.). Deficient might be addressed, in general, through Strategic Turnaround, at part of them might by part Operational Turnaround solutions. Therefore, their solving might take more than two years.
Business Development	Entails a medium to long-run effort. To a great extent deficiencies addressability takes a longer period (Investments Programs, Sales, Marketing Product Management strategies redefinition and implementation etc. Therefore, these are part of Strategic Turnaround).
Process Management	Due to their general operational definition, this block is addressed mainly by Operational Restructuring. Due to their criticalities and addressability needs in general practice, the implementation period should be a maximum of one year.
IT Governance (ITG)	Also is part of a strategic concern the process, per se, is in essence, an operational one. Therefore, it should be addressed through the Operational Turnaround.
Change Management & Resilience Capacity	Both of them are of medium-term nature. Therefore, the reparatory measure should be addressed in a strategic time horizon, being part of Strategic Turnaround.

Source: Author’s own contribution

The whole process is, by essence, a leadership exercise, “4As Leadership”, which entails, as a “*sine qua non*” condition, a good vision, and determination, based fundamentally on “system thinking and engineering” governing principles.

6.2 Diagnosis Valorization

Once the diagnosis process is finalized, and the conclusions are drawn, it is important to prefigure the next steps, which means the turnaround (as “*a modus vivendi*”). Therefore, should be defined the measures which should be taken to bring the company in a good working condition. That means providing business continuity, growth, and good resilience capacity. In this process is mandatory to evaluate the needed resources (human and material resources), to establish priorities, as a precondition of a successful turnaround. One of the most critical

resources is the time needed to address the noted deficiencies, entering into turnaround categories. From this perspective, here below chart is quite suggestive.

CHAPTER VII. TURNAROUND MANAGEMENT DIAGNOSIS IN THE HOSPITALITY INDUSTRY. VALIDATION OF THE HEXAGRAM SYSTEMIC MODEL

The present case study aims at validating the hexagram diagnosis model by applying it to a real company. The subject company is acting in the tourism industry in Romania, having in its infrastructure several hotels, and balneo-wellness SPAs. The main object of activity of the company is represented by: the provision of tourist services, the managed units being classified as 4 stars, 3 stars, and 2 stars. The company has accommodation spaces and public catering in the most important resorts located on the shores of the Black Sea. The range of services offered by the company is completed by the treatment offer of the modern treatment bases.

Due to some critical evolutions of the industry, generated mainly by the COVID-19 crisis, on one hand, and by leadership's need to assure business continuity, good resilience, and even more economic growth given by the market's perspective.

Further on, here below there are captured only parts of the haul diagnosis, due to its extensive dimension.

7.1 Research Methodology

In developing the evaluation set, has been implemented the following methodology:

1. Evaluation of the blocks of fundamental corporate functions, based on the "Hexagram of functional blocks" model, see fig. no. 10;
2. Mapping of corporate functions, identification of processes, and sub-processes related to each corporate function;
3. Evaluation of work procedures specific to processes/sub-processes;
4. Correlation analysis (gap analysis) between work processes/procedures and flows and related processes of the Information Management System (ERP and other adjacent applications);

5. "Drill-down" analysis of the financial statements of the Group of companies, as a whole, and subsequently on profit centres, in terms of their correlation analysis.

To evaluate: the completeness, accuracy, consistency and relevance of the information contained in the financial reports, and management accounts, it is imperative to evaluate, the correlation of work processes/procedures with the applications of the Information Management System, and the level of their integration.

In conclusion, the diagnosis process, based on the "Hexagram Model", by its six blocks analysis, provides an exhausting evaluation of causes and magnitude of the disturbing causes, creating, at the same time, the premises for projecting the programs, measures, and actions to be taken to keep the Group in a good health condition, to assure business continuity.

Measure what should be taken to ensure business continuity and resilience

As already mentioned, the diagnosis, based on an elaborated "zoom in", provides the Group's causes that trigger vulnerabilities. Once the process is done, the leadership has a clear image and understanding of the ways which should be followed, to provide business continuity and a good resilience capacity, to face the continuous challenges aroused by an ever-changing disruptive environment, marked by increasing complexity.

All the measures which should be taken, have to be expressed by SMART measures, and programs, being monitored and continuously adapted to the changes which arise during the implementation, in many cases being forced to revisit the Strategy.

The most effective way to manage this process is by having a "nutshell" approach, "Work Break-Down Structure".

Table no. 8 Work Break-Down Structure

MEASURE/PROGRAM	OWNER	RESPONSIBLES	DEADLINE	DETAILS
Develop and implement an Integrated Management System through a project management project.	CHIEF OPERATING OFFICER (COO)	CHIEF OPERATING OFFICER (COO)	2022-09-30	
Elaborate and implement STRATEGY	CHIEF EXECUTIVE OFFICER (CEO)	CHIEF FINANCIAL OFFICER (CFO); HEAD OF BUSINESS DEVELOPMENT DEPARTMENT	2022-08-23	<i>On the time horizon of three years: 2022 -2024, which will have to include the following STRATEGY STRUCTURE:</i> - Mission, Vision Values, Strategic Objectives - Analysis based on strategic tools - Programs Measures (SMART) - Monitoring procedures - Development of performance indicators (KPIs)
Elaborate and Implement the “Matrix- type Functional Structure“.	HEAD OF ORGANIZATIONAL AND METHODOLOGY DEPARTMENT	HEAD OF ORGANIZATIONAL AND METHODOLOGY DEPARTMENT	2022-07-16	<i>Considering that the Group is made up of a chain of hotels, a matrix-type functional structure is required. This duality of “hotels/business lines (which we will call “Products” in the following) imposes a system of processes, procedures, information flows, and competencies established in a matrix:</i> <i>a. Functional, on business/product lines, at Group level and</i> <i>b. Operational, at the level of hotels/clusters.</i>
Design and implement an Integrated Management System	CFIE EXECUTIVE OFFICER (CEO)	CHIEF OPERATING OFFICER (COO); HEAD OF ORGANIZATION DEPARTMENT	2022-12-20	<i>It is necessary to create a functional matrix structure at the Group level, so that each service, and business line, presented in the matrix above, has a “directional”, a dedicated “product manager”, is transversally responsible for the entire group.</i>
Operational and financial restructuring	CFIE EXECUTIVE OFFICER (CEO)	CHIEF FINANCIAL OFFICER (CFO); CHIEF OPERATING OFFICER (COO)	2023-06-30	<i>Financial restructuring is necessary - the transformation of short-term debts into long-term debts.</i>
Elaborate “Boston Consulting Group” Analysis.	HEAD OF INVESTMENT DEPARTMENT	CHIEF FINANCIAL OFFICER (CFO); CHIEF OPERATING OFFICER (COO)	2022-12-20	<i>Taking into account the complexity of the asset portfolio (hotels, restaurants, spas & SPA, etc.), on the one hand, as well as the complexity of the services provided, on the other hand, to develop a Strategy that ensures the capitalization of the competencies, of the asset base as well as of the market opportunities, an analysis, a “Boston Consulting Group matrix” type evaluation is required</i>

Source: Author’s own contribution

Once the measures and programs are defined, every measure is further split into SMART Action Plans (short sprints), being tidally monitored. In the monitoring and analysis process, the measures are adapted continuously to the conditions’ changes.

CHAPTER VIII. CHANGE MANAGEMENT FOR A SUCCESSFUL ACTIVE TURNAROUND

8.1 “The Unified Value Proposition”

As already mentioned, the actual environment: economic, social, and geopolitical, is marked by deep disruptions, exponential evolutions and high complexity. Under these conditions, where

change velocity is so high, change should be a “modus vivendi”, so that people, companies, organizations, and social and economic environment are condemned to reinvent continuously. In its deep sense, active turnaround means change. The whole process, as is described hereabove entails a process of company change.

In that process, being either operational or strategic, one of the most critical elements is the people, which should be involved in the process. **Change Management is defined as the “people side of change”**. The company and its people must embrace the change. The technical side of the project management, whereby the turnaround solutions are implemented, should go hand in hand with the people side (change management). Statistically, it is known that without change management the probability of failing is high.

One of the most valuable change models is ADKAR. It is one of the foundational models of the Prosci Methodology. The model has been developed by Prosci founder, Jeff Hiatt and is used by thousands of change leaders. “ADKAR” is an acronym, that defines the steps, the process whereby a change can be successful and includes the following building blocks:

A: Awareness. Make employees aware of the change.

D: Desire. Instil a desire to change.

K: Knowledge. Teach employees how to make the change.

A: Ability. Transform knowledge into the ability to make the change.

R: Reinforcement. Make the change permanent by reinforcing new methods.

All these steps should accompany the Turnaround process where the Change Management, “unified value proposition” is the key condition.

8.2 Change Management Evaluation - A Prerequisite of the Turnaround Process

The diagnosis process, which establishes the ways the organization should turn up, an important analysis chapter is Change Readiness. The main purpose of Change Readiness is to evaluate the company’s capacity, by resources willingness and knowledge capital to implement changes. Readiness is the employee mindset to change, which comprises their beliefs, attitudes and capability to implement the needed changes.

8.3 The Role of Leadership in Change Management

It is unanimously accepted, that the most critical role played in the change management side of active turnaround is that of the leaders, and executive managers, who have the primary responsibility for successful change.

The leaders should be the “Change Sponsors”, and the “Change Agents”, their willingness, and determination are the first prerequisites of success. Many experiences have shown that their lack of awareness and desire gives little chance to the turnaround process.

To conclude, active turnaround should go hand in hand with change management. An effective Change Management Strategy is one of the key conditions for a successful turnaround. Leaders must be the “change sponsors”, to embark on their vision “coalition of change”, to manage “change resistance” and inspire, to motivate people to embrace the change process.

8.4 Change Management Applied in the Airport Industry. Case Study

To substantiate the above-described concepts, and principles it is worth looking at a Change Management Case Study which aims to give an image of that process. In this respect, the Change Management Analysis is an imperative. The company, subject to Change Management Analyses is a Romanian airport having as the main purpose air transport and connected services. The change management analysis process follows the diagnosis process, whereby there were defined the transformative measures which the company should implement. An imperative condition of implementing successfully the transformative program is to evaluate its change management capacity and, based on it, to define the Change Management Strategy - the “*Unified Value Proposition*” principle”.

8.4.1 Research Methodology

The evaluation of the company's change management capacity was conducted by the methodology and tools of "Prosci".

In the evaluation, the following aspects were taken into account:

- Establishing the change capacity;
- The "Prosci" change impact index;
- Evaluation of the Change Sponsor.

Conclusions

- The company has a medium capacity for change.
- The level of change is rather at the border between incremental and transformational change.
- The risk of change also lies at the border between medium and high risk.
- Considering that the organizational level and the overall impact level of change are moderate, the company can recover if the following conditions are met:
- Develop and implement (based on the measures outlined in the annex to the Initial Evaluation Report) a Change Management Strategy, and a Recovery Program, which should include: clearly defined measurable objectives, a SMART Action Plan for implementing objectives, and the attached Change Management Strategy.
- Define the "change coalition" and influencers who will ensure active support for the implementation of the Change Management Strategy.

FINAL CONCLUSIONS

As mentioned in the report, since the 80's, the previous century, the world stepped in called "Disruptive Eve", an eve marked by disruptive technology, which spilt over the other domains: economic, social, geopolitical, etc. The process was even more deepened by the pandemic disruption "COVID-19".

Under these conditions, where the systems: economic, social, geopolitical, etc., are getting more complex, marked by exponential evolutions, the main imperative for companies is to ensure business continuity, good resilience capacity and economic growth.

All these evolutions raise new and profound challenges in front of the companies' leadership, which should adapt continuously, to provide the needed solutions, in the short and long run. Even more, is mandatory to revisit leadership concepts, and traits, to adapt them to the new realities. From now on, the leadership should get new valences, to be Alert, Agile, Anticipative and Adaptable, to embrace "4As Leadership".

Under this transformative eve, turnaround management as a leadership attribute should get new dimensions, to become a continuous process, not a "once in a while", but an ongoing concern

for the Company's leadership, to be an active turnaround, a "modus operandi". The scope of this thesis was to consecrate this new concept, to reveal its principles, dimensions, knowledge attributes, mechanisms, etc.