Stakeholders' Impact on Turnaround Performance: The Case of German Savings Banks

Abstract

This study explores how savings banks as powerful stakeholders of SMEs in Germany assess turnaround performance. It tests the impact of the support provided by German savings banks and distressed SMEs' actions with survey data from corporate advisors. The results show that structural and continuing support foster turnaround performance. This support is conducive in the initial stage of turnaround but negligible in the recovery stage. Contributing to stakeholder theory and turnaround management, the findings shed light on the factors that motivate a selected stakeholder's involvement and SMEs' ability to engage in actions fostering this stakeholder's support for a turnaround.

Keywords: turnaround performance, stakeholder perspective, savings banks, small- and medium-sized enterprises (SMEs), support, recovery

JEL Classification: G34, L25, M10

Introduction

Turnaround is the reversal of a company's decline (Bruton, Ahlstrom, and Wan 2003; Lohrke, Ahlstrom, and Bruton 2012; Robbins and Pearce 1992). Stakeholders influence distressed companies' opportunities to reverse decline (Arogyaswamy, Barker, and Yasai-Aredekani 1995; Filatotchev and Toms 2006; Mitchell, Agle, and Wood 1997; Moulton and Thomas 1993; Pajunen 2006). However, prior research hardly elucidates stakeholders' perspectives on turnaround (Trahms, Ndofor, and Sirmon 2013). This study hence adopts a stakeholder perspective to examine factors driving turnaround performance.

In Germany, banks are influential external stakeholders (Ampenberger, Schmid, Achleitner, and Kaserer 2013; Behr and Güttler 2007; Johnson, Schnatterly, Johnson, and Chiu 2010; Vitols 2005). They are "universal providers of financial services (Hausbanks)" (Thomsen and Pedersen 2000, p. 693) and accompany their borrowers' efforts to pursue the reversal of their situation and recover from decline (Hommel, Knecht, and Wohlenberg 2006; Pajunen 2006). I concentrate on savings banks as stakeholders of small and medium-sized enterprises (SMEs), because they are particularly important in this context (Lehmann and Neuberger 2001). Whether or not a savings bank opts for helping a distressed company depends on its opportunities to provide support and on its willingness to do so based on its assessment of the company's behavior during turnaround (Bosse, Phillips, and Harrison 2009; Pajunen 2006).

This study makes three contributions. First, it extends the existing turnaround research in which the distressed companies' views dominate, by placing a stakeholder perspective at center-stage. A stakeholder who is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, p. 46), influences a company's turnaround actions and performance (D'Aveni and MacMillan 1990). Second, much of the existing theoretical and empirical work on turnaround draws on North American experiences. Research on other national contexts is limited. In addition, previous studies mainly focus on

large, stock-based companies, although turnaround is not confined to this type of organizations. Turnaround processes and challenges may vary in companies of different sizes. Using primary data from savings banks which mainly serve small to medium-sized, privately held companies in Germany, I extend previous findings with insights into the turnaround of SMEs. Third, despite the importance of understanding turnaround performance, this area of turnaround research has achieved less consensus among researchers than other aspects pertaining to turnaround (Trahms et al. 2013). Similarly to Schmitt and Raisch (2013, p. 1229), I include several dimensions that corporate advisors in savings banks as a selected stakeholder group consider as essential. The selected dimensions reflect the savings banks' expectations that a distressed company should meet in different turnaround stages.

The remainder of this study is as follows: first, I provide an overview on the existing knowledge on turnaround and, drawing on stakeholder theory, I outline four hypotheses. Second, I elaborate on the chosen methods. Finally, I report the findings and discuss their implications.

Background

Stakeholders' Impact on Turnaround

Although the actions undertaken in the turnaround process are affected by different stakeholder groups and "stakeholders are addressed within the literature, stakeholder theory remains underutilized" (Trahms et al. 2013, p. 1297). Freeman (1984) posits that managers must account for the interests of various groups, such as employees, customers, and suppliers of critical resources. These groups affect and are affected by the company's actions. It is survival-enhancing for companies to engage in certain activities or to behave in a way that powerful stakeholders deem important and appropriate. Without these activities and behaviors, stakeholders may refuse their support (Mitchell et al. 1997).

Exchange relationships with external stakeholders are crucial for a company's survival, because they provide critical resources (Arogyaswamy et al. 1995). In an economically difficult

situation, these relationships change and may deteriorate, because a company's image suffers under the decline and the management's attention to the internal and external environment changes (D'Aveni and MacMillan 1990). Based on evidence on public U.S.-based companies, Gilson (1990) shows that, due to financial distress, there is a shift in control over corporate resources from the management and the board of directors towards non-management blockholders and creditors. Banks gain additional control over firms' investment and financing policies through restrictive covenants in restructured bank loans. Put differently, a situation of decline alters a company "into a 'political arena' where conflict and political forces dominate" (Rosenblatt, Rogers, and Nord 1993, p. 79). Divergent beliefs and goals must be reconciled and agreed upon (Lohrke et al. 2012; Pajunen 2006). Frequent and open communication between the managers of a distressed company and its stakeholders as well as symbolic management actions may increase the likelihood of stakeholder support and successful turnaround (Arogyaswamy et al. 1995; Pajunen 2006).

Distressed companies need the support of external stakeholders that provide the financial resources to reverse decline. If the management and the providers of financial resources cannot align their expectations about strategic actions and financial returns, the likelihood of successful turnaround will decrease. However, stakeholders do not necessarily support turnaround but possibly even constrain the strategic options available to the management and the outcomes of turnaround (Frooman 1999). Providers of financial resources such as banks are often well-secured creditors. They may prefer bankruptcy to turnaround, because it may guarantee them a liquidation value, as their loans are secured against the replacement value of the assets. Conversely, there is no guarantee that the turnaround strategies that the managers of a company conceive will be successful (Filatotchev and Toms 2006; Moulton and Thomas 1993).

Prior research hardly systematically elucidates different stakeholders' perspectives on turnaround (Trahms et al. 2013). Despite their ability to control the access to necessary

resources and exacerbate an existence-threatening situation of decline, evidence on the role of stakeholders in turnaround, such as owners, employees, suppliers, creditors, customers, and governments, is limited. Addressing this gap, I adopt an instrumental approach to stakeholder theory (Donaldson and Preston 1995; Jones 1995) and elaborate on how the relationships between SMEs and their banks affect the outcomes of turnaround processes.

Previous Findings

Over the last decades, researchers' interest in studying turnaround has steadily increased. Two comprehensive literature reviews that were published with a distance of twenty years illustrate this point. Pearce and Robbins (1993) provided a review of nine studies and developed a two-stage model including retrenchment and recovery. Trahms et al. (2013) analyzed forty studies. Referring to the antecedents of decline which necessitates turnaround actions, both literature reviews agree upon various internal and external factors, such as ineffective leadership structures, inertia, industry decline, environmental shocks, or competitive dynamics.

The reviews differ regarding the range and types of responses to decline. Pearce and Robbins used retrenchment as a synonym for operating actions that were defined as "a combination of cost cutting and asset reducing activities" (1993, p. 624). Trahms et al. (2013) specified two subsets of actions, namely, first, operating actions including means to reduce costs and assets and, second, strategic actions comprising means to adjust a company's range of activities. Research on strategic actions shows that their effect on the success of turnaround is positive, but the effectiveness of retrenchment remains an issue of debate. This issue raises the question of whether it may depend on contingency factors surrounding the turnaround process, such as salient stakeholders' impact on the companies' attempts to reverse decline.

Most studies use various accounting- and market-based indicators for measuring the success of turnaround. For instance, ROA, ROE, and ROS are wide-spread accounting-based measures (Barker and Mone 1994; Bruton et al. 2003; Robbins and Pearce 1993). Abnormal stock returns,

Tobin's *q*, and the market-to-book ratio are examples for market-based indicators (Anand and Singh 1997; Morrow, Johnson, and Busenitz 2004). These can hardly be used for the measurement of turnaround performance of unlisted SMEs. Other studies focus on, for instance, turnaround versus no turnaround (Francis and Desai 2005), survival (Pennings, Lee, and van Witteloostuijin 1998), or external experts' assessment of the success of an acquisition of a distressed firm by another company (Bruton, Oviatt, and White 1994). The range of performance measures implies that the issue of which actions to reverse decline are successful depends on the selected measure. A general, unified attitude towards turnaround performance does not exist, yet. The variety of turnaround performance measures also suggests that different indicators may reflect different stakeholders' perspectives on what these actors consider as a successful turnaround.

Despite their role as providers of financial resources, Trahms et al. (2013) identified only two studies referring to the impact of banks on turnaround. First, Bruton et al. (2003), providing evidence from firms run by Overseas Chinese in East Asia, show that banks strongly influence the kind of action taken by distressed companies. Second, Pajunen (2006), drawing on case-based evidence from a Finnish pulp and paper industry firm, reveals that the banks' perceptions of a distressed company's benevolence are survival-enhancing.

More recent evidence by Peltoniemi and Vieru (2013) illustrates that the quality of the relationship between a bank and a SME affects the cost of a credit and the risk associated with bank lending. Banks' perceptions may be helpful in explaining turnaround performance. A bank perceives a company's decline and actions as signals that shape its decision whether it provides or withholds support (Bosse et al. 2009; D'Aveni and MacMillan 1990; Frooman 1999).

The German Banking Industry

The institutional context affects the opportunities of banks to influence a company's options to reverse decline (Filatotchev and Toms 2006). Most prior studies on turnaround rely on evidence

from large, publicly listed U.S.-based companies (for example, Morrow et al. 2004; Moulton and Thomas 1993; Ndofor, Vanevenhofen, and Barker 2013). Our knowledge on turnaround in other institutional contexts in which the banking sector is structured differently is relatively limited (for exceptions, see Bruton et al. 2003; Bruton and Rubanik 1997; Pajunen 2006).

First, the German national business system affects the relationships between SMEs and banks. Their long-term orientation leads most German SMEs to predominantly prefer financing investments through banks and emphasizing organic growth (Festing, Schäfer, and Scullion 2013). Therefore, compared to banks in market-based systems such as the U.K. or the U.S., German banks are strongly engaged in long-term financing. They additionally provide comprehensive information and management consulting to SMEs (the so-called *Mittelstand*). In maintaining long-lasting lender-borrower relationships, they influence their clients' strategic choices (Behr and Güttler 2007; Deeg 1998; Lehmann and Neuberger 2001; Weber 2010).

Second, German banks either belong to the commercial or the universal sector. The *commercial* banking sector consists of the so-called *big banks* (for example, Deutsche Bank, Commerzbank), regional banks (for example, Berliner Bank, PSD-Bank Nord), specialized private banks (for example, Behrenberg, Fugger Privatbank), and branches of foreign banks (for example, Royal Bank of Scotland, Santander). The *universal* banking sector consists of three major banking groups – commercial banks, savings banks, and credit cooperatives. There is competition only *between* but not *within* (that is, among the member institutions of) these groups. Among these banking groups, savings banks are of particular importance for the German economic system. They are owned by local governments and fulfil a public function, including the provision of services to public authorities and the financing of local investments. On average, savings banks are small compared to other banks (Kakes and Sturm 2002). Like credit cooperatives which are owned by their members, savings banks cannot be acquired and replaced by commercial banks in their local markets. *Within* their group, savings banks are

likely to cooperate, in order to "combine the advantages of decentralization – closeness to the customer – with the scale advantages of larger banking units" (Deeg 1998, p. 95).

Third, in the last decades, regulatory and policy changes promoted by the federal and state governments, have increased competition *between* banking groups. As a result, the relationships between large companies and their banks have weakened. Simultaneously, they have become even stronger and more focused on the long run between SMEs and their "*Hausbanks*". These mainly belong to the savings bank sector, because the regulatory and legislative changes in the banking industry led to increasing price competition and a greater variety of service offerings to SMEs (Deeg 1998). Despite their limited size, the savings banks account for approximately half of the aggregated banking activity in Germany (Kakes and Sturm 2002; Weber 2010). They can hence be considered as highly influential and powerful stakeholders of German SMEs.

Finally, the *Hausbank* principle implies that German companies do not have multiple bank relationships. As primary sources of liquidity and investment capital, *Hausbanks* are well informed about their borrowers. Client firms typically have limited knowledge about how their savings banks assess loan risk (Behr and Güttler 2007). Some savings banks may cease to invest in a distressed company, if they benefit from a bankruptcy that guarantees them a liquidation value (Filatotchev and Toms 2006; Trahms et al. 2013). However, due to the often long-lasting business relationships (Weber 2010), savings banks are also interested in the repayment of loans and have incentives to help their clients recover. In that vein, stakeholder theory can generate insights into the factors that drive savings banks to support turnaround, the impact of the quality of the lender-borrower relationship, and the influence of the savings banks' perceptions of the companies' actions.

Hypotheses

Savings Banks' Structural Support

In a turnaround, a savings bank's "stake" involves both the placement of a claim on a distressed company and the ability to influence it. The firm is resource-dependent on this stakeholder for its survival (Arogyaswamy et al. 1995; Mitchell et al. 1997; Pajunen 2006). A savings bank's support includes potential investments in money, time and employees during the turnaround process. They create a dependence of a distressed company for these resources that gives the bank leverage over the company, because the savings bank decides whether it provides these resources or withholds them (Frooman 1999). This decision subsequently affects the likelihood of a successful turnaround.

Local savings banks, which are active only in their own regions, tend to maintain trust-based and long-term oriented relationships with SMEs for which they frequently play the role of a "*Hausbank*". They try to enhance customer retention by providing comprehensive financial and business services to SMEs (Lehmann and Neuberger 2001), including management consulting and liquidity assistance through long-term loans to financially distressed SMEs (Deeg 1998).

Lohrke et al. (2012) show that perceptions of the controllability of a situation change over time. Various circumstances affect them. For instance, the more secure the support of important stakeholders is, the higher is the likelihood of a successful turnaround (Pajunen 2006). Structural support in terms of a dedicated turnaround department can be viewed as stable and secure, because a savings bank must make specific investments in staff and expertise to maintain such a specialized function in the long run. In addition, the availability and well-timed involvement of a dedicated turnaround department is a signal that the savings bank is willing and able to help reverse its client's decline (Weber 2010). Therefore, structural support in terms of a turnaround department enhances a company's turnaround performance.

Hypothesis 1: There is a positive relationship between a savings bank's structural support and a SME's turnaround performance.

Savings Banks' Support in the Initial and the Recovery Stages of Turnaround Processes

Savings banks' "stakes" in terms of support offerings are associated with risk (Freeman 1984; Mitchell et al. 1997). Because they expect a reward for their efforts in terms of a company's restored ability to repay its loans (Filatotchev and Toms 2006), their support throughout the turnaround process affects turnaround performance. For a distressed company, the insurance of the costly and time-consuming continuing support of a major stakeholder such as its "*Hausbank*" enhances its chances to survive (Pajunen 2006).

Turnaround processes comprise two stages (for example, Arogyaswamy et al. 1995; Filatotchev and Toms 2006; Pearce and Robbins 2008; Robbins and Pearce 1992). Lohrke et al. (2012, p. 219) argue that, first, companies "must identify the problems causing the decline and, in turn, take initial actions to stabilize the firm's declining performance (Filatotchev and Toms 2006; Pearce and Robbins 1993). Second, they must take long-term actions, including enlisting stakeholders' support for the turnaround (Arogyaswamy et al., 1995; Pajunen, 2006)." These two stages are described as "initial actions" and "recovery".

Initial actions include an evaluation of the crisis situation, the realignment of the expectations and goals of internal and external stakeholders, and the implementation of mechanisms to stabilize the company on short notice in terms of regaining control of its cash flow (Bruton and Rubanik 1997; Filatotchev and Toms 2006; Hommel et al. 2006; Lohrke et al. 2012; Ndofor et al. 2013; Pearce and Robbins 2008). They are decisive for revealing whether and to what extent a distressed company has opportunities for turnaround and how likely the success of the turnaround is. The most salient decisions referring to an intended reversal of decline must be made in this stage. They imply the reestablishment of a basis for financial stability and further actions that contribute to long-term profitability and that are still to be taken. Achieving financial stability is a signal to stakeholders that a company has good chances to pursue a successful turnaround. Stakeholders must be convinced that the initial actions are suitable to

achieve this goal (Pearce and Robbins 2008). If the company's chances are assessed pessimistically, the credit risks of loans are perceived as too high, or a realignment of expectations of the company and its stakeholders fails, initial actions may not be supported by a savings bank and can prevent later process stages being entered (Filatotchev and Toms 2006; Weber 2010).

Recovery involves the implementation and control of the strategic actions that the company's management and the savings bank have agreed upon based on the initial actions. They help secure the company's survival and restore its economic viability in the long run. Because these actions are just monitored and exploited in the recovery stage, they require a lower intensity of support than initial actions (Bruton and Rubanik 1997; Filatotchev and Toms 2006; Hommel et al. 2006; Lohrke et al. 2012; Ndofor et al. 2013).

Therefore, a savings bank's continuing support drives turnaround performance more strongly in the initial stage of the turnaround process than in the recovery stage.

Hypothesis 2: A savings bank's continuing support of a distressed company is more positively related to turnaround performance in the first stage ("initial actions") than in the second stage ("recovery") of the turnaround process.

Corporate Advisors' Perceptions of a Distressed Company's Actions

Stakeholder theory asserts that perceptions of benevolence are beneficial for companies (Jones 1995). The success of turnaround depends on how effectively companies identify and manage their stakeholders' perceptions (D'Aveni and MacMillan 1990). The communication of the management of a distressed company during counseling or negotiations shapes a corporate advisor's impressions. An advisor's impression of benevolence would imply, for example, a client's behavioral consistency and integrity, the ability to share and delegate control, openness and frequency of communication, and the demonstration of concern for own and the savings bank's interests (Whitener, Brodt, and Korsgaard 1998). The perception of trustworthiness and

fairness increases a corporate advisor's motivation to provide support (Bosse et al. 2009; Pajunen 2006).

In response to a company's actions that show its willingness to reverse decline, a savings bank is likely to assess the company's turnaround process more positively. Those actions create trust in the interaction between the savings bank and its client (Jones 1995). They improve the information flow between them and enhance their mutual understanding. Trust and information result in a stable lender-borrower relationship. This stability fosters feelings of mutual obligation and reciprocity and leads to lower monitoring costs and loan rates (Fehr and Gächter 2000; Lehmann and Neuberger 2001). These effects are conducive to turnaround performance. Conversely, a distressed company's actions that are deemed as unfair, ineffective, or even opportunistic are indicators of a bad relationship quality between a savings bank and its client (Peltoniemi and Vieru 2013). Those actions can comprise "a wide range of specific behaviors, including bargaining, shirking, failing to fulfill obligations, and withholding valuable information" (Carson, Madhok, and Wu 2006, p. 1059). Corporate advisors perceive them as a lack of trustworthiness. A savings bank may then decide to withhold support (Frooman 1999), such that the likelihood of a successful turnaround decreases.

Hypothesis 3: The more a savings bank perceives a distressed company's behavior as opportunistic, the higher is the likelihood that turnaround performance will decrease.

Leadership Change

Evidence based on large, publicly listed companies shows that leading executives are responsible for major strategic decisions and the evolution of corporate performance (Hambrick and Mason 1984; Wiersema 1992). Moreover, leadership style is important. In a crisis, charismatic leadership is more effective than in economically stable situations (Flynn and Staw 2004). This research stream also reveals that leadership changes are expected to foster strategic change at least in the early post-succession period (Karaevli and Zajac 2013).

Leaders play a key role in managing turnaround (Bruton and Rubanik 1997; Lohrke et al. 2012; see Lohrke, Bedeian, and Palmer 2004, for a review). Pearce and Robbins (2008, p. 123) emphasize that "the element of reorganization that is most often associated with successful turnaround is replacement of the chief executive officer or members of the senior management team". This effect depends on the extent to which stakeholders personify a company's decline in its leaders (Daily and Dalton 1995; Pajunen 2006). In SMEs, leaders are more visible than in large companies. Their personal relationships, the limited number of decision-makers in the organization, and the higher likelihood of a unity of ownership and management contribute to the personification of a company's fate in its leaders (Hammann, Habisch, and Pechlaner 2009). On the one hand, the replacement of an incumbent leader may be harmful for a company's internal operations and impede turnaround. The access to his or her knowledge of the industry and his or her personal contacts might get lost. On the other hand, leadership change will be conducive to turnaround performance, if the "*Hausbank*" associates the incumbent leader with a once established, failing course of strategic action and the reasons for decline. A leadership change can then be a signal to this stakeholder that the distressed company honestly attempts to stop and reverse decline (Lohrke et al. 2012; Pearce and Robbins 2008). This effect may be especially important in SMEs where personal relationships and individual responsibilities are essential (Hammann et al. 2009). Therefore, from a savings bank's perspective, leadership change is likely to nurture turnaround performance.

Hypothesis 4: There is a positive relationship between leadership change and a SME's turnaround performance.

Methods

Sample

The study was initiated by a German consulting firm specializing in services for SMEs. In Germany, SMEs accounted for 99.7% (equal to 3.65 million SMEs) of all companies in 2012

(Institut für Mittelstandsforschung 2012). This percentage has been stable for decades. SMEs form the backbone of the German economy (Festing et al. 2013).

I used cross-sectional data collected from a sample of corporate advisors who were working in German savings banks located in Bavaria, a federal state (*Bundesland*) in the southern part of Germany. Bavaria is particularly suitable to explore the hypotheses, because it is dominated by firms of the *Mittelstand,* i.e., traditional SMEs that account for 99.68% of all companies in this federal state.[1] It is the typical case of a federal state which predominantly includes unlisted companies that are classified as small to medium-sized (0-249 employees, Institut für Mittelstandsforschung 2012). Hence, it is representative for all federal states. All SMEs cope with the typical characteristics of the German national business system. First, their long-term orientation leads most German SMEs to predominantly prefer financing investments through banks. Second, German SMEs cultivate a cooperative climate between management and workforce based on a relatively high level of labor regulation and legislation (Festing et al. 2013). These conditions can constrain managerial discretion during turnaround.

To specify the sampling frame for this study, a team of three management consultants compiled a list of all Bavarian savings banks and corporate advisors who could act as key informants. The total population in Bavaria comprised 72 savings banks out of which 63 participated in the survey. Among the participating savings banks, two could not provide usable information, because they had not accompanied turnaround processes in 2010. This led to the final number of 61 savings banks participating in the survey.

[1] The federal state with the lowest percentage of SMEs is Bremen with 99.44%, while the highest percentage of SMEs (99.76%) can be found in Mecklenburg-Vorpommern (Institut für Mittelstandsforschung 2012). In awareness that Germany was divided into two different economic systems until 1990, these numbers also show that the economic conditions in both parts of the country have become similar over time, such that Bavarian SMEs are also representative for SMEs in East Germany (for example, Mecklenburg-Vorpommern is a federal state in the eastern part of Germany). On average, SMEs in West Germany may be older. Hence, we may observe more companies owned by families with a tradition of several generations in Bavaria (West Germany) than in federal states in East Germany.

In 2011, the data were gathered through an internet-based survey referring to the corporate advisors' turnaround projects in the previous year. These included projects that had been terminated in 2010 or were close to termination at the time of the survey. Hence, the corporate advisors could realistically assess to what extent a turnaround had been successful. The management consultants personally contacted the corporate advisors in the remaining 61 savings banks via mail and phone in advance. In addition, the survey was supported by a letter of recommendation from the Bavarian Savings Banks Association (*Bayerischer Sparkassenverband*), the leading federation of all savings banks in Bavaria. Due to this support and the follow-up procedure of sending a reminder and making supplemental phone calls, a response rate of 88 percent was yielded.

Overall, 89 corporate advisors (80 male, 9 female; average age: 46 years) who were involved in turnaround projects completed the survey, indicating that in the participating 61 savings banks several corporate advisors had responded to the questionnaire. Out of the 89 respondents, 53 were managers of loan or turnaround divisions, 16 were employees in these divisions, 14 were members and 6 chairmen of the board of directors. The respondents were hence competent and qualified key informants and in the right position to report on turnaround processes from a savings bank's perspective. An overview on the characteristics of the participating savings banks is depicted in the appendix.

Variables and Measures

To ensure face validity I asked two management researchers and two consultants specializing in turnaround to review prior versions of the questionnaire. I relied on established measures from previous studies whenever possible, ensuring construct validity for these measures. Variables that had been adopted from Anglophone empirical studies were translated into German and reviewed by two German-speaking researchers. I adapted existing scales from, for instance, alliance management research (Kale, Dyer, and Singh 2002; Mellewigt and Decker

2014) to my research context using insights from discussions with consultants and turnaround specialists and drawing on practice-oriented publications on turnaround (for example, Hommel et al. 2006; Weber 2010).

Qualitative grounding is useful in fields with limited previous research or a lack of consensus on the operationalization of major variables (Bruton et al. 2003, p 529). I used expert interviews with turnaround specialists to get feedback on whether my items were relevant and understandable. Furthermore, I conducted a pretest with turnaround specialists and researchers in management, entrepreneurship, and small business economics. This pretest led to a reduction of the scope of the final questionnaire as well as a clearer wording and a better contextualization of many items. All items and scales are described in a table in the appendix.

Turnaround Performance. I intensely discussed the measurement of turnaround performance with management consultants, turnaround specialists, and researchers to fully capture the selected stakeholder's perspective. I also scanned the practitioner-oriented literature on turnaround from a banking perspective (for example, Hommel et al. 2006; Weber 2010). Drawing on the insights that I gained, I measured *turnaround performance* based on the respondents' assessments of the extent to which a turnaround project resulted in satisfactory performance values (for example, EBITDA, cash flow) that could be benchmarked, acceptable balance sheet ratios (especially referring to equity), a company's restored ability to repay debt, and secured liquidity. Responses were recorded on seven-point Likert scales ranging from 1 = "do not agree at all" to 7 = "strongly agree". Based on these four items, I built a reflective measure. The Cronbach alpha of this measure is 0.73, indicating satisfactory reliability. I also used these four items as single item-measures to assess the differential impact of the pre-specified antecedents on different components of turnaround performance.

Structural Support. I used a dummy variable (*structural support*) asking whether the savings banks had a specialized turnaround function (1 = "yes", 0 = "no"), defined as a department or

a position to manage all activities referring to turnaround projects. Respondents from savings banks with a specialized turnaround function were also asked to provide information on how many people were involved in this function and how many projects a corporate advisor had under management on average. This approach has been adopted from research on the impact of a dedicated alliance function (Kale et al. 2002) and adjusted to the context of this study.

Continuing Support. Based on discussions in the turnaround literature (Lohrke et al. 2012; Robbins and Pearce 1992) and with turnaround specialists, I adapted a measurement scale that was originally developed in research on alliances (Mellewigt and Decker 2014) to capture the savings banks' continuing support of a distressed company. I asked the respondents to assess their investments in time and efforts dedicated to the analysis of the internal and external antecedents of performance decline, the formulation of potential recovery strategies, consulting and negotiations, the implementation of recovery strategies, the coordination of tasks aiming at reversing organizational decline, subsequent adjustments of recovery strategies owing to altered circumstances, and outcome control. Responses were recorded on seven-point Likert scales ranging from 1 = "very low" to 7 = "very high". I constructed two formative indices (Diamantopoulos and Winklhofer 2001). Three items, namely investments in time and efforts dedicated to the analysis of the internal and external antecedents of performance decline, the formulation of potential recovery strategies, and consulting and negotiations, are *initial actions*. Four items, namely the implementation of recovery strategies, the coordination of tasks aiming at reversing organizational decline, subsequent adjustments of recovery strategies owing to altered circumstances, and outcome control, pertain to *recovery*.

Opportunism. Perceived *opportunism* was captured with seven items (Cronbach alpha = 0.81). Respondents were asked to indicate how they assessed the companies' behavior in the relationship with the savings banks' corporate advisors, for example, the reliability of promises or the likelihood of information sharing (Jap and Anderson 2003).

Leadership Change. The impact of *leadership change* was measured with a single item, reflecting the perceived importance of such an event in a turnaround situation.

Firm-Specific Distress. There are internal sources of uncertainty, such as diversification (Markides 1995), corporate restructuring (Villalonga and McGahan 2005), or turnover and succession events (Finkelstein, Hambrick, and Cannella 2009), which affect turnaround performance. *Firm-specific distress* is unique to a company, directly related to its task at hand, and controllable through strategic actions (Beckman, Haunschild, and Phillips 2004; Boyle and Desai 1991). It was constructed as a reflective measure based on four items that focused on the internal antecedents of a crisis situation (Boyle and Desai 1991; Hommel et al. 2006; Robbins and Pearce 1992). The Cronbach alpha is 0.68, indicating a still acceptable reliability (Hair, Tatham, Anderson, and Black 1998).

Industry. I also assessed external sources of uncertainty. The industry in which a company operates affects its performance and the severity of its decline (Bruton, Ahlstrom, and Wan 2001). I included industry dummies for the three most cited industries (Lehmann and Neuberger 2002), namely *hospitality and tourism*, *services*, and *automotive*.

Financial Crisis. I asked the respondents to indicate the impact of the *financial crisis* on a seven-point Likert scale. Those external shocks lead to reduced environmental munificence which threatens the survival of companies and of small firms in particular (Latham 2009).

Turnaround Agreement. I included a single item, asking the corporate advisors to indicate their likelihood of using turnaround agreements (ranging from 1 = "never" to 7 = "always"). The use of a turnaround agreement may enhance the controllability of the situation from a corporate advisor's perspective and thus the likelihood of a successful turnaround (Lohrke et al. 2012).

Family Ownership. Family ownership is typical for German SMEs. Many of these companies remain owner-managed even after several generations (Ehrhardt, Nowak, and Weber 2006), especially in traditional industries. In Germany, even among large firms, high degrees of family

ownership tend to be preferred over other types of ownership (Fiss and Zajac 2004; Fohlin 2007; Lubinski 2011; Thomsen and Pedersen 2000). Family owners are influential internal stakeholders who tend to hamper the implementation of turnaround strategies (Cater and Schwab 2008). Turnaround is risky, because it requires considerable efforts with uncertain outcomes, especially in the recovery stage (Pearce and Robbins 2008). Family owners must have good incentives to make potentially uncertain and irreversible investments in turnaround, if actions leading to, for example, strategic repositioning are necessary. In addition, ownership patterns determine the type and amount of opportunities to raise external funds. Especially small and unlisted companies with families as their main owners are limited in their abilities to acquire fresh capital from, for instance, institutional investors or venture capitalists. If possible, they use internal resources, such as the family members' private fortunes. This strategy for financing turnaround puts the owner family's capital at risk and jeopardizes its legacy. Therefore, it is likely to dissuade family members from investing in turnaround. I thus asked for the importance of *family ownership* (ranging from 1 = "very low" to 7 = "very high").

Statistical Analysis

I tested for potential differences between early and late respondents and found no evidence of non-response bias (Armstrong and Overton 1977). A one-way analysis of variance (ANOVA) across early and late respondents yielded insignificant differences between both groups based on the respondents' age, gender and function within their savings banks. Usually, multiple respondents, multiple data sources, or multiple rounds of data collection are recommended for remedying common method bias (Rindfleisch, Ganesan, and Malter 2008). I did not have access to multiple data sources. The use of a cross-sectional design should not be a problem, because my constructs were relatively concrete (Podsakoff, MacKenzie, Lee, and Podsakoff 2003). According to Harman's single-factor test (Podsakoff and Organ 1986), there was no evidence

of common method bias. Five factors emerged from an unrotated factor analysis (eigenvalue-greater-than-one criterion). The first factor accounted for 20 percent of variance in the data.

It would have been best, if I had used an objective performance measure to rule out common method bias. However, I was not allowed to collect external data, because this would have meant that all respondents would have had to disclose the companies' names. Then, the savings banks and the Bavarian Savings Banks Association (*Bayerischer Sparkassenverband*) would have refused to participate.[2] I had to guarantee strict confidentiality and anonymity and agree that I would not collect any data that could reveal the companies' identities. All questionnaire drafts were checked in several rounds whether the information to be provided by the respondents was potentially revealing. A reason for this requirement is that SMEs strongly depend on their local stakeholders' goodwill (Hammann et al. 2009). Another point is that most savings banks were located in rural areas where people know each other very well and the companies under management can easily be identified based on relatively limited information, such as size, age, industry, ownership and management structures, and leadership change.[3]

Table 1 reports descriptive statistics and correlations. I calculated the variance inflation factors to consider potential multicollinearity (mean VIF = 1.21). The highest value is 1.45 (*turnaround agreement*) which is well within an acceptable range (Hair et al. 1998). Because many if not most savings banks serve SMEs as providers of financial resources, the data reflect the corporate advisors' experiences with this type of companies. These can be described as "low diversity"-firms which operate in one or only a small number of related businesses. "Therefore, turnaround does not occur through restructuring a portfolio or selling off unrelated divisions in

[2] Turnaround is an unpleasant topic for most entrepreneurs, corporate advisors, and consultants. All respondents in the participating savings banks were reluctant to provide detailed information on the companies that they had advised during turnaround. Therefore, it was important to gain support from their leading association. Without its help, many savings banks would not have agreed to participate in the survey.

[3] Even if I had been allowed, it would have been difficult to obtain objective data. In Germany, most SMEs are privately held. They rarely publish detailed performance data. Subjective performance assessments are acceptable, if objective measures are not available (Schmitt and Raisch 2013, p. 1229).

a multi-business firm, but must occur through reversing the decline of existing operations" (Arogyaswami et al. 1995, p. 497f.). Strategic actions, such as acquisitions, strategic alliances, or refocusing (for example, Bruton et al. 2003; Ndofor et al. 2013), which are important variables in previous studies on turnaround are less pertinent in the selected context. The omitted variables test supports this view, as it is insignificant ($F(3, 74) = 1.34$; $p = 0.27$). It indicates that additional variables need not be included in the analyses. A Breusch-Pagan test shows that heteroscedasticity can also be ruled out ($Chi^2(2) = 2.15$; $p = 0.14$).

Insert Table 1 about here

In order to test the hypotheses, I relied on OLS regression analyses with robust standard errors adjusted for firm-level clusters (Blumberg, Cooper, and Schindler 2008). As a robustness check, I calculated an ordered probit regression model (OPROBIT).[4] Because of the lack of consensus concerning the measurement of turnaround performance, I additionally estimated separate OLS regression models for the four different components of turnaround performance.

Results

On average, a corporate advisor had eight turnaround projects under management in 2010. On average, the firms under management generated sales of less than five million Euros per year. They were mainly engaged in industries such as services, hospitality and tourism, and automotive. On average, a turnaround project required approximately two years. Out of the 61 participating savings banks, 54 had a specialized turnaround department.

[4] The issue of whether Likert scales can be considered as interval-level data or provide ordered-categorical data is a subject of disagreement among researchers from various disciplines (Kampen and Swyngedouw 2000). The use of OLS regressions is sometimes questioned. Instead, ordered probit regressions are recommended for capturing the ordinal ranking of a dependent variable (for example, Barkema and Shvyrkov 2007; Villalonga and McGahan 2005). Because probit models are non-linear, the relationship between an independent and a dependent variable should not be determined solely by the model coefficient. For the OPROBIT model, I thus inspected the marginal effect of each independent variable for the minimum, mean and maximum values of the dependent variable (Crossland and Chen 2013; Hoetker 2007). These are available from the author upon request.

The results of the regression analyses are shown in Table 2. Model 1 includes the control variables only. Model 2 contains all variables. Model 3 reports the results of the ordered probit regression. The findings based on both OLS and OPROBIT regressions are consistent.

Insert Table 2 about here

Consistent with Hypothesis 1, the availability of a dedicated turnaround department nurtures turnaround performance. Hypothesis 2 asserts that a savings bank's continuing support differs depending on the process stage and has a more positive effect on turnaround performance in the initial than in the recovery stage. The results partially support this hypothesis. A savings bank's continuing support significantly drives turnaround performance in the first stage of the process of reversing a company's decline. In the recovery stage, however, the coefficient is much smaller and even insignificant. As suggested by Hypothesis 3, the corporate advisors' perception of opportunism significantly decreases the likelihood of a successful turnaround. Conversely, the results do not support Hypothesis 4.

Turning to the control variables, firm-specific distress is positively and significantly related to turnaround performance. The industry or the impact of the financial crisis do not significantly influence turnaround performance. A turnaround agreement does not help reverse decline, although one might expect that it facilitates the coordination of a turnaround project. Similarly, the effect of family ownership is not significant.

Insert Table 3 about here

A combined performance measure does not reveal the differential emphasis put on various aspects during turnaround. The findings reported in Table 3 illustrate that, from a savings bank's perspective, short-term performance is especially important in the early stages of turnaround. Therefore, initial actions are conducive to restoring performance values, balance sheet ratios,

and liquidity. However, these actions do not help the SMEs in the long run. Actions referring to recovery are long-term oriented. They may involve changes that help companies repay their debt and restructure their financial basis in the long run (Pearce and Robbins 2008).

The results referring to opportunism show that the early stages of a turnaround process are decisive for gaining stakeholders' support, as opportunism is detrimental to restoring performance values and achieving acceptable balance sheet ratios. These indicators are especially important at the beginning of the turnaround process. An explanation may be that a company's opportunistic acts in the early stages can prevent later process stages being entered. Opportunism is hence less important for indicators that are more pertinent in later stages.

The finding that structural support only significantly drives the achievement of acceptable balance sheet ratios might make the high investments questionable that savings banks need to maintain turnaround departments. An explanation may be that structural support alone is not helpful. If the advisors working in these departments lack the required experience and knowledge to help companies reverse decline or if they are not willing to provide support, a successful turnaround will be unlikely despite the existence of a dedicated turnaround function.

Discussion and Implications

Contributions

The findings of this study contribute to turnaround research in three ways. First, in contrast to prior research (for example, Bruton and Rubanik 1997; D'Aveni and MacMillan 1990; Robbins and Pearce 1992), this study does not adopt a distressed company's perspective but places an external stakeholder group's perceptions at center stage. Using a selected stakeholder's perspective, the study contributes to stakeholder theory. It shows how primary stakeholders such as suppliers of financial resources act in situations in which interests and risk propensities of actors involved in a possibly long-lasting business relationship might diverge. Turnaround is an exemplary situation. The study sheds light on the question of how such a stakeholder's

ability and willingness to provide support is shaped and may be manipulated by a company's actions and behavior. Hence, the findings contribute to the question of "the factors that motivate stakeholder involvement in the turnaround process, the power struggles that occur between stakeholders with divergent interests, and management's ability to leverage relationships to foster support for the turnaround" (Trahms et al. 2013, p. 1032). Generally, my findings illustrate that stakeholder theory can be applied to many different fields of interest that go beyond issues related to corporate social responsibility or corporate social performance – a field in which stakeholder theory is frequently used (for example, Bermann et al. 1999; Jones 1995; Mitchell et al. 1997).

Second, the approach adopted in this study follows recent claims to contextualize management research (Johns 2006; Rousseau and Fried 2001; Welter 2011) and that turnaround strategies must be adapted to the setting in which the companies operate (Bruton et al. 2001). This study focuses on the German context in which banks are influential stakeholders and must bear considerable risks emerging in the turnaround process (Filatotchev and Toms 2006; Johnson et al. 2010). The relationship between German savings banks and SMEs is characterized by its strength and long-term orientation (Deeg 1998; Kakes and Sturm 2002; Lehmann and Neuberger 2001). A bad relationship quality is detrimental to turnaround performance. However, leadership change is not a signal that fosters the likelihood of success. This result may be due to the fact that in the selected context many companies are led by owner-managers. There may be difficulties in replacing them on short notice, because, compared to larger companies, SMEs cope with some disadvantages. For instance, their brands are often only known to a limited number of people. Thus, it is difficult to attract new leading executives. Moreover, SMEs often lack the necessary resources and expertise to attract and retain talent (Festing et al., 2013). This circumstance may be even more pertinent under conditions of distress. In addition, most corporate advisors in the sample base their assessments on companies

located in rural areas. Talented employees, especially in leading management positions, tend to feel more attracted by urban living conditions.

Third, the findings reveal the impact of different types of uncertainty. Surprisingly, firm-specific distress increases the likelihood of a successful turnaround. An explanation may be that this type of uncertainty results from internal drivers of decline. Therefore, it can more easily be controlled by firm-level actions than environmental uncertainty (Beckman et al. 2004). The ability to cope with firm-specific distress enhances the controllability of a crisis situation, which is conducive to turnaround performance (Lohrke et al. 2012).

Practical Implications

The findings provide practical insights. First, from a savings bank's perspective, initial actions turn out to be decisive for a successful reversal of a company's decline. Long-term actions dedicated to recovery mainly drive a client's ability to repay its loans. An implication may be that a savings bank starts communicating with a distressed company and – if available – involves specialists from a specialized turnaround department at an early stage, if the savings bank has a strong interest in the repayment of loans and the survival of this client. The implementation of early-warning systems based on custom-tailored indicators and the training of corporate advisors in this regard could be useful to enhance the chances of distressed client companies to stop and reverse decline.

Second, the use of a turnaround agreement stipulating the tasks at hand and the duties of the parties does not foster turnaround performance. On the contrary, it even seems to make it less effective. An explanation may be that a turnaround agreement may contribute to an escalating commitment to a once established course of strategic action (Milliken and Lant 1991). It can impede the parties in flexibly reacting to changing conditions and in making necessary decisions that were not foreseeable at the outset of the turnaround process.

Limitations and Implications for Future Research

A limitation of this study is the concentration on data from a single type of banks in the German banking industry. The generalizability of the findings to banks other than savings banks may be questioned. Future studies could conduct comparisons between the perceptions of corporate advisors employed in different types of banks, thereby considering differences in service offerings and customer segments that may affect the approaches chosen to manage turnaround (Lehmann and Neuberger 2001). If possible, primary and secondary data should be combined. Future research may also investigate the effects of corporate advisors' experience on turnaround performance. Based on longitudinal data, researchers could include indicators for learning opportunities in savings banks, such as the number of turnaround projects under management per corporate advisor in a given year. The more turnaround projects corporate advisors manage simultaneously, the more opportunities they have to develop specific skills and routines (Lohrke et al. 2012). A decrease of the time and efforts which corporate advisors must invest to help companies recover could be an indicator that a savings bank and its employees improve their capabilities to manage turnaround processes over time. Similarly, the turnaround experience of the management of a distressed company could have an impact on the likelihood of success of a turnaround process. Future studies could include variables reflecting this experience.[5]

Overall, this study provides new insights in the impact of the relationship between a distressed company and its "*Hausbank*" on turnaround performance in the German context. Hopefully, it inspires future research on the role of this and other stakeholders in turnaround processes.

[5] I thank an anonymous reviewer for bringing this point to my attention.

Table 1. Correlations and Descriptive Statistics

Variables		1	2	3	4	5	6	7	8	9	10	11	12	13
1	**Turnaround performance**	1												
2	**Firm-specific distress**	0.328**	1											
3	**Automotive**	-0.051	-0.041	1										
4	**Services**	-0.028	0.063	0.058	1									
5	**Hospitality and tourism**	-0.026	0.104	-0.165	-0.048	1								
6	**Financial crisis**	0.099	0.062	0.107	0.073	-0.172	1							
7	**Turnaround agreement**	0.121	0.057	0.048	0.039	-0.077	0.174	1						
8	**Family ownership**	0.076	0.255**	-0.006	0.069	0.007	0.036	-0.155	1					
9	**Structural support**	0.116	0.077	0.046	0.136	0.063	-0.040	0.251**	0.062	1				
10	**Initial actions**	0.381***	0.185*	-0.026	-0.005	0.079	-0.014	0.217**	0.056	0.057	1			
11	**Recovery**	0.160	-0.047	-0.047	-0.208*	0.058	0.157	0.255**	-0.034	-0.142	0.273**	1		
12	**Opportunism**	-0.200*	-0.172	-0.257**	-0.184*	0.052	0.041	-0.205*	-0.153	-0.003	-0.016	0.029	1	
13	**Leadership change**	0.059	-0.119	0.133	-0.142	-0.116	0.135	0.217**	-0.218**	0.072	0.065	0.094	0.146	1
	Mean	5.952	5.135	0.517	0.472	0.382	3.607	4.303	5.011	0.854	5.315	4.404	2.961	3.461
	Standard deviation	0.793	0.932	0.503	0.502	0.489	1.710	1.903	2.135	0.355	0.979	0.897	0.838	1.332
	Minimum	3.5	1.5	0	0	0	1	1	1	0	2.3	2.5	1.6	1
	Maximum	7	7	1	1	1	7	7	7	1	7	6.3	5.1	7

Notes: N = 89. Significance levels: * $p < 0.100$; ** $p < 0.050$; *** $p < 0.001$.

Table 2. Regression Analyses

Variables	Hypothesis	Model 1 OLS	Model 2 OLS	Model 3 OPROBIT
Constant		4.370***	3.652***	
		(0.652)	(0.819)	
Firm-specific distress		0.274**	0.213*	0.320**
		(0.114)	(0.110)	(0.161)
Automotive		-0.086	-0.194	-0.216
		(0.169)	(0.167)	(0.247)
Services		-0.090	-0.112	-0.182
		(0.176)	(0.161)	(0.237)
Hospitality and tourism		-0.086	-0.137	-0.166
		(0.183)	(0.164)	(0.239)
Financial crisis		0.029	0.047	0.055
		(0.049)	(0.047)	(0.073)
Turnaround agreement		0.039	-0.048	-0.047
		(0.047)	(0.055)	(0.083)
Family ownership		0.004	-0.018	-0.013
		(0.035)	(0.039)	(0.058)
Structural support	**H1 (+)**		**0.318****	**0.500****
			(0.149)	(0.231)
Continuing support: initial actions	**H2 (++/+)**		**0.261*****	**0.403*****
			(0.069)	(0.106)
Continuing support: recovery			0.088	0.079
			(0.106)	(0.150)
Opportunism	**H3 (-)**		**-0.228****	**-0.326****
			(0.110)	(0.152)
Leadership change	**H4 (+)**		0.048	0.078
			(0.059)	(0.085)
F		1.71	5.93***	
Wald Chi-square				46.89***
(Pseudo) R-square		0.130	0.293	0.070
Adj. R-square		0.055	0.182	

Notes: N =89 observations adjusted to 61 firm-level clusters. Robust standard errors in parentheses are reported below the coefficients. In the OPROBIT model (Model 3), STATA absorbs the intercept term into its cutoff points that are not reported due to space constraints.
Significance levels: * $p < 0.100$; ** $p < 0.050$; *** $p < 0.001$.

Table 3. Components of Turnaround Performance

Variables	1 Satisfactory Performance Values	2 Acceptable Balance Sheet Ratios	3 Restored Ability to Repay Debt	4 Secured Liquidity
Constant	5.001*** (1.430)	0.940 (1.551)	3.657** (1.182)	5.009*** (0.781)
Firm-specific distress	0.152 (0.143)	0.332 (0.270)	0.278** (0.117)	0.090 (0.085)
Automotive	-0.235 (0.286)	-0.432 (0.270)	-0.028 (0.180)	-0.078 (0.181)
Services	-0.573** (0.239)	0.195 (0.274)	-0.035 (0.193)	-0.034 (0.163)
Hospitality and tourism	-0.144 (0.274)	0.137 (0.308)	-0.082 (0.158)	-0.460** (0.210)
Financial crisis	0.067 (0.073)	0.099 (0.087)	0.020 (0.059)	0.004 (0.055)
Turnaround agreement	-0.083 (0.077)	-0.045 (0.092)	-0.041 (0.058)	-0.022 (0.054)
Family ownership	0.035 (0.061)	-0.039 (0.070)	-0.032 (0.037)	-0.034 (0.032)
Structural support	0.385 (0.404)	**0.582*** (0.339)	0.169 (0.253)	0.137 (0.167)
Continuing support: initial actions	**0.384***** (0.094)	**0.355**** (0.139)	0.143 (0.107)	**0.160**** (0.074)
Continuing support: recovery	-0.199 (0.156)	0.214 (0.179)	**0.222*** (0.123)	0.116 (0.109)
Opportunism	**-0.411**** (0.175)	**-0.392*** (0.212)	-0.094 (0.114)	-0.018 (0.114)
Leadership change	-0.008 (0.099)	0.143 (0.102)	0.028 (0.076)	0.028 (0.056)
F	4.74***	5.23***	1.92**	1.92**
R-square	0.25	0.31	0.15	0.15
Adj. R-square	0.13	0.20	0.09	0.02

Notes: N = 89 observations adjusted to 61 firm-level clusters. Standard errors in parentheses.
Significance levels: * $p < 0.100$; ** $p < 0.050$; *** $p < 0.001$.

Appendix 1. Characteristics of the Participating Savings Banks

Location	*Administrative district*[a]*:*		
	Swabia		14
	Lower Franconia		7
	Upper Palatinate		8
	Upper Franconia		8
	Upper Bavaria		24
	Lower Bavaria		15
	Central Franconia		13
Respondents	*Position in the participating savings banks:*		
	employees in loan or turnaround divisions		16
	managers of loan or turnaround divisions		53
	members of the board of directors		14
	chairmen of the board of directors		6
Size of savings banks	*Total assets (in million Euros):*		
	average		2,280
	minimum		293
	maximum		15,554
	Employees:		
	average		620
	minimum		104
	maximum		3,170
Size of turnaround function	*Number of employees:*		
	average		9
	minimum		1
	maximum		35
Guidelines of the German Savings Banks Association (DSGV)[b]	*Use of formal and standardized support models (in percent of mentions):*		
	standard support for existing loans (model K 1.0)		4%
	standard and intensive support for existing loans (model K 2.0)		19%
	intensive support for problem loans (model Pro)		29%
	other support models, individual processes		42%
	no use		6%
Feedback	*Impact of terminated turnaround projects on the savings banks (number of mentions):*		
	impact on the early-warnings system	yes	55
		no	34
	impact on the risk adjustment in the corporate customer business	yes	49
		no	40

Notes:

[a] An administrative district is an area of responsibility between the federal state level and the community level. It has several administrative functions, such as environmental issue and the legal supervision of the communities.

[b] The German Savings Banks Association (*Deutscher Sparkassen- und Giroverband*, DSGV) is the umbrella organization of all savings banks and their federal states banks in Germany. It represents their interests on banking policy, regulatory law and other banking industry issues on a national and an international level. It also publishes guidelines and best practices to ensure a unified strategic direction of the savings banks.

Appendix 2. Measurement Items and Scales

Variable	Items	Scale	References
Dependent variable:			
Turnaround performance	• Achieving satisfactory performance values • Achieving acceptable balance sheet ratios • Restoring the ability to repay debt • Securing liquidity	1 = fully disagree, ..., 7 = fully agree Cronbach alpha = 0.73	Qualitative grounding and Hommel et al. (2006); Weber (2010)
Independent variables:			
Structural support	The savings bank has a specialized turnaround function.	1 = yes, 0 = no single item	Kale et al. (2002)
Continuing support: initial actions	• Analysis of internal and external antecedents to the crisis situation • Design and formulation of recovery strategies • Consulting, negotiations	1 = fully disagree, ..., 7 = fully agree formative scales	Mellewigt and Decker (2014)
Continuing support: recovery	• Implementation of recovery strategies • Coordination of the tasks pertaining to the turnaround project • Outcome control • Subsequent adaptation of recovery strategies to changing conditions		
Opportunism	• The company is willing to assume responsibility. (reverse coded) • The company provides reports as agreed. (reverse coded) • The company is willing to share information. (reverse coded) • The promises made by the company are empty. • The company makes false accusations. • The company spreads wrong information. • The company violates agreements.	1 = fully disagree, ..., 7 = fully agree Cronbach alpha = 0.81	Qualitative grounding and Jap and Anderson (2003)
Leadership change	Importance for the economic situation of the company	1 = very low, …, 7 = very high single item	Qualitative grounding
Control variables:			
Firm-specific distress	• Disadvantageous strategic positioning • Problematic cost structure • Decreasing sales • Liquidity constraints	1 = fully disagree, ..., 7 = fully agree Cronbach alpha = 0.68	Boyle and Desai (1991); Hommel et al. (2006); Robbins and Pearce (1992)
Industry	• Hospitality and tourism • Services • Automotive	Dummies for the three most cited industries	Lehmann and Neuberger (2002)
Financial crisis	Importance for the economic situation of the company	1 = very low, …, 7 = very high single item	Qualitative grounding
Turnaround agreement	Frequency of usage	1 = never, …, 7 = always single item	Qualitative grounding
Family ownership	Importance for the economic situation of the company	1 = very low, …, 7 = very high single item	Cater and Schwab (2008)

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