ESCAPING THE COVID SLUMP: HOW TURNAROUND RESPONSES IMPLEMENTED DURING COVID-19 IMPACTED FIRM PERFORMANCE, AND THE MODERATING EFFECT OF ENTREPRENEURIAL ORIENTATION

by

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ABSTRACT

RANDELL M. NAIRN. Escaping the Covid Slump: How Turnaround Responses Implemented During COVID-19 Impacted Firm Performance, and the Moderating Effect of Entrepreneurial Orientation. (Under the direction of DR. FRANZ KELLERMANNS)

Scholars are particularly interested in understanding effective strategies to turnaround business performance as businesses experience periods of decline. As the COVID-19 pandemic has revived the importance of better understanding effective turnaround strategies within organizations, additional research is needed to support businesses as they work to recapture or exceed pre-decline performance. This dissertation's research model suggests that operational and strategic turnaround responses have a relationship with firm performance. It is empirically tested using data collected from 98 top management team members across the United States regarding the operational and strategic turnaround responses implemented to combat the decline caused by COVID-19. The results show that strategic turnaround responses positively impacted firm performance. These findings have practical as well as theoretical implications that suggest the type of turnaround response that could be used in times of future global phenomena.

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DEDICATION

This dissertation is dedicated to my younger self and my future children. May you always remember that there is no limit to what you can accomplish!

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LIST OF ABBREVIATIONS

BTOF	Behavioral Theory of the Firm
CDC	Center for Disease Control
COVID-19	Coronavirus Disease 2019
EO	Entrepreneurial Orientation
PPP	Paycheck Protection Program
R&D	Research and development
TMT	Top Management Team
U.S.	United States
VIF	Variance Inflation Factor
WHO	World Health Organization

CHAPTER 1: INTRODUCTION

Scholars are particularly interested in understanding effective strategies to turn around business performance when businesses experience periods of decline in their life (Barker & Duhaime, 1997; Bodolica & Spraggon, 2021; Ndofor et al., 2013; Sudarsanam & Lai, 2001), as most firms will experience this (Trahms et al., 2013). Schendel et al. (1976) found that, in 1976, about a third of the firms in the S&P 500 index had experienced four years of declining profitability (Trahms et al., 2013). More recently, Trahms et al. (2013) found that, in 2010, 49.8% of firms in the S&P 500 had experienced decline within the previous five years. In addition, research on turnarounds is of heightened importance due to the risk of liquidation and failure if turnaround is unsuccessful (Pearce & Robbins, 1993; Trahms et al., 2013). This gives rise to the need for turnaround literature to support businesses as they work to recapture or exceed pre-decline performance.

The COVID-19 pandemic, a global phenomenon that brought an unexpected crisis to the world and forced many firms into a period of decline, has revived the importance of better understanding effective turnaround strategies within organizations. Al Amosh and Khatib (2023) studied small business firms within the Group of 20 (20 countries with the largest economies in the world) from a variety of industries between 2016 and 2021 to understand business economic activity before and during Covid. They found that the pandemic had a negative impact on return on assets and return on equity, measures which are often utilized to monitor firm performance in turnaround literature (Barker & Mone, 1994; Robbins & Pearce, 1992; Yeh & Fang, 2011).

Unlike routine periods of decline, the pandemic posed acute challenges for many firms such as uncertainty, policy adjustments, changes in consumer demand, and supply chain constraints, which top management teams (TMT) had to navigate (Batjargal et al., 2023). This

gives rise to the need to better understand the considerations that TMT members factor into their decision-making process. Thus, this dissertation studies entrepreneurial orientation (EO) as a moderator in the relationship between turnaround strategy and firm performance. It will contribute to the research on turnarounds in the unique environment of a global health pandemic and have implications for turnaround strategies in times of environmental shocks.

While turnaround theorists have studied decline in individual firms (Moulton & Thomas, 1993; Chen & Hambrick, 2012) and across industries (Filatotchev & Toms, 2003; Wan & Yiu, 2009), research has not yet examined turnaround in the midst of a global health crisis. Therefore, it is necessary to enhance turnaround literature, considering that periods of time without a pandemic or other significant crises is unique (Batjargal et al., 2023). This research will contribute to turnaround literature by studying how operational and strategic turnaround responses implemented during the COVID-19 pandemic impacted firm performance, with EO as a moderator. Using EO in this way will shed light on whether entrepreneurial characteristics (specifically risk-taking, innovativeness, and proactiveness) help strengthen the relationship between turnaround strategy and firm performance during a period of global shock.

1.1 Research Objective

A period of decline occurs when a firm loses resources (Cameron et al., 1987; D'Aveni, 1989; Lohrke et al., 2004); a turnaround situation occurs when the TMT decides that action needs to be initiated to improve business performance (Lohrke et al., 2004; Robbins & Pearce, 1992). Research has primarily examined two significant ways that may respond once a turnaround situation occurs: operational turnaround response or strategic turnaround response. An operational turnaround response occurs when management aims to execute its current strategy more efficiently (Robbins & Pearce, 1992; Trahms et al., 2013), while a strategic

turnaround response entails management adjusting its strategy to include changes to its competitive advantage, service or product offerings, and primary markets (Robbins & Pearce, 1992; Trahms et al., 2013).

The turnaround literature frequently debates the environment best suited for an operational versus a strategic turnaround response. Schendel et al. (1976) introduced the concept of first identifying the cause of the turnaround, then utilizing that information to determine the appropriate response (Schmitt & Raisch, 2013), an approach since taken by turnaround theorists. For example, Michael and Robbins (1998) studied the operational turnaround responses of small manufacturing firms during a recessionary period and found that while retrenchment was a common turnaround response it was not universal; assets and costs that had the least specialization were highly retrenched. Morrow Jr et al. (2007), who studied strategic turnarounds based on a sample of single-product manufacturing companies that were underperforming in comparison to the market, found that the most efficient path to organizational recovery was by implementing difficult-to-imitate and valuable strategic actions utilizing existing resources in new ways. Therefore, additional research is still needed to address whether an operational or a strategic turnaround response is optimal when the world is experiencing a shock, such as COVID-19.

The theoretical basis of this dissertation is the behavioral theory of the firm (BTOF) which argues that a decline in firm performance will cause the TMT to look for ways to improve business performance (Cyert & March, 1963; Lohrke et al., 2004). The BTOF is commonly studied in the context of turnaround situations to identify why the TMT responds as it does (Lohrke et al., 2004; O'neill, 1986). This theory assumes that through the process of organizational learning firms will receive feedback, take action to avoid uncertainty in their

environment, and initiate the search process, continuing this cycle until a decision is made and a standard decision rule can be established (Cyert & March, 1963). Furthermore, this theory suggests that through the process of organizational learning, the TMT will continue to search for ways to improve until performance matches expectations.

This dissertation will also examine whether EO strengthens the relationship between the TMT's choice of turnaround response and the firm's performance. Entrepreneurial orientation, which refers to the strategic processes on which firms base their entrepreneurial processes, decisions, and actions, has been found to have a positive impact on performance (Lomberg et al., 2017; Lumpkin & Dess, 1996; Rauch et al., 2009). This study proposes EO as a moderator in the relationship between turnaround response and performance in the context of the COVID-19 pandemic to illuminate how the TMT's entrepreneurial position impacted the strategy implemented in their firms during this time.

There are three significant contributions to literature that this dissertation makes. First, this study will answer the call for research related to turnaround strategy (Robbins & Pearce, 1992; Trahms et al., 2013; Whetten, 1980). It is the natural progression of a business to experience periods of growth and decline; management literature often focuses on growth while ignoring research on escaping a period of decline (Whetten, 1980). Second, examining the turnaround-to-performance relationship by incorporating EO as a moderator will shed light on whether entrepreneurial characteristics of firms are rewarded in the turnaround process by an improvement in performance. Finally, practitioners and managers who may experience a turnaround situation in a future global phenomenon may benefit from insight into the type of turnaround response needed to effectively improve performance. As turnaround researchers frequently debate the types of circumstances which are best suited for operational and strategic

turnaround responses, this dissertation will shed light on which is more effective during a global pandemic.

1.2 Organization of the Dissertation

This dissertation is organized as follows. Chapter 1 introduces the basis of the research; that is, the BTOF, turnaround strategy, and firms' EO as researched in the context of the COVID-19 pandemic. Chapter 2 is comprised of four subsections. The first section provides definitions of the relevant terms related to this research. The second section provides an overview of how the literature was selected, while the third synthesizes the literature of the BTOF, turnaround strategy, and EO. The fourth section provides the research model and hypotheses. Chapter 3, the methods section, encompasses the process of quantitative analysis utilized to test the hypotheses. Chapter 4 outlines the results of the analysis, and Chapter 5 summarizes the key findings, discusses the results and limitations, and offers future research ideas.

CHAPTER 2: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter, which includes a review of the relevant literature, is broken down into four subsections. The first section provides definitions of the key terms related to this research, while the second gives an overview of how the literature was selected. The third section synthesizes the literature in the context of turnaround strategies and the fourth section provides the research model and hypotheses.

2.1 Definitions

Decline and Turnaround

Before implementing a turnaround strategy, a firm must first accept that it is in a phase of decline. A firm is said to be in decline when it endures a sufficient loss in resources for at least two consecutive years, which can threaten its sustainability (Cameron et al., 1987; D'Aveni, 1989; Lohrke et al., 2004; Pearce & Robbins, 1993). Once this occurs and the TMT decides that action needs to be initiated, the firm is said to be in a turnaround situation (Lohrke et al., 2004; Robbins & Pearce, 1992). Defining when this situation occurs in each firm is at the discretion of the TMT's perception or by the use of statistics to measure firm performance (Robbins & Pearce, 1992).

A turnaround response is defined as the culmination of the activities that once-successful businesses implemented to escape decline and return to a healthy performance (Robbins & Pearce, 1992). Once a firm actually returns its performance to the same or greater level than it had prior to decline, it is then known as a turnaround (Tangpong et al., 2015). Although turnaround theorists debate the time it takes for a firm to determine its recovery, they agree that the range lies between one and four years (Hambrick & Schecter, 1983; Hofer, 1980), with two

years being the common measurement (Barker & Mone, 1994; Hambrick & Schecter, 1983; Pearce & Robbins, 1993; Robbins & Pearce, 1992).

Turnaround theorists have characterized two main types of turnaround responses, which align with the measures implemented to achieve the turnaround. The first is an operational turnaround response, whereby management continues with its current operating strategy but aims to execute it more efficiently (Michael & Robbins, 1998; Trahms et al., 2013). Actions can include decreasing assets and costs, more efficiently utilizing assets, and adjusting production processes (Trahms et al., 2013). This response is studied in the context of the COVID-19 pandemic (WHO, 2024), during which times organizations laid off employees in an effort to conserve resources as lockdowns and social distancing restrictions were implemented (Donthu & Gustafsson, 2020).

While the literature tends to agree on what constitutes an operational turnaround, there have been a variety of terms used to reference it. This is highlighted by Pearce and Robbins (1993), who show that terms include operating response (Schendel et al., 1976), operating turnaround (Hofer, 1980), efficiency moves (Hambrick & Schecter, 1983), and adaptive responses (Smart & Vertinsky, 1984). (See Table 1 for a description of these terms.)

Robbins and Pearce (1992) differed from many other researchers at the time as they utilized the term *retrenchment phase* to signify the initial stage of turnaround response when a business continues its current strategy with a more efficient execution (Robbins & Pearce, 1992). They found empirical evidence to support the claim that successful turnarounds are characterized by first going through a period of stabilization by decreasing costs and assets; they labeled this initial stage of the turnaround process as retrenchment. This, however, brought almost immediate scrutiny (Trahms et al., 2013). Barker and Mone (1994) questioned the absolute need for

retrenchment, as did Arogyaswamy et al. (1995), who scrutinized the sequence of the turnaround process where retrenchment must come first. In modern turnaround literature, *operating turnaround response* is generally used to reference a continuation of the firm's current strategy with a more efficient execution (Lohrke et al., 2004; Trahms et al., 2013), and *retrenchment* exclusively refers to the set of actions taken by a firm to reduce assets and costs (Trahms et al., 2013). These terms and definitions are much more appropriate and align with the empirical observations of recent studies (Barker & Mone, 1994; Michael & Robbins, 1998; Tangpong et al., 2015).

The second type of turnaround response is known as a strategic turnaround response. Here, management pursues actions to alter the strategic position of the firm by making adjustments such as changes to its competitive advantage, service or product offerings, and primary markets (Barker & Duhaime, 1997; Trahms et al., 2013). In the pandemic, this type of strategy was observed as firms invested in digital technology to service their customers in new ways while still abiding by social distancing and lockdown requirements (Donthu & Gustafsson, 2020).

Pearce and Robbins (1993) also highlighted the difference in word choice used by early turnaround theorists to label a strategic turnaround. These include strategic response (Schendel et al., 1976), strategic turnaround (Hofer, 1980), entrepreneurial move (Hambrick & Schecter, 1983), and entrepreneurial response (Smart & Vertinsky, 1984). (See Table 1 for a description of these terms.)

Once again, Pearce and Robbins' (1992) label of a strategic turnaround response differs from the others. To them, a strategic turnaround response is a recovery response since only these actions will allow the firm to return to a phase of growth. This was challenged, however, by

Barker and Duhaime (1997) who proposed that strategic turnaround responses should be tailored to the need of the firm experiencing decline. This builds off of early theorists' basis that in order for a strategic response to be pivotal to a strategic turnaround, the firm must first verify that its strategic position is weak (Hofer, 1980; Hofer et al., 1978; Schendel et al., 1976). In modern turnaround literature, the term *strategic turnaround response* is generally used (Lohrke et al., 2004; Trahms et al., 2013).

Table 1: Variations in Definitions Concerning Turnaround Responses

Adapted from Pearce and Robbins (1993)

	Researchers				
Descriptions of Terms	Schendel, Patton & Riggs (1976)	Hofer (1980)	Hambrick and Schecter (1983)	Smart and Vertinsky (1984)	Robbins and Pearce (1992)
Strategies used in the face of declining or subpar performance	Turnaround	Turnaround	Turnaround	-	Turnaround
Substrategy of modifying or scaling down current operations.	Operating Responses	Operating Turnaround	Efficiency Moves	Adaptive Responses	Retrenchment
Substrategy of redefining the strategic posture	Strategic Reponses	Strategic Turnaround	Entrepreneurial Moves	Entrepreneurial Responses	Recovery Response

Entrepreneurial Orientation

Entrepreneurial orientation is defined as the strategic processes in which firms base their entrepreneurial processes, decisions, and actions (Lomberg et al., 2017; Lumpkin & Dess, 1996; Rauch et al., 2009). It signifies the practices and policies that decision makers within the organization use to achieve its purpose, maintain its vision, and generate competitive advantages (Rauch et al., 2009). There are three commonly accepted dimensions: risk-taking, innovativeness. and proactiveness. Risk-taking is defined as "the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures" (Lumpkin & Dess, 1996; Miller & Friesen, 1978, p. 923). Innovativeness is defined as a firm's inclination to implement new ideas and creative processes

which result in new services, products, and technological processes (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Proactiveness is defined as being an early actor in anticipation of the future needs, issues, or changes in the marketplace (Covin & Slevin, 1991; Lumpkin & Dess, 1996). (See Table 2 for a summary of definitions.)

Table 2: Summary of Definitions

Terminology	Definition	Citation(s)
COVID-19 pandemic	A global outbreak of the coronavirus disease.	WHO, 2024
Decline and Turnaround		
Organizational decline	Occurs when a firm suffers a sufficient loss in resources over time.	Cameron et al., 1987; D'Aveni, 1989; Lohrke et al., 2004
Turnaround	Occurs when a firm actually accomplishes returning its performance to the same or greater level than it had prior to decline.	Tangpong et al., 2015
Turnaround situation	Occurs once the TMT acknowledges decline and decides that action needs to be initiated.	Lohrke et al., 2004; Robbins & Pearce, 1992
Turnaround Response		
Operational turnaround response	Management continues with its current strategy for operating the business but aims to execute it more efficiently.	Michael & Robbins, 1998; Trahms et al., 2013
Recovery response	The initiatives implemented during a turnaround situation to return it to a place of growth.	Robbins & Pearce, 1992
Retrenchment	The set of actions taken by a firm to reduce assets and costs.	Trahms et al., 2013
Strategic turnaround response	Occurs when management is pursuing actions to alter the strategic position of the firm.	Barker & Duhaime, 1997; Trahms et al., 2013
Entrepreneurial Orientation		
Entrepreneurial orientation	The strategic processes in which firms base their entrepreneurial processes, decisions, and actions.	Lomberg et al., 2017; Lumpkin & Dess, 1996; Rauch et al., 2009
Risk-taking	"The degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures."	Lumpkin & Dess, 1996; Miller & Friesen, 1978, p. 923
Innovativeness	A firm's inclination to implement new ideas and creative processes which result in new services, products, and technological processes.	Covin & Slevin, 1991; Lumpkin & Dess, 1996
Proactiveness	Being an early actor in anticipation of future needs, issues, or changes in the marketplace.	Covin & Slevin, 1991; Lumpkin & Dess, 1996

2.2 Scope of the Literature Review

In completing this literature review, a variety of sources were utilized. The search for literature made use of several databases, including Harzin's Publish or Perish, Proquest, and the Atkins Library at UNC-Charlotte. Examples of keywords that were utilized to find relevant articles include various combinations of the following: turnaround, turnaround strategy, organizational decline, entrepreneurial orientation, COVID-19, and behavioral theory of the firm. The results (94 articles) were then screened based on title and abstract for fit into the topic at hand. Only peer-reviewed articles were utilized in this review.

2.3 Theory

As outlined in Whetten (1989), there are several essential elements that a complete theory must contain: the what, how, and why of theory development. The "what" describes the variable, construct, and concept factors that are needed to expound on the phenomena of interest while being comprehensive yet parsimonious. The "how" describes the relationship and connection between the variable, construct, and concept factors and is usually illustrated utilizing boxes and arrows. The "why" is the justification of the psychological, economic, or social dynamics leading to why each factor and its suggested causal relationships were selected. In addition to these three essential elements, Whetten (1989) also suggests that theory development sets the boundaries of generalizability by setting limitations on the who, where, and when for the propositions of the theoretical model.

This dissertation incorporates these theoretical expectations (the what, how, and why of theory development) while also taking into consideration the boundaries of generalizability. Its theoretical framework and constructs include the BTOF, turnaround strategy, and the EO construct.

2.31 The Behavioral Theory of the Firm

Rooted in the thought process that engulfed researchers in the period following World War II, the BTOF arose at a time when economists desired to enhance economic theory by making it more embedded in the social sciences and more closely mirrored to the actual behavior of human beings as they operate in real organizations (Augier & March, 2008). This theory established the definition of a firm as a regimen of routines that evolve with time as a result of experience, rather than operating through calculated decisions as previously assumed (Augier & March, 2008). This regimen is established based on issues the organization has solved in its past relating to conflicting goals and differences between firm performance and decision-makers' expectations. The BTOF states that, as time goes on, the firm experiences organizational search, learning, and arbitration, and adapts accordingly as a result (Augier & March, 2008). Prior to the inception of this theory, however, several theoretical advancements paved the way.

The first was March's (1962) publication, *The Business Firm as a Political Coalition*. It stems from the need to better understand and predict the decisions of firms, with roots in theory regarding how a firm resolves conflict, makes decisions, and allocates scarce resources. According to March, the firm is a conflict system with a preferential state of the world that initiates a conflict resolution process as conflicts arise and mirrors the political theory of conflict resolution. Multiple groups within the system have various interests, and decisions are made with each coalition of interest groups exerting a level of control over the system and resolving conflict in alignment with the resources at its disposal.

The second theoretical advancement was the Carnegie Institute of Technology's school of thought that in order to better understand organizational behavior, the realism of bounded rationality must be incorporated into research (Gavetti et al., 2012). Bounded rationality is

defined as the tendency of decisionmakers to choose actions that are "good enough" as opposed to analyzing every alternative before making a decision (Simon, 1947).

Using these theoretical advancements as a basis, Cyert and March's *A Behavioral Theory of the Firm*, published in 1963, shifted the paradigm on how firm behavior was studied and presented moving forward. The BTOF challenges classic economic theory that emphasizes the importance of understanding how a firm makes decisions by building a model that mimics real-world decision-making as opposed to better understanding deviations and adaptations from a model with assumptions that do not mirror real life (Gavetti et al., 2012). To do this, Cyert and March (1963) established three exhaustive variable categories and four relational concepts.

The three variable categories - goals, expectations, and choice – are used to analyze the process of firm decision-making. Goals are decided upon by the firm's members and represent only the desired accomplishments of the firm (Augier & March, 2008). Goals can be shaped by dimension (level of importance) or aspiration (a weighted function of the firm's previous goals, previous performance, and the previous performance of its competitors). They are based upon the membership present in the firm at that time, the active goals of the subunit that makes the decision, and the problems of the organization at that time. Expectations are formulated by drawing conclusions from available data. The BTOF uses the way that inferences are drawn and data is accessed to argue that expectations can be influenced by how much organizational slack is present, how well goals are accomplished, the essence of the issue inside the organization, and the organization's location. Organizational choice is made in reply to an issue and is based on the organization's standard operating rules; the organization selects an optimal option based on the suggested goals. Choice can be affected by how the issue is defined, organization's standard operating rules, and the hierarchy in which optimal options are considered and decided upon.

Cyert and March's (1963) four relational concepts are: the quasi-resolution of conflict, uncertainty avoidance, problemistic search, and organizational learning. Quasi-resolution of conflict refers to the process by which an organization finds the optimal resolution to cope with issues. In essence, while an organization may not completely solve the issue, it can move toward an optimal situation by categorizing problems into subproblems and assigning leaders to manage them. Acceptable-level criteria is then used to prevent adjustments, and goals are addressed sequentially as opposed to simultaneously. Uncertainty avoidance speaks to the fact that organizations avoid uncertainty by dodging the planning process when uncertainty is present regarding future events; they plan only when they have a level of control over their environment via contracts, budgets, and the like. Problemistic search is defined as search (or, the absence of "complete knowledge and anticipation of the consequences that will follow on each choice" (Gavetti et al., 2012; Simon, 1947, p. 81)) that is brought about by a problem and aims to find a resolution for that specific issue. This theory assumes that motivation exists, is simple-minded until it needed to be more complex, and is biased based on the environment, experience, and goals of those within the organization. Last, organizational learning describes the process in which firms alter their goals, transfer their attention, and adjust their processes based on experience. Table 3 summarizes the seminal and select studies utilized for this literature review, and Figure 1 provides a visual representation of this process.

The diagram in Figure 1 illustrates firm decision-making as argued in the BTOF. The four relational concepts appear at the top with a brief summary beneath. A dotted line separates each concept to more easily illustrate the component of the decision-making process that falls within it. The diagram begins with feedback and proceeds with question one (is uncertainty present). If so, the organizational leadership will negotiate with the environment; if not, it will proceed to

finding a solution to goal one. If goal one is not achieved, then the search process will commence and continue until a choice is made, allowing for organizational learning to take place. If goal one is achieved, then leadership adapts to the feedback received in the process by establishing standard decision rules. Once this has been completed, the organization can move on to goal two. It is important to note that since decision-making within an organization is constant, the process can start at any point in the chart.

The "openness" in the theoretical basis of the behavioral theory of the firm has allowed it to have significant impacts in several research areas, such as organizational politics, economics, and management (Gavetti et al., 2012). As for organizational politics, the BTOF has been influential primarily due to two of the relational concepts – the quasi-resolution of conflict and uncertainty avoidance (Gavetti et al., 2012). For example, the resource dependency theory developed by Pfeffer and Salancik (1978) relies heavily on Cyert and March's (1963) proposal to view the firm as a "political coalition" (building on the quasi-resolution of conflict) and the stress on a negotiated environment (due to uncertainty avoidance) (Gavetti et al., 2012). Similarly, Hambrick and Mason's (1984) upper echelons perspective builds off of the coalition view to home in on the demographics of the leading coalition of senior managers and how that influences the firm's strategic decisions (Gavetti et al., 2012). Additionally, Eisenhardt and Bourgeois (1988) utilized the coalition view to examine the effects of tangible political behavior between coalitions of managers (Gavetti et al., 2012).

Second, the foundations of the BTOF can be observed in modern economics, particularly in transaction cost economics, evolutionary theory, and organizational economics (Augier & March, 2008). The theoretical basis of transaction cost economics builds off of the Carnegie tradition and utilizes the quasi-resolution of conflict and bounded rationality to explore how

firms decide to manage a transaction internally or mediate it through the market (Williamson, 1996; Williamson, 2002). Nelson and Winter (2002) draw upon firm behavior as proposed in BTOF theory to revive the need for an evolutionary method to analyze economic problems while Gibbons (2003) articulates the long-term agenda for organizational economics and expands on its alignment with BTOF, particularly as it relates to decision-making in organizations.

Third, the BTOF has had an extensive impact in management, especially in the areas of cognition, organizational learning, and performance feedback. It has significantly impacted how we view the firm and the way it behaves, principally as it relates to cognition; for example, viewing standard operating procedures in light of bounded rationality (Gavetti et al., 2012). Additionally, Cyert and March (1963) extend the use of bounded rationality to the analysis of general decision rules by incorporating a higher degree of mindfulness (Levinthal & Rerup, 2006) into the conversation and allowing for the rules to be perceived as more than just a repeated action similar to a routine (Gavetti et al., 2012). This has paved the way for literature on decision rules to be integrated into organizational adaptation and strategic decision making literature (Gavetti et al., 2012). For instance, Papadakis, Lioukas, and Chambers (1998) explored the relationship between the strategic decision-making process and contextual and management factors utilizing a sample of strategic decisions to better understand the process in which they are made. They found that decision rules were more weighty than the characteristics of top management, internal contextual factors, or external contextual factors (Gavetti et al., 2012).

Building off the relational concept of organizational learning, Cyert and March (1963) explored organizational learning and how changes in routines impact future behavior (Argote & Greve, 2007; Cyert & March, 1963; Gavetti et al., 2012). This was further explored by Haunschild and Sullivan (2002), who examined how heterogeneity affects an organization's

learning process and outcomes, and by McKendrick (2001), who examined where the industry's social structure contributes to heterogeneity in learning outcomes (Argote & Greve, 2007). Organizational learning has been expanded to also include how external factors can impact learning, such as other organizations' experiences (Argote & Greve, 2007; Gavetti et al., 2012; Levitt & March, 1988), and to delve into the impact of social networks on knowledge transfer (Argote & Greve, 2007; Hansen, 1999; Reagans & McEvily, 2003).

The BTOF provides the basis for performance feedback research due to the relational concept of problemistic search (Gavetti et al., 2012; Greve, 1998). It proposes ways in which organizations continue to search for solutions when actual performance is below expectations (Cyert & March, 1963, pp. 120-123; Gavetti et al., 2012). Greve (1998) utilizes this to study the propensity of low-performing organizations to aspire to better performance and the impact on the organization if performance exceeds or falls below expectation (Gavetti et al., 2012). More recent research in this realm explores spending on research and development and innovation as a part of the search process to combat low performance. Salge (2011) provides empirical support for the frequent occurrence of innovation in low-performing organizations.

The BTOF has also been used in organizational decline and turnaround literature to justify the increase in risk in response to organizational decline (Lohrke et al., 2004; McKinley et al., 2014; Wiseman & Bromiley, 1996) due to the TMT searching for alternative solutions and ways to attain its goals that differ from its normal operating procedure (Lohrke et al., 2004; March & Shapira, 1987). Wiseman and Bromiley (1996) used the BTOF to provide empirical support for a positive relationship between reductions in organizational size and slack resources, and increased risk. McKinley et al. (2014) used the BTOF as the basis for their theoretical framework regarding an organization responding to decline with innovation. Empirical support

for the use of the BTOF in turnaround strategy, however, has not yet been provided (Lohrke et al., 2004).

Organizational decision process in abstract form

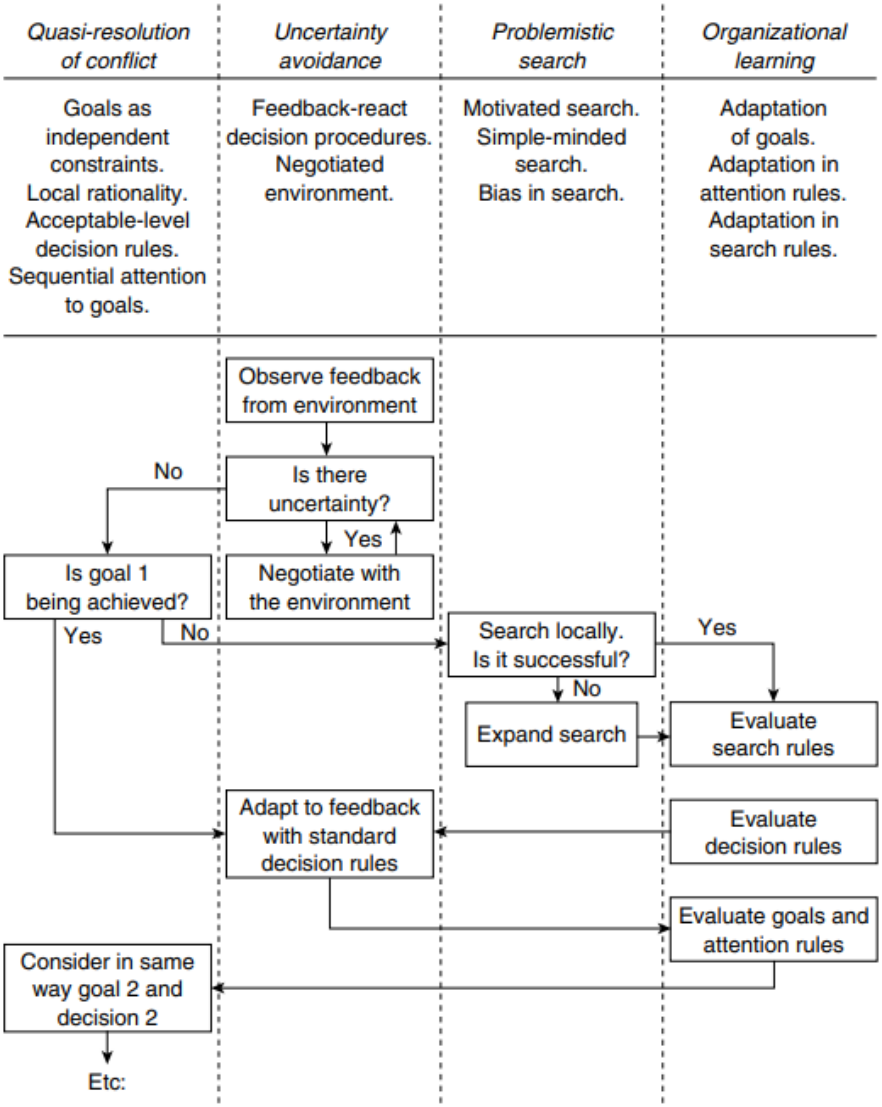

Figure 1: The Behavioral Theory of the Firm adapted from Cyert and March (1963, p. 126)

Table 3. Seminal and Select Studies on the Behavioral Theory of the Firm

Author(s)	Type of Study	Key Findings	Sample
Augier and March (2008)	Conceptual	Examines the history of the ideas presented in Cyert and March (1963) and expands on the ideas in light of current research.	N/A
Cyert and March (1963)	Conceptual	Outlines the BTOF theory which proposes a new way to view and analyze how decisions are made within firms, and how it impacts the firm's economic behavior.	N/A
Gavetti, Greve, Levinthal & Ocasio (2012)	Conceptual	Discusses the impact of the BTOF in organizations and academia; evaluates the research issues presented in the original work and offers progress on them based on modern publications.	N/A
Lohrke, Bedeian, & Palmer (2004)	Conceptual	Reviews published research related to TMT behavior during turnaround situations to include the use of the BTOF to justify TMT response.	N/A
March & Shapira (1987)	Conceptual	Uses the BTOF as support for its findings related to risk in organizations and executives' attitudes and behavior toward it. Concludes that there is a difference between management's actual conception of risk as opposed to what classic theory proposes that their conception should be.	N/A
March (1962)	Conceptual	Argues that a business firm should be viewed as a political system, proposing a new way to view firm behavior and providing a basis for Cyert and March (1963).	N/A
McKinley, Latham, & Braun (2014)	Conceptual	Examines four responses of firm behavior when experiencing decline which either lead to firm survival or death. Particularly related to the BTOF, the authors analyze this theory as support for the "necessity is the mother of invention" argument in firm turnaround.	N/A
Carter (1971)	Qualitative	Presents empirical evidence to support the application of the BTOF in corporate strategy.	Field study of a single organization
Greve (2003)	Qualitative	Uses the BTOF to show that a business with high performance will reduce innovation launches and R&D intensity.	11 Japanese shipbuilding firms from 1971 to 1996
Miller & Chen (2004)	Qualitative	This article is an empirical extension of March & Shapira (1987). The authors find that poorly performing firms increased risk as they approached bankruptcy.	Manufacturing S&P firms in the U.S. from 1991 to 2000
O'neill (1986)	Qualitative	Compares successful turnarounds to unsuccessful turnarounds and produces a model which illustrates the conditions in which each response will likely succeed. Among the findings related to successful turnarounds, the authors found that redefining the firm's business most often leads to a successful turnaround.	12 companies in the 1970s that experienced a turnaround situation

2.32 Turnaround Strategy

In the realm of empirical research on turnaround strategy, there are three prominent focus areas (Pant, 1991). The first is the study of management strategies that lead to turnaround. Authors such as Schendel et al. (1976), Hambrick and Schecter (1983), and O'neill (1986) tend to focus on understanding the root cause of decline and the impact of operational and strategic actions which lead to a revival of the organization. The second is the study of organizational processes in the midst of crisis. Researchers such as Ford (1980), Hedberg et al. (1976), and Whetten (1980) studied the process of generating solutions that assist in ensuring the growth and learning needed to adapt to the organization's competitive environment. The third concerns firms experiencing turnaround in light of the environmental context. Authors such as Schendel and Patton (1975) and Ramanujam (1984) examined factors like environmental volatility and GNP growth to understand how these variables impact a firm's success during the turnaround process. This dissertation falls under the scope of the first area since it compares management's decision to implement operational and strategic turnaround responses in the context of the COVID-19 pandemic.

Historic turnaround literature consists of authors testing out the significance of operational turnaround responses in comparison to strategic turnaround responses given a particular environment or type of firm. For example, Hambrick and Schecter (1983) found that operational turnaround initiatives were more successful than strategic turnaround initiatives in mature industries. Robbins and Pearce (1992) examined retrenchment in turnarounds in American textile firms and found that operational turnaround initiatives were more notably correlated with turnaround success in more critical turnaround situations. Michael and Robbins (1998), who researched operational turnaround processes among American small manufacturing

businesses, found that retrenchment was best executed in markets that lack “asset specificity”. While some authors have found significant empirical evidence to support the need for operational turnaround responses to be an active part of the turnaround process (see Table 4), empirical evidence supporting operational turnarounds is still largely inconsistent (Trahms et al., 2013).

Theorists agree that an operational turnaround entails cost-cutting and asset-reducing initiatives, though some may utilize slightly different measures in the process. For example, Robbins and Pearce (1992) measured cost retrenchment by looking at the net reduction in selling, general, administrative, interest, and miscellaneous costs, while asset retrenchment was measured according to the firm’s net decrease in cash and cash equivalent, accounts receivable, inventory, plant, and equipment assets as a basis of key financial ratios. Michael and Robbins (1998) used a very similar base to measure cost retrenchment based on adjustments in R&D, maintenance, marketing channels, advertising, and raw material spending. Asset retrenchment, on the other hand, was measured by changes to property, plant, and equipment, tools and machinery, work-in-process inventories, finished goods inventories, receivables, and raw material in inventories.

Unlike Robbins and Pearce (1992), who utilized key financial metrics, Michael and Robbins (1998) used a survey approach utilizing a Likert scale to differentiate the retrenchment actions that were given higher priority related to the degree of retrenchment which have become measurement standards for modern-day researchers. For example, Schmitt and Raisch (2013), in their publication on the duality between operational and strategic responses to turnaround, used this methodology and found empirical support that successful turnarounds are driven by operational and strategic turnaround activities’ complementary nature.

Empirical support for operational turnarounds is still largely fragmented. For example, while Robbins and Pearce (1992) found empirical support for the degree of retrenchment being firmly associated with turnaround performance, Barker and Mone (1994) found contrasting results despite duplicating Robbins and Pearce's study. Barker and Mone (1994) argued that the relationship between retrenchment and turnaround performance could be contingent upon the industry condition of the declining firm (Trahms et al., 2013) and found no evidence that firms in a declining industry had better turnaround performance from implementing retrenchment actions than those that did not (Trahms et al., 2013). Ndofor et al. (2013) found that operational actions negatively impacted turnaround for firms facing decline (Trahms et al., 2013), possibly due to the hidden costs of retrenchment, such as organizational downsizing (Datta et al., 2010; Ndofor et al., 2013; Trahms et al., 2013).

Strategic turnaround responses are also studied in various contexts (see Table 4). Barker and Duhaime (1997), for instance, studied turnarounds in a corporate setting and found that firms experiencing a deep decline have a greater need for strategic change. Morrow, Sirmon, Hitt, and Holcomb (2007) studied firms performing below market expectations and needing to meet the performance expectations of stakeholders for further financial support. Their findings illustrate that valuable and difficult-to-imitate moves utilizing existing resources in alternate ways positively impact organizational recovery. Additionally, Ndofor, Vanevenhoven, and Barker (2013) found support for strategic turnaround responses in industries that are growing. Unlike operational turnaround responses, empirical evidence has consistently supported strategic turnaround responses as an effective means for turnaround (Ndofor et al., 2013).

Literature also generally agrees on what constitutes a strategic turnaround. According to Barker and Duhaime (1997), strategic turnarounds are classified either as changes in the firm's

business portfolio or in the way it makes decisions surrounding competition at the product-market level. Morrow Jr et al. (2007) built upon this by outlining that a change in the product-market strategy of the firm can entail reworking its current resources into new product offerings. If its current resource base does not permit it to offer new products, firms can enhance their strategic position through strategic alliances and acquisitions which, in turn, change the firm's portfolio (Morrow Jr et al., 2007; Ndofor et al., 2013).

Researchers tend to agree on the actions that signify a strategic turnaround. Strategic turnarounds tend to fit under two umbrellas: product/ market refocusing or strategies to increase market share (Barker & Duhaime, 1997; Hambrick & Schecter, 1983; Morrow Jr et al., 2007). For example, Hambrick and Schecter (1983) studied turnarounds measured by sales from new products, product R&D/ sales, marketing/sales, and relative product quality, price, and market share while Morrow Jr et al. (2007) studied the creation of new products, mergers and acquisitions, and new alliances.

Topics within turnaround literature that researchers continually debate include what ultimately leads to a successful turnaround, operational responses or strategic responses? Hambrick and Schecter (1983) found support for the success of operational turnaround strategies but not for strategic turnaround strategies in firms that turned around. Robbins and Pearce (1992) followed this up with strong empirical support for firms needing cost and asset retrenchment in order to have a successful turnaround. On the other hand, Barker and Mone (1994) suggest that turnaround firms that engaged in retrenchment did not perform better than firms that did not. In fact, in the years following the turnaround, firms that engaged in retrenchment had a lower absolute performance than firms that did not.

Researchers who support strategic turnarounds propose that TMTs should first understand the cause of the decline and then respond to the decline with operational measures or strategic measures (Barker & Duhaime, 1997; Ndofor et al., 2013). For example, Barker and Duhaime (1997) negated the results of Robbins and Pearce (1992) and Hambrick and Schecter (1983), as neither study controlled for the cause of the decline. Barker and Duhaime (1997) argued that without controlling for decline, it is impossible to advocate for the need for strategic turnarounds. Although researchers still debate the need for operational and strategic turnarounds in a certain context, none have advocated for both to be completed at the same time. It is generally advised to either implement turnaround responses sequentially (Robbins & Pearce, 1992; Schmitt & Raisch, 2013) or to choose only one (Schendel et al., 1976; Schmitt & Raisch, 2013).

Based on the literature, I hypothesize that strategic turnaround responses will have a more significant impact on firm performance than operational turnaround responses. Strategic responses will allow the firm to utilize its existing resources in new and exciting ways, ultimately allowing for organizational recovery (Morrow Jr et al., 2007). Operational turnaround responses inhibit the firm's ability to attract new customers, making it a challenge for the firm to ultimately turn around.

Table 4: Seminal and Select Studies on Turnaround Strategy

Author(s)	Type of Turnaround Studied	Type of Study	Key Findings	Sample
Lohrke, Bedeian, & Palmer (2004)	Operational and strategic	Conceptual	Reviews literature pertaining to the role that TMT plays in the turnaround process and offers insight for opportunities of future study.	N/A
Pearce and Robbins (1993)	Operational and strategic	Conceptual	Completes a comprehensive review of turnaround literature to date and proposes a conceptual model of firm-level turnaround that is empirically-driven.	N/A
Trahms, Ndofor, & Sirmon (2013)	Operational and strategic	Conceptual	Builds off of Pearce and Robbins' (1993) model by reviewing literature published since then and proposing a model with organizational decline and turnaround strategy. Concludes with a research agenda pertaining to organizational decline and turnaround strategy.	N/A
Barker and Duhaime (1997)	Strategic	Empirical	Bridges the gap between empirical studies and theory in strategic turnarounds. Presents and empirically supports a model proposing that the scope of strategic change instituted in a successful turnaround changes systematically according to a declining firm's demand and range to revamp its strategy.	120 successful turnaround firms
Barker and Mone (1994)	Operational	Empirical	Replicates and critiques Robbins and Pearce's (1992) study and finds little support that retrenchment is integral to the turnaround process.	32 textile mill manufacturers
Hambrick & Schecter (1983)	Operational and strategic	Empirical	Studies mature industrial-product business units as they attempt a short-term turnaround. Finds that operational turnaround initiatives were more successful than strategic turnaround initiatives.	770 mature industrial-product businesses
Michael and Robbins (1998)	Operational	Empirical	Explores the use of retrenchment during turnarounds during recession. Finds that retrenchment is a common but not universal response, and cost and asset factors that are most commonly retrenched are those with little to no specialization.	164 survey responses from publicly -held manufacturing firms

Table 4 Continued: Seminal and Select Studies on Turnaround Strategy

Author(s)	Type of Turnaround Studied	Type of Study	Key Findings	Sample
Morrow, Sirmon, Hitt, & Holcomb (2007)	Strategic	Empirical	Studies the effect of strategic turnaround initiatives among firms in decline looking to fulfill the performance expectations of shareholders. Concludes that difficult-to-imitate and valuable actions that use current resources in contemporary ways offer the most to organizational recovery.	178 single-product manufacturing firms
Ndofor, Vanevenhoven, & Barker (2013)	Operational and strategic	Empirical	Empirically tests the association of operational and strategic turnarounds by controlling for the cause of the decline. Studies show that strategic initiatives were positively associated with turnarounds and operational initiatives were negatively associated with performance recovery.	114 U.S.-based prepacked computer software firms
Robbins and Pearce (1992)	Operational	Empirical	Concentrates on retrenchment and its role in the turnaround process. Concludes that an operational turnaround correlated with turnaround success for businesses in severe turnaround situations.	32 textile mill manufacturers
Schmitt & Raisch (2013)	Operational and strategic	Empirical	Clarifies the nature between operational and strategic turnaround interrelations and their importance for turnaround performance. Data supports that successful turnarounds are driven by complementary operational and strategic turnaround activities.	107 Central European turnaround initiatives
Tangpong, Abebe & Li (2015)	Operational	Empirical	Adds a temporal approach to the relationship between operational turnaround initiatives and the likelihood of turnaround success. Finds that firms in decline that implement rapid retrenchment actions are significantly more likely to have turnaround success, while late implementation yields an opposing result.	96 U.S. firms

2.33 The COVID-19 Pandemic

The beginning of the COVID-19 pandemic can be traced back to December 2019 when pneumonia cases in Wuhan (located in the Hubei Province of China) were unable to be credited to a known cause (CDC, 2023). The outbreak of this pathogen was ultimately traced to the Huanan Seafood Wholesale Market (CDC, 2023), and it was determined that the disease was caused by a novel coronavirus that was easily transmitted from person to person (Chan et al., 2020; Kraus et al., 2020). On January 20, 2020, the Centers for Disease Control (CDC) confirmed the first case of COVID-19 in the United States, with Thailand, Japan, and the Republic of Korea also confirming their first cases in the same month (CDC, 2023). By March 11, 2020, there were 118,319 confirmed cases globally, resulting in the World Health Organization (WHO) director-general declaring the disease a "pandemic" (CDC, 2023); that is, a worldwide epidemic impacting an immense number of people across borders (Last et al., 2001).

Although governments and health organizations worked aggressively to prevent a mass contagion, the coronavirus ultimately spread to every region of the world. According to the WHO, over 771 million cases and 6.9 million deaths were reported worldwide as of November 2023 (WHO, 2023b), with over 103 million cases and 1.1 million deaths in the United States (WHO, 2023b). Although May 2023 brought the end of the emergency phase of the COVID-19 pandemic (WHO, 2023a), the WHO continues to work on coordinating a global response to the coronavirus.

The easy spread of the coronavirus made it a challenge to contain. Government agencies implemented many restrictions in an attempt to keep citizens safe. In the United States, the period from March 15, 2020 to March 8, 2021 was a time of shut down (CDC, 2023). Each state implemented restrictions according to the impact of the disease in its area; actions taken included

closing bars, restaurants, and public school systems, and restricting residents to leaving home only for essential activities (Brammer et al., 2020; CDC, 2023) The CDC also implemented social distancing guidelines which suggested that people remain six feet from others and discouraged crowds and large gatherings (Brammer et al., 2020). Governments around the world limited the activities of nonessential businesses and of workers' ability to work in-office (del Rio-Chanona et al., 2020; Kraus et al., 2020), which resulted in drastic, simultaneous supply and demand shocks globally. The closures disrupted many economic activities as supply chains were cut, borders were closed, and the ability to move goods and services between countries was hindered (Al Amosh & Khatib, 2023; Ramya & Baral, 2021). Regarding demand, the rise in unemployment resulted in a decrease in consumers' spending capacity, limiting spending on nonessential goods and services (Kraus et al., 2020).

Crises such as this can change the business landscape in a number of ways. For instance, businesses were forced to navigate a hostile environment while figuring out how to best service their customers (Kuckertz et al., 2020), and new businesses arose triggered by the need for particular goods and services (Batjargal et al., 2023). As businesses must adapt to a new climate in order to survive, this allows researchers to test existing theory in a context other than "normal" (Batjargal et al., 2023). This dissertation, therefore, requires that organizations recall and report the actions that they took during the pandemic, with COVID-19 as the initiator of decline, and examines subsequent turnaround responses.

2.34 Entrepreneurial Orientation

There are a variety of definitions used to define entrepreneurship, as illustrated in Ireland and Webb (2007). For example, while Lumpkin and Dess (1996) define entrepreneurship as "new entry" (p.136), Shane and Venkataraman (2000) define it as the "processes of discovery, evaluation, and exploitation of opportunities" (p. 218). At the core of entrepreneurship, however, is an organization's quest to engage in entrepreneurial activities that are characterized as risky, innovative, and proactive (Covin & Slevin, 1991; Covin & Wales, 2012; Miller, 1983). These three dimensions compose EO, which is defined as the strategic processes in which firms base their entrepreneurial processes, decisions, and actions (Lumpkin & Dess, 1996).

Miller (1983, p. 780) summarized the need for all three EO:

> In general, theorists would not call a firm entrepreneurial if it changed its technology or product-line … simply by directly imitating competitors while refusing to take any risks. Some proactiveness would be essential as well. By the same token, risk-taking firms that are highly levered financially are not necessarily considered entrepreneurial. They must also engage in product-market or technological innovation. (p.780)

While using three dimensions of EO is typical (Ireland & Webb, 2007), Lumpkin and Dess (1996) introduced a five-dimensional definition of EO. In addition to risk-taking, innovativeness and proactiveness, they include autonomy and competitive aggressiveness. Autonomy is defined as an individual or team within an organization proposing an idea and seeing it through to completion; competitive aggressiveness is defined as an organization's propensity to outperform its rivals (Lumpkin & Dess, 1996; Wales et al., 2013). Lumpkin and Dess (1996) cite empirical evidence to justify the importance of these dimensions. For example, Dean (1993) found data to support that 37% of variance in corporate entrepreneurship was

explained by competitive aggressiveness, which was more than any other variable analyzed. Additionally, Lumpkin and Dess (1996) drew support from Miller (1983) and found that firms that were classified as entrepreneurial had the most autonomous leaders. As stated in Covin and Wales (2012), Lumpkin and Dess (1996) illustrate how to recognize EO, but Miller's conceptualization illustrates what EO looks like.

Despite Lumpkin and Dess' (1996) proposal, researchers in the field of entrepreneurship continually utilize risk-taking, innovativeness, and proactiveness as the core dimensions of EO (Wales, 2016). This dissertation examines EO based on each individual component of risk-taking, innovativeness, and proactiveness (Lumpkin & Dess, 1996).

Risk-taking stems from early entrepreneurial literature and the notion of an entrepreneur (who works for oneself) and their exposure to personal uncertainty (Cantillon, 1755/1931; Lumpkin & Dess, 1996; Shane, 1994). According to Cantillon (1755/1931), it is the ambiguity of self-employment that differentiates entrepreneurs from hired employees, establishing riskiness as a frequent descriptor for entrepreneurship (Lumpkin & Dess, 1996). Risk is therefore defined as "the degree to which managers are willing to make large and risky resource commitments – i.e. those which have a reasonable chance of costly failures" (Miller & Friesen, 1978, p. 923). Entrepreneurially oriented firms are often identified by risky behavior, such as sizable resource commitments and acquiring heavy debt, in an effort to achieve high returns by clenching opportunities in the market (Lumpkin & Dess, 1996).

Schumpeter (1934; 1942) is credited as the first to associate innovation with entrepreneurship. He outlined a process of "creative destruction" to explain the process of wealth being created in current market structures when newly formed goods or services are transferred from existing firms to newer firms, allowing them to grow. Innovativeness is therefore defined as

a firm's inclination to back new ideas, experimentation, novelty, and creative processes that have the potential to result in services, products, or technological processes (Lumpkin & Dess, 1996). It represents an enthusiasm for the firm to deviate from existing technologies or practices and move past its current state (Kimberly, 1981; Lumpkin & Dess, 1996).

Innovation usually takes the form of either product-market or technological innovation (Lumpkin & Dess, 1996). Product-market innovation can consist of product design, market research, and advertising and promotion (Miller & Friesen, 1978; Scherer, 1980), while technological innovation typically consists of process and product development, research, engineering, and improving technical skill and industry knowledge (Cooper, 1971; Maidique & Patch, 1982). Innovation can be observed in firms based on their desire to try a new product line, explore a new advertising venue, or work to master the most up-to-date technological advances (Lumpkin & Dess, 1996).

Proactiveness is defined as "acting in anticipation of future problems, needs, or changes" (Lumpkin & Dess, 1996; *Webster's ninth new collegiate dictionary*, 1991, p. 937). It captures Penrose's (1959) argument that entrepreneurial managers imagine opportunistic expansion, and Lieberman and Montgomery's (1988) argument that the optimal strategy for capitalizing on a market opportunity is the first-mover advantage to ultimately illustrate the importance of drive in the entrepreneurial process (Lumpkin & Dess, 1996). A proactive firm capitalizes off of asymmetries in the marketplace which allows it to benefit from the first-mover advantage, ultimately generating high profits and an early advantage in brand recognition (Lumpkin & Dess, 1996).

In addition to researchers debating the use of three or five EO dimensions, a common debate is whether to use EO as a unidimensional or a multidimensional construct.

Entrepreneurial Orientation as a unidimensional construct was established by Miller (1983), where he proposes risk-taking, innovativeness, and proactiveness as the core characteristics of EO, often combined and used as an indicator in researching firm-level entrepreneurship (Covin & Wales, 2012; Rauch et al., 2009; Wales et al., 2013). Lumpkin and Dess (1996) introduced EO as a multidimensional phenomenon, arguing that the individual dimensions of EO do not have to co-vary in order for a firm to be considered entrepreneurial (Wales et al., 2013). Although this contributed to theoretical division, more scholars still tend to utilize EO as a unidimensional construct with risk-taking, innovativeness, and proactiveness considered as intercorrelating (Covin et al., 2006; Rauch et al., 2009; Wales et al., 2013).

Because this dissertation addresses the context of a global pandemic, it utilizes EO as a multidimensional construct. This provides the opportunity to better understand and analyze the individual effects of risk-taking, innovativeness, and proactiveness as moderators of the direct relationship between turnaround response and firm performance without concealing the effects of individual variations as frequently occurs in research on EO as a unidimensional construct (Lomberg et al., 2017).

The relationship between EO and performance is of interest to many scholars (Covin & Slevin, 1989; Covin et al., 1994; Lomberg et al., 2017; Miller, 1983; Rauch et al., 2009; Swierczek & Ha, 2003; Zahra & Garvis, 2000). This dissertation utilizes 11 relevant studies (summarized in Tables 5 and 6). These articles, all from peer-reviewed journals, are the result of research using the Atkins Library at UNC-Charlotte and searching keywords such as entrepreneurial orientation, EO, entrepreneurial strategic posture, firm performance, and profitability.

Many studies have shown a positive relationship between EO and firm performance (Covin & Slevin, 1989; Lomberg et al., 2017; Miller, 1983; Rauch et al., 2009; Swierczek & Ha, 2003; Zahra & Garvis, 2000), as the process of anticipating business demands, innovating frequently, and implementing new products and services lends itself to stronger performance (Ireland et al., 2003; Rauch et al., 2009). However, the strength of the relationship can vary. For example, Rauch et al. (2009) found a strong correlation between EO and firm performance, while Covin et al. (1994) struggled to find a statistically significant relationship. Furthermore, Covin and Slevin (1989), did not find a statistically significant effect of EO on firm performance independent of organization structure.

Table 5: Select Conceptual Studies on Entrepreneurial Orientation

Author(s)	Type of Study	Key Findings	Sample
Covin & Wales (2012)	Conceptual	Explores how EO has been presented and evaluated in prior research. Compares EO's use as a unidimensional and multidimensional measurement in research.	N/A
George & Marno (2011)	Conceptual	Outlines the evolution of EO in regard to formation, modeling, and operationalizing the concept.	N/A
Lumpkin & Dess (1996)	Conceptual	Clarifies the nature of EO as a construct and proposes a framework to investigate the relationship between EO and firm performance.	N/A
Wales, Gupta, Mousa (2011)	Conceptual	A comprehensive review and assessment of empirical EO literature.	N/A

Table 6: Select Empirical Studies on Entrepreneurial Orientation

Author(s)	Type of Study	Key Findings	Sample
Covin & Slevin (1989)	Empirical	Examines tactical responses to environmental aggression in small manufacturing firms. Findings support that performance among these firms was positively related to entrepreneurial strategic posture (i.e. EO).	161 U.S. small manufacturers
Covin, Slevin, & Schultz (1994)	Empirical	Studies the effect of strategic mission on the relationships between firm performance and selected strategic, structural, and tactical variables. Results show that firms with build-orientated strategic missions performed better when they embraced an entrepreneurial strategic posture (i.e. EO). However, this relationship was not found to be statistically significant.	91 U.S. advanced technology manufacturing companies
Lomberg, Urbig, Stöckmann, Marino, Dickson (2017)	Empirical	Reviews and sheds new insight on the relationship between EO and firm performance by exploring various contexts. Data shows a positive relationship between the three dimensions of EO and firm performance, with proactiveness being the only dimension that has a statistically significant effect on firm performance when the other dimensions are kept constant. Also finds that the strength of the relationship between EO and firm performance fluctuates based on industry and structure.	1,024 international small and medium-sized firms
Miller (1983)	Empirical	Clarifies the factors of entrepreneurial firms and the conceptualization of EO.	52 firms
Rauch, Wiklund, Lumpkin, & Frese (2009)	Empirical	Meta-analysis that documents, reviews, and evaluates the knowledge available on the relationship between EO and firm performance, and assesses potential moderators impacting this relationship.	53 samples with n = 14,259
Swierczek & Ha (2003)	Empirical	Finds support for the relationship between EO and firm performance in a multinational setting. Finds that Thai enterprises were more proactive and innovative than Vietnamese enterprises while Vietnamese enterprises were more risk-taking.	306 Vietnamese & 172 Thai small and medium-sized enterprises
Zahra & Garvis (2000)	Empirical	Explores the effects of EO on a firm's overall and foreign performance. Results show a positive relationship between EO and the firm's overall profitability and growth as well as with its foreign profitability and growth.	98 U.S. companies

2.4 Research Model and Hypothesis Development

The research model of this dissertation explores the gap found within the literature review. While extant studies have investigated turnaround response and firm performance, particularly comparing and contrasting the effectiveness of operational and strategic turnaround responses in a variety of contexts (Hambrick & Schecter, 1983; Michael & Robbins, 1998; Robbins & Pearce, 1992), literature has yet to examine the relationship between turnaround response and firm performance when decline was initiated by a global pandemic.

An organization's TMT is driven by the desire to see the organization perform well; ultimately, it is the TMT's responsibility to make decisions for the business during periods of decline and turnaround (Lohrke et al., 2004; Weitzel & Jonsson, 1989). Previous research has shown that there is a relationship between the turnaround response of the TMT and firm performance (Hambrick & Schecter, 1983; Michael & Robbins, 1998; Robbins & Pearce, 1992). The BTOF has been used as a framework to predict the actions of the TMT when actual firm performance differs from expected performance (Greve, 1998; McKinley et al., 2014; Salge, 2011; Wiseman & Bromiley, 1996). According to the BTOF, once the TMT recognizes this difference, it will search for a solution until actual and expected performance realign (Cyert & March, 1963, pp. 120-123; Gavetti et al., 2012). The onslaught of the COVID-19 pandemic brought about a situation for many firms in which actual performance varied from expectation, thus providing a natural laboratory to explore turnaround response in this context.

Table 7 lists the eight hypotheses developed for this study. The research model is a moderation model. Hypotheses 1 and 2 (H1, H2) are predictions based on established theory. Hypotheses 3 through 8 (H3, H4, H5, H6, H7, H8) are moderations across theory. More specifically, the theoretical hypotheses address the relationship between operational and strategic

turnaround responses and firm performance due to the decline initiated by the COVID-19 pandemic within the confines of the BTOF. The varying degrees of the EO of the responses implemented will either strengthen or weaken the theoretical relationship. Hypotheses 1 and 2 examine the impact of operational and strategic turnaround responses on firm performance.

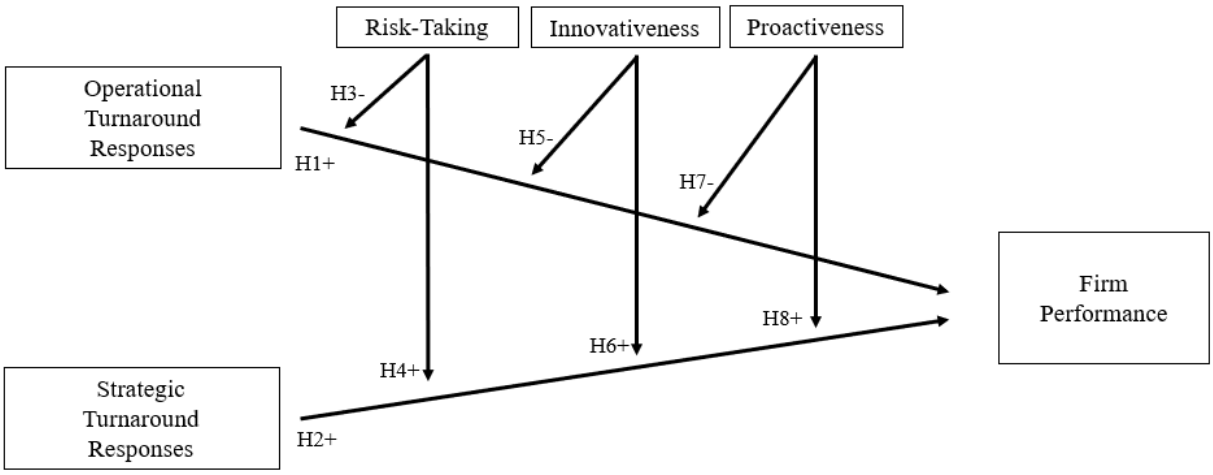

Figure 2: Theoretical Model of Turnarond Responses and Firm Performance as Moderated by EO

Table 7: Hypothesized Relationships

Turnaround Response and Firm Performance	
H1	Operational turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of operational turnaround responses.
H2	Strategic turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of strategic turnaround responses.
The Moderating Role of EO	
H3	Risk-taking moderates the relationship between operational turnaround responses and firm performance such that higher levels of risk-taking diminish the positive relationship between operational turnaround responses and firm performance.
H4	Risk-taking moderates the relationship between strategic turnaround responses and firm performance such that higher levels of risk-taking enhance the positive relationship between strategic turnaround responses and firm performance.
H5	Innovativeness moderates the relationship between operational turnaround responses and firm performance such that higher levels of innovativeness diminish the positive relationship between operational turnaround responses and firm performance.
H6	Innovativeness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of innovativeness enhance the positive relationship between strategic turnaround responses and firm performance.
H7	Proactiveness moderates the relationship between operational turnaround responses and firm performance such that higher levels of proactiveness diminish the positive relationship between operational turnaround responses and firm performance.
H8	Proactiveness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of proactiveness enhance the positive relationship between strategic turnaround responses and firm performance.

Hypothesis Development

Operational turnaround responses are responses to organizational decline designed to increase the efficiency of the organization's operation (Robbins & Pearce, 1992; Schmitt & Raisch, 2013). Literature has identified two ways to enact an operational turnaround; a) the reduction of assets and b) the reduction of costs. Asset retrenchment is defined as a reduction in assets through divestitures or plant closings while cost retrenchment is defined as a reduction in operational costs via process improvements or layoffs (Morrow et al., 2004; Schmitt & Raisch, 2013).

While many scholars have studied the relationship between operational turnaround responses and firm performance (Hambrick & Schecter, 1983; Michael & Robbins, 1998; Ndofor et al., 2013; Robbins & Pearce, 1992), empirical support has yielded mixed results (Trahms et al., 2013). For example, while Robbins and Pearce (1992) found support for asset and cost retrenchment as the key to a successful turnaround, Barker and Mone (1994) found that firms that engaged in retrenchment ultimately did not perform better than firms that did.

However, this dissertation is based upon Cyert and March's (1963) BTOF, which posits that once organizational performance is below the TMT's aspirations, the TMT will search for ways to realign actual performance with expected performance. Therefore, according to the BTOF, the TMT's search process will continue until performance matches expectations. I expect a positive relationship between operational turnaround responses and firm performance.

Despite the inconsistencies in empirical support for the relationship between operational turnaround responses and firm performance, I still expect a positive relationship because the overall objective of an operational turnaround response is for the business to implement retrenchment as it returns to profitability (Pearce & Robbins, 2008). The pandemic increased

consumers' use of the internet and social media (Donthu & Gustafsson, 2020). Since social media have been known to assist organizations in achieving business objectives, most businesses utilize them (Hu et al., 2023). Therefore, I hypothesize that firms that opt to pursue an operational turnaround response will utilize this tool more to attract customers to their existing offerings, consequently improving firm performance. Thus, I suggest that:

> *H1: Operational turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of operational turnaround responses.*

Strategic turnaround responses occur when management pursues actions that alter the strategic position of the firm (Robbins & Pearce, 1992; Schmitt & Raisch, 2013). They are characterized as changes to an organization's portfolio or its decision-making in terms of competition at the product-market level (Barker & Duhaime, 1997). Applying this logic utilizing the BTOF, I expect an increase in firm performance with the implementation of strategic turnaround responses. The decline in organizational performance as a result of the COVID-19 pandemic caused actual performance to be below expected performance; according to the BTOF, the TMT will continue the search process until performance matches expectations (Cyert & March, 1963).

Extant literature is consistent in showing the impact that strategic actions have on firm performance (Trahms et al., 2013). For instance, Ndofor, Vanevenhoven, and Barker (2013) found a positive relationship between strategic actions imposed and firm performance when they studied growing industries. Similarly, Morrow, Sirmon, Hitt, and Holcomb (2007) found that utilizing the firm's current stock of resources and recombining them to create valuable new

processes, products, or technologies in addition to obtaining resources through mergers or acquisitions, positively impact organizational recovery.

In the COVID-19 pandemic, many organizations enhanced decision-making surrounding online platforms to better align with consumption patterns at that time (Donthu & Gustafsson, 2020). Because the policies implemented to minimize the spread of Covid resulted in many individuals staying home more, organizations that enhanced virtual resources such as food delivery options, remote work, and online entertainment expected to benefit from an increase in performance. Considering these factors, I expect a positive relationship between strategic turnaround responses and firm performance. Therefore I posit that:

H2: Strategic turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of strategic turnaround responses.

The Moderating Role of EO

Hypotheses 1 and 2 are driven by the logic that once actual firm performance is lower than the TMT's expected firm performance, the TMT will continue to implement initiatives to correct performance. If so, I expect the implementation of operational and strategic turnaround responses to result in an increase in firm performance. Building on the literature of EO, I explore variables that would strengthen this relationship. While historic literature on turnaround strategy has examined the environment in which operational and strategic turnarounds work best (Hambrick & Schecter, 1983; Michael & Robbins, 1998; Robbins & Pearce, 1992), none have examined this within the context of a global pandemic or by utilizing EO as a moderator.

We introduce EO as a moderator into this literature for two main reasons. First, according to turnaround literature, the actions of the TMT determine the future of the organization (Lohrke et al., 2004) because the TMT is bounded by the views of its members (Cyert & March, 1963;

Lohrke et al., 2004). Introducing EO as a moderator will extend the literature by examining whether the TMT's EO helps to strengthen the relationship between turnaround response and firm performance. Second, understanding what motivates the TMT's response to decline is an important component of understanding the TMT's response to decline (Lohrke et al., 2004). Utilizing EO as a moderator can help bring clarity and will allow us to better understand how EO impacted the TMT's response over the course of the pandemic.

Entrepreneurial orientation is defined as the strategic processes on which organizations base their entrepreneurial methods, choices, and actions (Lumpkin & Dess, 1996; Rauch et al., 2009) and has three components: risk-taking, innovativeness, and proactiveness (Miller, 1983). This dissertation examines each component as an individual dimension to understand their importance in the relationship between turnaround response and firm performance.

Risk-Taking

Risk-taking is defined as "the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures" (Lumpkin & Dess, 1996; Miller & Friesen, 1978, p. 923). Examples of risk-taking behavior include "venturing into the unknown," "committing a relatively large portion of assets," and "borrowing heavily" (Baird & Thomas, 1985, pp. 231-232; Lumpkin & Dess, 1996). Firms that embrace risk-taking do so in anticipation of high returns as a result of the risky behavior and understand that there is a costly chance of failure (Lumpkin & Dess, 1996). Management literature classifies managerial actions as either safe or highly risky (Lumpkin & Dess, 1996). Venkatraman (1989) asked executives if they followed previously utilized paths and supported projects where the expected returns were certain. If yes, their decision was considered a safe risk; if not, their decision was considered highly risky.

Given the dichotomy of risk, literature has frequently studied the theoretical foundation of the BTOF in relation to risk. According to the BTOF, executives will increase risk when firms are underperforming compared to aspirations (Cyert & March, 1963; Greve, 1998; Hoskisson et al., 2017). Applying this to turnaround literature, operational turnaround responses would be considered safer risks while strategic turnaround responses would be considered riskier.

Previously, I proposed a positive relationship between operational turnaround responses and firm performance. I now propose that operational turnaround responses will negatively interact with firms' risk-taking. An operational turnaround response occurs when the TMT opts to continue utilizing its same strategy but to execute it more efficiently (Robbins & Pearce, 1992; Trahms et al., 2013). This type of turnaround response involves making strict reductions in costs and shrinking back to the most profitable segments of the business (Pearce & Robbins, 1993). To do this, the TMT employs actions such as liquidation, product elimination, and employee layoffs to reduce cash outflow during the uncertainty of turnaround (Bibeault, 1982; Robbins & Pearce, 1992).

Firms that select to pursue an operational turnaround response do so because it is a known path to efficiency (Pearce & Robbins, 1993). They understand that investing a significant amount of resources into paths with the risk of costly failure would diminish their ability to preserve resources until the environment is more stable (Arogyaswamy et al., 1995; Lumpkin & Dess, 1996; Miller & Friesen, 1978). With many firms unsure of the length of time Covid would last and the amount of resources needed to survive the pandemic, firms that opted for an operational turnaround response would feel less comfortable investing in risky endeavors during this time (Bartik et al., 2020).

In contrast, firms that are characterized by higher risk-taking but weaker operational turnaround responses may find challenges seeing improvement in performance. Weaker operational responses, such as reductions in cost of goods sold and selling, general, and administrative expenses, only slightly improve the performance of the organization (Morrow et al., 2004; Pearce & Robbins, 2008). Coupled with the TMT's desire to significantly invest in experiential opportunities that have a costly chance of failure, the organization will likely lose out on valuable cash resources that are needed to keep the organization afloat as it completes the turnaround process (Lumpkin & Dess, 1996; Miller & Friesen, 1978; Morrow et al., 2004).

Firms can also be characterized by more conservative risk-taking positions (i.e., low risk-taking). In these instances, the TMT will be rewarded due to its aversion to risk during this period of uncertainty as it will opt to implement significant operational turnaround responses which have certainty surrounding returns (Pearce & Robbins, 1993). The process of selling off low performing assets and reducing costs while excluding the investment that comes with risk-taking means that the firm increases efficiency and improves performance.

Firms with low risk-taking and weaker operational turnaround responses will experience only a slight improvement in performance. Weak operational turnaround responses alone do little to improve performance (Pearce & Robbins, 2008). Because the TMT implements actions only with expected returns, it limits the opportunity to implement actions that could be more beneficial to the firm.

Therefore, I propose that:

H3: Risk-taking moderates the relationship between operational turnaround responses and firm performance such that higher levels of risk-taking diminish the positive relationship between operational turnaround responses and firm performance.

Previously, I proposed a positive relationship between strategic turnaround responses and firm performance. I now propose that strategic turnaround responses will positively interact with firms' risk-taking. By definition, a strategic turnaround response entails the TMT agreeing to change the strategic direction that the firm is currently operating within (Pearce & Robbins, 1993; Robbins & Pearce, 1992; Trahms et al., 2013) and implementing actions such as new product promotion methods, acquisitions, and entering new markets (O'neill, 1986; Pearce & Robbins, 1993). These types of strategies place additional demands on the firm's resources because they require high start-up costs (Pearce & Robbins, 1993).

As stronger strategic turnaround responses that are valuable and difficult to imitate have been shown to improve firm performance in the turnaround process (Morrow Jr et al., 2007), the firm initiates a problem-driven search which allows it to receive updated information to engage in new, competitive activities (Cyert & March, 1963; Miller & Chen, 2004). Firms that have high levels of risk-taking can then implement stronger strategic responses and competitive activities to service new and existing customers in new ways (Morrow Jr et al., 2007). With the pandemic triggering hoarding behavior among consumers as they stockpiled essentials, organizations that invested in meeting customers' needs despite it being an entry to a new market expected to benefit from this risk (Sheth, 2020).

In contrast, firms that are characterized by higher risk-taking but weaker strategic turnaround responses likely desire to implement a quicker response to generate an improvement in performance. As the process of implementing a strategic turnaround response can be lengthy (Morrow Jr et al., 2007) and the outcome can be uncertain (Arogyaswamy et al., 1995), the firm may desire to invest significant resources into servicing its current customers in new ways as opposed to attracting new customers utilizing new methods.

Firms can also be characterized by more conservative risk-taking positions (i.e., low risk-taking). In these cases, firms still benefit from the increased knowledge and awareness of the current market landscape as found in the search process to implement stronger strategic turnaround responses. However, the desire to allocate limited resources toward these measures will limit the returns received from their investment (Lumpkin & Dess, 1996).

Firms with low risk-taking and weaker strategic turnaround responses will experience limited benefit from their actions. With limited information received in the search process and a limited investment of resources, the firm will be challenged to implement a strategy that aligns with the updated market as changes in the environment alter the usefulness of the firm's competitive advantages (Morrow Jr et al., 2007; Pearce & Robbins, 2008). This would result in the firm performing lower than anticipated.

Based on this, I hypothesize that:

H4: Risk-taking moderates the relationship between strategic turnaround responses and firm performance such that higher levels of risk-taking enhance the positive relationship between strategic turnaround responses and firm performance.

Innovativeness

Innovativeness is defined as a firm's inclination to implement new ideas and creative processes that result in new products, services, and technological processes, for which firms are rewarded for their creativity (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Innovativeness occurs on a spectrum based on the firm's willingness and comfort. A simple innovative commitment could be experimenting with a new product line or trying out a new advertising venue, while a more passionate commitment could entail pledging to master the most up-to-date new technological advances (Lumpkin & Dess, 1996). Karagozoglu and Brown (1988)

determined innovation by inquiring about management's willingness to let go of old beliefs and discover new alternatives and how much they value and reward experimentation.

Literature has studied the theoretical foundation of the BTOF in relation to innovation. According to the BTOF, when performance is below aspiration executives will be more receptive to variations in their existing routine and embrace innovation (Cyert & March, 1963; McKinley et al., 2014). Applying this to turnaround literature, operational turnaround responses generally entail less innovativeness than strategic turnaround responses.

Previously, I proposed a positive relationship between operational turnaround responses and firm performance. I now propose that operational turnaround responses will negatively interact with firms' innovativeness. Recall that with an operational turnaround response, the TMT aims to maintain its same strategy but to execute it more effectively by reducing costs and assets (Robbins & Pearce, 1992; Trahms et al., 2013). Firms opting for an operational turnaround response desire the certainty and predictability of returns (Pearce & Robbins, 1993). Implementing significant innovative strategies would require a significant investment of resources that would challenge a firm's ability to meet its immediate financial obligations and ultimately reduce its ability to predict its return on investment (Kreiser et al., 2013; Lumpkin & Dess, 1996).

Innovation requires a process of trial-and-error which can make it a challenge to know the expected return on investment and when the business would start to see the return (Kreiser et al., 2013). In the COVID-19 pandemic, firms opting to pursue an operational turnaround response understood that significantly investing in innovative ideas during this time would conflict with their goal to survive the pandemic (Bartik et al., 2020). The TMT would ultimately

diminish returns as investing in innovative ideas during this time would make it more difficult to return to profitability (Kreiser et al., 2013).

In contrast, firms that are characterized by higher innovativeness but weaker operational turnaround responses may accelerate decline within the organization as opposed to experiencing a turnaround. Firms implementing weaker operational responses will experience only slight improvements in performance since these actions are not significant enough to generate substantial returns (Morrow et al., 2004; Pearce & Robbins, 2008). The TMT's choice to invest in experimental initiatives would more rapidly deplete the firm's available resources before it could generate investment returns (Tangpong et al., 2015).

Firms can also be characterized by more conservative innovative positions (i.e., low innovativeness). In these instances, the TMT would allocate fewer resources toward innovative explorations than riskier innovative positions (Kreiser et al., 2013). This would allow the firm to retain its resources and maintain longevity as it navigates the turnaround (Arogyaswamy et al., 1995).

Firms with low innovativeness and weaker operational turnaround responses will experience limited improvement in performance. Considering that weaker operational responses do not yield a significant improvement in performance (Pearce & Robbins, 2008) when the firm invests minimal resources into experimentation, there are fewer opportunities to see significant improvement in performance.

Therefore, I propose that:

H5: Innovativeness moderates the relationship between operational turnaround responses and firm performance such that higher levels of innovativeness diminish the positive relationship between operational turnaround responses and firm performance.

Previously, I proposed a positive relationship between strategic turnaround responses and firm performance. I now propose that strategic turnaround responses will positively interact with firms' innovativeness. Recall that a strategic turnaround response is one in which the TMT has chosen to deviate from its current operating strategy (Pearce & Robbins, 1993; Robbins & Pearce, 1992; Trahms et al., 2013). Actions such as entering new product areas and utilizing new product promotion methods are examples of strategic turnaround responses which involve innovation to execute (O'neill, 1986; Pearce & Robbins, 1993). Top management teams with characteristics of high innovativeness and strong strategic turnaround responses search for creative paths to attract new assets to the company; they utilize these resources to challenge their competitors by offering attractive new options to their customers (Pearce & Robbins, 2008). For example, in the COVID-19 pandemic, firms invested in partnerships with digital platforms, such as Zoom video and meetings, food delivery services, and online shopping (Donthu & Gustafsson, 2020; Sheth, 2020). Thus, firm performance improves as the firm receives the benefit of additional streams of revenue (Pearce & Robbins, 2008).

In contrast, firms that are characterized by higher innovativeness but weaker strategic turnaround responses likely utilize innovation in refining a process that is only slightly different than its current operating strategy. In doing this, the firm would expect to see quicker improvement in performance and will have more certainty regarding expected results (March, 1991). Thus, the firm may desire to find creative ways to attract new customers to its products or services while strategizing ways to involve itself in slightly new markets.

Firms can also be characterized by more conservative innovative positions (i.e., low innovativeness). In these cases, firms still benefit from the enhanced knowledge received in the search process as they work to implement stronger strategic turnaround responses. However,

limited creativity will restrict revenue growth potential and, ultimately, performance (Lumpkin & Dess, 1996).

Firms with lower innovativeness and weaker strategic turnaround responses will experience partial benefit from their actions. With limited information received in the search process and less creativity incorporated into the strategic response, the firm limits its opportunity to take advantage of changes in the market and receive the returns associated with implementing enhanced technological and product-market processes (Morrow Jr et al., 2007). The ultimate result would be the firm performing lower than expected.

Based on this, I hypothesize that:

H6: Innovativeness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of innovativeness enhance the positive relationship between strategic turnaround responses and firm performance.

Proactiveness

Proactiveness occurs when a firm is an early actor in the marketplace in anticipation of future needs, issues, or changes (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Moreover, proactiveness is exhibited in firms which act on and anticipate future needs by "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life cycle" (Venkatraman, 1989, p. 949). Proactive firms hope to seize new opportunities to "shape the environment," influence trends, create demand, and generate the returns as a result (Lumpkin & Dess, 1996).

Proactiveness occurs along a spectrum. A proactive firm is a leader within the marketplace while a passive firm is unable to be or is indifferent about being a leader in the

marketplace and seizing new opportunities (Lumpkin & Dess, 1996). Miller and Friesen (1978, p. 923) argue that a firm's proactiveness can be seen in the way it answers the question: "Does [the decision] *shape* the environment (high score) by introducing new products, technologies, administrative techniques, or does it merely react?" (p. 923). While literature has not explicitly utilized the BTOF as a theoretical basis for studying proactiveness, it can be inferred that a TMT experiencing performance below aspirations would embrace proactiveness as it explores various avenues to align performance with expectations (Cyert & March, 1963).

Previously, I proposed a positive relationship between operational turnaround responses and firm performance. I now propose that operational turnaround responses will negatively interact with firms' proactiveness. In an operational turnaround response, the TMT maintains its current strategy but enhances its efficiency (Robbins & Pearce, 1992; Trahms et al., 2013). Actions such as closing facilities, reducing product lines, and implementing tight cost controls are considered proactive when the TMT is an early actor and does so in anticipation of future trends (Lumpkin & Dess, 1996; Pearce & Robbins, 2008). Making the choice to be proactive comes along with a significant investment in the search process as the firm must establish systems and proficiencies that will allow it to forecast market trends before its competitors (Cyert & March, 1963; Kreiser et al., 2013). As with risk-taking and innovativeness, during the COVID-19 pandemic, firms that opted to pursue an operational turnaround response understood the financial constraints that would result with implementing proactive measures (Bartik et al., 2020). Although the firm would ultimately benefit in the form of increased efficiencies before its competitors, it would diminish its current resource base and increase firm instability.

In contrast, firms that are characterized by higher proactiveness but weaker operational turnaround responses may accelerate decline as opposed to experiencing turnaround. Firms that

choose to implement a weaker operational response, such as reductions in selling, general, and administrative expenses, cannot expect to see significant improvement in performance (Pearce & Robbins, 1993). As with risk-taking, the desire of the TMT to invest significant resources into actions without a sure return or time frame for return would cause it to diminish cash resources that could otherwise be used to maintain the organization's functionality (Kreiser et al., 2013).

Firms with low proactiveness can also be characterized as reactive, eliminating the need for substantive investment in the time and resources needed to maintain its proactive status (Lumpkin & Dess, 1996; Rosenbusch et al., 2011). Instead, firms would benefit from the search process of other firms within the market. Coupled with the TMT's choice to implement strong operational turnaround responses, the firm could expect to increase its resource base, ultimately increasing its longevity (Arogyaswamy et al., 1995).

Firms with lower proactiveness and weaker operational turnaround responses would not see significant improvement in performance. Implementing a weaker operational response will allow the firm to experience only slight improvement in performance (Pearce & Robbins, 2008). The TMT's choice to be reactive would force its reliance on the search process of its competitors and would diminish its opportunity to generate the returns that come with being proactive (Lumpkin & Dess, 1996; Rosenbusch et al., 2011). Thus, as with innovativeness, the organization has few paths to pursue a significant improvement in performance.

Therefore, I propose that:

H7: Proactiveness moderates the relationship between operational turnaround responses and firm performance such that higher levels of proactiveness diminish the positive relationship between operational turnaround responses and firm performance.

Previously, I proposed a positive relationship between strategic turnaround responses and firm performance. I now propose that strategic turnaround responses will positively interact with firms' proactiveness. As previously stated, in a strategic turnaround response the TMT pursues actions which alter the strategic position of the firm (Pearce & Robbins, 1993; Robbins & Pearce, 1992; Trahms et al., 2013), such as acquisitions or increased market penetration, which are considered proactive when the TMT acts before its competitors (Arogyaswamy et al., 1995; Bibeault, 1982; Lumpkin & Dess, 1996). To do this, the firm must identify changes in market conditions early so that it can respond early (Kreiser et al., 2013). Firms that were proactive going into the COVID-19 pandemic understood the importance of investing in digital technology and made such moves prior to their competitors (Donthu & Gustafsson, 2020). Therefore, the firm experienced increased demand, higher levels of customer loyalty, and greater profitability in the pandemic (Covin & Miles, 1999; Kreiser et al., 2013).

In contrast, firms that are characterized by higher proactiveness but weaker strategic turnaround responses will still shape their external environment, but will largely focus on current market segments. The proactiveness of the firm will allow it to maintain its competitiveness by servicing underserved markets (Kreiser et al., 2013) while the TMT's choice of a weaker strategic turnaround response will allow it to utilize existing resources to service viable customer segments (Arogyaswamy et al., 1995). Considering that this position entails less risk, the firm will still benefit but not to the extent of a more elaborate strategic response.

Firms with low proactiveness can also be characterized as reactive. In these instances, firms will not initiate the search process to obtain knowledge on new markets independently, but instead will benefit from the search process of more proactive firms and follow established market trends (Lumpkin & Dess, 1996; Rosenbusch et al., 2011). This knowledge will be utilized

to implement stronger strategic turnaround responses and will save the firm time and money compared to more extensive, proactive search processes. However, firms will be unable to significantly benefit from the increased demand and greater profitability that comes with being proactive (Covin & Miles, 1999; Kreiser et al., 2013).

Firms with lower proactiveness and weaker strategic turnaround responses will experience limited benefit from their actions, as they will merely be reacting to changes in the environment as a result of the actions of competitors, making it a challenge to effectively understand the drivers in the market and keep up with the strategic response (Kreiser et al., 2013). This will ultimately result in the firm performing lower than anticipated as the benefits of these actions would not outweigh the costs (Kreiser et al., 2013).

Based on this, I propose that:

H8: Proactiveness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of proactiveness enhance the positive relationship between strategic turnaround responses and firm performance.

The BTOF, turnaround response, and EO have an impact on firm performance. This dissertation incorporates these concepts by modeling firm-level performance as the outcome of the implementation of operational and strategic turnaround responses moderated by EO. Chapter 3 outlines the methodology used to test the hypotheses.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

This chapter explains the methodology that will be used to test the research model and hypotheses. This chapter is divided into five sections. The first section is an overview of the study. The second section provides information on the survey instrument that was used to collect the necessary data. The third section details the approach taken and the fourth section describes the preliminary measures used for data collection. The last section outlines the process in which the data was analyzed.

3.1 Overview

Survey data have been previously used in turnaround literature as a way to understand management's actions during turnaround and the firm's performance (Michael & Robbins, 1998; Robbins & Pearce, 1992; Schmitt & Raisch, 2013). Utilizing quantitative methods (Creswell, 2011), survey data for this study was obtained via Prolific and was electronically administered to participants within the United States.

3.2 Survey Instrument

The sample consists of members of the TMT for firms that implemented a turnaround response due to the COVID-19 pandemic. Self-reported formats are recommended when there is the challenge of an outsider being able to acquire information on objective measures (Hambrick & Schecter, 1983; Robbins & Pearce, 1992; Schmitt & Raisch, 2013). Eligible members of the TMT include CEOs/ Owners, Presidents, Vice Presidents, and other executive team members (see Robbins and Pearce (1992). Participants were sourced through the Prolific platform. Survey respondents are a mix of male and female; they come from a variety of industries located in a variety of states. Both private and publicly listed firms are represented. This method will result in a convenience sample, which is a limitation of this study.

A web survey was used to collect data for this survey. With benefits such as lower delivery costs, enhanced design options, less data entry, and shorter transmit time, the web has become a popular means of distributing surveys (Fan & Yan, 2010). One disadvantage, however, is a 10% less response rate than other survey methods (Fan & Yan, 2010) mainly due to survey software. To circumvent this, researchers suggest ensuring that the survey link is easy to open and navigate (Fan & Yan, 2010; Simsek & Veiga, 2001).

This study used the Qualtrics Survey Platform to distribute the survey and collect responses. Benefits include the ability to be used in a variety of browsers, completed on a mobile device, and various formats in which survey data can be exported from the platform. Survey respondents were required to indicate informed consent regarding the purpose of the study and acknowledge that they are 18 years or older. Contact information for the principal investigator and the faculty advisor was provided on the first page of the survey. Respondents were informed of the actions in place to uphold their confidentiality as well as their ability to abandon the survey at any time. See the Appendix for the cover letter and survey.

3.3 Proposed Approach

This study utilized G*power 3.1 software to run a power analysis to determine the minimum required sample size as a function of user-specified values for significance, statistical power, and effect size (Faul et al., 2009). The preliminary power analysis used a large effect size of 0.35, a significance level of 0.05, and a power of 0.8 with 15 predictor variables (i.e., two independent variables, three moderators, and ten controls). The G*power 3.1 software generated a sample size of 68, which illustrates the target sample size.

3.4 Measures

This section entails the operationalization of each variable within the research model. First the dependent variable is described, then the independent variables, followed by the moderators, and finally the control variables.

The survey utilized established scales for each construct. Most scales use a 7-point Likert-type scale to allow for differentiation (Miller, 1956) and its suitability for electronic surveys (Finstad, 2010; Rahi, 2017). Table 8 summarizes the constructs.

Table 8: Summary of Variables and Measures

Variable	Measure
Dependent Variable	
Firm Performance	8-item subjective measure; growth relative to competition (Kellermanns et al., 2012)
Independent Variables	
Operational turnaround initiatives	6- item scale (Michael & Robbins, 1998; Schmitt & Raisch, 2013)
Strategic turnaround initiatives	5-item scale (Robbins & Pearce, 1992); Schmitt & Raisch, 2013)
Moderators	
Risk-Taking Innovativeness Proactiveness	9-item scale (Miller, 1983)
Controls	
Firm- Level	Industry (retail, services, other) Firm Age (number of years in service) Firm Size (number of full-time employees) Firm Location Simultaneous implementation of turnaround initiatives Industry environment Decline of sales during Covid Current operation of firm Access to PPP Loan
Individual- Level	Age of respondent Position in company Years worked at firm Education Gender Ethnicity

3.41 Dependent Variable

Firm performance, a recurrent theme in management literature, can be measured using objective and subjective financial indicators (Venkatraman & Ramanujam, 1986). Past research illustrates that subjective measures have been shown to have a high correlation with objective performance data (Dess & Robinson, 1984; Eddleston et al., 2008; Love et al., 2002). Additionally, turnaround researchers encourage the use of subjective measures when challenges attaining access to objective measures exist (Dess & Robinson, 1984; Schmitt & Raisch, 2013).

Participants in this survey utilized a 7-point Likert scale to compare their firm's performance to that of their competitors for the current year (2024) and the last three years, allowing for industry influences to be indirectly controlled (Kellermanns et al., 2012). The questions in this portion of the survey related to the firm's growth in sales, market share, employees, profitability, return on equity, return on total assets, profit margin on sales, and the ability to fund growth from profits; the options range from "much worse," "about the same," and to "much better" (Kellermanns et al., 2012). Table 9 illustrates the firm performance scale. Each performance indicator was averaged to create a composite score to indicate overall firm performance, where higher values illustrate a higher level of performance (Dess & Robinson, 1984; Kellermanns et al., 2012; Love et al., 2002).

Table 9: Firm Performance Scale

Firm performance scale items were measured on a 7-point Likert-type scale
(much worse, about the same, much better for the current and past three years)

How would you rate your firm's performance in comparison to your competitors?
1. Growth in sales
2. Growth in market share
3. Growth in number of employees
4. Growth in profitability
5. Return on equity
6. Return on assets
7. Profit margin on sales
8. Ability to fund growth from profits

3.42 Independent Variables

This dissertation measured the use of operational and strategic turnaround responses implemented in response to the decline caused by the COVID-19 pandemic on a 7-poin Likert scale (see Table 10). The first six items are: (1) the reduction in finished goods and inventory, (2) employee layoffs, (3) the reduction in maintenance costs, (4) the reduction in property, plants, and equipment, (5) the reduction in marketing costs, and (6) the reduction in research and development expenditures (Michael & Robbins, 1998; Schmitt & Raisch, 2013). The next five items are: (1) entering new markets, (2) new product or service offerings, (3) new production or service processes, (4) new competitive advantages, and (5) new organizational structures (Michael & Robbins, 1998; Schmitt & Raisch, 2013). The individual responses regarding implementation of operational and strategic turnaround initiatives were averaged, respectively, to obtain a composite score illustrating the overall level of implementation of each of these initiatives, where higher values illustrate a greater use of that initiative (Robbins & Pearce, 1992; Schmitt & Raisch, 2013).

Table 10: Turnaround Response Scale

How would you rate your firm's implementation of the following turnaround initiatives?
(1 = Given Low Priority; 7 = Given High Priority)

Operational Turnaround Responses

1. The reduction in the finished goods and inventory
2. Employee layoffs
3. The reduction in maintenance costs
4. The reduction in property, plants, and equipment
5. The reduction in marketing costs
6. The reduction in research and development expenditures

Strategic Turnaround Responses

1. Entering new markets
2. New product or service offerings
3. New production or service processes
4. New competitive advantages
5. New organizational structures

The item below contrasts two extremes in responding to performance downturns. Select the numeral to best characterize the overall nature of your firm's recovery response.

Primarily efficiency-oriented with belt tightening and streamlining of operations	1 2 3 4 5 6 7	Primarily competitive strategy-oriented with changes in technology, products, or markets

3.43 Moderator Variables

This dissertation utilized three dimensions of entrepreneurial orientation - risk taking, innovativeness, and proactiveness - as a multidimensional construct (Lumpkin & Dess, 1996). Table 11 illustrates the 9-items used to measure the firm's EO during the COVID-19 pandemic, as adapted from Miller (1983). Each item was measured on a 7-point endpoint scale. While EO is often utilized as a unidimensional construct (Wales et al., 2013), this dissertation utilized it as a multidimensional construct to better understand the moderating effect of each dimension on the relationship between turnaround response and firm performance in the context of the COVID-19 pandemic. Individual responses regarding the TMT's EO were averaged, respectively, to obtain a composite score illustrating the overall level of implementation of each of these initiatives, where higher values illustrate a greater use of that initiative.

Table 11: Entrepreneurial Orientation Scale

Seven-point scale where (1) denotes one end of the scale and (7) denotes the other end of the scale. Please select that which is applicable to your firm going into the COVID-19 pandemic.

In general, my firm favors…

1. (1) A strong emphasis on the marketing of tried-and-true products or services
   (7) A strong emphasis on R&D, technological leadership, and innovations

How many new lines of products or services has your firm marketed in the past five years (or since its establishment)?

2. (1) No new lines of products or services
   (7) Very many new lines of products or services

3. (1) Changes in product or service lines have been mostly of a minor nature
   (7) Changes in product or service lines have usually been quite dramatic

In dealing with its competitors, my firm…

4. (1) Typically responds to actions that competitors initiate
   (7) Typically initiates actions to which competitors then respond

5. (1) Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.
   (7) Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.

6. (1) Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture
   (7) Typically adopts a very competitive, "undo-the-competitors" posture

In general, my firm has…

7. (1) A strong proclivity for low-risk projects (with normal and certain rates of return)
   (7) A strong proclivity for high-risk projects (with changes of very high returns)

In general, my firm believes that…

8. (1) Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior
   (7) Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objective

When confronted with decision-making situations involving uncertainty, my firm…

9. (1) Typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions
   (7) Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

3.44 Control Variables

Control variables were included on the firm level as well as the individual level to determine their influence on the dependent and independent variables (Creswell, 2011), which many of are taken from existing turnaround literature. For example, Schmitt and Raisch (2013) utilized firm size since it has been shown to impact the firm's ability to execute different turnaround strategies (Boyne & Meier, 2009). These authors also incorporated industry environment as a control variable as studies have shown that it can determine the effectiveness of the strategy implemented (Morrow et al., 2004; Ndofor et al., 2013). Firm size was measured by the number of employees of the firm; industry environment was characterized as either a growth industry, mature industry, or declining industry and was dummy coded.

In addition to industry environment, turnaround researchers tend to be interested in the specific type of industry as a way to understand how the operating situation of the firm impacts its ability to succeed in turnaround (Michael & Robbins, 1998; Schendel et al., 1976). In this study, industry was characterized according to the 2- digit NAICS code. Firm age was also used as a control variable to better understand if it plays a role in whether or not a firm is successful in turnaround (D'Aveni, 1989).

Respondents were asked to confirm that their firm experienced a decline in sales (Cameron et al., 1987; D'Aveni, 1989; Wiseman & Bromiley, 1996) during the COVID-19 pandemic to confirm that the turnaround actions initiated were in response to business decline. A question regarding the order in which turnaround responses were implemented was included to further analyze if there was an impact on the results based on whether a firm sequentially (Robbins & Pearce, 1992; Schmitt & Raisch, 2013), individually (Schendel et al., 1976; Schmitt & Raisch, 2013), or simultaneously implemented turnaround responses. As turnaround theorists

suggest that strategic and operational responses should not be implemented simultaneously, this data point allowed for comparison between theory and practice.

Specific to the context of COVID-19, respondents were asked about if they had access to the Paycheck Protection Program (PPP) loans. These were issued by the U.S. Government as a way to help businesses minimize layoffs during this time (U.S. Department of the Treasury, 2024). This control was used to understand whether access to PPP loans influenced turnaround response. As it is possible that firms did not survive the pandemic, respondents were asked if their firm is still operating.

Individual-level characteristics of respondents that were collected include age, position in the company, years worked at the firm, level of education, gender, and ethnicity (see the Appendix).

All categorical control variables were dummy coded, namely, industry, firm location, implementation of turnaround initiatives, industry environment, decline of sales, current operation of the firm, access to PPP loans, position in company, education, gender, and ethnicity.

3.5 Data Analysis

To test the hypotheses, moderated hierarchical regression was conducted using the latest version of SPSS Statistics. Additionally, several steps were taken prior to completing the testing to cleanse the data. First, a check for incomplete or missing data was conducted (Creswell, 2011; Forza, 2002). Second, a bias test was completed to ensure that the variance was ascribed to the method and not the measure (Creswell, 2011; Podsakoff et al., 2003; Podsakoff et al., 2012). Third, a descriptive analysis, that included the mean, standard deviation, and maximum and minimum of each variable, was performed on the dependent and independent variables. Fourth, a regression diagnostic test was performed to analyze the data and ensure that it aligned with the

assumptions of normality and random distribution. Last, each hypothesis was tested for a statistically significant result to see whether or not the hypothesis was supported.

CHAPTER 4: RESULTS

Chapter 4 begins by providing a preliminary analysis to describe the sample, followed by descriptive statistics, correlation analysis, and a presentation of the regression results. The final section presents of post hoc results evaluating the relationship of present-day EO as a moderator in the relationship between turnaround response and firm performance.

4.1 Preliminary Analysis

Prolific was utilized to randomly identify TMT members who managed businesses during the COVID-19 pandemic. Of the 650 participants that had the opportunity to complete the survey, responses were received from the first 101 participants. Each survey response represents a distinct business. All surveys that were started were completed which resulted in a completion rate of 100%. Table 12 below summarizes the survey response statistics.

Table 12: Summary of Survey Respondents

Invitations to survey	Surveys Started	Surveys Completed	Completion Rate	Response Rate
650	101	101	100%	15.5%

Missing Data Analysis

Prior to completing the data analysis, SPSS was utilized to perform a missing value analysis to determine the number of cases that would ultimately be used. Because missing data can impact the sample size and cause inaccurate or biased results, it is important to complete a preliminary analysis (Hair et al., 2010). As shown in Table 13, only the questions pertaining to current firm performance had missing data (3%) because those firms were no longer in operation. As a result, it was determined that this data was intentionally missing; thus, only 98 of the 101 responses were utilized in this analysis.

Table 13: Missing Data Statistics

	Possible Responses	Actual Responses	Percent Missing
Dependent Variable			
Current Firm Performance	101	98	3%
Independent Variables			
Operational Turnaround Initiatives	101	101	0%
Strategic Turnaround Initiatives	101	101	0%
Moderator			
Entrepreneurial Orientation in COVID	101	101	0%
Controls			
Industry	101	101	0%
Firm Age	101	101	0%
Firm Size	101	101	0%
Firm Location	101	101	0%
Simultaneous implementation of turnaround initiatives	101	101	0%
Industry environment	101	101	0%
Decline of sales during Covid	101	101	0%
Access to PPP Loan	101	101	0%
Age of Respondent	101	101	0%
Position in company	101	101	0%
Years worked at firm	101	101	0%
Education	101	101	0%
Gender	101	101	0%
Ethnicity	101	101	0%

Common Method Bias

Common method bias occurs when the variance is credited to the systematic measurement error as opposed to the measures (Podsakoff et al., 2003). To combat this, a statistical approach or a procedural approach (such as survey design) is recommended (Podsakoff et al., 2003). Due to the challenge in being able to get data from multiple TMT members from

the same organization, the procedural approach was not able to be implemented; therefore, the statistical method was utilized.

Podsakoff and Organ (1986) suggest running Harman's single-factor statistical test utilizing the dependent variable, the independent variables, the moderators, and control variables. In essence, the multi-item constructs of the model are entered into the factor analysis to see the number of factors that emerge as well as the amount of variance that is explained. As long as one central factor does not emerge, common method bias will not be a concern. The results of the factor analysis presented 12 factors (one dependent variable, two independent variables, one moderator, and eight controls) which explains 74.5% of the variance. The first factor explains 22.2% of the variance. Therefore, common method bias was not a concern.

Reliability assessment

This study assessed scale reliability for the multi-item scales as measured by the coefficient alpha (DeVellis, 1991). Scales included those for operational turnaround initiatives, strategic turnaround initiatives, firm performance, and EO. While alpha values range from 0 to 1, an acceptable alpha value is at least 0.70 (DeVellis, 1991). Table 14 illustrates the alpha values for the scales analyzed. Because all alpha values are greater than 0.70, they fall within the acceptable range which illustrates the internal consistency of the items.

Table 14: Scale Reliability Analysis

Construct	Items	α
Dependent Variable		
Firm Performance	8	0.931
Independent Variables		
Operational Turnaround Initiatives	6	0.836
Strategic Turnaround Initiatives	5	0.753
Moderating Variable		
Entrepreneurial Orientation in COVID	9	0.910

4.2 Descriptive Statistics and Correlation Analysis

The means and standard deviations for all dependent, independent, moderating, and control variables are outlined in Table 15. Of the businesses that responded, 97% are still operating post-Covid; 94% of respondents are the CEO or owner of their firm and have been at their firm for an average of 10 years. Firms in the retail trade industry make up 19% of the sample, followed by arts, entertainment, and recreation (18%). Sixty-four percent of respondents noted that their firms experienced a decline of sales during the COVID-19 pandemic.

Table 15 also provides the bivariate correlations between the variables. In analyzing the control variables, the number of employees significantly and positively correlated with the most variables: firm performance, operational turnaround initiatives, strategic turnaround initiatives, and innovativeness. When analyzing the independent variables and the moderators, strategic turnaround initiatives significantly and positively correlated with firm performance (the dependent variable) and all EO measures. On the other hand, operational turnaround initiatives significantly correlated only with innovativeness and proactiveness. Riskiness and innovativeness had the strongest correlation of variables, illustrated by their statistically significant correlation as well as their positive relationship.

Collinearity

Some of the variables in this study are correlated. To measure multicollinearity, the variance inflation factor (VIF) and condition index were used. A VIF score of 10 or larger indicates that multicollinearity may be a concern (Hair et al., 2010). The highest VIF reported was 75.2, and the highest condition index reported was 79.6. To reduce multicollinearity, all variables were z-scored.

Table 15: Descriptive Statistics and Bivariate Correlations

		Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10
1	Operational turnaround initiatives	3.76	1.58										
2	Strategic Turnaround Initiatives	3.86	1.41	.321**									
3	Current Firm Performance	4.28	1.22	.01	.358**								
4	Innovativeness currently	3.33	1.63	.14	.479**	.481**							
5	Proactiveness currently	3.78	1.48	.324**	.466**	.373**	.528**						
6	Riskiness currently	3.51	1.6	.255*	.481**	.501**	.689**	.678**					
7	Innovativeness during Covid	3.24	1.66	.206*	.414**	.397**	.674**	.592**	.742**				
8	Proactiveness during Covid	3.61	1.54	.303**	.421**	.327**	.487**	.859**	.665**	.656**			
9	Riskiness during Covid	3.31	1.63	.09	.362**	.311**	.559**	.537**	.736**	.675**	.581**		
10	Firm age	12.22	10.9	.17	-.04	-.12	-.04	-.02	-.01	.04	.01	-.05	
11	Number of employees	184.89	869.42	.281**	.207*	.250*	.304**	.219*	.229*	.278**	.19	-.05	.463**
12	Years worked at firm	10.49	6.97	-.02	-.17	-.14	-.200*	-.12	-.14	-.09	-.13	-.1	.804**
13	Age	44.71	12.59	-.14	-.18	.12	-.1	-.14	-.08	.	-.08	-.15	.322**
14	Title	1.14	.63	.248*	-.07	.05	-.07	-.05	-.11	.05	.01	-.17	.343**
15	Growth industry	.08	.27	-.13	-.242*	-.306**	-.2	-.218*	-.221*	-.16	-.229*	-.12	-.05
16	Ethnicity: White	.71	.46	-.18	-.15	-.13	-.13	-.207*	-.215*	-.12	-.14	-.04	.17
17	Ethnicity: Black	.2	.4	.12	.11	.1	.12	.260**	.19	.17	.255**	.12	-.09
18	Industry: Construction	.14	.35	.01	-.15	-.11	-.293**	-.1	-.203*	-.273**	-.09	-.217*	-.01
19	Industry: Retail Trade	.19	.39	.06	.19	-.15	-.04	-.14	-.09	-.1	-.06	-.02	-.13
20	Industry: Arts & Entertainment	.18	.39	-.18	-.1	.05	.05	-.09	-.04	.07	-.12	-.01	-.09
21	Education: Graduate School Diploma	.19	.39	-.02	.03	-.02	.09	.07	.09	.13	.18	.11	.364**
22	Education: College Diploma	.3	.46	-.08	.01	-.07	-.09	-.16	-.13	-.03	-.14	-.18	-.07
23	Education: Some College Experience	.42	.5	.03	-.07	.07	.05	.09	.07	-.06	-.05	.09	-.17
24	Only efficiency-oriented activities implemented	.19	.39	.12	-.214*	-.214*	-.422**	-.16	-.388**	-.337**	-.265**	-.367**	.08
25	Efficiency-oriented activities implemented then strategy-oriented	.3	.46	-.04	-.01	-.07	.	-.08	.03	-.07	-.04	.07	-.03
26	Strategy-oriented activities implemented then efficiency-oriented	.09	.29	-.203*	.06	.19	.208*	.04	.06	.13	-.03	.11	-.1
27	Both implemented at the same time	.34	.48	.03	.11	.04	.15	.09	.07	.16	.14	.03	.1
28	Location: Northeast	.16	.37	-.12	-.03	.05	.03	-.18	-.1	-.02	-.12	-.08	.1
29	Location: Midwest	.16	.37	.198*	.07	-.1	-.13	.01	-.02	.01	-.13	.13	.1
30	Location: South	.51	.5	-.1	-.12	-.08	-.02	-.04	.	-.11	.06	-.05	-.16
31	No access to PPP Loan	.87	.34	-.17	-.16	-.08	-.248*	-.19	-.216*	-.261**	-.219*	-.1	-.16
32	No Decline in Sales	.37	.48	-.399**	.04	.1	-.08	.01	.03	-.02	.04	-.03	-.08
33	Gender: Male	.51	.5	.02	.	.03	.16	.17	.16	.222*	.13	.16	.08

Table 15 Continued: Descriptive Statistics and Bivariate Correlations

	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
12	.15																					
13	.209*	.415**																				
14	.355**	.18	-.05																			
15	-.06	-.01	.09	-.06																		
16	-.13	.250*	.213*	-.1	.11																	
17	.05	-.16	-.07	.17	-.05	-.783**																
18	-.08	.09	-.06	-.09	-.01	.13	-.199*															
19	-.1	-.1	-.19	.05	.05	-.03	.08	-.19														
20	-.1	-.04	-.03	-.1	.15	.01	-.04	-.19	-.224*													
21	.250*	.255*	.229*	.14	.05	.03	.08	-.05	-.1	-.09												
22	.01	.	-.01	-.01	-.03	.03	-.16	.05	.02	.207*	-.313**											
23	-.17	-.15	-.07	-.06	-.02	-.09	.14	-.05	.06	-.08	-.406**	-.548**										
24	-.1	.06	.05	.05	.234*	.08	-.05	.1	-.1	.04	-.1	.13	.01									
25	-.08	-.03	.02	-.07	-.03	-.16	.11	.05	-.15	.04	.08	-.04	-.11	-.313**								
26	-.06	-.11	-.05	-.01	-.09	.12	-.07	-.13	-.06	.13	.12	-.05	-.05	-.15	-.203*							
27	.237*	.11	.	.08	-.05	.13	-.04	-.04	.354**	-.11	-.02	-.05	.08	-.343**	-.463**	-.223*						
28	.220*	.06	.1	-.01	.07	.04	-.15	.06	.07	-.13	.207*	.07	-.201*	.07	-.1	.05	.04					
29	-.09	.14	.03	-.1	-.03	.1	-.15	-.1	-.14	-.06	-.07	-.1	.13	.14	-.04	-.04	-.02	-.19				
30	-.14	-.15	-.19	.09	-.08	-.13	.234*	.05	.11	.09	-.14	.02	.06	-.04	.07	.03	-.02	-.447**	-.447**			
31	-.09	-.01	-.12	-.01	.11	.02	-.03	.15	.11	.02	-.04	-.07	.02	-.04	-.01	-.09	.211*	.09	-.238*	.1		
32	-.04	.	.05	-.1	-.07	.03	.03	-.01	.05	.08	.05	.05	-.14	-.208*	.	-.02	.198*	-.16	-.05	.08	.17	
33	.15	.07	.03	-.01	-.08	.216*	-.363**	.05	-.14	-.07	-.04	.11	-.07	-.09	.02	-.04	.06	.04	.258**	-.229*	-.08	.12

Statistical Assumptions for Multivariate Analysis

Prior to analyzing the research model and hypotheses, the data was scrutinized to ensure that the statistical assumptions for multivariate analysis were fulfilled. Therefore, a test for normality was completed (Hair et al., 2010).

The normality test is essential in multivariate analysis because if the data significantly varies from a normal distribution, then the tests will not be valid (Hair et al., 2010). I conducted the Kolmogorov-Smirnov statistical test for normality which calculates the level of significance for the differences of a normal distribution (Hair et al., 2010). The dependent, independent and moderator variables were assessed for normality using the skewness and kurtosis results. As illustrated in Table 16, the measures followed a normal distribution in that all values for skewness fall between the acceptable range of -2 and +2 and all values for kurtosis fall between the acceptable range of -3 and +3 (Hair et al., 2010).

Table 16: Normality Statistics

	Skewness	Std Error	Kurtosis	Std Error	Null Hypothesis	Kolmogorov-Smirnov Significance Value (The significance level is 0.05)	Kolmogorov-Smirnov Decision
Dependent Variable							
Firm Performance	-.037	.244	.157	.483	The distribution of firm performance is normal.	.039	Reject the null hypothsis
Independent Variables							
Operational Turnaround Initiatives	-.100	.240	-.714	.476	The distribution of operational turnaround initiatives is normal.	.200	Retain the null hypothesis
Strategic Turnaround Initiatives	-.196	.240	-.567	.476	The distribution of strategic turnaround initiatives is normal.	.200	Retain the null hypothesis
Moderating Variables							
Innovativeness During Covid	.512	.240	-.316	.476	The distribution of innovativeness in Covid is normal.	.031	Reject the null hypothsis
Proactiveness During Covid	.222	.240	-.287	.476	The distribution of proactiveness in Covid is normal.	.141	Retain the null hypothesis
Riskiness During Covid	.276	.240	-.879	.476	The distribution of risk taking in Covid is normal.	.018	Reject the null hypothsis

4.3 Regression Results

A preliminary test was performed to determine which of the control variables would be statistically significant and should be included in the final model. The result was to control for: industry climate, order of implementation of turnaround response, number of employees at firm, number of years in which the TMT member has worked at the firm, and gender. Therefore, all models controlled for these variables. None were found to have a positive or significant relationship with firm performance. This model, Model 1, was significant ($p<.001$) with an adjusted R^2 value of .170.

To test Hypotheses 1 and 2, the independent variables of operational turnaround response and strategic turnaround response were entered into Model 2. The adjusted R^2 value increased to .205 but was not significant. Hypothesis 1 suggested that an increase in operational turnaround responses positively impacted firm performance, but this was not supported ($\beta = -.145$ and $p=.171$). Hypothesis 2 suggested that an increase in strategic turnaround responses positively impacted firm performance. This hypothesis was supported ($\beta = .247$ and $p=.022$). Model 2, overall, was not significant. An adjusted R^2 value of .205 signifies that only 20.5% of the variance in firm performance is explained by this model.

To test Hypotheses 3 through 8, the moderators (i.e., risk-taking, innovativeness, and proactiveness) as well as the six interaction terms were entered into Model 3. Hypothesis 3 suggests that risk taking negatively moderates the relationship between operational turnaround response and firm performance ($\beta = .332$ and $p= .260$), while Hypothesis 4 suggests that risk taking positively moderates the relationship between strategic turnaround response and firm performance ($\beta = -.421$ and $p= .109$). Neither of these hypotheses were supported. Hypothesis 5 suggests that innovativeness negatively moderates the relationship between operational

turnaround response and firm performance (β = .051 and p= .864), while Hypothesis 6 suggests that innovativeness positively moderates the relationship between strategic turnaround response and firm performance (β = -.007 and p= .981). Neither of these hypotheses were supported. Hypothesis 7 suggests that innovativeness negatively moderates the relationship between operational turnaround response and firm performance (β = .035 and p= .899), while Hypothesis 8 suggests that innovativeness would positively moderate the relationship between strategic turnaround response and firm performance (β = .230 and p= .504). Neither of these hypotheses were supported. The regression results appear in Table 17 and summary of the hypothesized relationships appears in Table 18.

Table 17: Regression Results

Variables	Model 1 β	Model 2 β	Model 3 β
Controls			
Number of employees	0.262**	0.249*	0.193
Years worked at firm	-0.159	-0.121	-0.069
Growth Industry Climate	-0.263**	-0.236*	-0.218*
Gender: Male	-0.046	-0.029	0.026
Only efficiency-oriented activities were implemented	-0.115	-0.055	0.059
Strategy-oriented actions initially implemented followed by efficiency-oriented activities	0.157	0.110	0.127
Independent Variables			
Operational Turnaround Initiatives		-0.145	0.058
Strategic Turnaround Initiatives		0.247*	0.115
Moderating Variables			
Riskiness During Covid			0.140
Innovativeness During Covid			0.112
Proactiveness During Covid			0.136
Interaction Effects			
Operational Turnaround Initiatives*Riskiness During Covid			0.332
Operational Turnaround Initiatives*Innovativeness During Covid			0.051
Operational Turnaround Initiatives*Proactiveness During Covid			0.035
Strategic Turnaround Initiatives*Riskiness During Covid			-0.421
Strategic Turnaround Initiatives*Innovativeness During Covid			-0.007
Strategic Turnaround Initiatives*Proactiveness During Covid			0.230
R	0.471	0.520	0.612
R^2	0.222	0.270	0.375
Adjusted R^2	0.170	0.205	0.242
ΔR^2	0.222	0.048	0.054
F	4.323***	2.951	1.144

n = 98
Standardized regression coefficients shown
*significant at the 0.05 level
**significant at the 0.01 level
***significant at the .001 level

Table 18: Results of Hypothesized Relationships

Turnaround Response and Firm Performance		
H1	Operational turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of operational turnaround responses.	Not Supported
H2	Strategic turnaround responses implemented due to COVID-19 are positively associated with firm performance. Specifically, firm performance increases with the implementation of strategic turnaround responses.	Supported
The Moderating Role of EO		
H3	Risk-taking moderates the relationship between operational turnaround responses and firm performance such that higher levels of risk-taking diminish the positive relationship between operational turnaround responses and firm performance.	Not Supported
H4	Risk-taking moderates the relationship between strategic turnaround responses and firm performance such that higher levels of risk-taking enhance the positive relationship between strategic turnaround responses and firm performance.	Not Supported
H5	Innovativeness moderates the relationship between operational turnaround responses and firm performance such that higher levels of innovativeness diminish the positive relationship between operational turnaround responses and firm performance.	Not Supported
H6	Innovativeness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of innovativeness enhance the positive relationship between strategic turnaround responses and firm performance.	Not Supported
H7	Proactiveness moderates the relationship between operational turnaround responses and firm performance such that higher levels of proactiveness diminish the positive relationship between operational turnaround responses and firm performance.	Not Supported
H8	Proactiveness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of proactiveness enhance the positive relationship between strategic turnaround responses and firm performance.	Not Supported

4.4 Post Hoc Tests and Results

This study hypothesized a moderating relationship between the three dimensions of EO and the direct effect of turnaround response and firm performance during Covid. This relationship was not supported. To further evaluate these results, the firm's current EO was analyzed as a moderator in the relationship between turnaround response and firm performance. Table 19 presents the results of this testing.

In Model 5, firm performance was regressed on the control variables and the two independent variables (operational turnaround responses and strategic turnaround responses). Strategic turnaround initiatives ($\beta = .247$, $p<.05$), once again, were found to be significant, but operational turnaround initiatives ($\beta = -.145$) were not.

In Model 6, risk-taking, innovativeness and proactiveness were analyzed as moderators in the relationship between turnaround response and firm performance. None of the interaction terms showed significance. The β for the interaction terms between operational turnaround responses and risk-taking, innovativeness, and proactiveness, respectively, were 0.000, 0.100, and 0.321. The β for the interaction terms between strategic turnaround responses and risk-taking, innovativeness and proactiveness, respectively, equals 0.150, -0.037, and -0.269.

Table 19: Post Hoc Regression Results

Variables	Model 4 β	Model 5 β	Model 6 β
Controls			
Number of employees	0.262**	0.249*	0.116
Years worked at firm	-0.159	-0.121	-0.031
Growth Industry Climate	-0.263*	-0.236*	-0.203*
Gender: Male	-0.046	-0.029	-0.071
Only efficiency-oriented activities were implemented	-0.115	-0.055	0.115
Strategy-oriented actions initially implemented followed by efficiency-oriented activities	0.157	0.110	0.125
Independent Variables			
Operational Turnaround Initiatives		-0.145	0.094
Strategic Turnaround Initiatives		0.247*	0.038
Post Hoc Analyisis: Moderating Variables			
Riskiness Currently			0.360
Innovativeness Currently			0.241
Proactiveness Currently			0.040
Post Hoc Analyisis: Interaction Effects			
Operational Turnaround Initiatives*Riskiness Currently			0.000
Operational Turnaround Initiatives*Innovativeness Currently			0.100
Operational Turnaround Initiatives*Proactiveness Currently			0.321
Strategic Turnaround Initiatives*Riskiness Currently			0.150
Strategic Turnaround Initiatives*Innovativeness Currently			-0.037
Strategic Turnaround Initiatives*Proactiveness Currently			-0.269
R	0.471	0.520	0.665
R^2	0.222	0.270	0.442
Adjusted R^2	0.170	0.205	0.324
ΔR^2	0.222	0.048	0.048
F	4.323***	2.951	1.139

n = 98
Standardized regression coefficients shown
*significant at the 0.05 level
**significant at the 0.01 level
***significant at the .001 level

CHAPTER 5: DISCUSSION AND CONCLUSION

This chapter is organized into five sections. First, an overview of the study is provided. Second, the research findings are discussed based on the hypothesized relationships presented in the models. Third, the theoretical and practical contributions are discussed. Fourth, limitations to the study are presented and suggestions for future research are offered. The last section is the conclusion.

5.1 Overview

Organizational decline is a phenomena that most firms will experience, propelling the need for additional research on the strategies that can be implemented to combat decline (Trahms et al., 2013). Additionally, the recent occurrence of the COVID-19 pandemic has illuminated the need to better understand turnaround strategy in periods of global turmoil. Therefore, this study evaluated how operational and strategic turnaround responses impacted firm performance during the COVID-19 pandemic.

While there has been an evolution in the terminology utilized to reference organizational and strategic turnaround response, this study aligns with modern terminology. Therefore, an operational turnaround response is defined as the process in which management maintains its current operating strategy but more efficiently executes it (Michael & Robbins, 1998; Trahms et al., 2013); a strategic turnaround response occurs when management pursues new strategic opportunities (Barker & Duhaime, 1997; Trahms et al., 2013).

Turnaround literature is still a growing stream of research where more empirical support is needed to expound on management actions in times of decline and turnaround (Trahms et al., 2013). Thus, the intention of this study was to better understand how management's choice of operational or strategic turnaround response during the COVID-19 pandemic impacted firm

performance. The first objective was to review and synthesize turnaround strategy literature and identify gaps; the second was to empirically examine how operational and strategic turnaround responses impacted firm performance within the context of the COVID-19 pandemic.

5.2 Research Findings

While research regarding turnaround strategy has expanded in recent years, more empirical support is needed to understand how organizations act in turnaround situation and what contributes to turnaround success (Trahms et al., 2013). Hypotheses 1 and 2 evaluated operational turnaround responses and strategic turnaround responses and their impact on firm performance. Hypotheses 2 through 8 examined the multidimensional construct of EO as a moderator in these relationships.

Hypothesis 1 proposed a positive relationship between operational turnaround responses implemented and firm performance. In an operational turnaround response, the TMT has decided to maintain the same business strategy and enact cost-saving measures (Robbins & Pearce, 1992; Schmitt & Raisch, 2013). This relationship was not supported. While operational turnaround responses help stabilize a firm as it experiences decline (Arogyaswamy et al., 1995), ultimately, a firm cannot retrench its way to improved firm performance (Ndofor et al., 2013). Firms that pursued an operational turnaround response during the COVID-19 pandemic were unable to convert their savings from retrenchment into improved firm performance. During pandemics, TMTs should take into consideration the culmination of issues plaguing the firm at that time and develop a comprehensive response that effectively addresses those issues (Arogyaswamy et al., 1995).

Hypothesis 2 proposed a positive relationship between strategic turnaround responses and firm performance. Strategic turnaround responses entail the TMT choosing to change the

strategic positioning of the firm to include changes in the decision-making at the product-market level or to the organization's portfolio (Barker & Duhaime, 1997; Robbins & Pearce, 1992; Schmitt & Raisch, 2013). As hypothesized, there was a positive, statistically significant result in the relationship between strategic turnaround responses and firm performance. Firms that pursued a strategic turnaround strategy during the COVID-19 pandemic benefitted from their choice to alter their strategy. This is consistent with Ndofor et al. (2013) as well as Morrow Jr et al. (2007), who illustrated that strategic turnaround responses do assist firms in altering their existing capabilities, thus improving performance.

The Moderating Role of EO

Hypotheses 3 through 8 proposed the moderating role of EO in the relationship between operational turnaround responses and firm performance as well as strategic turnaround responses and firm performance. A firm's EO is the strategic process in which firms base their processes, decisions, and actions (Lomberg et al., 2017; Lumpkin & Dess, 1996; Rauch et al., 2009). In this study, EO is characterized by its multidimensional construct of risk-taking, innovativeness, and proactiveness. Although it was expected that EO would diminish the relationship between operational turnaround responses and firm performance and enhance the relationship between strategic turnaround responses and firm performance, there were no statistically significant results to support any of these hypotheses.

Risk-Taking

Risk-taking is defined as "the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures" (Lumpkin & Dess, 1996; Miller & Friesen, 1978, p. 923). Firms embrace risk in hopes of receiving the benefit of higher returns (Lumpkin & Dess, 1996).

Hypothesis 3 suggested that risk-taking moderates the relationship between operational turnaround responses and firm performance such that higher levels of risk-taking would diminish the positive relationship between operational turnaround responses and firm performance. The expectation was that, during the COVID-19 pandemic, firms would be able to conserve their resources longer if they opted to engage in less risky and costly investments (Arogyaswamy et al., 1995; Lumpkin & Dess, 1996; Miller & Friesen, 1978). As the main effect relationship was not supported, the moderating impact of risk-taking was not supported. This could be a result of the process of retrenchment intensifying the issues that the firm is experiencing, despite the level of risk, as the organization loses human capital and competencies which could ultimately harm its performance rather than enhance (Nixon et al., 2004).

Hypothesis 4 stated that risk-taking moderates the relationship between strategic turnaround responses and firm performance such that higher levels of risk-taking enhance the positive relationship between strategic turnaround responses and firm performance. Organizations that executed this strategy in the COVID-19 pandemic expected to service new and existing customers in new ways (Morrow Jr et al., 2007). This hypothesis was ultimately not supported. It is possible that while the TMT desired to make significant, risky investments at that time, creditors and investors constrained access to these resources. Firms in decline tend to lose support until they produce results that can meet or exceed expectations (Morrow Jr et al., 2007). Additionally, government-issued PPP loans were meant to assist paying for salaries, so they could not be used to invest in risky endeavors (Bartik et al., 2020). Thus, more time may have been needed for creditors and investors to see improvement in firm performance before they provided additional financial support.

Innovativeness

Innovativeness is defined as a firm's proclivity to present and execute new ideas and creative processes into the market in order to receive the benefit of these practices or technologies (Covin & Slevin, 1991; Lumpkin & Dess, 1996).

Hypothesis 5 suggested that innovativeness moderates the relationship between operational turnaround responses and firm performance such that higher levels of innovativeness diminish the positive relationship between operational turnaround responses and firm performance. The expectation was that during the COVID-19 pandemic firms would experience longevity by focusing on maintaining their current operating strategy and not allocating resources toward a strategy that has not yet been proved to be successful (Kreiser et al., 2013). Since the main effect relationship was not supported, the moderating impact of innovativeness was also not supported. While firms that opted to pursue operational turnaround responses concentrated on their current operating strategy, consideration needed to have been made for changes in the competitive landscape (Arogyaswamy et al., 1995). For example, need for new technology arose as face-to-face contact decreased and consumers postponement in discretionary spending (Sheth, 2020). If the firm's competitive advantage wanes as it works to recover from decline, it will not experience an improvement in performance as expected.

Hypothesis 6 stated that innovativeness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of innovativeness enhance the positive relationship between strategic turnaround responses and firm performance. Implementing innovative ideas during the COVID-19 pandemic was expected to yield more revenue for firms as they offered new options to their customers and their competitors' customers (Pearce & Robbins, 2008). This hypothesis ultimately was not supported. With the outcome of

innovative ideas being extremely difficult to predict (Pearce & Robbins, 2008), it is possible that the firm had yet to successfully implement innovative ideas within this time frame.

Proactiveness

Proactiveness occurs when a firm anticipates future needs, issues, or changes in the market and becomes an early actor in the marketplace (Covin & Slevin, 1991; Lumpkin & Dess, 1996) in order to receive the returns associated with influencing trends and creating demand (Lumpkin & Dess, 1996).

Hypothesis 7 suggested that proactiveness moderates the relationship between operational turnaround responses and firm performance such that higher levels of proactiveness diminish the positive relationship between operational turnaround responses and firm performance. The expectation was that during the COVID-19 pandemic, firms would minimally invest in proactive systems and processes so as not to diminish their resource base (Kreiser et al., 2013). As the main effect relationship was not supported, the moderating impact of proactiveness was not supported. This could be attributable to the varying effects that retrenchment actions could have on the firm (Tangpong et al., 2015). While the firm would receive immediate benefits from retrenching (i.e. additional cash flow), this could come at the expense of potentially hindering its competitive prospects especially if the firm reduces its assets (Morrow et al., 2004; Robbins & Pearce, 1992).

Hypothesis 8 stated that proactiveness moderates the relationship between strategic turnaround responses and firm performance such that higher levels of proactiveness enhance the positive relationship between strategic turnaround responses and firm performance. During the COVID-19 pandemic, firms expected to receive the benefit of greater profitability because of increased demand and greater customer loyalty (Covin & Miles, 1999; Kreiser et al., 2013). This

hypothesis ultimately was not supported, possibly as a result of the pressure on the TMT to revive the firm as quickly as possible (Morrow Jr et al., 2007). If these actions were implemented without proper analysis or if the expected result didn't materialize, then, despite the TMT's proactiveness, the probability of improving performance would be low (Morrow Jr et al., 2007).

A post-hoc analysis was conducted to determine whether a firm's current EO would yield a statistically significant result in the relationship between turnaround response and firm performance. Neither current risk-taking, innovativeness, nor proactiveness were found to be statistically significant in the relationship between operational turnaround responses and firm performance, and strategic turnaround responses and firm performance, possibly due to the long-standing tenure usually associated with TMT positions (Lohrke et al., 2004). If an organization's TMT has not changed or has only marginally changed since the COVID-19 pandemic, then the EO of the organization is likely consistent. Thus, EO during Covid and current EO would produce similar results.

5.3 Contributions

There are three significant contributions of this research. First, this study answers calls from Whetten (1980), Pearce and Robbins (1993), and Trahms, Ndofor, and Sirmon (2013) to expand research in the area of organizational decline and turnaround strategy. Although factors, such as the availability of data and the complexities of internal and external influences on turnaround success make this literature stream a challenge to advance (Pearce & Robbins, 1993), there has been growth in this area and there are still significant opportunities for further exploration.

Second, this research incorporates EO as a moderator in the relationship between turnaround strategy and firm performance. Using EO as a multidimensional construct allows for

the uniqueness of each component of EO to be explored. As I have not found any published studies regarding this relationship, this study could be the first of its kind.

Last, this study has practical implications as it advances literature on the COVID-19 pandemic. The pandemic initiated decline within many organizations, and managers everywhere were faced with understanding how to return performance to its expected level. This dissertation gives guidance to this issue, particularly as the world awaits another pandemic.

5.4 Limitations and Future Research

Limitations to this cross-sectional study include the use of third-party panels, a small sample size, the use of subjective performance data, nonresponse bias, recollection bias, generalizability, and common factor bias.

First, data was sourced from Prolific, a third-party panel. The use of third-party panels can result in selection bias or insufficient responses. While Prolific's screening process partially diminished this risk, there is no guarantee that all responders have the knowledge and experience needed to complete the surveys since surveys were submitted anonymously. Thus, future researchers may wish to utilize a sample based on personal contacts or on publicly available information.

Second, turnaround literature is typically characterized by smaller sample sizes; top-cited studies have sample sizes ranging from 32 to 54 (Barker & Mone, 1994; Schendel et al., 1976; Schmitt & Raisch, 2013). Therefore, this dissertation's sample size of 98 is considered to be on the higher end for this literature stream. However, such a small sample size can cause concern in relation to the statistical power of the study and could lead to hypotheses being rejected because of low power (Aguinis, 1995; Hair et al., 2010). This may explain why only one of the two main effect hypotheses was supported and none of the moderating hypotheses found support. An

opportunity for future research, therefore, is to redo this study with a large sample to determine whether an increase in power leads to an increase in supported hypotheses.

Third, this study utilized subjective performance data to measure the dependent variable, firm performance. Subjective performance data reporting is frequently used in turnaround research due to data availability (Dess & Robinson, 1984; Schmitt & Raisch, 2013), and objective data and subjective data traditionally have a high correlation (Dess & Robinson, 1984; Eddleston et al., 2008; Love et al., 2002). However, objective performance data is considered ideal. Researchers may wish to re-run this study utilizing publicly held firms with access to publicly available objective data.

Next, nonresponse bias is considered a limitation. Nonresponse bias occurs when there are systematic differences between those who respond to the survey and those who do not (Scheaf et al., 2023). This can threaten the validity of the results as the observed relationships could be diminished or inflated (Scheaf et al., 2023). Additional research could be done by repeating this survey and slightly shifting the procedure to collect data among another group of TMT members.

Recollection bias occurs as survey respondents experience the issue of selective recall over time (Narayanan et al., 2021). In this study, respondents were asked to recall the responses they implemented within their business three years prior. Thus, future researchers may opt to study phenomena closer to the time it occurred.

Generalizability is considered a limitation. This study was performed utilizing U.S.-based firms and, therefore, only took into consideration the impact of COVID-19 on the United States. As the COVID-19 pandemic was a world-wide phenomenon (WHO, 2023b), additional research

would need to determine if the results achieved here would be similar to those found in other countries.

Last is the limitation of common method bias. Common method variance is the result of one survey being completed at one point in time where the dependent and independent variables were gathered (Podsakoff et al., 2003). Harman's single-factor statistical test for this study found that the first factor explains only 22.2% of the variance, which confirms that common method bias was minimal. However, the survey should be split so that the measurement of the dependent variable is collected separately from the independent variable and from separate sources to further reduce common method bias concerns (Podsakoff & Organ, 1986).

In addition to the opportunities presented above, further research could be explored, such as incorporating a longitudinal study, better accounting for linear causality, and exploring how operational and strategic turnaround responses can help to achieve a successful turnaround.

Evaluating firms' turnaround response in a longitudinal study can provide insight on the success of each response over time. The cross-sectional nature of this study reduced the opportunity to obtain details about the sampled firms during multiple periods of time. The implementation of a longitudinal study would allow researchers to observe changes in the firm over time and see how changes due to Covid are impacting firms and, ultimately, the world. If time permits, researchers could study the success of the strategies implemented to provide more visibility on their effectiveness. The addition of a matched pair sample to compare the performance of turnaround firms and nonturnaround firms during the same time frame would also allow the opportunity to determine the effectiveness of turnaround responses (Trahms et al., 2013).

Researchers could further explore causes of decline during the COVID-19 pandemic. According to this study's respondents, 30% of firms did not experience decline during the pandemic. Additional research can determine which industries experienced decline, which thrived and whether the source of decline was firm-based or industry-based (Barker & Duhaime, 1997).

Furthermore, there is an opportunity to explore how operational and strategic turnaround responses work together to achieve a successful turnaround. While literature suggests implementing turnaround responses successively (Robbins & Pearce, 1992; Schmitt & Raisch, 2013) or by choosing only one (Schendel et al., 1976; Schmitt & Raisch, 2013), nearly 35% of respondents said that they implemented both responses simultaneously. Therefore, literature should further explore the practical implementation of both operational and strategic responses to better align with what occurs in practice.

Last, the relationship between turnaround response and firm performance can be explored using different moderators and mediators; for example, examining the composition of the TMT and how that impacts the choice to pursue an operational or strategic turnaround response during a pandemic (Trahms et al., 2013). As the COVID-19 pandemic had significant impacts on the firm employees, further research can determine whether employee buy-in at that time served as a mediator in the relationship between turnaround response and firm performance.

5.5 Conclusion

Utilizing survey data from a variety of U.S.-based firms, this study examined how operational turnaround responses and strategic turnaround responses impacted firm performance in the context of the COVID-19 pandemic. Results supported only the main effect relationship between strategic turnaround responses and firm performance. The moderating effects of risk-

taking, innovativeness, and proactiveness were also examined, but did not produce statistically significant results. This presents opportunities for researchers to examine other aspects and factors that may impact firm performance.

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APPENDIX: COVER LETTER AND SURVEY

Consent to Participate in a Research Study

Title of the Project: Escaping the COVID slump. How turnaround responses implemented during Covid-19 impacted firm performance
Principal Investigator: Randell Nairn, Doctoral Candidate, UNC Charlotte
Faculty Advisor: Dr. Franz Kellermanns, Faculty Advisor
Study Sponsor: N/A

You are invited to participate in a research study. Participation in this research study is voluntary. The information provided is to help you decide whether or not to participate. If you have any questions, please ask.

Important Information You Need to Know

- The purpose of this study is to explore the relationship between turnaround responses implemented by businesses during the COVID-19 pandemic and firm performance.
- You will be asked to complete an online survey.
- If you choose to participate it will require 10-15 minutes of your time.
- There are no risks or discomforts that will occur as a result of this survey.
- Benefits may include increased awareness of how actions taken during the COVID-19 pandemic impacted your business.
- If you choose not to participate, you need only not to take the survey.

Please read this form and ask any questions you may have before you decide whether to participate in this study.

Why are we doing this study?

The purpose of this study is to explore the relationship between turnaround responses implemented by businesses during the COVID-19 pandemic and firm performance. Unlike routine periods of decline, the pandemic posed acute challenges such as uncertainty, policy adjustments, changes in consumer demand, and supply chain constraints which top management teams had to navigate during this time. While turnaround theorists have studied organizations experiencing decline in individual firms and industry, no research has been done on turnaround in the midst of a global crisis. This research will, therefore, contribute to turnaround literature by studying how operational and strategic turnaround initiatives implemented during the COVID-19 pandemic impacted firm performance.

Why are you being asked to be in this research study?

You are being asked to be in this study because you have been identified as someone who is 18 years or older and was a CEO/owner or executive at a United States-based firm during the COVID-19 pandemic.

What will happen if I take part in this study?

If you choose to take part in this study, you will complete a 10-15 minute online survey related to the strategies implemented within your organization to combat the COVID-19 pandemic and your firm's performance during this time.

What are the benefits of this study?

Benefits may include increased awareness of how actions taken during the COVID-19 pandemic impacted your business.

What risks might I experience?

There are no risks or discomforts that will occur as a result of this survey.

How will my information be protected?

We will do our best to keep study data safe and confidential, but we cannot make any absolute promises. We will protect the data in the following way:

To protect your privacy, your identifying information will not be collected as a part of this survey. You will not be identified in any publication from this study and your responses and data will never be identifiable.

How will my information be used after the study is over?

We might use the survey data for future research studies, and we might share the non-identifiable survey data with other researchers for future research studies without additional consent from you.

Will I receive an incentive for taking part in this study?

Participants eligible for an incentive are those that receive this invitation from Prolific membership system for survey respondents. Respondents can expect to receive $5 upon completion of this survey. Participants will only be able to receive this incentive if they are 18 years or older, was a CEO/owner or executive at a U.S.-based firm during the COVID-19 pandemic, and complete the survey in its totality. If the participant stops the survey at any time or does not complete the survey in its entirety, no incentive will be given.

What are my rights if I take part in this study?

It is up to you to decide to be in this research study. Participating in this study is voluntary. Even if you decide to be part of the study now, you may change your mind and stop at any time. If you do change your mind and stop this survey, no data will be submitted from this survey and will not be used in this research.

Who can answer my questions about this study and my rights as a participant?

If you have questions concerning the study, contact the principal investigator, Randell Nairn, Doctoral Candidate at (704) 879-1578 or by email at rnairn@charlotte.edu, or contact the faculty advisor, Dr. Franz Kellermanns at (704) 687-1421 or by email at kellermanns@charlotte.edu. If you have further questions

or concerns about your rights as a participant in this study, contact the Office of Research Protections and Integrity at (704) 687-1871 or uncc-irb@charlotte.edu.

Consent to Participate

By selecting “accept and proceed with the survey”, you are agreeing to be in this study. Make sure you understand what the study is about before continuing on in this survey. If you have any questions about the study after moving forward in this survey, you can contact the study team using the information provided above.

If you are 18 years of age or older, have read and understand the information provided and freely consent to participate in the study, you may proceed to the online survey.

Turnaround Strategy and Firm Performance

This survey was administered online using Qualtrics.

Were you a CEO/owner or executive at a United States-based firm during the Covid-19 pandemic?

- Yes and proceed with the survey
- Reject survey request

Section 1: In this section, we are interested in the actions your firm took to turnaround performance as a result of the Covid-19 pandemic.

What priority were each of the following actions given in your firm?

	Given low priority						Given high priority
	1	2	3	4	5	6	7
The reduction in the finished goods and inventory	○	○	○	○	○	○	○
Employee layoffs	○	○	○	○	○	○	○
The reduction in maintenance costs	○	○	○	○	○	○	○
The reduction in property, plants, and equipment	○	○	○	○	○	○	○
The reduction in marketing costs	○	○	○	○	○	○	○
The reduction in R&D expenditures	○	○	○	○	○	○	○

What priority were each of the following actions given in your firm?

	Given low priority						Given high priority
	1	2	3	4	5	6	7
Entering new markets	○	○	○	○	○	○	○
New product or service offerings	○	○	○	○	○	○	○
New production or service processes	○	○	○	○	○	○	○
New competitive advantages	○	○	○	○	○	○	○
New organizational structures	○	○	○	○	○	○	○

The item below contrasts two extremes in responding to performance downturns. Select a numeral to best characterize the overall nature of your firm's recovery response.

	1	2	3	4	5	6	7	
Primarily efficiency-oriented with belt tightening and streamlining of operations	○	○	○	○	○	○	○	Primarily competitive strategy-oriented with changes in technology, products, or markets

Section 2: In this section, we are interested in the performance of your firm.

Please indicate the amount of annual sales:

- Less than $1 million
- $1 million to less than $5 million
- More than $5 million

Is your firm currently still operating?

- Yes
- No

How would you rate your firm's performance in comparison to your competitors **currently**?

	Much Worse			About the Same			Much Better
	1	2	3	4	5	6	7
Growth in sales	○	○	○	○	○	○	○
Growth in market share	○	○	○	○	○	○	○
Growth in number of employees	○	○	○	○	○	○	○
Growth in profitability	○	○	○	○	○	○	○
Return on equity	○	○	○	○	○	○	○
Return on assets	○	○	○	○	○	○	○
Profit margin on sales	○	○	○	○	○	○	○
Ability to fund growth from profits	○	○	○	○	○	○	○

How would you rate your firm's performance in comparison to your competitors in the **past three years**?

	Much Worse			About the Same			Much Better
	1	2	3	4	5	6	7
Growth in sales	○	○	○	○	○	○	○
Growth in market share	○	○	○	○	○	○	○
Growth in number of employees	○	○	○	○	○	○	○
Growth in profitability	○	○	○	○	○	○	○
Return on equity	○	○	○	○	○	○	○
Return on assets	○	○	○	○	○	○	○
Profit margin on sales	○	○	○	○	○	○	○
Ability to fund growth from profits	○	○	○	○	○	○	○

Section 3: In this section we are interested in the entrepreneurial orientation of your firm **currently**.

Is your firm currently still operating?

- Yes
- No

In dealing with its competitors, my firm...

	1	2	3	4	5	6	7	
Typically responds to actions that competitors initiate	○	○	○	○	○	○	○	Typically initiates actions to which competitors then respond
Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.	○	○	○	○	○	○	○	Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.
Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture	○	○	○	○	○	○	○	Typically adopts a very competitive, "undo-the-competitors" posture

In general, my firm has...

	1	2	3	4	5	6	7	
A strong proclivity for low-risk projects (with normal and certain rates of return)	○	○	○	○	○	○	○	A strong proclivity for high-risk projects (with changes of very high returns)

In general, my firm believes that...

	1	2	3	4	5	6	7	
Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior	○	○	○	○	○	○	○	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objective

When confronted with decision-making situations involving uncertainty, my firm...

	1	2	3	4	5	6	7	
Typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions	○	○	○	○	○	○	○	Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

Section 4: In this section we are interested in the entrepreneurial orientation of your firm going into the Covid-19 pandemic.

In general, my firm favored...

	1	2	3	4	5	6	7	
A strong emphasis on the marketing of tried-and-true products or services	○	○	○	○	○	○	○	A strong emphasis on R&D, technological leadership, and innovations

How many new lines of products or services had your firm marketed in the past five years (or since its establishment)?

	1	2	3	4	5	6	7	
No new lines of products or services	○	○	○	○	○	○	○	Very many new lines of products or services
Changes in product or service lines have been mostly of a minor nature	○	○	○	○	○	○	○	Changes in product or service lines have usually been quite dramatic

In dealing with its competitors, my firm...

	1	2	3	4	5	6	7	
Typically responded to actions that competitors initiated	○	○	○	○	○	○	○	Typically initiated actions to which competitors then responded
Was very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.	○	○	○	○	○	○	○	Was very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.
Typically sought to avoid competitive clashes, preferring a "live-and-let-live" posture	○	○	○	○	○	○	○	Typically adopted a very competitive, "undo-the-competitors" posture

In general, my firm had...

	1	2	3	4	5	6	7	
A strong proclivity for low-risk projects (with normal and certain rates of return)	○	○	○	○	○	○	○	A strong proclivity for high-risk projects (with changes of very high returns)

In general, my firm believed that...

	1	2	3	4	5	6	7	
Owing to the nature of the environment, it was best to explore it gradually via cautious, incremental behavior	○	○	○	○	○	○	○	Owing to the nature of the environment, bold, wide-ranging acts were necessary to achieve the firm's objective

When confronted with decision-making situations involving uncertainty, my firm...

	1	2	3	4	5	6	7	
Typically adopted a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions	○	○	○	○	○	○	○	Typically adopted a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

Section 5: In this section, we are interested in the background information of the firm as well as your background information.

In what order were turnaround initiatives implemented in your firm?

- Only efficiency-oriented activities were implemented
- Only competitive strategy-oriented actions were implemented
- Efficiency-oriented activities initially implemented followed by strategy-oriented actions
- Strategy-oriented actions initially implemented followed by efficiency-oriented activities
- Both efficiency-oriented and strategy-oriented actions were implemented at the same time

Did your firm experience a decline of sales during the Covid-19 pandemic?

- Yes
- No

Is your firm currently operating?

Yes

No

Did your firm receive a loan from the Paycheck Protection Program (PPP) during the Covid-19 pandemic?

Yes

No

Firm Industry
(Based on 2 digit NAICS code list - https://www.naics.com/search/

How would you define the climate of your industry?

Growth industry

Mature industry

Declining industry

Where is your firm primarily located?

AK

How old is your firm (in years)?

Please indicate the total number of full-time employees in your firm:

What is your position (title) in the firm?

- Owner/ CEO
- President
- Vice President
- CFO
- Other Executive

How many years have you worked at the firm?

What is the highest degree you have earned?

- Some high school
- High school diploma
- Some college
- College graduate
- Graduate school

What is your age?

Which gender do you identify with?

- Male
- Female
- Prefer not to say

What is your ethnicity?

- White
- Black or African American
- American Indian or Alaska Native
- Asian
- Native Hawaiian or Pacific Islander
- Other

Thank you for taking the time to complete this survey. Please provide the information below to ensure you receive the incentive associated with completion.

Please provide your Prolific ID:

Please provide your completion code: