Organizational failure and turnaround in public sector organizations: A systematic review of the evidence

Hamid Ravaghi1, Russell Mannion2, Haniye Sadat Sajadi3*

Received: 21 Dec 2016 Published: 11 Dec 2017

Abstract

Background: Existing evidence with regards to the organizational failure and turnaround are derived from the private sector. There is fewer corresponding review of the empirical evidence in the public sector. This review aimed at providing a summary of the research investigating the above items in the public sector.

Methods: A search strategy was developed to identify empirical studies relating to organizational failure or turnaround process in public sector services on HMIC, Medline; SSCI, ASSIA, Business Source Premier, The SIEgle and the ASLIB Index. A total of 11 673 studies were identified initially. After screening process of the articles, 23 studies were included in the systematic review. The selected studies were appraised and findings were synthesized.

Results: Symptoms of organizational failure along with secondary and primary causes of failure within different public organizations were identified. Factors that trigger organizational change were extracted. The review revealed that most of the studies employed turnaround strategies including reorganization, retrenchment, and repositioning, which are referred to “3Rs” strategies. The role of contextual factors in turnaround and the impact of turnaround strategies on organizational performance were explored. Furthermore, the key similarities and differences between 2 sectors in organizational failure and the turnaround process were demonstrated.

Conclusion: This review highlighted the gap in the literature in organizational failure and turnaround interventions within the public sector.

Keywords: Organizational Failure, Turnaround, Public Sector, McKiernan’s Model, Stage Framework

Copyright© Iran University of Medical Sciences

Cite this article as: Ravaghi H, Mannion R, Sajadi HS. Organizational failure and turnaround in public sector organizations: A systematic review of the evidence ch. Med J Islam Repub Iran. 2017 (11 Dec);31:76. https://doi.org/10.14196/mjiri.31.76

Introduction

Over the last 2 decades, increasing political attention has been devoted to develop effective strategies to reform the financing, organization, and delivery of public services (1, 2). This reform agenda has generated a growing interest in measuring and assessing the performance of public sector organizations and institutions (3-5). As a result of this interest, a range of comparative performance metrics, rating, and scoring systems have been developed and used to assess and report the performance of public organizations, especially in the UK and US, across a range of services including education, health, and transport (6, 7). Organizations unable to achieve a minimum level of acceptable performance are often ‘named and shamed’ in public report cards or performance league tables and labeled as ‘poor’ or ‘failing’. Such schemes bring poor performance into the public domain and can contribute to political pressure to improve the performance of those organizations deemed to be failing (8). The greater visibility given to problems as-

1 What is “already known” in this topic:
To design effective strategies for addressing underperformance, it is crucial to understand the causes of organizational failure and the factors that lead to successful turnaround.

→ What this article adds:
This review revealed a gap in the literature with regards to linkage between symptoms and causes of failure, tracking the time organizations sustain their hard won improvements in performance, the effectiveness of the turnaround strategies, the role of external organizations, and the impact of contextual factors on organizational failure, and turnaround interventions within the public sector.
Organizational failure and turnaround

associated with poor performance has led to an increased interest in understanding how organizations can migrate from poor to satisfactory or good performance. This performance improvement process is commonly termed ‘turnaround’ in the academic and practitioner literature (9). However, to design effective strategies for addressing underperformance, it is crucial to understand the causes of organizational failure and the factors that can lead to successful turnaround. This is the subject of the current review.

To our knowledge, while an extensive literature is available on the nature of organizational failure and turnaround in the for-profit sector, such evidence is sparse in the public sector (2, 10-12). The first studies were conducted in the mid-1970s (13) and have grown in number to date (14-16). Borins (17) argues that early interest in the subject was on the part of practitioners rather than researchers, and focused on practical rather than theoretical concerns. Several commentators have also highlighted the paucity of robust empirical evidence and theoretical frameworks to explore turnaround in public sector organizations (6, 18). However, interest in this subject has grown a pace over recent years. Boyne argues that strategies deployed by managers to turnaround poorly performing public organizations have not been chosen based on robust evidence and well-constructed theory, adding that the quality and quantity of research on organizational performance in the public sector are limited and in need of development (6). Meier and Bohte maintain that the symptoms and causes of organizational failure in the public sector have been subject to insufficient academic attention, and policymakers and managers lack robust evidence to guide the triggers to change and implement successful strategies (19). It seems that only the ‘stage’ model was considered as a framework in which the process of organizational failure and/or turnaround is structured in sequential phases (20). A variety of stage theories or conceptual models has been applied in the literature eg, Mckiearn (21). The present study aimed at reviewing the findings of empirical studies concerning the processes of organizational failure and turnaround across a range of public services and identifying the key themes, findings, and areas of debate.

We tried to identify studies relating to organizational failure or turnaround process in public sector services, and thus we only included empirical studies undertaken in the public sector. All types of study design and research methods were eligible for inclusion. Studies were further limited to those published in English due to translation difficulties and costs, and papers published since 1970 up to data of updating our searching. Electronic databases, reference scanning of relevant papers, hand searching of key journals, and contacting experts and relevant organizations were used to find suitable and eligible evidences. Several key databases were searched including HMIC (Health Management Information Consortium via Ovid), Medline (Via Ovid); SSCI (Social Sciences Citation Index), ASSIA (Applied Social Science Index and Abstracts), and Business Source Premier. The SIEGLE (System for Information on Grey Literature in Europe) and the ASLIB Index to theses (http://www.theses.com) were searched for theses and dissertations produced in the UK and Ireland. Searches were done using a range of ‘failure’ and ‘turnaround’ synonyms, which were linked to ‘organization’ synonyms. The keywords used were as follow: ‘failure’, ‘decline’, ‘mortality’, ‘crisis’, ‘death’, ‘exit’, ‘turnaround’, ‘recovery’, ‘success’, ‘retrenchment’, ‘rejuvenation’, and ‘renewal’. An appropriate search strategy was used for each database. A key difficulty with the medical/health databases used was the use of similar phrases in clinical papers such as ‘failure’, ‘mortality’, and ‘death’.

Additional methods of exploration employed when electronic databases were searched to capture additional sources such as using the authors’ names of relevant papers as a search term. The initial search was conducted in January 2011 and updated in September 2016. To eliminate duplication, results from different databases were placed into a reference manager package and reference lists from the 2 reviews were crosschecked; and to avoid duplication, studies included in both were not abstracted.

Most of the included studies were qualitative, and thus to assess the quality of the quantitative studies, a checklist developed by Boynton and Greenhalgh (2004) was used (22). A data extraction form was designed to distil details concerning the aims of the study, setting, study design, participants, method of data collection and analysis, reported findings, and implications for research and policy. Because the literature on organizational failure and turnaround processes is mainly discursive and the studies rarely include objective measurable outcomes commonly used in quantitative research, a narrative approach was used to synthesize the results of the studies. The stage theoretical framework (Mckiearn Model) was used to summarize and interpret the study findings.

Review of the literature

Description of Studies

Once duplicates were removed, the search identified 11 673 papers. During the initial stage, 11 134 papers were excluded upon the examination of the title and abstract. In the next stage, the complete texts of the remaining papers (539) were assessed against the inclusion criteria and a further 516 studies were excluded. Finally, 23 studies were included. Table 1 presents a detailed summary of the included studies. It is noteworthy to mention that many papers about organizational failure and turnaround were largely anecdotal and published in nonacademic journals. Moreover, some of the material studied was either deemed theoretically and/or practically weak or, more commonly, their covered areas were irrelevant to the review. It should be noted that 3 retrieved reviews (10, 23, 24) were not included and only the findings were used for further debate in discussion part.

Setting of the Studies

Studies have been conducted across a wide range of organizational settings including health services (25-31), local government (8, 11, 32-36), schools (2, 12, 19, 37-41), and a combination of public services (42) (Fig. 1).

http://mjiri.iums.ac.ir
Med J Islam Repub Iran. 2017 (11 Dec); 31:76.
Aims of the Included Studies

The aims of the studies were multiple and diverse; 4 studies focused only on the symptoms, causes and patterns of failure, and the impact of contextual factors in contributing to failure (8, 19, 31, 41); 13 studies focused only on the turnaround strategies and factors that affected their impact (2, 11, 12, 27-30, 32, 35, 36, 39, 40, 42); and the remaining 6 studies explored both organizational failure and turnaround processes (25, 26, 33, 34, 37, 38).

Time of Publication

There has been a growing interest in this topic since the late 1990s: 1 study was published before 2000, 22 studies were published after 2002, and a number of high quality studies were published after 2005. All quantitative studies were published after 2005 (Fig. 1).

Terminology Used in the Included Studies

Most of the studies used the terms ‘failure’ and ‘decline’ to identify serious performance problems. None used similar terms to those that have been used in the for-profit sector (eg, organizational mortality, organizational death, and organizational exit) to represent failing situations. Turnaround, recovery, success, and retrenchment were used interchangeably to present performance improvement following a period of poor performance. The terms rejuvenation and renewal were sometimes used in the included studies.

Research Methods Used in the Included Studies

The most commonly used research method was the qualitative case study, employing interviews, document analysis, and observations to gather data. Nine studies used a single case study, and multiple case studies were used in 6 studies; In 2, the data were collected by interviewing a senior manager only to explore the objectives of the study; 6
studies used quantitative survey and cross-sectional time series methods; and 2 studies employed the mix method (qualitative-quantitative) to reach its objectives.

**Theoretical Frameworks Used in the Included Studies**

Several studies had no explicit theoretical framework to explain organizational failure and/or turnaround (2, 8, 19, 29, 32, 33, 38, 39, 41). However, some studies did use different stage theoretical framework including Argyowa-smy’s 2-stage model (42) and McKiernan’s 6-stage model (25, 26, 31). A ‘realistic’ evaluation methodology (43) was adopted by Turner and Whiteman (34) and Marchal and et al. (30), who sought to identify the context for poor performance (causes), mechanisms for recovery, and outcome of the recovery interventions on local authority performance (CMOs model). Six studies used the “3Rs” strategy (re-trenchment, repositioning, and restructuring) to explain the impact of interventions in turning around poor performance and designing the suitable tool to measure turnaround management strategies (35, 11, 12, 28, 36, 40).

**Symptoms of Failure**

In some of the studies included in this review, 4 different categories of symptoms of failure were identified: financial, physical, behavioral, and managerial. Table 2 summarizes the symptoms of failure reported in each included study.

Financial symptoms were addressed in 5 studies in the health sector (25, 26, 29, 30, 31), as obvious indicators of failure, though in the school setting it was not reported as an evident symptom. Inability to meet key performance targets is a common symptom in all studies, regardless of sector. Poor working relationships with external stakeholders, a high level of staff turnover, recruitment problems, and a poor public image were the symptoms that presented in all 3 settings (health, school, and local government sectors). Among managerial symptoms, employee mistrust, internal conflict, and lack of teamwork were the most prevalent markers across 3 settings (health, school, and local government sectors). Low staff morale was a common symptom (behavioral) reported in all 3 contexts. Unsatisfactory teaching quality, poor behavior in classes, and low levels of expectation were the specific symptoms identified in the school setting.

Included studies showed good managers leaving organization, a classic marker of failure, and a high level of management turnover ensued (25, 26, 29, 31, 33, 34). The posts

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Symptoms of Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Symptom</strong></td>
<td><strong>Code</strong></td>
</tr>
<tr>
<td>Physical</td>
<td>Inability to hit core targets</td>
</tr>
<tr>
<td>High level of staff turnover and/or recruitment problems</td>
<td>●</td>
</tr>
<tr>
<td>Poor public/press image</td>
<td>●</td>
</tr>
<tr>
<td>Poor working relations with media</td>
<td>●</td>
</tr>
<tr>
<td>Poor working relations with external stakeholders</td>
<td>●</td>
</tr>
<tr>
<td>Management turnover inadequate competition (export of the clients to other providers)</td>
<td>●</td>
</tr>
<tr>
<td>Major incidents (deaths in hospital)</td>
<td>●</td>
</tr>
<tr>
<td>Unsatisfactory teaching quality</td>
<td>●</td>
</tr>
<tr>
<td>Financial</td>
<td>Poor financial control</td>
</tr>
<tr>
<td>Financial holes or Unexplained deficit</td>
<td>●</td>
</tr>
<tr>
<td>Managerial</td>
<td>Stagnating management</td>
</tr>
<tr>
<td>Employee distrust/ internal conflict</td>
<td>●</td>
</tr>
<tr>
<td>No visible mangers in organization</td>
<td>●</td>
</tr>
<tr>
<td>Lack of teamwork</td>
<td>●</td>
</tr>
<tr>
<td>Centralized decisions made behind closed doors</td>
<td>●</td>
</tr>
<tr>
<td>Behavioral</td>
<td>Low staff morale</td>
</tr>
<tr>
<td>Ignoring problem</td>
<td>●</td>
</tr>
<tr>
<td>Blames for problems placed on others</td>
<td>●</td>
</tr>
<tr>
<td>Loss of reputation/ no pride in organization</td>
<td>●</td>
</tr>
<tr>
<td>Low level of expectation</td>
<td>●</td>
</tr>
<tr>
<td>Poor behavior in classes</td>
<td>●</td>
</tr>
<tr>
<td>Cost financial solvency</td>
<td>●</td>
</tr>
</tbody>
</table>

[DOI: 10.14196/mjiri.31.76]
tended not to be (or could not be) filled or inexperienced managers were brought in. Consequently, the organization lost its managerial capacity and capability (valued at a premium during the crisis phase) exacerbating the situation and likely to be the cause of further decline in performance (26).

**Secondary Causes of Failure**

A range of internal and/or external factors combine to cause organizational failure in the for-profit sector. The current review similarly found that both internal and external factors contribute to organizational failure in public services. This review identified 5 different internal secondary causes of failure within public sector including: (1) managerial, (2) financial, (3) organizational, (4) cultural, and (5) political. Also, changes in the external environment were a contributing factor to organizational failure reported in several included studies. Table 3 summarizes the internal and external factors contributing to organizational failure.

<table>
<thead>
<tr>
<th>Table 3. Causes of Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Symptom</strong></td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>Internal factors</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

http://mjiri.iums.ac.ir

*Med J Islam Repub Iran.* 2017 (11 Dec); 31.76.
Organizational failure and turnaround

external secondary causes of failure reported by each of the studies.

Primary Causes of Failure

According to the for-profit literature, both symptoms and secondary causes of decline were related to the primary causes of failure. McKiernan (21) argues that dysfunction in organizations in their organizational learning processes was a main cause of organizational failure. Several studies explored the primary causes of failure (26, 31, 33, 34). Fulop et al. (26) explicitly reported that organizational introspection or ‘eyes off the ball’, organizational myopia, organizational trauma, and organizational arrogance were the 4 important factors that had a negative impact on organizational learning processes, causing performance decline and failure among 9 case study NHS acute trusts. Turner and Whiteman (34) also indicated that resistance to external pressure (e.g. failure to implement modernization and change) was an important issue in declining performance in local government. They reported that inertia related to previous success (organizational arrogance) and lack of appropriate response to a changing external environment (organizational introspection) were causes of failure among their cases (poorly performing local government authorities). Ravaghi et al. (31) found that organizational introspection and organizational arrogance were perceived as 2 important factors having a negative impact on the organizational learning process. Some studies highlighted the lack of organizational learning in poorly performing organizations as a main cause of failure (33).

Findings of the above studies support evidence from the for-profit sector literature, which shows that the lack of an organizational learning capacity is a key primary cause of organizational failure.

Triggers for Change

Some of the studies in the current review explored triggers for change in various public services including school (2), health care (25, 26, 29, 31), local government (11, 33, 34), and mixed settings (42). Table 4 demonstrates the triggers reported by each study. As with the for-profit sector, both internal and external factors were recognized as triggers for change. Replacement of senior manager(s), change of politician(s), contact of internal managers with central government agencies concerning the poor performance of the organization, opposition at different levels of the hierarchy, conflict among different groups within the organization striving to maintain their autonomy, and reaction to the announcement of poor performance were internal triggers. New policies and programs originated by central government that aimed at improving the performance of the organization, external inspection, or intervention, and the concern of external stakeholders (e.g., consumers of services) served as external triggers. Replacement of senior manager(s) was the most common trigger found in all the above studies, which closely aligns with the findings from the for-profit sector.

Role of External Organizations in Turning around Poor Performance

Some included studies considered the role of external agents in initiating changes and turning around failing organizations such as Beeri (11) in local government setting and Ravaghi (28) in an acute NHS Trust. Harvey et al. (27) explored the role of the Performance Development Team (PDT) as an external agent in promoting turnaround in failing NHS organizations.

An important strategy used to change political views and behaviors within local government was the introduction of political mentoring, where there were perceived weak political management and poor member-officer relations. Eitel (33) highlighted the important role of a US national office in turning around of a regional office by the appointment of a new management team.

Harris et al. (39) reported that additional resources and support, through external interventions or projects, were received by poorly performing schools. Harris and Chapman (38) also emphasized that these schools received external support from the Office for Standards in Education (OFSTED) or Local Education Authorities (LEA) advisors, which helped them develop external networks to facilitate the generation of ideas, professional development, and dissemination of good practice.

Turnaround Strategies Used in the Included Studies

Although there is no dominant classification of turnaround strategies in the for-profit literature (44), 3 generic strategies including reorganization (replacement), retrenchment, and repositioning (renewal) can be distinguished in the for-profit sector literature (18, 44). Different studies have used these conceptual categories (or similar labels) to examine the impact of different approaches to reverse organizational decline. However, some variables and labels do not fit neatly into any of these 3 conceptual categories. Therefore, some slightly different patterns of evidence...
might arise due to different subjective judgments (10). Moreover, Beeri (11, 13, 36), based on his findings, categorized these 3 turnaround strategies to 8 subgroups, reflecting different dimensions of turnaround strategies, which are as follow: ‘retrenchment of services’ reflecting reduction in the scope of organizational activities; ‘retrenchment of expenditures’, meaning applying measures to make spending more cost-effective; ‘repositioning as innovative services’, referring to measures to increase the variety and accessibility of services; ‘repositioning as reaching out’, reflecting an organizational intention to reach out to new segments of consumers; ‘repositioning as renewed relationship’, referring to efforts to reconstruct relationships with external stakeholders; ‘reorganization at the organizational level’ including redefining organizational culture, updating strategic goals, internal changes, and retraining frontline employees; ‘reorganization at the personnel level’ including discharging individual personnel, shifting or eliminating positions, and changing role definitions; and ‘reorganization as extent of centralization’, measuring the concentration of organizational power at the center. It seems that reorganization is more common among these complementary and interrelated turnaround strategies (36); and this may be due to the limits of the other strategies in public agencies, or it may be tied to political signals associated with reorganization for stakeholder groups (12). Table 5 demonstrates all the turnaround interventions used in each included study.

### Role of Contextual Factors in Turning around Performance

Some of the included studies, especially those in school settings, found that contextual issues (eg, social status and level of available resources) may be important factors in the success of turnaround strategies (2, 12, 37, 39, 40). In the health sector, 2 studies explored the role of contextual issues in turning around performance (28, 30). In the first study, it was reported that the characteristics of users of public services (eg, socioeconomic status and ethnic diversity) can affect the extent of local need for services, which may affect the performance of the organization. This study concluded that in some situations, the performance of the organizations is related to factors that are beyond their control. Therefore, to assess the performance of the public organizations, the impact of contextual factors, particularly socioeconomic circumstances, on the performance of the organizations need to be taken into account (28). On the second study, the role of starting of National Health Insurance Scheme (NHIS) has been emphasized as a contextual factor.
Organizational failure and turnaround

factor in turning around performance (30).

**Impact of Turnaround Strategies**

The impact of turnaround strategies on the organizational performance (outcome of turnaround interventions) and on the staff are considered in the included studies, which are presented below:

Organizational performance: The included studies demonstrate that some organizations experienced successful turnaround and improvement in their performance, at least in the short term. For example, the results of studies, conducted in health (28-30) and school setting (2, 12), revealed that turnaround strategies had a positive impact on the organizational performance indicators. However, it should be noted that in some cases, after implementing the turnaround strategies, the performance of many organizations remained poor, if not worse than before implementing turnaround strategies. For example, Turner and Whiteman (34) reported that 6 organizations showed good progress, but 3 did not improve their scores.

Staff: Some of the included studies indicated that concerns were expressed by staff and managers about working under high levels of pressure, which were imposed on them by the turnaround interventions introduced by senior managers. As a consequence, low staff morale and a variety of change resistance strategies were reported relating to the replacement of some staff and greater expectations of the workforce. Furthermore, changes in job descriptions and increased stress among staff were further factors contributing to low staff morale and resistance to change (25, 26, 28, 33, 34). High workloads were perceived by staff, particularly when the reduction in staffing was used as a strategy to reduce the costs (25, 26, 33).

Several studies reported that some staff referred to work overload as ‘recovery fatigue’, as it impacted their energy and morale. Senior managers reported that they had to manage the turnaround process over and above their day to day responsibilities and that they were also required to invest a large proportion of their time, energy, and efforts in responding to the demands of inspectors and external agencies. Thus, once the engagement process eased, as a result of improvements in performance, many managers felt a high degree of relief (34, 28).

Both Protopsaltis et al. (25) and Fulop et al. (26) reported conflicts between new incoming managers and clinicians because of the type and level of changes introduced by managers in reorganizing clinical practice and procedures. Middle managers felt frustrated, as they were continuously being asked to meet targets without the time to stand back and plan to improve the processes.

Some positive (mobilizing and motivating the staff workplace and changing attitudes of staff towards patients) and negative (staff frustrating) impacts of turnaround strategies have also been reported (30), implying that the effects of different turnaround strategies can differ across performance dimensions (12).

**Unintended and Dysfunctional Consequences of Turnaround Interventions**

Some of the included studies noted that turnaround interventions might induce a range of unintended, adverse, and dysfunctional consequences for organizations, their staff and consumers (2, 26, 28, 34). Turner and Whiteman (34) argued that achieving a better CPA score became the most important priority for some local authorities. Two negative consequences were identified: first, the local authorities were unwilling to criticize the government (Compliance); and second, local authorities focused on meeting centrally set targets (heavily oriented to the CPA score possibly incompatible with the requirements of their local communities). In addition, organizations might be distracted from the focus on sustainable performance improvement. The tension between external criteria-based assessment and internal culture and the process of performance management were highlighted here. It was shown that some organizations were willing to perform activities that were likely to result in positive responses from inspectors or auditors. Some leading participants attributed speed improvement to deal with inspection and audit processes rather than turnaround strategies. They indicated an improvement in the level of cognition, capability, and capacity in dealing with audit processes. Further investigation is needed to explore whether the improvement is attributable to the turnaround strategies or to gaining more capabilities and capacities to deal with central targets and audit processes. They also reported that the organizations needed to consider financial costs due to changes in both management and organizational restructuring and those 2 local authorities reported changes in their current budget priorities during turnaround.

Ravaghi (28) also recognized 2 unintended and adverse consequences of implementing turnaround interventions believed to have had a negative effect on the hospital trust and service delivery to patients. These consequences were pressure and stress perceived by staff due to high level of workload, tunnel vision, and impact on quality of patient care.

**Discussion**

To the best of our knowledge, this was the first comprehensive literature review exploring both organizational failure and turnaround processes in public sector organizations. It has distilled the available evidence within the public sector and compared it with the existing literature derived from the for-profit sector. We have highlighted key issues with regards to the theoretical framework and methods used in the studies and have summarized the results of the included studies on the symptoms and causes of failure, triggers for change, and turnaround interventions. These are each discussed in turn below.

**Symptoms of Failure**

As in the for-profit sector, 4 different types of markers of failure (financial, physical, behavioral, and managerial) were found in the public sector. The most common markers of failure in the public sector were an inability to hit core targets, poor working relationships with external stakeholders, high management turnover, employee distrust/internal conflict, and low staff morale. In the health sector, poor financial balance, the high level of staff turnover, and/or re-
cruitment problems, and poor public/media image were evi-
dent markers of failure. Financial issues were not a crucial
marker in the school sector, although there were some ex-
amples indicating the inability of schools to achieve a fi-
nancial balance. Only 2 studies (26, 33) identified a link
between markers and primary and secondary causes of fail-
ure (dysfunction in organizational learning).

Secondary and Primary Causes of Failure

Findings of this review revealed that internal and/or ex-
ternal secondary factors, similar to those in the for-profit
sector, contribute to the organizational failure process in the
public sector; 5 different secondary internal causes were
found: managerial, financial, organizational, cultural, and
political factors. It should be borne in mind that, except in
very special circumstances (eg, the occurrence of a disas-
ter), a single factor can lead to a failure, whereas in other
situations, several different factors contribute to a decline in
performance.

The most common internal secondary causes of failure
were as follow: poor managerial leadership; poor opera-
tional management; poor performance management (not
evident in school settings); cultural problems; insularity
(poor relationships with other stakeholders); poor internal
relationships; lack of staff engagement; and inattention to
external warnings. Poor political leadership was an im-
portant cause of failure in local government settings. As a
result of the political context of the public sector, particu-
larly in local governments, political issues (eg, poor politi-
cal leadership and poor political-managerial relationships)
were key contributing factors to organizational failure, al-
though this was not a cause of failure in the for-profit sector.

There were some differences between the symptoms and
causes of failure between the 2 sectors, owing to the nature
of the services provided and the context of provision. For
example, decline in demand was not a contributory issue in
performance decline in the public sector, although it was an
important cause of failure in the for-profit sector. On the
other hand, Walsh et al. (18) argued that the inability of a
public sector organization to meet customer demand and
create satisfaction for its stakeholders are indeed issues that
can contribute to failure.

Policy change, diverse service needs, and a poor socioeco-
omic situation (high level of poverty and deprivation) were
the most important external factors contributing to per-
formance decline and failure within public services. In the
health sector, policy change was perceived as the most
evident external contributor to organizational failure, but
the impact of contextual factors (eg, socioeconomic fac-
tors) has less been considered in the health sector. More
studies need to be conducted in this area.

Triggers for Change

This review found that both internal and external factors
have made a contribution in initiating processes of change
(triggers) within the public sector. Replacement of senior
management was the most common internal trigger in all
the included studies, and reports provided by external
agents and concerns expressed by external stakeholders
were the most common external triggers. Reaction of or-
ganizations to the announcement of poor performance was
also an important trigger. The findings of this review were
comparable with the literature from the for-profit sector,
although the role of external agents in diagnosing and trig-
gering change was more common and of greater im-
portance in the public sector than the for-profit sector due
to the nature of public sector. Harvey et al. (27) identified
the valuable role of the PDT as an external agent in diag-
nosing problems of NHS organizations and serving as
agents of change. It is vital to note that in all included stud-
ies, multiple factors rather than a single factor played a cru-
ial role in the initiation of the process of change.

Turnaround Interventions

To organize and report the interventions used in the in-
cluded studies in this review, the “3Rs” strategy (44), de-

eived from the literature in the for-profit sector, was used.

We found that 3 generic turnaround strategies (reorganiza-
tion, retrenchment, and repositioning), used in the for-profit
sector, have been also used in the public sector, although
the feasibility, frequency, and extent of use of these strate-
gies have not been similar across the 2 sectors. Reorganiza-
tion strategies were the most common form of intervention
used in the public sector, however, greater use of reorgani-
zation in public organizations did not result in better per-
formance (36). Although retrenchment strategies have been
used in the public sector, particularly in health care trusts
facing financial difficulties, their effectiveness has not been
proven and it was the least used strategy in school settings.
The use of repositioning strategies to change the activities
of the organization or expand its services by entering into
new markets is often impossible for public service organi-
zations, as providing objective services is mandatory due to
the statutory obligations. However, in some cases we found
that the responsibility for service provision of an organiza-
tion was transferred to other organizations. The evidence
in this area within the public sector is still limited, and existing
studies are not comprehensive, so it is difficult to reach a
firm conclusion on the effectiveness of these strategies.

However, the limited evidence may provide important in-
formation for policymakers and managers charged with
turning around poorly performing organizations.

Limitations

Limitations of this review: As outlined in the methods
section above, a broad search strategy following consulta-
tion with 2 librarians from the NHS Centre for Reviews and
Dissemination (CRD) was used to ensure that the maxi-
mum number of eligible studies was included. However,
owing to the diversity of the topic (organizational failure
and turnaround processes) and the presence of under-devel-
oped search strategies for nonexperimental studies, some
studies might have been missed. To minimize this problem,

some additional exploratory pathways were employed, eg,

searching using the authors’ names of relevant papers as a

search term.

Limitations of included studies: As noted above, the prin-
cipal research method used to study organizational failure

http://mjiri.iums.ac.ir

Med J Islam Repub Iran. 2017 (11 Dec); 31.76.
Organizational failure and turnaround was the qualitative case study design, although the number of quantitative studies has increased since 2005. In some case studies, data were collected by interviewing only 1 informant, and so might not have provided a rounded view of the issue under question, and thus the potential for bias should be considered. In addition, some studies used a retrospective approach, making recall bias (selective recall) a cause for concern. It should, however, be noted that Paton and Mordaunt (42) tried to use document analysis to support interviews in 2 out of 4 of their cases.

**Conclusion**

This review highlights difficulties regarding the methodology of review of nonexperimental studies: searching (particularly electronic databases); quality assessment; and data synthesis. Considering all these issues, it seems that more methodological development is required.

The gap in linkage between symptoms and secondary and primary causes of failure in public sector organizations is also apparent from this review. So far it is not clear how the identification of the symptoms of failure can result in the diagnosis of secondary and ultimately primary causes of failure. Similarly, it is unclear how diagnosis of symptoms and causes of failure can result in the selection and implementation of appropriate turnaround strategies. We also found that the existing literature on this topic lacks robust longitudinal studies, tracking over the time how organizations sustain their hard won improvements in performance.

With respect to the effectiveness of the turnaround strategies, there remain gaps in the literature and evidence base. There is currently insufficient evidence about which turnaround strategy of the 3 broad generic types (reorganization, retrenchment, and repositioning) is the most appropriate to use, and in what contexts and circumstances the different strategies would achieve the best outcomes. Moreover, how these turnaround interventions can be combined in different contexts is an important issue that is not explored fully in the public sector literature.

This review also revealed a lacuna in the literature with regards to the role of external organizations in dealing with poorly performing organizations, as related to the initiation of the turnaround process, and supported both during the process and while the organization improves and attempts to sustain its improvement. The type of strategies used by external organizations and the duration of these interventions with regards to the type of poorly performing organization (self-initiating and permanently poor performing) were insufficiently covered by empirical studies, although 3 different kinds of relationship between external supporting organizations and poorly performing organizations have been defined by Jas and Skefcher (45), using principal-agent theory. No sufficient empirical evidence was found to differentiate ‘permanently failing’ from ‘self-initiating’ organizations, which could have helped policymakers to focus more on ‘permanently failing’ organizations.

It is clear from the review that several research studies in this area were not underpinned by sound theoretical frameworks. For example, most of the studies conducted in a school setting had not used or reported a theoretical framework or conceptual model. Moreover, the gap in the literature regarding the impact of contextual factors on organizational failure and the probability of success or failure of turnaround interventions within the public sector has been highlighted.

**Conflict of Interests**

The authors declare that they have no competing interests.

**References**


