

## **Corporate Turnaround Analysis for companies experiencing Financial Distress during the Financial Crisis**

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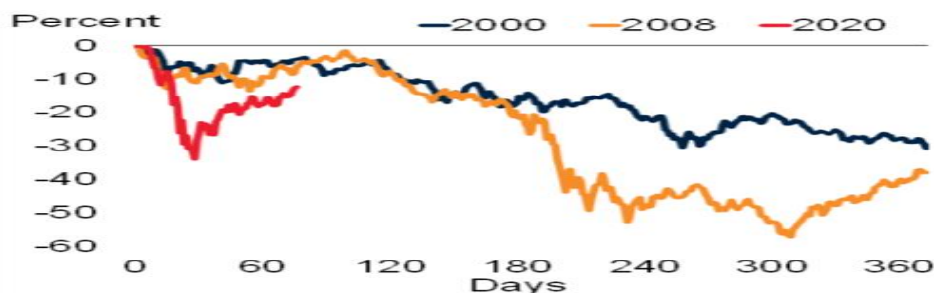
### **Abstract**

This study aims to examine the factors that can affect the ability of companies experiencing financial distress to perform Corporate Turnover. The factors tested in the study were Severity, Firm Size, Free Assets, Assets Retrenchment, Expenses Retrenchment, and CEO turnover. This study uses a logistic regression testing tool to take the objects of companies listed on the Indonesia Stock Exchange. The sample was determined using the Purposive Sampling Method. Based on the results of logistic regression testing, the data from this study fit the model and is based on the feasibility test of the regression model. Therefore, this research model can analyze the problem of this research. Partial test results by observing the value of the Wald test found that company size, Free Assets, and Expenses Retrenchment affect the ability of companies experiencing financial distress to perform corporate turnaround. While Severity, Assets Retrenchment, and CEO turnover cannot affect. Simultaneously based on the G test, all the variables tested in this study affected the company's ability to perform corporate turnaround.

**Keyword:** Distress, Turnaround, and Strategic

### **INTRODUCTION**

The financial crisis has become a critical issue in the past decade. Global economic conditions in a "turbulence" situation have made the economic and financial sectors very unstable. They have not found the best strategy to get out of pressure and undergo a new balance. The macroeconomic crisis has entered the most recessionary period since the Second World War. Starting with the Global economic crisis from 1997 to 2001 and the current crisis due to the Covid-19 pandemic, global financial conditions have become very severe and become an important reminder for the financial sector to be sensitive to crises. The current financial crisis has touched and hit both large and small countries and rich and emerging countries. Baseline estimates predict a 5.2 percent contraction in global GDP in 2020 (Global Economic Prospect, 2020), making this the deepest global recession in eight decades. Financial markets are highly volatile, reflecting very high uncertainty and a deteriorating outlook. Equity markets around the world also plunged, the gap in the risky debt category widening considerably (Cavaliere et al. 2021). As depicted in the chart below: The Global Stock Market always experiences a decline during the global recession, reflecting the macro and micro-financial crises.



Source: Global Economic Prospect, 2020

**Figure 1. The Global Recession**

In this crisis, every country with its economic and financial instruments struggles to survive and get out of pressure, find the best strategy, and find a balance. However, it does not then enter into problems with socio-political aspects. The financial crisis that occurred in the macro context came down to the micro context within a company (Muda et al., 2020). With macro conditions full of pressure, the company strives to maintain its performance achievements well. However, instead of getting good performance, many companies then felt the impact of the crisis, which made the company experience negative profitability or negative cash flow. The company then experienced a problem of ability to make payment of obligations and came to the problem of solvency. This declining ability to pay obligations triggers doubts from interested parties on the company's ability to continue its business activities.

The inability to pay obligations or what is often referred to as solvency is a substantial burden that companies must bear in times of crisis. In the understanding of financial accounting, this condition is stated as Financial Distress. Financial Distress conditions must be overcome by the company's management so that the company's performance can immediately turn around or what is known as Corporate Turnaround (Elisabeth et al., 2018). In times of crisis, the company's ability to generate strategies to get out and turn things around can give interested parties confidence about the sustainability of the company's business activities. Strategies that can be taken can be in the form of managerial and operational strategies.

The managerial strategy aims to restructure the team's composition in management without changing the vision and goals of the company (Tarmizi et al., 2021). Changes are expected to open up new thinking spaces or innovations in creating new business models within the company or creating a new climate that encourages the achievement of company goals.

Operational strategy is a step taken by the company to cut the path of decline in the company's performance. Operational strategy is, of course, very close to favorable and unfavorable accounting numbers. Accounting and financial management strategies are strengths in the operational strategies taken by the company to create optimal steps to improve the company's performance. This research focuses on finding out and getting answers about the factors that determine the company's ability to turn around financial conditions that are experiencing Financial Distress through moderating strategy timing, innovation, and business environmental conditions.

## LITERATURE REVIEW

Research related to corporate financial distress (corporate financial distress) and the company's ability to reverse the situation (corporate turnaround) has become research that has been widely carried out since the emergence of global problems and the financial crisis. This research began in the 1960s, which was started by Altman (1968), who researched the prediction of the state of corporate bankruptcy. After that, research on financial problems and corporate bankruptcies was followed, for example, by Schendel & Patton (1976), Hofer (1980), Hambrick & Schester (1983), and Bibeault (1982). These studies are the first research to search for Financial Distress. After researching financial problems, research on the company's ability to reverse the situation after going through financial distress was first conducted by Pant (1991) and Robbin & Pearce (1992). After the initial period, this research topic then developed and provided a lot of understanding and findings. This study tries to examine the other side of financial distress and corporate turnaround by providing a moderating role of the factors of innovation and the business environment, which are currently a widely raised issue because they are considered to be the basis of the company's ability to generate profits and positive cash flows (Nielsen, 2019; Martin-Rios & Parga-Dans, 2016; Park, 2018; Hausman & Johnston, 2014; Cook et al., 2019; Archibugi, Filippetti & Frenz, 2012).

In general, based on the various works of literature that have been summarized, Corporate Turnaround is defined as a period in which companies experiencing declining performance and financial problems carry out the process of turning around and improving their performance (Schweizer & Nienhaus, 2017). In contrast, Financial Distress is a condition when a company experiences liquidity problems which then triggers doubts about the company's ability to continue its business activities and operations (Senbet & Wang, 2010; Richardson & Taylor, 2015; Kim & Upneja, 2014).

The development of corporate turnaround research has then become very rapid and provides various aspects of theory development. The studies that were later born and developed include those conducted by: Reger, 2017; Lee, Glasscock & Park, 2017; Balgobin and Pandit, 2001; Barbero, Filippo & Chiang, 2017; Barker, Duhaime & Irene, 1997; Binti & Ameer, 2010; Rico, Pandit, Naresh, Puig, 2020; Ward, 2007; Lucky, 2019; Schoenberg, Collier, Bowman & Cliff, 2013; Mann, Byun, & Sang-Eun, 2017; Rico & Puig, 2019. The research focuses on discussing the use of retrenchment in measuring the success of a company's turnaround. Meanwhile, other research uses an organizational approach as a determinant of the success of turnaround, as done by Abebe, 2008; Abebe, 2012; Arogyaswamy & Yasai-Ardekani, 1997; Dolz, Iborra, Vicente, 2019; Evans, Luo, Nagarajan & Nandu, 2014; Koh, Durand, Robert, Dai, Chang, 2015. This research is based on developing contingency theory, organizational change theory, and lifecycle theory. The development of this theory has then directed research in this area to four main contents that test the success of the company's ability to the turnaround (Schweizer & Nienhaus, 2017). Various research articles around the world have extensively researched the four main contents. The four main contents are:

- a. **Operational Restructuring.** That is how the company focuses on restoring its performance by making efficiency in its operations, as has been discussed by Acharya, Bharath & Srinivasan, 2007; Sudarsanam & Lai, 2001; Routledge & Gardenne, 2000.
- b. **Managerial Restructuring.** That is how the company's efforts to carry out corporate turnaround are related to agency theory, which pushes this content to a close relationship between managerial composition and turnaround success. Jostarndt & Sautner, 2008 have discussed including these factors; Clapham, Schwenk & Caldwell, 2005; Lohrke, Bedeian & Palmer, 2004.
- c. **Portfolio Restructuring.** The factor here focuses on the company's efforts to overcome liquidity by increasing efficiency in the company's operations. Smith and Graves 2005; Wu 2013, Wan and Yiu, 2009 are some studies that focus on this factor.
- d. **Financial Restructuring.** In addition to overcoming liquidity problems, this restructuring restores debt, working capital, and corporate funding. Noe and Wang, 2000; Routledge and Gadenne, 2000 & Brown et al., 2006 are researchers tested in this context.

On the various content factors stated above, this study tries to conduct a test by exposing the content to the initial conditions of the company and seeing their orientation before experiencing financial problems. Thus, they can find the causes of the financial problems they are experiencing, which is then tested, how the control of these causes can affect the success of corporate turnaround. Furthermore, Bhattacharyya & Malik (2019) stated that the internal and external causes of the company experiencing financial problems became an essential reference in the company's efforts to take strategic steps to reverse the situation. Therefore, this study tries to use the results of the literature analysis conducted by Bhattacharyya & Malik (2019) to find a complex formulation for testing the success of corporate turnaround by integrating the company's initial condition factor with the turnaround content chosen by the company.

### Conceptual Framework

Based on the background and theoretical review of this research, it can be stated that the conceptual framework and hypotheses of this research are as follows:

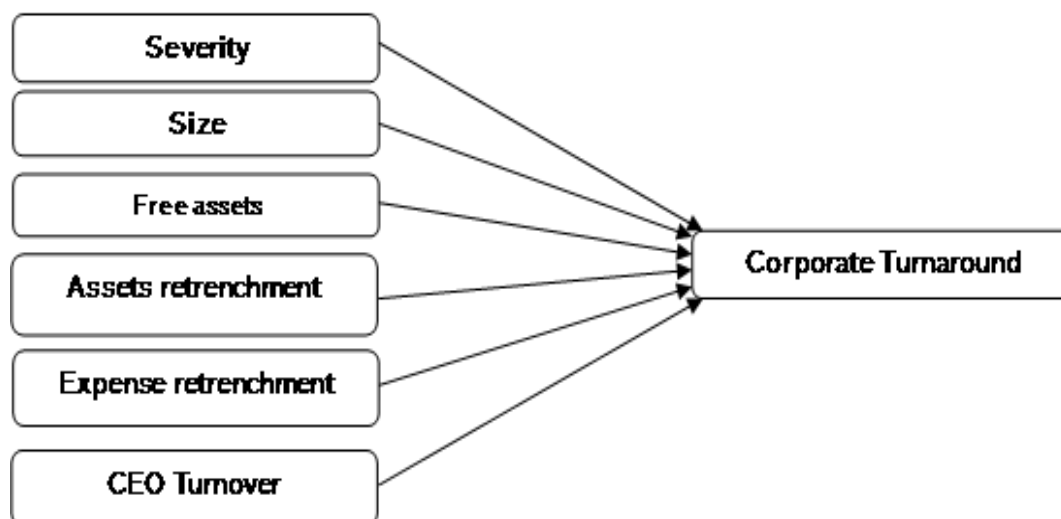


Figure 1. The Conceptual Framework

Company management's ability to manage company finances is a significant issue in achieving company goals. There are many conditions in which the company has good intentions in carrying out its financial policies. However, sometimes due to lack of control in policy, often makes the company's financial steps go wrong and impact company performance. The condition where the company experiences financial constraints that make it unable to meet its maturing obligations is a financial problem (financial distress). When the company experiences financial problems, management is required to get out of the problem and reverse the previous decline in performance. The process by which the company can get out of this state of financial problems is then referred to as corporate turnaround, and it is essential to know what factors can determine it.

The Severity of financial distress is how the tendency of the strength of financial distress in the company is. The Severity will affect the company's ability to recover the company's condition to get out of financial distress. The greater the company's tendency to be unable to get out of a period of declining performance or not cut the period of decline, the Severity of the financial distress experienced will be worse. Thus, it can be said that the higher the tendency (Severity) of the Severity of the company's financial problems or financial distress will harm the company's ability to succeed in corporate turnaround.

***H1 : The Severity of financial distress harms the ability of companies experiencing financial distress to perform corporate turnaround.***

Company size is a factor that can identify the company's ability to perform corporate turnaround after going through a period of financial distress. Small companies will be better able to get out of financial distress. This is because small companies will be better able to adapt to environmental changes than large companies. However, on the other hand, corporate companies are more prepared to deal with financial problems. Large companies have more instruments that can be used to save companies from financial distress. The instrument is the company's ability to more easily obtain funds used to save the company from increasing the company's capital. So, the ability of corporate turnaround tends to be more successful in large companies than in small companies.

***H2 : Company size positively affects the ability of companies experiencing financial distress in conducting corporate turnaround.***

The amount of free assets owned by the company is one of the things that will determine whether a company can go through the corporate turnaround period. Where free assets are the number of assets outside of liabilities, companies that have sufficient amounts of free assets will find it easier to avoid bankruptcy because free assets will increase their ability to obtain additional funds needed to help companies get out of the problem of declining financial performance or determine corporate turnaround. In addition, free assets owned by the company will be vital to provide confidence to creditors that there are several assets available to pay their loans. So, it can be stated that the greater the level of free assets owned by the company, the higher the company's ability to succeed in corporate turnaround.

***H3 : The availability of free assets positively affects the ability of companies experiencing financial distress to conduct corporate turnaround.***

The ability of corporate turnaround success is also influenced by the efficiency strategy implemented by the company. Increased efficiency is an essential factor in carrying out a successful turnaround in connection with the company's actions to improve its ability to generate profits (profitability) in the short term and force the company to expend its best efforts to carry out the efficiency strategy. In addition, through an efficiency strategy, management can play a significant role in winning the support of shareholders in internal funding support, and management can also increase external funding to fund other strategies. Efficiency strategies include reducing assets (assets retrenchment) and confining costs and expenses (expenses retrenchment). The reduction is not just a reduction in investment in functional parts such as marketing, research and development, and production costs. Nevertheless, it is also a strategy by reducing investment and liquidating company projects that do not provide profits. Thus, the better the company's efficiency strategy, both in terms of asset savings and cost savings, will impact the company's ability to carry out corporate turnaround.

***H4 : Asset retrenchment positively affects the ability of companies experiencing financial distress to conduct corporate turnaround.***

***H5 : Expenses retrenchment positively affects the ability of companies experiencing financial distress to conduct corporate turnaround.***

The company's organizational climate is essential in bringing the company out of financial distress to corporate turnaround. Changing the composition of the top management is one of the strategies in achieving the company's recovery, making changes in the composition of the company's top management such as an act of updating or rearranging management which is expected to increase the confidence of the company's shareholders on the company's ability in the future. Thus, a change in the top management ranks will provide hope for the company's ability in corporate turnaround.

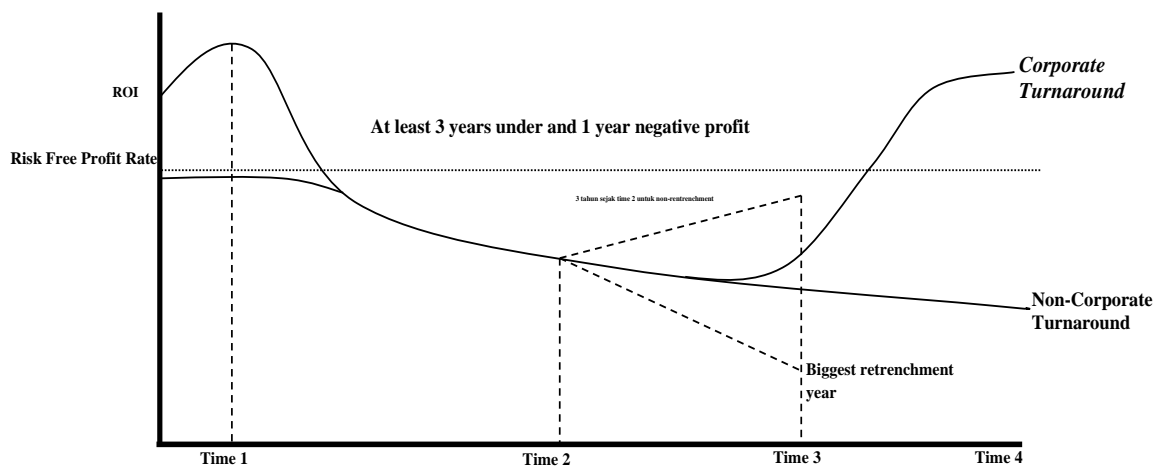
***H6 : CEO turnover positively affects the ability of companies experiencing financial distress to conduct corporate turnaround.***

## **METHOD**

This study will use the research object of companies' members of the non-financial sector on the Indonesia Stock Exchange. Determination of the sample will be done using the purposive sampling method. Determination of the sample by purposive sampling is a method of determining the sample by determining several criteria related to research use. Based on the method referred to from the research conducted by Francis and Desai (2006), the criteria to be used in determining the sample are as follows:

1. The company in question is registered from 2001 to 2011, not delisted, and its shares are actively traded on the Indonesian capital market.
2. The company experienced an ROI value below the risk-free interest rate for at least three consecutive years from 2003 to 2005.

The variables tested in this study are proxies of financial variables that require accuracy in measuring the test. Several independent or independent variables used in this study will also refer to this timeline in determining the value of each X variable. An overview of the timeline that will be used is as follows:



**Figure 2. The Timeline**

Determining companies that experience financial distress and succeed in corporate turnaround will be done by observing the comparison of ROI with the level of risk-free profit (Francis and Desai, 2005). The risk-free rate of return will be determined by taking the average interest rate of Bank Indonesia from 2003 to 2011. For a company that has experienced at least three years (time 2) experiencing an ROI below the risk-free rate, it is declared as a company that is experiencing financial distress. On the other hand, companies that can generate return ROI above the risk-free rate of return for at least three years out of a total of 6 years of recovery are declared as companies capable of performing corporate turnaround. Furthermore, companies that cannot improve performance will be declared to fail to carry out corporate turnaround. There are six independent variables in this study. The first independent variable is Severity, this variable measures the Severity of a company's financial problems. This variable was measured using the Altman discriminant value. The Severity will be measured by determining Altman's Z-score value at the time-2 position. The second variable is Size (Company Size). This variable measures the company's position when it is experiencing finances. The position referred to here is the position of the company's establishment as measured by the number of assets and the company's ability to make sales. The sum of the two items is then computed with the natural logarithm instrument. The fourth independent variable is Free Assets. Free Asset is a measure of company assets that are not collateral for the company's debt. This variable was measured using the organizational slack instrument proposed by Francis and Desai (2005). Free Assets value will be determined by calculating the value of one minus the Total Debt to Total Assets Ratio.

The fourth and fifth independent variables are Assets Retrenchment and Expenses Retrenchment. The two variables are efficiency measures by which the company terminates any assets and expenses that do not provide any revenue or terminate projects that are not

profitable for the company. The value of Assets Retrenchment and Expenses Retrenchment will be measured by dividing the value of assets and expenses at time-3 with the value of assets and expenses at time-2 and then subtracting 1. The last independent variable is CEO turnover. This CEO turnover variable assesses whether there is a change of president director during the observation period of this study. This variable is categorical (dummy). If there is a change in CEO, then this variable will be given a value of 1, and if there is no change, it will be given a value of 0.

This study has a categorical dependent variable or dummy. Thus, the most suitable analysis used in this study is Logistic Regression Analysis, which was formed for testing regression models that are categorical in nature of the dependent variable. Logistic regression testing will use classical assumption testing, namely testing the fit model and the feasibility of the regression model first and then testing the hypothesis using the Wald test value and the G test in the omnibus test output table.

## RESULTS AND DISCUSSION

This study uses the object of non-financial sector companies on the Indonesia Stock Exchange. The sample was determined using the purposive sampling method. The following is an explanation of the determination of the sample from this study:

**Table 1. The Sample Selection Process**

No	Criteria	Sample Amount
1	Companies listed as non-financial sector companies and active on the IDX according to 2012 data (IDX Factbook 2012)	190
2	Companies that have not been registered since 2001	(60)
3	The company has not experienced an ROI value below the risk-free rate of profit for three consecutive years from 2003 to 2005	(41)
4	Companies with incomplete data	(4)
<b>Total of Sample</b>		<b>85</b>

Based on the table above, it is stated that the sample which is the object of this research (observation) is 85 companies. As described in the table above, the population is reduced for each object that cannot support the study results.

### *Research Model Testing*

#### *Model Fit Testing (Overall Model Fit Test)*

This test is carried out by observing the value of  $-2$  Log-Likelihood Block 0/Step 0 (beginning) with  $-2$  Log-Likelihood Block 1/ Step 1 (final) in the output of this research logistic regression test. The following are the results of testing  $-2$  Log-Likelihood Block 0 and Block 1:



**Table 2. Likelihood Analysis**

<b>Block</b>	<b>Iteration</b>	<b>-2Log Likelihood Value</b>
Block 0	1	106.287
	2	106.264
	3	106.264
Block 1	1	89.673
	2	87.700
	3	87.408
	4	87.364
	5	87.363
	6	87.363

This test requires that this research model fits the data if there is a decrease in the value of -2 Log-Likelihood from Block 0 or the initial stage to Block 1 or the final stage. According to Ghazali (2005), a decrease in the value of -2 log-likelihood indicates that this research model is fit. The addition of independent variables, namely Severity, Firm Size, Free Assets, Assets Retrenchment, Expenses Retrenchment, and CEO Turnover, into the research model will improve the fit of this research model. Based on table 5.3, the observed value of -2 log-likelihood in block 0 iteration 1 is 106.287. This value continues to decrease until the value of -2 log-likelihood block one iteration 6 becomes 87,363. With this decrease, it can be stated that the data of this study meet the assumptions of the fit model.

### ***Regression Model Feasibility Test***

In addition to meeting the assumptions of the fit model, research using logistic regression analysis must also meet the assumptions of the feasibility of the regression model. This assumption was tested by observing the value of the Hosmer and Lemeshow test and the Contingency Table for Hosmer and Lemeshow Test obtained in the output of logistic regression processing. Based on the test results, it was found that the significance value of the Chi-Square Hosmer and Lemeshow test was 0.968, or it could be stated that it was more significant than 0.05. According to Ghazali (2005), if the significance value is above 0.05, the null hypothesis in the study cannot be rejected. Therefore, the research model can predict the observation value, or it can be said that the model is acceptable it matches the observation data. This is also reinforced by observing the value of the Contingency Table for the Hosmer and Lemeshow Test. From the table, it can be seen that in each observation, both the group of companies that can perform corporate turnaround and those that cannot perform corporate turnaround, both the observation value and the expectation value are not much different.

### ***Hypothesis Test***

Logistic regression testing was carried out using statistical data processing software tools. The results of logistic regression testing based on the required values related to this study are presented in the following Table 3:

Table 3. Hypothesis Test

Variable	B	Wald	Significance
SEV	-0.127	0.703	0.402
SIZE	0.443	4.484	0.034
FA	0.018	2.949	0.086
AR	-0.283	0.58	0.446
ER	0.812	5.011	0.025
CEO	-0.139	0.06	0.806
Constant	-5.837	4.298	0.038
Negelkerke R <sup>2</sup>		0.279	
Chi Square		18.901	
Significance		0.004	

The Table 3 above shows some critical values to be used and discussed in obtaining logistic regression test results. The value of B is the coefficient of the formation of the logistic regression model. Wald value is the same value as t-count in multiple linear regression testing. Negelkerke R<sup>2</sup> substitutes the equivalent R<sup>2</sup> value in multiple linear regression, and Chi-Square is an F-count value as in multiple linear regression testing.

#### *Partial Variable Testing (Wald's Test)*

This test is conducted by observing the significant value in the table entitled Variable in The Equation in block 1 of the logistic regression test results, as shown in the table above. From these results, it can be stated that of the six independent variables tested in this study, only three variables could be stated to influence the ability of companies experiencing Financial Distress to carry out Corporate Turnaround. This is based on the significant value of the Wald test for the two variables that are smaller than 5% ( $< 0.05$ ) and one of these variables is less than 10% ( $< 0.1$ ), which is the highest limit of the error rate in social research (non-Exact). The three variables are Firm Size (SIZE) with a Wald test value of 4.484 and a significance level of 0.034 ( $0.034 < 0.05$ ), Expense Retrenchment (ER) with a Wald test value of 5.011, and a significance of 0.025 ( $0.025 < 0.05$ ). ), and the last one is Free Assets (FA) with a Wald Test value of 2.949 and a significance of 0.086 ( $0.086 < 0.100$ ).

#### *Model/Simultaneous Testing (G Test)*

Model testing or testing of each independent or independent variable simultaneously in logistic regression is carried out using the Chi-Square test or the G Test. This test is the same as testing the F value in multiple linear regression. The Chi-Square test results can be seen in the Omnibus Test Of Model table on the results of the logistic regression test of research data.

Based on the tests carried out, the Chi-Square value was 18.901 with a model significance level of 0.004 which means it is smaller than the error rate of 5% ( $0.004 < 0.05$ ). Thus, it can be stated that simultaneously (model) variables Severity (SEV), Firm Size (SIZE), Free Assets (FA), Assets Retrenchment (AR), Expenses Retrenchment (ER), and CEO Turnover (CEO) affect

the company's ability who are experiencing financial distress in conducting a corporate turnaround.

### *Coefficient of Determination*

If in multiple linear regression testing to determine the magnitude of the variability of the independent variable on the dependent variable, the value of R<sup>2</sup> is used as the coefficient of determination. So, in the logistic regression test, the Nagelkerke R<sup>2</sup> value is used as a substitute for R<sup>2</sup> in multiple linear regression. Based on Table 5.4, it was obtained from the test that the value of Nagelkerke R<sup>2</sup> was 27.9%. These results state that the variability of each independent variable tested in this study on the dependent variable is 27.9%.

### *Formation of Logistics Regression Model*

Based on the results of the tests carried out, as presented in the table, the model of the logistic regression of this study is as follows:

$$\ln \frac{p}{1-p} = -5,837 - 0,127SEV + 0,443SIZE + 0,018FA - 0,283AR + 0,812ER - 0,139CEO$$

### *Discussion*

Firm size positively affects companies experiencing financial problems to conduct corporate turnaround with a significance level of 5%. These results answer and accept the hypothesis of this study. This means that the larger the company's size as measured by the size of its assets, it can support the ability of companies experiencing financial distress to take corporate turnaround actions. The results of this study are following those obtained in research conducted by Smith and Graves (2005), Zeni and Ameer (2010), and Pant (1986), but not under those conducted by Francis and Desai (2005). These results accept and support the second hypothesis of this study.

The second influential variable is Expenses Retrenchment. This variable is a measure of efficiency measures taken by companies in a state of financial problems. Expenses Retrenchment has a positive effect with a significance level of 5%. This can indicate that the company's ability to manage the efficiency of its company by suppressing expenses that are not useful for company operations can support the ability of companies in financial distress to carry out corporate turnaround. The results of this test are only following research conducted by Francis and Desai (2005). In the study of Smith and Graves (2005), it is stated that Expenses Retrenchment cannot affect the ability of corporate turnaround. These results accept and support the fifth hypothesis of this study.

The last variable that is stated to affect the ability of corporate turnaround is the amount of Free Assets owned by companies experiencing financial distress problems. This variable is measured using organizational slack value, which assesses the number of assets not collateral for a debt. The test results show that the amount of Free Assets positively affects the ability of companies experiencing financial problems to conduct corporate turnaround. However, this variable is wisely assessed at a significance level of error of 10%. This is done because social

research can set the error limit up to 10% (Atmanegara et al., 2021). Thus, it can be interpreted that the greater the availability of Free Assets owned by the company to be used as a resource in improving the company's operational capabilities, the greater the ability of companies in financial distress to conduct a corporate turnaround. This result is only following the research conducted by Francis and Desai (2005). Meanwhile, in the research of Smith and Graves (2005) and Zeni and Ameer (2010), this variable is stated not to affect the ability of corporate turnaround. These results support and accept the third hypothesis of this study.

Based on the results of logistic regression testing, other variables tested in this study do not affect the corporate turnaround ability of companies experiencing financial distress. The variables are Severity, Assets Retrenchment, and CEO Turnover. The company's Severity is a measurement of the Severity of the condition of its financial problems when its performance declines. This variable based on the test has no effect. These results are not following the research conducted by Smith and Graves (2005), Francis and Desai (2005), and Zeni and Ameer (2010). This is based on the conceptual framework, and the theory does not fit. This may be due to the business conditions in Indonesia, which tend to be very supportive of companies that are in financial trouble. Around the year of this research observation, there has not been an authority that works thoroughly and is concentrated on supervising the financial management of companies in Indonesia, such as the current Financial Services Authority (OJK). This makes a tendency without assessing the Severity of the financial condition of companies experiencing financial distress, often financing and financial service companies assist troubled companies to save their company's operations, which can then return or carry out a corporate turnaround.

Asset retrenchment does not affect the corporate turnaround ability of companies experiencing financial distress based on this study. This result follows the research conducted by Smith and Graves (2005) and Francis and Desai (2005). These results do not accept the conceptual framework and the fourth hypothesis of this study. This can be related to other results that show that the size of the company as measured by the amount of assets cannot influence the corporate turnaround of companies in financial trouble. This means that companies in Indonesia tend to be reluctant to make significant asset value reductions even though

## **CONCLUSIONS AND SUGGESTIONS**

Based on the results and discussion of this study, it can be stated several conclusions from this study, namely: Severity, Company Size, Free Assets, Assets Retrenchment, Expenses Retrenchment, and CEO Turnover together affect the ability of companies experiencing financial distress to perform corporate turnaround. Company Size, Expenses, Retrenchment, and Free Assets partially affect the ability of companies experiencing financial distress to conduct corporate turnaround. Severities, Assets Retrenchment and CEO Turnover have no partial effect on companies experiencing financial distress to perform corporate turnaround.

To support the improvement of research on this topic in the future, it can be stated several nests that will support the next researcher, namely: Future research can use discriminant testing by avoiding the possibility of unfulfilled data normality. Furthermore, further research can further add other variables closer to the company's organizational context. Not only company

fundamentals, such as Good Corporate Governance (GCG), Company Employee Size, and Company Capital Productivity Measures.

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