Factors Influencing Turnaround Success in Financially Distressed Tourism, Hotel, and Restaurant Companies Listed on IDX (2020-2023)

Alyaa Rabbani Tresnajaya
Faculty of Economics and Business, Universitas Padjadjaran

Nanny Dewi Tanzil
Faculty of Economics and Business, Universitas Padjadjaran

Adisti Gilang Cempaka
Faculty of Economics and Business, Universitas Padjadjaran

Abstract: *The COVID-19 pandemic has significantly impacted business activities across various industries, leading many companies to face financial distress. Companies opting to continue their business operations may undergo corporate restructuring to sustain and reverse their performance (turnaround). This study aims to analyze the influence of management actions based on restructuring and economic conditions, including expense retrenchment, asset retrenchment, DER ratio, CEO turnover, and GDP, on the success of turnaround in companies experiencing financial distress, with free assets and firm size set as control variables. The Altman Z-Score model will be employed as a measurement of financial distress. This study's subjects are all 37 tourism, hotel, and restaurant companies consistently listed on the Indonesia Stock Exchange from 2020 to 2023. Sample selection utilized purposive sampling techniques, resulting in a sample size of 12 companies observed over three years. Logistic regression analysis will be used to test hypotheses. The research findings indicate that all independent variables positively influence turnaround success, but only expense retrenchment significantly impacts it.*

Keywords: *Corporate Turnaround; Retrenchment; CEO Turnover; DER Ratio; GDP*

1. Introduction

Tourism, hotel, and restaurant sectors are potential sectors that can improve the Indonesian economy. The positive performance of the tourism, hotel, and restaurant sectors regarding economic growth can be seen from the increase in gross domestic product (GDP). According to data from the Central Bureau of Statistics (BPS), it can be seen that in 2019, this sector experienced an increase in its contribution to the national GDP of 5.5%. However, the onset of the COVID-19 pandemic in early 2020 affected activities globally, including a dramatic decline in performance in the tourism, hotels, and restaurant sectors. This sector is one of the business sectors that experienced a significant contraction due to the Covid-19 pandemic (Kemenparekraf, 2021).

According to BPS, there was a decrease in the contribution of the performance of the tourism, hotel, and restaurant sector to GDP growth in 2020 by -10.26%. This occurred due to restrictions on business movement due to the implementation of lockdowns between countries and restrictions on social interaction for several weeks and even months to prevent the spread of COVID-19 between countries. In addition, the hotel occupancy rate in that year also decreased from 40.50% in 2019 to 25.57% in 2020.

Deteriorating financial conditions can lead a company to financial distress. Financial distress refers to the condition of a business that continues to record negative net operating income for several consecutive years and insufficient funding to meet its obligations (Goh, 2023). Companies that decide to continue their operations must try to get out of the financial distress zone by improving

performance and stabilizing their finances. According to Wijantini (2020), management's performance improvement actions can be classified into operational restructuring, portfolio restructuring, management restructuring, and financial restructuring.

Operational restructuring focuses on operational efficiency through cost savings and revenue enhancement to stabilize finances and restore corporate profitability (Sudarsanam & Lai, 2001). One is conducting expense retrenchment or a defensive strategy by cutting costs to improve company performance (Rehman & Naeem, 2012). Several previous studies have found that expense retrenchment significantly has a positive effect on corporate (Evans et al., 2013; Primawan et al., 2024; Wang & Bai, 2021). However, research conducted by Lestari & Triani (2014) shows that cost savings do not affect the success of corporate turnaround.

In contrast to operational restructuring, which targets liquidity or operational efficiency, portfolio restructuring is related to changes in the company's asset structure, either by investing or divesting (Bowman & Singh, 1993). Research by Wang & Bai (2021) shows that asset retrenchment has a positive relationship and a significant effect on company turnaround. This contradicts the findings of previous research by Chetta & Khomsiyah (2022), which found that asset retrenchment is negatively related and has no significant impact on corporate turnaround.

Restructuring management by conducting CEO turnover during times of crisis allows companies to gain a broader and fresher view of the causes of performance decline, as well as the capabilities and motivations needed to turn around (Dallocchio et al., 2022). In addition, changes in top management are considered a way to restore stakeholders' confidence in the company's future survival and create sustainable support from stakeholders (Smith & Graves, 2005). Research by Dallocchio et al. (2022) concluded that CEO turnover has a positive effect on improving company performance. The results of this study contradict previous findings by Animah (2017) that there is an insignificant negative effect on improving company performance.

Financial restructuring through changes in capital structure, especially debt reduction measures, can help companies overcome financial difficulties. This action is expected to ease the burden of interest and debt payments through equity or debt-based restructuring. Molina (2005) states that a large debt value will be more burdensome for companies experiencing financial difficulties. Research by Giriati (2021) shows that the effect of leverage, as measured by the DER ratio, tends to have a negative impact, although not significantly, on corporate turnaround. However, Primawan et al. (2024) refuted these findings and found that the DER ratio significantly positively impacts corporate turnaround.

The potential for success in corporate turnaround depends not only on internal factors but also on the external environment. As economic activity increases, GDP tends to increase, creating a more favorable environment for companies seeking a turnaround. As the economy grows, market demand tends to increase as consumer purchasing power increases. This provides an opportunity for companies to maximize profitability. Therefore, GDP growth plays an important role in the corporate turnaround process.

Previous studies' results show that there are still differences in research findings regarding the effect of CEO turnover, expense retrenchment, asset retrenchment, and DER partially on corporate turnaround. These inconsistent findings may occur due to differences in period, industry, analysis model, population, and research sample. In addition, this study will also consider factors external to the company in determining its influence on turnaround success.

2. Literature Review

2.1 Financial Distress

In the business world, financial stability is a vital foundation for a company's survival. However, there are times when companies can fall into a difficult situation known as financial distress. According to Goh (2023), financial distress is defined as a situation in which a company earns net losses consecutively over several periods. The final stage of the decline in company performance is when financial

distress occurs, which is the beginning of bankruptcy or liquidation (Venusita & Wijayanti, 2019).

Factors causing financial distress can be classified into internal and external factors. Internal factors originate from the company itself, such as high levels of leverage, problems in internal control, and inappropriate implementation of corporate strategy. Meanwhile, external factors are factors that are beyond management's control, such as macroeconomic events, technological developments, and changes in policies or laws. Many experts have created models to measure or predict the condition of a company's financial distress. According to Goh (2023), there are three measurements that can be applied, namely Altman Z-Score.

2.2 Corporate Turnaround

From various literature, it is found that there is a link between financial distress and the success of corporate turnaround because companies need to carry out a fast and appropriate strategy based on the analysis of the causes of the company experiencing financial distress. Bibeault (1998) defines corporate turnaround as a sustainable positive change in company performance after a decline in financial performance for several years. In line with this, Animah (2017) argues that turnaround is a process of reducing and restoring performance from a poor performance situation to a good performance. Company turnaround strategies can be classified into 2 (two), namely efficiency-oriented and entrepreneurial-oriented strategies (Schendel et al., 1976). Wijantini (2020) states that a company's response or action to performance decline can include various corporate restructuring, such as operational, financial, managerial, and portfolio or asset restructuring.

2.3 The Effect of Retrenchment on Corporate Turnaround

In the decline-stemming stage, companies generally take austerity or retrenchment actions to improve efficiency and cash flow so as to achieve the company's financial stability. There are two types of retrenchment actions identified by previous research, namely, expense retrenchment and asset retrenchment. Expense retrenchment itself refers to reducing a company's total costs through actions such as reducing selling and administrative costs and reducing staff (Wang & Bai, 2021). This action has a positive impact on the company's liquidity because it can increase cash flow and obtain more financial funds available to pay debts or meet other obligations. (Norman et al., 2013)

Robbins & Pearce II (1992) suggest that retrenchment strategies should evolve from expense retrenchment to asset retrenchment as the severity of performance decline increases. Asset retrenchment actions include divesting less or unproductive assets. non-cote assets. or even profitable assets with the aim of raising cash to reduce financial difficulties (Wijantini. 2020). This provides more financial flexibility for the company to settle debts, finance operations, or reinvest in the company. Recent research by Annisa et al. (2024) shows that asset retrenchment has a positive and significant effect on corporate turnaround. Based on the above statement, the following hypothesis is proposed:

H1: Expense retrenchment has a positive influence on turnaround success in financial distress companies

H2: Asset retrenchment has a positive influence on turnaround success in financial distress companies

2.4 Leverage Level

The purpose of the company is to restructure debt to avoid financial distress or even overcome the problem of financial difficulties that occur; this action includes allowance, reduction, and changes in debt structure. The DER ratio is an indicator that measures the company's capacity to fulfill its obligations and is an illustration of increased business risk when the amount of liabilities increases. Molina (2005) argues that a large level of debt will further pressure companies that are in distress, where financial distress conditions are generally caused by excessive debt levels or overleverage. According to Khairiyah & Affan (2023). companies that have high debt funding will increase the risk of bankruptcy due to the difficulty of paying future obligations. Based on the above statement, the following hypothesis is proposed:

H3: Reduction of DER Ratio has a positive influence on turnaround success in financial distress companies

2.5 CEO Turnover

Bruton et al. (2003) define CEO turnover as a condition when a CEO in a company is replaced by someone else. The reason companies replace their CEO is not only because the term of office has expired but also because the company experiences a decline in performance because the company's performance is inseparable from the tole of the CEO. The new CEO can provide a new view of the causes of the decline as well as the motivation and strategy innovations needed for better company change. In addition, changes in top management are seen as a way to restore stakeholders' confidence in the viability of the company. thereby ensuring continued support from stakeholders (Smith & Graves, 2005). Research by Dallocchio et al. (2022) found a significantly positive correlation between CEO turnover and the possibility of a bankrupt company bouncing back. Based on the above statement, the following hypothesis is proposed:

H4: CEO turnover has a positive influence on turnaround success in financial distress companies.

2.6 Gross Domestic Product (GDP)

GDP refers to the total market value of goods and services produced by a country's economy over a period of time, often a year (Egbunike & Okerekeoti, 2018). BPS states that there are three approaches to calculating GDP namely production, income, and expenditure. One of the macroeconomic indicators commonly used to evaluate a country's macroeconomic performance of condition is GDP (Mwangi, 2013). When a country's GDP is high, the economy experiences growth; this creates a more favorable economic environment for companies undergoing a turnaround process.

Research by Egbunike & Okerekeoti (2018) found that GDP growth has a significant positive effect on financial performance. Based on the above statement. the following hypothesis is proposed:

H5: GDP has a positive influence on turnaround success in financial distress companies

2.7 Simultaneous Effect of Expense Retrenchment, Asset Retrenchment, DER Ratio, CEO Turnover, and GDP on Corporate Turnaround

Corporate turnaround is a complex process involving various strategies and management actions. as well as external environmental conditions. The success of a corporate turnaround depends not only on one factor but also on a combination of well-coordinated strategies and effective leadership in managing these changes. Based on the above statement, the following hypothesis is proposed:

H6:Expense retrenchment, asset retrenchment, DER ratio, CEO turnover, and GDP simultaneously affect turnaround success in financial distress companies.

3. Research Methods

This research will be explained through a quantitative approach with an associative type of research. In this context, researchers will identify the effect of independent variables, including expense retrenchment, asset retrenchment, DER ratio, CEO turnover, and GDP sensitivity, on the success of corporate turnaround, where the data presented will be in the form of numbers. The type of data used is quantitative and obtained from secondary sources, namely the annual financial statements published by each company. Meanwhile, data related to macroeconomic factors can be obtained through the official BPS website at www.bps.go.id.

3.1 Population and Sample

The population of this study focuses on all companies listed on the IDX in the tourism, hotel, and restaurant sectors during the period 2020 to 2023. Based on this, the population to be studied totals 37 companies. The sample determination will use the purposive sampling technique, which is included in the nonprobability sampling technique, where the sample determination is carried out with certain criteria (Sugiyono, 2013). The following criteria are set:

1. Companies in the tourism, hotel, and restaurant sectors that are consistently listed on the IDX during the 2020-2023 period.
2. Companies that regularly publish annual financial reports during the period 2020-2023.
3. Companies that experienced financial distress in 2020 and 2021, with measurements using the modified Altman Z-Score formula. The selected sample will be classified into two categories: 1) Companies that are in the period 2020-2023 will always experience financial distress, and 2) Companies that in 2020 experienced a Z-Score in the financial distress category followed by a Z-Score in the nonfinancial distress category in 2023.

3.2 Variable definition and operationalization

The successful turnaround of companies experiencing financial distress is the dependent variable to be studied. The measurement of this variable adopts dummy variables through the modified Altman Z-Score model, as follows:

$Z = 6{,}56X_1 + 3{,}26X_2 + 6{,}72X_3 + 1{,}05X_4$

Where:
X_1 = Working capital/total assets
X_2 = Retained earnings/total assets
X_3 = Earnings before interest and taxes/total assets
X_4 = Book value equity/total liabilities

Based on the score of the gray area category between 1,1 and 2,6, the middle or cut-off value is 1,85. Therefore, companies that have a Z-Score less than or equal to 1,85 will be classified as companies experiencing financial difficulties, and vice versa. The modified Altman Z-Score calculation will produce two categories based on the sample that has been determined, namely: 1) Category 1, companies that successfully turnaround during the 2020-2023 period or companies that have a Z-Score value with a financial distress category for at least two consecutive years and followed by a non-financial distress Z-Score value and 2) Category 0, companies that fail to turnaround or companies that always have a Z-Score value in the financial distress category during the 2020-2023 period.

This study will analyze five independent variables, namely expense retrenchment, asset retrenchment, DER ratio, CEO turnover, and GDP, to determine their effect on the dependent variable in evaluating the research subjects. In addition, researchers will include two control variables, namely free assets and firm size. The following 1 table measures the independent and control variables:

Table 1. Variables Operationalization

Variables	Indicator
Expense Retrenchment (X_1)	$-\left(\frac{\text{Total operating expense}_t - \text{Total operating expense}_{t-1}}{\text{Total operating expense}_{t-1}}\right)$
Asset Retrenchment (X_2)	$-\left(\frac{\text{Total asset}_t - \text{Total asset}_{t-1}}{\text{Total asset}_{t-1}}\right)$
DER Ratio (X_3)	$\text{DER Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$ $\Delta\text{DER Ratio} = -\left(\frac{\text{DER Ratio}_t - \text{DER Ratio}_{t-1}}{\text{DER Ratio}_{t-1}}\right)$
CEO Turnover (X_4)	Using dummy variables, where: • Category 1, the company made a CEO change • Category 0, the company does not make any CEO changes.

GDP (X_5)	$\frac{(\text{Net income}_t - \text{Net income}_{t-1})}{(\text{GDP}_t - \text{GDP}_{t-1})} \text{x} \frac{\text{GDP}_{t-1}}{\text{Net income}_{t-1}}$
Free Asset	1 – (Total Liabilities/Total Assets)
Firm Size	ln Total Aset

3.3 Data Analysis Technique

The data to be studied to evaluate the turnaround success of each variable is data for 2021-2023. The data analysis methods used are descriptive statistical analysis and logistic regression statistical analysis. The logistic regression analysis method is used because this research involves more than one independent variable and one dependent variable that is dichotomous or binary, with two possible values, either turnaround success or turnaround failure. In that method, tests will be carried out, including Hosmer and Lemeshow's test, Overall Model Fit, Nagelkerke R Square, Wald test, and Omnibus test. The following is a hypothesized logistic regression analysis model:

$$\text{Ln}\frac{\text{P}}{1-\text{P}} = \text{b}_0 + \text{b}_1\text{ER} + \text{b}_3\text{DER} + \text{b}_4\text{CEO} + \text{b}_5\text{GDP} + \text{b}_6\text{FA} + \text{b}_7\text{Size}$$

Description:

P = Probability of a successful turnaround
1-P = Probability of a failed turnaround
b_0 = Constant
b_1-b_7 = Regression coefficient
ER = Expense retrenchment
AR = Assets retrenchment
DER = Debt to equity ratio
CEO = CEO turnover
GDP = GDP Sensitivity
FA = Free assets
Size = Firm size

4. Result

The results of the calculation and classification using the Modified Altman Z-Score obtained two samples of companies categorized as successful turnaround and 14 samples of companies categorized as failed turnaround. Based on Table 2, the expense retrenchment (ER) variables as measured by the ratio of the current year's total operating expense to the previous year's total operating expense in turnaround companies has a minimum, maximum, and mean value of -0,4468; 0,3179; and 0,0698, respectively. In addition, non-turnaround companies have minimum, maximum, and mean values of -3,4320, 0,8596, and -0,1810, respectively. The mean value results indicate that companies that successfully turn around reduce costs, while non-turnaround companies tend to experience an increase in costs from the previous year.

Table 2. Descriptive Statistics

Variable	Turnaround				Non Turnaround			
	N	Min	Max	Mean	N	Min	Max	Mean
X1_ER	6	-0,4468	0,3170	0,0698	42	-3,4306	0,8596	-0,1810
X2_AR	6	-0,0944	0,1201	0,0541	42	-0,2655	0,2670	0,0254
X3_DER	6	-0,5167	0,2435	-0,0192	42	-11,7632	43,3107	0,5763
X5_PDB	6	0,0455	0,5962	0,2104	42	-0,9425	5,8798	0,2513
FS	6	19,7242	22,2103	20,9264	42	17,8726	22,0869	20,1092
FA	6	0,3374	0,5443	0,4484	42	-0,0018	0,7152	0,3775

The asset retrenchment (AR) variable measured through the comparison of the current year's total assets with the previous year's total assets obtained the minimum, maximum, and mean values in turnaround companies of -0,0944, 0,1201, and 0,0541, respectively. Meanwhile, in non-turnaround companies, the minimum, maximum, and mean values are -0,2655, 0,2670, and 0,0254, respectively. The mean results of both turnaround and non-turnaround companies are positive, which means that, in general, both reduce assets, but the proportion of asset reduction in turnaround companies is greater than in non-turnaround companies.

The debt to equity ratio (DER) variable measured through the percentage change in the current year's debt level compared to the previous year's debt level produces minimum, maximum, and mean values in turnaround companies of -0,5167; 0,2435, and -0,0192, respectively. Meanwhile, in non-turnaround companies, the minimum, maximum, and mean values are -11,7632, 43,3107, and 0,5763. The mean results indicate that, in general, turnaround companies have an increased level of debt, while non-traveling companies experience a reduction in debt levels.

The GDP variable Measured through the sensitivity of GDP to the company's net profit produces a minimum, maximum, and mean value of 0,0455, 0,5962, and 0,2104, respectively, in turnaround companies. Meanwhile, in non-turnaround companies, the minimum, maximum, and mean values are -0,9425, 5,8798, and 0,2513, respectively. The mean value results indicate that, in general, net income for both turnaround and non-turnaround companies is positively related and tends to be insensitive to changes in GDP because the GDP sensitivity value is close to 0.

Table 3. Frequency of CEO Turnover

Description	Turnaround		Non Turnaround	
	Amount	Frequency	Amount	Frequency
CEO Turnover	1	17%	5	12%
Non CEO Turnover	5	83%	37	88%
Total	6	100%	42	100%
TOTAL	**48**			

Based on Table 3, it can be seen that of the six samples of turnaround companies, only one sample made a CEO change, or 17%, while for non-turnaround companies, only five samples made CEO changes or 12% of the total 37 non-turnaround companies. This indicated that of both the turnaround and non-turnaround companies, not many have taken CEO turnover actions when experiencing financial distress due to the COVID-19 pandemic.

Table 4. Hosmer and Lemeshow's Test Result

Step	Chi-square	df	Sig.
1	9,327	8	0,315

Table 4 shows that the sig. value of the Hosmer and Lemeshow test results is greater than the value of the research significance level, namely 0,315 > 0,05. Thus, the hypothesized regression model is in accordance with the observed data and can provide accurate predictive results regarding corporate turnaround opportunities.

Table 5. Overall Model Fit Test

Iteration	-2 Log likelihood	Coefficients
		Constant
Step 0	36,170	-1,946
Step 1	21,595	-27,958

Table 5 presents the -2 Log likelihood value at step 1 of the model after entering the independent variable of 21,595. This value is smaller than the chi-square table value of 55,758, so the hypothesized model is appropriate or meets the test requirements. In addition, there is a decrease in the -2 Log likelihood value from step 0 to step 1, which indicates that the model after the inclusion of the independent variable is better than the model without the independent variable.

Table 6. Coefficient of Determination

Model Summary			
Step	**-2 Log likelihood**	**Cox & Snell R Square**	**Nagelkerke R Square**
1	21.595[a]	0,262	0,495

Based on Table 6, it can be seen that the Nagelkerke R Square value is 0,495 or 49,5%. This means that the independent variables in the logistic regression model, namely expense retrenchment, asset retrenchment, delta DER ratio, CEO turnover, and GDP, are able to explain about 49,5% of the variability in the dependent variable or corporate turnaround success. The remaining 50,5% is explained by other variables not included in the model.

Table 7. Omnibus Test of Model Coefficients

		Chi-square	**df**	**Sig.**
Step 1	Step	14,575	7	0,042
	Block	14,575	7	0,042
	Model	14,575	7	0,042

Based on table 7, the sig. value of 0,042 is obtained, which means that the value is smaller than the research significance level (0,042 < 0,05). This shows that the independent variables consisting of expense retrenchment, asset retrenchment, delta DER ratio, CEO turnover, and GDP sensitivity, as well as firm size and free assets as control variables, simultaneously affect the success of turnaround in companies experiencing financial distress.

Table 8. Wald Test

Variables in the Equation							
		B	**S.E.**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1[a]	X1_ER	5,940	2,777	4,575	1	0,032	379,863
	X2_AR	12,162	9,105	1,784	1	0,182	191322,050
	X3_DER	0,260	0,205	1,610	1	0,205	1,3
	X4_CEO(1)	0,869	1,826	0,226	1	0,634	2,384
	X5_PDB	0,751	0,768	0,958	1	0,328	2,120
	FS	0,986	0,510	3,735	1	0,053	2,680
	FA	10,376	4,991	4,321	1	0,038	32073,249
	Constant	-27,958	12,010	5,419	1	0,020	0,000

Table 8 shows that all independent variables, namely ER, AR, DER, CEO, and GDP, have a positive effect on turnaround success, which means that the higher the values of these independent variables, the higher the chances of the company achieving turnaround success.

5. Discussion

5.1 Discussion on Expense Retrenchment (ER)

The results of the logistic regression analysis indicate that expense retrenchment has a positive and significant effect on the success of corporate turnarounds, thereby *accepting research hypothesis H1*. This is demonstrated by the positive regression coefficient and a p-value of 0.032, which is smaller than the established significance level (0.032 < 0.05). By reducing operational costs, companies can improve their liquidity (Norman et al., 2013). Additionally, companies can reduce financial pressure and allocate more resources to more strategic activities. These findings support the conclusions of Wang & Bai (2021) and Saragi et al. (2019), which explain that expense retrenchment has a significantly positive effect on the success of corporate turnarounds. However, these results are not consistent with the study by Chetta & Khomsiyah (2022), which found that expense retrenchment has a negative but not significant impact on the success of turnarounds in companies experiencing financial distress.

5.2 Discussion on Asset Retrenchment (AR)

The results of logistic regression analysis show that asset retrenchment has a positive but insignificant effect on the success of corporate turnaround, so *H2 research is rejected*. This is indicated by the positive sign on the regression coefficient with a sig. value of 0.182, which is greater than the research significance level (0.182 > 0.05). Asset reduction measures may contribute to reducing debt burden, increasing short-term liquidity, and giving the company more financial flexibility. However, the impact may not be significant because asset sales do not always generate sizable funds or may involve assets that are not directly related to the company's core operations. This finding supports the research of Primawan et al. (2024) and Saragi et al. (2019) that asset retrenchment has an insignificant positive effect on the company's success in achieving turnaround. However, this finding refutes the results of research by Chetta & Khomsiyah (2022), which states that asset reduction has a negative influence on the success of corporate turnaround.

5.3 Discussion on Debt to Equity Ratio (DER)

The results of logistic regression analysis show that changes in the DER ratio have a positive but insignificant effect on the success of corporate turnaround, so *H3 research is rejected.* This is indicated by the positive sign on the regression coefficient with a sig. value of 0.205, which is greater than the research significance level (0.205> 0.05). By reducing the level of debt, companies can reduce interest expense and financial pressure, thereby reducing the risk of bankruptcy due to difficulties in meeting future obligations. However, the effect may not be significant as a small amount of debt restructuring may not be enough to address the underlying financial issues fully. In addition, this can also be caused by various other factors that play an important role, such as revenue stagnation, lack of product innovation, and low operational efficiency of the company. The results of this study support the findings of Suhfriahtiningsih (2017), who concluded that debt restructuring has a positive influence on the success of companies that are achieving turnaround. However, this study contradicts the research of Primawan et al. (2024), which states that high levels of debt can increase the chances of companies experiencing financial distress to achieve a turnaround.

5.4 Discussion on CEO Turnover (CEO)

The results of logistic regression analysis show that CEO turnover has a positive but insignificant effect on the success of corporate turnaround, so *H4 research is rejected*. This is indicated by the positive sign on the regression coefficient with a sig. value of 0.634, which is greater than the research significance level (0.634> 0.05). A new CEO may bring different perspectives and strategies, which may be helpful in identifying problems and implementing changes. However, the effect may be insignificant due to the small sample size of companies with CEO turnover, and perhaps the CEO turnover occurred due to the completion of the term of office rather than as a strategy for recovery. The results of this study support the findings of Smith & Graves (2005), who concluded that CEO turnover has an insignificant positive influence on corporate

turnaround success. However, this study does not support the findings of Saragi et al. (2019) that CEO turnover has a negative influence on the company's ability to achieve turnaround, although the effect is not significant.

5.5 Discussion on GDP Growth (GDP)

The results of logistic regression analysis show that CEO turnover has a positive but insignificant effect on the success of corporate turnaround, so *H5 research is rejected*. This is indicated by the positive sign on the regression coefficient with a sig. value of 0.328, which is greater than the research significance level (0.328 > 0.05). When GDP grows, it indicates that the overall economy is growing. Increased economic activity can increase demand for a company's products and services, providing opportunities to increase sales and earnings. However, this effect may be insignificant due to internal company problems such as poor management, inefficient cost structure, or high debt that prevent companies from fully capitalizing on economic growth. This finding supports the results of Egbunike & Okerekeoti's (2018) research, which states that GDP growth has a positive effect on corporate financial performance. Meanwhile, the results of this study are not in line with the findings of Yanuardi et al. (2014), which state that GDP growth as measured by GDP sensitivity has an insignificant negative effect on company performance.

6. Conclusion

This study aims to identify the factors influencing the success of turnarounds in companies experiencing financial distress. The independent variables examined include expense retrenchment, asset retrenchment, changes in the DER ratio, CEO turnover, and GDP sensitivity toward the success of the turnaround. Based on the discussion and results presented, it can be concluded that management actions through restructuring, namely expense retrenchment, asset retrenchment, CEO turnover, and the DER ratio, as well as external factors measured by GDP growth, partially have a positive impact on the success of turnarounds in companies experiencing financial distress. However, only expense retrenchment has a significant impact. Additionally, the independent variables collectively influence the success of turnarounds in companies experiencing financial distress, particularly in the tourism, hotel, and restaurant sectors.

7. Research Limitation

In this study, there are limitations, namely the sample and research period, which is limited to the tourism, hotel, and restaurant sector with analysis data for 2021-2023, which may affect the validity, reliability, and generalizability of the research results. In addition, the short period may not be long enough to observe the long-term impact of implementing strategies or actions taken by companies to turn around from financial distress due to the COVID-19 pandemic.

Furthermore, there are limitations to the external factors considered, which are only GDP growth. Other external factors, such as government policies, regulatory changes, inflation, changes in consumer behavior, and other factors that may have a significant impact on company performance during the turnaround period, are not included in this research model. As a result, the results may not fully reflect the complexity of the business environment faced by these companies.

8. Suggestion

The author hopes that this study can serve as a reference or guideline for future research. The following suggestions are provided for subsequent studies:

1. It is recommended that the research subjects be expanded and the analysis period extended to cover long-term data so that the impact of turnaround strategies on companies experiencing financial difficulties due to the COVID-19 pandemic can be observed more comprehensively. However, the expansion of the industry and the extension of the period in research that observes the post-COVID-19 pandemic must pay attention to the specific conditions of the industry before and after the pandemic. This is important to prevent research bias that can arise if irrelevant or different conditions are used as a reference in the analysis.
2. It is suggested that external variables such as government policies, inflation rates,

changes in consumer behavior, and other external factors relevant to the sector during the COVID-19 pandemic be incorporated. Additionally, the role of innovation and technology adoption can be examined, as successful companies may utilize new technologies to enhance efficiency and competitiveness.

3. Future research could also conduct case studies on several companies by combining qualitative analysis through interviews or surveys with company management to gain deeper insights into the implementation of strategies and specific factors influencing the success of turnarounds.

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