ABSTRACT

Financial distress is one of the financial risks experienced by most companies. Uncontrolled financial distress conditions can lead the company to bankruptcy. Corporate turnaround is one of the strategies that companies need to learn to deal with business dynamics and improve their financial performance. This study was conducted to examine the effect of firm size, retrenchment strategies, and operating ratio to the success of corporate turnaround in financial distress companies.

The hypotheses in this study were tested using logistic regression analysis. This study uses secondary data from manufacturing sector companies listed on the Indonesia Stock Exchange carrying out a corporate turnaround strategy in 2012-2021. The number of samples used is 115 samples which were selected using purposive sampling method. Research data was obtained from the Bloomberg terminal.

The results of this study indicate that there is a significant positive relationship between firm size and the probability of successful corporate turnaround. Asset retrenchment and operating ratio have a significant negative effect on the probability of success of corporate turnaround. Meanwhile, expense retrenchment has no effect on the success of corporate turnaround

Keywords : corporate turnaroud, company size, retrenchment strategies, operating ratio, manufacturing