CORPORATE TURNAROUND STRATEGIES AND BUSINESS PERFORMANCE: THE EFFECT OF SIZE AND GOVERNMENT ASSISTANCE ON THE MANUFACTURING COMPANIES

by

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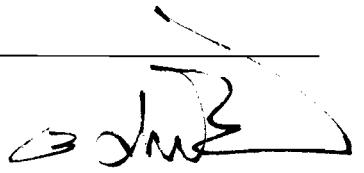
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ABSTRAK

Literatur berkenaan dengan penyihatan syarikat telah banyak berkembang sejak empat dekad yang lepas. Namun begitu masih banyak pertanyaan – pertanyaan berkenaan subjek tersebut yang masih lagi belum boleh dijawab, masih banyak kritik dan percanggahan dalam literatur terkini, dan masih banyak lompang theoritikal maupun empirical yang masih lagi belum boleh diterokai terutamanya berkenaan dengan kajian di negara – negara membangun. Objektif kajian ini adalah untuk memberikan sedikit sumbangan penyelidikan dalam bentuk konten dan konteks penyihatan syarikat. Thesis ini mengkaji tujuh jenis strategi penyihatan firma dan dua pemboleh ubah kontekstual serta hubungannya dengan pencapaian perniagaan. Sebanyak 124 syarikat perkilangan di Sumatera Utara, Indonesia telah dijadikan sampel dalam kajian ini. Kajian ini mendapati bahwa tiga strategi yang signifikan dalam meningkatkan pencapaian firma dalam konteks penyihatan syarikat adalah pengstrukturan semula hutang, pengurangan aset operasi dan juga pemilihan pasaran yang baik. Kajian ini juga mendapati bahwa sais syarikat dan bantuan Kerajaan boleh bertindak sebagai moderator keatas hubungan diantara strategi dan pencapaian syarikat.

ABSTRACT

The literature on Corporate Turnaround has grown tremendously over the past four decades. However there are still many questions remain unanswered in regards to the concept of Corporate Turnaround. There are many conflicting results on the existing literature and many theoretical as well as empirical gaps, especially in respect to the turnaround research in developing countries, were still left unexplored. The objective of the thesis is to shed some light in the aspect of content and context of turnaround research. This thesis examined seven Strategy-related Factors and two Non-strategy Contextual Factors in light of their influence towards Business Performance in the context of Corporate Turnaround. The data was collected from 124 private manufacturing companies in North Sumatera, Indonesia. This research found that Debt Restructuring, Changes in Market Entry and Operating-Asset Reduction Strategy were three among seven Strategy-related Factors that contribute significantly towards Business Performance of Turnaround Companies. The study also found that Company Size and Government Assistance do moderate the relationship between Strategy-related Factors and Business Performance.

PENGHARGAAN

dukungannya terutamanya ketika 'semangat' pun bagaikan pasir ditapak tangan. Hanya ALLAH SWT saja lah yang mampu membalas budi baik mereka.

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LIST OF ABBREVIATIONS

DV	=	Dependent Variable
IV	=	Independent Variable
MV	=	Moderating variable
CI	=	Confidence Interval
CR	=	Cost Reduction Strategy
AR	=	Operating-Asset Reduction Strategy
AD	=	Portfolio-Asset Divestment Strategy
AI	=	Portfolio-Asset Investment Strategy
PO	=	Changes in Product Offering Strategy
ME	=	Changes in Market Entry Strategy
GA	=	Government Assistance
ZDR	=	Standardized Variable of Debt Restructuring Strategy
ZCR	=	Standardized Variable of Cost Reduction Strategy
ZAR	=	Standardized Variable of Operating-Asset Reduction Strategy
ZAD	=	Standardized Variable of Portfolio-Asset Divestment Strategy
ZAI	=	Standardized Variable of Portfolio-Asset Investment Strategy
ZPO	=	Standardized Variable of Changes in Product Offering Strategy
ZME	=	Standardized Variable of Changes in Market Entry Strategy
β	=	Beta, Regression Coefficients
VIF	=	Variance Inflation Factor
DSIZE_S	=	Dummy coding for Small-sized category of companies
DSIZE_M	=	Dummy coding for Medium-size category of companies
DSIZE_L	=	Dummy coding for Large-size category of companies

CHAPTER 1

INTRODUCTION

This chapter presents the introduction part of the thesis. It begins with the discussion on the background of the topic, followed with research issues and the problem statement. It then proceeds with the research questions and the research objective. The chapter will be ended with discussions on the significance of the study and limitations on the scope of the research.

1.1. Background

Companies are one of major contributors to the national income. Aside from taxes, they provide jobs where many people work, which then pay taxes to the government. Companies also contribute to the foreign exchange when they exported their goods to other countries. Bankrupt companies on the other hand, they no longer contribute anything. They do not pay their taxes, they retrench their workers, which could turn into social and political problems if these people did not find jobs soon. These bankrupt companies also do not pay their loans, which could add problems to the loan institutions (Bunn & Redwood, 2003). Accumulation of these large amounts of non-performing loan in the long term might erode bank's capital and performance, which could further weaken the banking system as a whole (Vlieghe, 2002). In addition, they also do not generate foreign currency since they no longer produce anything.

The financial crisis that was soon followed by the economic crisis, affected the South East Asian economy by the end of 1997 and drastically crippled the region's economy. Many companies, which had enjoyed a decade of tremendous economic development, suddenly faced imminent bankruptcy and many were eventually did. This situation forced managers of these troubled firms to rethink on better strategies in stopping the decline. Some of them took the strategy of mergers (Siti Maimon, 1999), some retrenched their workers accompanied with additional pay cuts and congealed promotion (Jayaseelan, 1998) and also restructuring their debt (Nantha, 1998).

Several other countries also faced the same predicament as Malaysia during the financial crisis of 1998 and Indonesia is no exception. Statistics in regards to bankrupt companies in Indonesia proved to be difficult to obtain. There were two main reasons for these occurrence: (1) the data accuracy in developing nation such as Indonesia were known to be inaccurate and not up to date, and (2) the data were considered to be highly sensitive since it carried certain political effects. As we knew, the economic crisis of 1998 was soon followed by political crisis involving many of South East Asian government during this period.

However, some facts might be used as proxy in the effort to describe the magnitude of this situation. Following the financial crisis of 1998, the manufacturing sector of construction materials, steel production, transportation, and wood products in Indonesia decreased in real value as much as 55%. The

level of exports during that period had fallen as much as 36% compared to the same period, one year earlier (Widianto & Choesni, 1999). The GDP dropped 13% during that year, while investment fell as much as 45% during the period of 1998 (Blalock, Gertler, & Levine, 2003).

The banking and financial sector experienced the hardest fall. Indonesian Rupiah experienced its highest devaluation in its history by as much as 70%, one of the largest devaluation in recorded history (Blalock, Gertler, & Levine, 2003). By the end of the crisis, from around 80 major banks in the country, 23 were closed, 7 were nationalized and another 40 were undergoing intense restructuring supervised by the newly-formed Indonesian Bank Restructuring Agency (Chou, 2000). The impact of the crisis could not be less for the manufacturing sector, service sector and even for smaller companies, as smaller companies were assumed to have greater propensity to failure compared to bigger ones (Keasey & Watson, 1993; Storey, 1994; Timmons, 1999). During recession, smaller companies usually were the most vulnerable in this situation, as companies with smaller market capitalization were disappearing at a significantly higher rate than the large ones (Baker & Kennedy, 2002). Shapiro & Khemani (1987) further added that most of these exits for small companies were due to business failure.

However, business failures did not occur only during recession but during good times as well. Troubled companies simply went bankrupt regardless whether the economy is booming or in recession, although their number tends to

increase during economic downturn. In Malaysia for example, as the economy started to recover during mid of 2000s with the average economic growth of 5%. Some companies were found to be retrenching, such as MAS (Ayob, 2006) and Bank Islam (Ridu, 2008), some were trying their very best to turnaround, such as Time dotcom Bhd ("Time dotcom", 2005), while some just simply went bankrupt, like 123 private institutions of higher learning (Sharifuddin, 2005).

The above arguments suggested the fact that corporate failure was just a part of business life. Some scholars (for e.g. Baker and Kennedy, 2002) even argued that such turnover of companies were needed and significant to the economic change since it would allow the reallocation of productive resources from inefficient (non-surviving) companies to efficient (surviving) companies. However, the costs for bankruptcy filings were enormous, and the cost for the society would even greater as wee saw it happened in the United States in the wake of the 2008 economic crisis. Therefore, a better understanding on the subject of Corporate Turnaround, which was usually taken as the last resort to evade bankruptcy, would be much needed especially in the context of developing nation.

1.2. Research Issues

Although the body of literature on Corporate Turnaround has been developing tremendously over the past four decades (see for e.g. Schendel, Patton

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& Riggs, 1976; Chowdury, 2002; Sim, 2009), controversies on research findings of the subject were far from being resolved. There are several crucial research issues within the field of Corporate Turnaround, which will be discussed further in this section.

1. Research Issues in terms of Lacking in Comprehensive Model

Since the early writing by Argenti (1976) and Schendel & Patton (1976), researches on the subject of Corporate Turnaround has been developing rapidly for the last four decades. However, the developments of the literature on the subject were mostly in the form of case studies or qualitative research. From 1970s to 2000, Pandit (2000) found only 47 studies of Corporate Turnaround, which can be categorized as quantitative research.

Literatures of Corporate Turnaround have shown that many researches on this subject were concerned about turnaround strategies (see for e.g. Hofer, 1980) both in the form of case studies or in quantitative method. For example, Hofer (1980) argued that troubled companies could adopt three different strategies such as asset reduction, cost reduction, and revenue generation in the effort to turnaround. Slatter (1984) suggested on using 10 different generic strategies in achieving turnaround success for troubled companies. Hofer (1980) and Slatter (1984) both suggested on matching the causes of declines with the appropriate turnaround strategies for Turnaround Companies. Zimmerman (1991) suggested

on using three different types of turnaround strategies, which is cost reduction, product differentiation, and management empowerment, to achieve turnaround success.

Even in the context of small businesses, turnaround strategies remain to be the holy grail of Corporate Turnaround research (see for e.g. Dee Dee & Vorhies, 1998; Michael & Robbins, 1998; Rasheed, 2005). This trend still continues in the literature of Corporate Turnaround, as few of the latest publication on this subject still concentrated on turnaround strategies as the main focus of their research (see for e.g. Smith, Wright & Huo, 2008; Cater & Schwab, 2008).

There were scholars who studied other aspect of Corporate Turnaround, such as on factors that contributed to turnaround success. Bibeault (1982) for example, argued that improved management process, a viable business core, adequate bridge financing, and improved overall motivation were all the recipes for turnaround success. A study by Chan (1993) on 10 multinational companies found that replacement of CEO, drastic cost cutting, refocusing on business core, and emphasizing on future investment were significantly related to turnaround success.

The above arguments have shown that researches on Corporate Turnaround, though has been developing for the last four decades, were also have been scattered into many different topics within the context of the literature itself. In the context of turnaround strategies, many of the literature were engaged in studying retrenchment strategies (scc for e.g. Robbins & Pearce, 1992; Pearce & Robbins, 1994; Smith, Wright & Huo, 2008), without considering other turnaround strategies, even in a single study. Even more, there were other aspects of turnaround strategies, which were still scantly researched such as the role of marketing and strategic selling in turnaround (Harker & Harker, 1998).

The above arguments have shown that there were very limited numbers of researches that studied the concept of Corporate Turnaround in a holistic approach. Some researches considered only turnaround strategies, while some other considered only the factors of turnaround success. There even much less articles discussing on the contextual factors of Corporate Turnaround. This kind of research practice were bound to produce many weaknesses, as argued by Pandit (2000), since some research questions were ignored (those that were less studied) while other questions were answered too frequently (such as retrenchment strategy). These practices might be one of the reasons that many research findings on studies of Corporate Turnaround produced conflicting results, which will be discussed in the next section.

a. <u>Research Issues related to Controversies in Research Findings</u>

Researches on Corporate Turnaround, especially in the aspect of turnaround strategies found many conflicting results in their findings. Controversies on the research findings of turnaround strategies were particularly on the subject of Retrenchment. Retrenchment strategies were identified as the first stage of a two-stage process in Corporate Turnaround, in which the later was called as the recovery stage (Robbins & Pearce II, 1992). Retrenchment strategies, which usually consisted of liquidation, divestment, product elimination, and laying-off workers, was initially carried out to improve operational efficiency and cash flow. Several researches in Corporate Turnaround found that retrenchment strategies were argued to be a necessary step in the turnaround process and considered an important element in the turnaround success (Chowdury & Lang, 1996; Bruton & Rubanik, 1997; Umbreit, 1996; Vaz, 1996; Balgobin & Pandit, 2001).

However, Barker III & Mone (1994) found little evidence to support the above proposition. Their research found that retrenchment gave no significant contribution towards performance as opposed to capital infusion and integration of the parent company. Castrogiovanni & Bruton (2000) also supported these findings. A study by Arogyaswamy & Yasai-Ardekani (1997), in support of the above proposition, found that retrenchment of workforce and pay cuts, were both done by successful and non-successful turnaround firms alike. Their research also

found that several firms actually managed to turnaround even without cutting their workforce or implementing pay cuts.

Aside from retrenchment, researches on Corporate Turnaround also produced conflicting results in regards to Top Management Changes in Turnaround Companies. Barker & Duhaime (1997) argued that managers across organization reacted differently and even sometimes inappropriately to decline (Hofer, 1980; Schendel & Patton, 1976). These top managers of Turnaround Companies usually failed from the very beginning to take appropriate changes in strategy, as part of their turnaround attempts (D'Aveni, 1989; Starbuck, Greve & Hedberg, 1978). Therefore, changes in top management such as CEO or Managing Director might be necessary to ensure appropriate strategies were correctly chosen and implemented to achieve turnaround success (Belcher & Nail, 2000; Umbreit, 1996; Balgobin & Pandit, 2001). Further more, changes in top management sometimes viewed as message to the outside world that serious turnaround effort was being pursued (Slatter, 1984).

In this context however, Mueller & Barker III (1997) found that Top Management Changes were not a good predictor of successful Corporate Turnaround as opposed to Strategic Leadership. This finding supported further by Barker III & Barr (2002), who argued that Top Management Changes were more likely to be found if the decline was caused by internal factors, or in some cases if

the decline was caused by external factors that was considered to be under management control.

b. Limited Research in regards to the Contextual Factors

Aside from strategies, there are other contextual factors that were argued by scholars, which might also influence the outcome of turnaround effort. These contextual factors such as Character of Senior Managers (Clapham, Schweni & Caldwell, 2005; O'Connor, 2006), Cause of Decline and Severity of the Crisis (Hofer, 1980), Government Assistance (Biebault, 1982), Company Size (Pant, 1991), the Impact of Industry and Macroeconomic Factor (Slatter, 1984; Pandit, 2000), the Influence of Stakeholders and the Effect of Historical Strategy (Slatter, 1984), and Bridging Finance (Bibeault, 1982) were argued by Pandit (2000) as rarely being considered in the literature of Corporate Turnaround.

In the wake of financial crisis of 2008, the contextual factor of Government Assistance has received major attention in business communities. The crisis that started in the United States, which initiated by the failure of sub-prime mortgage quickly spread out to other developed countries. The crisis forced governments of many developed economies to give assistance in the resuscitation of troubled companies and even influence the turnaround process itself. For example, the United States government launched a bailout package of US$ 85 billion in addition to taking over AIG, Fannie Mae and Freddie Mac

(Hamid, 2009) and another US$ 50 billion to resuscitate General Motors. The Japanese government provided another example, in which they proactively assist the turnaround of Japanese Airlines (JAL) through the state-backed Enterprise, Turnaround Initiative Corporation of Japan, and providing a bailout package to the amount of US$ 4.3 billion for the company (Takizawa & Yamashita, 2010).

Literature on cases of Corporate Turnaround, as will be elaborated further in later chapter, showed many cases of turnaround assisted by the government (see for e.g. Taylor, 1999; Lee, 1999). The assistance given by government in resuscitation of troubled companies was not only found in developed countries. There were cases in developing nation as well showing that government also influence the turnaround process, such as in Malaysia (Sim, 2009; Ali, 2010) and also Indonesia (Chou, 2000) during the last financial crisis of 1998. However, to what extent these government assistance influenced turnaround success has not been fully explored in the literature of Corporate Turnaround, let alone other contextual factors mentioned above.

In conclusion, there were limited numbers of researches, which considered the whole aspects of the concept in the literature of Corporate Turnaround. Holistic approach in viewing the concept of Corporate Turnaround was rarely found in the existing literature on the subject. Pandit (2000) argued that by linking the content of strategies, the context in which they occur, and the process by which they were implemented, with additional support from the

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appropriate theory, a richer and better explanation on the concept of Corporate Turnaround could be acquired.

2. Research Issues in regards to the Methodological Inadequacies

In the aspect of Methodological Inadequacies, there were three research issues classified under this category, which are: (a) research issue relating to small number of sample size, (b) relating to inappropriate use of qualitative methodology, and (c) relating to the limited use of theory in studying the concept of Corporate Turnaround. Discussions on this section will follow the above sequence.

Scholars argued that many researches on Corporate Turnaround were lacking in terms of sufficient number of samples (Sudarsanam & Lai, 2001; Pandit, 2000). They argued that these facts could limit the ability to generalize the research findings' and its applicability especially in regards to the implementation of effective turnaround strategies (Sudarsanam & Lai, 2001). Many researches on Corporate Turnaround conducted using small sample size with less than 50 companies, which were accepted in the literature as general research practices (Barker III & Barr, 2002). Pandit (2000) tabulated 47 studies of Corporate Turnaround and found only 12 of them using sample size with more than 30 companies.

In regards to the research method, many researches on Corporate Turnaround were analyzed using qualitative method. Pandit (2000) argued that from 21 studies that he came across, only one was found to follow the well-established qualitative research protocol. Pandit (2000) further argued that it was not about which method was important, it was about the appropriate method that were used in order to correctly tackle the proposed research question in Corporate Turnaround.

Scholars also argued that many researches on Corporate Turnaround were lacking in terms of theoretical guidance and failed to relate their findings with relevant theory (Pandit, 2000). Pandit (2000) further stated,

"A central issue that the body of literature as a whole has failed to properly address is the identification and testing of links between the content of the turnaround strategies, the context in which they occur, and the process by which they are implemented. Such effort, if well executed, could lead to richer explanations of the phenomenon".

Pandit (2000) further argued that from 47 studies that he had reviewed, only three managed to relate their studies with relevant existing theories.

According to Pandit (2000), research on Corporate Turnaround could provide better explanation by linking the study to the existing relevant theories. In the aspect of Strategic Management, there are several theories that could be linked to the concept of Corporate Turnaround. For example, Agency Theory could be used to explain the phenomena of changes in top management, which usually happened in Turnaround Companies. Resource-based theory, as proposed

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by Pandit (2000) could also be used to explain the importance of resources in the implementation of turnaround strategies. Survival-based Theory could be utilized to explain the use of retrenchment strategy by troubled firms in dealing with turnaround. However, these theories were rarely being considered in the researches of Corporate Turnaround.

Lately however, several researches on Corporate Turnaround had started to relate their studies with relevant existing theories. For example, two studies by Bruton, Ahlstrom & Wan (2001, 2003), managed to relate Institutional Theory with their research in explaining the turnaround process of Chinese-owned firms. A study of turnaround by Chowdury (2002), who approached the concept using the Stage Theory perspective, was also another example in this case. However, the use of relevant theories was still very limited in the literature of Corporate Turnaround.

3. Research Issues in the Aspect of Empirical Findings

Although the literature on the subject of Corporate Turnaround has been growing remarkably well over the last few decades, however these researches were mainly performed within the context of western businesses. Research on Corporate Turnaround in non-western setting, such as in East Asia countries, has been very limited if not scarce (O'Neill & Rondinelli, 2004; Fisher, Lee & Johns, 2004; Bruton, Ahlstrom & Wan, 2001).

It is well understood that there were significant differences in management practices between Western and non-Western businesses particularly the East Asia region (Bruton, et al., 2001). In the west, small businesses usually start as family business, in which as they grew larger, they usually raise money from the public equity market. Thus, the role of the family often diminished as the firm grows. Contrary to the west, East Asian businesses, in this case Chinese businesses in particular, kept their family role intact even as the company grew (Chen, 2001). This kind of business practices usually resulted in situation where the owner also acted as the manager of the firm, and who were given much discretion in making decision. This strong position of the owner-manager, were further empowered by strong family control over many important aspects of the firm, even in the case of public firm (Backman, 2001; Young, et al., 2001). This is one of the differences in terms of top management structure between Western and East Asian businesses, especially in regards to Chinese businesses.

Chinese businesses were also found to have large networking channel of cooperation among their typical firms (Claessens, Djankov & Lang, 2000; Kao, 1993), in which they enjoyed having businesses among themselves. Their preference on short-term financing over the longer-ones somehow has hindered the development of long-term capital market, such as bond market in Asia until recently. Even in terms of financing, they would still prefer to acquire the capital from their own group of businesses, such as being practiced in Indonesia prior to the economic crisis of 1998 (Santoso, et al., 2005). This kind of business

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practices has definitely created differences in the capital structure of East Asian businesses in comparison to the west (Chui, Lloyd, & Kwok, 2002).

These differences in terms of management structure, financing and even the way of doing business would influence some of the practices of Corporate Turnaround in East Asian region as well. A research by Bruton, Ahlstrom & Wan (2001) involving companies in Hong Kong and Thailand, found that changes in top management, which usually practiced by western companies, simply did not occur in Hong Kong and Thailand. They further argued that even if those changes occurred, the pool of turnaround managers to replace the CEO were not readily available. Bruton, et al., (2001) also found that the turnaround effort appeared to be slower in Asia compared to their western counterparts.

Further research by Bruton, Ahlstrom & Wan (2003) involving companies in Hong Kong, Singapore and Taiwan, found that smaller companies were easier to achieve turnaround success compared to larger ones. They also found that certain retrenchment activities might have a significant impact towards the turnaround effort. Furthermore, they also found that Turnaround Companies in these countries gain much needed support especially from their distributors due to their long-term business relationship. In contrast, Turnaround Companies in the western setting would not get much needed support especially from their suppliers due to ambiguity of not being paid.

In support to these research findings from East Asian countries, Bruton &
Rubanik (1997) also found that top management change in Russian firms were
also more difficult compared to American firms. These differences in changing
top management practices were later confirmed by Fisher, Lee & Johns (2004),
who found that ownership change were more common practice for Australian
companies (assumed to received western influence) than Singaporean companies
(East Asian influence), though they did not find support that such changes would
positively affect performance. However, in contradiction to the findings of
Bruton, Ahlstrom & Wan (2003), Fisher, Lee & Johns (2004) found that there
was no significant difference in terms of the speed of turnaround between
Australian and Singaporean companies. They also found no empirical support for
both arguments that retrenchment might contribute to the improved performance
in turnaround, and changes in top management were seen as important strategy in
turnaround.

In Malaysia context, there were five research articles on Corporate
Turnaround, which were written by Siti Maimon et, al.(1988; 1999), Sim (1991;
2009), and Sulaiman, Ali & Ganto (2005). Two studies by Sim (1991; 2009)
were qualitative in nature, proposing additional research should be done in
Malaysian context using few contextual variables to further explain the behavior
of Turnaround Companies in Malaysia. A study by Sulaiman, et al., (2005)
further explored differences in causes of decline and turnaround strategies
adopted by Turnaround Companies in the setting of Kuala Lumpur Stock

Exchange companies. In their study, they found that troubled companies tend to use consolidated strategy, while Turnaround Companies on the contrary tend to use marketing strategy to revitalize themselves out of trouble.

The study by Siti Maimon, et al., (1988) looked further into the causes of decline and which turnaround strategies that were popularly adopted by troubled companies during turnaround. Their subsequent research in 1999, which also looked into causes and strategies of Turnaround Companies, found that changes in market demand and external factors beyond management control were both the main causes of the crisis (Siti Maimon, 1999). Some other causes were found to be quite significant, such as poor management, inadequate financial control, competition arising from product feature, adverse movement in commodity prices, big project difficulties, and high gearing. The research also found that among the strategies, which popularly adopted by Turnaround Companies were debt restructuring and cost reduction, and then followed by change of management, centralized financial control, decentralization, asset reduction, growth via acquisition, product market reorientation, improved marketing and additional investment. However, the objective of both of these studies were only to observe which strategies were commonly adopted, and not which strategies significantly contributed to performance.

In the context of Indonesian companies, there was an article written by Ganto & Sulaiman (2005) in the subject of Corporate Turnaround. They found that cutback and restructuring strategy were positively correlated with performance. However, they found no empirical evidence to support that management strategy, which measured mostly by changes in top management, significantly contributed to performance improvement in Turnaround Companies. Although this research was argued to provide important contributions towards the chosen strategies of troubled companies in Indonesia, the study by Ganto & Sulaiman (2005) was considered as having too much focus on strategies and failed to see other aspects of Corporate Turnaround that might also affect turnaround success, such as contextual factors for example. In addition, they also failed to see the influence of growth strategy towards the performance improvement of Turnaround Companies, and failed to distinguish the sample appropriately between troubled and non-troubled companies.

As discussed above, it would be a fallacy to assume that research findings in the western context might also be applicable to other parts of the world, especially in East Asia in regards to Corporate Turnaround. Many significant differences do exist between these two business settings, such as differences in management structure, differences in financial structure, and especially differences in the way of doing businesses. These differences would definitely influence the practices of Corporate Turnaround in this region as several researches had shown.

Discussions on the three research issues in regards to the literature of Corporate Turnaround above has presented us with inconclusive and unsettled issues, which could be further explored in the effort to better understand the subject. However, these research issues would be in a much better foundation if it has a firm theoretical justification to complement it. The theoretical gap for the proposed research will be elaborated in the next section.

1.3. Theoretical Gap

Literature on Corporate Turnaround has been almost synonymously related with retrenchment strategies (see for e.g. Robbins & Pearce II, 1992). Retrenchment strategy in the form of cost reductions, retrenchment of workers, pay cuts and asset reduction strategy, as defined by the earlier scholar of Corporate Turnaround (see for e.g. Hofer, 1980; Schendel, Patton & Riggs, 1976), usually pursued by Turnaround Companies in the effort to seek efficiency and improvement of business performance. This phenomenon perhaps would be better explained using Survival-based Theory. Survival-based Theory argued that in order for an organization to survive, it has to operate efficiently in order to be able to adapt to the environment better, to improve its profitability, and to survive the competitive market in which it operates. This theory therefore argued that companies that run efficiently would ultimately survive, and in the case of Corporate Turnaround, troubled companies that managed to be efficient would eventually survive. This theory therefore explains the practice of retrenchment

strategy by Turnaround Companies in the pursuance of efficiency and performance improvement.

However, facts and figures in regards to Corporate Turnaround pointed out otherwise. Slatter (1984) argued that only one out of four turnaround attempts were considered as a success. A research in India by Gopal (1991) found that even after several core strategies were undertaken, only small percentage of ailing firms could fully recovered. This argument was also supported by Pandit (2000), stating that among firms who experienced declining performance, greater number eventually failed rather than recover. These results still stand even though these companies had pursued efficiency through retrenchment strategy. These arguments suggested there should be other factors or strategies that could influence turnaround success, and therefore not solely through retrenchment strategy.

The above proposition suggested on the limitation of the explaining power of Survival-based Theory in explaining the concept of Corporate Turnaround. Since if there are other factors that are working here beside retrenchment, then Survival-based Theory could not elaborate it within the understanding of the theory itself. Therefore, Survival-based Theory can be considered as insufficient to clearly explain the phenomena of Corporate Turnaround. Hence, there should be a better theory to explain the phenomena of Corporate Turnaround in much better way.

In conclusion, the conflicting findings presented in the section of research issues above, have strengthened the argument that effective turnaround strategies in improving business performance are far from being resolved and still very much debatable. There are still many factors that might contribute to turnaround success that has not been explored yet, and the limitation of Survival-based Theory in explaining Corporate Turnaround opens up for the possibility of other theories of Strategic Management to explain the phenomena. Therefore, there is theoretical gap in the literature of Corporate Turnaround, in explaining factors that contribute to turnaround success in a more comprehensive approach.

1.4. The Problem Statement and Research Questions

Discussions presented on previous section showed many inconsistencies in the findings of turnaround researches. Several scholars argued that many previous studies on Corporate Turnaround were lacking in terms of sufficient number of samples (Pandit, 2000). Samples in many turnaround researches were drawn in limited number due to very few survived such process of Corporate Turnaround, and this could have some effects on the ability to generalize the research findings. Furthermore, there were critics on the unsuitable approach in the aspect of qualitative research methods applied in turnaround researches (Pandit, 2000).

Although the body of knowledge of Corporate Turnaround has been developing quite rapidly over the past several decades, still hardly one can argue that comprehensive and conclusive work has been done in answering most of the questions in regards to the subject. There are many more variables of Corporate Turnaround, which have not been fully explored and rigorously studied in relation with the existing theory of the subject. Some variables were found to be heavily researched while others were left unexplored. For the variables that have been studied, the results showed some contradictions with other findings on the topic in question. Furthermore, many of those researches were performed mainly on developed countries, neglecting the fact that such results might be different in other countries especially developing ones, such as East Asia region. In consideration to the fact of the scarcity of Corporate Turnaround research in East Asian countries, and only few Turnaround Companies survived the process of turnaround, therefore the necessity of such research being done within the context of East Asian businesses would be much justified.

In conclusion, discussions presented in this section have showed noticeable dearth of conclusive evidence, in regards to the factors that influence turnaround success. Therefore based on these arguments, the problem statement that this research is planning to address is as follows: *"What are the factors that contribute to turnaround success and to what extent that these factors can improve business performance of Turnaround Companies"*. Based on this

problem statement, the following research questions were proposed to be addressed.

1. *What are the factors (turnaround strategies) and to what extent that these factors influence business performance of Turnaround Companies?*

2. *What are the contextual factors (Company Size and Government Assistance) and to what extent that these factors influence or moderate the relationship between turnaround strategies and business performance?*

1.5. The Objectives of the Research

As Pandit (2000) proposed earlier, richer explanations on the subject of Corporate Turnaround might be acquired if researchers were able to establish proper links between the content of the strategies, the context in which they occurred and the process in which they were implemented. Therefore, the primary objective of the research is to study the factors, both in terms of corporate strategies (content) as well as non-corporate strategies (context), which might contribute to the improvement of Business Performance in Corporate Turnaround. The specific objectives of the research are:

1. To determine the effects of Strategy-related Factors in Corporate Turnaround towards Business Performance.

2. To determine the moderating effect of :

   a. Company Size (non-strategy internal contextual factor) towards the relationship between Corporate Turnaround Strategies and Business Performance.

   b. Government Assistance (non-strategy external contextual factor), towards the relationship between Corporate Turnaround Strategies and Business Performance.

1.6. The Significance of Study

The study is important both on the theoretical level as well as on the empirical level. Firstly on the theoretical level, aside from the scarcity of literature of Corporate Turnaround in the context of East Asian countries, there are some contradiction in the research findings in the literature of Corporate Turnaround, particularly in regards to the turnaround strategies and its contribution towards the improvement of Business Performance. This study is an attempt to bridge the gap on the theoretical level as well as on the empirical level on those factors.

Secondly, the instruments that were developed to measure the variables of Strategy-related Factors as well as other factors in this research may be useful for future empirical research on the subject. Lastly, this study hopefully could provide some useful insight for future reference on the subject of Corporate

Turnaround, and to gain clearer pictures in explaining the behavior of Turnaround Companies, particularly within the setting of developing country.

There were very few researches done in Indonesia, in regards to Corporate Turnaround. It is therefore necessary to enhance the knowledge of Corporate Turnaround, especially to ascertain the factors, which contribute to the improvement of Business Performance in Indonesian companies. Therefore, on the empirical level, this research was hoped to provide some important answers on few conflicting issues in Corporate Turnaround, which in turn could be used to assist managers to choose better strategies in order to improve their probability of gaining better recovery when dealing with similar turnaround situation in the future.

1.7. Limitation on the Scope of the Study

Many researches on the subject of Corporate Turnaround were performed using financial/ accounting data from public listed companies as their samples (perhaps because it was easy to retrieve and publicly available in the form of accounting report). However, this study tried a different approach by selecting companies from private manufacturing sector as the sample. This approach was taken due to the reasons that will be discussed further in Chapter 4. However, by following this approach, there would be some limitation on the comparisons of

findings from this research to the literature of Corporate Turnaround, since many of those studies were based on public listed companies.

Many previous researches on Corporate Turnaround used two-layers of sample selection (as literature suggested). However, due to some critics in the literature (Denrell, 2003), this research took different approach by using only single layer selection of sampling procedure (as will be explained later in chapter 4). The perceived data were collected from the sample of managers, who were assumed to have experience in turning around their companies or have already finished the process of turnaround of their company. Therefore, this research assumed that the respondents of the study did not consciously or otherwise misrepresent the truth, as commonly found in most survey. As suggested by Zikmund (1997), social desirability bias, acquiescence bias and deliberate falsification are common types of respondent errors in survey studies.

The scope of this research in explaining the factors of Strategy-related and Non strategy-related, and their contribution towards the improvement of Business Performance of Turnaround Companies was limited only to the three factors (Strategy-related Factors, Company Size, and Government Assistance) as already mentioned in the section of problem statement. Other possible related factors (such as Cause of Decline, Changes in Top Management, Bridging Finance, and several others) that might also contribute to the improvement of Business Performance of Turnaround Companies would not be covered in this study due to

time constraint, limited resources, insufficient funds and difficulties in data collection.

Since this study is cross-sectional in nature, the reflection of respondent's perceptions (through the rating score) in respect to the degree of Business Performance and its Independent Variables were investigated by collecting data at a single point in time only. Hence, any subsequent changes in relation to the variables studied cannot be included.

1.8. Conclusions

This chapter has presented the background of the research accompanied with some explanations on the theoretical as well as the empirical gap, which in the end lead to the explanation of the problem statement. Based on these discussions, the research objective has also been established with some reminder on why this research was considered important and some notion on the limitation of the scope of the proposed research. The subsequent chapter will further explain on the theoretical foundation that was used as the underlying theories of the research. While the literature review on the Strategy-related Factors, the factor of Company Size and Government Assistance will be discussed further in greater detail in Chapter 3.

CHAPTER 2

THEORETICAL FOUNDATION

The objective of this chapter is to present the concept of Corporate Turnaround as it was explained by several schools of thought in the field of Strategic Management, and also to present several theories related to the concept. This chapter starts with the conceptual definition of Corporate Turnaround, discussing the dictionary definition of the concept, several terms associated with the concept and several experts' definition of the concept. The chapter then continues with discussions on several schools of thoughts in Strategic Management, which are considered to be related with the concept of Corporate Turnaround. Finally, the chapter concludes with explanations on several theories of Strategic Management, which will be used as underlying theories for the research.

2.1. The Concept and Definition of Corporate Turnaround

The concept of a Successful Corporate Turnaround will be clarified in this section with the objective to eliminate confusion and imprecision of related words. Firstly, we will discuss these words based on dictionary definition. The concept includes three words, 'successful', 'corporate' and 'turnaround'.

According to Oxford Compact Dictionary & Thesaurus (1997), 'successful' which derived from the word 'success' means "*(1) accomplishment of aim, favorable outcome; (2) attainment of wealth, fame, etc*". The same dictionary defines corporate or corporation as "*(1) being or belonging to a corporation or a group; (2) group of people authorized to act as individual, especially in business; (3) synonymous to company, concern, enterprise, firm, organization*". According to Cambridge Dictionary, turnaround means "*to cause (a situation or organization) to improve; a turnaround can also be any change from one thing to its opposite*". However, according to Collins Cobuild English Dictionary for Advanced Learners (2001), turnaround in business or economy means "*...it becomes successful, after being unsuccessful for a period of time*". There are several terms closely related with Corporate Turnaround. These are Corporate Transformation, Organizational Change, Organizational or Corporate Renewal and Corporate Restructuring, which will be discussed next.

Corporate Transformation or action management (as some people called it), defined by Reedwood, Goldwasser and Street (1999) as any project or initiative aimed at improving business performance, in which change is imperative for Corporate Transformation. This definition is somewhat similar with Miles (1997) who argued that the first step in planning Corporate Transformation involves assessing the initial change condition. Several other scholars' definitions on the concept of Organizational Change and Corporate Transformation showed that there might be some connection between both

concepts. For example, Griffin (1999) defined Organizational Change as any substantive modifications to some parts of the organization. Hellriegel, Jackson & Slocum Jr. (1999) defined Organizational Change as any transformation (substantially) in the design or functioning of an organization. In fact, some authors such as Anderson & Anderson (2001), discussed both topics collectively.

Miles (1997) further explained that there are four types of transformation situation, which are:

1. Type I : Repositioning of a successful corporation

2. Type II: Revitalizing a corporation in crisis

3. Type III: Merging different business and culture

4. Type IV: Managing the process of leadership succession

These explanations suggested that the impetus of change for Corporate Transformation did not need to be a crisis (Miles, 1997). Repositioning successful corporation or merging different cultures of businesses could both trigger Corporate Transformation. Hence, the sparks that initiate Corporate Transformation or Organizational Change was not necessarily a crisis.

Organizational Renewal, which also shows some resemblance with Corporate Turnaround, is somewhat a different concept to the later. According to Hurst (1995), the concept of Organizational Renewal assumes that in the beginning of an organization's life, at its founding, there was something of value,

some shared experience that was authentic and meaningful. Over time, this original feeling of authenticity, and meaning, has either faded or lost. Renewal involves going back to the founding values to reconnect the past to the present, and to rediscover the old in the new.

Hurst (1995) further argued that Renewal is concerned with the revival in mature organizations of the values, feelings, excitement, and emotional commitment, which often experienced only in the beginning of an organization's life. Renewal is about the restoration of something of value, something important, that has been either lost or forgotten as an organization grown and prospers. Renewal thus is about the restoration of a meaning to work (Hurst, 1995). These explanations on the concept suggested that the idea of Organizational Renewal is somewhat a bit related to Organizational Development.

Perhaps one of the closer concepts to Corporate Turnaround is Corporate Restructuring. Corporate Restructuring usually means reconfiguring the distribution of authority, responsibility and control in the organization, and usually accompanied by downsizing (Hellriegel, Jackson and Slocum, 1999). Gaughan (2007) argued that Corporate Restructuring usually refers to asset sell off or divestitures. According to Gilson (2001), there are four types of restructuring, which are: (1) Financial Restructuring (restructuring creditor's claim), such as exchange offers, dual class recapitalizations, leveraged recapitalizations, financial reorganization (bankruptcy) and liquidation (see

Weston, Chung & Siu, 1998). (2) Restructuring of Shareholder's Claim such as spin-off, split-up, and equity carve-out. (3) Restructuring Employee's Claim, such as layoffs and wage reductions, and (4) Reorganization of Assets, such as sell-offs or divestitures.

Although these terms showed some resemblance with the concept of Corporate Turnaround, in actual sense these two concepts are slightly different. One of the major characteristics of Corporate Turnaround, which is the urgency to change and to revitalize the company immediately (will be explained in later section), somehow felt more intense in the Corporate Turnaround situation. This is the main characteristic that distinguished the concept of Corporate Turnaround with other similar concepts such as Corporate Transformation and Organizational Renewal.

Even if the concept of Corporate Turnaround was compared to Corporate Restructuring, the pressure to revitalize the company was still felt heavier in Corporate Turnaround since the real life of the company is at stake. Gaughan (2007) argued that in the concept of Corporate Restructuring, many companies engaged in the restructuring process to become more efficient, while in turnaround situation, the company has to take steps to revitalize it in order to evade bankruptcy. The definition based on literatures and expert opinion on Corporate Turnaround will be discussed next to elaborate more on the concept of Corporate Turnaround.

One of the earlier definition given by researchers on the concept of Corporate Turnaround was perhaps proposed by Schendel, Patton & Riggs (1976), in which they defined the concept as a two-stage process, started with performance decline which then followed by performance improvement. Since then many researchers has been redefining and even to some extent expanding the definition of the concept of Corporate Turnaround, as several will be discussed next.

Nueno (1993) defined Corporate Turnaround as the term given to the process of re-floating or significantly restructuring a company. Goodman (1982) stated that Corporate Turnaround is the word used to give a vivid picture of a situation being changed through determined effort from bad to good, from going down to going up, from sickness to health, and from 'Oh my God' to 'gee whiz'. Brandes & Brege (1993) proposed a definition of Corporate Turnaround as a process that takes a company from a situation of poor performance to a situation of good sustained performance. Pandit (2000) defined Corporate Turnaround as the recovery of a firm's economic performance following an existence-threatening decline.

From the above discussion, it was suggested that the definition of the concept of Corporate Turnaround always involved two stages of process, which is performance decline (existence threatening) and followed by performance improvement. This is the basic concept that differentiated Corporate Turnaround

with other related concept such as Corporate Transformation, Organizational Change, Corporate Renewal and Corporate Restructuring.

Some researchers also suggested several definitions on "successful" Corporate Turnaround. Most of these definitions were financial in nature and many of them were using income as the benchmark. For example, Bibeault (1982) argued that successful Corporate Turnaround is achieved when a company has experienced dramatic profit improvement by implementing turnaround strategies for two or three years and successfully rebuild its position in the market place and motivate its people to complete the turnaround cycle. Slatter (1984) on the other hand argued that when a firm whose real profit before tax increased in four out of the following six years (since the downturn period), can be classified as successfully turnaround firm. O'Neill (1986) stated that successful Corporate Turnaround is achieved when a company's net income is greater than industry average in two out of the following three years after the period of performance decline.

Some researchers also used financial ratios as a definition to explain successful Corporate Turnaround. For example, Hambrick & Schecter (1983) argued that successful Corporate Turnaround was defined as a business that achieved an average ending ROI of at least 20% in year three and four after the initial downturn period. Pant (1991) argued that when a firm's ROA is in the top 25% of the industry for two consecutive years following the four-year interval

2.2. Strategic Management's School of Thought Relating to Corporate Turnaround

Pandit (2000) argued that most researches on Corporate Turnaround neglected the important theories to back it up. Very few researchers on the subject have link their studies to relevant theories and many simply just ignored them. Only recent development on the literature of Corporate Turnaround that we see such link with relevant theories has been established (see for e.g. Bruton, Ahlstrom & Wan, 2003).

It is argued that this happened due to the difficulties for researchers to establish the link between such researches with theories, and because it was quite difficult to put Corporate Turnaround in its appropriate place in the perspective of Strategic Management. Therefore it is quite important to view Corporate Turnaround from different angle which provided by different schools of thoughts in Strategic Management. These different perspectives of Strategic Management, undoubtedly would give some sort of directions or ideas on where actually Corporate Turnaround should reside on the vast knowledge of Strategic Management, and what kinds of theories that might be used to explain the phenomena.

The following discussions on schools of thoughts would only touch the basic knowledge and premises of the related schools of thoughts that fit with the concept of Corporate Turnaround. The critics and weaknesses argued by several authors in regards to each school of thought would not be presented, as proper and more elaborate discussions were provided in the literature.

According to Mintzberg, Ahlstrand and Lampel (1998), there were ten schools of thoughts in Strategic Management, namely the Design School, the Planning School, the Positioning School, the Entrepreneurial School, the Cognitive School, the Learning School, the Power School, the Cultural School, the Environmental School and lastly the Configuration School. These schools of thoughts were considered as a perspective, a way in which one take view of the concept of Strategic Management. Mintzberg, Ahlstrand and Lampel (1998) argued that every school has their own opinion and perspective, which differs to other school of thought, in explaining the concept of Strategic Management. Therefore, it is the objective of this subchapter to shed some light on where actually Corporate Turnaround stands between these different schools of thought as a part of wider concept of Strategic Management.

2.2.1. The Entrepreneurial School

Rooted originally from the field of economics, this view was introduced initially by Schumpeter (1934) who argued that entrepreneurs were not just

someone who had the capital, but also a person who had the business ideas and managed to make it profitable and successful. He further argued that it is the ability to carry out new combinations of doing things, either by doing new things, or doing things in new ways, was the key of being entrepreneurs (Schumpeter, 1947). Cole (1959), another proponent of this view who was also an economist, broaden this definition of entrepreneur further and categorized it into four types: the Calculating Inventor, the Inspirational Motivator, the Over-optimistic Promoter, and the Builder of Strong Enterprise. Over the years, definition of entrepreneur somewhat has been expanded from just a person who had the idea (as argued by Schumpeter, 1934) to an institution of risk-taking (as argued by Drucker, 1970).

In the perspective of Strategic Management, proponents of this school argued that personalized and visionary leadership -the Entrepreneurial Personality-, which based on strategic vision is the key to management success (Mintzberg, Ahlstrand and Lampel 1998). Strategy is viewed as perspective and as vision of the leader, in which power is centralized in the hands of the chief executive. The process of strategy formation is somewhat semi-conscious, rooted in the experience and intuition of the leader. Hence, the great leader acting as the architect of strategy seems to sit at the centerfold, acting as a rower of the organization, being fed with information from all over the organization and its surroundings to formulate strategies that others are supposed to implement. Thus,

the Entrepreneurial Strategy tends to be deliberate (in overall vision) and emergent (in unfolding details of the vision).

Since this school supported the view that successful business venture were influenced heavily by its great leader –the Entrepreneur-, many proponents of this school resorted their study on the traits of successful entrepreneur (see for e.g. Collins & Moore, 1970; Stevenson & Gumpert, 1985; Palich & Bagby, 1995; and Busenitz & Barney, 1997). This view has made them, to some extent, related to the cognitive school, who are interested in the cognitive and mental process in the mind of a strategist, as strategy formulation taking place.

The organization that follows this school tends to have simple structure, which could respond directly and easily to the leader's directives. In the perspective of Corporate Turnaround, this school of thought would be the appropriate school to explain the dominance of top management in Turnaround Companies and the reason for such changes in top management post were needed before the implementation of turnaround attempt. Phenomena that appeared to be common especially in the western business context (see for e.g. Wagner, Pfeffer & O'Reilly, 1984; Wallace, Worrel & Cheng, 1990; Hambrick & D'Aveni, 1992).

Although the Entrepreneurial school was originally developed to explain the behavior of small or starting-up companies, it could also be used to explain conditions in Turnaround Companies where procedures and bottleneck bureaucracies need to be shortened and avoided in order to allow the visionary leader more responsive maneuverability of the organization. In the context of the study, this school of thought justified the use of top management in the process of data collection. By suggesting that changes deliberately come from top management, this school of thought argued that top management is the best place to ask about turnaround strategies, what had been done and to what extent such strategies had been implemented, which is exactly what this research is pursued.

Although this school of thought is quite appropriate in explaining the context of start-up and small businesses and even some aspects of Turnaround Companies as explained above, it is not without its critics. Stacey (1992) argued that forced in sharing a common view of the future, -a vision-, (which developed by the Entrepreneur) would make managers become inflexible in making changes if that common idea was a bad one, which in the process would also make them overlook other changes in the business setting while they were constantly pursuing this vision.

Mintzberg, Ahlstrand and Lampel (1998) further argued that in several conditions, this entrepreneurial approach might be risky in the sense that hanging the future of a business in the guts feelings of one visionary leader. In the field of

Corporate Turnaround, although many articles supported the notion that such visionary leader were needed in turnaround situation, however in the context of Asian business settings, the findings were somewhat mixed (see for e.g. Bruton, Ahlstrom & Wan, 2003). Furthermore, as argued by Mintzberg, Ahlstrand and Lampel (1998), the school's central and obvious prescription for troubled organization, which is to find new visionary leader, seems to be facile and overrated. As we would see in the next chapter, there are a lot more factors influencing Corporate Turnaround than just finding a good top management.

2.2.2. The Learning School

Proposed initially by Lindblom's (1959) writing in the field of public management, this view then introduced to the field of management by Wrapp (1967) and Quinn (1978). As Kiechel III (1984) argued that only 10% of formulated strategies were actually being implemented, proponents of this school asked on how strategies are being formed.

The basic premise of this school is that strategies are learned over time, in which it emerged as organizations come to learn about their situations as well as their capabilities of dealing with it, and eventually came up with the pattern of behavior that works and called it as strategies. This learning occurs in emergent fashion, through behavior that stimulates retrospective thinking so that sense can be made of action. Thus, it is assumed that formulation and implementation is

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almost indistinguishable in this school, so that strategy making can follow the form of learning process over time. Hence, the role of leadership is no longer to formulate deliberate strategies but to manage the process of strategic learning so that novel emergent strategies can be yielded (Mintzberg, Ahlstrand and Lampel, 1998).

It is in this school that the concept of emergent strategies revolves around and recognizes the organization's capacity to experiment. An organization can take a single action and get a feedback from it, then refine the action, and the process can continue until it finds a pattern, which becomes a strategy (Mintzberg & Waters, 1985). This school of thought also has some similar arguments with the concept of Evolutionary Theory, which was introduced by Nelson & Winter (1982). Proponents of this theory argued that the interaction between routines and novel situation faced by organization somewhat will force the organization to learn over time and develop a better routines to deal with new situations. These small changes of routines, accumulated over time, then will be absorbed by other parts of organization creating larger changes, hence creating an evolving organization. Theory of chaos is also related to this school of thought.

Strategic learning, in time, can be a dangerous endeavor without coherence among strategies being adopted (Mintzberg, Ahlstrand and Lampel, 1998). This is an important critic for the learning school. Strategies learned from time to time, gradually, incrementally, and imperceptibly, not only might take the

coherence among business units within the organization but also might drift the organization from their initial intended strategy that was first adopted (Johnson, 1992) and perhaps organization might even end up with a strategy that was not appropriate yet alone intended.

In the field of Corporate Turnaround, this school of thought helps in explaining why troubled companies pursued different types of turnaround strategies, since they obviously face different kind of life threatening situation and their previous strategies practically did not work. As each company learned on failure of their previous strategies, they were forced to adopt strategies that were usually adaptive and emergent in nature. Turnaround companies faced with life-threatening situation and limited resources available, rarely able to carefully design or plan their strategies well in advanced. These companies would only be able to adapt with their available-yet-limited resources and choose limited number of emergent strategies in order to face their current predicament and to adapt as much as they could to survive.

In the context of this study, this school of thought is perhaps one of the better ways to explain why troubled companies pursued different types of turnaround strategies with different depths. As companies start to experience problems, they learn to adopt new strategies with the objective to achieve better results. However as the results continue to deteriorate; they have to learn to conceive new strategies whereby each new strategy depends on the available

resources of the company and also to the success level of the implementation of the previous strategies. The combination of this process and strategies being pursued, produced a combination of different strategies at different depths for each troubled companies, which suggest that the company is learning with each new strategy and therefore producing different levels of success.

2.2.3. The Environmental School

This school of thought revolves around theories of Population Ecology and the Institutional Theory. However, it is through the Contingency Theory that much of its arguments were rooted (Mintzberg, Ahlstrand and Lampel, 1998). Proponents of Contingency Theory argued there is no one best way to manage an organization, it all depends or contingent upon several factors, such technology (Gerwin, 1979), size (Child, 1975) and some other factors that might have some influenced on it. This view is in a direct confrontation with classical management view of there is always one best way to run an organization. Further explanation on Contingency Theory will be discussed in greater depth in later section of the chapter, as it will be used as one of the underlying theories of the thesis.

The Environmental School viewed organization as being passive and only respond to the forces of environment to survive. It is here that the environment is argued to be the central actor that actively shapes the process of strategy making, while organizations is just passively responding to it. The role of leadership thus

also become passive and serves solely for the purpose of reading the environment and making sure proper adaptation is taken place by the organization. Environment in this case is the one that sets the criteria of fit. While organizations that adapted to those criteria would survive and those who do not would perished.

Critics on this school of thought mainly based on the arguments that dimensions of the environment that organization chooses to operate are often abstract (Mintzberg, Ahlstrand and Lampel, 1998). There is no organization that can be labeled to operate in such particular environment as munificent, hostile or even turbulent. Although it is argued that organizations from time to time will face such conditions (munificent – turbulent) in the environment that they chose to operate as periodic phases in their history. Many organizations were also found to be striving even in a harsh or hostile environment in which the same type of business did not work previously (Mintzberg & Waters, 1982). Hence, is it really the environment which acts as central actor influencing the organization (as proposed by the environment school) or is it the organizations that somewhat influence or rearrange the environment that it chooses to operate. This is the basic argument of the critics on this school of thought.

The concept of Corporate Turnaround resides well in this type of school, as Turnaround Companies would have to adjust itself with ever changing sets of environmental factors in which it operates. Companies cannot choose to operate

always in a booming market. In time of crisis, they too have to adapt for the change of climate in the local as well as international economy. In the context of this research, this school of thought provide an alternative explanation why similar strategies pursued by similar types and classes of companies produced different results of business performance, which could further explain why only few companies survived the turnaround and so many did not. As argued by Slatter (1984) that only one in every four turnaround attempt yielded successful result.

This school of thought also helps explain why similar organizations that faced similar difficulties and yet pursued similar strategies at different breadth and depth, which is argued due to the difference in the environmental factor. As argued by the proponents of this school, it is the differences in the environment that each company chooses to operate, that explains the differences in the depths of the strategies being pursued.

In overall, this school of thought offers a different kind of explanation on the phenomena of Corporate Turnaround. Simple and direct explanations such that certain strategies will definitely work in turnaround situations were simply not the explanation that this school of thought had to offer, as similar strategies were found to be working well in certain turnaround situation but not in other cases (such as retrenchment strategy for example). This school of thought proposed the existence of a contingent factor that might influence and perhaps

better explain the phenomena of Corporate Turnaround. Based on these arguments, this school of thought will be used as the underlying principle in this study. However further arguments might be necessary to explain the phenomena of Corporate Turnaround especially in the perspective of Strategic Management theories, which will be discussed further in the next session.

2.3. The Underlying Theories

Pandit (2000) argued there were scant literatures in the field of Corporate Turnaround relating the research on the subject to the relevant existing theories. This sub chapter is entitled to shed some light in respect to the theories that are relevant to Corporate Turnaround, but firstly a brief view on theories relevant to Strategic Management will be discussed.

Theories relevant to corporate strategy can be divided into 2 main categories, which are Prescriptive and Emergent (Lynch, 2003). Several theories such as Profit Maximizing/ Competition-based Theories, Resource-based Theories, Game-based Theories and Socio-cultural Theories of strategy are categorized as the Prescriptive Theories in Strategic Management. In addition, few other theories such as Survival-based Theory, Uncertainty-based Theory and Human Resource-based Theory of corporate strategy are categorized as the Emergent Theories in Strategic Management.

In addition to those theories mentioned by Lynch (2003), several other theories were also adopted into the field of Strategic Management, such as Contingency Theory (pioneered by the writings of Chandler, 1962; see for e.g. Donaldson, 2001), and also Agency Theory (pioneered by the writings of Ross, 1973 and Jensen & Meckling, 1976). Many of the theories mentioned above were adopted from Economic theories, since Strategic Management is considered to be an applied field of knowledge, which is based on other disciplines as well as Economics and Psychology (Jenkins, 2005).

Underlying theory in research usually was used to develop a framework as basis in explaining the phenomena in questioned. This underlying theory allows several variables to be identified based on its own assumptions and premises. By so doing, researchers also limit him/her self from trying to explain more variables, which are not related to the underlying theory. For example, Institutional Theory was used to explain Corporate Turnaround situation among overseas Chinese companies in East Asia (Bruton, Ahlstrom, & Wan, 2003) and how the institution of family influenced turnaround process. Pandit (2000), in an attempt to give some recommendations on the scant literature on theories relating to Corporate Turnaround, suggested to use Resource-based Theory as one of many possible underlying theories that could be related to the subject.

Changes in top management especially CEO, which were observed in many Turnaround Companies (Barker III & Patterson, 1996; Finkelstein & Hambrick, 1990), could also be explained by using Agency Theory. In Agency Theory, managers were viewed as agents to the owner of a company and should act according to the best of their interest. An ailing company is somewhat demonstrating that the current managers did not do their job up to the level of owners expectation as an agent to the owners. Hence changing top management perhaps is one of many choices to make the company's performance improved, as proposed by the Agency Theory.

However, it is not the purpose of this thesis to explain rigorously on many theories of Strategic Management that were related to Corporate Turnaround. As discussed above, the underlying theory is used mainly as foundation to form the research framework of this study. Hence, the next section will discuss several related theories in Corporate Turnaround that will be used as underlying theories of the thesis.

2.3.1. The Profit Maximization Theory of the Firm

According to Hornby (1995), Theories of the Firm can be classified into five major schools of thought, namely: Classical Profit Maximization, Managerial Theories, Behavioral Theories, The Structure-Conduct-Performance Paradigm, and The Transaction Cost Approach. The Classical Profit Maximization theory or

as some called it as The Neo-Classical Economic Theory of the firm could be traced back as early as Adam Smith's writing in *The Wealth of Nations* (Lynch, 2000). As Adam Smith argued that every businessperson (or managers, who has contractual duties to owners) would act in self-interest to maximize profit and by so doing increased the aggregate benefit of the society.

This theory then received considerable attention from Alfred Marshall in his book *Principles of Economics* that was published in 1890 (Hornby, 1995). Further contributions to the theory were also added by writings from Robinson (1933), Chamberlain (1933) and Coase (1937). However, at this stage this theory is still very much within the economic perspective in which the main premise stated that firms essentially try to maximize its profit by matching its marginal revenues with marginal cost.

It was not until 1950s and 1960s that this theory received considerable attention from Strategic Management field through scholars such as Igor Ansoff, Alfred Chandler and Alfred Sloan (Lynch, 2003). Ansoff (1987) in particular stated that

"...a firm seeks its objectives through the medium of profit and more specifically, through conversion of its resources into goods and/or services and then obtaining a return on these by selling them to customers...In this respect, survival of the firm depends on profit, unless profits are generated and used for generation of future profit and replacement of resources, the firm will eventually run down".

This theory again came to the spotlight during 1960s with the publication of book by Friedman (1962), which mark the beginning of long discussions on Corporate Social Responsibility. However it was only in 1970 that the real statement of the theory were stated openly to the public by Friedman (1970), as he mentioned

"In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."

This statement by Friedman (1970) also marked the shifting of the theory perspective in which Profit Maximization could only be the ultimate goal so long as the law and ethical customs allow it to do so. Apparently, rules and regulations have changed dramatically for the last few decades. In United States for example, the Court of Law has adopted a view that corporate directors and officers have a fiduciary duty to maximize the long-term interest of the corporate stockholders (Hanks, 1996) and not just for the mere sake of maximizing its profit. In fact in some cases, such as in change-of-control situation, the Court of Law permit corporate directors to also consider other stakeholders of the firm (such as suppliers, customers, etc) beside stockholders in making decisions (Oswald, 1998).

Hence, the Profit Maximization Theory no longer adopted short-termism and absolute in nature (pure form). Change of paradigm in this theory was a result from decades of criticism spearheaded by the emergence of the Stakeholders Theory of the Firm, introduced initially by Freeman (1984). Over the years, critics on this theory mainly came from the field of Corporate Responsibility (Cragg, 2002; Lantos, 2001), although other field of knowledge such as Strategic Management (Goldenberg, 2000) and even Corporate Turnaround (Champlin, 1998) argued quite a fair share in the critics of this theory.

However, despite its critics, this theory is still very much applicable today especially related to big firms. For example, Microsoft was largely accused of trying to achieve its long-term objective of profit maximization by monopolizing the market (Shazly & Butts, 2002). Hornby (1995) also found that profit maximization was still the top objective for major Scottish companies both in the short and long term whether in time of boom or recession. In the field of Corporate Turnaround, British Airways was accused of reducing its cost significantly to maximize its profit at the expense of its employee's health and safety (Boyd, 2001). However this theory did not find much support in the literature of the Small Business Enterprise (Greenbank, 2001).

The basic premise of this theory in the field of Strategic Management stated as follows: *"The strategies will be driven primarily (but not exclusively) by the objective of maximizing the organization's profitability in the long run with the ultimate purpose of developing sustainable competitive advantage over the competitor"* (Lynch, 2000). Thus the behavior of the company in question in this research will be assumed to have the objective of maximizing its' profits in the long run and putting maximum effort to sustain its' competitive advantages.

In the context of this research, this premise gave a limitation to the thesis that only profit-making companies would be of interest to the study. As literature suggested, troubled companies not only happened in profit-making companies but also in non-profit organizations as well such as hospitals and foundations (see for e.g. Imberman, 2000). Therefore, this study is only interested in profit-oriented companies that were facing financial difficulties. Moreover, by assuming that each organization exists to maximize its profitability, the variables that are considered in the study would also be limited to the variables that are in direct contribution to the process of profit maximization.

In addition to the afore-mentioned arguments, this premise also suggested that the measurement of the Dependent Variables (which is business performance) should also be based on financial measures. As supported further by literatures in Corporate Turnaround (which would be explained later in the sub-section of Dependent Variable), financial performance measures were

perhaps the most used measurement in the field of Corporate Turnaround. Therefore, the Dependent Variable that will be discussed further on later section of the thesis will be based on this underlying theory.

In conclusion, by assuming that companies exist with the fundamental reason of maximizing its profit as suggested by this theory, the scope of this research is restrained by three things: (1) that business performance, which measured particularly by financial performance will be considered as the Dependent Variable. (2) The construction of the Independent Variable will consider only factors that are related to business performance as the DV, and (3) only profit-oriented companies will be considered as subjects in this research.

2.3.2. The Survival-based Theory

This theory, much like the previous one, was also initially introduced in the field of Economics. Researchers such as Schumpeter (1934), Alchian (1950), Harrod (1939) and Marshall (1949) were among the first who introduced the idea of Evolutionary Thinking and Natural Selection into the concept of Economics. Hence it is not a surprise to find most common application of Survival of the Fittest Theory were found in Economics where it was mainly being used to analyzed how firms thrive and compete in industries, and also to explain changes in economy (Nelson & Winter, 1982).

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The concept of Survival-based Theory or some might call it as "Survival of the Fittest' Theory was originally developed by Herbert Spencer (Miesing & Preble, 1985). He synthesized Darwin's Theory of Evolution and Natural Selection with Adam Smith's Invisible Hands to come up with the idea of *Social Darwinism*. This theory, which was quite popular during late 19th and early 20th century, emphasized on the notion that by following the principle of nature, only the best and the fittest of competitors will win, which in the end would lead to the improvement of the social community as a whole. Social Darwinism assumed it is normal for the competition to behave in hedonistic ways to produce the fittest business, who survived and prospered by successfully adapting to its environment or become the most efficient and economic producer of all. Hence, ruthless business rivalry and unethical politics is acceptable under this assumption.

However, in the later part of 20th century, opponents to this view of Social Darwinism, called Neo-Darwinism slowly emerged. This concept emphasized strongly on social solidarity as fundamental fact of evolution, in contrast to Social Darwinism. This view assumed that competition and cooperation are interconnected, in which competition will force businesses to be more cooperative. Hence, virtues and values of doing good and ethical business practices, such as through friendship, trust, loyalty and cooperation were encourage in order to survive the competitive market (Klein, 2003).

Social Darwinism and Neo-Darwinism is actually recognized as one of the three mainstream Theories of Evolution (Depew & Weber, 1995). The other two mainstream theories are The Probability Theory and The Complexity Theory. The Probability Theory, which still relates to the view of evolution, introduced new concept called Punctuated Equilibrium. In this concept, the gradual consistent changes in the extended process of evolution intermittently disrupted by short surges of new life forms. In organization terms, this explained by fundamental transformation of drastic, radical, sporadic, brief and all encompassing change of organization's routine activities covering most of organization's facets, which sometimes necessary for the survival of organization itself (Tushman & Romanelli, 1985).

Complexity Theory on the other hand, tried to explain how organized systems could spontaneously emerged from the chaotic systems. According to this view, complex adaptive system started from individuals with simple rules and goals, which in the end created a self-organizing system and formation of complex organization. Example of this view is the self-organizing system of a flock of birds flying in organized but tight formation (Sammut-Bonnici & Wensley, 2002).

The introduction of Evolutionary Theory into the field of Organizational Behavior occurred during late 1970s and early 1980s by researchers such as Aldrich (1979) and Hannan & Freeman (1977). It was Aldrich (1979), who

introduced an Evolutionary Model and focused on whether particular traits existed in such organization that were appropriate for particular environment. On the other hand, it was Hannan & Freeman (1977), who introduced the concept of Population Ecology in organization. However, Evolutionary Theory is not without its critics. It was argued that even though the theory can explain how organizations adapted, it still could not explain why organizations behave in certain ways. It only could explain the predominance of the least foolish of fools as argued by Khalil (2000).

Evolutionary Theory also had such an impact on Strategic Management (Murmann, et al., 2003). Perhaps one of the significant contributors to the field was Henderson (1989) with his article "The Origin of Strategies". In this article, he argued that competition existed long time ago, even before strategy was born and perhaps even started with the beginning of life itself. Since life had to compete right from the beginning of its creation, no exact same species would survive and persist together (Gause's Principle). Hence he argued that in order to survive, companies had to differentiate itself from its competitors since the existence of the same two identical companies who serve identical purpose and customers were pointless and would end up in the demise of one of those company.

The Survival-based View emphasized on the assumptions that in order to survive, organizations had to deploy strategies that should be focused on running very efficient operations and can respond rapidly to the changing of competitive environment (Lynch, 2003; Khairuddin, 2005), since the one that survive would be the one that is fittest and most able to adapt to the environment. Mc Donald Corporation was argued as one of the success story which suit perfectly to the Darwinian Survival of the Fittest Theory (Stillman, 2003).

It was argued that the success story of Mc Donald Corporation was attributed to its ability to adapt high level of efficiency into the fast-paced of modern life and efficient workplace. However, some of the proponents of this view argued that selecting a particular set of strategy would not be optimal. Instead, it is better to experiment with several strategies at once and let the process of natural selection choose the best strategy that adapts better to the environment (Lynch, 2000). This view put the Survival-based Theory into the typology of Emergent Theories in Strategic Management.

The basic premise of this theory that would be assumed in this thesis is stated as follows: "*the chosen strategies will be driven primarily by the objective of making the organization operates efficiently in order to adapt better to the environment, improving its profitability with the ultimate goal of surviving the competitive market in which it operates*". In the context of this research, this theory offered some explanation why troubled companies pursued efficiency-

driven strategy in the effort to revitalize themselves, as they need to be efficient to survive. The premise of this theory gave an additional perspective of the research in the sense that not only variables that contribute to profit maximization which will be considered in the study, but also variables that drives the company to be efficient would also be considered, as efficiency in a way would improve cash flow and profitability in the long run. In practical sense, this theory explains why troubled companies do seek turnaround strategies in an effort to achieve efficiency. Therefore, several Independent Variables that will be discussed in later section of the thesis are based on the assumption proposed by this theory.

2.3.3. The Contingency Theory

Contingency theory has been one of the most influential theories applied in strategy and organizational studies (Hofer, 1975; Schoonhoven, 1981; Tosi and Slocum, 1984) and widely adopted in the field of Strategic Management (Miner, 1984; Khairuddin, 2005). According to a study by Miner (1984), Contingency Theory is the most nominated theory by scholars as being important from the other 110 organization theories.

The original ideas of Contingency Theory came from Organizational Theory. It was this theory that revamped the whole idea of Classical Universalistic Management Theory, which stated *there is always one best way of doing things*. This theory started to emerge during 1960s with publications such

as by Burns and Stalker (1961), Chandler (1962) and Lawrence and Lorsch (1967). The basic paradigm of Contingency Theory is that organization seeks effectiveness by fitting characteristics of the organization with contingencies that reflect its situations (Donaldson, 2001).

Early Contingency Theories argued that high performance is associated with the suitability of contingencies such as Organizational Size (see for e.g. Child, 1975), Technology Level (see for e.g. Gerwin, 1979), Strategy (see for e.g. Chandler, 1962) and Environment (see for e.g. Hambrick, 1981) with type of structure in which the organization adopted. Changes in contingencies, such as size or strategy, would render the structure to be unfit with the organization and lead to lower performance. Hence, adjustment to the structure was needed to regain the fit condition, in which would lead to higher performance. These researches on contingencies and organization structure were later known as Structural Contingency Theory.

As any other theories, Contingency Theory is also not without its critics and controversies. Perhaps the earliest critics on this theory came from Child (1972) who argued that structure was not entirely defined or determined by changes in contingencies. Aside from contingencies, Strategic Choice which controlled by organizational decision-makers, also played major role in selecting types of structure and also changes in contingencies that the organization decided to take. This argument suggested that structure might not always follow

contingencies, but changes in structure could also lead to changes in contingencies (Child, 1972). This critic was later categorized by Donaldson (2001) as determinism versus choice-critique on Contingency Theory. In attempt to answer the critics on this theory, Donaldson (2001) has synthesized six controversies and three problems attributed to the traditional Contingency Theory before proposing the Neo-contingency Theory or as he called it the Theory of Performance-Driven Change.

Through the years, Contingency Theory has evolved to involve more than just four contingencies, and has covered many aspects of organizational research. For example, a research on gender diversity based on contingency approach by Dwyer, Richard and Chadwick (2003), found that gender diversity in fact have an influence on organization's outcome, with a conditional factor of cultural context and overall organizational context. They argued that a gender-diverse management group would have positive effects on growth-oriented firm in a culture that values innovation, flexibility and interaction with the environment.

In a research using contingency approach on remuneration policies on two UK utilities companies, Bender (2003) found that the remuneration policies of directors were clearly influenced by the choice of corporate strategies pursued by each company. While in another research on compensation for workers, Marler, Milkovich & Yanadori (2002) found that higher performing organizations pay higher incentives for their workers than lower performing organization, even

though the higher performing organization pay less variable pay at lower levels compared with the lower performing organization. In the aspect of size, they also found that larger organizations substitute greater supervision for incentive pay at lower levels in the organization, and used less variable compensation at lower levels than smaller organization.

In an article on Porter's generic strategy based on contingency approach, Murray (1988) argued that the viability of each of Porter's strategy is tied to the presence of a number of environmental preconditions. Meaning to say, the viability of generic strategies would be influenced by the existence of some preconditions on the external factors. According to Miller (1988), whose findings also supported by Kim and Lim (1988), differentiation strategy is more likely to create sustainable competitive advantage in a dynamic environment, while cost leadership would be able to achieve competitive advantage in a stable environment.

Industry conditions would also influence the effect of whether a chosen strategy would produce greater competitive advantage compared to another. Changes in industry conditions would force the strategy to be re-evaluated and adjusted accordingly, as argued by Gilbert and Strebel (1988). In a study on strategic change in car industry, Gilbert and Strebel (1988) found that a switch from Differentiation Strategy to Cost Leadership occurs when a product, which previously considered as unique, has become generally accepted. On the contrary,

a switch from Cost Leadership Strategy to Differentiation occurs when an existing product is reworked and tailored to be introduced in an entirely new market segment.

It is quite interesting to know that contingency approach was even applied to non-profit organization. Katz, Batt and Keefe (2003), found that CWA (Communications Worker of America – a worker union organization), faced with continuous corporate restructuring, had to abandon their strategies that were considered no longer fit with the environment, but still continue and even enhanced other strategies that were still fit.

Contingency Theory also found its ground in the research of Organization Decline. For example, Freeman and Hannan (1975) found that growth and decline would bring different effect on structural variables of organization. They found that the supportive components of organization tended to increase as organization grow but decreased less during decline, which behaved differently compared to the direct components of organization. Another research by Cameron, Kim and Whetten (1987) found that top-management responses were significantly affected by the presence of turbulence and not by decline, while organization's member responses were significantly affected by the presence of decline and not turbulence.

In the field of Corporate Turnaround, even though the author has not come across any research done by using the approach of Contingency Theory, the influence of contingency view was already felt even from the earlier research on the topic. For example, earlier arguments by Hofer (1980), Schendel et al. (1976), Schendel & Patton (1976), and then later strengthened by Slatter (1984) argued that development of recovery strategies should be attuned in accordance with the specific cause of decline.

As Donaldson (2001) put it, the basic premise of Contingency Theory was argued as the effect of one variable towards another depends on the contingent factor of some other third variable, which might be called as moderating variable. Previous research related to Contingency approach, such as by Murray (1988), showed that certain Porter's generic strategies were argued to have positive effects on competitive advantage and performance, only in the presence of specific preconditions in the environment, where by these specific conditions would become the moderating or contingent factor, affecting the relationship between the generic strategies and performance. Hence, "*a contingency is any variable that moderates the effect of organizational characteristics on organizational performance*" (Donaldson, 2001).

As a conclusion, the core paradigm of Contingency Theory that would be used in this thesis is stated as follows: "*the factors in question, which are hypothesized to give some effects in the enhancement of overall organization's*

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performance, would also be influenced by some other contingent – situational variables". Therefore, the basic proposition suggested by this theory argued that turnaround strategies, which were pursued by problematic companies in the effort to revitalize their business performance, would also be influenced by some other contingent variables that might enhance or hindered the final outcome of turnaround effort.

In the context of the study, this theory offered additional explanation on why similar type of companies pursuing similar strategies might conceive different results of performance. This phenomenon suggested there should be some other factors that influence the relationship between strategies and performance. Therefore, some of the Independent Variables or strategies in this study were assumed to be effected by some other contingent factors that would moderate the relationship between variables and performance. This assumption on Contingency Theory, just like the other two theories explained in previous section, helped to broaden the context of the research, which would not only include variables relating to business performance (as assumed by Profit Maximization Theory) and efficiency (as assumed by Survival-based Theory) but also include other variables that might effect the relationship among these variables. The additional explanations offered by this theory would be the center of the theoretical gap discussed in Chapter 1. Therefore based on these discussions, the Contingency Theory will be used as the main underlying theory in the effort to explain the effects of several moderating factors in the thesis.

2.4. Conclusion

This chapter attempted to explain the concept of Corporate Turnaround and also showed several definitions used by scholars in defining successful Corporate Turnaround. Three schools of thought from the perspective of Strategic Management were also discussed and argued as being related to the concept of Corporate Turnaround in the effort to explain the concept clearer. Several theories of Strategic Management were also discussed and will be used further as underlying theories of the study. The Profit Maximization Theory of the firm argued that companies mainly exist with the primary objective of maximizing its profit. This theory helped to explain why many Turnaround Companies pursued strategies that mostly emphasized on financial performance and why many used financial performance measures as the yardstick of their business performance within the context of Corporate Turnaround. This theory in a way also limits the scope of the study to include only profit-oriented companies.

The Survival-based Theory argued that organization had to be efficient in order to survive. As explained previously, this theory helped to explain the behavior of Turnaround Companies in the process of strategy selection in which many were focus on gaining efficiency. The final underlying theory, which is the Contingency Theory, argued that some factors, which suggested to influence the performance of Turnaround Companies, were also being influenced by other contingent factor. This theory which considered as the main underlying theories

of the research, helped to establish the linkage between contingent (moderating) factors and their influence in the relationship between strategies and business performance of Turnaround Companies.

CHAPTER 3

LITERATURE REVIEW

AND CONCEPTUAL FRAMEWORK

3.1. Introduction

The objective of this chapter is to present the review on factors influencing Corporate Turnaround. The chapter will start with discussions on Strategy-related Factors. Then the section will continue with discussions on Company Size, which then will be followed by issues in Government Assistance. Discussion on each factor will end with the statement of hypothesis. The chapter will be concluded with the schematic of conceptual framework.

Review on the literatures of Corporate Turnaround showed that there are several important topics commonly appeared in the context of Corporate Turnaround. These topics can be further categorized into two, which are strategy-related such as Retrenchment (e.g. Pearce II & Robbins, 1994; Bruton & Rubanik, 1997), Asset Restructuring (Sudarsanam & Lai, 2001; Hambrick & Schecter, 1983), Marketing aspect of turnaround (Harker & Harker, 1998; Harker, 2001). The second one is categorized as non-strategy related, such as Changes of CEO/ Top Management (Dunstan, 2002; Belcher & Nail, 2000), Changes of Ownership (Bruton, Oviatt & White, 1994; Castrogiovanni & Bruton,

2000), Problems of Decline & Matching strategies with Causes of Decline (e.g. Hofer, 1980; Slatter, 1984; Bruton, Ahlstrom & Wan, 2001), Bridge Financing and Government Assistance (Bibeault, 1982).

Based on these literatures, factors affecting business performance in Corporate Turnaround can be divided into two major categories: Strategy-related Factors and Non-strategy related Factors. Strategy-related Factors, which will be discussed later in the literature, are all factors related to the strategies pursued by Turnaround Companies in the hope to revitalize their condition. These factors can be further divided into four major strategies, namely: Debt Restructuring Strategy, Operational-Efficiency Strategy, Portfolio-Asset Restructuring Strategy, and Product-Market Refocusing Strategy. While Bridge Financing, Government Assistance, Company Size, Causes and Severity of Decline and few other factors can be categorized as the Non-strategy related Factors. However, due to the limitation in this study as previously discussed in chapter 1, only Government Assistance and Company Size will be considered in this research.

The discussion of the next section will proceed firstly on the concept of Business Performance as a Dependent Variable, which then will be followed by discussions on the Strategy-related Factors. The chapter will be moving on to the discussions on the factor of Government Assistance and followed by the factor of Company Size. Finally, the chapter will conclude with the presentation of the Conceptual Framework.

3.2. The Concept of Business Performance

The concept of Business Performance in the field of Corporate Turnaround is perhaps the most important concept of the subject, since majority of cases in Corporate Turnaround (as will be explained in later section of this chapter) were involved in the effort to improve business performance of the respective companies. The concept consists of two words; 'business' and 'performance'. According to Longman Dictionary of Contemporary English (2003), the word "business" means (1) *"the activity of making money by producing or buying and selling goods, or providing services"*, (2)*"an organization such as a company, shop or factory that produces or sells goods or provides a service"*. According to the same dictionary, the word "performance" means (1) *"how well or badly a person, company etc does a particular job or activity"*, (2) *"things that show how well something is done"*, and (3) *"how well something (a car or machinery) works"*.

Therefore, the working definition for the concept of Business Performance in the study can be stated as: **The degree that managers perceived on the magnitude (how well) of the Turnaround Company's appraisal in the aspect of making profit (income), in the effort to improve its business viability which has been dealt by the company since the turnaround effort was launched.**

Financial-based performance measures, such as Return on Sales (ROS), Return on Assets (ROA), Earning per Share (EPS) and Net Income, have been the dominant model in empirical strategy research (Venkatraman & Grant, 1986), and Business Performance has been argued to be the center of Strategic Management research (Venkatraman & Ramanujam, 1986). Based on discussions on the concept of Corporate Turnaround and definition of Successful Corporate Turnaround presented in chapter 2, Business Performance has been the core concept of Corporate Turnaround since the very beginning of the literature on the subject. Performance as argued by Chowdury (2002) was the core concept of turnaround both at the decline stage and also at the outcome stage of turnaround effort.

Previous studies on Corporate Turnaround often used financial-based performance measure, such as Return on Investment and Net Income as measures of companies' performance (see for e.g. Barker III & Mone, 1994; Chowdury & Lang, 1996; Harker & Harker, 1998; Balgobin & Pandit, 2001). Some other studies on the subject used other techniques as well such as Bankruptcy Prediction Model (see for e.g. Mueller & Barker III, 1997 ; Barker III & Duhaime, 1997), the Extent of Market Share and also Market Capitalization (see for e.g. Vaz, 1996; Pandit, 2000) as measures of performance.

However Tvorik, Boissoneau & Pearson (1998) argued that performance measure that were taken directly from financial accounting data, could produce two major problems: (1) the problem of conceptual and practical measurement of accounting data, and (2) the problem of increase difficulty in establishing a benchmark in downturn and upturn phases in turnaround situation. Several other scholars also argued that there were additional problems associated with measuring Business Performance by using financial accounting data. These problems including the scope of accounting manipulation (as seen in Enron), undervaluation of assets, single period historical measurement, distortions due to depreciation policies, inventory valuation and treatment of certain revenue and expenditure items, short-term goal orientation and neglect of post-period residual value (Rappaport, 1986; Chakravarthy, 1986; Fisher & McGowan, 1983; Dearden, 1969; Kirchoff, 1977).

Several scholars of Corporate Turnaround (Fisher, Lee & Johns, 2004; Barker III & Duhaime, 1997; Pandit, 2000) also argued that the use of accounting measures alone was considered inadequate in measuring the performance of Turnaround Company, since there were other non-financial factors such as management actions, competitiveness and stakeholders' interest that might influence the success or failure of a Turnaround Company.

Some researchers' proposed in their studies, to use a panel of academic evaluators to assess the Business Performance of turnaround companies based on the information published by industry experts, stock analysts and business writers (Bruton, Oviatt & White, 1994; Castrogiovanni & Bruton, 2000; Fisher, Lee & Johns, 2004). Although this approach might invite critics on subjectivity of the measurement, Bruton, Oviatt & White (1994) argued that such approach would also take into consideration the influence of business environment from various perspectives. This argument is consistent with Pandit's (2000) suggestion of attaining consensus among accounting-based indicators and expert opinion on a performance assessment of a Turnaround Company. Although the above discussions argued on the technical aspects of performance appraisal in Turnaround Companies, many of the researches were still resorted to the use of ratio analysis as performance measure in Corporate Turnaround. As already discussed earlier in chapter 2, many of the scholars have been using financial ratios to differentiate between Turnaround and non-Turnaround Companies.

Ratio analyses have been used rigorously in the field of Corporate Collapse, Bankruptcy Prediction Model and Corporate Turnaround. As early as 1966, Ratio Analyses have been used as tools for analyzing Corporate Failure and in developing models for Corporate Bankruptcy Prediction (see for e.g. Beaver, 1966; Altman, 1968). Pinches et al., (1975) in their study of 48 financial ratios involving 221 Industrial firms found that 92% of the common variation among those 48 ratios can be explained and grouped into seven major categories. They

argued that by taking each ratio, which has high factor loading in each of the seven groups, one could describe almost as good as all the 48 ratios combined. These seven classification of financial ratios found by Pinches et al., (1975) are shown in Table 3.1 below.

Table 3.1
Seven major classification of Financial Ratios by Pinches et al., (1975)

Group of Financial Ratios	Most closely depicted ratios for the group		Factor loading for the ratio
Return on Investment	a.	Total income/ total capital	.97
	b.	Net income/ net worth	.96
Capital Turnover	a.	Sales/ net plant	.95
	b.	Sales/ total asset	.89
Inventory Turnover	a.	Inventory/ sales	.97
	b.	Cost of goods sold/ inventory	-.97
Financial Leverage	a.	Debt/ total capital	.99
	b.	Debt/ total asset	.97
Receivable Turnover	a.	Receivables/ inventory	-.99
	b.	Receivables/ sales	-.82
Short-term Liquidity	a.	Current asset/ current liability	.91
	b.	Quick asset/ current liability	.81
Cash Position	a.	Cash/ total asset	.91
	b.	Cash/ fund expenditure	.91

In addition to the findings by Pinches et. al. (1975), a study by Hossari & Rahman (2005) which synthesized 53 previous studies that were using financial ratios with multivariate approach, found that out of 48 financial ratios in question, only five were found to be most popular and useful. These ratios namely, Net Income/ Total Asset (43%), Current Asset/ Current Liabilities (42%), Total Liabilities/ Total Asset (40%), Working Capital/ Total Asset (34%) and Earnings before Interest & Taxes/ Total Asset (30%).

Strengthening the findings by Hossari & Rahman (2005), Walsh (1996) argued that Return on Total Asset is one of the best performance measures available in management tool since it is the prime measure of operating efficiency. Walsh (1996) also argued that Margin on Sales Percentage and Sales to Total Asset ratio were also considered to be important ratios since they can be considered as performance drivers, ratios that managers' should pay attention when dealing with performance improvement.

Based on the above discussions, especially in the extensive application of financial ratios as measuring tools of Business Performance in the field of Corporate Turnaround, it is therefore considered justifiable to use financial ratios as measures of Business Performance in this study.

3.3. Strategy-related Factors

As already discussed in the earlier section of this chapter, Strategy-related Factors can be further classified into four major categories of strategies, namely the Debt Restructuring Strategy, the Operational-Efficiency Strategy, the Portfolio-Asset Restructuring Strategy, and finally the Product-Market Refocusing Strategy. The following sections will further discuss these factors, in which the statement of hypotheses will be presented at the end of each section.

3.3.1. The Concept of Debt Restructuring Strategy

The Debt Restructuring Strategy was considered as one of the important factors that affect Business Performance in the field of Corporate Turnaround. The concept consists of three words; 'debt', 'restructuring' and 'strategy'. According to Longman Dictionary of Contemporary English (2003), the word "debt" means (1) *"a sum of money that a person or organization owes"*, (2) *"when you owe money to someone"*. According to the same dictionary the word "restructuring", which comes from the word "restructure", means *"to change the way in which something such as government, business or system is organized"*.

The word 'strategy', which was referred to Corporate Strategy, according to Andrews (1987), was defined as the identification of the purpose of the organization, and the plans and actions to achieve that purpose. Thompson, Jr. & Strickland III (2001) argued, *"Strategy making brings into play the critical managerial issue of how to achieve the targeted results in light of the organization's situation and prospects. Objectives are the end, and strategy is the means of achieving them."*

Based on the above definition, the working definition for the Debt Restructuring Strategy is stated as follows: **The degree that managers perceived on the extent of the Turnaround Company's outstanding debt, which managed to be restructured during turnaround.**

CEO of Hollywood Entertainment, had also adopted Debt Restructuring Strategy for the company, in which the debt level initially reached more than US$ 100 million (Villa, 2003). World.com also pursued the Debt Restructuring Strategy during its turnaround, in which it planned to slash its debt from the staggering US$ 41 billion to only around US$ 5 billion (Yoon, 2003).

From an academic point of view, several researchers (see for e.g. Hambrick & D'Aveni, 1988; Barker III & Mone, 1998; and others) supported the role of Debt Restructuring Strategy in Corporate Turnaround, although few others found conflicting results on the findings (see for e.g. Sudarsanam & Lai, 2001). A study by Barker III & Mone (1998) found that unused debt capacity (which is defined as the capacity of that particular firm to issue borrowing but choose not to) influenced the extent of a company's strategic reorientation. Hambrick & D'Aveni (1988) also found that unused debt capacity deteriorates faster than liquidity in declining firm. They also found that insufficient unused debt capacity could influence the ability of Turnaround Companies to make important changes. A research by Cook, Pandit & Milman (2001) found that the attitude of secured creditor also influence a declining firm's survivability. Their research found that the existence of secured creditor exerts a significant negative influence on the probability of survival. On the contrary however, a supportive secured creditor would also significantly increase the survival probability of declining firms.

Debt Restructuring Strategy comes in many forms. Some companies, for example like Charter Communications Inc., a company which was burdened by US$ 20 billion of debt, tried to restructure its debt by converting it into equity (Manning, 2003). Some companies tried to restructure its debt by extending the maturity date and at the same time giving the lender an option to convert the obligations into shares. A case for example is Talk America Holdings Inc. The company successfully negotiated its debt with AOL Time Warner Inc. as its largest investor, in which AOL agreed to extend the due date of the notes until 2007. At the same time, Talk America also turned its US$ 85 million of obligations into US$ 34 million - 8% convertible obligations that could be converted at US$ 5 a share (Etzel, 2002).

Debt Restructuring as a strategy pursued during turnaround was also found in other parts of the world. For example in Pakistan, three major steel producing companies (Essar Steel, Jindal Vijayanagar Steel and Ispat Industries), were offered to restructure nearly two-third of their total debt (to the amount of over Rs 30,000 crore) by their biggest lenders (ICICI Bank and IDBI). The restructuring was offered through the means of reducing the interest rate structure, extending the maturity date of the loans, and by converting portions of the outstanding debt into fresh equity (Muraldihar, 2003). Another example is CVD Entertainment Plc., the largest VCD and DVD movie distributor in Thailand, which restructured its debt that once reached the amount of 600 million baht (Amnatcharoenrit, 2003). In Malaysian context, Debt Restructuring Strategy

was also pursued by several troubled companies, such as UEM, Renong (Sun, 2002) and TRI (Paul Raj, 2002) as one of the effort to turnaround those companies.

In conclusion, the above arguments suggested that Debt Restructuring Strategy, which was commonly pursued by troubled companies, would have some influence towards the improvement of Business Performance of Turnaround Companies. Therefore it is argued that the better effort that a Turnaround Company put in Debt Restructuring Strategy, the better improvement it should get in terms of its' Business Performance. Based on these arguments, the following hypothesis was proposed to be tested:

H1: *There is a positive and significant relationship between Debt Restructuring Strategy and Business Performance.*

3.3.2. The Concept of Operational-Efficiency Strategies

The Corporate Turnaround literatures provided hefty empirical support for the factor of Operational-Efficiency Strategies, though some researches found conflicting results on the findings. The concept consists of three words; "operational", "efficiency" and "strategy". According to Longman Dictionary of Contemporary English (2003), the word "operational" means (1) *"working and ready to be used"*, (2) *"relating to the operation of a business, government etc"*.

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According to the same dictionary, the word "efficiency" which comes from the word "efficient" means (1) *"the quality of doing something well and effectively, without wasting time, money or energy"* (2) *"the amounts of money, supplies, etc that are saved by finding a better or cheaper way of doing something"*.

The word 'strategy' or 'corporate strategy', as argued by Andrews (1987), defined as the identification of the purpose of the organization, and the plans and actions to achieve that purpose. Thompson, Jr. & Strickland III (2001) further argued, *"Strategy making brings into play the critical managerial issue of how to achieve the targeted results in light of the organization's situation and prospects. Objectives are the end, and strategy is the means of achieving them."*

Based on the above definition, the working definition for the Operational-Efficiency Strategy is stated as follows. **The degree that managers perceived in the aspect associated with the management of operational activities at the operational level, with the objective of gaining efficiency within the firm, which has been dealt by the Turnaround Company for the past several years as an effort to improve its Business Performance.**

Earlier researches on Corporate Turnaround (e.g. Schendel, Patton & Riggs, 1976; Schendel & Patton, 1976 and Hofer, 1980) argued that the implementation of turnaround strategy in order to be effective has to address the firm's main problem, which could be operational (inefficiency) or strategic (weak

strategic positioning). Usually categorized as a short-term tactic in operating plan, these strategies were usually considered to tackle operational/ inefficiency problem experienced by turnaround firms. These Operational–Efficiency Strategies were argued by Hofer (1980) to be among the first sets of strategies to be implemented by troubled firms, as the threats of bankruptcy were imminent.

Tvorik, Boissoneau & Pearson (1998) defined operational turnaround strategies as strategies to improve short-term performance with focus on operational measures, which based primarily on efficiency gains. Sudarsanam & Lai (2001) argued that these strategies were designed to stabilize operations and restore profitability by pursuing strict cost and operating-asset reduction. These operating strategies can be further categorized into three types; (1) revenue generation, (2) cost reduction, (3) operating-asset reduction, and combination of these, which in overall aimed at improving efficiency and margin by reducing direct cost and slimming overheads in line with volume (Hofer, 1980; Slatter, 1984; Sudarsanam & Lai, 2001; Chowdury, 2002). There were considerable number of researches supporting the role of Operational–Efficiency Strategies towards turnaround success (Finkin, 1985; Hambrick & Schecter, 1983; John, Lang & Netter, 1992; O'Neill, 1986; Pearce II & Robbins, 1994), although some other researchers found contradicting results, which will be discussed later.

In earlier researches on turnaround, these operating turnaround strategies were defined somewhat similar to retrenchment strategies. Robbins & Pearce II (1992) defined retrenchment strategy as *'a term that denotes a strong emphasis on cost and asset reductions'*. These strategies were argued to be one of the two significant overlapping stages in turnaround, which is retrenchment and recovery. Robbins & Pearce II (1992) further explained that liquidation, divestment, improvement of operational efficiency, product elimination and job cuts with the objective of gaining survival and positive cash flow were all categorized as retrenchment.

However as the literature on the subject developed, this definition is somewhat narrowed, in which retrenchment were described more towards cost cutting or cost reduction (Sudarsanam & Lai, 2001). Therefore, with the objective to ease the understanding of the concept especially in terms of operationalization and measurement, which will be discussed later, the factor of Operational-Efficiency Strategy is divided into two separate strategies, which are Cost Reduction Strategy and Operating-Asset Reduction Strategy.

3.3.2.1. Cost Reduction Strategy

Literatures of Corporate Turnaround suggested most of cost reduction activities involved in retrenchment of workers and pay cuts, which many scholars referred as retrenchment. Many researches on Corporate Turnaround found

support in the role of retrenchment towards Successful Corporate Turnaround (Robbins & Pearce II, 1992; Chowdury & Lang, 1996; Bruton & Rubanik, 1997; Umbreit, 1996; Vaz, 1996; Tvorik, Boissoneau & Pearson, 1998; Balgobin & Pandit, 2001).

However, several other researches found conflicting results on the subject. Barker III & Mone (1994) and Castrogiovanni & Bruton (2000) found that retrenchment gave no significant contribution towards performance of Turnaround Company. Arogyaswamy & Yasai-Ardekani (1997) also found that retrenchment of workforce and pay cuts, were both done by successfully and non-successfully turnaround firms and some firms even successfully turnaround without retrenching their workers. In addition, Bruton, Ahlstrom & Wan (2001) also argued that the ability to retrench is somewhat limited in East Asia, although in their subsequent research in 2003 (Bruton, Ahlstrom & Wan, 2003), they argued that in the case that retrenchment occurred, it did improve performance. Fisher, Lee & Johns (2004) in their research on Turnaround Companies in Singapore and Australia, also found no empirical support for retrenchment that would lead to improved performance.

These conflicting results however did not stop managers from retrenching their workers during turnaround, as it is deemed a popular decision during turnaround. National Steel Corporation downsized its employee as many as 400 people, reduced its fixed payroll expenses and two-layers of middle management

during turnaround (Tsurumi & Tsurumi, 1997). International Business Machine (IBM), perhaps one of the famous turnaround cases of the last decade, forced to retrench about 150,000 out of 407,000 of its workforce during turnaround (Slater, 1999).

During the turnaround of Marks & Spencer, the company was forced to retrench 400 people out of 3,300 workers, 33 senior managers out of 100 and 290 from 1,900 of the company's store managers (Merriden, 2000). In an interview by Torrance (2004), CEO of Mitsubishi Europe also mentioned a plan to layoff 70% of the company's workforce during turnaround. It is interesting to mention that retrenchment of workers was also done in several cases of failed turnaround attempt such as in the case of Digital Equipment Corporation (DEC) in early 1990s (DeLisi, 1998).

Beside retrenchment of workers and pay cuts, which lead to reduction of labor cost, the literature also suggested that reduction of material cost and overheads were also among the measures which were taken by Turnaround Firms (Slatter & Lovett, 1999; Slatter, 1984; Goddard, 1993, Bruton, Ahlstorm & Wan, 2003). Micron Corporation, one of the two largest semi-conductor producers in Russia can be used as an example in this case. In its turnaround effort, aside from reducing almost half of its workforce of nearly 7,500 workers, the company also took several additional steps such as leasing its excess space, increasing

production hours and gaining more control over energy and input costs to increase its efficiency (Bruton & Rubanik, 1997).

The above arguments suggested the role of Cost Reduction Strategy in improving Business Performance of Turnaround Companies, even though some of the findings from the literature produced conflicting results. Literature also suggested a direct relationship between Cost Reduction Strategy and Business Performance, since Turnaround Companies who managed to reduce their cost would be very efficient and would be able to operate the business with better profitability. In conclusion, it is argued that the factor of Cost Reduction Strategy would have some influence towards the improvement of Business Performance in Turnaround Companies.

Hence, it is proposed that the better effort that Turnaround Companies put in their Cost Reduction Strategy, the better improvement it should get in the aspect of Business Performance. Based on these arguments, the following hypothesis was proposed to be tested:

H2: *There is a positive and significant relationship between Cost Reduction Strategy and Business Performance.*

3.3.2.2. Operating-Asset Reduction Strategy

Operating-Asset Reduction Strategy was also deemed by literature to be one of the measures taken during turnaround (Slatter, 1984; Goddard, 1993; Goldstein, 1995; Ganto & Sulaiman, 2005). Three actions were usually involved in this strategy. (1) Selling-off operating units, which is idle or operating at less than full capacity, such as plant or machinery. (2) Selling-off idle assets, such as warehouses, office buildings, vehicles, even office equipment and (3) Selling-off short-term assets, such as inventory and receivables (Sudarsanam & Lai, 2001; Barker III & Mone, 1994; Pearce II & Robbins, 1994; Chowdury & Lang, 1996; Castrogiovanni & Bruton, 2000; Bruton, Ahlstrom & Wan, 2003; Fisher, Lee & Johns, 2004).

This strategy was usually adopted to provide fast cash in a badly needed financial situation experienced by many Turnaround Companies, while at the same time getting rid of unused surplus of assets, enhancing efficiency at the operational level and improving asset utilization (Slatter, 1984; Bibeault, 1982; Hofer, 1980). An example in this case is Lufthansa in its turnaround effort. In early 2000s the company had to lower its non-wage costs by the means of downsizing its fleet in order to reduce its losses of US$ 800 million (Bruch & Sattelberger, 2001).

The above discussions have suggested that there might be some level of influence between Operating-Asset Reduction Strategy and the level of Business Performance of Turnaround Companies. Although literatures argued that Operating-Asset Reduction Strategy was pursued mainly to remove some of unused surplus of asset at the operational level and to achieve improvement in asset utilization, however at the same time, Turnaround Companies were also pursuing this strategy to obtain additional sources of fund to finance its on-going turnaround attempt. In conclusion, this strategy was argued to have some level of influence towards the improvement of Business Performance of Turnaround Companies.

Therefore, it was proposed that the better effort that Turnaround Companies put in their Operating-Asset Reduction Strategy, the better improvement it should get in terms of its Business Performance. Hence, the following hypothesis was proposed to be tested:

H3: *There is a positive and significant relationship between Operating-Asset Reduction Strategy and Business Performance.*

3.3.3. The Concept of Portfolio-Asset Restructuring Strategy

The factor of Portfolio-Asset Restructuring Strategy found considerable support in the literature of Corporate Turnaround. The concept consists of four

words; "portfolio", "asset", "restructuring" and "strategy". According to Dictionary.com, the word "portfolio" means (1) *"the total holdings of the securities, commercial paper, etc., of a financial institution or private sector"*, (2) *"a group of investments held by an investor, investment company, or financial institution"*. The word "asset" according to the same dictionary means (1) *"items of ownership convertible into cash; total resources of a person or business, as cash, notes, accounts receivable, securities, inventories, goodwill, fixtures, machinery or real estate"*, (2) *"all property available for the payment of debts, esp. of a bankrupt or insolvent firm or person"*, (3) *"a resource having economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit"*.

The word "restructuring" which comes from the word "restructure" according to Longman Dictionary of Contemporary English (2003) means *"to change the way in which something such as government, business or system is organized"*. While the word "strategy", as Andrews (1987) argued, was defined as the identification of the purpose of the organization, and the plans and actions to achieve that purpose. Thompson, Jr. & Strickland III (2001) further stated that *"Strategy making brings into play the critical managerial issue of how to achieve the targeted results in light of the organization's situation and prospects. Objectives are the end, and strategy is the means of achieving them"*.

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Based on the above definitions, the working definition for the factor of Portfolio-Asset Restructuring Strategy is stated as follows. **The degree that managers perceived in the aspect associated with re-organization activities involving portfolio of businesses at the corporate level, with the objective of enhancing the business core and to improve Business Performance, which has been dealt by the Turnaround Company for the past several years.**

Early literature on Corporate Turnaround argued that the implementation of turnaround strategy has to be in line with the underlying causes of decline (Slatter, 1984; Slatter & Lovett, 1999; Hofer, 1980). These causes of decline, according to proponents of organizational decline, were originated from two main reasons: (1) industry-wide contraction, or (2) firm-specific problems (Cameron, Sutton & Whetten, 1988). Industry-wide contraction usually occurred when the size of the firm's industry suddenly shrink, which reduced the number of firms it can support and pushed the entire firms in the industry to experience a performance decline. On the other hand, firm-specific problems usually occurred when firm's performance is in decline while the performance of the industry is stable or growing.

Based on these causes of decline, earlier researchers on the subject categorized turnaround responses as Operating and Strategic. Barker III & Duhaime (1997) found that the need for strategic change was high when the declining firm was experiencing firm-specific problems, since the troubled firm

was performing below industry average. On the other hand, the need for strategic change was not high if the problem was industry-wide contraction. Researchers of Corporate Turnaround further argued that if the decline was caused by inappropriate strategy or weak strategic positioning, the turnaround which attempted to focus on increasing efficiency through tactical changes such as cost reduction would not be enough to stop the decline. In this case, it is through changes in strategic orientation that a sustainable recovery could be achieved (Schendel et al., 1976; Schendel & Patton, 1976; Hofer, 1980; Bibeault, 1982; Pearce II & Robbins, 1993; Chowdury & Lang, 1996; Barker III & Duhaime, 1997; Gadies, Pace & Rogers, 2003).

Strategic turnaround is usually caused by a weak strategic positioning of the firm in relative to its competitors. There were evidences from literature on troubled firm with weak strategic positioning, which were found to be disconnected with its environment (Starbuck, Greve & Hedberg, 1978; Nystrom & Starbuck, 1984). This type of turnaround strategies usually involves changing or adjusting the business core and often more focus on major, long-term strategic moves of the Turnaround Company (Chowdury, 2002).

This strategic move usually involves reorganization of the firm into a self-contained business unit, divestment of businesses unrelated to the core, acquiring businesses to strengthen business core and forming strategic alliances (Hofer, 1980; Tvorik, Boissoneau & Pearson, 1998). In the context of East Asia region,

Bruton, Ahlstrom & Wan (2001) argued that common problems faced by majority of declining firms in the region were due to strategic problems. This happened because many East Asian firms were pursuing unrelated diversification into industries in which they have no expertise, especially during the economic boom of 1970s and 1980s (Wan, 1998).

There were limited research on strategic turnaround and its implication on Business Performance, though many of these researches were found to be quite supportive in their findings. Barker III & Duhaime (1997) found that firms with extensive decline and declining firms in growing industry were reported to experience greater level of strategic change during turnarounds. Their research also found that the level of strategic change enacted also depends on the firms' capacity to implement it, which was also supported by the findings of Barker III & Barr (2002). Sudarsanam & Lai (2001) also found that recovery firms shifted their strategies towards strategic/portfolio restructuring to get them out of trouble, while non-recovery firms lingered on operational restructuring. Sudarsanam & Lai (2001) further argued that Portfolio-Asset Restructuring Strategy could be categorized into Portfolio-Asset Divestment Strategy and Portfolio-Asset Investment Strategy.

3.3.3.1. Portfolio-Asset Divestment Strategy

Earlier researchers of Corporate Turnaround supported the importance of Portfolio-Asset Divestment Strategy in cases of Turnaround Company with weak strategic positioning (Hofer, 1980; Slatter, 1984; Robbins & Pearce II, 1992; Slatter & Lovett, 1999). Earlier literature categorized Asset Divestment Strategy as one of the term associated with Asset Reduction Strategy. However, the term of Portfolio-Asset Divestment Strategy in this study is slightly different in relative to Asset Reduction Strategy, as it covers divestment of subsidiaries/ divisions at the corporate level, while Asset Reduction Strategy is more focus on the operational level.

The basic idea that differentiate the Portfolio-Asset Divestment Strategy with other strategy is it focused on the disposal of the entire or significant parts of Turnaround Company's business portfolio, whether divisions or operating subsidiaries (Slatter & Lovett, 1999). This strategy usually involves in divesting non-profit making divisions, divesting businesses that are unrelated to the core, or even divesting profitable business unit to generate cash that are badly needed in financing the turnaround.

In practice, many Turnaround Companies did pursue this type of strategy. Chrysler for example, sold its military tank operation to General Dynamics in exchange for US$ 348 million in cash to fuel its turnaround (Chowdury, 2002).

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Egghead Software Inc., were forced to sell its most profitable division, CGE to raised some cash during its turnaround, although in the end it turned out to be a failed turnaround (Lightfoot, 2003). Fiat also encountered such bad experience, whereby during its turnaround, the company was forced to close down 18 plants and sold its shares in Ferrari and Alfa Romeo (Edmondson, et al., 2002).

These discussions have suggested that there might be some level of connection between Portfolio-Asset Divestment Strategy and Business Performance of troubled companies. Although the literature argued that such disposal of unprofitable divisions or unrelated divisions of business core was executed as part to finance the turnaround and also to strengthen the business core, there is no doubt that the implementation of such strategy would improve the internal efficiency of Turnaround Companies. In the long run, this improvement might lead to the enhancement of Business Performance and would also improve the competitive advantage of the firm which in the end would lead to a sustainable recovery.

These arguments therefore put the Portfolio-Asset Divestment Strategy in a direct relationship with Business Performance, which positioned the factor as an Independent Variable. It is suggested that the better effort that a Turnaround Company put on its Portfolio-Asset Divestment Strategy, the better chances it would have in enhancing its Business Performance. Therefore, the following hypothesis was proposed to be tested:

H4: *There is a positive and significant relationship between Portfolio-Asset Divestment Strategy and Business Performance.*

3.3.3.2. Portfolio-Asset Investment Strategy

The Portfolio-Asset Investment Strategy on the other hand focuses on strengthening business core through internal investment or acquisition, with the objective to achieve efficiency and improve productivity (Schendel, Patton & Riggs, 1976; Hambrick & Schecter, 1983). This strategy usually involves investing in new plant or new equipment, investing to improve the operation of existing plant or equipment, and sometimes even acquiring businesses that fit well with the firm's business core, which has long-term profit potential (Hofer, 1980; Slatter, 1984; Pearce II & Robbins, 1993; Goddard, 1993; Slatter & Lovett, 1999).

Turnaround Companies usually implemented this strategy as complement with Operational-Efficiency Strategy with the objective to achieve sustainability of the turnaround process, especially for those Turnaround Companies with inappropriate corporate strategy or troubled companies who reside in mature businesses or in declining market, where new strategic heading is crucial (Sudarsanam & Lai, 2001).

The literature showed many cases of Turnaround Companies that pursued this strategy. Continental Airlines, for example, refurbished its fleet to improve service during its turnaround (Puffer, 1999). Ford Motor Corp. is another example, in which during its turnaround in 2004, the company invested around US$ 900 million to rebuild its Halewood plant to produce the new line of Jaguar and retool its Dagenham research facility for engine development (Donnelly & Morris, 2003).

These arguments have led to a proposition that there might be some level of influence between Portfolio-Asset Investment Strategy and Business Performance of Turnaround Companies. It is suggested that the implementation of Portfolio-Asset Investment Strategy with the objective of gaining efficiency (through investment in new plant or machinery) or acquiring new businesses with long-term profit potential would improve the Business Performance of Turnaround Company especially in the long run. Therefore, it is argued that the better effort a Turnaround Company put in Portfolio-Asset Investment Strategy, the better its chances of having an improvement in Business Performance. Hence, the following hypothesis was proposed to be tested:

H5: *There is a positive and significant relationship between Portfolio-Asset Investment Strategy and Business Performance.*

3.3.4. The Concept of Product-Market Refocusing Strategy

The factor of Product–Market Refocusing Strategy was also considered as one of the important factors in the field of Corporate Turnaround. Literature, as would be explained later, provides support for the factor of Product-Market Refocusing Strategy towards the improvement of Business Performance in Turnaround Companies. The concept consists of four words; "product", "market", "refocusing" and "strategy". According to Dictionary.com, the word "product" means (1) *"a thing produced by labor"*, (2) *"a person or thing produced by or resulting from a process, as a natural, social, or historical one; result"*, (3) *"the totality of goods or services that a company makes available; output"*. The word "market" according to the same dictionary means (1) *"a meeting of people for selling and buying"*, (2) *"the field of trade or business"*, (3) *"a region in which goods and services are bought, sold or used"*.

The word "refocusing" which derives from the word "refocus", according to Dictionary.com means (1) *"focus once again"*, (2) *"focus a new"*, (3) *"put again into focus or focus more sharply"*. While the word "strategy", as already discussed in previous section, as argued by Andrews (1987) was defined as the identification of the purpose of the organization, and the plans and actions to achieve that purpose. Thompson, Jr. & Strickland III (2001) argued, *"Strategy making brings into play the critical managerial issue of how to achieve the*

writings with Lovett (Slatter & Lovett, 1999), they combined those two strategies under product-market refocusing, which comprise addition/ deletion of product lines, addition/ deletion of customers, changes in sales mix, complete withdrawal from a market segment, and entering into a new product-market segment.

Product-Market Refocusing Strategy were widely supported as the instrument of growth in the literature of Corporate Turnaround (Kow, 2004), and the needs of such change in strategic posture of Turnaround Companies through product-market refocusing were argued to be increased as the decline deepens (Chowdury, 2002). Chowdury (2002) explained that this strategy has two opposite directions, which is contraction and expansion of existing product/ market niches. Contractions happen when a firm withdraws form unprofitable products, services and market segments. While expansion happens when a firm develops or acquires attractive businesses in the interest of profitability and growth. Both of these contractions and expansions could be complementary or mutually exclusive.

Although the literature on Corporate Turnaround usually discussed this strategy concurrently, however for the objective to ease the measurement of the concept, this type of strategy can be divided into two mainstreams, which is: Changes in Product Offerings and Changes of Market Entry.

3.3.4.1. The Changes in Product Offerings Strategy

Literature on cases of Corporate Turnaround showed that Product-Market Refocusing Strategy especially Changes in Product Offerings Strategy, were widely adopted by Turnaround Companies. This strategy usually was adopted with the objective to sustain growth in Turnaround Companies and usually applied after all steps of cost reduction were already executed. Continental Airlines for instance, decided to focus more on customer and strengthen its product offering by flying people to places where they wanted to go (Puffer, 1999). Fiat also introduced its new car called Stilo in the hope to turnaround the company (Edmondson, et al., 2002).

Perhaps one of the earliest stories on new product development in the literature of Corporate Turnaround was of Henry Fayol when he led Comambault steel mine. He propelled the research to improve steel products, successfully producing an advanced steel alloy that granted the company a contract with the French Army and Navy (Wren, 2001). These arguments showed that there were cases of Turnaround Companies who improved their business performance by carefully changing their product offerings. Perhaps the latest successful tale in the changes of product offering strategy in Corporate Turnaround was the successful introduction of ipod in an effort to resuscitate Apple Corporation.

These arguments have led to a suggestion that there might be some level of influence between Changes in Product Offerings Strategy, towards the improvement of business performance in Turnaround Companies. The literature suggested that with the successful implementation of Changes in Product Offerings Strategy, especially with successful new product development, the improvement of business performance of Turnaround Companies might have a better outcome and the sustainability of turnaround effort would be better achieved.

Therefore, it is argued that the better effort that a Turnaround Company pursued in the Changes in Product Offering Strategy, the better would be the Turnaround Company's improvement in terms of its business performance. Based on these arguments therefore the following hypothesis was proposed to be tested:

H6: *There is a positive and significant relationship between Changes in Product Offering Strategy and Business Performance.*

3.3.4.2. The Changes in Market Entry Strategy

Aside from new product development, entering into new market was also one of the strategies practiced by Turnaround Companies (Slater, 1984; Slatter & Lovett, 1999; Siti Maimon, 1999). The aspect of marketing found a considerable

support as a useful turnaround strategy in the literature of Corporate Turnaround (Hofer, 1980; Slatter, 1984; Goldston, 1992; Goddard, 1993; Goldstein, 1995), although Harker (2001) argued that there were limited research on the process of marketing implementation in turnaround, and few attempts were made to operationalize it.

Harker & Harker (1998) argued that there were several aspects of marketing that differentiate a failed company from a successful one. The successful Turnaround Companies usually leaned towards environmental comprehension as starting point. They also made careful selection and development of new overseas potential markets. In addition, they always made customer focus as an important aspect in the strategy (Cunnington, 1996) and they also developed close relationship with their customers.

A research on Corporate Turnaround strategy in Malaysia found that product-market reorientation and improved marketing were found to be quite popular strategies adopted by troubled firms (Siti Maimon, 1999). In addition, a research by Ganto & Sulaiman (2005) in Indonesia, found that entering new product area and establishing new distribution methods were among the popular strategies adopted by troubled firms especially after the financial recession of 1998.

There were also cases in the literature of Corporate Turnaround, which showed Turnaround Companies did careful selections of new potential markets. Wesley Jessen for example, a specialty contact lens company, decided to pull out of the business of mass-market lens where it competed with larger company such as Bausch & Lomb and Johnson & Johnson, and refocused its business core into specialty contact lens (Rogers, Pace & Wilson, 2002).

Another example is Micron Company, one of Russian microchip producers, which experienced quite difficult times in early 1990s. The company rigorously sought joint ventures with many international companies to enter new market during its turnaround. For example, it entered a joint venture with Samsung and Tatung, to produce semiconductor chips. It established another joint venture with Labtam Australia to produce software, and also Hua Ko of Hong Kong to produce one-micron chips. By 1995, majority of its sales came from international market as results from these joint ventures (Bruton & Rubanik, 1997). Micron also added its product offerings from basic microchip to include handheld calculators, watches and electronic games.

Aside from joint ventures, there were also cases that showed Turnaround Companies pursuing strategic partnership. Lufthansa Airlines for example, the company formed The Star Alliance with the objective to make the airline more competitive and stay competitive. The airline network now has 15 members since

2000, and giving service to 830 destinations in 130 countries (Bruch & Sattelberger, 2001).

Based on these discussions, it is suggested that the business performance of Turnaround Companies might have been influenced to a certain degree by the Changes in Market Entry Strategy. As suggested in the literature, successful selection of market entry might improve business performance of turnaround firm, which in the long run might also enhance the sustainability of the turnaround effort.

Careful selection of new market and disposing non-profitable one would give better business opportunity for the Turnaround Companies from the new market, while at the same time increase its efficiency from leaving the non-profitable market. This would definitely translate into better improvement of business performance. Therefore, it is argued that the better effort that a Turnaround Company put in the Changes in Market Entry Strategy, the better improvement that it would have in terms of its business performance. Based on these arguments, the following hypothesis was proposed to be tested:

H7: *There is a positive and significant relationship between Changes in Market Entry and Business Performance.*

3.4. The Factor of Company Size

The factor of Company Size is one of the contextual factors that might influence the outcome of turnaround effort. As size influenced the probability of organizational decline (see for e.g. Dunne, Roberts & Samuelson, 1989; Mata & Portugal, 1994; Witteloostuijn, 1998), it was suggested that Company Size might also influence the implementation of turnaround strategy as well as the turnaround outcome (Castrogiovanni & Bruton, 2000).

The effect of size in the literature of Corporate Turnaround was merely explored less than two decades ago with the writing of Pant (1991). In the study, Pant (1991) found that successful Turnaround Companies were generally smaller than non-successful Turnaround Companies. Pant (1991) further argued that smaller companies were more flexible in making changes, which make them more successful to turnaround. However, this finding is in contradiction with a study by Smith, Wright & Huo (2008) who found that larger sized company tend to survive better compared to a smaller one in turnaround situation. Another study by Barker III & Mone (1998) investigating the structure shift of declining firms attempting turnaround, found that small firms were more likely to experience mechanistic structure shifts. However, their study did not find conclusive evidence to suggest that larger firms would be more likely to adopt strategic reorientation. In the aspect of strategy adoption, a study by Latham (2009) found that larger, more established companies usually favor Cost

Reduction Strategy while their smaller counterparts pursued strategy of Revenue Generation.

Research on the effect of size in the context of turnaround also found some contradiction. A study by Bruton, Oviatt & White (1994) on the performance acquisition of distressed firms, found inconclusive evidence to support that size had any effect on the acquisition performance. Another study by Sudarsanam & Lai (2001) on the turnaround strategies and financial distress, found that the factor of size as control variable did not contribute significantly towards recovery.

In the context of turnaround in East Asia, Bruton, Ahlstrom & Wan (2003) found that firm size had a negative association with performance, which suggested that smaller firms were more successful in the turnaround effort compared to larger ones. Bruton et al., (2003) further argued that due to its size, smaller FECC companies would have a better flexibility and could respond much faster to a deteriorating situation compared to its larger counterparts. This finding is again strengthening previous findings by Pant (1991).

Based on the above literature, the factor of Company Size was suggested to somehow influence the implementation of turnaround strategies. In regards to size, several researches in the literature (Pant, 1991; Bruton et al., 2003) argued that smaller companies would perform better in turnaround situation compared to

larger ones. Based on these arguments, the factor of Company Size is considered to moderate the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. Therefore, the following hypothesis was proposed to be tested:

Hm1: *The factor of Company Size shall influence (moderates) the relationship between the Strategy-related Factors and Business Performance*

3.5. The Factor of Government Assistance

The factor of Government Assistance was also considered to be one of the factors that affects business performance in Turnaround Companies. There were many cases in the literature of Corporate Turnaround, which showed that the Government did take part in the resuscitation of ailing companies especially if the companies were considered an important asset to the nation. However conclusive findings on how significant the government contribution towards the improvement of business performance in Corporate Turnaround are also far from being resolved, as researches on the topic in the literature of Corporate Turnaround is considered to be quite rare.

The concept of Government Assistance consists of two words; 'government' and 'assistance'. The word 'government', according to Collins Cobuild English Dictionary for Advanced Learners (2001), means "*the activities,*

methods and principles involved in governing a country or other political unit". While the word 'assistance', which comes from the word "assist", according to the Longman Dictionary of Contemporary English (2003) means *"(1) help or support (2) to help some to do something (3) to make it easier for someone to do something".*

Based on these definitions, the working definition for the factor of Government Assistance is stated as follows: **The degree that the managers perceived on the extent of government action/ support/ assistance in helping the Turnaround Companies to achieve their objective.**

There is no doubt that Government as an external factor has major influences on corporate life. They influence corporate through taxes, regulations and even sometimes in terms of business policy. In the aspect of Corporate Turnaround, Bibeault (1982) argued that Government was found to be helpful in some government-related turnaround effort such as in the case of Lockheed Corporation and also Chrysler Corp., which were helped by the U.S. Federal Government by lending the company a total of US\$ 1.5 billion rescue package (Chowdury, 2002). It is quite interesting to know that even some failing firms were still able to continue its operation due to Government support (Denrell, 2003).

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On the other hand, although there were cases of turnaround success being helped by the Government, Bibeault (1982) argued that Government had also contributed to some cases of turnaround failures and in some cases even stalling the turnaround. A case for example is the turnaround effort of The University of California Medical Centre – San Diego, which was threaten by state budget cuts or government reimbursement cuts (Rose, 2003). An almost similar case was the turnaround of Advocate Illinois Masonic Medical Centre that suffered from the financial squeeze caused by reductions in Federal and State Government payments to providers of medical care (Japsen, 2003). Another example is the turnaround of Bethlehem Steel Corp. that found many obstacles, which was argued due to the lack of Government support of the turnaround plan (Arndt, 2002).

The above literatures have shown some of the effects of Government interference in turnaround cases. In support to the turnaround effort, Government influenced the turnaround efforts in many forms. In some cases for example, Government assisted the turnaround firm by giving financial backup. For example, the Government of Pakistan was prepared to do a buyback of high-coupon securities from the bank's portfolio to help them turnaround (Shivkumar & Gangopadhyay, 2003). The Government of India in another case of turnaround, showed support by providing Rs. 400 crore in the form of long-term bonds, out of the needed Rs 1,000 crore as a bailout package in the effort to turnaround IFCI Ltd (Sen, 2002). Another case for example is the turnaround of

Rover group that was clearly needed substantial investment from the UK government (Whitehead, 1999). One of major example of Government Assistance in Corporate Turnaround was happened in 1999, when the Japanese government set aside $ 700 billion bailout package, in which parts of it were used to fix the crippled banking system and help those banks to successfully turnaround (Bremner, 1999).

In other form of assistance, the literature also showed that the Government assisted Turnaround Companies in restructuring their debt. A case for example is the turnaround of FACT (The Fertilizer and Chemical Travancore Ltd). The company put a request to the central government of Pakistan to write-off their loans along with their accumulated interest, in their turnaround plan (Rajkumar, 2003). Another example is the turnaround of BNFL (British Nuclear Fuels Plc). The company's liabilities, which were valued at £ 48 billion, were divested into the Government Liabilities Management Authority in the effort to turnaround the firm (Wilks, 2002).

The rigorousness of Peruvian government by launching measures to facilitate the restructuring of bank loan portfolios and to ease the debt service pressures on financially strained borrower, could also be considered as a good example on how Government influenced turnaround effort. In this example, the Peruvian government launched $ 1 billion program coordinated by the Financial

Development Corp. to subsidize debt-restructuring scheme, which was negotiated between commercial banks and corporate borrowers (Taylor, 1999).

In some cases, the Government even took deeper measures than just giving financial backup or helping troubled companies restructuring their debt. Literature also suggested that in certain cases, Government even influenced heavily on the restructuring plan itself. For example, the South Korean government was the one who announced restructuring plan for Daewoo, with the purpose of evading the messy bi-product of bankruptcy proceedings, such as heavy layoffs and a stampede out of Korean stocks and bonds, since that company was having trouble paying off its debt to the amount of $ 47 billion (Lee, 1999). The government of Malaysia also influenced the turnaround of Malaysian Airlines heavily. Retrenchment was not an option in the turnaround plan, because layoffs would be unacceptable to the Government even though the company has more than 23,000 employees, which was considered by most airline analysts to be overstaffed (Jayasankaran, 1999).

In several turnaround cases, the Government also influenced the market side of the turnaround. For example, the successful turnaround of American Management Systems (AMS) was largely due to the increase of the income from State and Federal Government contract (Mullich, 1998). Another indirect example is the alliance between YoCream and Dannon. The alliance in a way helped the turnaround of YoCream, in which it provided the company with

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broader array of customers including Government and military outlets abroad (Herzog, 2002).

In the wake of the latest economic recession of 2008, Governments have shown their influence more than ever especially in the field of Corporate Turnaround. For example, the Japanese government directly influenced the turnaround of Japanese Airline through the Turnaround Initiative of Japan (Takizawa & Yamashita, 2010). In United States, the Government stepped up with $ 85 billion package in the effort to save AIG (Hamid, 2009). In Malaysia, the Government has set aside RM 15 billion of fund in the effort to help troubled companies (Ali, 2010).

The above literatures have shown that Government Assistance had indeed influence many turnaround efforts. Government might assist by giving financial backup, restructuring firm's debt, and even influencing the turnaround plan itself. Government might also assist in providing market, such as through procurement of government contract or by making changes in corporate regulation (Tvorik, Boissoneau & Pearson, 1998). Although the degree of assistance was somewhat different in each case of turnaround, the literature had shown that in many cases of turnaround, the influences of the Government did indeed exist.

The above discussions have led to a suggestion that there might be some influence from the factor of Government Assistance towards the improvement of business performance of Turnaround Companies. As literatures suggested that such assistance from the Government were mainly to smooth out the turnaround efforts, which were being implemented by Turnaround Companies, therefore a direct relationship between the factor of Government Assistance and Business Performance could not be clearly established.

However, there is a clear proposition from the literature in arguing that better Government Assistance towards the turnaround effort, would give certain advantages for these troubled companies, a preferable condition to implement the turnaround plan, and definitely would give a better fighting chance to improve their business performance and resuscitate its ailing condition. These arguments therefore suggested that the factor of Government Assistance can be considered as a moderating factor which might influence the relationship between Strategy and Business Performance of Turnaround Companies. Based on these arguments, the following hypothesis was proposed to be tested:

Hm2: The factor of Government Assistance shall influence (moderates) the relationship between the Strategy-related Factors and Business Performance

3.6. The Conceptual Framework and Summary of the Hypotheses

The literatures presented on previous sections of the chapter have reviewed the seven strategies, which were argued to have direct influence on the Business Performance of Turnaround Companies. The literatures also have shown that there were additional two factors, which were argued to have some influence on the relationship between the Strategy-related Factors and Business Performance in Corporate Turnaround. Based on these discussions, the following schematic of Conceptual Framework is proposed (see Figure 3.1.).
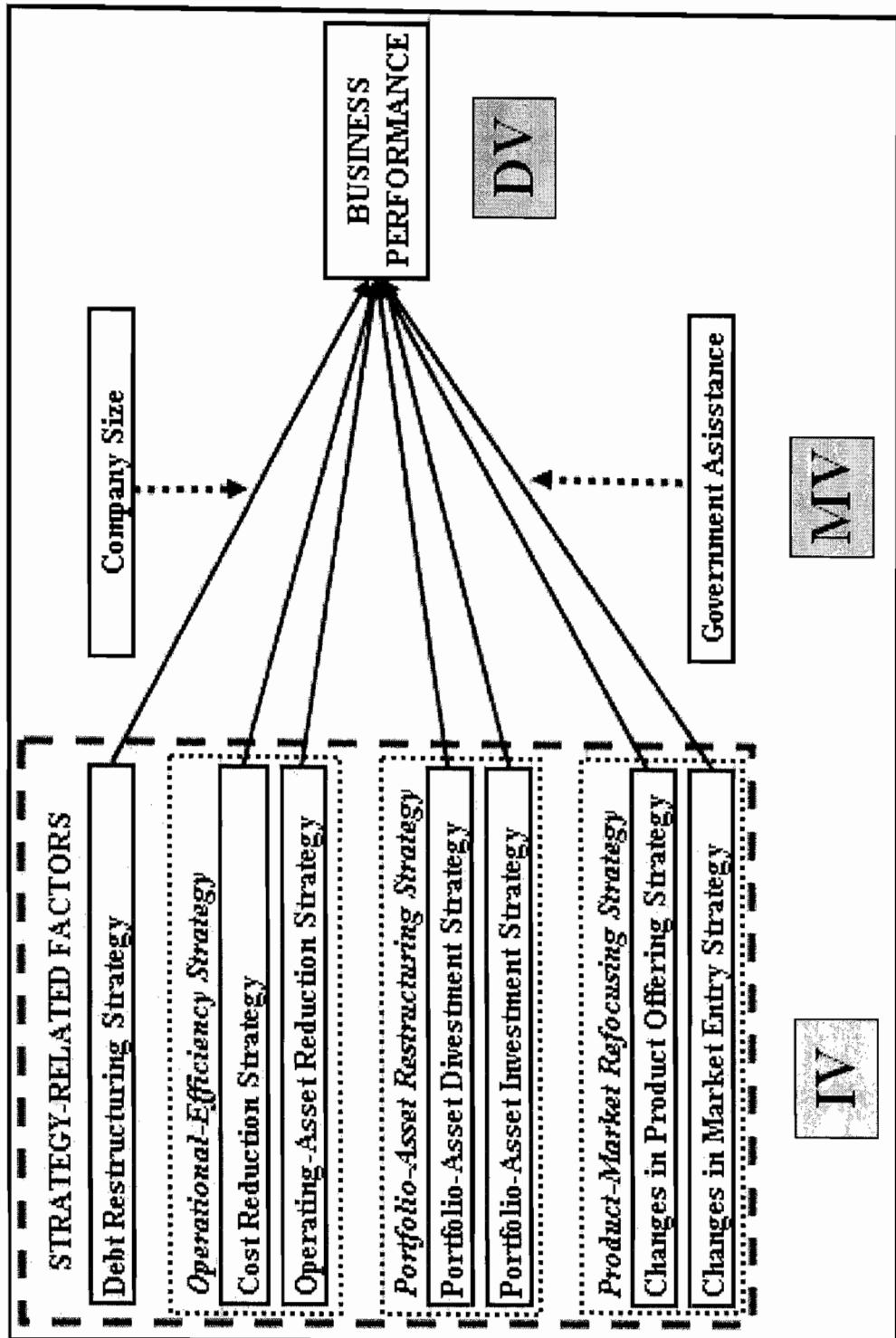
Figure 3.1.
The Conceptual Framework

As a conclusion to the chapter and based on the schematic of Conceptual Framework suggested in Figure 3.1, there are twenty-one hypotheses, which are proposed to be tested. These hypotheses are categorized into three main groups as summarized below.

1. The hypotheses in regards to the relationship between the Strategy-related Factors and Business Performance

Table 3.2
Hypotheses in relation to the Strategy-related Factors and Business Performance

H1 :	*There is a positive and significant relationship between Debt Restructuring Strategy and Business Performance*
H2 :	*There is a positive and significant relationship between Cost Reduction Strategy and Business Performance*
H3 :	*There is a positive and significant relationship between Operating-Asset Reduction Strategy and Business Performance*
H4 :	*There is a positive and significant relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5:	*There is a positive and significant relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6 :	*There is a positive and significant relationship between Changes in Product Offering Strategy and Business Performance*
H7 :	*There is a positive and significant relationship between Changes in Market Entry Strategy and Business Performance*

2. The hypotheses in relation to the Factor of Company Size as Moderating Variable, and its influence on the relationship between Strategy-related Factors and Business Performance.

Table 3.3

Hypotheses in regards to Company Size as the moderating factor

H1a :	*Company Size shall influence (moderates) the relationship between Debt Restructuring Strategy and Business Performance*
H2a :	*Company Size shall influence (moderates) the relationship between Cost Reduction Strategy and Business Performance*
H3a :	*Company Size shall influence (moderates) the relationship between Operating-Asset Reduction Strategy and Business Performance*
H4a :	*Company Size shall influence (moderates) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5a :	*Company Size shall influence (moderates) the relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6a :	*Company Size shall influence (moderates) the relationship between Changes in Product Offering Strategy and Business Performance*
H7a :	*Company Size shall influence (moderates) the relationship between Changes in Market Entry Strategy and Business Performance*

3. The hypotheses in relation to the Factor of Government Assistance as Moderating Variable, and its influence on the relationship between Strategy-related Factors and Business Performance.

Table 3.4
Hypotheses in regards to Government Assistance as the moderating factor

H1b :	*Government Assistance shall influence (moderates) the relationship between Debt Restructuring Strategy and Business Performance*
H2b :	*Government Assistance shall influence (moderates) the relationship between Cost Reduction Strategy and Business Performance*
H3b :	*Government Assistance shall influence (moderates) the relationship between Operating-Asset Reduction Strategy and Business Performance*
H4b :	*Government Assistance shall influence (moderates) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5b :	*Government Assistance shall influence (moderates) the relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6b :	*Government Assistance shall influence (moderates) the relationship between Changes in Product Offering Strategy and Business Performance*
H7b :	*Government Assistance shall influence (moderates) the relationship between Changes in Market Entry Strategy and Business Performance*

3.8. Conclusion

This chapter has discussed several factors, which were argued to influence business performance of Turnaround Companies. These factors were further categorized into two main factors, which are Strategy-related Factors and Non Strategy-related Factors. Debt Restructuring Strategy, Cost Reduction Strategy, Operating-Asset Reduction Strategy, Portfolio-Asset Divestment Strategy, Portfolio-Asset Investment Strategy, Changes in Product Offering Strategy and Changes in Market Entry Strategy were all categorized as Strategy-related

Factors. While the factor of Company Size and Government Assistance were categorized as Non Strategy-related Factors. All of these nine factors were argued in this chapter, to influence the improvement of business performance of Turnaround Companies. The literatures of Corporate Turnaround also suggested that some of the factors might even moderate the relationship between strategies and performance of Turnaround Companies, especially for the Non Strategy-related Factors. The schematic of the Conceptual Framework, which was developed based on the arguments from the literature were presented at the later part of the chapter. The chapter was concluded with the summary of the hypotheses.

CHAPTER 4

RESEARCH METHOD

4.1. Introduction

The objective of this chapter is to discuss the methodology of the research. The chapter starts with discussions on the research setting and research design, which will be followed by sampling procedure of the research. The discussions on operationalization and measurement of the variables then will be presented. Finally, the chapter concludes with the proposed method of data analysis.

4.2. Research Setting and Design

As this research proposed to investigate the relationship among factors of interest, which in this case between Independent and Moderating Variables towards Dependent Variable, thus the nature of the study would be hypothesis testing (analytical and predictive). Discussions on Chapter 3 have shown that there are multiple factors that influence one another in a chainlike fashion, which might contribute to the improvement of business performance in Corporate Turnaround. Therefore, since this research is interested in explaining these important contributory factors rather than establishing a definite cause-effect

relationship, hence the appropriate type of investigation for this study is correlation (Sekaran, 1992).

According to Sekaran (2000: 133), there are three main categories of study setting, namely field study, field experiment and laboratory experiment. The appropriate study setting for this research is field study, due to several reasons: firstly, this research involves in evaluating behaviors of Turnaround Companies through administering questions to the respective managers in their natural working environment (in their natural setting). Secondly, this type of study setting was usually selected to get a better understanding on the relationship among variables in question. This research is considered to be "cross-sectional" in the aspect of time horizon, as the data were proposed to be collected at a single point in time (Zikmund, 1997; Sekaran, 2000).

Upon consideration on the objective of the research and the study setting, this research relied on survey method as it was deemed more appropriate compared to other research methodology. The ability of survey method to provide quick, efficient and accurate means of assessment of information about the population of interest, were few reasons among many that this typology were chosen in this research (Zikmund, 1997). In addition, survey method would also be able to provide generalizations on the statistical results, and perhaps even comparison to other studies that were using survey method.

Many researches in the field of Corporate Turnaround were conducted either using case study analysis or secondary data analysis by using ratios of company's financial statement (see for e.g. Zimmerman, 1989; Chakraborty & Dixit, 1992; Brege & Brandes, 1993; Martin & Riddel, 1996; Sudarsanam & Lai, 2001). Only limited number of research on Corporate Turnaround were done by using survey method (Pandit, 2000). Therefore, an attempt to use survey in this research could be considered as additional contribution towards this ever-evolving field of Corporate Turnaround.

In conclusion, survey method was selected as study design in this research due to the following reasons: firstly, Turnaround Companies that were represented by their respective managers are the unit of analysis. Secondly, the researcher is interested in collecting original data from a population, which is too large to observe. Thirdly, to minimize the possibility of researcher's personal bias by seeking a greater degree of objectivity. Fourthly, survey design is considered to be efficient, less time consuming and lower cost of money compared to other method, and lastly, its usefulness in hypotheses testing.

4.3. Procedure of Sampling Method

Since earlier researches on Corporate Turnaround (see for e.g. Schendel, et al. 1976), Turnaround Companies has been identified through a two-stage process, which was performance decline then performance improvement. It was

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Schendel, et al. (1976), who first used this sampling procedure to select Turnaround Companies in their study. Schendel *et al.* (1976) and Schendel and Patton (1976) in their respective studies, defined their sample to include companies that had experienced at least four years of uninterrupted decline, which then followed by at least four years of performance improvement. Based on this definition, they came up with fifty-four companies in their studies. Ever since these writings by Schendel, et al. (1976), the sampling procedures on many articles on this subject have followed the same method, which was defined in two stages: companies that had been experiencing performance decline and later followed by performance improvement.

Slatter (1984) in his sample of eighty-one firms, defined his sampling frame to include companies that had experienced at least three years of sustained decline in net income, which then followed by an upturn of at least another three years. Hambrick & Schecter (1983) selected their sampling frame to include companies whose ROI were below 10% for two years followed by an increase of ROI of 20% for at least another two years. Since then, many researchers on the subject followed the same procedures in designing their sampling frame (see for example, Barker III & Duhaime, 1997; Barker III & Mone, 1998; Tvorik, Boissoneau & Pearson, 1998; and many others). Some researchers such as Harker (2001) and Harker & Harker (1998) made two different list of sampling frame, the successful and unsuccessful Turnaround Companies, in order to make comparisons between them. Harker & Harker (1998) and Harker (2001) also used

two-years of performance decline followed by two-years of performance improvement to defined Successful Turnaround Companies.

However, recent development in the literature criticized such procedure in designing the sampling frame. It is argued that companies with poor performance are less likely to survive than firms with good performance. Turnaround Companies that passed the sampling procedures would only be the one that was successful, due to the performance improvement that the Turnaround Companies experienced in the later stages of turnaround effort. A strong tendency to focus only on Successful Turnaround Firms will render such study on Corporate Turnaround to under sample the failed ones. Denrell (2003) argued that as firms with poor performance of turnaround effort were more likely not to be included in the study (as the study was only filled with Turnaround Firms that experiencing improved performance), the final remaining sample will consist of an unrepresentative group of survivors rendering such observations to under sample failed Turnaround Companies. Denrell (2003) further argued that this condition would introduce sampling bias.

This selective process on only observing companies with improved performance or survivors might lead to a bias estimate on the determinants of performance (Heckmen, 1979; Berk, 1983). Several other researchers had also noted that by only observing companies with good performance, some variables in question, which have positive impact on performance might be underestimated

or given a lower value than it should be (Berk, 1983; Barnett, Greeve & Park., 1994; Gimeno et al., 1997).

Taking into considerations the arguments above, the sampling procedure for this research will only take performance decline as an indicator of Turnaround Companies. In this way, the sample will include of both non-performing Turnaround Companies and successful Turnaround Companies. Thus, it will limit the possibility of conceiving a biased estimate of performance measures as previously argued by Denrell (2003), Heckmen (1979) and Berk (1983).

There were many criteria used in previous studies of Corporate Turnaround to defined financially distressed firms or under performing firms. Some researchers (such as Barker III & Patterson, 1996; Barker III & Duhaime, 1997) defined financially distressed firms by using criteria of return, companies that experiencing return lower than risk free rate of return and one year net loss during the selected decline period. While some other researchers (such as Robbins & Pearce II, 1992; Bruton, Oviatt & White, 1994; Castrogiovanni & Bruton, 2000) used simultaneous decline in multiple performance indicators as parameters to defined financially distressed firms. The use of multiple performance indicators as measuring stick in defining financially distressed firms was considered to be widely accepted in many previous studies of Corporate Turnaround (Fisher, Lee & Johns, 2004).

For the purpose of this study, financially distressed firms or under performing companies in this research are defined as companies, which experienced a two-year of simultaneous decline in net income and Return on Asset (ROA) between the period of 2002 and 2005. Bruton, Oviatt & White (1994), Castrogiovanni & Bruton (2000) and Fisher, Lee & Johns (2004) were also used these two measures of performance to define financially distressed firms in their studies. Bruton, Oviatt & White (1994) further argued that these two measures of performance were sufficient to ensure validity of sample selection.

4.3.1. Sampling Frame

The sampling frame in this study consists of manufacturing companies listed in the exporter directory of North Sumatra Province in Indonesia. Of course, the most appropriate companies to be included in the sampling frame would be those that were listed in the Indonesian Stock Exchange. However, these listed companies usually would have tens or hundreds of subsidiary companies, which would make the research more complicated. In addition, the financial statement of those public listed companies would usually in the form of consolidated financial statement. This condition would make it difficult for the researcher to identify the true under performing companies, among hundreds of its subsidiaries.

Furthermore, the turnaround of heavily diversified firms might be different compared to those of single business as argued by Barker & Duhaime (1997). In addition, there were many cases in academic research that showed low participation of public listed companies (e.g. see Aida Ainul Mardiyah & Gudono, 2001). Perhaps this is one of the reasons that many previous researches on Corporate Turnaround had a very limited number of sample size (e.g. sample size of 32 firms in a study by Barker III and Mone, 1994).

Exporting manufacturing companies were mainly chosen to be included in the sampling frame due to its resemblance with the characteristics of public listed companies. These export-import companies face the same intense competition from local as well as from abroad, as those public listed ones. These companies also face the same trade barrier as other public listed companies, and these companies also open to the unlimited opportunities and challenges offered by the international market, just like public listed companies. However, since these manufacturing companies are not publicly listed, the availability of its financial statements is therefore not publicly available. Therefore, to overcome this limitation, the researcher managed to get some assistance from local Government, which also interested in this research.

There were 281 manufacturing companies listed in the exporter directory of North Sumatra Province. These companies were further categorized into 22 industries. These industries, namely are agricultural products, bettlenuts, cocoa

beans & butter, charcoal wood & activated carbon, chemical products, coffee beans & instant coffee, crude palm oil & copra expeller, essential oils, food products, garment products, gum rosin/ benyamin/ cat chew/ kemiri/ cassia vera, joss paper – chop stick – brush & coconut broom stick, marine product & canned, plastic products, rubber & gloves products, skin animal & natural products, stainless steel – enamel & aluminum products, wood products – pulp & plywood, rattan furniture, iron products, industry products and miscellaneous industrial products. Following the definition of under performing companies (financially distressed firms) used in this study, as presented in previous section, 179 companies can be categorized under that definition.

4.3.2. Respondents

The objective of this research is mainly to identify the relationship between Strategy-related Factors and Non Strategy-related Factors towards Business Performance of Turnaround Companies. Finkelstein & Hambrick (1996) and Sharfman (1998) argued that the most appropriate person to give information about company's strategy is the Chief Executive Officer (CEO). The CEO is considered to have the authority in the process of strategy selection and implementation. Furthermore, they are also considered to have better understanding in company's environment and competition (Jauch & Glueck, 1988).

However, besides the CEO, the Chief Financial Officer was also argued to play an important role in formulating company's strategic planning (Fern & Tipgos, 1988). Bhimani & Keshtvarz (1999) further argued that both Chief Financial Officer and Chief Accounting Officer also contribute towards the development of company's strategic planning. Therefore, it could be concluded that essentially top management is the appropriate person to be interviewed in regards to the company's strategies and environment.

As already discussed in the previous section of sampling frame, the list of sample in this research are private manufacturing companies. Therefore, the most appropriate person to be selected as respondent in this research is the top management, which usually represented by the Managing Director. It is in the practice of many private manufacturing companies that the CEO is also the same person as the Managing Director. However, in the absence of Managing Director, other person who holds position at top management such as the Deputy Managing Director, Financial Director or Accounting Director are also considered to be eligible as respondent to this research, as long as they also have the knowledge in the company's strategic planning process.

There were many previous researches in Corporate Turnaround, which used top management as source of information (see for e.g. Hamermesh, 1977; Bibeault, 1982; Robbins II & Pearce, 1992). However in the absence of top management, a person who is appointed by top management or the appointee

(whom in the knowledge of the top management team was also involved in the process of company's strategic planning), could also be considered as respondent to this research, based on his knowledge and involvement in the process of company's strategic decision.

4.4. Questionnaire Design

Based on the nature of the study setting and research design, the most appropriate method of data collection for this study is structured interviews with each respondent from each participating firms. Furthermore, in case the respondents might be reluctant to discuss decline-related issues (Cameron, Sutton & Whetten, 1988), structured questionnaire would allow the researcher to elicit information tactfully from respondents and assuring them of the secrecy of the information provided. Therefore, this study will be using structured questions to gain the information needed in order to measure the dimensions of each variables in question.

Cooper & Emory (1995) defined structured questions as set of questions, which is presented to the respondents with a fixed set of choices. Some advantages of having a structured questionnaire are to save time and to enable the researcher to get directly into the important information. These advantages are quite important to consider especially when the respondents are top management who does not have much free time.

Some of the question items in the questionnaire design were adopted from previous researches on Corporate Turnaround (which will be discussed in the related subsection), while the rest were developed by the researcher as some new variables and dimensions were also being introduced in this study. However, since the entire question items were written in English while the respondents are all Indonesian and might not understand English perfectly, translations of question items from English words to Indonesian words were done by using back-translation method (Davis, 1996).

Two lecturers from Faculty of Linguistics and Literature, University of North Sumatra were asked to translate these question items from English to Indonesian. Then another two lecturers from Faculty of Literature, State University of Medan were asked to retranslate those translated question items back into English. This is required in order to check whether the original meaning of the question items as described in English were still being carried into the translated Indonesian language. These question items, which already in Indonesian language, were reviewed by another two senior lecturers from Faculty of Economy, University of North Sumatera. The final-translated questionnaires were given to eleven Deputy Managing Director during a workshop held by local Government on February 11th – 12th, 2009 for checking its content (face) validity (Zikmund, 1997).

4.5. Method of Data Collection

The method of data collection in this study will be through personal interviews. This method was chosen due to several advantages offered by the method. The advantages of using this method among other things especially its ability to assure the correct respondent who answered the questionnaire, and also its ability to improve the quality of the questions conveyed towards the respondents (Davis, 1996).

The research gained considerable support from the local Government as one of its variables (Government Assistance) is considered to be very relevant and beneficial information for them in assessing their credibility among respective companies. The local Government provided tremendous help during the preliminary data collection (in assessing the content validity) and also in the subsequent data collection process. The personal interviews during data collection were partly conducted with the assistance of local government. They also have been generous enough to support the research by providing a support letter (see Appendix M and N), endorsing the research and mentioning the benefit that would be gained for the local companies in submitting the required information by answering the questionnaires truthfully. The data collection period was performed from mid of February to early August of 2009.

4.6. Measurement and Operationalization of Variables

"Measurement" according to Davis (1996) *"can be defined as a rule for the assignments of numerals (numbers) to aspects of objects, persons, states and events"*. It is through this process of measurement that the characteristics and properties of empirical events can be formed into something that can be analyzed by the researcher. Sekaran (2000) argued that *"Operationalizing or operationally defining a concept, to render it measurable, is done by looking at the behavioral dimensions, facets or properties denoted by the concept. These are then translated into observable and measurable elements so as to form an index of measurement of the concept"*. It is an operational definition, which gave meaning to a concept by specifying the activities or operations necessary to measure it (Zikmund, 1997).

In this study, there is one Dependent Variable, which is Business Performance, and there are seven other Independent Variables with two additional Moderating Variables. The guidelines recommended by Davis (1996), Zikmund (1997) and Sekaran (2000) will be used for operationalizing the variables in the study. The following sub-section will describe how each variable will be operationalized.

4.6.1. Operationalization of Dependent Variable

The concept of business performance was operationally defined in the previous chapter as *"The degree that managers perceived on the magnitude (how well) of the Turnaround Company's appraisal in the aspect of making profit (income), in the effort to improve its business viability which has been dealt by the company since the turnaround effort was launched"*. As argued by several scholars, ratio analysis has found much of the common ground in the field of Corporate Bankruptcy and Corporate Turnaround. Table 4.1 below shows few researches that used some of the ratios that were popularly selected by scholars of Corporate Turnaround as measures of financial performance in their study.

Table 4.1.
Measures of financial performance on previous studies of Corporate Turnaround

Research Articles	Performance Measures
Barker III & Mone (1994)	Return On Investment (ROI)
Bruton, Ahlstrom & Wan (2003)	ROI adjusted by the risk-free rate of return
Chowdury & Lang (1996)	Pre-tax ROI below 10% for 2-year period
Muller & Barker III (1997)	ROA and Bankruptcy prediction Z-Score

However, these financial ratios would need some concrete data from the company's financial statement. Since the population of the study consists of manufacturing companies in private sector, the availability of its financial statement is somewhat limited. Therefore, it is impractical for this study to rely only on accounting data from the financial statement. Furthermore, even if such data were successfully collected, there are still doubts on whether the data is complete and useable as comprehensive measure of Business Performance of the company in question.

Therefore, since the availability of data from financial statement is somewhat limited, subjective assessment of financial ratios will be used as performance measures of the companies in the sample. The perceptual assessment on financial performance were widely practiced in the literature of Strategic Management and considered to be acceptable since there were found to be highly correlated with secondary (objective) data on financial performance (Venkatraman & Ramanujam, 1987; Dess & Robinson, 1984).

Furthermore, the subjective assessment of financial ratios is considered to be appropriate for this research since the sample consists of companies from various industries. Walsh (1996) argued in his book, that different industry sector might produce different level of financial ratios. A numeral (digit) which project high performance of financial ratio in one sector does not necessary mean that the same numeral (digit) would project high performance of financial ratio in another

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industrial sector. Therefore, it is the degree (extent) of changes (either positive or negative) perceived by the company's top managers in regards to their company's financial ratios that would be assessed as measures of performance. A five-point scale ranging from 1 (highly decreased) to 5 (highly increased) were used to give measure to indicators of performance.

The literature on Strategic Management has provided wealth of indicators in measuring Business Performance. Indicators such as Return on Asset (Lei, Capon, Hulbert & Farley, 1994), Total Sales and Sales growth (Xia, Qiu & Zafar, 2007), Net Income growth and Return on Investment (Venkatraman & Ramanujam, 1987), were widely applied in Strategic Management research, as well as in Corporate Turnaround (for e.g. Barker III & Mone, 1994; Chowdury & Lang, 1996; Harker & Harker, 1998; Balgobin & Pandit, 2001). Based on these arguments, the aforementioned indicators of Business Performance will be applied in this research.

Instrumentation

Based on discussions above, six question items were proposed to measure the magnitude of changes in Business Performance of the sample companies. Four of those questions asked the magnitude of changes in financial ratios which commonly used to measure performance, namely: Net Income/ Total Asset (ROTA), Sales/ Total Asset (Capital Turnover), Profit before Interest and Taxes/

Total Asset, and Profit before Interest and Taxes/ Sales (Profit Margin). While the other two questions asked the level of changes in Net Income and Sales of the company.

These six question items, which were developed to measure the Dependent Variable, were regarded as an index to measure the concept of Business Performance by applying the holistic approach as suggested by Zikmund (2000). An index or composite measure is a multi-item instrument, which is being used to measure a single concept with several attributes (Zikmund, 2000). A composite measure of a variable is created by summing across the dimensional values of the variable (Steel, et. al. 1992).

Thus, the composite measure of Business Performance is created by summing across the six items' values according to the guidelines recommended by Zikmund (2000). Respondents were asked to indicate their opinion according to a 5-point scale (1 = highly decrease proposition, 5 = highly increase proposition). The question items, which were developed to measure the magnitude of changes in Business Performance of Turnaround Companies in the sample, are as follows:

Table 4.2
List of question items to measure Business Performance

Questions	Statements
Q1	In my opinion, the extent of changes of the current level of company's **SALES** compared to the condition during the crisis, can be perceived as...
Q2	In comparison to the condition during the crisis, the extent of changes of the **SALES/ TOTAL ASSET** ratio, experienced by this company can be perceived as...
Q3	In comparison to the condition during the crisis, the extent of changes of the **PROFIT BEFORE INTEREST & TAXES/ TOTAL ASSET** ratio, experienced by this company can be perceived as...
Q4	In comparison to the condition during the crisis, the extent of changes in the aspect of the **PROFIT BEFORE INTEREST & TAXES/ SALES** ratio, experienced by this company can be perceived as...
Q5	In my opinion the extent of changes of the company's **NET INCOME (PROFIT)** compared to the condition during the crisis, can be perceived as...
Q6	In comparison to the condition during the crisis, the extent of changes of the **NET INCOME/ TOTAL ASSET** ratio, experienced by this company can be perceived as...

4.6.2. Operationalization of the Debt Restructuring Strategy

The factor of Debt Restructuring Strategy was operationally defined in previous chapter as *"The degree that managers perceived on the extent of the Turnaround Company's outstanding debt, which managed to be restructured during the turnaround"*. Gilson (1989, 1990) defined Debt Restructuring as a transaction in which an existing debt is replaced by a new contract with one or more of the following characteristics: interest or capital reduced, extension on the

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maturity date, or debt to equity swap. This definition by Gilson (1989, 1990) can be used further to define the two dimensions of debt restructuring strategy, which are: (1) restructuring of unpaid debt, and (2) the extent of debt that the company managed to settle. These dimensions were further operationalized into seven items in the form of interval scale, in order to measure it as being perceived by managers.

Instrumentation

Seven questions were used to measure the factor of Debt Restructuring Strategy. Four of them were assigned to measure dimension 1 (restructuring of unpaid debt), while another three were assigned to measure dimension 2 (the extent of debt that the company managed to settle). Respondents were asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). The question items that were developed to measure the factor of Debt Restructuring Strategy is presented below.

Table 4.3

List of question items to measure the Debt Restructuring Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the extent of company's debt, which was agreed by the lenders to be restructured with **EASIER PAYMENTS**, can be perceived as...
Q2	During the revitalization period, in my opinion the extent of company's debt, which was agreed by the lenders to be restructured with **LOWER INTEREST RATES**, can be perceived as...
Q3	In my opinion, during the revitalization period, the extent of our company debt, which were managed to be settled can be perceived as ...
Q4	In my opinion, during the revitalization period, the extent of our company's debt, which was approved by the lenders to get an **EXTENSION on MATURITY DATE**, can be perceived as...
Q5	In my opinion, during the revitalization period, the extent of our company's debt, which was agreed by the lenders to be **SWAP with EQUITY**, can be perceived as...
Q6	In my opinion, the current level of **TOTAL DEBT/ TOTAL ASSET** ratio experienced by this company, compared to the condition during the crisis can be considered as...
Q7	In my opinion, the current level of **INTEREST RATES**, which this company has to pay, compared to the condition during the crisis can be considered as...

4.6.3. Operationalization of the Operational-Efficiency Strategy

The factor of Operational-Efficiency Strategy was operationally defined in the previous chapter as *"The degree that managers perceived in the aspect associated with the management of operational activities at the operational level, with the objective of gaining efficiency within the firm, which has been dealt by*

the Turnaround Company for the past several years as an effort to improve its Business Performance". Previous researches on Corporate Turnaround have suggested the use of ratio analysis (Tvorik, Boissoneau & Pearson, 1998; Hofer, 1980; Robbins & Pearce, 1992) as indicators of Operational–Efficiency Strategy. However considering the critics on using financial ratios presented earlier and also the facts that such data would be difficult to acquire (since the sample consists of private manufacturing companies), therefore using financial ratios as indicators of this factor would be deemed inappropriate for this research.

There were also some researches on Corporate Turnaround, which suggested the use of expert opinion based on public information to indicate the extent of the strategies being pursued (Barker III & Mone, 1998; Bruton, Oviatt & White, 1994; Castrogiovanni & Bruton, 2000; Fisher, Lee & Johns, 2004). However, the use of such method is limited to the number of publication covered by the public media, which reported the story of the turnaround case. Based on these discussions, the better approach to measure the extent of this strategy is by asking managers opinion who are involved directly with the turnaround as suggested by Barker III & Duhaime (1997).

The literature presented on previous chapter suggested that this factor consisted of two major strategies, which are Cost Reduction Strategy and Operating-Asset Reduction Strategy. The operationalization of these strategies will be discussed further in the next section.

4.6.3.1. Operationalization of Cost Reduction Strategy

In this research, the strategy of cost reduction is operationally defined as *"the degree that managers perceived on the extent of the effort done within the company in reducing operational cost with the objective of gaining efficiency during turnaround"*. As literature suggested, there are several dimensions associated with Cost Reductions Strategy, i.e. retrenchment of workers, lowering wages/ pay cuts, reductions of material cost, and also reductions of overheads. Therefore, these dimensions will be considered in the development of question items, which will be discussed next in the section of instrumentation.

Instrumentation

Seven question items were developed to measure the factor of Cost Reduction Strategy. All of these items were developed based on the dimensions discussed on previous section. Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). These question items are given below.

Table 4.4

List of question items to measure the Cost Reduction Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the number of **WORKERS** that our company managed to retrench can be perceived as...
Q2	During the revitalization period, in my opinion the number of **MIDDLE MANAGEMENT** that our company managed to retrench can be perceived as ...
Q3	In my opinion, during the revitalization period, the extent of **PAY CUTS** that our company managed to implement to the entire workforce can be perceived as ...
Q4	In my opinion, during the revitalization period, the extent to which our company managed to **LOWER its MATERIAL COST** can be considered as...
Q5	In my opinion, during the revitalization period, the extent to which our company managed to find a **CHEAPER REPLACEMENT for its RAW MATERIAL** can be considered as...
Q6	During the revitalization period, in my perception, the portion in which this company managed to **REDUCE its ADMINISTRATIVE EXPENSES** can be considered as...
Q7	During the revitalization period, in my perception, the portion in which this company managed to **REDUCE its OVERHEAD EXPENSES** can be considered as...

4.6.3.2. Operationalization of Operating-Asset Reduction Strategy

Operating–Asset Reductions Strategy is operationally defined in this research as *"the degree that managers perceived on the extent of the effort done by the company in reducing its operating asset with the objective of enhancing efficiency and improving asset utilization"*. As previously argued in the literature, this strategy can be further divided into two dimensions, which is: (1) operating-

asset reduction relating to long-term asset, and (2) operating-asset reduction relating to short-term asset. Three of the question items were developed to measure dimension 1, while another two question items were developed to measure dimension 2.

Four of these question items were developed based on the suggestion from the literature, such as: selling-off operating units, selling-off idle assets, and reduction of short-term assets. One more item was added to the questionnaire based on the suggestion of Deputy Managing Directors of sample companies during the test of content (face) validity of the questionnaire. This item measures the extent of monetary contribution to the company by refinancing its fixed assets. The complete question items to measure this variable will be discussed in the next section of instrumentation.

Instrumentation

Five question items were developed to measure the factor of Operating-Asset Reductions Strategy. Some of these question items were developed based on the instrumentation used by Barker III & Duhaime (1997) and Barker III & Mone (1998). Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). These question items were given below.

Table 4.5

List of question items to measure the Operating-Asset Reduction Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the extent of underutilized/ unused machinery which our company managed to **SELL OFF** can be considered as...
Q2	During the revitalization period, in my opinion the amount of money that our company managed to secured by **REFINANCING its ASSETS** can be considered as...
Q3	In my opinion, during the revitalization period, the extent of our company's **FIXED ASSETS, which managed to be SOLD** can be considered as ...
Q4	In my opinion, during the revitalization period, the amount of our backlog **INVENTORY which our company managed to SELL** can be perceived as ...
Q5	In my opinion, during the revitalization period, the extent to which our company managed to **LIQUIDATE its RECEIVABLES** can be considered as...

4.6.4. Operationalization of Portfolio-Asset Restructuring Strategies

In Chapter 3, the factor of Portfolio-Asset Restructuring Strategies was operationally defined as *"the degree that managers perceived in the aspect associated with re-organization activities involving portfolio of businesses at the corporate level, with the objective of enhancing the business core and to improve business performance, which has been dealt by the Turnaround Company for the past several years"*. As argued in previously the literature, this factor consists of two strategies, namely Portfolio-Asset Divestment Strategy and Portfolio-Asset Investment Strategy, which will be discussed in the next section.

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4.6.4.1. Operationalization of Portfolio-Asset Divestment Strategy

The strategy of Portfolio-Asset Divestment Strategy is operationally defined in the research as "*the degree that managers perceived on the extent of the effort done by the company in divesting any of its major assets in the form of subsidiaries or divisions with the objective of reducing cost or raising cash to fuel the turnaround*". As suggested in the literature, there are several dimensions related to this strategy, i.e. divestment of loss-making subsidiary/ division, divestment of unrelated subsidiary/ division, and divestment of profitable business unit to generate cash. These dimensions will be considered in the development of question items, which will be discussed next.

Instrumentation

Five question items were developed to measure the factor of Portfolio-Asset Divestment Strategy. These question items were developed based on the instrumentation proposed by Barker III & Duhaime (1997), Barker III & Mone (1998) and Barker III & Barr (2002). Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). These question items are given below.

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Table 4.6

List of question items to measure the Portfolio-Asset Divestment Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the extent to which our company managed to **DIVEST its LOSS-MAKING DIVISIONS/ SUBSIDIARIES** can be considered as…
Q2	During the revitalization period, in my opinion the extent to which our company managed to **DIVEST its PROFIT-MAKING DIVISIONS/ SUBSIDIARIES** can be considered as…
Q3	During the revitalization period, in my opinion the extent to which our company managed to **DIVEST its DIVISIONS/ SUBSIDIARIES that was NOT RELATED** to the business core can be considered as…
Q4	In my opinion, during the revitalization period, the extent to which our company managed to **DIVEST its DIVISIONS/ SUBSIDIARIES was RELATED** to the business core can be considered as…
Q5	During the revitalization period, in my opinion the extent to which our company managed to **DIVEST its DIVISIONS/ SUBSIDIARIES in OVERALL** can be considered as…

4.6.4.2. Operationalization of Portfolio-Asset Investment Strategy

Portfolio-Asset Investment Strategy is operationally defined in the research as *"the degree that managers perceived on the extent of the effort done by the company in making major investment or acquisition with the objective to strengthen the business core or to increase productivity of the firm during turnaround"*. This strategy, as previously argued in the literature, can be further categorized into several dimensions, namely: investment to build new plant or new machinery to improve productivity and acquisition of new businesses. These

dimensions will be considered in the development of question items, which will be discussed next.

Instrumentation

Five questions items were developed to measure the factor of Portfolio-Asset Investment Strategy. As in Portfolio-Asset Divestment Strategy, these question items were also developed based on the instrumentation proposed by Barker III & Duhaime (1997), Barker III & Mone (1998) and Barker III & Barr (2002). Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). The question items developed to measure this factor are given below.

Table 4.7
List of question items to measure the Portfolio-Asset Investment Strategy

Questions	Statements
Q1	In my opinion, during the revitalization period, the extent of our company's investment in the effort of **IMPROVING PLANT/ PRODUCTION FACILITY** can be considered as…
Q2	In my opinion, during the revitalization period, the extent of our company's investment in the effort to **ACQUIRE NEW EQUIPMENT/ MACHINERY** can be considered as…
Q3	In my opinion, during the revitalization period, the extent of our company's investment in the effort to **MODERNIZE its MANUFACTURING PROCESS** with equipment utilizing new technology can be considered as…
Q4	In my opinion, during the revitalization period, the extent of our company's investment in **ACQUIRING or SETTING UP NEW DIVISIONS/ SUBSIDIRIES,** which is related to the main business core can be considered as…
Q5	In my opinion, during the revitalization period, the extent of our company's investment in the effort to **STRENGTHEN its MAIN BUSINESS CORE in OVERALL** can be considered as…

4.6.5. Operationalization of Product-Market Refocusing Strategy

The factor of Product-Market Refocusing Strategy was operationally defined in previous chapter as "*the degree that managers perceived in the aspect associated with the selection of product offering and selection of market entry, which has been practiced by Turnaround Company for the past several years as an effort to improve its Business Performance*". As previously argued in the literature, this factor basically can be divided into two strategies, which are: Changes in Product Offering Strategy and Changes in Market Entry Strategy. The operationalization of these strategies will be discussed further in the next section.

4.6.5.1. Operationalization of Changes in Product Offering Strategy

The Changes in Product Offering Strategy is operationally defined in this research as "*the degree that managers perceived on the changes in the range of product lines which were being offered by the company during turnaround with the objective to generate optimum revenue*". It is argued that there are three dimensions associated with this strategy i.e. new product offering with optimum possibility of profitability, withdrawal of existing product due to small margin of contribution or loss-making possibility, and changes in the marketing mix of the product, specifically the price and packaging. These dimensions will be considered further in the development of question items, which will be discussed below.

Instrumentation

Five question items were developed to measure the Changes in Product Offering Strategy. These question items were developed based on the instruments, which were introduced by Barker III & Barr (2002) and O'Neill, Rondinelli & Wattanakul (2004). Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). The question items to measure this strategy are given below.

Table 4.8
List of question items to measure the Changes in Product Offering Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the number of company's **PRODUCTS that was REMOVED** from the same line of products can be perceived as...
Q2	During the revitalization period, in my opinion the number of company's **PRODUCT LINES that was REMOVED** entirely from production can be perceived as...
Q3	During the revitalization period, in my opinion the number of **NEW PRODUCTS that our company managed to INTRODUCE** can be perceived as...
Q4	During the revitalization period, in my opinion the number of **EXISTING PRODUCTS that our company managed to RE-INTRODUCE** with new and different packaging can be perceived as...
Q5	In my opinion, during the revitalization period, the extent of **CHANGE in the aspect of the AVERAGE PRICE of our COMPANY's PRODUCTS** in overall can be perceived as...

4.6.5.2. Operationalization of Changes in Market Entry Strategy

The Changes in Market Entry Strategy is operationally defined in the research as "*the degree that managers perceived on the changes in the choices of market being pursued by the Turnaround Company with the objective to generate optimum revenue during turnaround*". It is argued that there are two dimensions associated with this strategy, which are: (1) choosing to enter new market, which offered promising margin, and (2) choosing to exit from existing market, which rendered unprofitable. These dimensions will be further considered in the development of the instrumentation, which will be discussed below.

Instrumentation

Six question items were developed to measure the Changes in Market Entry Strategy. These question items were also developed based on the instruments, which were previously used by Barker III & Mone (1998) and Barker III & Barr (2002). Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). The question items to measure this strategy are given below.

Table 4.9

List of question items to measure the Changes in Market Entry Strategy

Questions	Statements
Q1	During the revitalization period, in my opinion the extent to which the company managed to **WITHDRAW from its unprofitable DOMESTIC MARKET** can be considered as...
Q2	During the revitalization period, in my opinion the extent to which the company managed to **EXPAND the scope of its DOMESTIC MARKET** can be considered as...
Q3	During the revitalization period, in my opinion the extent to which the company managed to **WITHDRAW from its unprofitable FOREIGN MARKET** can be considered as...
Q4	During the revitalization period, in my opinion the extent to which the company managed to **EXPAND the scope of its FOREIGN MARKET** can be considered as...
Q5	In my opinion, during the revitalization period, the extent of company's marketing effort to **CAPTUR NEW SEGMENT of CUSTOMERS** can be perceived as...
Q6	In my opinion, during the revitalization period, the extent of company's effort to **EXPAND the scope of its PRODUCT DISTRIBUTION** to a greater number of outlets can be perceived as...

4.6.6. Operationalization of the Factor of Company Size

As presented in previous chapter, there were findings in Corporate Turnaround research, which argued that the factor of Company Size might influence the implementation of turnaround effort and therefore could also influence the performance of Turnaround Companies. Scholars (Pant, 1991; Bruton, et al., 2003) suggested that smaller size companies might achieve better

turnaround success compared to larger ones. In these previous studies on Corporate Turnaround, the factor of Company Size was usually measured by the real values of companies' asset (Sudarsanam & Lai, 2001; Bruton, et al., 2003). However, since the sample companies in this research consisted of private manufacturing companies, the real value of asset for each company would be difficult to acquire. Even if it was acquired, the validity of such data would still be doubtful.

However, the local Government produced their own merit of categorization for each company size, which was mainly used for the purpose of taxation and training in the form of workshops and seminars. The local Government categorized those manufacturing-exporting companies into three classes: (1) Small category, consists of companies with assets less than Rp. 2 billion, (2) Medium category, consists of companies with assets between Rp. 2 billion to Rp. 10 billion, (3) Large category, consists of companies with assets more than Rp. 10 billion. This categorization, although quite crude and only in the form of ordinal data, is fairly reliable and valid since every fiscal year this categorization is continuously updated by the local Government.

Based on these discussions, the classification provided by the local Government in determining the size of the sample companies would be used as the instrument to measure the Company Size in the study. Dummy variable by using dichotomous coding would be applied in the regression equation. Since

there are three categories of size in the sample companies, two groups of dummy variable will be used, where the small-sized companies will be used as the Reference group whenever it is appropriate.

4.6.7. Operationalization of the Factor of Government Assistance

The factor of Government Assistance was operationally defined in the previous chapter as *"the degree that the managers perceived on the extent of government action/ support/ assistance in helping the Turnaround Companies to achieve their objectives"*. The literature presented on previous chapter suggested that the influence of Government did exist in many cases of turnaround, though the degrees of influence were somewhat different depending on the cases.

As mentioned through the literature, Government influenced many aspects of turnaround. The literature on cases of turnaround have shown that Government assisted the turnaround firm in the form of financial backup, debt restructuring, influence on the restructuring plan, captured market such as through government contracts and at the very least is in the form of regulation changes and exemption of taxes.

There were very limited researches done on the subject of Government Assistance in the field of Corporate Turnaround, even though the number of turnaround cases which received Government Assistance were plenty. This

condition limited the use of question items developed by previous researchers to measure this factor. In addition to the fact that this variable is moderating in nature, there were also no clues on the type or depth of Government Assistance which has been provided by the local Government towards the sample.

Based on this consideration, the researcher decided to do focus group discussions with several Deputy Managing Directors during one of the workshop held by the local Government. The main objective of the focus group is to check the content (face) validity of the translated question items and also to develop new list of question items in regards to the influence of the particular local Government towards the business community in the Province of North Sumatera. As the result of this focus group, four added question items were developed to measure the factor of Government Assistance in the study, which will be discussed below.

Instrumentation

The literature presented on previous chapter, showed that Government Assistance usually existed in the form of financial backup, debt restructuring, influence on the restructuring plan, captured market, regulation changes and exemption of taxes. These forms of assistance were used as dimensions in the discussions of the focus group, in developing the question items to measure this factor. However, since not every aspect of that assistance-ship were provided to

the local business community by the Government, as argued by some participants of the focus group, therefore only few that considered to be relevant were being discussed on the focus group. In the end, four question items were developed to measure the factor of Government Assistance in the study. Respondents will be asked to indicate their opinion according to a 5-point scale (1= strongly negative proposition, 5= strongly positive proposition). The question items to measure this factor are given below.

Table 4.10
List of question items to measure the factor of Government Assistance

Questions	Statements
Q1	In my opinion, the extent of Government Assistance received by our company during the revitalization period in the aspect of **FINDING NEW MARKET** can be perceived as...
Q2	In my opinion, the extent of Government Assistance received by our company during the revitalization period in the aspect of **GIVING WORKSHOP, TRAINING and CONSULTANCY** in dealing with the crisis can be perceived as...
Q3	In my opinion, the extent of Government Assistance received by our company during the revitalization period in the aspect of **GIVING TAX EXEMPTION** can be perceived as...
Q4	During the revitalization period, in my opinion the extent of Government Attention and Assistance **RECEIVED by OUR COMPANY in OVERALL** can be perceived as...

4.7. The Proposed Method of Data Analysis

In this section, several types of statistical analysis were proposed to measure the data that was acquired from the questionnaire. The explanation on the proposed method of data analysis will be elaborated further in the following sections.

4.7.1. The Validity and Reliability Analysis

The test of validity and reliability of an instrument is a major concern for any researchers, especially when the instruments are newly established. It is the test that usually applied by any researcher in the earlier phase of data analysis. After all, if an instrument is not valid, it does not measure anything that it supposed to measure, further analysis will be much pointless. In general, validity concerns with the ability of the instruments in measuring what it is intended to measure, while reliability concerns on the stability and consistency of the instruments to measure the intended concept over and over again (see for e.g. Sekaran 2000; Zikmund, 2000). There are several types of validity, namely: face (content) validity, criterion-related validity, and construct validity. Criterion-related validity is usually *"established when the measure differentiate individuals on a criterion it is expected to predict"* (Sekaran, 2000: 207), which is not the main concern of this research. Hence, for the purpose of this research, only face (content) validity and construct validity will be discussed in the next section.

"Face or content validity refers to the subjective agreement among professionals that scale logically appears to accurately reflect what it purports to measure" (Zikmund, 1997 : 343). If a set of items adequately tap a concept, then the items can be said to have a face valid, and the more that the items represent the domain of the concept in question, the greater its content validity (Sekaran, 2000). There are several methods in establishing face validity of sets of instruments which usually involves a panel of judges (see for e.g. Zaichkowsky, 1985; Obermiller & Spangenberger, 1998; Saxe & Weitz, 1982), and also several different rules in retaining the items (see for e.g. Bearden, Netemeyer & Teel, 1989, Netemeyer, Boles & McMurrian, 1996, Zaichkowsky, 1994).

For the purpose of this research, the method introduced by Zaichkowsky (1985), deemed by Hardesty & Bearden (2004) to be the common method, was used to establish the face (content) validity. According to this method, panel of judges were exposed to the individual items and asked to evaluate the degree (usually judges were given options to consider the item as "clearly representative", "somewhat representative", and "not representative") to which items represent the intended construct's conceptual definition (Hardesty & Bearden, 2004). The items that were found to be "not representative", will be deleted from the final list of question items. By using this method, the final list of question items was argued to have content (face) validity.

Construct validity according to Sekaran (2000) *"testifies how well the results obtained from the use of the measures fit the theories around which the test is designed"*. In other words, if the measure behaves as it is supposed to and in the expected pattern of intercorrelation with a variety of other variables, then the construct validity is achieved (Zikmund, 2000). Construct validity usually can be assessed through convergent and discriminant validity. In convergent validity, measures should be able to converge with other measures which measuring similar concept, or in other words scores from two different items measuring the same construct were highly correlated. In discriminant validity, item's score measuring two different construct, which should have low correlation between them, were in fact found to be so. Sekaran (2000) argued that validity could be assessed through: (1) correlational analysis (for concurrent and predictive validity, and also convergent and discriminant validity), (2) factor analysis (for establishing construct validity), (3) multi-trait, multi-method matrix. For the purpose of establishing the construct validity of the instrument in this research, factor analysis will be used in further analysis.

The result of factor analysis is determined based on two measures: (1) Kaiser-Meyer-Olkin statistic, which usually used in the initial step to determine whether the available data is suitable for factor analysis by measuring the intercorrelation between the items in question. Kaiser (1974) classified KMO values above 0.90 as marvelous, above 0.80 as meritorious, above 0.70 as middling, above 0.60 as mediocre, above 0.50 as miserable and below 0.50 as

unacceptable (Kaiser, 1974). (2) The second measure of factor analysis is the factor loading and communalities produced by each individual item. Factor loading is the correlation between the original variables and the factors. Hair, Black, Babin, Anderson & Tatham (2006) suggested several cut-off points for factor loading depending on the sample size. However, in general they argued that the minimum level is 0.3, while a factor loading of 0.7 is considered as a well-defined structure.

In the context of this research, the established cut-off point is 0.5, as Hair et.al. (2006) suggested being practically significant. Communalities are the sum of squared of factor loading, which explained how much total variance of an item that was accounted for in the factor solution. Although Hair et.al. (2006) argued that no statistical guidelines indicate what is small or large for the value of communalities, Hair et.al. (2006) suggested that the value of below 0.5 is considered to be low. As an item with such value of communalities should be considered for deletion, as it does not share more than 50% of variance with other items in explaining the factor.

Test of reliability can be divided into two categories: (1) to measure the stability of the instruments, which is usually done through test-retest reliability or parallel-form reliability. However this type of reliability test is less popular among social researchers as it has two major drawbacks (Zikmund, 1997: 341). (2) The second category of reliability test is to measure the consistency of the

instruments, which is usually done through inter-item consistency reliability or split-half reliability. Social researchers usually resort to this type of reliability test, which usually is measured using the Cronbach's Alpha. Nunnally (1978) suggested an alpha coefficient score of at least 0.7 as a reliable scale. In exploratory research however, Hair et.al. (2006) argued that a level of 0.6 is still considered to be acceptable. Hair et.al. (2006) also argued that the value of inter-item correlation and item – total correlation should also be considered in assessing whether to accept or delete an item as a measure of its intended construct. They suggested a value of 0.3 for inter-item correlation and 0.5 for Item – Total Correlation, as a cut off point in considering whether or not to accept an item as a measure of its intended construct.

Thus for the purpose of establishing the validity and reliability of the instruments used in this study, the procedure proposed above to measure face (content) validity, construct validity and reliability analysis will be considered in the analysis part in the next chapter.

4.7.2. Descriptive Analysis

Descriptive analysis usually performed in the earlier phase of data analysis. Descriptive analysis usually consist of univariate analysis for each variable in question in terms of mean, standard deviation, frequency, percentage, minimum and maximum value, and also standardized scores. These analyses

usually come in handy during data screening, especially for checking the accuracy of data key-in after data collection is completed. There are several types of information that were sought by doing descriptive analysis:

1. Demographic Characteristic of Sample

Demographic characteristic of the sample whether it is the respondents or the companies, are gathered by using descriptive analysis. In terms of respondent profiling, the compilation of these data usually in the form of position, sex, age, level of education and years on the job (tenure). In terms of company profiling, the data usually come in the form of company's age, type of industry, main products, size of the company, and number of workers.

2. Univariate Outliers

Univariate outliers were suggested by Hair et,al. (2006) to be checked by using standardized score for each variable. Standardized score is one of many statistics that were produced after doing descriptive analysis. Hair et.al., (2006) argued that depending on the size of the sample, standardized score for a variable that exceed 2.5 (for small sample size) or 4 (for large sample size) should be considered as having outliers. Tabachnick & Fiddel (2007) argued that this score should be 3.29 or above, as it represents confidence interval of 99%.

3. Assumptions of Normality

Checking the assumptions of normality for each individual variable can be performed by assessing the standardized skewness and standardized kurtosis for each variable. Assessing the shape of distribution or the histogram for individual variable can also be used to check the univariate normality (Hair et.al., 2006; Tabachnick & Fiddel, 2007). These values of skewness, kurtosis and the histogram of the variable were also produced as results of descriptive analysis. This assessment is quite important since a significant variation from normal distribution would render the subsequent analysis that used the F or t statistic to be invalid, since normality is one the requirements of these tests.

4. Descritptive Characteristics of the Variables

Finally, descriptive analysis could also be used to describe the characteristics of each individual variable in the study. These analyses usually involve describing the mean, standard deviation, minimum and maximum value, skewness and also kurtosis of the variable. The information carried in this analysis would explain the behavior of the sample better in regards to the variables they were related to.

4.7.3. The Analysis of Variance (ANOVA)

One way Analysis of Variance usually involves one Independent Variable, which typically comprise of nominal data measuring different level of groups (usually more than 2), and one Dependent Variable that generally comprise of continuous data. The test of significance of F in ANOVA usually indicates whether the variance between the groups are equal. If the F-test is significant, then the statistic suggested there is a significant difference of variance between the group. The t-statistic which produced from the ANOVA table, only test for the significance of difference among the groups, it could not elaborate more on which groups are actually different from the rest (Pallant, 2007). For this purpose, additional test of post-hoc should be applied.

There are several statistics produced by doing ANOVA test with SPSS. However, the most important two statistics are: (1) The ANOVA table, which produced the F statistic. The significance numerals produced in this table were used in deciding whether to reject the null hypothesis or not. (2) The Multiple Comparison table, which is produced if the researcher asked for post-hoc analysis. This table would show the significance of comparisons among group of population being tested. Therefore, with post-hoc analysis, researchers can further elaborate on which group of Independent Variables that differs significantly with other groups in relation to the mean score of the Dependent Variables.

In this research, One-way Analysis of Variance was used to analyze whether there are differences in the mean score of the Strategy-related Factors in relation to the size of the company in the sample. In other words, this analysis was used to see whether large-sized companies are in fact different compared to medium-sized and small-sized companies in terms of the mean score of the Strategy-related Factors.

4.7.4. The Analysis of Correlation

The analysis of correlation is commonly used to explore the linear relationship between two continuous variables (by using Pearson r) or two ordinal-types of variables (by using Spearmen rank-order), especially in terms of the strength and direction of the linear relationship between the variables. This analysis usually produces two types of result: simple bivariate correlation, which is the correlation between two variables, and partial correlation, which is correlation between two variables by controlling the effect of the third variable (Pallant, 2007).

The result of correlation analysis from SPSS usually produces a correlation table showing the correlation among variables in question. There are three important things that can be harnessed from this correlation table: (1) The direction of the relationship, which signifies by the plus or minus mark on the correlation figure. Negative correlation between variable A and B means that the

more score on A would correlate with lesser score on B. (2) The strength of the relationship, which signifies by the size of the value of the correlation coefficient. Cohen (1988) argued that the Pearson correlation (r) between .10 to .29, can be considered as small, r-value between .30 to .49, can be considered as medium, and r-value larger than .50 can be considered as large. (3) The significance of the correlation, which signifies by the "sig" symbol complemented with the asterisk. The significance only represents the level of confidence that a researcher should have relating to the results.

For the purpose of this study, the analysis of correlation was used to explore the relationship among variables in question. Partial correlation was also used in the study to measure the correlation among Strategy-related Factors, controlling for the factor of Government Assistance. By controlling this factor, the bivariate relationship among Strategy-related Factors could be explained clearer as the effect of the third variable that might contaminate the relationship were being controlled.

4.7.5. The Analysis of Multiple Regression

The analysis of multiple regression is one of the most popular statistical test that allow fellow researchers to assess the relationship between one Dependent Variable and several Independent Variables. The regression equation usually takes the following form:

$$Y' = A + \beta_n X_n + \varepsilon$$

Where Y' is the predicted value of Dependent Variable, A is the constant/ intercept, X is the Independent Variable of n numbers, and β is the coefficient which was assigned to X as result of the regression. The objective of the regression analysis is to achieve a set values of βs, which minimize the difference between the value of Y' (predicted Y) with Y observation (the real Y).

There are several assumptions that should be met before using multiple regression as statistical test. The multivariate assumptions that should have been achieved are: (1) the assumptions of multivariate normality, (2) the assumptions of homoscedasticity, (3) the assumptions of linearity, and (4) the assumptions of multicollinearity. The assumption of multivariate normality holds that the residual values of the regression model are normally distributed. The assumption of homoscedasticity holds that the residual values of the regression model should be approximately equal for all predicted values of the Dependent Variable. The assumption of linearity holds that there is a linear relationship between the predicted values of Dependent Variable and the residuals. While the assumption of multicollinearity holds, there should be a limited correlation among Independent Variables in the same regression model for one Dependent Variable. The procedures for testing these assumptions are widely available in the statistical reference (see for e.g. Tabachnick & Fidell, 2007).

There are several statistical inference that can be refer to when using the analysis of multiple regression. One of the important statistical parameter, which produced by using this technique is the coefficient of determination (R^2) that basically indicates the amount of variance of the Dependent Variable that can be explained by the set of Independent Variable. The squared of multiple correlation (R^2) which also measures the fit of the regression lines, also explained the percentage contribution of the predictor variables in explaining the variation of the Dependent Variable. The value of R^2 was argued to be highly inflated especially in the case of regression model with smaller sample size (Tabachnick & Fidell, 2007), or in the case of larger number of IVs (Independent Variables). For this reason, adjusted R^2 was introduced as a better estimate of coefficient of determination as it adjusts for the number of IVs relative to the sample size in each model.

Another statistical parameter, which is important in the multiple regression analysis is the F-test, which evaluates the significance of fit of the regression model. In SPSS package, the F-value is usually showed in the ANOVA table. Another important statistical parameter is the test of regression components, which evaluates the significance of the β for each individual IVs. The test is usually straight forward as it tests the unique contribution of each IVs. In SPSS package, this test usually appears within the table, which labeled as "coefficient", where the value of "p" would show whether such variable is a significant contributors to the model or not.

In the case that the analysis of multiple regression is in the form of sequential or hierarchical, there are other tests of equal importance, which is the test of the incremental F-value and the incremental R^2. The test of incremental F-ratio, which usually produced in the SPSS package inside the table "F Change", is used to evaluate whether an addition of one variable or a set of Independent Variable (generally called as a block) would significantly increase the value of R^2 above the value of R^2 produced with previous set of IVs. The incremental R^2 or squared semipartial correlation indicates the amount of variance added to the R^2 by the addition of each variable or each set of variables at the point it enters the equation (Tabachnick & Fidell, 2007).

In this research, the analysis of multiple regression was used as the main statistical analysis in testing the hypotheses proposed previously at Chapter 3. All of the important statistical parameters, which already mentioned in previous paragraphs, were considered in the hypotheses testing. The analysis of sequential or hierarchical regression analysis is used to test the significance of moderating variables in the relationship between Strategy-related Factors and Business Performance as hypothesized in previous chapter. In the analysis, the parameters produced in the change statistic table were considered in testing the proposed hypotheses.

4.8. Conclusion

This chapter has explained the proposed methodological part of the study. The proposed research setting and design along with the suggested method of data collection were also presented at the beginning of the chapter. The discussions then followed with the operationalization and measurement of the variables. Around fifty question items were developed to measure the entire construct, which were proposed to be tested in the study. The chapter is concluded with the discussions on the proposed method of data analysis.

CHAPTER 5

ANALYSIS AND FINDINGS

5.1. Introduction

The objective of this chapter is to present the results of data analysis and to test the hypotheses proposed in Chapter 4. In general, this research had two major objectives: (1) to identify the effects of Strategy-related Factors towards Business Performance in Turnaround Companies, and (2) to identify the moderating effect of Company Size and Government Assistance on the relationship between Strategy-related Factors and Business Performance in Turnaround Companies. This chapter will discuss these objectives.

The chapter will start with the discussions on the characteristics of the sample, and follow with the analysis of validity and reliability of the instruments. The analysis of multivariate assumptions will come after. The discussions will continue with the descriptive analysis of the variables, the test of differences among groups, and the analysis of correlation. Finally, the chapter concludes with the test of hypotheses among the variables in question.

5.2. Characteristics of the Sample

As already mentioned in Chapter 4, financially distressed or under-performing companies in this research comprise of companies experiencing a two-year consecutive decline in Net Income and Return of Asset (ROA) between the 2002 and 2005. From the initial 281 companies listed in the Exporter Directory of North Sumatra Province, as many as 179 companies met this definition.

From these 179 companies, 40 companies in total were excluded from the final list in the sampling frame, due to several reasons: (1) there were 17 companies that were subsidiary to others. Since the strategic decisions were usually made at the top level of the parent company, therefore the inclusion of these companies in the sample would rather be redundant. (2) Five companies were newly setup (established after 2003). The inclusion of these companies would give a bias answer to the question items and blurring the lines between problems specifically associated with troubled companies and problems specifically associated with new companies. (3) Eight companies experienced another decline by 2005 and 2006. These companies were still in the midst of their second turnaround during the period of data collection. Therefore, their inclusion in the sample would produce bias answers to the question items. (4) Finally 10 companies experienced loss consecutively for more than 10 years. These companies had losses for 10 straight years. Perhaps one of the possible

explanations for this situation is that these companies were purposely driven by the owners/ parent company to operate in losses as some sort of strategic decision. Hence, these companies were also excluded from the final sample.

In total, 139 companies were eligible for inclusion in the sample for the research, whereby all agreed to the interview for data collection. However, 14 of these companies refused to participate fully in the research by declining to fill up certain sections of the questionnaire (especially the section that measures Business Performance) due to company policy. These companies were also excluded from the final part of data analysis and hypotheses testing.

Finally, only 125 companies were included in the sample with response rate of 89.9%, which is quite as expected considering personal interview as a means of data collection. The number of companies included as sample in this study is considered adequate and acceptable in light of the limited number of samples used in many previous studies of Corporate Turnaround (see for e.g. Pandit, 2000). Table 5.1 below, showed a comparison among some previous studies in Corporate Turnaround using questionnaires and the number of samples used in the studies.

Table 5.1.
Comparison in number of samples among studies of Corporate Turnaround

Researchers	Number of Sample	Research Issues
Barker III & Barr (2002)	29	Top manager attributions in strategic reorientation of declining firms
Bruton, Ahlstrom & Wan (2003)	90	Turnaround companies of East Asian Firms, with focus on Chinese communities
Bruton, Ahlstrom & Wan (2001)	23	Turnaround success of Chinese owned firms: a comparison of Hong Kong & Thailand
Siti Maimon (1999)	30	Strategic management options in Malaysian financial crisis: a research on Turnaround Companies
This study	125	Corporate turnaround strategies and Business Performance: The effect of size and government assistance on Private Manufacturing Companies

5.2.1. The Profile of the Respondents

The personal structured interviews, performed during the period of data collection, were mostly with Managing Directors. Although in some cases due to the absence of the Managing Director, Deputy Managing Director was the one who answered the questionnaires in the interview. The respondent profile of this research is presented in detail in Table 5.2 below.

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Table 5.2
Demographic Profile of the Respondents

DEMOGRAPHIC PROFILES		FREQUENCIES	PERCENTAGE (%)
SEX	Male	110	88 %
	Female	15	12 %
AGE	Less than 35 years	10	8 %
	36 – 40 years	23	18.4 %
	41 – 45 years	46	36.8 %
	46 – 50 years	21	16.8 %
	51 – 55 years	6	4.8 %
	56 – 60 years	11	8.8 %
	61 – 65 years	2	1.6 %
	More than 65 years	6	4.8 %
	Mean (s.d)	*45.74 (8.44)*	
DEGREE	High School	12	9.6 %
	Diploma	8	6.4 %
	Graduates	101	80.8 %
	Postgraduates	4	3.2 %
POSITION	Managing Director	95	76 %
	Deputy Managing Director	30	24%
TENURE	5 – 10 years	32	25.6 %
	11 – 15 years	63	50.4 %
	16 – 20 years	19	15.2 %
	21 – 25 years	10	8 %
	More than 25 years	1	0.8 %
	Mean (s.d)	*13.48 (4.83)*	

Table 5.2 shows that most of the respondents are male (88%) and only 15 of them are females (12%). Distribution of the respondents' age shows that most of them are between the ages of 41 – 45 with 46 respondents covering 36.8% of the samples. The second largest age groups are almost evenly divided between the age group of 36 – 40 years (23 respondents, 18.4%) and the age group of 46 – 50 years (21 respondents, 16.8%). It draws attention that six respondents were

more than 65 years of age. The mean and standard deviation for the age distribution is 45.74 years and 8.44 respectively.

Table 5.2 also shows that most of the respondents were university graduates (n: 101, 80.8%) with another four of them having postgraduate degrees. In terms of the position that they were holding during the interview, most of them were Managing Directors of the respective companies (n: 95, 76% of the sample), while 30 respondents were the Deputy Managing Director (24% of the sample). In terms of tenure, most of these respondents have been holding their posts for 11 – 15 years (n: 63, 50.4 % of the sample). Another 32 respondents have been holding their posts for at least 5 – 10 years (25.6 % of the sample). One respondent held his position for more than 25 years. The mean and standard deviation for the tenure characteristic is 13.48 years and 4.83 respectively.

Based on these discussions, several conclusions can be drawn from the analysis of Demographic Profiles of the respondents. First, with the mean of 13.48 years in tenure, these respondents were assumed fluent in the conditions and management of their companies. Secondly, with the dominant age group consisting of respondents with more than 40 years (73.6%) with most having at least bachelor's degree (84%), it is assumed that the respondents should have plenty of experience and understanding in the strategic posture of their companies. Therefore, they should be able to comprehend and answer the questionnaires posited to them. Hence, the answers provided by these

respondents were deemed trustworthy and reliable for hypotheses testing of the research.

5.2.2. The Profile of the Companies

Table 5.3 below, showed a comparison based on product types between the total number of companies in the sampling frame and the final list of companies, included in the study.

Table 5.3
Profile of Companies According to the Products

TYPE OF INDUSTRY	Sampling Frame	%	Final Sample	%
Agricultural Products	7	2.49%	2	1.60%
Betelnuts	9	3.20%	1	0.80%
Cocoa Beans & Cocoa Butter	10	3.56%	1	0.80%
Charcoal Wood & Activated Carbon	8	2.85%	2	1.60%
Coffee Beans & Instant Coffee	5	1.78%	4	3.20%
Chemical Products	19	6.76%	7	5.60%
CPO & Copra Expeller	15	5.34%	13	10.4 %
Essential Oils	6	2.14%	3	2.40%
Food Products	13	4.63%	7	5.60%
Garment Products	2	0.71%	1	0.80%
Gum Rozin/Benyamin/Cat Chew/Kemiri/Cassiavera	11	3.91%	2	1.60%
Joss Paper, Chopstick, Brush & Coconut Broomstick	8	2.85%	1	0.80%
Marine Products & Canned	17	6.05%	8	6.40%
Plastic Products	11	3.91%	6	4.80%
Rubber & Gloves Products	31	11.03%	10	8.00%
Skin Animal & Natural Products	5	1.78%	1	0.80%
Stainless Steel, Enamel & Aluminum Products	7	2.49%	2	1.60%
Wood Products, Pulp & Plywood	55	19.57%	33	20.4%
Rattan Furnitures	14	4.98%	4	3.20%
Iron Products	7	2.49%	5	4.00%
Industry Products	10	3.56%	4	3.20%
Miscellaneous Industry Products	11	3.91%	8	6.40%

Most of the companies that fell into the troubled category came from the Wood, Pulp and Plywood industry (20.4% of the total sample). This is proportional since the same industry also represents almost the same percentage (19.57%) from the total number of companies in the sampling frame. The second largest product type that fell under the category of troubled companies, came from Crude Palm Oil and Copra Expeller (13 companies, 10.4%), followed by Rubber and Gloves (10 companies, 8%).

Table 5.4 below shows the Demographic Profile of the sample in terms of company age and size of fixed assets. Most of the samples were between the age group of 11 – 20 years (49 companies) which represent 39.2% of the total sample.

Table 5.4
Demographic Profiles of the Company

COMPANY PROFILES		FREQUENCIES	PERCENTAGE (%)
AGE	Less than 10 years	6	4.8 %
	11 – 20 years	49	39.2 %
	21 – 30 years	35	28 %
	31 – 40 years	20	16 %
	41 – 50 years	13	10.4 %
	More than 50 years	2	1.6 %
	Mean (s.d.)	*24.95 (11.27)*	
CATEGORY of ASET SIZE	Less than Rp. 2 billion (Small)	32	25.6 %
	Between Rp.2 – 10 billion (Medium)	35	28 %
	More than Rp.10 billion (Large)	58	46.4 %

The mean for the company age of the sample is around 25 years. Table 5.4 above also shows the category of companies based on the size of its total fixed assets. Based on this criterion, most of the companies in the sample were included in the large size category with fixed asset of more than Rp. 10 billion (58 companies, representing 46.4% of the total sample).

Comparison of the Company Profiles in accordance to their size and number of workers is shown in Table 5.5 below. The mean for number of workers for small, medium and large companies are 65.23, 169.64 and 654.93 respectively, with maximum number of workers range from 200 workers (small) to 2150 workers (large). This information is necessary to establish the fundamental differences in terms of number of workers with reference to their size, for each category of companies.

Table 5.5
Company Profile According to Size and Number of Workers

ITEMS	SMALL	MEDIUM	LARGE	TOTAL
Valid Cases	26 (81.2%)	22 (62.9%)	46 (79.3%)	94 (75.2%)
Missing Cases	6 (18.8%)	13 (37.1%)	12 (20.7%)	31 (24.8%)
Total N of Cases	32	35	58	125
Mean	65.23	169.64	654.93	
Standard Deviation	40.71	155.33	501.81	
Minimum	8	15	100	
Maximum	200	700	2150	

5.3. The Test of Response Bias

Based on the data provided in Table 5.2, there were two categories of respondents in this research, which are the Managing Director and the Deputy Managing Director. In order to ascertain that no significant response bias existed on the answers of the questionnaires provided by these two groups, Independent sample t-test was performed to compare the responses between them. The objective of this test is to check whether there is a significant difference in the answers of questionnaires between these two for the variable in question. The result of Independent sample t-test is provided in Table 5.6, while the full statistical report shown in Appendix A. The result shows that the t-value for all variables was not significant (p: > 0.05). These statistical figures confirm the assumption that there are no significant differences in questionnaire responses between the two groups of respondents.

Table 5.6
Independent Sample t-test for Response Bias

VARIABLES	MD (n: 95) MEAN	DEPUTY (n: 30) MEAN	t-value	P
Business Performance	3.52	3.54	-.115	.908
Debt Restructuring Strategy	2.07	2.15	-.814	.417
Cost Reduction Strategy	2.05	2.14	-.843	.401
Operating-Asset Reduction Strategy	1.92	2.00	-.780	.437
Asset Divestment Strategy	1.62	1.67	-.438	.662
Asset Investment Strategy	1.58	1.54	.563	.574
Changes in Product Offering	2.21	2.36	-1.364	.175
Changes in Market Entry	2.15	2.31	-1.225	.223
Government Assistance	1.88	1.92	-.466	.643

Notes: MD: Managing Director; DEPUTY: Deputy Managing Director

5.4. The Test of Validity and Reliability of the Instruments

This section will discuss item analysis, which focuses on the validity and reliability of the items in the questionnaire. The discussion will start with the method initially introduced by Zaickowsky (1985), adopted in this research to establish the face (content) validity of items. The discussion then will continue with construct validity established through Factor Analysis on each variable. The result of factor analysis will be discussed together with reliability analysis as a measure of validity and consistency of each question item for each individual variable.

5.4.1. The Face (Content) Validity

As proposed in Chapter 4, the method used to establish the face (content) validity of the instruments in this research, is the method that was introduced by Zaichkowsky (1985). In this method, panel of judges was asked to evaluate the individual question items in relation to the construct its intended to measure. Any items which were considered to be "not representative" of the construct would be deleted from the final list of question items.

In the context of this research, eleven Deputy Managing Directors from the sample company who attended a workshop held by local Government from February 11th – 12th 2009, were asked to validate the face (content) validity of the question items. This process involved two-phases. In the first phase, the question

items (which were finalized after the process of double-back translation), were presented to three of the Deputy Managing Directors. These people then formed a focus group to discuss on three things: (1) the final list of question items, (2) if the items were measuring its intended construct, and (3) in finalizing the appropriate sentences to be used.

In the second phase, the other eight Deputy Managing Directors considered as judges, were presented with the final question items, and were asked to evaluate the appropriateness of each item in measuring its intended construct. This evaluation was done by providing options for each item, whereby the judges were asked to categorize the items as "clearly representative", "somewhat representative", and "not representative". This technique followed the exact criteria as proposed by Zaichkowsky (1985). Any items that were considered by these judges as being "not representative" in respect to the construct it intended to measure, were then eliminated from the final list of questions, as suggested by Bearden et.al. (1989) and Netemeyer et.al., (1996).

This was the process used to establish the face (content) validity of the final list of the question items in this research. However, face (content) validity alone is considered insufficient in establishing the construct validity of the instruments. Therefore the next section will discuss further on construct validity along with the reliability analysis of the instruments.

5.4.2. The Construct Validity and Reliability Analysis

As already mentioned in Chapter 4, factor analysis can be used to establish the construct validity of the question items of each variable (Sekaran, 2000: 208). The results from factor analysis will be explained in this section to establish the construct validity for each question item in this research. This section will also discuss results from reliability analysis in measuring the consistency of question items that were used in the questionnaire. The discussion for each variable will be explained in the following section.

1. The Dependent Variable

The Dependent Variable of Business performance was measured by six question items, all of which were directed to measure the financial aspect of Business Performance. The six items were subject to Exploratory Factor Analysis using Principle Component Analysis as the extraction method and Direct Oblimin technique as the rotation method. Direct Oblimin technique was selected as the appropriate rotation method, since the oblique factor rotation was argued to represent the clustering of items more accurately (Hair, et.al., 2005: 125).

The result from factor analysis and reliability analysis is presented in Table 5.7 below, while the full statistics are reported in Appendix B-1. The analysis managed to produce a single factor with 82.17% of variance explained. The KMO value was .93, which is exceeding the recommended value of 0.6

(Tabachnick & Fiddel, 2007; Hair et.al. 2006), with un-rotated factor loadings for each item at least 0.88. The values of factor loadings are well beyond the boundary of 0.5 as suggested by Hair et.al. (2006) to be the cut-off point. The value of communalities for each item is at least 0.786, which is also well beyond 0.5 as suggested by Hair et al. (2006).

Table 5.7
Results of Factor Analysis & Reliability Analysis of DV

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES
Y1	.887	.787	KMO : 0.929
Y2	.887	.786	Sig : 0.000
Y3	.912	.832	%Variance : 82.17
Y4	.890	.792	Cronbach's : 0.953
Y5	.941	.885	
Y6	.920	.847	

Analysis of reliability on the question items produced Cronbach's Alpha value of 0.953, with inter-item correlation of at least 0.725, and the lowest value Item – Total Correlation of 0.838. Hair et.al. (2006) suggested a cut off point of 0.3 for inter-item correlation, 0.5 for Item–Total Correlation, and Cronbach's Alpha value of at least 0.7. As can be seen, these figures are well beyond the cut-off point suggested by Hair et.al. (2005). Hence, these question items can be considered as sufficiently valid and reliable in measuring the variable of Business Performance.

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2. The Debt Restructuring Strategy

The Variable of Debt Restructuring Strategy was measured by using seven question items fundamentally based on two expected dimensions, hence (1) restructuring of unpaid debt, and (2) the extent of debt that company managed to settle. These seven question items were subjected to Principle Component Factor analysis using Direct Oblimin Rotation technique. The factor analysis produced two factors with cumulative percentage of variance explained of 77.25. The KMO value was 0.792, which is acceptable (Kaiser, 1974). The value of rotated factor loadings for each item is also acceptable, with the lowest value at 0.802. All of the items have communalities higher than 0.5. With the lowest value of 0.66, the results of this analysis are shown in Table 5.8 below (the full statistics is reported in Appendix B – 2).

Table 5.8
Results of Factor Analysis & Reliability Analysis of Debt Restructuring Strategy

QUESTION ITEMS	FACTOR 1 LOADING	FACTOR 2 LOADING	COMMUNA-LITIES	NOTES	
R1	.860		.792	KMO	: 0.792
R2	.820		.723	Sig	: 0.000
R3		.956	.856	%Variance	: 77.25
R4	.908		.774		
R5	.802		.660		
R6		.859	.801		
R7		.842	.802		
Cronbach Alpha	**.860**	**.858**			

Analysis of reliability of the items for both dimensions produced Coefficient alpha of 0.86 (dimension 1) and 0.858 (dimension 2), which is considered acceptable. For dimension 1, the lowest value of inter-item correlation is 0.584, while for the Item–Total Correlation is 0.666. For dimension 2, the lowest value of inter-item correlation is 0.69, while the lowest value for Item-Total Correlation is 0.750. These figures are considered within the acceptable level, and therefore these items are considered sufficiently valid and reliable in measuring Debt Restructuring Strategy.

3. The Operational-Efficiency Strategy

This strategy is further divided into two, hence Cost Reduction and Operating-Asset Reduction Strategies. The following section will discuss first on Cost Reduction Strategy before moving on to Operating-Asset Reduction Strategy.

3.a. Cost Reduction Strategy

Seven question items were developed to measure Cost Reduction Strategy. These question items were intended to measure dimensions of wage reduction, reduction in terms of material cost and reduction in the cost of overheads. The first run on factor analysis, using Principle Component analysis and Direct Oblimin Rotation technique, produced two factors with KMO value of 0.793. Although initially it was expected that these items would converge into a

single factor, two of the items (which measured reduction in material cost, C4 and C5) were found to produce their own factors.

Subsequent reliability analysis of all the items produced a Cronbach Coefficient of 0.781. However, the items of C4 and C5 produced very low inter-item correlation and less than 0.5 value of item–total correlation. These facts suggest that the items might not be valid and consistent in measuring Cost Reduction Strategy. The second analysis on reliability consisted only these two items (C4 and C5) produced Cronbach Coefficient of 0.445 and inter-item correlation matrix of 0.335, which suggested that these items were not a reliable measure of the variable. These items were deleted from subsequent analyses.

Table 5.9
Results of Factor Analysis & Reliability Analysis of Cost Reduction

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES
C1	.858	.736	KMO : 0.812
C2	.802	.644	Sig : 0.000
C3	.670	.449	%Variance : 63.51
C6	.844	.712	Cronbach's : 0.852
C7	.796	.634	

The remaining items were then subjected again with Principle Component Factor analysis with Direct Oblimin Rotation technique. The analysis produced a single factor with KMO value of 0.812, and cumulative percentage of variance explained of 63.512. The communality value of one of the item (C3) is slightly

lower than required (0.449). However the value of its factor loading is 0.67, which is quite acceptable, hence the item is retained. Analysis of reliability on the items produced Cronbach Coefficient Alpha of 0.852. Inter-item correlation for each item is higher than 0.376, and the value of item – total correlation for each item is also higher than 0.521, which is considered as acceptable. The results on the factor analysis and reliability analysis are presented in Table 5.9 above, while the full statistic was reported in Appendix B – 3.

3.b. Operating-Asset Reduction Strategy

Five questions were developed to tap the concept of Operating-Asset Reduction Strategy. These question items was intended to measure the dimensions of short-term assets, such as inventory and receivables, and long-term assets, such as machinery and fixed assets. These five items were analyzed using Principal Component Factor analysis with Direct Oblimin Rotation technique. The factor analysis produced two factors with KMO value of 0.717 and cumulative percentage of total variance of 71.64, which is acceptable (Kaiser, 1974). The value of rotated factor loadings for each item is also acceptable, with lowest value of 0.710, and all of the items produced communalities value higher than 0.5. The detail statistical result is shown in Table 5.10 below, while the full statistical figures are reported in Appendix B – 4.

Table 5.10
Results of Factor & Reliability Analysis of Operating-Asset Reduction Strategy

QUESTION ITEMS	FACTOR 1 LOADING	FACTOR 2 LOADING	COMMUNA-LITIES	NOTES	
O1	.811		.705	KMO	: 0.717
O2	.710		.552	Sig	: 0.000
O3	.904		.753	%Variance	: 71.64
O4		.928	.812		
O5		.815	.760		
Cronbach Alpha	**.738**	**.716**			

The analysis of reliability on both dimensions produced Cronbach Coefficient Alpha of 0.738 (dimension 1) and 0.716 (dimension 2). Inter-item correlation for each individual item within each dimension was higher than 0.435, and the value of item – total correlation was higher than 0.5, except for item O2, which produced 0.496. However based on its closed proximity with 0.5 and its acceptable level of inter-item correlation, the item is retained. Based on these analyses, these question items that were intended to measure Operating-Asset Reduction Strategy, can be considered as valid and reliable in measuring the intended construct, with no item being deleted for subsequent analysis.

4. The Portfolio-Asset Restructuring Strategy

This strategy is further divided into two types of strategy, namely Portfolio-Asset Divestment Strategy and Portfolio-Asset Investment Strategy. The following section will discuss firstly on Portfolio-Asset Divestment Strategy followed by Portfolio-Asset-Investment Strategy.

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4.a. Portfolio-Asset Divestment Strategy

Five question items were developed to measure the construct of this strategy. Principal Component Factor analysis, using Direct Oblimin as rotation method was applied to these question items. The initial run on factor analysis produced a single factor with KMO value of 0.749. Further analysis on the items showed that one item (D2) produced communality of 0.283, with factor loading of 0.532. This item (D2 – The extent to which the company managed to divest its profit-making division/ subsidiary), was initially rejected during the earlier process of face (content) validation. However, for checking the reliability of the comments during the process, this item was being retained for construct validation. Based on the low figure of communality, in addition to the fact that this item was actually rejected during the earlier process of face (content) validation, the item is therefore deleted for further analysis.

The second run of factor analysis produced a single factor with KMO value of 0.724, and percentage of total variance explained of 73.46 (see Table 5.11, full statistical results is presented in Appendix B - 5). All of the question items produced communality value of at least 0.548, with factor loading of at least 0.740, which is considered as acceptable. The reliability analysis of the question items produced Cronbach's Alpha value of 0.868. The value for inter-item correlation matrix for each individual item was higher than 0.373, with the item – total correlation value of at least 0.592. Based on these analyses, these

items can be considered sufficiently valid and reliable to measure the Portfolio-Asset Divestment Strategy.

Table 5.11
Results of Factor & Reliability Analysis of Portfolio-Asset Divestment Strategy

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES	
D1	.892	.796	KMO	: 0.724
D3	.740	.548	Sig	: 0.000
D4	.842	.710	%Variance	: 73.46
D5	.940	.884	Cronbach's	: 0.868

4.b. Portfolio-Asset Investment Strategy

Five questions developed to measure the variable of Portfolio-Asset Investment Strategy. Principal Component Factor analysis by using rotation method of Direct Oblimin, was applied to these question items. The results of factor analysis produced a single factor with KMO value of 0.704. Further analysis on each item showed that one of the items (I4 – the extent of company investment in setting up new division/ subsidiary which is related to the main business core) produced a communality of 0.403 with factor loading of 0.635.

The results on reliability analysis for all the items produced a Cronbach Coefficient of .803. Inter-item correlation for all question items were found to be quite acceptable (higher than 0.3) except for item I4 (inter-item correlation value of 0.247 with I2 – the extent that the company managed to invest in acquiring

new equipment/ machinery). This item (I4) also produced low value of item –

total correlation of 0.464. However it is in the opinion of the researcher that these

figures can be considered as marginal, considering the small differences of the

result from reliability analysis (the value of "Cronbach's Alpha if item deleted"

will not improve even if the item is omitted), and the acceptable level of factor

loading for the item, therefore the item is retained. The result is shown in Table

5.12 below, while the full statistical results are reported in Appendix B – 6. Based

on these figures, it is suggested that these question items are quite valid and

reliable in measuring Portfolio-Asset Investment Strategy.

Table 5.12
Results of Factor & Reliability Analysis of Portfolio-Asset Investment Strategy

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES
I1	.741	.549	KMO : 0.704
I2	.702	.493	Sig : 0.000
I3	.730	.533	%Variance : 56.26
I4	.635	.403	Cronbach's : 0.803
I5	.914	.835	

5. The Product – Market Refocusing Strategy

The Product–Market Refocusing Strategy is further divided into two types

of strategy, namely Changes in Product Offering Strategy and Changes in Market

Entry Strategy. The following section will discuss firstly on Changes in Product

Offering Strategy, before moving on to Changes in Market Entry Strategy.

5.a. <u>Changes in Product Offering Strategy</u>

Five questions developed to measure this variable. These question items were then evaluated by Principal Component Factor analysis, with rotation method of Direct Oblimin. The results of factor analysis on these items produced a single factor with KMO value of 0.741, with cumulative percentage of total variance explained of 61.77. Each individual item produced factor loading of higher than 0.5, with the lowest value of 0.735. Each item also shows acceptable level of communalities (higher than 0.5) with the lowest value of 0.540. The statistical figures come in Table 5.13 below (see Appendix B – 7 for the full statistical results).

Table 5.13
Results of Factor Analysis & Reliability Analysis of Changes in Product Offering Strategy

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES
P1	.735	.540	KMO : 0.741
P2	.764	.583	Sig : 0.000
P3	.806	.649	%Variance : 61.77
P4	.791	.626	Cronbach's : 0.836
P5	.831	.690	

The result of reliability analysis on these items produced Cronbach Coefficient Alpha of 0.836, with inter-item correlation value of at least 0.378, and item-total correlation value of at least 0.585. These figures are within the acceptable range, therefore no item is omitted from subsequent analysis. The

result from factor analysis and reliability analysis shows that the question items intended to measure this variable are sufficiently valid and reliable.

5.b. Changes in Market Entry Strategy

Six questions developed to measure Changes in Market Entry Strategy. These items developed to cover two dimensions, namely market withdrawal and market expansion. These items were analyzed using Principal Component Factor analysis with Direct Oblimin Rotation method. The initial run on factor analysis produced two factors with KMO value of 0.767 with cumulative total variance explained of 75.00. The items related to the second factor were all from the dimension of market withdrawal (item M1 – the extent by which the company managed to withdraw from unprofitable domestic market; item M3 – the extent by which the company managed to withdraw from unprofitable foreign market).

In order to check the consistency of these items measuring the second dimension, the analysis of reliability was applied on the two. The results of reliability analysis on these items produced a Cronbach Coefficient Alpha of 0.521, with item – total correlation value of 0.353. These figures could not be consider as sufficient in supporting the arguments that these items were valid and consistent in measuring the related dimension, and therefore the intended variable. Hence, they were eliminated from further analysis.

The second run of factor analysis with the remaining items (M2, M4, M5 and M6) produced a single factor with KMO value of .815, and cumulative percentage of total variance explained of 78.36. The un-rotated factor loadings of each individual item produced a value of at least 0.820, with communalities higher than 0.672. The results are shown in Table 5.14 below (the full statistical results were reported in Appendix B – 8).

Table 5.14
Results of Factor & Reliability Analysis of Changes in Market Entry Strategy

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES	
M2	.820	.672	KMO	: 0.815
M4	.947	.897	Sig	: 0.000
M5	.870	.756	%Variance	: 78.36
M6	.900	.809	Cronbach's	: 0.898

The reliability analysis of these four items produced a Cronbach coefficient of 0.898, with inter-item correlation matrix of at least 0.577. The value of item – total correlation for each question items were higher than 0.704. Based on these statistics, these four question items, which were intended to measure the variable of Changes in Market Entry Strategy (M2, M4, M5 and M6) are considered to be sufficiently valid and reliable.

6. The Variable of Government Assistance

Four questions were developed to measure the variable of Government Assistance. Principle Component Factor analyses by using Direct Oblimin as rotation method was applied to these items. The factor analysis produced a single factor with KMO value of 0.759, and cumulative percentage of total variance explained of 63.22. The statistical result is presented in Table 5.15 below (the full statistical result is reported in Appendix B -9).

Table 5.15
Results of Factor Analysis & Reliability Analysis of Government Assistance

QUESTION ITEMS	FACTOR LOADING	COMMUNA-LITIES	NOTES	
G1	.795	.632	KMO	: 0.759
G2	.757	.573	Sig	: 0.000
G3	.735	.541	%Variance	: 63.22
G4	.885	.783	Cronbach's	: 0.787

The un-rotated factor loading for each question items were found at the acceptable level, with the lowest value of 0.735. The communalities for all of the items were also found to pass the cut-off point of 0.5, with the lowest value of 0.541. The reliability analysis of these items produced Cronbach Coefficient Alpha of 0.787, with lowest value of inter-item correlation of 0.395. The item – total correlation for each individual item were also found to be quite acceptable, with the lowest value of 0.547. Therefore, no item was deleted. Based on these

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statistics, all of the question items that were intended to measure Government Assistance is considered as valid and reliable and can be used for further analysis.

7. Conclusion

Based on the results produced by factor analysis and reliability analysis discussed above, most of the proposed question items were retained for further analysis. However, few of the items still had to be removed based on the insufficient support of validity and consistency of the items. The summary of these deleted question items are as follows: Cost Reduction Strategy (2 items), Portfolio-Asset Divestment Strategy (1 item) and Changes in Market Entry (2 items). Other than these, all question items were accepted as measures of intended variables.

Table 5.16
Summary of the Factor Analysis and Reliability Analysis for Each Variable

Variables	No. of Items	Variance Explained	KMO Value	Cronbach Alpha
Business Performance (DV)	6	82.17	.929	.953
Debt Restructuring Strategy	7	77.25	.792	.860
Cost Reduction Strategy	5	63.51	.812	.852
Operating-Asset Reduction Strategy	5	71.64	.717	.738
Portfolio-Asset Divestment Strategy	4	73.46	.724	.868
Portfolio-Asset Investment Strategy	5	56.26	.704	.803
Changes in Product Offering Strategy	5	61.77	.741	.836
Changes in Market Entry Strategy	4	78.36	.815	.898
Government Assistance	4	63.22	.759	.787

Notes: DV: Dependent Variable

The complete results of Factor Analysis and Reliability Analysis were reported in Appendix B. As a conclusion for discussions on construct validity and reliability analysis of the instruments, a summary of the analyses is presented in Table 5.16 above.

5.5. The Analysis of Outliers

The analysis of outliers is usually performed in three different forms, hence *univariate*, *bivariate* and *multivariate*. Assessing *univariate* outliers can be done by checking the standardized scores for each individual variable, as suggested by Hair et.al., (2006) and Tabachnick & Fiddel (2007). The cutoff points in determining whether an observation is in fact an outlier or not, varied according to the scholars. Hair et.al., (2006) argued that depending on the size of the sample, standardized score for a variable that exceed 2.5 (for small sample size) or 4 (for large sample size) should be considered as having outliers. While Tabachnick & Fiddel (2007) argued that, this score should be 3.29 or above, as it represents the 99% confidence interval. For the purpose of this study, a cutoff point suggested by Tabachnick & Fiddel (2007) was adopted. Table 5.17 shows result of Descriptive Statistics on maximum and minimum values of standardized score for each variable (see Appendix C – 1 for detailed statistics).

Table 5.17
Standardized Scores of Maximum & Minimum Value for Each Variable

Z Score of the Variable	N	Minimum	Maximum
Business Performance	125	-2.4754012	1.5906323
Debt Restructuring Strategy	125	-1.786994	2.0043652
Cost Reduction Strategy	125	-2.2289674	2.3317917
Operating-Asset Reduction Strategy	125	-2.1624785	2.4112916
Portfolio-Asset Divestment Strategy	125	-1.2018035	1.6596334
Portfolio-Asset Investment Strategy	125	-1.4382612	2.0575126
Changes in Product Offering	125	-1.9933359	2.1975462
Changes in Market Entry	125	-2.166225	2.2599559
Government Assistance	125	-1.7150675	2.1303753
Valid N (listwise)	125		

As evident in Table 5.17, no single variable with maximum or minimum value of standardized score exists exceeding the cutoff value of 3.29 as suggested by Tabachnick & Fiddel (2007). Therefore, in terms of univariate, all of the scores from the variables in question produced no outlier. However, if a variable does not show univariate outliers, it does not mean that the variable will also have no bivariate or multivariate outliers. Often, the interaction between two or more variables makes up the bivariate or multivariate outliers; which is why outliers had to be assessed in bivariate and multivariate terms.

The analysis of outliers in terms of bivariate usually involves an assessment of scatter plot (Hair et.al., 2006). Appendix C - 2 shows the full result from the scatterplot picturing each Independent Variable against Dependent Variable. The scatterplot for each Independent Variable were superimposed with 99% level of confidence interval to show which cases were fall outside the CI

(Confidence Interval) level and considered to be an outlier (Hair et.al., 2006). Results from the scatterplot in the Appendix C - 2 are summarized in Table 5.18 below.

Table 5.18
Summary of Cases Involving Bivariate and Multivariate Outliers

VARIABLES	BIVARIATE OUTLIERS (Case No.)	MULTIVARIATE OUTLIERS
Debt Restructuring Strategy	-	Case no. 64
Cost Reduction Strategy	41, 56, 75, 124	Mahalanobis D : 32.244
Operating-Asset Reduction Strategy	75	D/df : 4.03
Portfolio-Asset Divestment Strategy	41, 75, 124	
Portfolio-Asset Investment Strategy	17	
Changes in Product Offering	41, 56	
Changes in Market Entry	-	
Government Assistance	17, 41, 56, 119	

Assessment on multivariate outliers was performed using Mahalanobis D, as suggested by Hair, et.al., (2006) and Tabachnick & Fiddel (2007). The cutoff point for this research is Mahalanobis D value of 26. 152 (Chi^2 with df: 8) following suggestion by Tabachnick & Fiddel (2007). The only multivariate outlier produced from case 64, in which the statistic was also presented in Table 5.18. One of the important things to do in outlier analysis is to find out the extent of the effects of the outlier case towards the overall mean of the variable (Tabachnick & Fiddel, 2007). Therefore further investigation of the variable, by comparing the overall mean with and without cases of outliers was performed. The result is presented in Table 5.19 below.

Table 5.19
Mean Comparison between Variables With & Without Outliers

VARIABLE	Mean Without Case No.							Mean With All Cases Included
	17	41	56	64	75	119	124	
CR		2.069	2.073	2.077	2.073		2.071	2.075
AR				1.945	1.939			1.946
AD		1.627		1.635	1.629		1.627	1.63
AI	1.573			1.571				1.576
PO		2.248	2.247	2.252				2.246
ME				2.668	2.669			2.665
GA	1.891	1.889	1.893	1.897		1.891		1.892

Notes: CR: Cost Reduction Strategy; AR: Operating-Asset Reduction Strategy; AD: Portfolio-Asset Divestment Strategy; AI: Portfolio-Asset Investment Strategy; PO: Changes in Product Offering Strategy; ME: Changes in Market Entry Strategy; GA: Government Assistance

Based on figures presented in Table 5.19 above, if case number 17, 56, 119, and 124 were deleted, the comparison of the average including these cases or not, produced not much difference in the value. Therefore, these cases were retained for further analysis. For case number 41, differences in mean at the largest was shown in CR (Cost Reduction Strategy), while for case number 75, differences in mean at the largest was shown in AR (Operating-Asset Reduction Strategy). Since these cases only produced bivariate outliers with no indication of multivariate outliers, therefore these cases were also retained for further analysis.

For the case number 64 which appeared only in multivariate outliers, differences in mean was shown in most of the variables such as AD (Portfolio-Asset Divestment Strategy), AI (Portfolio-Asset Investment Strategy), PO (Changes in Product Offering Strategy) and GA (Government Assistance). However, the difference of the mean was not that significant in variable CR (Cost

Reduction Strategy), AR (Operating-Asset Reduction Strategy) and ME (Changes in Market Entry Strategy). Based on these statistical figures, the researcher decided to omit case number 64 from further analysis, since it affected the mean significantly on most variables.

5.6. The Tests of Multivariate Assumptions

Before proceeding with regression analysis for hypotheses testing, there are assumptions to be met when a researcher considers the use of multivariate analysis. These are the assumption of normality, assumption of linearity, assumption of homoscedaticity or assumption of independence of error, and assumption on the absence of multi-collinearity; as will be discussed in the following section.

5.6.1. Assumptions of Normality

One of the fundamental assumptions of multivariate analysis is that the data in which the analysis will be tested should not depart significantly from normal distribution or normality (Hair et.al., 2006). Assessment of normality is done in the form of univariate testing -for each individual variable- and multivariate -through residual analysis. Univariate normality is an assumption that would be great to have for a single variable, although it is not necessarily a compulsory. However, multivariate normality is a definite prerequisite for multivariate analysis in order to make the analysis to be considered as valid.

Variables, which are considered to achieve univariate normality, did not portray multivariate normality. However if multivariate normality is achieved, then the univariate normality is usually assumed to be achieved (Hair et.al., 2006).

Univariate normality can be assessed through graphical analysis using histogram or normal probability plot, which compares the cumulative distribution of actual data with normal distribution (Hair et.al., 2006). Assessing univariate normality is also possible through the statistic of standardized skewness & standardized kurtosis. Hair et.al., (2006) argued that these values should not exceed $\pm$ 2.58 (at Confidence Interval of 99%) or $\pm$ 1.96 (at Confidence Interval of 95%). Another assessment of normality is also possible by using Kolmogorov-Smirnov test for goodness of fit. This test works similar to normal probability plot as it compares the cumulative probabilities of values in the data set with cumulative probabilities of the same values in a specified theoretical distribution (Kinnear & Gray, 2009). The non-significant value of exact p would support the notion that the test distribution is not significantly different from normal distribution.

Graphical analysis performed for each individual variable (see Appendix D – 1 for details) revealed no significant departure from the assumptions of normality. However, the histogram and normal probability plot for Dependent Variable (DV) and Portfolio-Asset Divestment Strategy (AD) showed a bit

deviation from the shape of normal distribution, in which they slightly deviate from the diagonal line.

Table 5.20
Statistical Result Assessing Univariate Normality

VARIABLE	Kolmogorov-Smirnov Z	Exact Sig. (2-tailed)	Z Skewness	Z Kurtosis
Business Performance (DV)	1.432	.030*	-2.904*	-0.497
Debt Restructuring Strategy	.879	.402	0.525	-1.702
Cost Reduction Strategy	.977	.278	-0.007	-1.668
Operating-Asset Reduction Strategy	1.112	.157	-1.172	-0.925
Portfolio-Asset Divestment Strategy	2.161	.000*	0.672	-2.719*
Portfolio-Asset Investment Strategy	1.383	.040*	1.556	-1.124
Changes in Product Offering	.976	.280	0.340	-1.190
Changes in Market Entry	.717	.659	0.429	-0.476
Government Assistance	1.243	.084	0.225	-1.783

Notes: DV: Dependent Variable

The statistics of standardized skewness and standardized kurtosis along with Kolmogorov-Smirnov test for goodness of fit, which presented in the Table 5.20 above (see Appendix D – 2 for details), showed that several variables, namely Business Performance (DV), Portfolio-Asset Divestment Strategy and Portfolio-Asset Investment Strategy slightly departed from univariate normality. The statistics for standardized skewness and standardized kurtosis also suggest that the DV (Dependent Variable) and AD (Portfolio-Asset Divestment Strategy) slightly departed from univariate normality as their value exceeded the cut-off point of 1.96 (with Confidence Interval of 95%, as suggested by Hair et al., 2006). Therefore, as suggested by Hair et.al., (2006) and Tabachnick & Fiddel

(2007), these variables are candidates for transformation in case multivariate normality could not be achieved.

Assessment on multivariate normality usually performed using residual analysis. This assessment, like univariate normality, is tested through one of these methods: (1) graphical analysis of histogram and normal probability plot of the residuals and (2) Kolmogorov-Smirnov test for suitability of fit.
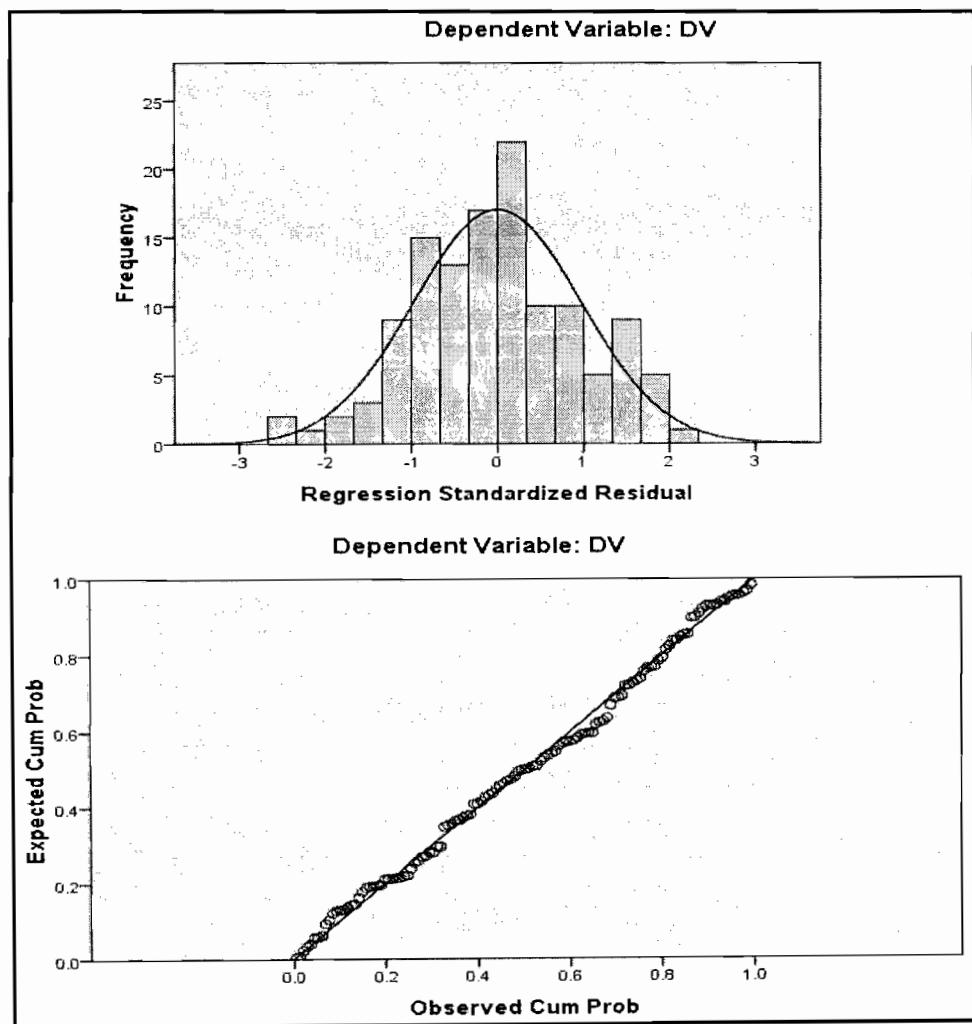
Figure 5.1

Histogram and Normal Probability Plot on Residuals

The result of the graphical analysis as shown in Figure 5.1 above suggested no indication of significant departure from normality for the residuals. The analysis of Kolmogorov-Smirnov test for goodness of fit on the residual produced a Kolomogorov-Smirnov Z of 0.594 and Exact p. of 0.854, which suggest that the test distribution is not significantly different from the normal distribution. Based on the analyses it is assumed that multivariate normality has been achieved and therefore the variables in question are assumed to be approaching normal.

5.6.2. Assumptions of Linearity

Assumption of linearity states that, there is a linear relationship between the predictor and the response variable. This assumption is important since Pearson r only captures linear relationship among variables, and any significant departure from linearity would be ignored (Tabachnick & Fiddel, 2007). There are several ways in testing the assumption of linearity, one of which is by inspecting bivariate scatterplot, in which the shape of the scatterplot should be oval, if the variables are normally distributed and linearly related. Another way of testing this assumption is by using linearity test provided in Anova technique.

Inspection on bivariate scatterplot provided in Appendix C -1 showed no significant deviation from the assumption of linearity as all of the bivariate scatterplot showed an oval shape. Further test of linearity provided in the Anova,

as seen in Table 5.21 below (see Appendix E for detailed statistical results), shows that each individual variable significantly achieved the assumption of linearity. Based on these therefore, it is assumed that linearity between each Independent Variables and Dependent Variables has been achieved.

Table 5.21
Results of Test of Linearity

DEPENDENT VARIABLE WITH	Sig. ($p < .05$)
Company Size	.000
Debt Restructuring Strategy	.000
Cost Reduction Strategy	.000
Operating-Asset Reduction Strategy	.021
Portfolio-Asset Divestment Strategy	.000
Portfolio-Asset Investment Strategy	.000
Changes in Product Offering Strategy	.000
Changes in Market Entry Strategy	.000
Government Assistance	.000

5.6.3. The Assumption of *Homoscedasticity*

Homoscedasticity refers to the assumption that the variance of residual is homogeneous across level of predicted values. This assumption is also known as the assumption of independence of error. If the dispersion of the residual is unequal across levels of predicted values then the relationship is said to be heteroscedastic. *Homoscedasticity* is assessed using graphical analysis through scatterplot in which the standardized residuals were plotted against the standardized predicted values (Tabachnick & Fiddel, 2007). The condition of

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homoscedasticity is said to be met if the plot is scattered across the scatterplot with no distinctive pattern. The result of graphical analysis using scatterplot to assess the assumption of *homoscedasticity* is depicted in Figure 5.2 below.
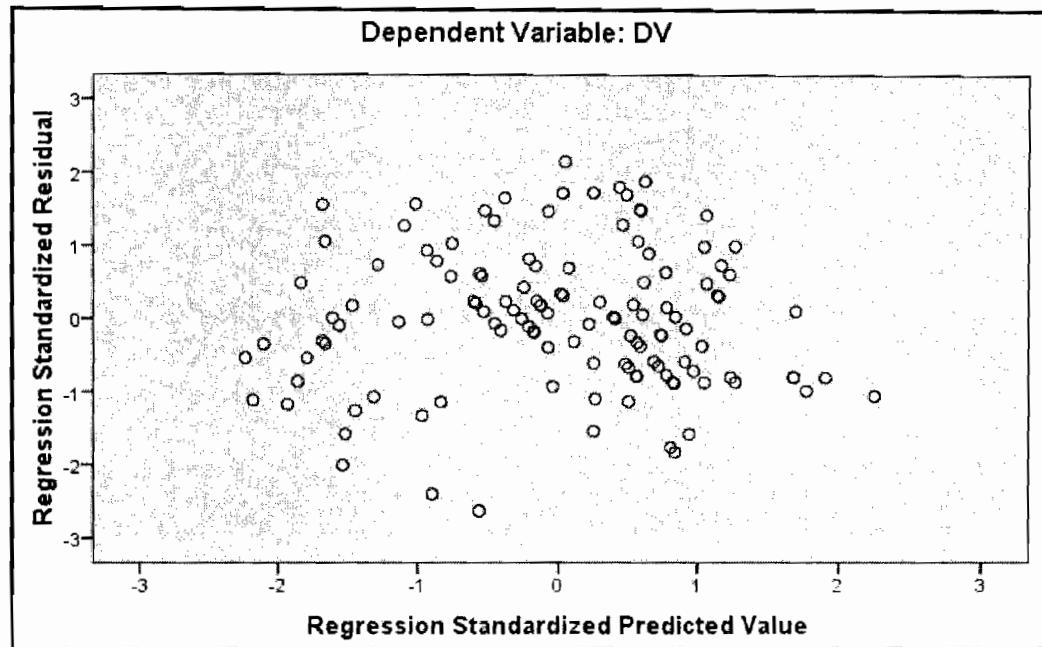
Figure 5.2
Scatterplot Analysis for Testing the Assumption of Homoscedasticity

The result of graphical analysis using scatterplot reveals no significant departure from homoscedasticity as the plots were almost evenly spread across the predicted values of the Dependent Variable. Therefore, the data is said to have fulfilled the assumption of homoscedasticity.

5.6.4. The Assumption of Multicollinearity

The condition of multicollinearity occurs when predictor variables in the study strongly correlate to each other (Pearson $r > 0.90$, as argued by Tabachnick & Fiddel, 2007). When variables have multicollinearity, they contain redundant information that is not needed in the same analysis, and if left untreated would have significant impact on the statistical result, which can cause the error terms to inflate and weaken the analysis. Cohen et.al., (2003) and Hair et.al., (2006) provided rigorous discussions on the impact of multicollinearity on the result of statistical analysis.

Multicollinearity often occurs when cross products variables -or power of variables- were created and included in the analysis alongside the original ones. However if a researcher is solely interested in the prediction of Y or in the value of R^2, multicollinearity has little effect and no remedial action is needed (Cohen, et.al., 2003 : 425). But in cases where a researcher aims to test a substantive theory where the value of β is of main interest, high value of multicollinearity presents a potential problem (Cohen, et.al., 2003 : 426).

Cohen, et.al., (2003) argued several ways in lessening the effect of multicollinearity, such as: (1) through model re-specification, (2) collection of additional data, (3) by using regression of Principal Component, and (4) by using Ridge Regression. However in cases where multicollinearity is due to cross

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products or power of variables, mean centering the variable was strongly suggested by Aiken & West (1991) to lessen the effect carried by multicollinearity.

One of a number of ways in detecting *multicollinearity* is by assessing the tolerance value, defined by the amount of variability of the selected Independent Variable not explained by the other IVs (Hair et.al., 2006). The tolerance value, measuring between 0 and 1, should be close to 1 to indicate the absence of significant multicollinearity.

Another way of checking the existence of significant multicollinearity is by assessing the value of variance inflation factor (VIF). The square root of VIF is the degree to which the standard error has been increased due to multicollinearity (Hair et.al., 2006). The value of VIF, which is between 1 and infinite, should be closer to 1 to indicate the absence of multicollinearity. Both values of tolerance and VIF are analyzed using collinearity diagnostics in the SPSS package, and the common cutoff threshold for tolerance and VIF are 0.10 and 10 respectively (Hair et.al., 2006).

The result of collinearity diagnosis presented in Table 5.22 (see Appendix F for detailed statistics) below shows no single variable indicating a tolerance value of less than 0.10 or a VIF value of more than 10. Therefore, it is safe to assume that the level of multicollinearity among Independent Variables in this

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research is at acceptable level and there is no evidence of significant multicollinearity among the predictor variables.

Table 5.22

Collinearity Diagnostics among Predictor Variables

VARIABLES	TOLERANCE	VIF
Debt Restructuring Strategy	.297	3.369
Cost Reduction Strategy	.265	3.771
Operating-Asset Reduction Strategy	.333	3.004
Portfolio-Asset Divestment Strategy	.289	3.465
Portfolio-Asset Investment Strategy	.475	2.106
Changes in Product Offering Strategy	.278	3.602
Changes in Market Entry Strategy	.381	2.628
Government Assistance	.238	4.207

The collinearity diagnostics involving cross product variables, used in further analysis to assess some of the hypothesized Moderating Variables, are assessed during the respective test in the related subsection of this chapter.

5.7. Descriptive Analysis

Descriptive analysis for each individual variable appears in Table 5.23. The mean, median, standard deviation, number of valid cases, minimum and maximum values for each variable are presented in the table. All of the variables were tapped using five-point scale, which gives a central mid point of 3. In terms of maximum values, only DV (Dependent Variable - Business Performance), CR (Cost Reduction Strategy), PO (Changes in Product Offering Strategy) and ME

(Changes in Market Entry Strategy) produced values higher than 3, meaning some companies perceived they were doing above mid point in terms of those variables.

Regarding mean of the variables, only Business Performance (DV) showed a mean value of higher than 3, which means that on average many companies considered themselves to perform better compared to their initial condition of financial difficulties. However, in respect to the Independent Variables, the mean for each variable is less than the central midpoint value of 3. These figures suggested that none of the companies perceived themselves to have scored better than central mid point.

Table 5.23
Descriptive Statistics for Each Individual Variable

VARIABLES	VALID	MISSING	MEAN	MEDIAN	STD. DEV	MIN	MAX
DV	124	0	3.528	3.667	0.823	1.5	4.833
DR	124	0	2.090	2.143	0.452	1.286	3
CR	124	0	2.077	2	0.484	1	3.2
AR	124	0	1.945	2	0.439	1	3
AD	124	0	1.635	1.75	0.523	1	2.5
AI	124	0	1.571	1.6	0.398	1	2.4
PO	124	0	2.252	2.2	0.524	1.2	3.4
ME	124	0	2.668	2.625	0.481	1.625	3.75
GA	124	0	1.897	1.875	0.519	1	3

Notes: DV: Business Performance; CR: Cost Reduction Strategy; AR: Operating-Asset Reduction Strategy; AD: Portfolio-Asset Divestment Strategy; AI: Portfolio-Asset Investment Strategy; PO: Changes in Product Offering Strategy; ME: Changes in Market Entry Strategy; GA: Government Assistance

The variable with lowest value of mean in terms of Strategy-related Factors produced by Portfolio-Asset Investment Strategy (AI) and Portfolio-Asset Divestment Strategy (AD). This might indicate the inability of the companies in performing these strategies better than expected. These facts may also be due to the characteristic of the sample, which consists of companies from private sectors and not public listed companies, which only had limited number of resources.

The factor of Government Assistance (GA) suggested to be a Moderating Variable in this research, also produced a low mean score of 1.897. This suggests the perception that the respondents felt on the level of assistance that has been given by the Government during the turnaround. The low mean score that this variable showed suggests the low level of involvement with respect to the Government Assistance, which has been felt by those managers of Turnaround Companies in the sample.

In general, several Strategy-related Factors such as Debt Restructuring Strategy (DR), Cost Reduction Strategy (CR) and Operating-Asset Reduction Strategy (AR) showed a close proximity in mean values, with mean score ranging from 1.94 to 2.09. On the other hand, the mean value for Changes in Product Offering Strategy (PO) and Changes in Market Entry Strategy (ME) showed a higher score than the rest of the variables. The mean score for Changes in Product Offering Strategy (PO) and Changes in Market Entry Strategy (ME) were 2.25

and 2.67 respectively, which suggested that these companies perceived to perform better in these two strategies compared to the rest of Strategy-related Factors.

A more detailed Descriptive Analysis was performed on each variable in relation to the Company Size. This analysis was performed in order to check if there is a general difference in the mean of each variable within each category of Company Size. The result of this analysis comes in Table 5.24 below.

Table 5.24
Descriptive Statistics for Each Individual Variable according to Size

CATEGORY	SMALL (n: 31)		MEDIUM (n: 35)		LARGE (n: 58)	
VAR	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
DV	3.161	0.429	3.390	0.576	3.807	1.001
DR	1.765	0.301	2.094	0.407	2.261	0.455
CR	1.665	0.332	1.966	0.427	2.366	0.391
AR	1.639	0.299	1.874	0.423	2.152	0.406
AD	1.218	0.358	1.614	0.463	1.871	0.494
AI	1.245	0.223	1.457	0.305	1.814	0.367
PO	1.877	0.368	2.189	0.409	2.490	0.534
ME	2.367	0.304	2.611	0.372	2.864	0.526
GA	1.411	0.345	1.807	0.384	2.211	0.444

Notes: DV: Business Performance; CR: Cost Reduction Strategy; AR: Operating-Asset Reduction Strategy; AD: Portfolio-Asset Divestment Strategy; AI: Portfolio-Asset Investment Strategy; PO: Changes in Product Offering Strategy; ME: Changes in Market Entry Strategy; GA: Government Assistance

As can be seen from Table 5.24, on average, the mean score for each variable is slightly higher as the size of the company grows larger. The mean score of Dependent Variable (Business Performance) for small-sized companies

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is 3.161, while for the medium-sized and large-sized companies, the mean score was 3.390, and 3.807 respectively. The mean score for other predictor variables also behave in the same way as the mean for Dependent Variable, which also grew bigger as the size category increased. The lowest mean came from Portfolio-Asset Divestment Strategy (AD) and Portfolio-Asset Investment Strategy (AI) for small category companies that produced mean score of 1.218 and 1.245 respectively. These figures fit well in explaining the capabilities of small-sized private manufacturing companies, which are rather limited since they would not have much divisions or subsidiaries as assets to divest nor resources to invest.

The mean score for Government Assistance for the three groups of companies was also considerably different, as the score was 1.411 for small, 1.807 for medium, and 2.211 for large-sized companies. This indicates a perception of unequal treatment in terms of assistance given by the Government among these three categories of companies. The larger mean score for the Government Assistance, as perceived by large-sized companies, suggested a better assistance was given to this category of companies compared to other groups.

The differences in mean scores in each variable for all three categories of Company Sizes also suggested that the implementation of strategies might also be different across all three categories. These statistical figures strengthened the

proposition that there might be a significant difference in the application of strategies and their relations to Business Performance between these different categories of Companies, as hypothesized in Chapter 3. One of the better ways to explore this proposition is through the Analysis of Variance (ANOVA), as discussed in the next section. The detailed statistical figures on Descriptive Analysis come in Appendix G.

5.8. The Analysis of Variance

Analysis of Variance (ANOVA) was conducted on each individual variable to look for differences among groups in the sample with respect to their category of size. The result of one-way inter-group analysis of variance (see Appendix H – 1 for further details), showed a statistically significant difference in the score for each individual variable for the three categories of Company Size of the sample.

Further investigation through post-hoc analysis using Turkey test, as presented in Table 5.25 below, indicated that the mean score for the Large-sized category is significantly different from the Small and Medium-sized category in almost all of the variables except Debt Restructuring Strategy (DR). In this variable, the mean score for Medium-sized category was not significantly different compared to the Large-sized category of companies.

Table 5.25
Results of Post-hoc Analysis of Variance Comparing Variables between Sizes

VARIABLE	Reference Group	CATEGORY	
		MEDIUM (p-value)	LARGE (p-value)
Business Performance	Small	0.195	< .001**
	Medium		0.037*
Debt Restructuring Strategy	Small	0.004**	< .001**
	Medium		0.139
Cost Reduction Strategy	Small	0.006**	< .001**
	Medium		< .001**
Operating-Asset Reduction Strategy	Small	0.04*	< .001**
	Medium		0.003**
Portfolio-Asset Divestment Strategy	Small	0.002**	< .001**
	Medium		0.026*
Portfolio-Asset Investment Strategy	Small	0.022*	< .001**
	Medium		< .001**
Changes in Product Offering	Small	0.005**	< .001**
	Medium		0.009**
Changes in Market Entry	Small	0.014*	< .001**
	Medium		0.024*
Government Assistance	Small	< .001**	< .001**
	Medium		< .001**

** *Correlation is significant at .01 level*
* *Correlation is significant at .05 level*

The result also showed that the mean score for the Medium-sized category of companies is significantly different from the Small-sized category for all variables except Business Performance (DV). The statistical results produced by ANOVA confirm the argument that there are significant differences in the mean score for each variable, between each category of size. These findings further strengthen the proposition that Company Size might also moderate the relationship between Strategy-related Factors and Business Performances as postulated in Chapter 3.

5.9. The Analysis of Correlation

The analysis of correlation was conducted to explore the bivariate relationship among variables in question, except for Company Size. The results of Pearson product-moment correlation for each bivariate relationship of the variables comes in table 5.26 below (see Appendix I for further details).

Table 5.26
The Result of Bivariate and Partial (Controlling GA) Correlation Analysis

		DV	DR	CR	AR	AD	AI	PO	ME	GA
DV	Biv	1								
	Part	1								
DR	Biv	0.817**	1							
	Part	0.653**	1							
CR	Biv	0.372**	0.593**	1						
	Part	-0.144	0.162	1						
AR	Biv	0.205*	0.454**	0.772**	1					
	Part	-0.308**	0.011	0.619**	1					
AD	Biv	0.445**	0.656**	0.777**	0.710**	1				
	Part	0.002	0.305**	0.582**	0.516**	1				
AI	Biv	0.500**	0.403**	0.422**	0.279**	0.351**	1			
	Part	0.146	-0.134	-0.025	-0.162	-0.138	1			
PO	Biv	0.719**	0.717**	0.610**	0.509**	0.618**	0.570**	1		
	Part	0.471**	0.385**	0.223*	0.135	0.250**	0.210*	1		
ME	Biv	0.762**	0.574**	0.250**	0.103	0.238**	0.546**	0.666**	1	
	Part	0.649**	0.319**	-0.183*	-0.313**	-0.190*	0.324**	0.486**	1	
GA	Biv	0.654**	0.747**	0.689**	0.600**	0.678**	0.633**	0.724**	0.526**	1

** *Correlation is significant at .01 level;* * *Correlation is significant at .05 level*
Notes: DV: Business Performance; CR: Cost Reduction Strategy; AR: Operating-Asset Reduction Strategy; AD: Portfolio-Asset Divestment Strategy; AI: Portfolio-Asset Investment Strategy; PO: Changes in Product Offering Strategy; ME: Changes in Market Entry Strategy; GA: Government Assistance

The analysis of correlation in Table 5.26 above showed that all of the bivariate relationships among Strategy-related Factors as predictor variables are significant with positive correlation. These results support the argument that turnaround strategies were parallel and in short sequence, where action taken in some strategies might also influence the level of action taken in other types of strategy, explained by the significant correlation between them. On the other hand, since these strategies would also be the Independent Variables in this research, significant correlation among these predictor variables as shown by these statistics would also suggest the existence of multicollinearity among them. However, since none of the Pearson r for each bivariate correlation exceeded the cut-off point of 0.9 (as suggested by Tabachnick & Fiddel, 2007) then the multicollinearity among these variables is still considered at acceptable level, as discussed earlier in the section of Multivariate Assumption.

The correlation between Business Performance (DV) and other predictor variables was also positive and significant, although the strength of the relationship varies between 0.205 and 0.817. These findings support the notion that Strategy-related Factors as predictor variables had a positive correlation and linear relation with Business Performance.

Earlier in Chapter 3, the factor of Government Assistance suggested to have a moderating influence in the relationship between Strategy-related Factor and Business Performance. Therefore, by removing the influence of this

confounding variable (Government Assistance), the researcher gets a more accurate indication of the relationship between two variables in question. This analysis can follow through partial correlation. The existence of confounding variables might alleviate the correlation between two variables; hence, by controlling the confounding factor, one should expect that the correlation between these two variables become somewhat lower.

Bivariate correlation between Government Assistance (GA) and Strategy-related Factors were found to be positive and significant with the strength, ranges from 0.526 to 0.747 (see Table 5.26). These statistical results suggest that this variable might have confounding effects towards other variables. Partial correlation analysis was performed to explore the relationship among predictor variables and Business Performance, while controlling for the factor of Government Assistance (GA). The result of this analysis also comes in Table 5.26 (see subsection "Part"; grey area).

Results from partial correlation show that the correlations among several strategies become somewhat negative and insignificant. Variable ME (Changes in Market Entry Strategy) for example, shows a significant negative correlation with CR (Cost Reduction Strategy), AR (Operating-Asset Reduction Strategy), and AD (Portfolio-Asset Divestment Strategy). These findings suggest that the score of Changes in Market Entry Strategy inversely correlates with the score of Cost Reduction Strategy, Operating-Asset Reduction Strategy, and Portfolio-Asset

Divestment Strategy. Which means that companies that pursue Changes in Market Entry Strategy, would become less involved in Cost Reduction Strategy, Operating-Asset Reduction Strategy and Portfolio-Asset Divestment Strategy.

The statistical results in Table 5.26 in the Portfolio-Asset Investment Strategy, also suggest that this variable while controlling for the factor of Government Assistance (GA), does not correlate significantly with other Strategy-related Factors, since the partial correlations were all negative and insignificant. Controlling for the factor of Government Assistance, Business Performance as Dependent Variable (DV) does not correlate significantly with several Strategy-related Factors such as CR (Cost Reduction Strategy), AD (Operating-Asset Divestment Strategy), and AI (Operating-Asset Investment Strategy). However, Business Performance (DV) still correlates significantly with DR (Debt Restructuring Strategy), AR (Operating-Asset Reduction Strategy), PO (Changes in Product Offering Strategy) and ME (Changes in Market Entry Strategy), in which the relationship is positive, although the strength of the relationship for some strategies were lowered considerably. In conclusion, these results from partial correlation analyses, suggest that Government Assistance (GA) might influence the relationship between Strategy-related Factors and Business Performance.

5.10. Hypothesis Testing

This section will discuss the results of statistical analyses about the proposed hypotheses of Chapter 3. The discussion will first focus on the relationship between Strategy-related Factors and Business Performance. The discussion will then continue with the results of statistical analyses in relation to the moderating effects of Company Size and influence towards the relationship between Strategy-related Factors and Business Performance. Next, the section will end with discussions on the statistical results of Government Assistance as the moderating factor in the relationship between Strategy-related Factors and Business Performance.

5.10.1. The Hypotheses Considering the Relationship between Strategy-related Factors and Business Performance

Seven different hypotheses were proposed in Chapter 3 to test the relationship between Strategy-related Factors and Business Performance. These hypotheses are listed again in Table 5.27 below.

Table 5.27

Hypotheses in relation to the Strategy-related Factors and Business Performance

H1 :	*There is a positive and significant relationship between Debt Restructuring Strategy and Business Performance*
H2 :	*There is a positive and significant relationship between Cost Reduction Strategy and Business Performance*
H3 :	*There is a positive and significant relationship between Operating-Asset Reduction Strategy and Business Performance*
H4 :	*There is a positive and significant relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5:	*There is a positive and significant relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6 :	*There is a positive and significant relationship between Changes in Product Offering Strategy and Business Performance*
H7 :	*There is a positive and significant relationship between Changes in Market Entry Strategy and Business Performance*

Simple Regression Analyses were performed to test the relationship between each individual variable and Business Performance as the Dependent Variable, while controlling the effect of Company Size. The results are shown in Table 5.28 below. Results from Simple Regression Analysis showed that almost all Strategy-related Factors have a significant and positive relationship with Business Performance.

Among Strategy-related Factors, Debt Restructuring Strategy had the single most significant impact on Business Performance. The variable (ZDR) had a positive and significant relationship with Business Performance with beta value of 0.843. The model explained 68.2% (F: 85.829, p< .001) variance of Business Performance.

Table 5.28

Results of Simple Regression Analysis between each Strategy-related Factors (IV) and Business Performance (DV)

Hypo thesis	VARIABLE	COEFFICIENT			MODEL		
		B	t	Sig	R-sq	F	Sig
H1	DSIZE_M	-0.335	-2.281	.024*			
	DSIZE_L	-0.14	-0.988	0.325	0.682	85.829	p< .001
	ZDR	0.843	14.666	p<.001			
H2	DSIZE_M	0.111	0.467	0.641			
	DSIZE_L	0.396	1.543	0.126	0.158	7.505	p< .001
	ZCR	0.268	2.55	.012*			
H3	DSIZE_M	0.248	1.029	p< .001			
	DSIZE_L	0.718	2.98	.003**	0.115	5.191	p< .001
	ZAR	0.057	0.585	0.56			
H4	DSIZE_M	-0.008	-0.036	0.971			
	DSIZE_L	0.313	1.356	0.178	0.219	11.206	p< .001
	ZAD	0.378	4.045	p< .001			
H5	DSIZE_M	0.029	0.13	0.897			
	DSIZE_L	0.116	0.48	0.632	0.251	13.424	p< .001
	ZAI	0.469	4.719	p< .001			
H6	DSIZE_M	-0.154	-0.866	3.88			
	DSIZE_L	-0.066	-0.374	0.709	0.521	43.475	p< .001
	ZPO	0.728	10.114	p< .001			
H7	DSIZE_M	-0.106	-0.644	0.521			
	DSIZE_L	0.001	0.005	0.996	0.582	55.803	p< .001
	ZME	0.758	11.624	p< .001			

Notes: ZDR: Debt Restructuring Strategy ZCR: Cost Reduction Strategy; ZAR: Operating-Asset Reduction Strategy; ZAD: Portfolio-Asset Divestment Strategy; ZAI: Portfolio-Asset Investment Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy

The second most significant relationship towards Business Performance was provided by Changes in Market Entry Strategy, with R^2 value of .582 and beta value of .758. The relationship was significant and positively related at p< .001. The model explained as much as 58.2% variance of Business Performance. The variable of Changes in Product Offering Strategy (ZPO) also had a significant and positive relationship with Business Performance (F: 43.475, p<

.001). With R^2 value of .521, this variable is the third variable with the biggest value of R^2.

The factor of Portfolio-Asset Divestment Strategy (ZAD) and Portfolio-Asset Investment Strategy (ZAI) were also found to have a significant and positive relationship with Business Performance (Beta ZAD: .378, Beta ZAI: .469). The bigger Beta value of Portfolio-Asset Investment Strategy (ZAI) suggested that this variable gave a bigger contribution towards Business Performance in the model, compared to Portfolio-Asset Divestment Strategy (ZAD). This argument was also supported by the respective R^2 value (ZAD R^2: .219; ZAI R^2: .251).

The result of Simple Regression Analysis on the relationship between Operating-Asset Reduction Strategy (ZAR) and Business Performance shows that the relationship between these variables are not statistically significant (Beta: .057, p: .56). In this model, Company Size seems to contribute more on the model especially for the Large-sized category, as the dummy variable for that category was found to be significant (R^2: .115, F: 5.191, p< .001). Detailed statistical results on Simple Regression Analysis come in Appendix J at the later part of the thesis.

In order to measure the combined effect of all the Strategy-related Factors towards Business Performance, the analysis of Multiple Regression was performed on the variables in question. Controlling the effect of Company Size and the level of Government Assistance, all of the seven Strategy-related Factors were regressed against Business Performance. The result of this analysis comes in Table 5.29 (see Appendix K – 1 for detailed statistical results) below.

Table 5.29
Results of Multiple Regression Analysis of Strategy-related Factors toward Business Performance

VARIABLE	COEFFICIENT			MODEL
	B	t	Sig	
Debt Restructuring Strategy	0.574	8.335	p< .01**	R-sq : .844
Cost Reduction Strategy	-0.084	-1.119	0.266	Adj R-sq : .830
Operating-Asset Reduction Strategy	-0.149	-2.301	0.023*	F : 61.16
Portfolio-Asset Divestment Strategy	0.066	0.955	0.342	p < .001
Portfolio-Asset Investment Strategy	0.087	1.524	0.13	
Changes in Product Offering Strategy	0.116	1.606	0.111	
Changes in Market Entry Strategy	0.336	5.407	p< .01**	
Government Assistance	0.106	1.373	0.173	
DSIZE_M	-0.423	-3.808	p< .01**	
DSIZE_L	-0.402	-2.949	.004**	

** Significant at p< .01; * Significant at p< .05
Notes: DSIZE_M: Medium-sized company; DSIZE_L: Large-sized company

Results from the analysis of multiple regression show that among seven Strategy-related Factors which were proposed to have a significant relationship with Business Performance, only three of them were significantly supported. Two of the factors namely, Changes in Market Entry Strategy (ZME) and Debt Restructuring Strategy (ZDR) were found to have positive and significant

relationship toward Business Performance, with Beta value of 0.574 (ZDR) and 0.336 (ZME). Operating-Asset Reduction Strategy (ZAR) also had significant contribution toward Business Performance although the relationship negatively correlated with Beta value of -0.149. The factor of Company Size as control variable, also found to be significantly related to the improvement of Business Performance with the relationship appeared to be negative (Beta for Medium-sized category: -0.423; Beta for Large-sized category: -0.402). However, the factor of Cost Reduction Strategy (ZCR), Portfolio-Asset Divestment Strategy (ZAD) and Portfolio-Asset Investment Strategy (ZAI) failed to produce sufficient support of significance in their relationship towards Business Performance.

One of the objectives in model building is to develop a model that is useful in predicting the Dependent Variable. Stepwise regression analysis as argued by Tabachnick & Fiddel (2007) is used here as it develops a subset of IVs (Independent Variables) that is useful in predicting the DV (Dependent Variable), while eliminating other IVs which do not provide any additional prediction power to the ones already in the equation. For this purpose, a stepwise regression analysis ran between Strategy-related Factors (IV) and Business Performance (DV), while controlling for the variable of Company Size and Government Assistance. The results of the analyses are presented in the Table 5.30 (see Appendix K – 2 for detailed statistical results) below.

Table 5.30

Results of Stepwise Regression Analysis of Strategies-related Factors toward Business Performance

VARIABLE	COEFFICIENT			MODEL
	B	**t**	**Sig**	
DSIZE_M	-0.401	-3.665	.001**	R-sq: .839
DSIZE_L	-0.365	-2.945	.004**	Adj R-sq: .829
Government Assistance	0.148	2.051	.043*	F: 86.230
Changes in Market Entry	0.349	5.968	.001**	p< .001**
Debt Restructuring Strategy	0.555	8.859	.001**	
Operating-Asset Reduction Strategy	-0.178	-3.286	.001**	
Changes in Product Offering	0.137	2.002	.048*	
Constant	0.284			

* *Significant at .05 ;* ** *Significant at .01*

Statistical results from Stepwise Regression Analysis showed that from the seven initially proposed variables of Strategy-related Factors, only four managed to be included in the final model. In the sequence in which they enter into the model, these variables were Changes in Market Entry Strategy (Beta: 0.349), Debt Restructuring Strategy (Beta: 0.555), Operating-Asset Reduction Strategy (Beta: -0.178), and Changes in Product Offering Strategy (Beta: 0.137).

The variables of Cost Reduction Strategy (ZCR), Portfolio-Asset Divestment Strategy (ZAD) and Portfolio-Asset Investment Strategy (ZAI) were not included in the final model as they were redundant through the Stepwise Regression Analysis. The final model is significant with R^2 value of 0.839, adjusted R^2 value of 0.829, and F value of 86.230 (p< .001). Comparison on the score of adjusted R^2, between the Stepwise method and Multiple Regression

method shows that the score of adjusted R^2 was not significantly different between the two models (adjusted R^2 for Multiple Regression: .830, adjusted R^2 for Stepwise Regression: 0.829). These figures suggest that the Stepwise model is comparatively similar to the Multiple Regression model with lesser number of IVs.

Conclusion

Several proposed hypotheses postulated in chapter 3 were supported by the statistical analyses presented in this section. Hypothesis 1 and 7, which stated that Debt Restructuring Strategy and Changes in Market Entry Strategy would show a positive and significant relationship with Business Performance, were fully supported. The results from the Simple, Multiple and Stepwise Regression Analysis strongly supported this proposition.

Hypothesis 2, 4 and 5, which stated that there is a positive and significant relationship between Cost Reduction Strategy (Hypothesis 2), Portfolio-Asset Divestment Strategy (Hypothesis 4), and Portfolio-Asset Investment Strategy (Hypothesis 5), failed as these variables only found a significant relationship with Simple Regression Analysis. The variable of Changes of Product Offering Strategy, which suggested in hypothesis 6 to have a positive and significant relationship with Business Performance, also failed in the analysis of Multiple

Regression. This variable only found a significant relationship through Simple and Stepwise Regression Analysis.

The Operating-Asset Reduction Strategy, which was suggested to have a positive and significant relationship with Business Performance (Hypothesis 3) was also found to be supported. This variable was found to be significant in the Multiple and Stepwise Regression model, but not in the case of Simple Regression. It should be noted that this variable was found to have a negative correlation with Business Performance in both model, which suggested that an increase in the score of this variable would decrease the level of Business Performance that the company would achieve, considering all other variables remain constant. As a conclusion to the discussions on this section, a summary of the findings in regards to the hypotheses is presented in Table 5.31 below.

Table 5.31
Summary of the Findings in regards to the Hypotheses Suggesting a Relationship between Strategy-related Factors and Business Performance

	Statements of Hypotheses	**t-value**	**Status**
H1 :	*There is a positive and significant relationship between Debt Restructuring Strategy and Business Performance*	8.335**	**Supported**
H2 :	*There is a positive and significant relationship between Cost Reduction Strategy and Business Performance*	-1.119	Not Supported
H3 :	*There is a positive and significant relationship between Operating-Asset Reduction Strategy and Business Performance*	-2.301*	**Supported**
H4 :	*There is a positive and significant relationship between Portfolio-Asset Divestment Strategy and Business Performance*	0.955	Not Supported
H5:	*There is a positive and significant relationship between Portfolio-Asset Investment Strategy and Business Performance*	1.524	Not Supported
H6 :	*There is a positive and significant relationship between Changes in Product Offering Strategy and Business Performance*	1.606	Not Supported
H7 :	*There is a positive and significant relationship between Changes in Market Entry Strategy and Business Performance*	5.407**	**Supported**

** Significant at p< .05; ** Significant at p < .01*

5.10.2. The Hypotheses Considering Company Size as the Moderating Variable

There are different approaches in analyzing the interaction effects of Moderating Variables. However, the one recommended by Cohen & Cohen (1983) were among the most popular (Jaccard & Turrisi, 2003). The method as proposed by Cohen & Cohen (1983), involves creating the variable of product term, XZ, which carried the interaction effect. These variables were analyzed with Hierarchical Regression Analysis in which the R^2 value for the two models was then calculated. The increment of R^2 value from the first model (which consists only the original, main-effect model) to the second model (which consist of the main-effect model plus the product-term) were then analyzed. If the increment of R^2 values were found to be statistically significant, one could say that the interaction effect is present, which also suggest the existence of the moderating effect. The formal significance test for the differences is usually the Change statistic of the F-test in the Hierarchical Regression Analysis. This analysis will be applied in testing the hypotheses of this research.

From discussions in Chapter 3, seven propositions were argued that Company Size would significantly influence (moderate) the relationship between Strategy-related Factors and Business Performance. These hypotheses are presented again in the Table 5.32 below.

Table 5.32

Hypotheses in regards to Company Size as the moderating factor

H1a :	*Company Size shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*
H2a :	*Company Size shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*
H3a :	*Company Size shall influence (moderate) the relationship between Operating-Asset Reduction Strategy and Business Performance*
H4a :	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5a :	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6a :	*Company Size shall influence (moderate) the relationship between Changes in Product Offering Strategy and Business Performance*
H7a :	*Company Size shall influence (moderate) the relationship between Changes in Market Entry Strategy and Business Performance*

Aiken & West (1991) argued that the creation of product term to test the interaction of Moderating Variables could increase the level of multicollinearity among the Independent Variables in the model. In order to reduce this problem, they suggested centering the data before the analysis was performed. However, they also argued that standardizing the data would also produce similar results to centering, so long as the product term is not standardized (Aiken & West, 1991: 42). Following the suggestion of Aiken & West (1991), the variables in this research were standardized prior to creating the product terms.

Preliminary analysis on collinearity diagnostic of the model with the inclusion of product terms and two dummy variables (DSIZE_M for dummy coding for Medium-sized companies, and DSIZE_L for dummy coding for Large-sized companies), showed the model suffering from multicollinearity. This

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was indicated by the high value of VIF (VIF > 10). Based on these facts, the researcher slightly changed the model by including only one dummy variable in the model instead of two. By this, the reference group becomes the combination of any two groups not coded by the dummy variable. The collinearity diagnostic of the slightly changed model has improved significantly and the analysis of the slope (Beta) can be performed.

Three stages of Hierarchical Regression Analysis were performed with sets of Independent Variable with each group of Company Size. The first stage is the inclusion of the Dummy Variable, which then followed by the second stage with the inclusion of the Independent Variable into the model. These first two stages build up the main-effect model, which consist of the Independent Variable and the Dummy Variable for Company Size. Each set of Independent Variable were paired with each category of size which means that there are three model to be tested for each set of IVs (DSIZE_S for Small-sized companies, DSIZE_M for Medium-sized companies, and DSIZE_L for Large-sized companies).

The third and final stage is the formation of the third model, in which the Hierarchical Regression Analysis was performed with the inclusion of the product-term to detect the significance of the interaction effect. The results of this regression were then compared to the earlier main effect model. The change statistics of the model and beta value for each variable in the third model were then calculated to determine whether a significant interaction is present or not.

The stages in Sequential/ Hierarchical Regression of the model are further explained by using regression equation below.

Model 1 : DV = α + β1DSIZE + ε

Model 2 : DV = α + β1DSIZE + β ZDR + β ZCR + β ZAR + β ZAD + β ZAI + β ZPO + β ZME + ε

Model 3 : α + β1DSIZE + β ZDR + β ZCR + β ZAR + β ZAD + β ZAI + β ZPO + β ZME + β ZDR*DSIZE + β ZCR*DSIZE + β ZAR*DSIZE + β ZAD*DSIZE + β ZAI*DSIZE + β ZPO*DSIZE + β ZME*DSIZE + ε

Where : DSIZE: Dummy Coding for the Variable of Company Size; ZCR: Cost Reduction Strategy; ZAR: Operating-Asset Reduction Strategy; ZAD: Portfolio-Asset Divestment Strategy; ZAI: Portfolio-Asset Investment Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy; DSIZE*VAR : The interaction between the IVs and the Contextual Variable (the cross-product variable)

The statistical results of Hierarchical Regression Analysis performed on the model with company-size "small" (DSIZE_S: dummy coding for Small-sized category of companies) and "medium" (DSIZE_M: dummy coding for Medium-size category of companies) produced insignificant results for both category of sizes. Therefore, statistical analyses in these categories are not to be elaborated further in this section (see Appendix L for details). However, the results for

Hierarchical Regression Analysis involving Large-sized companies (DSIZE_L), produced significant results with few variables found to be significantly moderated by the factor of Company Size. The statistical figures are presented in Table 5.33 below.

Table 5.33
Result from the Hierarchical Regression Analysis measuring the Moderating Effect of Company Size - Large

VARIABLE	MODEL 1			MODEL 2			MODEL 3		
	Beta	t	Sig.	Beta	t	Sig.	Beta	t	Sig.
Constant	-0.298	-2.546	0.012	0.032	0.498	0.620	-0.104	-1.520	0.131
DSIZE_L	0.637	3.722	0.000	-0.069	-0.624	0.534	-0.043	-0.408	0.684
ZDR				0.571	7.838	0.000	0.539	6.211	0.000
ZCR				-0.100	-1.266	0.208	-0.064	-0.665	0.507
ZAR				-0.158	-2.307	0.023	-0.130	-1.528	0.129
ZAD				0.035	0.482	0.630	-0.127	-1.425	0.157
ZAI				0.061	1.016	0.312	-0.044	-0.571	0.569
ZPO				0.147	1.943	0.054	0.236	2.393	0.018
ZME				0.307	4.709	0.000	0.084	1.007	0.316
ZGA				0.081	0.995	0.322	0.096	1.259	0.211
ZDR x DSIZE_L							0.025	0.193	0.848
ZCR x DSIZE_L							-0.054	-0.356	0.722
ZAR x DSIZE_L							0.002	0.012	0.990
ZAD x DSIZE_L							0.319	2.218	0.029
ZAI x DSIZE_L							0.145	1.316	0.191
ZPO x DSIZE_L							-0.218	-1.537	0.127
ZME x DSIZE_L							0.382	3.069	0.003
MODEL STATISTIC	R-sq .102 Adj R-sq .095 F: 13.855 p < .001			R-sq .824 Adj R-sq .810 F : 59.318 p < .001			R-sq .860 Adj R-sq .839 F : 40.990 p < .001		
CHANGE STATISTIC				R-sq .722 F : 58.473 p < .001			R-sq .036 F : 3.890 p : .001		

Notes: ZDR: Debt Restructuring Strategy; ZCR: Cost Reduction Strategy; ZAR: Operating-Asset Reduction Strategy; ZAD: Portfolio-Asset Divestment Strategy; ZAI: Portfolio-Asset Investment Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy; ZGA: Government Assistance; DSIZE_L: Large-sized category of company

In the first model of Hierarchical Regression Analysis, the dummy coding for large companies (DSIZE_L) was entered into the model that produced a significant result, with F value of 13.855 ($p < .001$) and R^2 value of .102. Company Size (Large-size category) as the only IV for the first model was found to be a significant contributor to Business Performance. The first model, which did not control other known variables, can be interpreted as the mean difference between the Large-sized category and the Non-large-sized category of companies.

In the second model, all other Independent Variables for the study were entered into the regression model, which produced a significant result with F value of 59.318 ($p < .001$) and R^2 value of .824. The changed statistics for the model 2 produced F-change value of 58.473 ($p < .001$) and sr^2 value of .722. The inclusion of a set of Independent Variables in model 2 managed to explain the variance of Business Performance at the incremental value of 72.2%. In overall, the second model of regression equation managed to explain 82.4% variance of Business Performance.

There are three Independent Variables, namely Debt Restructuring Strategy (ZDR), Changes in Market Entry Strategy (ZME) and Operating-Asset Reduction Strategy (ZAR), which were significant in explaining Business Performance in the regression model 2. In this model, the inclusion of Strategy-related Factors as set of IVs (Independent Variables) into the regression model,

has changed the contribution of Company Size as no longer significant in explaining Business Performance. Based on the argument by Cohen & Cohen (1983), Jaccard & Turrisi (2003) and Aiken & West (1991), the regression model 2 is considered as the Main-effect model.

In the third model, a set of product-term variables were introduced into the regression model to create regression model 3. The model produced F value of 40.990 (sig $p < .001$) and R^2 value .860. The increased value of Adjusted R^2 (from .810 in model 2 to .839 in model 3) shows that the addition of these variables in the overall was not redundant. The changed statistics produced by the inclusion of a set of product-term variables in model 3, showed F value of 3.890 ($p < .001$) and sr^2 value of .036. This significant result produced by the change statistic supports the proposition that Company Size, specifically for the Large-sized category, moderated or influenced the relationship between Strategy-related Factors and Business Performance.

Further analysis using the test of beta significance reveals two significant product-term variables, namely the product-term of Company Size – Portfolio-Asset Divestment Strategy (ZAD x DSIZE_L) with beta value of 0.319 ($p < .05$) and the product-term of Company Size – Changes in Market Entry Strategy (ZME x DSIZE_L) with beta value of 0.382 ($p < .05$). Therefore, these two product-term variables were candidates for further analysis using post-hoc probing of significant interaction in order to further analyze their moderating

roles in the model, as suggested by Aiken & West (1991) and Cohen, et. al., (2003).

Further analysis of post-hoc probing for significant interactions in order to assess the significance of the slopes, by using the procedure suggested by Aiken & West (1991), were performed on these two product-term variables. Results of the post-hoc probing are shown in Table 5.34 below. Tests on the simple slopes (t-test) for the regression model show that Company Size (specifically for Large-sized category) did significantly influence the relationship between Portfolio-Asset Divestment Strategy (ZAD) and Business Performance (t-value : 1.684 ; p < .10). The t-test also showed that Company Size (for Large-sized category) did significantly influence the relationship between Changes in Market Entry Strategy and Business Performance (t-value : 4.912 ; p < .001). The t-test on the simple slope for both product-term variables showed that the both slopes are significantly far from zero.

Table 5.34
Results of Post-hoc Probing of Company Size

VARIABLE	SIZE	SLOPE	Se	t-value	Sig
ZAD x	Not Large	-0.127	0.089	-1.42	0.158
DSIZE_L	Large	0.192	0.114	1.684	0.094*
ZME x	Not Large	0.084	0.0837	1.004	0.317
DSIZE_L	Large	0.466	0.095	4.912	< .001

* *t-value significant at .10 ; ** t-value significant at .01*
Notes: ZAD x DSIZE_L: Product-term variable for Portfolio-Asset Divestment
Strategy and Company Size; ZME x DSIZE_L: Product-term variable for Changes in
Market Entry Strategy and Company Size

Graphical analysis is needed to further explain the relationship between the product-term variables and Business Performance based on three different values of the Independent Variables (as suggested by Aiken & West, 1991). These graphical analyses are presented in Figure 5.3 (for Portfolio-Asset Divestment Strategy) and Figure 5.4 (for Changes in Market Entry Strategy) below. Figure 5.3 depicted the comparison of slope for three different sizes of companies at three different score of Portfolio-Asset Divestment Strategy (value measured at mean + 1, and mean -1) in relation to Business Performance, while controlling other variables in the model at their mean.
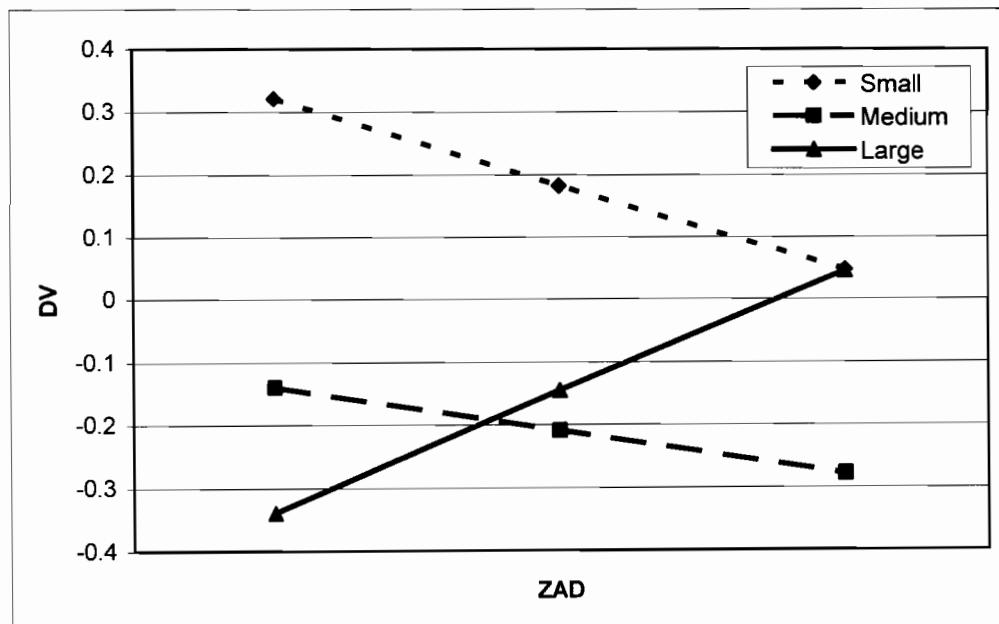
Figure 5.3
The influence of Company Size – Large, in the relationship between Portfolio-Asset Divestment Strategy and Business Performance

The figure suggested that for Large-sized companies, lower score of Portfolio-Asset Divestment Strategy would produce lower scores on the Business Performance, and higher score of Portfolio-Asset Divestment Strategy would produce higher scores on the Business Performance. The slope for Large-sized companies is very different from the Small-sized and Medium-sized companies, which were superimposed in Figure 5.3. The slope suggests that at the same low level of Portfolio-Asset Divestment Strategy (valued at mean -1), the score of Business Performance for Large-sized companies was lower compared to the Small-sized and Medium-sized companies. However, for companies that managed to produce higher scores on Portfolio-Asset Divestment Strategy (valued at mean +1), the score of Business Performance for Large-sized companies was higher compared to the Small-sized and Medium-sized companies.

In this case, Small-sized and Medium-sized companies that managed to score higher on Portfolio-Asset Divestment Strategy (valued at mean +1) produced a lower level of Business Performance, which is even lower than previous situations (valued at mean -1 level). This situation suggests that for these two categories of companies (Small and Medium-sized), the relationship between Portfolio-Asset Divestment Strategy and Business Performance were inversely related. As Small-sized and Medium-sized companies put more emphasis on Portfolio-Asset Divestment Strategy, their Business Performance tended to get lower.

It is here that the effect of Company Size as moderator in the relationship between Portfolio-Asset Divestment Strategy and Business Performance became clear. Large-sized companies who put more emphasize on Portfolio-Asset Divestment Strategy would register higher score in Business Performance, while the opposite is true for the Small-sized and Medium-sized companies. These facts would also explain the limited resources in terms of subsidiaries and divisions, possessed by Small-sized and Medium-sized companies. Since they have limited number of resources in the form of subsidiaries and divisions, the strategy to divest these resources would bring the companies closer to bankruptcy, while for Large-sized companies the opposite is true.

Company size also influences the relationship between Changes in Market Entry Strategy and Business Performance. Figure 5.4 depicted the comparison of the slope for three different sizes of companies at three different levels of Changes in Market Entry Strategy (value measured at mean + 1 and mean - 1) in relation to the score of Business Performance, while controlling other variables in the model at their mean. The figure suggests that for all three different sizes of companies, lower score of Changes in Market Entry Strategy (ZME) would also produce lower score on Business Performance. However, at the same low score of Changes in Market Entry Strategy (ZME), which is valued at mean – 1, the level of Business Performance for Large-sized companies was much lower compared to the other two groups.
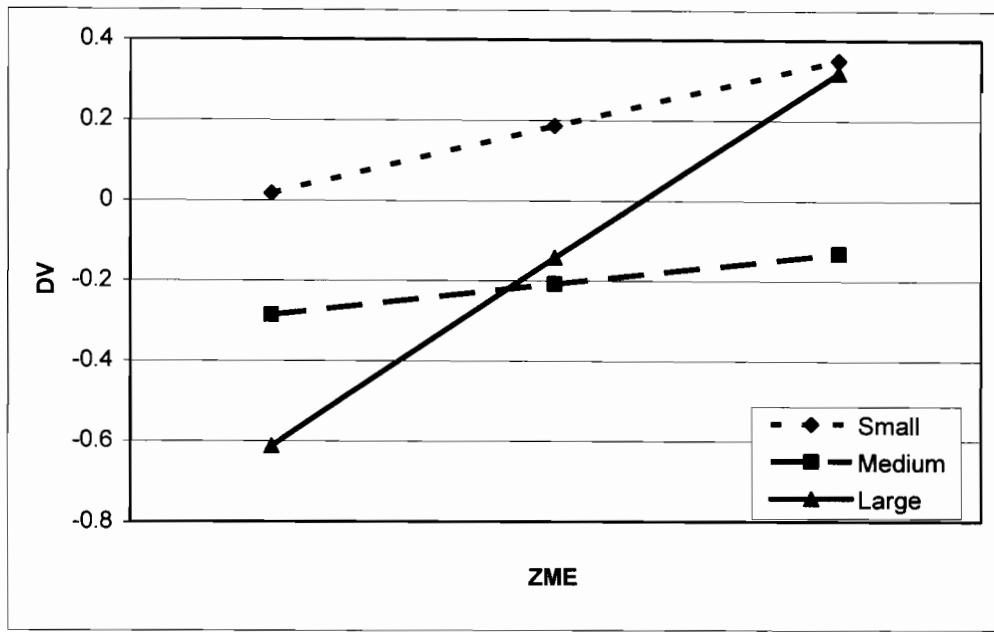
Figure 5.4
The influence of Company Size – Large, in the relationship between Changes in Market Entry Strategy and Business Performance

For companies that managed to put more emphasize on Changes in Market Entry Strategy (ZME) and achieved a higher score on this strategy, the level of Business Performance that these companies achieved was also higher, as depicted in Figure 5.4. However, at the same high level of Changes in Market Entry Strategy (ZME), which is valued at mean + 1, the level of Business Performance for Large-sized companies increased at a much higher rate compared to the other two groups. This is where the moderating effect of Company Size influences the relationship between Changes in Market Entry Strategy (ZME) and Business Performance.

As a conclusion, from the seven initial hypotheses proposing that Company Size might influence or moderate the relationship between Strategy-related Factors and Business Performance, two were successfully supported. Portfolio-Asset Divestment Strategy (Hypothesis 4a) and Changes in Market Entry Strategy (Hypothesis 7a) were moderated by Company Size specifically in Large-sized category, in their relationship with Business Performance. The hypothesis null for Portfolio-Asset Divestment Strategy was successfully rejected at $p < .10$, while for Changes in Market Entry Strategy the hypothesis null was successfully rejected at $p < .01$.

However on Debt Restructuring Strategy (Hypothesis 1a), Cost Reduction Strategy (Hypothesis 2a), Operating-Asset Reduction Strategy (Hypothesis 3a), Portfolio-Asset Investment Strategy (Hypothesis 5a), and Changes in Product Offering Strategy (Hypothesis 6a), insufficient conclusive evidence failed to support the proposition that Company Size influenced the relationship between these variables and Business Performance; hence, these hypotheses failed to be rejected. As a conclusion for discussions on this section, a summary of the findings on the hypotheses in regards to the factor of Company Size as the moderating variable, is presented in Table 5.35 below.

Table 5.35

Summary of the findings in regards to the hypotheses suggesting Company Size as the Moderating Variable

	Statements of Hypotheses	t-value	Status
H1(a) :	*Company Size shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*	0.193	Not Supported
H2(a) :	*Company Size shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*	-0.356	Not Supported
H3(a) :	*Company Size shall influence (moderate) the relationship between Operating-Asset Reduction Strategy and Business Performance*	0.012	Not Supported
H4(a) :	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*	2.218*	**Supported**
H5(a):	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy and Business Performance*	1.316	Not Supported
H6(a) :	*Company Size shall influence (moderate) the relationship between Changes in Product Offering Strategy and Business Performance*	-1.537	Not Supported
H7(a) :	*Company Size shall influence (moderate) the relationship between Changes in Market Entry Strategy and Business Performance*	3.069**	**Supported**

* Significant at p< .05 ; ** Significant at p < .01

5.10.3. The Hypotheses Considering Government Assistance as the Moderating Variable

From earlier discussions in Chapter 3, seven hypotheses presented that the factor of Government Assistance would significantly influence (moderate) the relationship between Strategy-related Factors and Business Performance. These hypotheses are summarized again in Table 5.36 below.

Table 5.36
Hypotheses in regards to Government Assistance as the moderating factor

H1b :	*Government Assistance shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*
H2b :	*Government Assistance shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*
H3b :	*Government Assistance shall influence (moderate) the relationship between Operating-Asset Reduction Strategy and Business Performance*
H4b :	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*
H5b :	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy and Business Performance*
H6b :	*Government Assistance shall influence (moderate) the relationship between Changes in Product Offering Strategy and Business Performance*
H7b :	*Government Assistance shall influence (moderate) the relationship between Changes in Market Entry Strategy and Business Performance*

As in the previous section, the hypotheses in this section will also be analyzed using Hierarchical Regression Analysis as suggested by Cohen & Cohen (1983). The score for each variable will also be standardized prior to the creation of product-term. Preliminary analysis of collinearity diagnostic of all the variables, including the product-term and the two dummy variables (DSIZE_M for dummy coding for Medium-sized companies, and DSIZE_L for dummy coding for Large-sized companies), showed the model not to produce any significant value of multicollinearity, as the VIF value is well below the cut-off point of 10. Therefore the analysis can proceed.

Four stages of Hierarchical Regression Analysis were performed with sets of Independent Variables being entered at each stage. The first stage was the inclusion of the Dummy Variable as the control variable for Company Size. The

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second stage was the inclusion of Strategy-related Factors as another set of Independent Variables. The third stage was marked by the inclusion of Government Assistance as the proposed Moderating Variable. This model was considered as the Main-effect model in the analysis.

The fourth and final stage of regression analysis was the inclusion of the product-term variables, which consist of all the power combination of the Moderating Variable and the Independent Variable, which is considered as the full model. The change statistics produced from the fourth model, and all the beta values for each variable in the fourth model, were then calculated to determine whether a significant interaction is present. The stages in which the sets of Independent Variables (IVs) were entered into the regression model are further explained by using regression equation below.

Model 1 : $DV = \alpha + \beta 1 DSIZE + \varepsilon$

Model 2 : $DV = \alpha + \beta 1 DSIZE + \beta\ ZDR + \beta\ ZCR + \beta\ ZAR + \beta\ ZAD + \beta\ ZAI$
$+ \beta\ ZPO + \beta\ ZME + \varepsilon$

Model 3 : $\alpha + \beta 1 DSIZE + \beta\ ZDR + \beta\ ZCR + \beta\ ZAR + \beta\ ZAD + \beta\ ZAI + \beta$
$ZPO + \beta\ ZME + \beta GA + \varepsilon$

Model 4 : $\alpha + \beta 1 DSIZE + \beta\ ZDR + \beta\ ZCR + \beta\ ZAR + \beta\ ZAD + \beta\ ZAI + \beta$
$ZPO + \beta\ ZME + \beta zGA + \beta\ ZDR*ZGA + \beta\ ZCR*ZGA + \beta\ ZAR*ZGA$
$+ \beta\ ZAD*ZGA + \beta\ ZAI*ZGA + \beta\ ZPO*ZGA + \beta\ ZME*ZGA + \varepsilon$

Where : DSIZE: Dummy Coding for the Variable of Company Size; ZCR: Cost Reduction Strategy; ZAR: Operating-Asset Reduction Strategy; ZAD: Portfolio-Asset Divestment Strategy; ZAI: Portfolio-Asset Investment Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy; ZGA : Government Assistance; ZGA*VAR : The interaction between the IVs and the Contextual Variable (the cross-product Variable)

Results from the Hierarchical Regression Analysis for each stage of the regression model are presented in Table 5.37 below. In the first model of Hierarchical Regression Analysis, the Dummy Variable for Medium-sized companies (DSIZE_M) and Large-sized companies (DSIZE_L) were entered into the model, which produced a significant regression model 1, with F value of 7.657 (p < .001) and R^2 value of .112. The Dummy variable of Large-sized companies (DSIZE_L) being entered as one of the only two predictor variables in the model, were found to be a significant predictor for Business Performance (Beta : 0.785, p < .001). This regression model is interpreted as the mean difference for the Medium-sized companies and Large-sized companies compared to the Small-sized category, which acted as the reference group.

In the second model, all of the variables in the Strategy-related Factors were entered into the regression model, which yielded a significant regression model 2 with F value of 67.225 (p < .001) and R^2 value of .841. The change

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statistics for model 2 produced an F change value of 74.892 (p < .001) and sr^2

value of .729. The inclusion of Strategy-related Factors as a set of Independent

Variables into the regression model 2 explained additional 72.9% variance of

Business Performance in the model.

Table 5.37
Result from the Hierarchical Regression Analysis measuring the Moderating Effect of Government Assistance

VARIABLE	MODEL 1			MODEL 2			MODEL 3			MODEL 4		
	Beta	t	Sig.	Beta	t	Sig.	Beta	t	Sig.	Beta	t	Sig.
Constant	-0.446	-2.613	0.010	0.289	3.070	0.003	0.308	3.244	0.002	0.335	3.021	0.003
DSIZE_M	0.278	1.189	0.237	-0.410	-3.691	0.000	-0.423	-3.808	0.000	-0.392	-3.345	0.001
DSIZE_L	0.785	3.715	0.000	-0.371	-2.748	0.007	-0.402	-2.949	0.004	-0.402	-2.924	0.004
ZDR				0.613	9.721	0.000	0.574	8.335	0.000	0.552	7.772	0.000
ZCR				-0.080	-1.058	0.292	-0.084	-1.119	0.266	-0.065	-0.884	0.379
ZAR				-0.131	-2.055	0.042	-0.149	-2.301	0.023	-0.067	-0.957	0.341
ZAD				0.075	1.075	0.285	0.066	0.955	0.342	0.074	1.022	0.309
ZAI				0.114	2.143	0.034	0.087	1.524	0.130	0.084	1.406	0.163
ZPO				0.124	1.720	0.088	0.116	1.606	0.111	0.077	1.051	0.296
ZME				0.338	5.429	0.000	0.336	5.407	0.000	0.369	5.769	0.000
ZGA							0.106	1.373	0.173	0.075	0.914	0.363
ZGAxZDR										-0.175	-2.249	0.027
ZGAxZCR										-0.020	-0.282	0.779
ZGAxZAR										0.129	1.899	0.060
ZGAxZAD										0.125	1.575	0.118
ZGAxZAI										-0.038	-0.646	0.519
ZGAxZPO										-0.169	-2.220	0.029
ZGAxZME										0.174	2.351	0.021
MODEL STATISTIC	R-sq .112 Adj R-sq .098 F: 7.657 p < .001			R-sq .841 Adj R-sq .829 F : 67.225 p < .001			R-sq .844 Adj R-sq .830 F : 61.160 p < .001			R-sq .863 Adj R-sq .841 F : 39.289 p < .001		
CHANGE STATISTIC				R-sq .729 F : 74.892 p < .001			R-sq .003 F : 1.885 p : .173			R-sq .019 F : 2.099 p : .05		

Notes: ZDR: Debt Restructuring Strategy; ZCR: Cost Reduction Strategy; ZAR: Operating-Asset Reduction Strategy; ZAD: Portfolio-Asset Divestment Strategy; ZAI: Portfolio-Asset Investment Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy; ZGA: Government Assistance; DSIZE_M: Medium-sized company; DSIZE_L: Large-sized company

In the overall, the regression model 2 explained 84.1% variance of Business Performance. Six variables were found to be quite significant in the regression model 2, including variable of Company Size (DSIZE_M and DSIZE_L), Debt Restructuring Strategy (ZDR, beta: 0.613), Operating-Asset Reduction Strategy (ZAR, beta: -0.131), Portfolio-Asset Investment Strategy (ZAI, beta: 0.114), and Changes in Market Entry Strategy (ZME, beta: 0.338). However, the variable of Cost Reduction Strategy (ZCR), Portfolio-Asset Divestment Strategy (ZAD) and Changes in Product Offering Strategy (ZPO) were found to be insignificant in the regression model 2.

In the third model, the factor of Government Assistance was introduced, yielding a significant regression model 3 with F value of 61.160 ($p < .001$) and R^2 value of .844. The increasing value of adjusted R^2 from .829 (in the model 2) to .830 (in model 3) shows that the introduction of the Government Assistance into the regression model was still permissible, as the variable was shown to be non-redundant in the model. However, the introduction of Government Assistance into regression model 2 produced the change statistic F value of 1.885 (p: .173) with sr^2 value of .003, which is not significant. Therefore the introduction of this variable failed to bring significant contribution to the model fit, as the beta value of the variable itself was found to be insignificant (beta: 0.106, p: 0.173).

Five variables were found to be significant in regression model 3, namely variable of Company Size (DSIZE_M, and DSIZE_L), Debt Restructuring Strategy (ZDR, beta: 0.574), Operating-Asset Reduction Strategy (ZAR, beta: -0.149), and Changes in Market Entry Strategy (ZME, beta: 0.336). There was insufficient support in the statistical results to argue that Cost Reduction Strategy (ZCR), Portfolio-Asset Divestment Strategy (ZAD), Portfolio-Asset Investment Strategy (ZAI) and Changes in Product Offering Strategy (ZPO) did influence Business Performance significantly in the regression model 3.

In the fourth model, a set of product-term variables were entered into the regression model 3 to create regression model 4, as found to be significant with F value of 39.289 (p < 0.001) and R^2 value of .863. The increasing value of Adjusted R^2 from .844 (in model 3) to .863 (in model 4) shows that the introduction of additional variables into the regression model was not redundant. The change statistics produced by the inclusion of a set of product-term variables in model 4, shows an F value of 2.099 (p: .05) and sr^2 value of .019. The significant results produced by the change statistics supports the proposition that Government Assistance did influence the relationship between Strategy-related Factors and Business Performance.

Further analysis using the test of beta significance revealed three significant product-term variables; including the product-term of Government Assistance-Debt Restructuring Strategy (ZGAxZDR, beta: -0.175, p: .027), the

product-term of Government Assistance-Changes in Product Offering Strategy (ZGAxZPO, beta: -0.169, p: .029), and the product-term of Government Assistance-Changes in Market Entry Strategy (ZGAxZME, beta: 0.174, p: .021). However, on other product-term variables, inconclusive evidence failed to support the hypotheses that the Moderating Variable of Government Assistance was in fact influencing the relationship between Strategy-related Factors and Business Performance.

These significant product-term variables were then subjected for post-hoc probing to test for significant interactions of the slopes. The results of the post-hoc probing using t-test to check whether the slopes are significantly different from zero, are presented in Table 5.38 below.

Table 5.38
Results of Post-hoc Probing of Government Assistance

VARIABLE	LEVEL of MODERATORS	SLOPE	Se	t-value	Sig
	Low	0.727	0.105	6.932	0.001**
ZGA x ZDR	Medium	0.552	0.090	6.106	0.001**
	High	0.377	0.105	3.594	0.001**
	Low	0.246	0.095	2.593	0.011*
ZGA x ZPO	Medium	0.077	0.076	1.006	0.316
	High	-0.092	0.114	-0.806	0.421
	Low	0.195	0.084	2.331	0.021*
ZGA x ZME	Medium	0.369	0.068	5.452	0.001**
	High	0.543	0.105	5.177	0.001**

* Significant at p< .05; ** Significant at p< .01
Notes: ZDR: Debt Restructuring Strategy; ZPO: Changes in Product Offering Strategy; ZME: Changes in Market Entry Strategy

The t-test analysis on the simple slopes supports the hypothesis that Government Assistance moderates the relationship between Debt Restructuring Strategy and Business Performance (Hypothesis 1b), and between Changes in Market Entry Strategy and Business Performance (Hypothesis 7b). However, for the proposition that Government Assistance influencing the relationship between Changes in Product Offering Strategy and Business Performance (Hypothesis 6b), the hypothesis is partially supported as the slope was only found to be significant at low level of Government Assistance. Figure 5.5 below depicts a graphical presentation picturing the relationship between Debt Restructuring Strategy and Business Performance at different levels of Government Assistance.
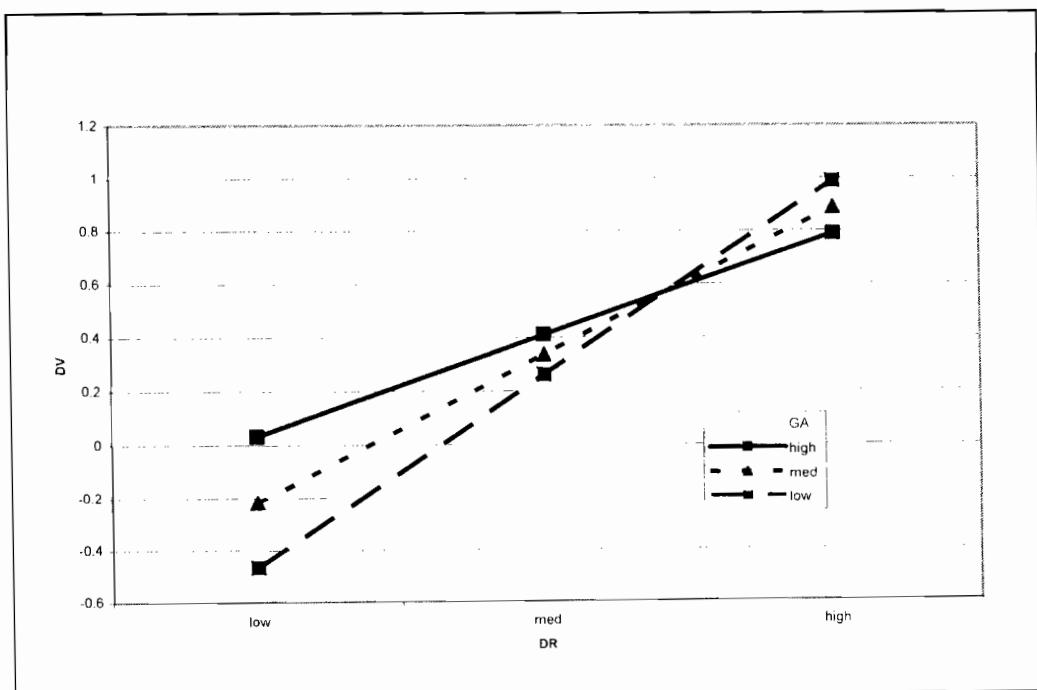
Figure 5.5
The Influence of Government Assistance in the Relationship between Debt Restructuring Strategy and Business Performance

Controlling other variables at their mean, Figure 5.5 shows that companies with low score on Debt Restructuring Strategy would perform better (in terms of Business Performance) in higher levels of assistance from the Government. However, for companies with higher score on Debt Restructuring Strategy, they would perform better (in terms of Business Performance) when the level of Government Assistance was to be kept lower. Interpreting the slope suggests that Government Assistance is needed for companies with difficulties in Debt Restructuring Strategy, producing low score in this strategy. On the contrary, this would not be the case for companies who managed to implement Debt Restructuring Strategy in a good manner and score high in this type of strategy.

Figure 5.6 below, depicts a graphical presentation picturing the relationship between Changes in Market Entry Strategy and Business Performance at different levels of Government Assistance. Controlling for other variables at their mean, Figure 5.6 showed that at the same low score on Changes in Market Entry Strategy (valued at mean – 1), companies that received low Government Assistance would perform better (in terms of Business Performance) compared to companies that received high Government Assistance. On the contrary however, at the same high score on Changes in Market Entry Strategy (valued at mean + 1), companies that received high Government Assistance would outperform companies that received low Government Assistance (in terms of Business Performance). This is where the moderating effect of Government

Assistance can be seen clearly to influence the relationship between Changes in

Market Entry Strategy (ZME) and Business Performance.
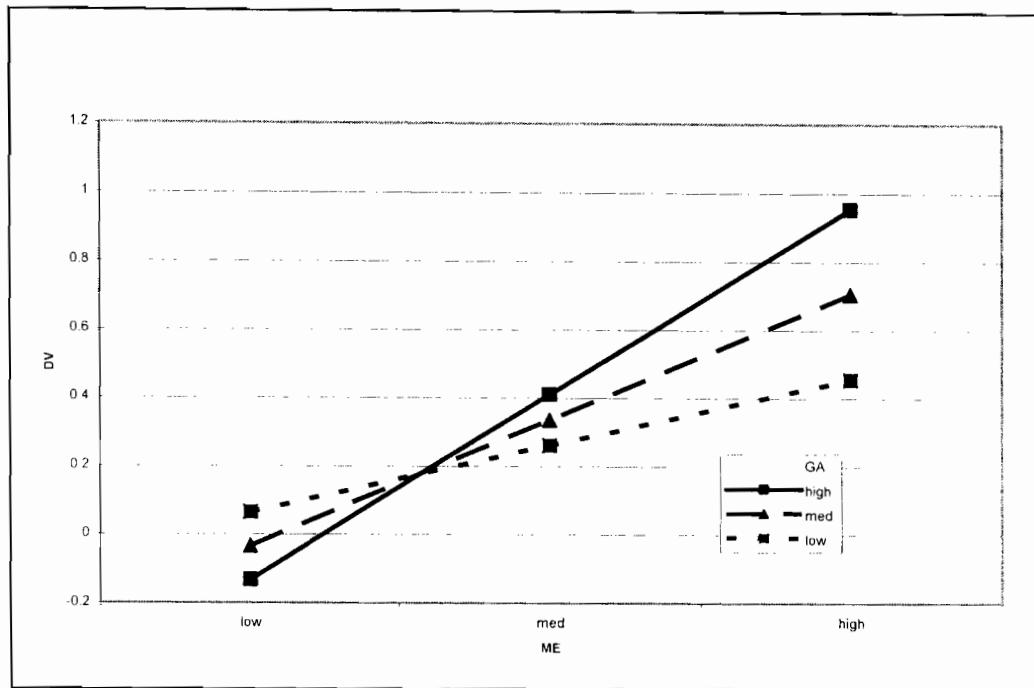
Figure 5.6
The Influence of Government Assistance in the Relationship between Changes in Market Entry Strategy and Business Performance

As already mentioned in Chapter 3, Government Assistance came in

many forms to assist Turnaround Companies. In some cases, this assistance came

in the form of marketing for the troubled companies, such as through

procurement of government contract. Graphical analysis in Figure 5.6 suggested

that by seeking only Government Assistance (such as by acquiring Government

contract) and reluctant to emphasize more on other aspects of marketing, this type

of Turnaround Companies would under perform other troubled companies that

did not seek Government Assistance. On the other hand, Turnaround Companies

that do seek Government Assistance (such as by acquiring government contract) and at the same time also pursue other aspects of marketing rigorously, would outperform other troubled companies that did not seek Government Assistance.

In conclusion, from the seven hypotheses proposing the moderating effect of Government Assistance in the relationship between Strategy-related factors and Business Performance, two hypotheses were successfully and another was partially supported. Government Assistance was found to influence (moderate) the relationship between Debt Restructuring Strategy (Hypothesis 1b) and Changes in Market Entry Strategy (Hypothesis 7b) towards Business Performance. The null hypothesis of both proposition were successfully rejected at $p < .05$.

The factor of Government Assistance was also found to moderate the relationship between Changes in Product Offering Strategy and Business Performance, in which the null hypothesis was also rejected at $p < .05$. However, the inconclusive finding on the post-hoc probing of significant interaction concerning this hypothesis has put the proposition to be partially supported.

On other Strategy-related Factors such as Cost Reduction Strategy (Hypothesis 2b), Operating-Asset Reduction Strategy (Hypothesis 3b), Portfolio-Asset Divestment Strategy (Hypothesis 4b) and Portfolio-Asset Investment Strategy (Hypothesis 5b), there were not enough conclusive evidence to support

the proposition that Government Assistance did influence the relationship between these variables and Business Performance. Therefore, the hypothesis null concerning these variables were failed to be rejected. As a conclusion for discussions on this section, a summary of the findings in regards to the hypotheses is presented in Table 5.39 below.

Table 5.39
Summary of the findings in regards to the hypotheses suggesting Government Assistance as the Moderating Variable

	Statements of Hypotheses	t-value	Status
H1(b) :	*Government Assistance shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*	-2.249*	Supported
H2(b) :	*Government Assistance shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*	-0.282	Not Supported
H3(b) :	*Government Assistance shall influence (moderate) the relationship between Operating-Asset Reduction Strategy and Business Performance*	1.899	Not Supported
H4(b) :	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*	1.575	Not Supported
H5(b):	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy and Business Performance*	-0.646	Not Supported
H6(b) :	*Government Assistance shall influence (moderate) the relationship between Changes in Product Offering Strategy and Business Performance*	-2.220*	Partially Supported
H7(b) :	*Government Assistance shall influence (moderate) the relationship between Changes in Market Entry Strategy and Business Performance*	2.351*	Supported

* *Significant at p< .05*

5.11. Conclusion

This chapter has covered statistical analyses and research findings of the thesis. Validity and reliability of the measures were analyzed in the earlier part of the chapter. Then the discussions continued with the assessment of multivariate assumptions, which then followed by descriptive analysis of the variable. The analyses of variance (ANOVA) and correlation analysis were discussed in the middle section of the chapter to further explore the variables of interest.

The chapter then continued with discussions on hypotheses testing. Firstly, the statistical results on direct relationship between Strategy-related Factors and Business Performance were discussed. Then discussions continued with the assessment of the moderating effect of the Company Size on the relationship between Strategy-related Factors and Business Performance. Finally, the assessment of the moderating effect of Government Assistance on the relationship between Strategy-related Factors and Business Performance were discussed. The chapter concludes with a summary of findings presented in the Table 5.40 below.

Table 5.40
Summary of findings on hypotheses testing

	Statements of Hypotheses	Status
H1 :	*There is a positive and significant relationship between Debt Restructuring Strategy and Business Performance*	**Supported**
H2 :	*There is a positive and significant relationship between Cost Reduction Strategy and Business Performance*	Not Supported
H3 :	*There is a positive and significant relationship between Operating-Asset Reduction Strategy and Business Performance*	**Supported**
H4 :	*There is a positive and significant relationship between Portfolio-Asset Divestment Strategy and Business Performance*	Not Supported
H5 :	*There is a positive and significant relationship between Portfolio-Asset Investment Strategy and Business Performance*	Not Supported
H6 :	*There is a positive and significant relationship between Changes in Product Offering Strategy and Business Performance*	Not Supported
H7 :	*There is a positive and significant relationship between Changes in Market Entry Strategy and Business Performance*	**Supported**
H1a:	*Company Size shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*	Not Supported
H2a:	*Company Size shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*	Not Supported
H3a:	*Company Size shall influence (moderate) the relationship between Operating-Asset Reduction Strategy and Business Performance*	Not Supported
H4a:	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy and Business Performance*	**Supported**
H5a:	*Company Size shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy and Business Performance*	Not Supported
H6a:	*Company Size shall influence (moderate) the relationship between Changes in Product Offering Strategy and Business Performance*	Not Supported
H7a:	*Company Size shall influence (moderate) the relationship between Changes in Market Entry Strategy and Business Performance*	**Supported**
H1b:	*Government Assistance shall influence (moderate) the relationship between Debt Restructuring Strategy and Business Performance*	**Supported**
H2b:	*Government Assistance shall influence (moderate) the relationship between Cost Reduction Strategy and Business Performance*	Not Supported
H3b:	*Government Assistance shall influence (moderate) the relationship between Operating-Asset Reduction Strategy & Business Performance*	Not Supported
H4b:	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Divestment Strategy & Business Performance*	Not Supported
H5b:	*Government Assistance shall influence (moderate) the relationship between Portfolio-Asset Investment Strategy & Business Performance*	Not Supported
H6b:	*Government Assistance shall influence (moderate) the relationship between Changes in Product Offering Strategy & Business Performance*	**Partially Supported**
H7b:	*Government Assistance shall influence (moderate) the relationship between Changes in Market Entry Strategy & Business Performance*	**Supported**

CHAPTER 6

DISCUSSION AND CONCLUSION

6.1. Introduction

The objective of this chapter is to discuss the research findings in the light of the related literature, implications and limitations of, and recommendations for future research. The chapter will start with a brief summary of the findings. The discussions will then move on to these findings, accompanied with a number of previous findings on related subjects. The chapter will then continue with discussions on the implications of the study, followed by limitations of the research. Eventually, the chapter will conclude with recommendations for future research.

6.2. Summary of Research Findings

In general, the objective of the research is to find a better and clearer picture in explaining the phenomena of Corporate Turnaround. Empirical and conceptual studies of Corporate Turnaround over the years, as argued by Cater & Schwab (2008) and Pandit (2000), were rather fragmentary and in some areas, the findings remained ambiguous. Although the literature on the subject has expanded for over four decades, the ability to improve the rate of success in turnaround attempts are still questionable as the number of turnaround successes

are still very low, while failures abound. There are yet numerous factors not dealt with and many contextual factors, not yet rigorously looked into in this field of knowledge. Although literature has expanded rapidly for the last four decades, the factors that contribute significantly towards turnaround success have remained elusive and inconclusive. This research therefore was conducted in order to contribute to the area of Corporate Turnaround.

In particular, the main objective of the research is to determine the effect of Strategy-related Factors and to what extent these factors contribute significantly towards Business Performance in Corporate Turnaround. The second objective of the research is to determine the moderating effect of two contextual factors (Company Size and Government Assistance) and the extent to which these factors influence or moderate the relationship between Strategy-related Factors and Business Performance of Turnaround Companies.

Through Simple Regression Analysis, treating each independent variable as the only factor that influences Business Performance, this research found that most of the Strategy-related Factors were significant towards the improvement of Business Performance of Turnaround Companies, except Operating-Asset Reduction Strategy. However, in Multiple Regression Analysis, treating all Strategy-related Factors in a single regression model, this research found that only three out of seven Strategy-related Factors were significant in the improvement of Business Performance of Turnaround Companies. These

Strategy-related Factors are Debt Restructuring Strategy, Changes in Market Entry Strategy, and Operating-Asset Reduction Strategy.

With regards to the proposed hypothesis arguing Company Size as one of the contextual factors that moderate the relationship between Strategy-related Factors and Business Performance, this research found that Company Size, especially for the Large-sized category, did influence the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. The contextual factor of Company Size was found to moderate the relationship significantly in two Strategy-related Factors, namely Portfolio-Asset Divestment Strategy and Changes in Market Entry Strategy. The slope that described the relationship between these Strategy-related Factors and Business Performance were significantly different for Large-sized category of companies compared to the Small-sized and Medium-sized groups.

Concerning the proposed hypothesis arguing Government Assistance as the second contextual factor that moderates the relationship between Strategy-related Factors and Business Performance, this research found that Government Assistance did influence the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. Two out of seven Strategy-related Factors were found significant, namely Debt Restructuring Strategy, and Changes in Market Entry Strategy. The third strategy, which is Changes in Product Offering Strategy, was found partially supportive in the analysis. The

slope that described the relationship between Debt Restructuring Strategy and Changes in Market Entry Strategy towards the improvement of Business Performance were significantly different at different levels of Government Assistance.

6.3. The Relationship between Strategy-related Factors and Business Performance

The discussions on the relationship between Strategy-related Factors and Business Performance of Turnaround Companies in this section are divided into several parts. Discussions on the findings will be based on the results provided by the Multiple Regression Analysis, as the method allows the researcher to explain the variable of interest, while at the same time controlling other factors in the regression model.

1. The factor of Debt Restructuring Strategy

As discussed earlier in Chapter 3, the factor of Debt Restructuring Strategy, was usually practiced by Turnaround Companies. Many companies in the literature of cases of Corporate Turnaround practiced this strategy, which usually came in the form of extension on maturity date, ease-up on debt payment scheme, and debt-to-equity swap. Previous literature on Corporate Turnaround showed inconclusive findings on the strategy. For example, a research by Sudarsanam & Lai (2001) showed no support for this strategy to influence

Business Performance of Turnaround Companies. However, a research by Barker & Mone (1998) found mild support (p < 0.10).

In light of this strategy, the research found considerable support to argue that Debt Restructuring Strategy significantly influenced the improvement of Business Performance in Corporate Turnaround. This research therefore is in full support of the previous findings by Barker & Mone (1998). Furthermore, this research also found that the relationship was positive with Beta value of 0.574, the largest Beta value in comparison to other variables. This statistical result suggested the strategy to have the strongest impact on Business Performance of Turnaround Companies in this research.

During the economic boom of 1990s, debt financing became one of the major sources of funding for companies in Southeast Asia (Sim, 2009). The availability of cheap financial resources with nearly unlimited amount of money fueled the economy of the region. This funding, easily available for public and private companies pursuing aggressive investments (Sim, 2009), mainly came in the form of debt financing. It is possible that large number of private manufacturing companies acquired large portions of their funding from these sources. However with the arrival of 1998 financial crisis, the extensive debt financing these companies acquired turned into major reasons for their collapse. Hence, these debt-laden Turnaround Companies had to pursue Debt Restructuring Strategy in the effort to turnaround.

Public listed companies, unlike their private counterparts, received much assistance in debt restructuring after the financial crisis of 1998. In Malaysia for example, the Government setup the Corporate Debt Restructuring Committee (CDRC) in overseeing voluntary corporate debt workout. Indonesia similarly introduced IBRA (Indonesian Bank Restructuring Agency) to assist in restructuring the crippled banking system due to heavy debt endured by these financial institutions. However, in the case of private manufacturing companies especially in Indonesia, which had to handle their own debt restructuring with little assistance from the Government, this effort proved more difficult and taking longer to restructure compared to their counterparts in public listed companies. For these reasons, it is acceptable and logical that Debt Restructuring Strategy would have the biggest impact on Business Performance of Turnaround Companies, especially in Indonesia.

Turnaround Companies usually pursued Debt Restructuring Strategy for different reasons, depending on the stages of the turnaround. If this strategy was pursued during the early stages of turnaround process, it was usually to improve cash flow and cut down interest expense. By restructuring debt, Turnaround Companies could improve liquidity and use it to finance other strategies in the turnaround process. Liquidity such as cash is clearly an important resource during crisis.

If Debt Restructuring Strategy was pursued at the later stage of turnaround process, it was usually to improve the capital structure of the firm and take advantage of lenient credit terms that would in the end improve the cash flow. During the economic crisis, the Central Bank (such as Bank Negara Malaysia for example), would usually lower the base-lending rate to boost up the contraction in the economy. This policy is usually adopted by other National Banks (such as Maybank for example) offering better and more lenient credit terms for debt financing.

2. The factor of Operational-Efficiency Strategy

The factor of Operational-Efficiency Strategy grouped into two, hence Cost Reduction Strategy and Operating-Asset Reduction Strategy. As already discussed in Chapter 3, conflicting results emerged in the literature of Corporate Turnaround as to the influence of Cost Reduction Strategy towards the improvement of Business Performance. Scholars (e.g. Robbins & Pearce II, 1992; Chowdury & Lang, 1996; Bruton & Rubanik, 1997) found this strategy to be in support of the improvement of Business Performance, while others (Barker III & Mone, 1994; Castrogiovanni & Bruton, 2000) found it other wise.

This research found insufficient evidence to support the proposition that Cost Reduction Strategy influences Business Performance in Turnaround Companies. This finding strengthened those from previous researches, such as

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Barker III & Mone (1994), Castrogiovanni & Bruton (2000), and Smith, Wright & Huo (2008). Arogyaswamy & Yasai-Ardekani (1997) argued that both successful and non-successful Turnaround Companies pursued Cost Reduction Strategy, which probably caused the findings to be inconclusive. Other studies by Bruton, Ahlstrom & Wan, (2001), and Sim, (2009), argued that the ability to retrench was somewhat limited for companies in Southeast Asia, and this could also contribute to the inconclusive results in regards to this strategy.

The factor of Cost Reduction Strategy showed a Beta value of -0.084 suggesting that the relationship between this variable and Business Performance was negative or inverted. This finding strengthened earlier findings by Sudarsanam & Lai (2001), who also found a negative Beta coefficient in their research. This finding suggested that Cost Reduction Strategy (controlling for other known variables) would have a negative impact in the improvement of Business Performance of Turnaround Companies. In addition, a study by Smith, Wright & Huo (2008) showed that the percentage of workers laid off between the surviving and collapsing among distressed companies were not significantly different, which was between 18.86% to 19.40%. They further argued that cutting large number of employees in a senseless manner as an effort to reduce the cost would not be a smart move during turnaround.

The literature on Corporate Turnaround also showed conflicting results on the influence of Operational-Asset Reduction Strategy towards the improvement of Business Performance. There were studies in support of the proposition that this strategy gave significant influence on the Business Performance of Turnaround Companies (for e.g. Ganto & Sulaiman, 2005; Bruton, et al., 2003) while other studies found it unconvincing (Sudarsanam & Lai, 2001; Castrogiovanni & Bruton, 2000; Fisher, Lee & Johns, 2004). This research found that Operating-Asset Reduction Strategy did significantly influence Business Performance of Turnaround Companies, strengthening the findings of previous studies by scholars, such as Ganto & Sulaiman (2005) and Bruton, et al., (2003).

The Beta for this strategy was also negative at the value of -0.149 suggesting that the relationship was negative or inverted. This figure suggested that Turnaround Companies that emphasized more on Operating-Asset Reduction Strategy would in fact decrease the level of Business Performance that achieved. This finding concurs with those of previous studies by Bruton et al., (2003) which also produced a negative Beta.

In summary, both Cost Reduction Strategy and Operating-Asset Reduction Strategy were inversely related to Business Performance, although only Operating-Asset Reduction Strategy that produced significant result. One of the possible reasons for the inverse relationship was that both of these strategies were mostly adopted during the early stages of turnaround, in which Turnaround

Companies were trying to improve cash flow. A study by Sudarsanam & Lai (2001) showed that these strategies were pursued in lesser magnitude as Turnaround Companies moved away from the stage of decline recognition and towards recovery. Pursuing both of these strategies for Turnaround Companies also reduced production/ asset base simultaneously. This condition in short-term would decrease the negative cash flow, while in long run would decrease profitability, which explained the negative value of Beta.

In conclusion, it is good to lower the cost in order to gain efficiency and improve cash flow, especially during the early stages of the crisis. However, Turnaround Companies that pursued this strategy would also lower their asset/ level of production. When the demand starts to pickup, it would not be easy for these companies to replenish those resources, especially the crucial ones like skilled workers. Therefore, Turnaround Companies that pursue this strategy, have to be quite cautious in determining the extent of Operational-Efficiency Strategy, which considered appropriate to be implemented.

3. The factor of Portfolio-Asset Restructuring Strategy

The factor of Portfolio-Asset Restructuring Strategy is divided into two, namely Portfolio-Asset Divestment and Portfolio-Asset Investment. As discussed in Chapter 3, there was a limited amount of literature on Portfolio-Asset Divestment Strategy and its implications on Business Performance in Corporate

Turnaround. However, the importance of Portfolio-Asset Divestment Strategy in turnaround cases with problems of strategic positioning was considerably supported in literature (Hofer, 1980; Slatter, 1984; Robbins & Pearce II, 1992; Slatter & Lovett, 1999). Despite limited research on this strategy, many Turnaround Companies resorted to it during the turnaround (see for e.g. Chowdury, 2002; Lightfoot, 2003).

Evidence from this research was insufficient to argue that Portfolio-Asset Divestment Strategy significantly influenced Business Performance of Turnaround Companies. This finding strengthened previous findings by Sudarsanam & Lai (2001), who also found no conclusive evidence to support the role of Portfolio-Asset Divestment Strategy towards the improvement of Business Performance of Turnaround Companies. However, this finding contradicted with Barker & Duhaime (1997), who found that troubled firms with more extensive decline tend to resort more to strategic change, although Barker & Duhaime (1997) did not relate the variables in question to Business Performance.

The Portfolio-Asset Investment Strategy, as already discussed in Chapter 3 received considerable support in the literature of cases of Corporate Turnaround. Continental Airlines (Puffer, 1999) and Ford Motor Corporation (Donnelly & Morris, 2003) were two among many cases of Turnaround Companies that pursued this strategy. In the form of qualitative articles, this strategy also received considerable support as one of the important strategies that

influenced turnaround success (see for e.g. Slatter, 1984; Hofer, 1980; Slatter & Lovett, 1999).

The factor of Portfolio-Asset Investment Strategy in this research received insufficient evidence to support the proposition that it influenced the improvement of Business Performance of Turnaround Companies. This finding again, strengthened previous finding by Sudarsanam & Lai (2001), who also found inconclusive evidence to support the argument that acquisition and internal capital expenditure (as measures of Portfolio-Asset Investment Strategy in their study) would enhance the improvement of Business Performance of Turnaround Companies.

The inconclusive evidence to support the role of Portfolio-Asset Restructuring Strategy towards the improvement of Business Performance in this research might be due to the characteristic of the sample. From Descriptive Analysis, both strategy of Portfolio-Asset Divestment and Portfolio-Asset Investment produced the lowest mean score compared to other Strategy-related Factors (mean for Portfolio-Asset Divestment Strategy: 1.635, mean for Portfolio-Asset Investment Strategy: 1.571). Concerning Company Size, the mean score for Portfolio-Asset Divestment Strategy in three different categories of sizes, were more or less the same with the mean score of Portfolio-Asset Investment Strategy (mean score for both strategies ranging from 1.218 for Small-sized category, to 1.871 for Large-sized category). These facts signified

that although those large-sized companies scored higher mean compared to small-sized and medium-sized companies, however in overall these companies did not manage to produce high score on both of these strategies, which probably mean that they could not pursue this strategy rigorously.

Two possible explanations drew from these findings: (1) that Turnaround Companies in this research consciously avoided these strategies, or (2) that these companies did not have sufficient resources to pursue this strategy rigorously. The second reason is considered more logical about the fact that the mean score for both of these strategies increased in relative to the Company Size. There was literature evidence in support of this argument.

There were several researches in the literature of Corporate Turnaround showed that slack (excess) resources influenced the ability of a firm's response to environmental shifts (Cheng & Kesner, 1997), and its importance to the long-term success of the Turnaround Firm (Nohria & Gulati, 1996). The sample in this research consisted of private manufacturing companies, with much smaller level of assets than public listed companies (that sometimes owned tens or hundreds of divisions or subsidiaries). Therefore, these companies might not have much slack (excess) resources to pursue Portfolio-Asset Restructuring Strategy, especially for the category of Small-sized companies, which contributed to the inconclusive findings of this research.

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4. The factor of Product-Market Refocusing Strategy

The factor of Product-Market Refocusing Strategy was divided into two strategies: (1) Changes in Product Offering Strategy, and (2) Changes in Market Entry Strategy. The literatures on Corporate Turnaround showed considerable support for Product-Market Refocusing Strategy as the instrument of growth and revenue generation in turnaround process (Kow, 2004; Slatter, 1984; Slatter & Lovett, 1999). There were many cases of Turnaround Companies adopting this strategy during turnaround. Continental Airlines (Puffer, 1999) and Fiat (Edmondson, et al., 2002) were some of the examples of Turnaround Companies pursuing this strategy.

This research however, did not find conclusive evidence to support the proposition that the factor of Changes in Product Offering Strategy influence Business Performance of Turnaround Companies. Although the statistical figures from Stepwise Regression Analysis produced significant results, however the Multiple Regression Analysis only produced t-value of 1.606, with significant p-value of 0.111, which is slightly lower than the Confidence Interval level of 90%. Based on these arguments, the proposition that this variable would have a positive and significant relationship in the improvement of Business Performance of Turnaround Companies failed to be supported.

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The inconclusive finding produced by this research concerning Changes in Product Offering Strategy contradicted the existing literature. There were scholars of Corporate Turnaround, who argued on the importance of this strategy in turnaround process (see for e.g. Slatter, 1984; Slatter & Lovett, 1999), and there were cases of Turnaround Companies adopting this strategy during turnaround. The inconclusive evidence to support the role of Changes in Product Offering Strategy to enhance Business Performance might be due to the characteristic of the sample.

As explained earlier, the sample of this research consisted of private manufacturing companies. Unlike their public listed counterparts, these private manufacturing companies had limited resources to be used for new products. Their Research and Development was limited, and even in the case that they were able to exercise new product development, it would not be in the capacity and speed as public listed companies. Since many of the existing literatures of Corporate Turnaround studies were based on the sample of public listed companies, therefore the results would be different in comparison with this research. In conclusion, the statistical results in this research did not argue that Turnaround Companies did not pursue Changes in Product Offering Strategy. The statistical results produced by this research were simply inconclusive to support the argument that this strategy influenced the improvement of Business Performance of Turnaround Companies.

The literature of Corporate Turnaround showed considerable support in the influence of Changes in Market Entry Strategy towards the improvement of Business Performance of Turnaround Companies (Hofer, 1980; Harker, 2001; Harker & Harker, 1998). This strategy was also found to be one of the most popular strategies adopted by Turnaround Companies in Malaysia (Siti Maimon, 1999; Sulaiman, et al., 2005) as well as Indonesia (Ganto & Sulaiman, 2005). This research found that Changes in Market Entry Strategy did influence Business Performance of Turnaround Companies, in which the relationship was significant and positive. The results of this research strengthened the findings of many previous studies on Corporate Turnaround that argued on the importance of this strategy in turnaround success.

Turnaround Companies in the sample of this research, put more emphasis on this strategy compared to Changes in Product Offering Strategy. This can be seen from the mean score of Changes in Market Entry Strategy (2.668) which was higher than the mean score of Changes in Product Offering Strategy (2.252). As already explained in the previous paragraph, Turnaround Companies in the sample of this research consisted of private manufacturing companies, with limited resources to pursue Changes in Product Offering Strategy rigorously. Lacking in this aspect, Turnaround Companies in the sample pursued the strategy that they can emphasize on, which is Changes in Market Entry Strategy. This might explain the reasons for the higher mean score of this variable.

In conclusion, the factor of Product-Market Refocusing Strategy found considerable support on its influence towards the improvement of Business Performance in Turnaround Companies, as the findings showed significant support for Changes in Market Entry Strategy but not for Changes in Product Offering Strategy. The contradicting results concerning Changes in Product Offering Strategy might be due to the characteristic of the sample used in this research, which consisted of private manufacturing companies. These companies were smaller in size, capacity and capabilities to pursue Changes in Product Offering Strategy aggressively, compared to the public listed companies. Nevertheless, the lacking in Changes in Product Offering Strategy had forced Turnaround Companies in the sample to emphasize more on Changes in Market Entry Strategy, which also one of the popular strategies during turnaround (Siti Maimon, 1999; Latham, 2009).

6.4. The Relationship between Strategy-related Factors, Company Size and Business Performance

The factor of Company Size was argued in Chapter 3 as one of the contextual factors that might moderate the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. Previous studies of Corporate Turnaround on the effect of Size on performance were found to be inconclusive. Studies by Pant (1991) and Bruton, et al., (2003) found that companies with smaller size tend to be more flexible in making changes, which

made them more successful in turnaround effort. However in other studies, researchers had found that size was not one of the significant factors that influenced performance (Sudarsanam & Lai, 2001; Bruton, Oviatt & White, 1994), although some of the findings argued that companies with bigger size tend to have bigger chances of surviving the turnaround (Smith, Wright & Huo, 2008).

This research found that Company Size did become one of the significant influencing factors of Business Performance of Turnaround Companies. Results from Multiple Regression Analysis (see Table 5.29) showed that Medium and Large sized companies significantly influenced Business Performance of Turnaround Companies with beta values of -0.423 and -0.402 respectively (both with $p < 0.01$), in which Smaller companies became the reference group. The negative sign in Beta coefficient suggested a negative relationship, meaning the Medium and Large-sized companies would be in a worst condition in terms of Business Performance compared to the Smaller group of Turnaround Companies, hence would be more difficult for them to achieve turnaround success. These findings strengthened previous findings by Bruton, et al,. (2003), and Sudarsanam & Lai (2001).

Aside from being a direct influence to Business Performance, the factor of Company Size was also found to have influence or to moderate the relationship between Strategy-related Factors and Business Performance, specifically for Larger-sized companies. The moderating effect of Company Size was

particularly present in the factor of Portfolio-Asset Divestment Strategy and Changes in Market Entry Strategy. Figure 5.3 and 5.4, which depicted the slope of the three groups of Company Size in relation to those strategies, showed that even though Larger-sized companies tend to be more difficult in achieving turnaround success, however due to size, companies in this group tend to achieve better rate of improvement on Business Performance compared to other two groups.

In conclusion, this has managed to extend the findings of previous researches on Corporate Turnaround. Previous research on the subject argued that Large-sized companies had more difficulty in achieving turnaround success, as they tend to be less flexible during turnaround process, compared to their smaller counterparts. However, slack resources that Large-sized companies had in terms of assets and market coverage would be much useful at the later stage of turnaround process. These companies could capitalize these resources (which Small and Medium-sized companies did not possess) to their fullest advantage to achieve turnaround. These actions in the end would position Large-sized companies in much better level of Business Performance and outperformed their smaller counterparts.

6.5. The Relationship between Strategy-related Factors, Government Assistance and Business Performance

Government Assistance, as already discussed in Chapter 3, has been argued as one of the moderating variables that influence the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. The literature of Corporate Turnaround showed many turnaround cases, which were being helped by Government. Chrysler Corporation and Lockheed Corporation were few examples in this case (Chowdury, 2002). However, even though there were many cases of Government assisted turnaround effort, this factor was scantly researched in the literature of Corporate Turnaround (Pandit, 2000). The importance of Government Assistance was noticeably dominant especially in the wake of the economic crisis of 2008, as government from all over the world prepared billions of dollars in bailout package in the effort to resuscitate their ailing firms.

This research found that the factor of Government Assistance did moderate the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. The moderating effect of Government Assistance was significantly present in the relationship between Debt Restructuring Strategy and Changes in Market Entry Strategy towards the improvement of Business Performance. Figure 5.5 and 5.6 in Chapter 5, depicted the slope, which explained the effects of different levels of Government

Assistance in the relationship between Debt Restructuring Strategy and Changes in Market Entry Strategy towards Business Performance.

The findings of this research have managed to extend the literature of Corporate Turnaround. There were many turnaround cases, which were assisted by the Government especially involving large public listed companies. However, to what extent this assistance really helped Turnaround Companies were rarely explored. The findings from this research have shown that to certain extent, Turnaround Companies that received Government Assistance would be in much better position regarding their Business Performance compared to the ones that did not. However, this effect would also depend on the extent of Debt Restructuring Strategy and Changes in Market Entry Strategy that Turnaround Companies achieved.

The findings suggested that Government Assistance would be best applied to Turnaround Companies that experience difficulties in Debt Restructuring Strategy, or Turnaround Companies that pursue Changes in Market Entry Strategy rigorously. In conclusion, the factor of Government Assistance did moderate the relationship between Strategy-related Factors and Business Performance, in a way that the level of Business Performance of Turnaround Companies would be much improved in the presence of Government Assistance.

6.6. Implications of the Study

There are several theoretical, practical and policymaking implications to this research. Discussions on this section will follow the sequence above.

1. Academic/ Theoretical Implications

This study took a Contingency approach in the effort to understand the phenomenon of Corporate Turnaround. Based on its findings, several Strategy-related Factors have been hypothesized and found to be significant towards the improvement of Business Performance of Turnaround Companies. Several contextual factors, such as Company Size and Government Assistance were also found to moderate the relationship between Strategy-related Factors and Business Performance significantly.

This research found support for the Contingency Theory in explaining the factors that influenced Corporate Turnaround. The Contingency Theory that was used as the underlying theory of this research managed to explain that successful turnaround also depends on other contingent factors, and not solely on the strategies. The support of contingency approach in this research opens the possibilities of other Strategic Management Theories in explaining the concept of Corporate Turnaround. Other Strategic Management Theories such as Resource-based Theory (as suggested by Pandit, 2000), Agency Theory, and Institutional

Theory (as previously used in a study by Bruton, et al., 2003) might be able to give a clearer picture in explaining the concept of Corporate Turnaround.

The findings of this research, which showed the contextual factors of Company Size and Government Assistance influenced the relationship between Strategy-related Factor and Business Performance, has put additional implications into the academic perspective. These findings open the possibilities of other contextual factors that might also influence the relationship between Strategy-related Factors and Business Performance. As argued in the literature, there are other contextual factors that have not been extensively explored in the field of Corporate Turnaround. These contextual factors such as Severity of Decline, Cause of Decline (Hofer, 1980; Slatter, 1984), Bridge Financing (Bibeault, 1982), Changes in Top Management & Ownership (Belcher & Nail, 2000; Bruton, Oviatt & White, 1994), might contribute further in understanding the concept of Corporate Turnaround. These contextual factors should also to be considered in the future research on Corporate Turnaround, since an approach to study a simple and direct relationship between Strategy-related Factors and Business Performance alone, might not yield a true effect of the relationship, as the effect would be obscured by the presence of non-isolated contextual variables.

2. Practical Implications

This research tried to view the concept of Corporate Turnaround in holistic approach. This research considered the use of Strategy-related Factors as well as Non Strategy-related Factors and its implications in the improvement of Business Performance of Turnaround Companies. Both of these factors in practice, were options that can be considered by Turnaround Managers to assist them in the turnaround process. Therefore, there were several practical implications that can be used by Turnaround Managers in regards to the findings in this research.

This research found that among seven Strategy-related Factors, three of them, namely Debt Restructuring Strategy, Operating-Asset Reduction Strategy, and Changes in Market Entry Strategy, were significantly contributed to Business Performance. Therefore, Turnaround Managers should put more emphasize on these strategies during the turnaround process. During crisis, time usually was not a commodity that troubled companies possessed. Therefore, early recognition of problems was among the important factors in Corporate Turnaround (Slatter, 1984; Bibeault, 1982). Turnaround Managers have to work in this limited time span and limited resources to turnaround the companies. Therefore, it is important for them to know which strategies that matters the most. A slight mismanagement or pursuing wrong strategy would make them lost valuable time as well as resources, in which could bring them closer to bankruptcy.

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This research also found that Operational-Efficiency Strategy was inversely related to the improvement of Business Performance. Even though only one of Operational-Efficiency Strategies, Operating-Asset Reduction Strategy, was found to have significant impact on Business Performance, however Cost Reduction Strategy also showed an inverted relationship with Business Performance. These findings suggested that Turnaround Managers should be more cautious in applying these strategies during turnaround. There were other findings in turnaround research, which also suggested on the negative impact of downsizing towards Business Performance in turnaround (Smith, Wright & Huo, 2008). Turnaround Managers who intended to exercise Operational-Efficiency Strategy in their turnaround attempt should consider these facts carefully.

This research also found that other contextual variables, in this case Company Size and Government Assistance, did influence or moderate the relationship between Strategy-related Factors and Business Performance. This research found that in certain condition, the presence of these contextual factors could improve Business Performance of Turnaround Companies to certain extent. Therefore, Turnaround Managers could also consider these factors during turnaround in order to achieve better results on Business Performance. However, Turnaround Managers should always consider certain aspects in its application, such as what Strategy-related Factors and under what circumstances that these contextual factors might be advantageous to be used in enhancing the strategy – performance relationship. For example, Turnaround Managers can pursue

Portfolio-Asset Divestment Strategy to a certain extent, in the condition that the size of the Turnaround Company is large enough to do so. In conclusion, the findings of this research can be used as guidance in the future for Turnaround Managers, especially in selecting which strategies to be pursued rigorously, which strategies to be pursued cautiously, and which other factors that could assist in the turnaround process.

3. Policy Implications

As mentioned in Chapter 4, this research was supported by the local government especially during data collection. They agreed to make this research as an extension of their research and by doing so, the process of data collection of this research has been speed up significantly. However, in return for their full cooperation, they required a copy of the research findings in order to help develop a better policy concerning these companies. The implications of the study for policy makers are presented in this section.

This research found that Government Assistance did influence/moderate the relationship between Strategy-related Factors and Business Performance, specifically for Debt Restructuring Strategy and Changes in Market Entry Strategy. These findings signify that even though the role of Government Assistance was limited (mean value of 1.897, see Table 5.23), they still carry certain weight in turning around troubled companies. Since it is in the best

interest of the local government to keep these manufacturing companies in financially viable condition, it would be best if this kind of assistance were institutionalized in the form of government body (committee), to oversee and supervise the turnaround process all the way through.

This research found that Government Assistance moderated two out of seven Strategy-related Factors in their relationship towards Business Performance. However, this did not mean that Government Assistance did not moderate the other Strategy-related Factors. The evidence from statistical analysis was simply not conclusive enough to support the proposition that Government Assistance was in fact moderated the other five strategies. Therefore, one could argue that perhaps the influence of Government Assistance was not high enough to reach the level where it could interact with the remaining five Strategy-related Factors. It is therefore argued, that hands-on Government Assistance would bring much effect in the turnaround process. By exercising this approach in the turnaround process, the improvement of Business Performance of Turnaround Companies would arguably much higher, hence the survival chance of these companies.

In conclusion, the findings of this research suggested that local government should have a more active role in the turnaround process of troubled companies. If the government viewed these companies as important assets, the assistance that they should offer had to be more than mere tax exemption,

workshops and organizing trade expos or visits. Even with such limited assistance, this research has shown that the moderating effect of Government Assistance did influence Business Performance in favorable ways. Specific to the business environment in Indonesia, the central government is becoming more decentralized. In this situation, the performance of local economy would be much more dependent on the policy taken by the local government. Certainly, success stories in turnaround would boost the economy, especially from taxes and jobs that these companies provided. The improvement of local economy would create a more conducive political environment, which in a way would guarantee better chance of political stability to the ruling party.

6.7. Contributions of the Study

There are several contributions to this research, namely theoretical, empirical, methodological and practical. Discussions on this section will follow these sequences.

1. Contribution towards Theory Building

There are several theoretical contributions noted in this research. Firstly, this research has managed to extend the existing theory of Corporate Turnaround by considering the phenomena through a holistic approach. Strategy-related Factors as well as Non Strategy-related Factors were considered holistically in this research in an attempt to explain the phenomena of Corporate Turnaround.

By considering both factors that contributed to turnaround success in holistic approach, a better understanding of the phenomena pf Corporate Turnaround could be achieved.

In the aspect of Strategy-related Factors, this research has managed to show that three out of seven turnaround strategies were actually important in turnaround success. Careful selection of turnaround strategies would definitely bring better chances of survival for Turnaround Companies, as these companies would only use their resources on the strategies that really matters and shorten the turnaround time. These findings can be used as guidance for Turnaround Managers in revitalizing troubled companies.

In the aspect of contextual factors, this research found that both contextual factors of Company Size and Government Assistance did influence the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. Over the years, the recovery of Turnaround Companies were always being credited to the management, causing the contextual factor of Top Management to be one of the most researched upon (see for e.g. Clapham, Schweni & Caldwell, 2005; O'Connor, 2006), while other contextual factors were neglected. The findings of this research showed the importance of the other two contextual factors (Company Size and Government Assistance) in achieving turnaround success. These findings have managed to extend the existing literature

about the influence of contextual factors (Company Size and Government Assistance) in Corporate Turnaround.

In regards to theory, this research has managed to capitalize on three distinct theories of Strategic Management and used it to explain the phenomena of Corporate Turnaround. Contingency Theory, which was used as the main underpinning theory of this research, was found to be quite useful in explaining another perspective of Corporate Turnaround. As argued by Pandit (2000), researches on Corporate Turnaround have been neglecting the theory to back it up. In this perspective, this research has managed to extend the existing literature through the application of Contingency Theory in explaining the concept of Corporate Turnaround.

2. Contributions in Methodology

There are several contributions due to this research in this aspect. This research attempted to study the concept of Corporate Turnaround through holistic approach by using quantitative data analysis. It was in the interest of the researcher that by the end, this research had to be able to produce conclusions in terms of generalizations, which best could be offered by quantitative data analysis. There were arguments from the proponents of qualitative design that quantitative analysis could not study the concept of Corporate Turnaround in detail. However, since there were already significant number of qualitative work

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understanding of the concept in respect to the behavior of privately owned turnaround companies.

In the empirical perspective, this research has managed to expand the geographical area of the study. There was limited literature on Corporate Turnaround, in the context of Southeast Asia, as most literature came from Western business settings. It was argued by the researcher on Chapter 1 that there were differences in the concept of Corporate Turnaround between Western businesses compared to their Asian counterparts, since business practices between both regions were quite different. Therefore, it might be a fallacy to assume that the research findings in Western context might also applicable in Asian context.

In Indonesia context, only one research article exists in the literature of Corporate Turnaround, which studied Turnaround Companies in Indonesia (Ganto & Sulaiman, 2005). In this aspect, this research has managed to contribute in the extension of the geographical areas of literatures of Corporate Turnaround, and to gain further understanding in the practices of Turnaround Companies within the Indonesian setting.

3. Contribution to Practitioners

In the practical perspective, there were several contributions noted from this research. This research attempted to study the concept of Corporate Turnaround in relation to the Strategy-related Factors and Non Strategy-related Factors. In the aspect of Strategy-related Factors, this research managed to highlight the important strategies that should be considered by Turnaround Managers during turnaround. Debt Restructuring Strategy, Operating-Asset Reduction Strategy, and Changes in Market Entry Strategy were the strategies that Turnaround Managers should put more focus on, as these strategies significantly influence Business Performance in this research.

In the aspect of Non Strategy-related Factors, this research managed to highlight the importance of Government Assistance in the resuscitation of Turnaround Company. The contextual factors of Company Size and Government Assistance significantly moderated the relationship between Strategy-related Factors and Business Performance in this research. This research managed to show that the proactive role carried by the Government were actually needed and welcomed in turnaround process.

6.8. Limitations of the Study and Recommendations for Future Research

There are several limitations to be noted in this study. First, this research focused on two contextual factors (Company Size and Government Assistance),

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found to moderate the relationship between Strategy-related Factors and Business Performance. Aside from these two, there were other contextual factors which were also argued to influence Business Performance of Turnaround Companies, such as Changes in Top Management & Character of Senior Managers (Clapham, Schweni & Caldwell, 2005; O'Connor, 2006), Cause of Decline & Severity of the Crisis (Hofer, 1980), the Industry Effect & Macro Economic Factor (Slatter, 1984; Pandit, 2000), and Bridge Financing (Bibeault, 1982). However, due to limited resources, this research considered only two of the contextual factors (Company Size and Government Assistance). This limitation however can be viewed as a recommendation for future research, in which other contextual factors might also be considered and further explored in future research.

This research focused on private manufacturing-exporting companies as the sample of the study. Characteristics of these companies would be much different compared to the public listed companies, which usually have tens or hundreds of divisions and subsidiaries with huge market capitalization. From the methodological perspective, these differences would somewhat limit the generalization and applicability of this research to public listed companies. However, the extent of applicability of the findings of this research outside of its context would also provide another recommendation for future research in the subject.

Another limitation of this research is that it focused solely on the manufacturing sector of privately owned companies. Further investigation into different industries and sectors might provide additional insights into the field of Corporate Turnaround, especially in relation to privately owned companies. Further research could expand the boundary of the concept of Corporate Turnaround by exploring into other contextual factors, other industries, and other countries, or even by trying to replicate this research and see how it works under different context, situation, and condition.

6.9. Conclusion

This chapter has presented discussions on the findings of this research. In relation to Strategy-related Factors, this research found that Debt Restructuring Strategy, Operating-Asset Reduction Strategy and Changes in Market Entry Strategy, influenced the improvement of Business Performance of Corporate Turnaround. In relation to the contextual factors (Non Strategy-related Factors), this research found that the factor of Company Size and Government Assistance did influence or moderate the relationship between Strategy-related Factors and Business Performance of Turnaround Companies. In specific, this research found that Portfolio-Asset Divestment Strategy and Changes in Market Entry were moderated by the factor of Company Size, while Debt Restructuring Strategy and Changes in Market Entry were moderated by the factor of Government Assistance.

This research tried to explore the concept of Corporate Turnaround in holistic approach by considering both the content of strategies and the context in which it operated. Pandit (2000) argued there were very limited number of research on Corporate Turnaround, which considered both the content of strategies and the contextual factors of the subject. This research to certain extent, has tried to answer this gap in the literatures, which previously argued by Pandit (2000). The findings of this research have shown a different perspective on the concept of Corporate Turnaround, just as suspected by Pandit (2000). However, this research materialized in the dearth of existing knowledge on Corporate Turnaround with many questions remaining and many variables to be further explored.

This chapter has managed to present the discussions and conclusions as part of the research. Discussions on the findings of this research in relation to Strategy-related Factors and the contextual variables of Company Size and Government Assistance were presented at the beginning of the chapter. Discussions then followed with the implication of the research. In this section several implications such as academic/ theoretical, practical and policy implications were discussed. The chapter then continued with discussions on the contributions of the research, which was presented in the middle of the chapter. Several contributions of the research such as in the aspect of theory building, research methodology and contributions for practitioners were elaborated in this section. Limitations of the study and several suggestions for future research such

as in regards to other contextual factors and relating to other (non-manufacturing) industries, were presented towards the end part of the chapter.

This research has successfully achieved its objective. It has successfully answered all the questions. This research has shown that both Strategy-related Factors and Non Strategy-related Factors (contextual factors) were all contributed to the turnaround success. The combination effect of both the content of strategies and the context, in which it operated, have managed to enrich the understanding on the concept of Corporate Turnaround. However, there are still many things to uncover, many questions remain unanswered, many theoretical gaps remain unexplored, and many more research should be done in the effort to better explain the concept of Corporate Turnaround, and to push further the boundary of our understanding in the hopes of giving better solutions for troubled businesses, and achieving successful turnaround.

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APPENDICES

Group Statistics

	Position	N	Mean	Std. Deviation	Std. Error Mean
DV	1	95	3.52456	.826914	.084840
	2	30	3.54444	.810531	.147982
DR	1	95	2.07519	.463070	.047510
	2	30	2.15238	.417650	.076252
CR	1	95	2.05474	.498032	.051097
	2	30	2.14000	.430397	.078579
AR	1	95	1.92842	.460264	.047222
	2	30	2.00000	.356225	.065038
AD	1	95	1.61842	.533258	.054711
	2	30	1.66667	.501435	.091549
AI	1	95	1.58737	.406134	.041669
	2	30	1.54000	.386496	.070564
PO	1	95	2.21053	.538215	.055220
	2	30	2.36000	.470949	.085983
ME	1	95	2.15000	.649673	.066655
	2	30	2.31667	.649713	.118621
GA	1	95	1.88158	.552848	.056721
	2	30	1.92500	.405512	.074036

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
DV	Equal variances assumed	.254	.615	-.115	123	.908	-.019883	.172375	-.361089	.321323
	Equal variances not assumed			-.117	49.545	.908	-.019883	.170577	-.362575	.322808
DR	Equal variances assumed	2.639	.107	-.814	123	.417	-.077193	.094823	-.264889	.110503
	Equal variances not assumed			-.859	53.404	.384	-.077193	.089842	-.257361	.102975
CR	Equal variances assumed	1.777	.185	-.843	123	.401	-.085263	.101141	-.285465	.114938
	Equal variances not assumed			-.910	55.640	.367	-.085263	.093732	-.273057	.102531
AR	Equal variances assumed	2.412	.123	-.780	123	.437	-.071579	.091722	-.253137	.109979
	Equal variances not assumed			-.891	62.295	.377	-.071579	.080373	-.232227	.089069
AD	Equal variances assumed	1.533	.218	-.438	123	.662	-.048246	.110144	-.266268	.169777
	Equal variances not assumed			-.452	51.391	.653	-.048246	.106651	-.262318	.165827
AI	Equal variances assumed	.282	.596	.563	123	.574	.047368	.084104	-.119110	.213847
	Equal variances not assumed			.578	50.843	.566	.047368	.081949	-.117183	.211899
PO	Equal variances assumed	1.175	.280	-1.364	123	.175	-.149474	.109559	-.366338	.067391
	Equal variances not assumed			-1.463	54.970	.149	-.149474	.102188	-.354265	.055317
ME	Equal variances assumed	.018	.893	-1.225	123	.223	-.166667	.136061	-.435991	.102658
	Equal variances not assumed			-1.225	48.707	.227	-.166667	.136065	-.440142	.106808
GA	Equal variances assumed	7.043	.009	-.397	123	.692	-.043421	.109294	-.259762	.172920
	Equal variances not assumed			-.466	66.017	.643	-.043421	.093266	-.229632	.142790

APPENDIX B1 – Business Performance

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.929
Bartlett's Test of Sphericity	Approx. Chi-Square	770.529
	df	15.000
	Sig.	.000

Communalities

	Initial	Extraction
Y1	1.000	.787
Y2	1.000	.786
Y3	1.000	.832
Y4	1.000	.792
Y5	1.000	.885
Y6	1.000	.847

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.930	82.169	82.169	4.930	82.169	82.169
2	.309	5.152	87.322			
3	.270	4.498	91.819			
4	.194	3.237	95.056			
5	.167	2.775	97.832			
6	.130	2.168	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
Y1	.887
Y2	.887
Y3	.912
Y4	.890
Y5	.941
Y6	.920

Extraction Method: Principal Component Analysis

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.953	.956	6

Inter-Item Correlation Matrix

	Y1	Y2	Y3	Y4	Y5	Y6
Y1	1.000	.726	.741	.725	.812	.824
Y2	.726	1.000	.775	.731	.805	.788
Y3	.741	.775	1.000	.799	.848	.794
Y4	.725	.731	.799	1.000	.818	.769
Y5	.812	.805	.848	.818	1.000	.828
Y6	.824	.788	.794	.769	.828	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Y1	17.55	17.104	.839	.734	.946
Y2	17.75	17.994	.838	.709	.948
Y3	17.54	16.718	.872	.774	.943
Y4	17.85	18.001	.843	.722	.947
Y5	17.43	14.860	.912	.834	.942
Y6	17.76	17.071	.883	.789	.942

APPENDIX B2 – Debt Restructuring Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.792
Bartlett's Test of Sphericity	Approx. Chi-Square	492.470
	df	21.000
	Sig.	.000

Communalities

	Initial	Extraction
R1	1.000	.792
R2	1.000	.723
R3	1.000	.856
R4	1.000	.774
R5	1.000	.660
R6	1.000	.801
R7	1.000	.802

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.544	50.632	50.632	3.544	50.632	50.632	3.166
2	1.864	26.622	77.255	1.864	26.622	77.255	2.659
3	.471	6.722	83.977				
4	.374	5.344	89.321				
5	.319	4.558	93.879				
6	.225	3.214	97.093				
7	.203	2.907	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Component Matrix[a]

	Component 1	Component 2
R1	.822	-.340
R2	.789	-.318
R3	.498	.779
R4	.687	-.549
R5	.731	-.354
R6	.690	.570
R7	.718	.536

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Pattern Matrix[a]

	Component 1	Component 2
R1	.860	.094
R2	.820	.098
R3	-.181	.956
R4	.908	-.163
R5	.802	.037
R6	.113	.859
R7	.157	.842

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Structure Matrix

	Component 1	Component 2
R1	.885	.319
R2	.845	.312
R3	.069	.908
R4	.865	.074
R5	.812	.246
R6	.337	.889
R7	.377	.883

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.860	.875	4

Inter-Item Correlation Matrix

	R1	R2	R4	R5
R1	1.000	.685	.743	.590
R2	.685	1.000	.597	.618
R4	.743	.597	1.000	.584
R5	.590	.618	.584	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
R1	4.28	1.961	.793	.648	.793
R2	4.76	2.910	.724	.543	.834
R4	4.22	2.138	.754	.588	.805
R5	4.77	2.809	.666	.462	.843

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.858	.876	3

Inter-Item Correlation Matrix

	R3	R6	R7
R3	1.000	.704	.709
R6	.704	1.000	.690
R7	.709	.690	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
R3	6.74	1.970	.768	.591	.808
R6	5.33	1.625	.750	.569	.785
R7	5.23	1.293	.756	.575	.812

APPENDIX B3 – Cost Reduction Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-Square	306.327
	df	21.000
	Sig.	.000

Communalities

	Initial	Extraction
C1	1.000	.729
C2	1.000	.640
C3	1.000	.497
C4	1.000	.654
C5	1.000	.683
C6	1.000	.708
C7	1.000	.661

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.275	46.791	46.791	3.275	46.791	46.791	3.232
2	1.297	18.531	65.322	1.297	18.531	65.322	1.460
3	.705	10.067	75.389				
4	.630	9.002	84.390				
5	.520	7.433	91.823				
6	.320	4.576	96.399				
7	.252	3.601	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Component Matrix[a]

	Component	
	1	2
C1	.848	-.102
C2	.793	-.109
C3	.651	-.271
C4	.367	.721
C5	.132	.816
C6	.835	-.102
C7	.810	.078

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Pattern Matrix[a]

	Component	
	1	2
C1	.850	.025
C2	.799	.009
C3	.708	-.173
C4	.146	.775
C5	-.108	.835
C6	.838	.023
C7	.761	.199

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Structure Matrix

	Component	
	1	2
C1	.854	.145
C2	.800	.122
C3	.684	-.073
C4	.256	.795
C5	.010	.819
C6	.841	.142
C7	.789	.306

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.781	.775	7

Inter-Item Correlation Matrix

	C1	C2	C3	C4	C5	C6	C7
C1	1.000	.691	.471	.184	.068	.613	.602
C2	.691	1.000	.458	.171	.073	.559	.470
C3	.471	.458	1.000	.101	-.046	.459	.376
C4	.184	.171	.101	1.000	.335	.195	.333
C5	.068	.073	-.046	.335	1.000	.028	.084
C6	.613	.559	.459	.195	.028	1.000	.696
C7	.602	.470	.376	.333	.084	.696	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C1	11.49	4.429	.706	.597	.706
C2	12.02	5.113	.646	.522	.728
C3	12.45	5.653	.469	.294	.761
C4	11.78	6.320	.325	.209	.784
C5	12.40	6.323	.099	.124	.828
C6	11.66	4.822	.693	.580	.714
C7	11.01	4.395	.673	.568	.715

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.442	.502	2

Inter-Item Correlation Matrix

	C4	C5
C4	1.000	.335
C5	.335	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C4	1.40	.339	.335	.112	a
C5	2.02	.104	.335	.112	a

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.812
Bartlett's Test of Sphericity	Approx. Chi-Square	276.965
	df	10.000
	Sig.	.000

Communalities

	Initial	Extraction
C1	1.000	.736
C2	1.000	.644
C3	1.000	.449
C6	1.000	.712
C7	1.000	.634

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.176	63.512	63.512	3.176	63.512	63.512
2	.678	13.554	77.067			
3	.561	11.228	88.295			
4	.323	6.465	94.760			
5	.262	5.240	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
C1	.858
C2	.802
C3	.670
C6	.844
C7	.796

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.852	.854	5

Inter-Item Correlation Matrix

	C1	C2	C3	C6	C7
C1	1.000	.691	.471	.613	.602
C2	.691	1.000	.458	.559	.470
C3	.471	.458	1.000	.459	.376
C6	.613	.559	.459	1.000	.696
C7	.602	.470	.376	.696	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C1	8.06	3.431	.749	.596	.798
C2	8.59	4.082	.674	.520	.821
C3	9.02	4.524	.521	.287	.855
C6	8.24	3.781	.742	.578	.801
C7	7.58	3.487	.671	.534	.824

APPENDIX B4 – Operating-Asset Reduction Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.717
Bartlett's Test of Spishericity	Approx. Chi-Square	161.198
	df	10.000
	Sig.	.000

Communalities

	Initial	Extraction
O1	1.000	.705
O2	1.000	.552
O3	1.000	.753
O4	1.000	.812
O5	1.000	.760

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	2.530	50.605	50.605	2.530	50.605	50.605	2.252
2	1.052	21.035	71.640	1.052	21.035	71.640	1.863
3	.604	12.076	83.717				
4	.431	8.628	92.345				
5	.383	7.655	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Component Matrix[a]

	Component	
	1	2
O1	.782	-.305
O2	.697	-.256
O3	.731	-.468
O4	.615	.659
O5	.721	.491

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Pattern Matrix[a]

	Component	
	1	2
O1	.811	.070
O2	.710	.078
O3	.904	-.112
O4	-.081	.928
O5	.130	.815

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Structure Matrix

	Component	
	1	2
O1	.837	.375
O2	.739	.344
O3	.862	.227
O4	.268	.898
O5	.436	.864

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.738	.747	3

Inter-Item Correlation Matrix

	O1	O2	O3
O1	1.000	.435	.601
O2	.435	1.000	.452
O3	.601	.452	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
O1	4.19	1.366	.607	.394	.622
O2	3.82	1.216	.496	.246	.739
O3	3.94	1.102	.610	.406	.595

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.716	.719	2

Inter-Item Correlation Matrix

	Q4	Q5
Q4	1.000	.561
Q5	.561	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q4	2.06	.302	.561	.314	.ᵃ
Q5	1.69	.378	.561	.314	.ᵃ

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.

APPENDIX B5 – Portfolio-Asset Divestment Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	347.612
	df	10.000
	Sig.	.000

Communalities

	Initial	Extraction
D1	1.000	.758
D2	1.000	.283
D3	1.000	.496
D4	1.000	.735
D5	1.000	.877

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.149	62.988	62.988	3.149	62.988	62.988
2	.898	17.960	80.948			
3	.562	11.240	92.188			
4	.242	4.833	97.021			
5	.149	2.979	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
D1	.871
D2	.532
D3	.704
D4	.857
D5	.937

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.724
Bartlett's Test of Sphericity	Approx. Chi-Square	315.347
	df	6.000
	Sig.	.000

Communalities

	Initial	Extraction
D1	1.000	.796
D3	1.000	.548
D4	1.000	.710
D5	1.000	.884

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.938	73.457	73.457	2.938	73.457	73.457
2	.649	16.225	89.682			
3	.263	6.569	96.251			
4	.150	3.749	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
D1	.892
D3	.740
D4	.842
D5	.940

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.868	.877	4

Inter-Item Correlation Matrix

	D1	D3	D4	D5
D1	1.000	.544	.721	.765
D3	.544	1.000	.373	.677
D4	.721	.373	1.000	.759
D5	.765	.677	.759	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
D1	4.90	2.862	.785	.642	.820
D3	4.89	2.633	.592	.519	.887
D4	4.98	2.749	.690	.665	.843
D5	4.79	2.085	.879	.777	.760

APPENDIX B6 – Portfolio-Asset Investment Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.704
Bartlett's Test of Sphericity	Approx. Chi-Square	230.782
	df	10.000
	Sig.	.000

Communalities

	Initial	Extraction
I1	1.000	.549
I2	1.000	.493
I3	1.000	.533
I4	1.000	.403
I5	1.000	.835

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.813	56.259	56.259	2.813	56.259	56.259
2	.825	16.500	72.758			
3	.610	12.198	84.956			
4	.565	11.301	96.258			
5	.187	3.742	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
I1	.741
I2	.702
I3	.730
I4	.635
I5	.914

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.803	.800	5

Inter-Item Correlation Matrix

	I1	I2	I3	I4	I5
I1	1.000	.310	.403	.429	.612
I2	.310	1.000	.352	.247	.689
I3	.403	.352	1.000	.354	.605
I4	.429	.247	.354	1.000	.438
I5	.612	.689	.605	.438	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
I1	6.29	2.707	.569	.425	.770
I2	6.10	2.668	.536	.500	.782
I3	6.46	2.751	.562	.382	.772
I4	6.70	3.226	.464	.244	.801
I5	5.97	2.112	.835	.725	.672

APPENDIX B7 – Changes in Product Offering Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.741
Bartlett's Test of Sphericity	Approx. Chi-Square	275.128
	df	10.000
	Sig.	.000

Communalities

	Initial	Extraction
P1	1.000	.540
P2	1.000	.583
P3	1.000	.649
P4	1.000	.626
P5	1.000	.690

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.088	61.770	61.770	3.088	61.770	61.770
2	.793	15.852	77.622			
3	.554	11.084	88.706			
4	.338	6.768	95.475			
5	.226	4.525	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
P1	.735
P2	.764
P3	.806
P4	.791
P5	.831

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.845	5

Inter-Item Correlation Matrix

	P1	P2	P3	P4	P5
P1	1.000	.614	.411	.532	.378
P2	.614	1.000	.500	.421	.491
P3	.411	.500	1.000	.510	.716
P4	.532	.421	.510	1.000	.638
P5	.378	.491	.716	.638	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P1	8.68	4.348	.585	.481	.824
P2	9.53	5.106	.637	.471	.809
P3	9.14	4.264	.658	.548	.798
P4	9.35	4.520	.661	.508	.796
P5	8.23	4.712	.705	.630	.788

APPENDIX B8 – Changes in Market Entry Strategy

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.767
Bartlett's Test of Sphericity	Approx. Chi-Square	380.169
	df	15.000
	Sig.	.000

Communalities

	Initial	Extraction
M1_R	1.000	.670
M2	1.000	.680
M3_R	1.000	.678
M4	1.000	.897
M5	1.000	.764
M6	1.000	.811

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.173	52.890	52.890	3.173	52.890	52.890	3.155
2	1.327	22.110	75.000	1.327	22.110	75.000	1.417
3	.670	11.168	86.168				
4	.422	7.035	93.203				
5	.276	4.593	97.796				
6	.132	2.204	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Component Matrix[a]

	Component	
	1	2
M1_R	-.184	.798
M2	.811	.147
M3_R	-.181	.803
M4	.942	.095
M5	.874	-.023
M6	.893	.117

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Pattern Matrix[a]

	Component	
	1	2
M1_R	-.002	.818
M2	.830	.067
M3_R	.001	.824
M4	.947	.001
M5	.854	-.111
M6	.903	.028

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Structure Matrix

	Component	
	1	2
M1_R	-.104	.819
M2	.822	-.036
M3_R	-.101	.824
M4	.947	-.117
M5	.867	-.217
M6	.900	-.084

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.521	.522	2

Inter-Item Correlation Matrix

	M1_R	M3_R
M1_R	1.000	.353
M3_R	.353	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
M1_R	3.81	.269	.353	.125	.ᵃ
M3_R	4.26	.240	.353	.125	.ᵃ

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.815
Bartlett's Test of Sphericity	Approx. Chi-Square	353.303
	df	6.000
	Sig.	.000

Communalities

	Initial	Extraction
M2	1.000	.672
M4	1.000	.897
M5	1.000	.756
M6	1.000	.809

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.134	78.360	78.360	3.134	78.360	78.360
2	.441	11.032	89.392			
3	.284	7.112	96.504			
4	.140	3.496	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
M2	.820
M4	.947
M5	.870
M6	.900

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.898	.907	4

Inter-Item Correlation Matrix

	M2	M4	M5	M6
M2	1.000	.723	.577	.626
M4	.723	1.000	.783	.831
M5	.577	.783	1.000	.713
M6	.626	.831	.713	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
M2	6.85	4.823	.704	.525	.901
M4	6.41	2.889	.896	.805	.838
M5	6.70	4.117	.777	.626	.868
M6	6.33	3.948	.824	.701	.850

APPENDIX B9 – Government Assistance

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.759
Bartlett's Test of Sphericity	Approx. Chi-Square	163.652
	df	6.000
	Sig.	.000

Communalities

	Initial	Extraction
G1	1.000	.632
G2	1.000	.573
G3	1.000	.541
G4	1.000	.783

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.529	63.216	63.216	2.529	63.216	63.216
2	.625	15.629	78.845			
3	.541	13.526	92.371			
4	.305	7.629	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
G1	.795
G2	.757
G3	.735
G4	.885

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Rotated Component Matrix[a]

a. Only one component was extracted. The solution cannot be rotated.

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Reliability

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.787	.804	4

Inter-Item Correlation Matrix

	G1	G2	G3	G4
G1	1.000	.468	.400	.640
G2	.468	1.000	.395	.559
G3	.400	.395	1.000	.573
G4	.640	.559	.573	1.000

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
G1	5.59	2.663	.600	.428	.733
G2	5.82	3.114	.563	.340	.762
G3	5.69	2.249	.547	.337	.787
G4	5.60	2.403	.751	.574	.655

APPENDIX C1 – Standardized Maximum and Minimum for Each Variable Testing
for Univariate Outliers

Descriptive Statistics

	N	Minimum	Maximum
Zscore(DV)	125	-2.47540	1.59063
Zscore(DR)	125	-1.78699	2.00437
Zscore(CR)	125	-2.22897	2.33179
Zscore(AR)	125	-2.16248	2.41129
Zscore(AD)	125	-1.20180	1.65963
Zscore(AI)	125	-1.43826	2.05751
Zscore(PO)	125	-1.99334	2.19755
Zscore(ME)	125	-2.16623	2.25996
Zscore(GA)	125	-1.71507	2.13038
Valid N (listwise)	125		

APPENDIX C2 – Scatterplot Testing for Bivariate Outliers

Scatter Plot
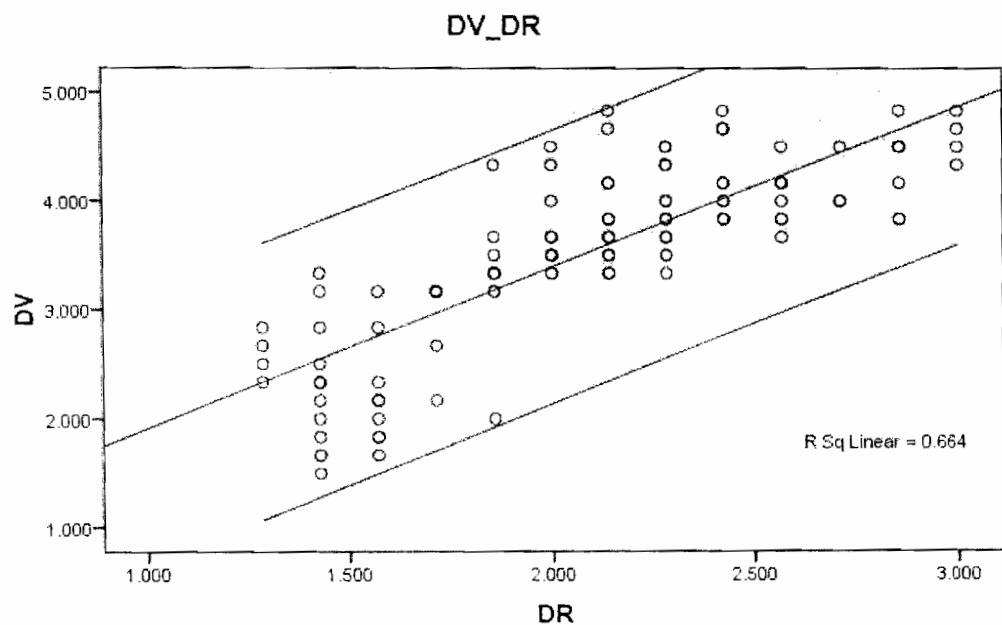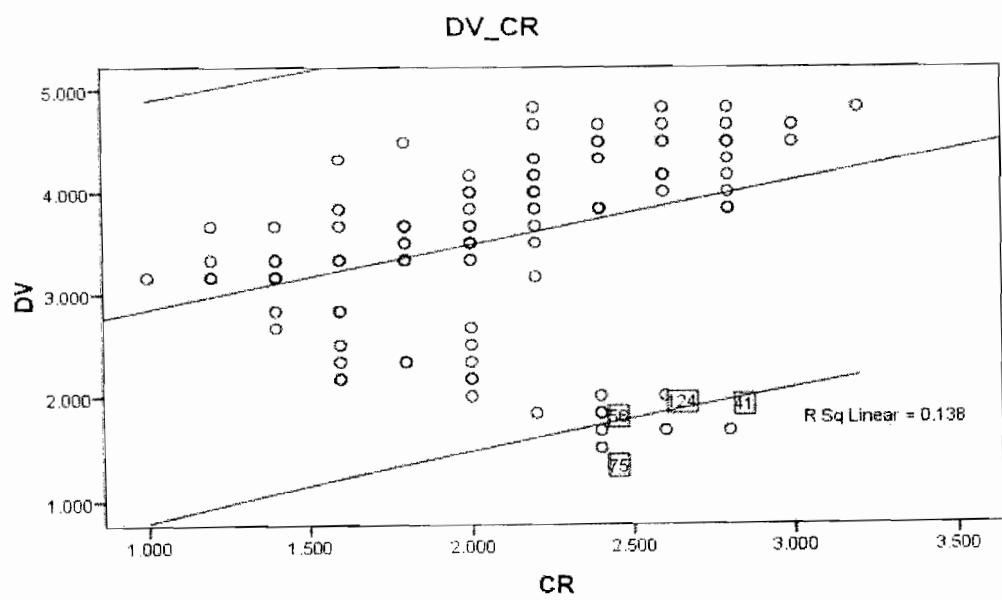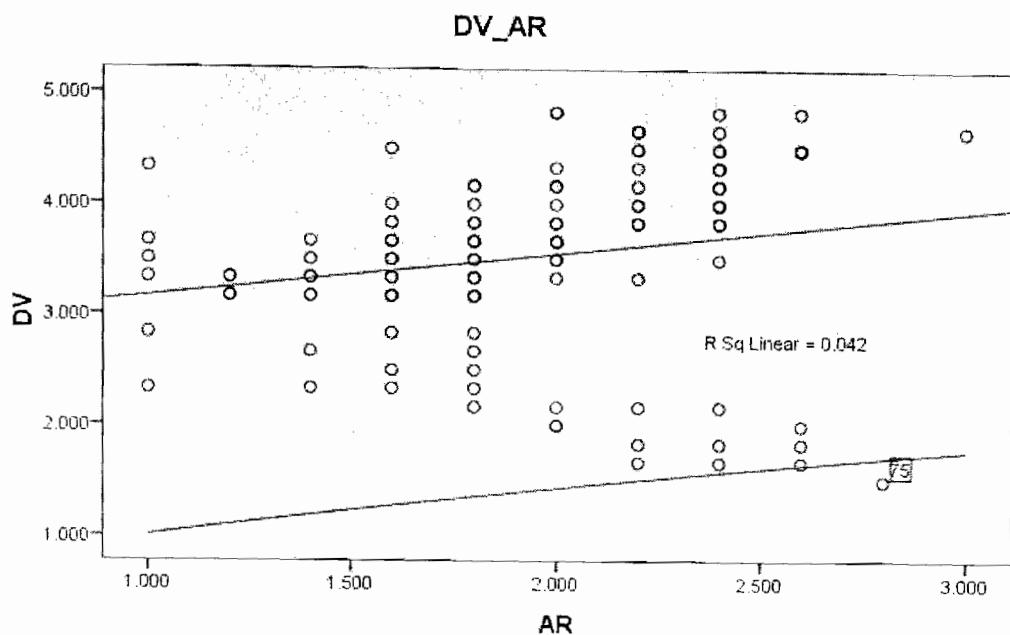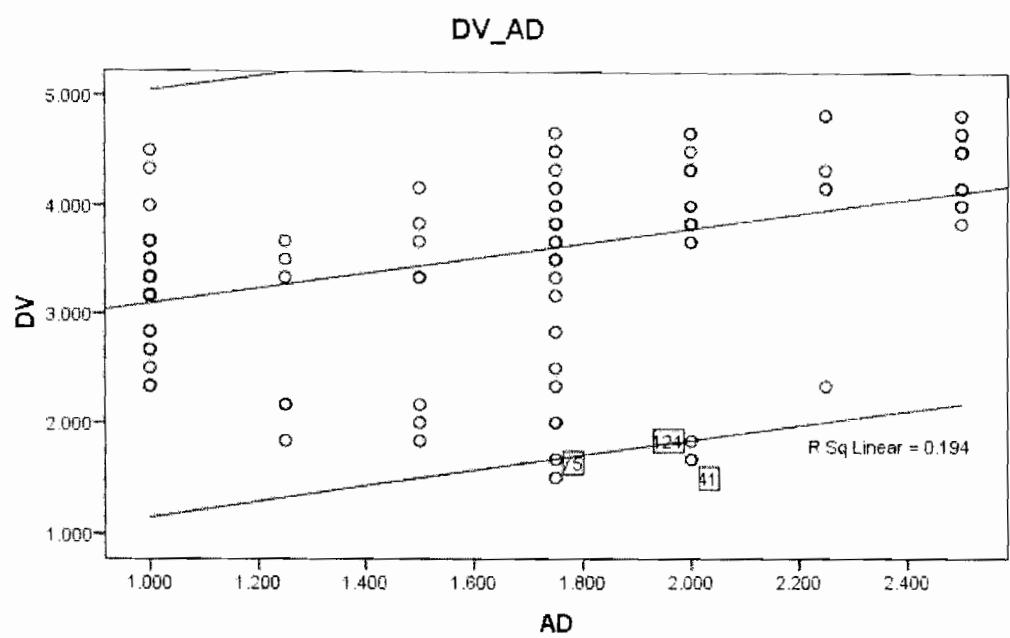
DV_DR

R Sq Linear = 0.664

Scatter Plot

DV_CR

R Sq Linear = 0.138

Scatter Plot

DV_AR

R Sq Linear = 0.042

Scatter Plot

DV_AD

R Sq Linear = 0.194

Scatter Plot

DV_AI

R Sq Linear = 0.247

Scatter Plot

DV_PO

R Sq Linear = 0.509

Scatterplot

DV_ME

R Sq Linear = 0.575

Scatterplot

DV_GA

R Sq Linear = 0.42
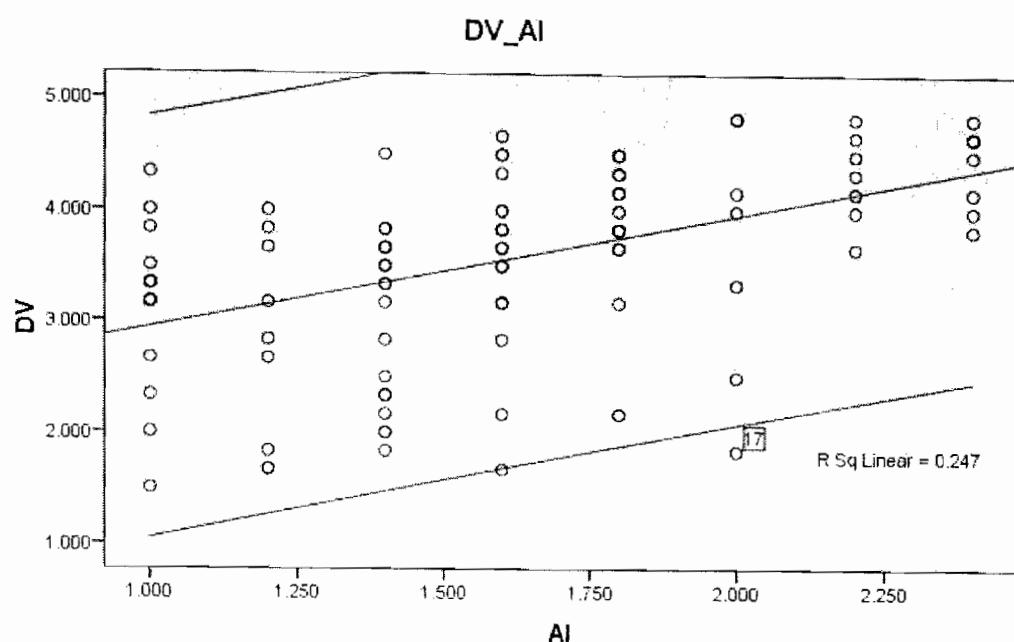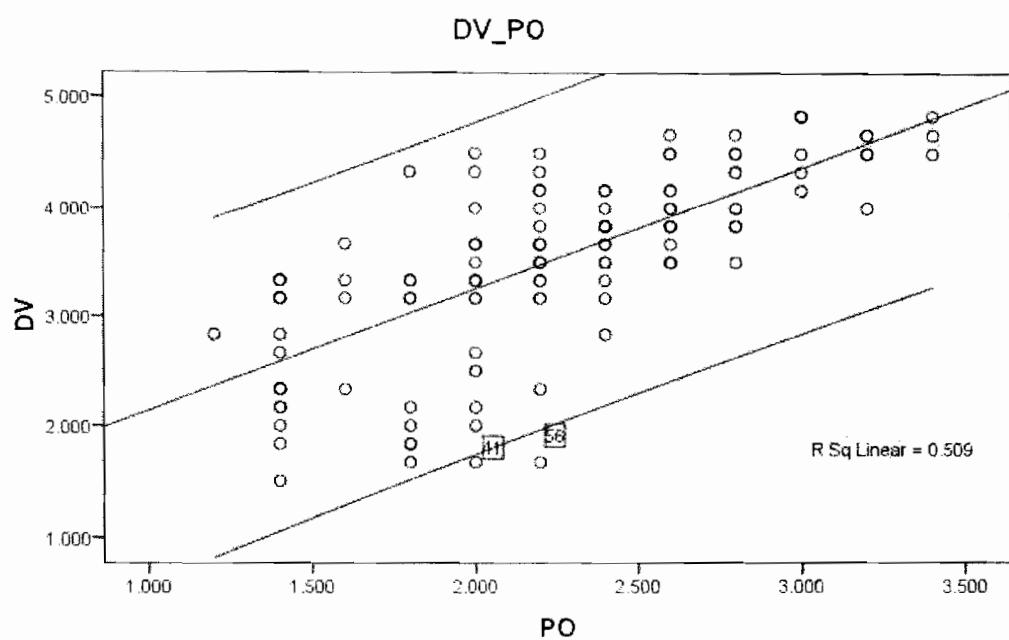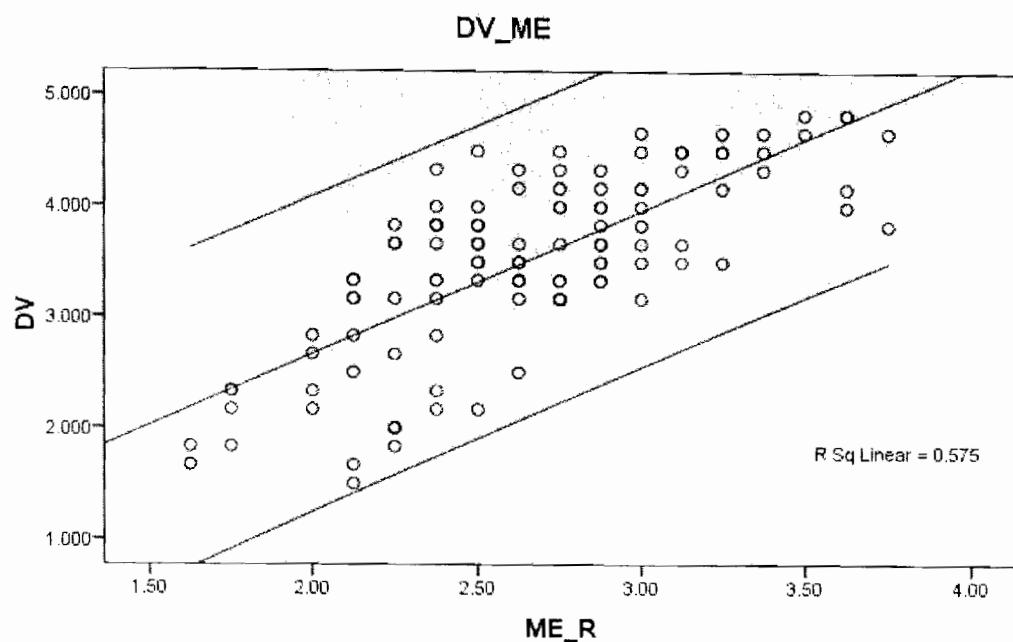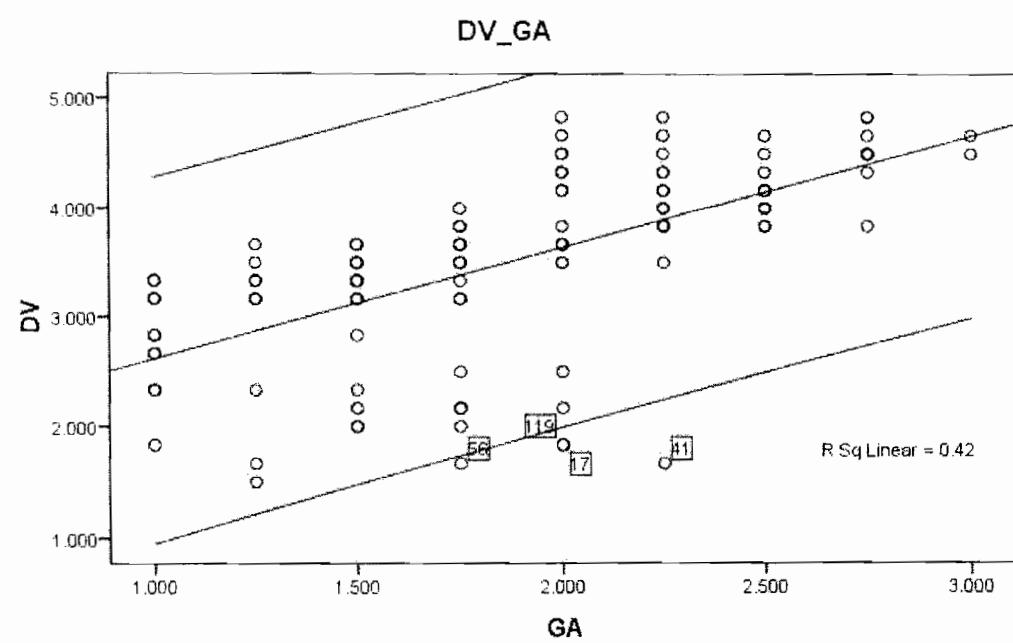
APPENDIX C3 – Mahalanobis Distance Testing for Multivariate Outliers

Case No	Mahalanobis D	Case No	Mahalanobis D	Case No	Mahalanobis D
1	9.62578	43	4.49149	85	4.60858
2	7.82612	44	2.70346	86	8.92431
3	3.49044	45	1.31877	87	4.44832
4	5.74656	46	4.17508	88	5.25569
5	15.60317	47	4.75461	89	6.97496
6	2.57437	48	6.25733	90	7.61641
7	9.12270	49	9.51888	91	15.04256
8	9.33606	50	4.42416	92	3.12135
9	6.28149	51	12.50235	93	1.99284
10	12.43467	52	7.03891	94	11.42545
11	5.08040	53	12.86515	95	7.86396
12	4.44963	54	9.23675	96	6.76503
13	11.03282	55	6.30306	97	12.39721
14	5.71318	56	7.73845	98	12.15752
15	4.79911	57	1.92191	99	5.50861
16	4.91251	58	8.19612	100	16.93486
17	10.03518	59	6.45783	101	4.65988
18	16.22951	60	6.95476	102	5.20409
19	5.07606	61	5.44645	103	10.07501
20	8.39816	62	5.40048	104	6.40362
21	8.86425	63	8.17363	105	14.87117
22	5.78706	64	32.24460	106	5.80665
23	12.32627	65	4.52011	107	5.58348
24	8.86423	66	6.77892	108	3.21947
25	9.75984	67	16.03458	109	6.56883
26	4.78538	68	7.72601	110	8.34417
27	8.79382	69	2.54068	111	5.63673
28	10.40863	70	14.37549	112	4.23113
29	3.80654	71	8.69081	113	9.72849
30	9.00445	72	4.82601	114	10.63631
31	8.69081	73	10.44959	115	3.88507
32	6.58301	74	6.30769	116	2.63528
33	6.88493	75	19.09115	117	12.30332
34	8.88372	76	5.60644	118	7.50381
35	8.30724	77	6.51837	119	12.94642
36	3.77123	78	8.66914	120	2.01410
37	18.26320	79	5.67048	121	5.15854
38	7.63233	80	5.64698	122	5.97096
39	18.09403	81	6.62735	123	1.11079
40	18.10756	82	3.27503	124	12.06019
41	18.47179	83	2.62323	125	1.52756
42	5.32114	84	9.59559		

APPENDIX D1 – Univariate Normality

Normal P-P Plot of DR

Normal P-P Plot of DV

Normal P-P Plot of AR

Normal P-P Plot of CR

Normal P-P Plot of AI

Normal P-P Plot of AD

Normal P-P Plot of ME
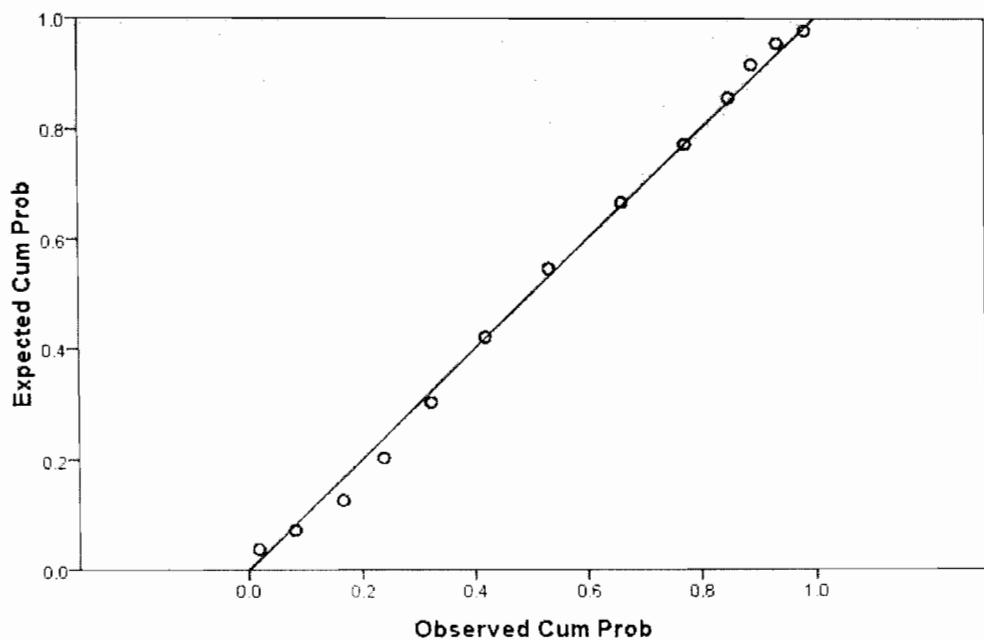
Normal P-P Plot of PO

Normal P-P Plot of GA
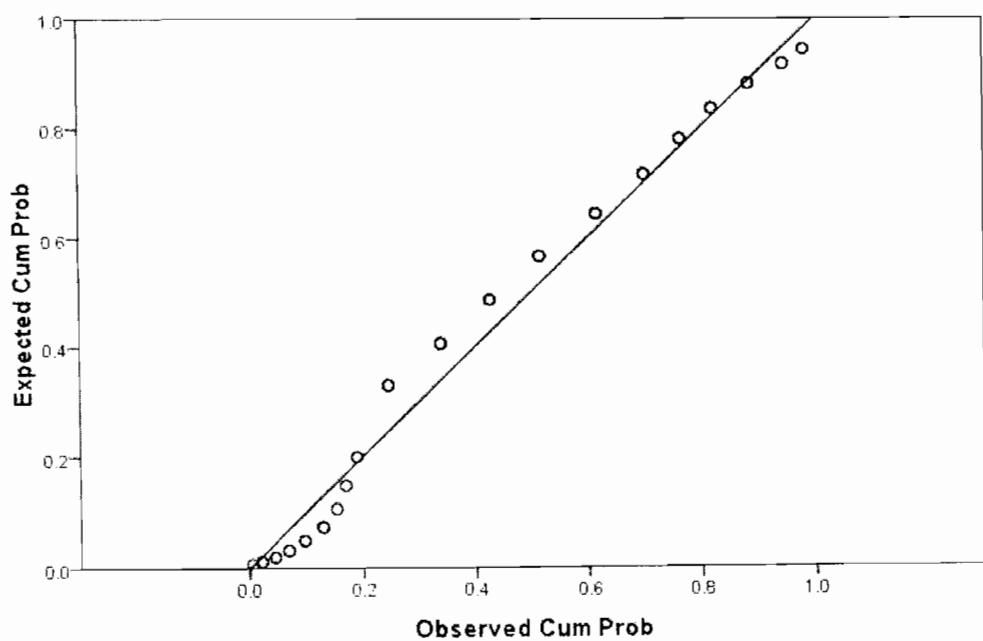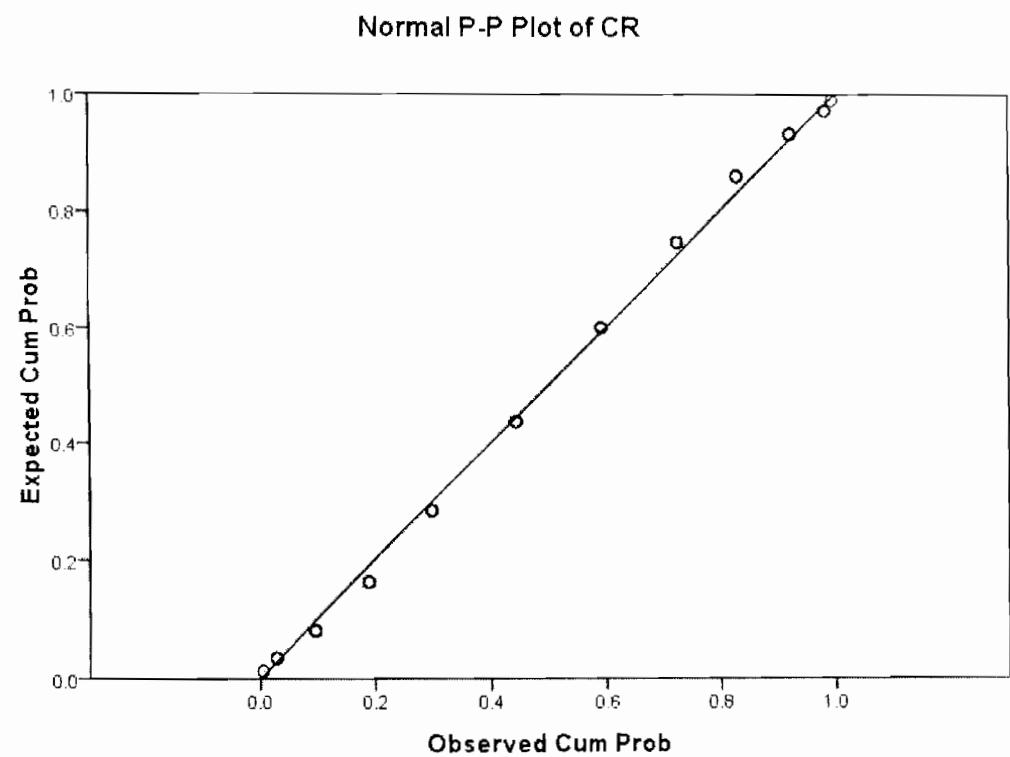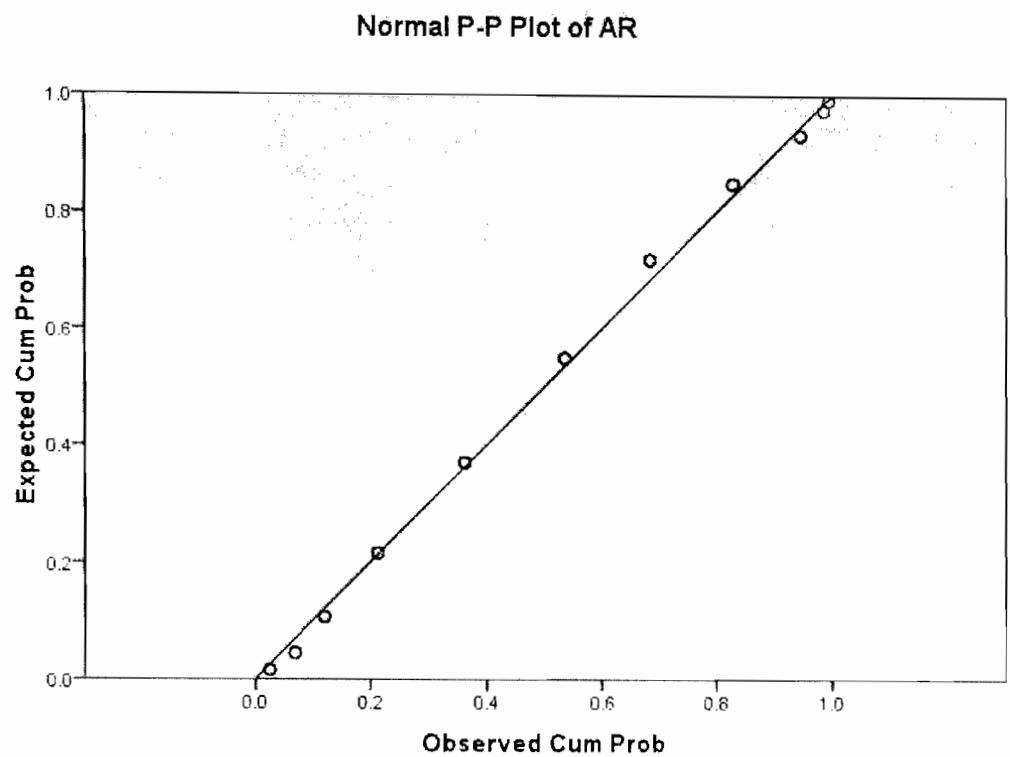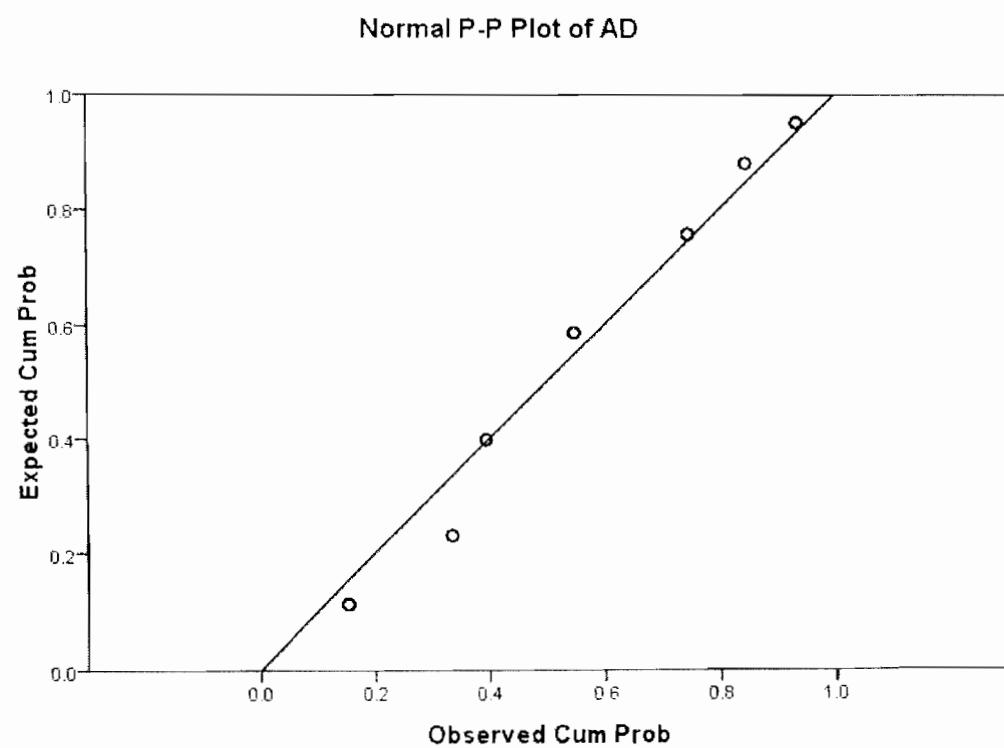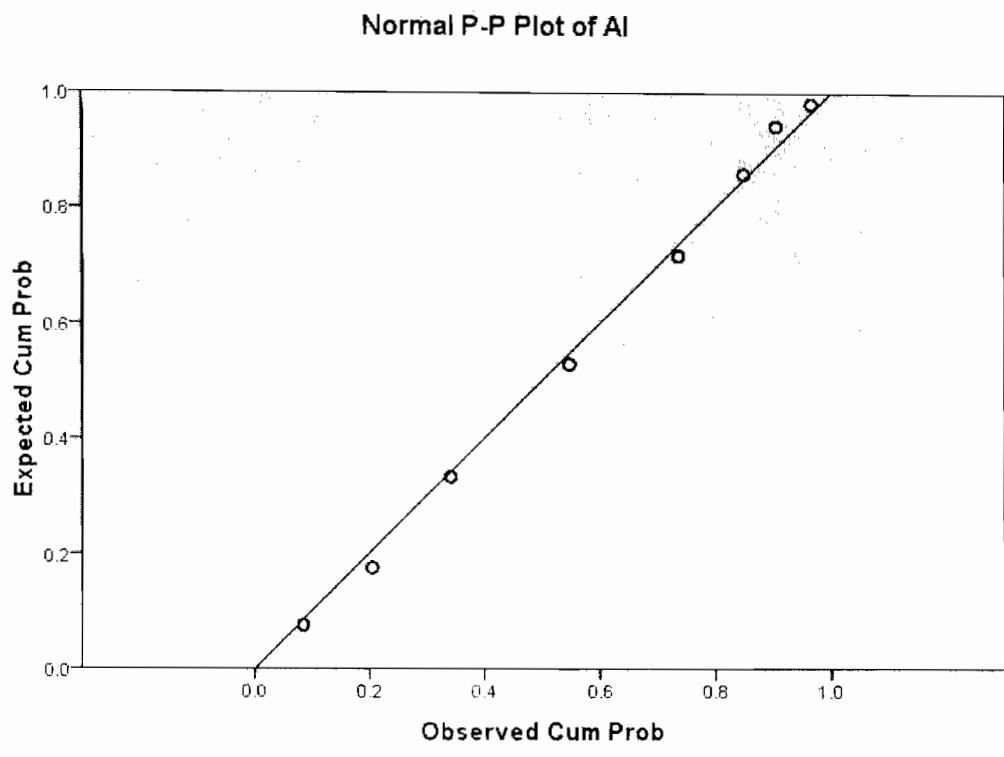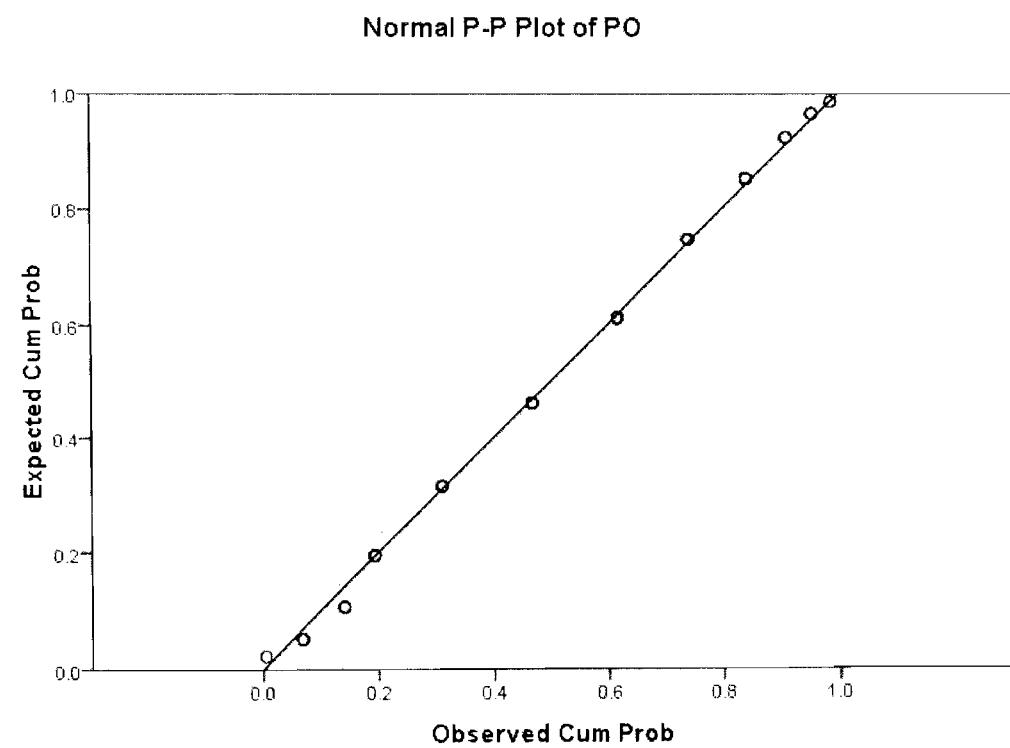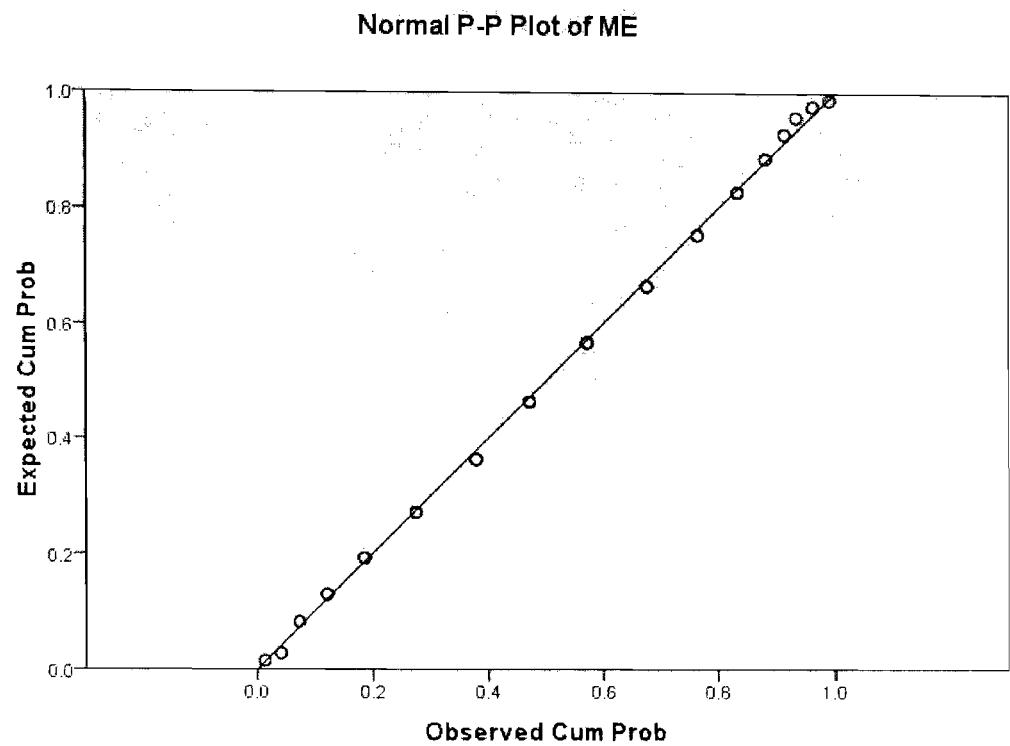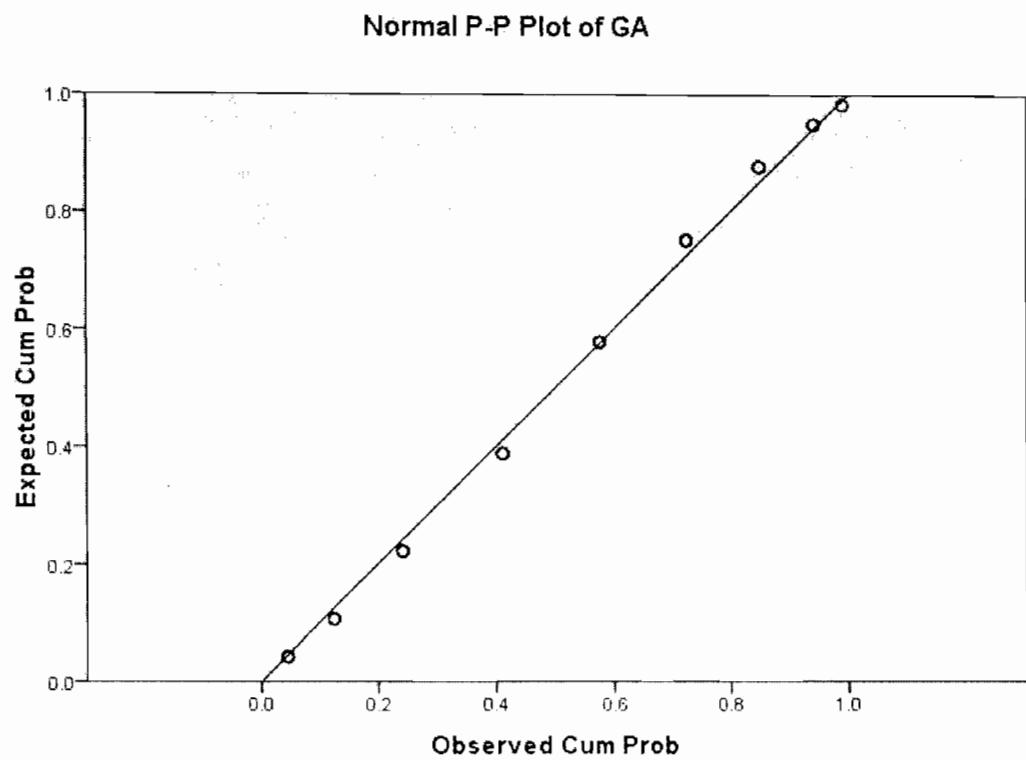
APPENDIX D2 – Univariate Normality

	DV	DR	CR	AR	AD	AI	PO	ME	GA
Valid	124	124	124	124	124	124	124	124	124
Missing	0	0	0	0	0	0	0	0	0
Mean	3.528226	2.089862	2.077419	1.945161	1.635081	1.570968	2.251613	2.668347	1.897177
Skewness	-0.63882	0.115431	-0.00155	-0.25775	0.147873	0.342182	0.074809	0.094288	0.049523
Std. Error of Skewness	0.217371	0.217371	0.217371	0.217371	0.217371	0.217371	0.217371	0.217371	0.217371
Kurtosis	-0.21885	-0.74889	-0.73384	-0.40675	-0.11963	-0.49429	-0.52346	-0.20923	-0.78436
Std. Error of Kurtosis	0.431472	0.431472	0.431472	0.431472	0.431472	0.431472	0.431472	0.431472	0.431472
Z skewness	-2.90413	0.524756	-0.00703	-1.17173	0.672241	1.555581	0.340085	0.428638	0.225134
Z kurtosis	-0.49746	-1.70224	-1.66804	-0.92456	-2.71923	-1.12353	-1.18983	-0.47558	-1.78288

One-Sample Kolmogorov-Smirnov Test

		DV	DR	CR	AR	AD	AI	PO	ME	GA
N		124	124	124	124	124	124	124	124	124
Normal Parameters[a]	Mean	3.52823	2.08986	2.07742	1.94516	1.63508	1.57097	2.25161	2.66835	1.89718
	Std. Deviation	.823032	.451926	.483692	.439022	.523240	.398120	.523820	.480579	.518962
Most Extreme Differences	Absolute	.129	.079	.088	.100	.194	.124	.088	.064	.112
	Positive	.072	.076	.088	.081	.194	.124	.088	.064	.112
	Negative	-.129	-.079	-.086	-.100	-.160	-.092	-.082	-.053	-.098
Kolmogorov-Smirnov Z		1.432	.879	.977	1.112	2.161	1.383	.976	.717	1.243
Asymp. Sig. (2-tailed)		.033	.422	.295	.168	.000	.044	.297	.683	.091
Exact Sig. (2-tailed)		.030	.402	.278	.157	.000	.040	.280	.659	.084
Point Probability		.000	.000	.000	.000	.000	.000	.000	.000	.000

a Test distribution is Normal.

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APPENDIX D3 – Multivariate Normality

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		124
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	.34583570
Most Extreme Differences	Absolute	.053
.	Positive	.053
	Negative	-.044
Kolmogorov-Smirnov Z		.594
Asymp. Sig. (2-tailed)		.872
Exact Sig. (2-tailed)		.854
Point Probability		.000

a. Test distribution is Normal.

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * DR	Between Groups	(Combined)	63.610	12	5.301	29.856	.000
		Linearity	55.609	1	55.609	313.204	.000
		Deviation from Linearity	8.001	11	.727	4.097	.000
	Within Groups		19.708	111	.178		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * CR	Between Groups	(Combined)	18.282	11	1.662	2.862	.002
		Linearity	11.547	1	11.547	19.886	.000
		Deviation from Linearity	6.735	10	.673	1.160	.326
	Within Groups		65.036	112	.581		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * AR	Between Groups	(Combined)	11.240	10	1.124	1.762	.076
		Linearity	3.512	1	3.512	5.507	.021
		Deviation from Linearity	7.728	9	.859	1.346	.221
	Within Groups		72.078	113	.638		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * AD	Between Groups	(Combined)	23.684	6	3.947	7.744	.000
		Linearity	16.496	1	16.496	32.364	.000
		Deviation from Linearity	7.188	5	1.438	2.820	.019
	Within Groups		59.634	117	.510		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * AI	Between Groups	(Combined)	25.694	7	3.671	7.389	.000
		Linearity	20.795	1	20.795	41.862	.000
		Deviation from Linearity	4.898	6	.816	1.643	.141
	Within Groups		57.624	116	.497		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * FO	Between Groups	(Combined)	45.231	11	4.112	12.092	.000
		Linearity	43.130	1	43.130	126.830	.000
		Deviation from Linearity	2.101	10	.210	.618	.796
	Within Groups		38.087	112	.340		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * ME	Between Groups	(Combined)	54.097	16	3.381	12.380	.000
		Linearity	48.339	1	48.339	177.004	.000
		Deviation from Linearity	5.758	15	.384	1.406	.158
	Within Groups		29.221	107	.273		
	Total		83.318	123			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
DV * GA	Between Groups	(Combined)	36.556	8	4.569	11.238	.000
		Linearity	35.639	1	35.639	87.646	.000
		Deviation from Linearity	.917	7	.131	.322	.943
	Within Groups		46.762	115	.407		
	Total		83.318	123			

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	DR	.297	3.369
	CR	.265	3.771
	AR	.333	3.004
	AD	.289	3.465
	AI	.475	2.106
	PO	.278	3.602
	ME	.381	2.628
	GA	.238	4.207

a. Dependent Variable: Case_No

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions								
				(Constant)	DR	CR	AR	AD	AI	PO	ME	GA
1	1	8.792	1.000	.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	.077	10.685	.02	.00	.01	.02	.12	.06	.00	.03	.00
	3	.042	14.530	.16	.00	.01	.06	.01	.11	.01	.00	.08
	4	.031	16.786	.00	.12	.02	.05	.01	.36	.03	.03	.00
	5	.018	22.312	.02	.01	.01	.11	.59	.13	.00	.01	.32
	6	.015	24.058	.11	.10	.01	.07	.05	.01	.53	.01	.10
	7	.011	28.816	.03	.07	.85	.24	.13	.00	.01	.00	.08
	8	.008	33.148	.00	.61	.09	.10	.08	.28	.05	.42	.23
	9	.007	36.239	.66	.09	.00	.35	.00	.05	.37	.50	.19

a. Dependent Variable: Case_No

Statistics

		DV	DR	CR	AR	AD	AI	PO	ME	GA
N	Valid	124	124	124	124	124	124	124	124	124
	Missing	0	0	0	0	0	0	0	0	0
Mean		3.52823	2.08986	2.07742	1.94516	1.63508	1.57097	2.25161	2.66835	1.89718
Median		3.66667	2.14286	2.00000	2.00000	1.75000	1.60000	2.20000	2.62500	1.87500
Std. Deviation		.823032	.451926	.483692	.439022	.523240	.398120	.523820	.480579	.518962
Minimum		1.500	1.286	1.000	1.000	1.000	1.000	1.200	1.625	1.000
Maximum		4.833	3.000	3.200	3.000	2.500	2.400	3.400	3.750	3.000

Report

Size Small		DV	DR	CR	AR	AD	AI	PO	ME	GA
1	Mean	3.16129	1.76498	1.66452	1.63871	1.21774	1.24516	1.87742	2.36694	1.41129
	N	31	31	31	31	31	31	31	31	31
	Std. Deviation	.429220	.300902	.332213	.298527	.357899	.223366	.367614	.304370	.344894
2	Mean	3.39048	2.09388	1.96571	1.87429	1.61429	1.45714	2.18857	2.61071	1.80714
	N	35	35	35	35	35	35	35	35	35
	Std. Deviation	.575852	.406937	.426989	.423114	.463137	.305138	.408564	.372259	.383893
3	Mean	3.80747	2.26108	2.36552	2.15172	1.87069	1.81379	2.48966	2.86422	2.21121
	N	58	58	58	58	58	58	58	58	58
	Std. Deviation	1.001364	.455022	.391377	.405766	.493913	.366801	.533998	.525806	.443772
Total	Mean	3.52823	2.08986	2.07742	1.94516	1.63508	1.57097	2.25161	2.66835	1.89718
	N	124	124	124	124	124	124	124	124	124
	Std. Deviation	.823032	.451926	.483692	.439022	.523240	.398120	.523820	.480579	.518962

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
DV	Between Groups	9.361	2	4.680	7.657	.001
	Within Groups	73.957	121	.611		
	Total	83.318	123			
DR	Between Groups	4.973	2	2.487	14.933	.000
	Within Groups	20.148	121	.167		
	Total	25.121	123			
CR	Between Groups	10.536	2	5.268	34.945	.000
	Within Groups	18.241	121	.151		
	Total	28.777	123			
AR	Between Groups	5.562	2	2.781	18.544	.000
	Within Groups	18.145	121	.150		
	Total	23.707	123			
AD	Between Groups	8.634	2	4.317	20.861	.000
	Within Groups	25.041	121	.207		
	Total	33.675	123			
AI	Between Groups	7.164	2	3.582	35.148	.000
	Within Groups	12.331	121	.102		
	Total	19.495	123			
PO	Between Groups	7.766	2	3.883	18.083	.000
	Within Groups	25.983	121	.215		
	Total	33.750	123			
ME	Between Groups	5.158	2	2.579	13.422	.000
	Within Groups	23.250	121	.192		
	Total	28.408	123			
GA	Between Groups	13.322	2	6.661	40.697	.000
	Within Groups	19.804	121	.164		
	Total	33.127	123			

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Post Hoc Tests

Multiple Comparisons

Dependent Variable		(I) Size_Small	(J) Size_Small	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
DV	Tukey HSD	1	2	-.229186	.192821	.462	-.68673	.22836
			3	-.646181*	.173939	.001	-1.05892	-.23344
		2	1	.229186	.192821	.462	-.22836	.68673
			3	-.416995*	.167337	.037	-.81407	-.01992
		3	1	.646181*	.173939	.001	.23344	1.05892
			2	.416995*	.167337	.037	.01992	.81407
	Tamhane	1	2	-.229186	.124167	.195	-.53385	.07548
			3	-.646181*	.152418	.000	-1.01751	-.27485
		2	1	.229186	.124167	.195	-.07548	.53385
			3	-.416995*	.163594	.037	-.81495	-.01904
		3	1	.646181*	.152418	.000	.27485	1.01751
			2	.416995*	.163594	.037	.01904	.81495
DR	Tukey HSD	1	2	-.328901*	.100643	.004	-.56772	-.09009
			3	-.496107*	.090787	.000	-.71154	-.28068
		2	1	.328901*	.100643	.004	.09009	.56772
			3	-.167206	.087341	.139	-.37446	.04005
		3	1	.496107*	.090787	.000	.28068	.71154
			2	.167206	.087341	.139	-.04005	.37446
	Tamhane	1	2	-.328901*	.087476	.001	-.54355	-.11425
			3	-.496107*	.080563	.000	-.69243	-.29978
		2	1	.328901*	.087476	.001	.11425	.54355
			3	-.167206	.091110	.196	-.38952	.05510
		3	1	.496107*	.080563	.000	.29978	.69243
			2	.167206	.091110	.196	-.05510	.38952
CR	Tukey HSD	1	2	-.301198*	.095761	.006	-.52843	-.07397
			3	-.701001*	.086383	.000	-.90598	-.49602
		2	1	.301198*	.095761	.006	.07397	.52843
			3	-.399803*	.083104	.000	-.59700	-.20260
		3	1	.701001*	.086383	.000	.49602	.90598
			2	.399803*	.083104	.000	.20260	.59700
	Tamhane	1	2	-.301198*	.093645	.006	-.53090	-.07150
			3	-.701001*	.078747	.000	-.89360	-.50841
		2	1	.301198*	.093645	.006	.07150	.53090
			3	-.399803*	.088601	.000	-.61678	-.18283
		3	1	.701001*	.078747	.000	.50841	.89360
			2	.399803*	.088601	.000	.18283	.61678

AR	Tukey HSD	1	2	-.235576*	.095509	.040	-.46221	-.00894
			3	-.513014*	.086157	.000	-.71746	-.30857
		2	1	.235576*	.095509	.040	.00894	.46221
			3	-.277438*	.082886	.003	-.47412	-.08076
		3	1	.513014*	.086157	.000	.30857	.71746
			2	.277438*	.082886	.003	.08076	.47412
	Tamhane	1	2	-.235576*	.089386	.032	-.45501	-.01614
			3	-.513014*	.075588	.000	-.69744	-.32859
		2	1	.235576*	.089386	.032	.01614	.45501
			3	-.277438*	.089184	.008	-.49564	-.05923
		3	1	.513014*	.075588	.000	.32859	.69744
			2	.277438*	.089184	.008	.05923	.49564
AD	Tukey HSD	1	2	-.396544*	.112199	.002	-.66278	-.13031
			3	-.652948*	.101212	.000	-.89311	-.41278
		2	1	.396544*	.112199	.002	.13031	.66278
			3	-.256404*	.097370	.026	-.48745	-.02535
		3	1	.652948*	.101212	.000	.41278	.89311
			2	.256404*	.097370	.026	.02535	.48745
	Tamhane	1	2	-.396544*	.101294	.001	-.64502	-.14807
			3	-.652948*	.091313	.000	-.87569	-.43020
		2	1	.396544*	.101294	.001	.14807	.64502
			3	-.256404*	.101659	.041	-.50464	-.00817
		3	1	.652948*	.091313	.000	.43020	.87569
			2	.256404*	.101659	.041	.00817	.50464
AI	Tukey HSD	1	2	-.211982*	.078736	.022	-.39881	-.02515
			3	-.568632*	.071026	.000	-.73717	-.40010
		2	1	.211982*	.078736	.022	.02515	.39881
			3	-.356650*	.068329	.000	-.51879	-.19451
		3	1	.568632*	.071026	.000	.40010	.73717
			2	.356650*	.068329	.000	.19451	.51879
	Tamhane	1	2	-.211982*	.065343	.006	-.37234	-.05163
			3	-.568632*	.062683	.000	-.72129	-.41597
		2	1	.211982*	.065343	.006	.05163	.37234
			3	-.356650*	.070569	.000	-.52866	-.18464
		3	1	.568632*	.062683	.000	.41597	.72129
			2	.356650*	.070569	.000	.18464	.52866
PO	Tukey HSD	1	2	-.311152*	.114291	.020	-.58235	-.03995
			3	-.612236*	.103099	.000	-.85688	-.36759
		2	1	.311152*	.114291	.020	.03995	.58235
			3	-.301084*	.099186	.008	-.53644	-.06573
		3	1	.612236*	.103099	.000	.36759	.85688
			2	.301084*	.099186	.008	.06573	.53644
	Tamhane	1	2	-.311152*	.095544	.005	-.54541	-.07689
			3	-.612236*	.096311	.000	-.84703	-.37744
		2	1	.311152*	.095544	.005	.07689	.54541
			3	-.301084*	.098416	.009	-.54075	-.06142
		3	1	.612236*	.096311	.000	.37744	.84703
			2	.301084*	.098416	.009	.06142	.54075

ME	Tukey HSD	1	2	-.243779	.108112	.066	-.50032	.01276
			3	-.497289*	.097525	.000	-.72871	-.26587
		2	1	.243779	.108112	.066	-.01276	.50032
			3	-.253510*	.093823	.021	-.47614	-.03088
		3	1	.497289*	.097525	.000	.26587	.72871
			2	.253510*	.093823	.021	.03088	.47614
	Tamhane	1	2	-.243779*	.083353	.014	-.44818	-.03938
			3	-.497289*	.088063	.000	-.71172	-.28286
		2	1	.243779*	.083353	.014	.03938	.44818
			3	-.253510*	.093414	.024	-.48085	-.02617
		3	1	.497289*	.088063	.000	.28286	.71172
			2	.253510*	.093414	.024	.02617	.48085
GA	Tukey HSD	1	2	-.395853*	.099781	.000	-.63262	-.15908
			3	-.799917*	.090010	.000	-1.01350	-.58633
		2	1	.395853*	.099781	.000	.15908	.63262
			3	-.404064*	.086593	.000	-.60954	-.19859
		3	1	.799917*	.090010	.000	.58633	1.01350
			2	.404064*	.086593	.000	.19859	.60954
	Tamhane	1	2	-.395853*	.089710	.000	-.61581	-.17590
			3	-.799917*	.085044	.000	-1.00758	-.59225
		2	1	.395853*	.089710	.000	.17590	.61581
			3	-.404064*	.087213	.000	-.61676	-.19137
		3	1	.799917*	.085044	.000	.59225	1.00758
			2	.404064*	.087213	.000	.19137	.61676

*. The mean difference is significant at the 0.05 level

Correlations

		DV	DR	CR	AR	AD	AI	PO	ME	GA
DV	Pearson Correlation	1.000	.817**	.372**	.205*	.445**	.500**	.719**	.762**	.654**
	Sig. (2-tailed)		.000	.000	.022	.000	.000	.000	.000	.000
	N	124.000	124	124	124	124	124	124	124	124
DR	Pearson Correlation	.817**	1.000	.593**	.454**	.656**	.403**	.717**	.574**	.747**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000
	N	124	124.000	124	124	124	124	124	124	124
CR	Pearson Correlation	.372**	.593**	1.000	.772**	.777**	.422**	.610**	.250**	.689**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.005	.000
	N	124	124	124.000	124	124	124	124	124	124
AR	Pearson Correlation	.205*	.454**	.772**	1.000	.710**	.279**	.509**	.103	.600**
	Sig. (2-tailed)	.022	.000	.000		.000	.002	.000	.256	.000
	N	124	124	124	124.000	124	124	124	124	124
AD	Pearson Correlation	.445**	.656**	.777**	.710**	1.000	.351**	.618**	.238**	.678**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.008	.000
	N	124	124	124	124	124.000	124	124	124	124
AI	Pearson Correlation	.500**	.403**	.422**	.279**	.351**	1.000	.570**	.546**	.633**
	Sig. (2-tailed)	.000	.000	.000	.002	.000		.000	.000	.000
	N	124	124	124	124	124	124.000	124	124	124
PO	Pearson Correlation	.719**	.717**	.610**	.509**	.618**	.570**	1.000	.666**	.724**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000
	N	124	124	124	124	124	124	124.000	124	124
ME	Pearson Correlation	.762**	.574**	.250**	.103	.238**	.546**	.666**	1.000	.526**
	Sig. (2-tailed)	.000	.000	.005	.256	.008	.000	.000		.000
	N	124	124	124	124	124	124	124	124.000	124
GA	Pearson Correlation	.654**	.747**	.689**	.600**	.678**	.633**	.724**	.526**	1.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	124	124	124	124	124	124	124	124	124.000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Correlations

Control Variables			DV	DR	CR	AR	AD	AI	PO	ME
GA	DV	Correlation	1.000	.653**	-.144	-.308**	.002	.146	.471**	.649**
	DR	Correlation	.653**	1.000	.162	.011	.305**	-.134	.385**	.319**
	CR	Correlation	-.144	.162	1.000	.619**	.582**	-.025	.223*	-.183*
	AR	Correlation	-.308**	.011	.619**	1.000	.516**	-.162	.135	-.313**
	AD	Correlation	.002	.305**	.582**	.516**	1.000	-.138	.250**	-.190*
	AI	Correlation	.146	-.134	-.025	-.162	-.138	1.000	.210*	.324**
	PO	Correlation	.471**	.385**	.223*	.135	.250*	.210*	1.000	.486**
	ME	Correlation	.649**	.319**	-.183*	-.313**	-.190*	.324**	.486**	1.000

**. Correlation is significant at 0.01 level

*. Correlation is significant at 0.05 level

APPENDIX J1 – Debt Restructuring Strategy

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826[a]	.682	.674	.57082227

a. Predictors: (Constant), Zscore(DR), DSIZE_M, DSIZE_L

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83.899	3	27.966	85.829	.000[a]
	Residual	39.101	120	.326		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(DR), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	.160	.111		1.448	.150	-.059	.379			
	DSIZE_M	-.335	.147	-.151	-2.281	.024	-.626	-.044	-.105	-.204	-.117
	DSIZE_L	-.140	.142	-.070	-.988	.325	-.421	.141	.319	-.090	-.051
	Zscore(DR)	.843	.057	.843	14.666	.000	.729	.957	.817	.801	.755

a. Dependent Variable: Zscore(DV)

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APPENDIX J2 – Cost Reduction Strategy

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.397a	.158	.137	.92901570

a. Predictors: (Constant), Zscore(CR), DSIZE_M, DSIZE_L

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.432	3	6.477	7.505	.000a
	Residual	103.568	120	.863		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(CR), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients³

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-.217	.189		-1.144	.255	-.592	.158			
	DSIZE_M	.111	.238	.050	.467	.641	-.360	.583	-.105	.043	.039
	DSIZE_L	.396	.257	.199	1.543	.126	-.112	.905	.319	.139	.129
	Zscore(CR)	.268	.105	.268	2.550	.012	.060	.477	.372	.227	.214

a. Dependent Variable: Zscore(DV)

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APPENDIX J3 – Operating-Asset Reduction Strategy

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.339[a]	.115	.093	.95250083

a. Predictors: (Constant), Zscore(AR), DSIZE_M, DSIZE_L

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.129	3	4.710	5.191	.002[a]
	Residual	108.871	120	.907		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(AR), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-.406	.184		-2.202	.030	-.771	-.041			
	DSIZE_M	.248	.241	.112	1.029	.306	-.229	.724	-.105	.093	.088
	DSIZE_L	.718	.241	.360	2.980	.003	.241	1.195	.319	.262	.256
	Zscore(AR)	.057	.098	.057	.585	.560	-.137	.252	.205	.053	.050

a. Dependent Variable: Zscore(DV)

APPENDIX J4 – Portfolio-Asset Divestment Strategy

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468[a]	.219	.199	.89481331

a. Predictors: (Constant), Zscore(AD), DSIZE_M, DSIZE_L

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.917	3	8.972	11.206	.000[a]
	Residual	96.083	120	.801		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(AD), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-.144	.177		-.813	.418	-.495	.207			
	DSIZE_M	-.008	.232	-.004	-.036	.971	-.467	.451	-.105	-.003	-.003
	DSIZE_L	.313	.231	.157	1.356	.178	-.144	.770	.319	.123	.109
	Zscore(AD)	.378	.094	.378	4.045	.000	.193	.564	.445	.346	.326

a. Dependent Variable: Zscore(DV)

APPENDIX J5 – Portfolio-Asset Investment Strategy

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501[a]	.251	.233	.87603772

a. Predictors: (Constant), Zscore(AI), DSIZE_M, DSIZE_L

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.907	3	10.302	13.424	.000[a]
	Residual	92.093	120	.767		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(AI), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-.062	.177		-.352	.726	-.413	.288			
	DSIZE_M	.029	.222	.013	.130	.897	-.411	.469	-.105	.012	.010
	DSIZE_L	.116	.241	.058	.480	.632	-.362	.593	.319	.044	.038
	Zscore(AI)	.469	.099	.469	4.719	.000	.272	.665	.500	.396	.373

a. Dependent Variable: Zscore(DV)

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APPENDIX J6 – Changes in Product Offering Strategy

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722a	.521	.509	.70082994

a. Predictors: (Constant), Zscore(PO), DSIZE_M, DSIZE_L

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Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.060	3	21.353	43.475	.000a
	Residual	58.940	120	.491		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(PO), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(Dv)

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	.074	.136		.548	.585	-.195	.344			
	DSIZE_M	-.154	.178	-.070	-.866	.388	-.507	.198	-.105	-.079	-.055
	DSIZE_L	-.066	.177	-.033	-.374	.709	-.417	.285	.319	-.034	-.024
	Zscore(PO)	.728	.072	.728	10.114	.000	.586	.871	.719	.678	.639

a. Dependent Variable: Zscore(Dv)

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APPENDIX J7 – Changes in Market Entry Strategy

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763a	.582	.572	.65418601

a. Predictors: (Constant), Zscore(ME), DSIZE_M, DSIZE_L

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71.645	3	23.882	55.803	.000a
	Residual	51.355	120	.428		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(ME), DSIZE_M, DSIZE_L

b. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	.030	.124		.237	.813	-.217	.276			
	DSIZE_M	-.106	.165	-.048	-.644	.521	-.432	.220	-.105	-.059	-.038
	DSIZE_L	.001	.160	.000	.005	.996	-.317	.318	.319	.000	.000
	Zscore(ME)	.758	.065	.758	11.624	.000	.629	.887	.762	.728	.686

a. Dependent Variable: Zscore(DV)

APPENDIX K1 – Analysis of Multiple Regression

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919a	.844	.830	.41200483

a. Predictors: (Constant), Zscore(GA), DSIZE_M, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(AD), DSIZE_L, Zscore(DR), Zscore(PO), Zscore(CR)

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103.818	10	10.382	61.160	.000a
	Residual	19.182	113	.170		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(GA), DSIZE_M, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(AD), DSIZE_L, Zscore(DR), Zscore(PO), Zscore(CR)

b. Dependent Variable: Zscore(DV)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.308	.095		3.244	.002	.120	.495					
	DSIZE_M	-.423	.111	-.191	-3.808	.000	-.644	-.203	-.105	-.337	-.141	.546	1.830
	DSIZE_L	-.402	.136	-.201	-2.949	.004	-.672	-.132	.319	-.267	-.110	.296	3.381
	Zscore(DR)	.574	.069	.574	8.335	.000	.438	.710	.817	.617	.310	.291	3.437
	Zscore(CR)	-.084	.075	-.084	-1.119	.266	-.233	.065	.372	-.105	-.042	.244	4.091
	Zscore(AR)	-.149	.065	-.149	-2.301	.023	-.277	-.021	.205	-.212	-.085	.330	3.029
	Zscore(AD)	.066	.070	.066	.955	.342	-.071	.204	.445	.089	.035	.285	3.514
	Zscore(AI)	.087	.057	.087	1.524	.130	-.026	.199	.500	.142	.057	.428	2.336
	Zscore(PO)	.116	.072	.116	1.606	.111	-.027	.258	.719	.149	.060	.266	3.754
	Zscore(ME)	.336	.062	.336	5.407	.000	.213	.459	.762	.453	.201	.358	2.793
	Zscore(GA)	.106	.077	.106	1.373	.173	-.047	.259	.654	.128	.051	.231	4.331

a. Dependent Variable: Zscore(DV)

APPENDIX K2 – Analysis of Multiple Stepwise Regression

Model Summary[f]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.665[a]	.442	.428	.75646316	.442	31.649	3	120	.000	
2	.838[b]	.703	.693	.55420423	.261	104.572	1	119	.000	
3	.907[c]	.823	.815	.43009939	.120	79.583	1	118	.000	
4	.913[d]	.833	.825	.41871330	.011	7.505	1	117	.007	
5	.916[e]	.839	.829	.41343210	.006	4.008	1	116	.048	2.038

a. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L

b. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME)

c. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR)

d. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR), Zscore(AR)

e. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR), Zscore(AR), Zscore(PO)

f. Dependent Variable: Zscore(DV)

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ANOVA[f]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.332	3	18.111	31.649	.000[a]
	Residual	68.668	120	.572		
	Total	123.000	123			
2	Regression	86.450	4	21.613	70.366	.000[b]
	Residual	36.550	119	.307		
	Total	123.000	123			
3	Regression	101.172	5	20.234	109.383	.000[c]
	Residual	21.828	118	.185		
	Total	123.000	123			
4	Regression	102.487	6	17.081	97.428	.000[d]
	Residual	20.513	117	.175		
	Total	123.000	123			
5	Regression	103.173	7	14.739	86.230	.000[e]
	Residual	19.827	116	.171		
	Total	123.000	123			

a. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L

b. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME)

c. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR)

d. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR), Zscore(AR)

e. Predictors: (Constant), Zscore(GA), DSIZE_M, DSIZE_L, Zscore(ME), Zscore(DR), Zscore(AR), Zscore(PO)

f. Dependent Variable: Zscore(DV)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.249	.159		1.567	.120	-.066	.564					
	DSIZE_M	-.288	.198	-.130	-1.451	.149	-.680	.105	-.105	-.131	-.099	.579	1.727
	DSIZE_L	-.359	.216	-.180	-1.659	.100	-.787	.069	.319	-.150	-.113	.396	2.526
	Zscore(GA)	.742	.088	.742	8.414	.000	.568	.917	.654	.609	.574	.598	1.673
2	(Constant)	.386	.117		3.295	.001	.154	.619					
	DSIZE_M	-.397	.146	-.180	-2.727	.007	-.686	-.109	-.105	-.242	-.136	.576	1.736
	DSIZE_L	-.586	.160	-.294	-3.662	.000	-.903	-.269	.319	-.318	-.183	.388	2.575
	Zscore(GA)	.482	.069	.482	6.943	.000	.345	.620	.654	.537	.347	.518	1.932
	Zscore(ME)	.607	.059	.607	10.226	.000	.489	.725	.762	.684	.511	.709	1.411
3	(Constant)	.344	.091		3.777	.000	.164	.525					
	DSIZE_M	-.443	.113	-.200	-3.911	.000	-.667	-.219	-.105	-.339	-.152	.575	1.740
	DSIZE_L	-.469	.125	-.235	-3.752	.000	-.716	-.221	.319	-.326	-.146	.384	2.604
	Zscore(GA)	.107	.068	.107	1.566	.120	-.028	.242	.654	.143	.061	.322	3.107
	Zscore(ME)	.460	.049	.460	9.413	.000	.364	.557	.762	.655	.365	.629	1.591
	Zscore(DR)	.558	.063	.558	8.921	.000	.434	.682	.817	.635	.346	.385	2.600
4	(Constant)	.298	.090		3.298	.001	.119	.477					
	DSIZE_M	-.414	.111	-.187	-3.736	.000	-.633	-.194	-.105	-.326	-.141	.569	1.756
	DSIZE_L	-.387	.125	-.194	-3.093	.002	-.635	-.139	.319	-.275	-.117	.362	2.760
	Zscore(GA)	.178	.071	.178	2.489	.014	.036	.319	.654	.224	.094	.280	3.573
	Zscore(ME)	.408	.051	.408	7.934	.000	.306	.509	.762	.591	.300	.540	1.851
	Zscore(DR)	.585	.062	.585	9.485	.000	.463	.707	.817	.659	.358	.375	2.669
	Zscore(AR)	-.142	.052	-.142	-2.739	.007	-.244	-.039	.205	-.246	-.103	.534	1.872
5	(Constant)	.284	.089		3.178	.002	.107	.461					
	DSIZE_M	-.401	.109	-.181	-3.665	.000	-.618	-.184	-.105	-.322	-.137	.568	1.762
	DSIZE_L	-.365	.124	-.183	-2.945	.004	-.611	-.120	.319	-.264	-.110	.360	2.781
	Zscore(GA)	.148	.072	.148	2.051	.043	.005	.290	.654	.187	.076	.268	3.733
	Zscore(ME)	.349	.059	.349	5.968	.000	.233	.465	.762	.485	.222	.406	2.463
	Zscore(DR)	.555	.063	.555	8.859	.000	.431	.679	.817	.635	.330	.354	2.827
	Zscore(AR)	-.178	.054	-.178	-3.286	.001	-.285	-.071	.205	-.292	-.123	.474	2.111
	Zscore(PO)	.137	.068	.137	2.002	.048	.001	.272	.719	.183	.075	.297	3.363

a. Dependent Variable: Zscore(DV)

APPENDIX L1 – Company Size as The Moderating Variable

Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.105[a]	.011	.003	.99849892	.011	1.370	1	122	.244
2	.912[b]	.832	.819	.42568101	.821	69.657	8	114	.000
3	.918[c]	.843	.820	.42482080	.011	1.066	7	107	.390

a. Predictors: (Constant), DSIZE_M

b. Predictors: (Constant), DSIZE_M, Zscore(DR), Zscore(AI), Zscore(ME), Zscore(AR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

c. Predictors: (Constant), DSIZE_M, Zscore(DR), Zscore(AI), Zscore(ME), Zscore(AR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZADxDSIZE_M, ZMExDSIZE_M, ZAIxDSIZE_M, ZPOxDSIZE_M, ZARxDSIZE_M, ZCRxDSIZE_M, ZDRxDSIZE_M

Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.258[a]	.067	.059	.96997659	.067	8.732	1	122	.004
2	.919[b]	.844	.832	.41026662	.777	70.993	8	114	.000
3	.922[c]	.850	.828	.41514133	.006	.620	7	107	.739

a. Predictors: (Constant), DSIZE_S

b. Predictors: (Constant), DSIZE_S, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(DR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

c. Predictors: (Constant), DSIZE_S, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(DR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZADxDSIZE_S, ZARxDSIZE_S, ZMExDSIZE_S, ZDRxDSIZE_S, ZAIxDSIZE_S, ZCRxDSIZE_S, ZPOxDSIZE_S

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
					Change Statistics				
1	.319[a]	.102	.095	.95151193	.102	13.855	1	122	.000
2	.908[b]	.824	.810	.43572526	.722	58.473	8	114	.000
3	.927[c]	.860	.839	.40154701	.036	3.890	7	107	.001

a. Predictors: (Constant), DSIZE_L

b. Predictors: (Constant), DSIZE_L, Zscore(DR), Zscore(AR), Zscore(AI), Zscore(ME), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

c. Predictors: (Constant), DSIZE_L, Zscore(DR), Zscore(AR), Zscore(AI), Zscore(ME), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZARxDSIZE_L, ZDRxDSIZE_L, ZAIxDSIZE_L, ZMExDSIZE_L, ZCRxDSIZE_L, ZADxDSIZE_L, ZPOxDSIZE_L

ANOVA[d]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.544	1	12.544	13.855	.000[a]
	Residual	110.456	122	.905		
	Total	123.000	123			
2	Regression	101.356	9	11.262	59.318	.000[b]
	Residual	21.644	114	.190		
	Total	123.000	123			
3	Regression	105.747	16	6.609	40.990	.000[c]
	Residual	17.253	107	.161		
	Total	123.000	123			

a. Predictors: (Constant), DSIZE_L

b. Predictors: (Constant), DSIZE_L, Zscore(DR), Zscore(AR), Zscore(AI), Zscore(ME), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

c. Predictors: (Constant), DSIZE_L, Zscore(DR), Zscore(AR), Zscore(AI), Zscore(ME), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZARxDSIZE_L, ZDRxDSIZE_L, ZAIxDSIZE_L, ZMExDSIZE_L, ZCRxDSIZE_L, ZADxDSIZE_L, ZPOxDSIZE_L

d. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95% Confidence Interval for B Lower Bound	Upper Bound	Collinearity Statistics Tolerance	VIF
1	(Constant)	-.298	.117		-2.546	.012	-.530	-.066		
	DSIZE_L	.637	.171	.319	3.722	.000	.298	.976	1.000	1.000
2	(Constant)	.032	.065		.498	.620	-.096	.161		
	DSIZE_L	-.069	.111	-.035	-.624	.534	-.288	.150	.502	1.991
	Zscore(DR)	.571	.073	.571	7.838	.000	.427	.715	.291	3.436
	Zscore(CR)	-.100	.079	-.100	-1.266	.208	-.258	.057	.245	4.078
	Zscore(AR)	-.158	.068	-.158	-2.307	.023	-.293	-.022	.331	3.025
	Zscore(AD)	.035	.073	.035	.482	.630	-.110	.180	.289	3.465
	Zscore(AI)	.061	.060	.061	1.016	.312	-.058	.179	.434	2.303
	Zscore(PO)	.147	.076	.147	1.943	.054	-.003	.297	.270	3.705
	Zscore(ME)	.307	.065	.307	4.709	.000	.178	.436	.363	2.751
	Zscore(GA)	.081	.081	.081	.995	.322	-.080	.242	.233	4.299
3	(Constant)	-.104	.069		-1.520	.131	-.241	.032		
	DSIZE_L	-.043	.106	-.022	-.408	.684	-.255	.168	.461	2.171
	Zscore(DR)	.539	.087	.539	6.211	.000	.367	.711	.174	5.737
	Zscore(CR)	-.064	.096	-.064	-.665	.507	-.254	.126	.142	7.022
	Zscore(AR)	-.130	.085	-.130	-1.528	.129	-.299	.039	.181	5.536
	Zscore(AD)	-.127	.089	-.127	-1.425	.157	-.303	.049	.166	6.022
	Zscore(AI)	-.044	.078	-.044	-.571	.569	-.198	.110	.217	4.606
	Zscore(PO)	.236	.099	.236	2.393	.018	.041	.431	.135	7.408
	Zscore(ME)	.084	.084	.084	1.007	.316	-.082	.251	.186	5.371
	Zscore(GA)	.096	.076	.096	1.259	.211	-.055	.247	.225	4.438
	ZDRxDSIZE_L	.025	.128	.018	.193	.848	-.229	.278	.159	6.299
	ZCRxDSIZE_L	-.054	.153	-.034	-.356	.722	-.357	.248	.143	6.979
	ZARxDSIZE_L	.002	.128	.001	.012	.990	-.253	.256	.176	5.671
	ZADxDSIZE_L	.319	.144	.218	2.218	.029	.034	.605	.136	7.343
	ZAIxDSIZE_L	.145	.110	.101	1.316	.191	-.074	.364	.221	4.523
	ZPOxDSIZE_L	-.218	.142	-.159	-1.537	.127	-.500	.063	.122	8.202
	ZMExDSIZE_L	.382	.125	.295	3.069	.003	.135	.629	.142	7.056

a. Dependent Variable: Zscore(DV)

APPENDIX L2 – Government Assistance as The Moderating Variable

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.335[a]	.112	.098	.94990641	.112	7.657	2	121	.001
2	.917[b]	.841	.829	.41360020	.729	74.892	7	114	.000
3	.919[c]	.844	.830	.41200483	.003	1.885	1	113	.173
4	.929[d]	.863	.841	.39866298	.019	2.099	7	106	.050

a. Predictors: (Constant), DSIZE_L, DSIZE_M

b. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(DR), Zscore(AI), Zscore(AD), Zscore(PO), Zscore(CR)

c. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(DR), Zscore(AI), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

d. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(DR), Zscore(AI), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZGAxZPO, ZGAxZCR, ZGAxZAI, ZGAxZDR, ZGAxZAR, ZGAxZAD, ZGAxZME

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.819	2	6.910	7.657	.001[a]
	Residual	109.181	121	.902		
	Total	123.000	123			
2	Regression	103.499	9	11.500	67.225	.000[b]
	Residual	19.501	114	.171		
	Total	123.000	123			
3	Regression	103.818	10	10.382	61.160	.000[c]
	Residual	19.182	113	.170		
	Total	123.000	123			
4	Regression	106.153	17	6.244	39.289	.000[d]
	Residual	16.847	106	.159		
	Total	123.000	123			

a. Predictors: (Constant), DSIZE_L, DSIZE_M

b. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(DR), Zscore(AD), Zscore(PO), Zscore(CR)

c. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(DR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA)

d. Predictors: (Constant), DSIZE_L, DSIZE_M, Zscore(ME), Zscore(AR), Zscore(AI), Zscore(DR), Zscore(AD), Zscore(PO), Zscore(CR), Zscore(GA), ZGAxZPO, ZGAxZCR, ZGAxZAI, ZGAxZAR, ZGAxZDR, ZGAxZAD, ZGAxZME

e. Dependent Variable: Zscore(DV)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95% Confidence Interval for B Lower Bound	95% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-.446	.171		-2.613	.010	-.784	-.108		
	DSIZE_M	.278	.234	.126	1.189	.237	-.185	.742	.654	1.528
	DSIZE_L	.785	.211	.393	3.715	.000	.367	1.204	.654	1.528
2	(Constant)	.289	.094		3.070	.003	.103	.476		
	DSIZE_M	-.410	.111	-.186	-3.691	.000	-.631	-.190	.550	1.817
	DSIZE_L	-.371	.135	-.186	-2.748	.007	-.638	-.103	.304	3.286
	Zscore(DR)	.613	.063	.613	9.721	.000	.488	.738	.350	2.857
	Zscore(CR)	-.080	.075	-.080	-1.058	.292	-.229	.070	.245	4.084
	Zscore(AR)	-.131	.064	-.131	-2.055	.042	-.256	-.005	.345	2.901
	Zscore(AD)	.075	.070	.075	1.075	.285	-.063	.213	.287	3.487
	Zscore(AI)	.114	.053	.114	2.143	.034	.009	.220	.490	2.042
	Zscore(PO)	.124	.072	.124	1.720	.088	-.019	.266	.268	3.729
	Zscore(ME)	.338	.062	.338	5.429	.000	.215	.462	.358	2.790
3	(Constant)	.308	.095		3.244	.002	.120	.495		
	DSIZE_M	-.423	.111	-.191	-3.808	.000	-.644	-.203	.546	1.830
	DSIZE_L	-.402	.136	-.201	-2.949	.004	-.672	-.132	.296	3.381
	Zscore(DR)	.574	.069	.574	8.335	.000	.438	.710	.291	3.437
	Zscore(CR)	-.084	.075	-.084	-1.119	.266	-.233	.065	.244	4.091
	Zscore(AR)	-.149	.065	-.149	-2.301	.023	-.277	-.021	.330	3.029
	Zscore(AD)	.066	.070	.066	.955	.342	-.071	.204	.285	3.514
	Zscore(AI)	.087	.057	.087	1.524	.130	-.026	.199	.428	2.336
	Zscore(PO)	.116	.072	.116	1.606	.111	-.027	.258	.266	3.754
	Zscore(ME)	.336	.062	.336	5.407	.000	.213	.459	.358	2.793
	Zscore(GA)	.106	.077	.106	1.373	.173	-.047	.259	.231	4.331

4										
(Constant)	.335	.111		3.021	.003	.115	.555		.460	2.176
DSIZE_M	-.392	.117	-.177	-3.345	.001	-.625	-.160	.272	3.670	
DSIZE_L	-.402	.137	-.201	-2.924	.004	-.675	-.129	.256	3.906	
Zscore(DR)	.552	.071	.552	7.772	.000	.411	.693	.239	4.179	
Zscore(CR)	-.065	.073	-.065	-.884	.379	-.211	.081	.261	3.837	
Zscore(AR)	-.067	.070	-.067	-.957	.341	-.207	.072	.248	4.038	
Zscore(AD)	.074	.072	.074	1.022	.309	-.069	.217	.360	2.779	
Zscore(AI)	.084	.060	.084	1.406	.163	-.035	.203	.242	4.124	
Zscore(PO)	.077	.073	.077	1.051	.296	-.068	.221	.316	3.160	
Zscore(ME)	.369	.064	.369	5.769	.000	.242	.495	.194	5.166	
Zscore(GA)	.075	.082	.075	.914	.363	-.087	.237	.236	4.239	
ZGAxZDR	-.175	.078	-.166	-2.249	.027	-.329	-.021	.270	3.703	
ZGAxZCR	-.020	.070	-.019	-.282	.779	-.158	.119	.263	3.807	
ZGAxZAR	.129	.068	.133	1.899	.060	-.006	.264	.242	4.129	
ZGAxZAD	.125	.079	.115	1.575	.118	-.032	.281	.402	2.485	
ZGAxZAI	-.038	.058	-.037	-.646	.519	-.153	.078	.206	4.855	
ZGAxZPO	-.169	.076	-.176	-2.220	.029	-.320	-.018	.228	4.389	
ZGAxZME	.174	.074	.177	2.351	.021	.027	.321			

a. Dependent Variable: Zscore(DV)
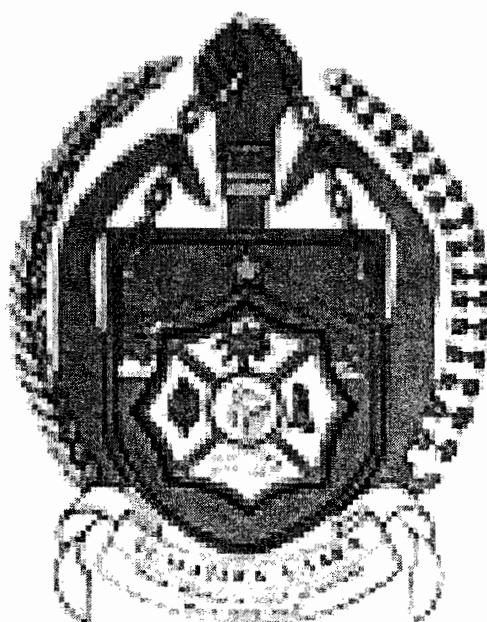
PENELITIAN

**PRILAKU PERUSAHAAN EKSPOR – IMPOR
DALAM MENGHADAPI KRISIS
di SUMATERA UTARA**

KUESIONER

**DINAS PERINDUSTRIAN & PERDAGANGAN
PROVINSI SUMATERA UTARA
2 0 0 9**

SURAT PENGANTAR

Kepada Yth.

Bapak – Bapak/ Ibu – Ibu
Manajer/ Direktur
Di tempat

Dengan hormat,

Krisis global yang terjadi pada tahun 1998 – 1999 yang lalu telah memberi pelajaran yang berharga kepada dunia bisnis Indonesia. Walau bagaimanapun peranan Pemerintah yang dianggap kurang memadai mungkin menyebabkan masih banyak perusahaan yang masih berada dalam kondisi krisis sehingga ke saat ini. Dalam mengantisipasi keadaan krisis yang mungkin akan tiba pada penghujung tahun 2009 ini, pihak kami menganggap penting untuk memahami prilaku perusahaan terutamanya berkenaan langkah – langkah yang diambil ketika menghadapi krisis. Oleh itu tujuan utama dari survey ini untuk menggali dan memahami lagi langkah – langkah yang diambil perusahaan ketika berdepan dengan krisis. Pemahaman ini diharapkan akan banyak memberi masukan khususnya Pemerintah Daerah dalam membantu dan memfasilitasi perusahaan – perusahaan yang mungkin terkena dampak dalam krisis yang akan datang bagi meminimumkan efeknya keatas perusahaan – perusahaan tersebut.

Untuk itu pihak kami memohon kerjasama Bapak/ Ibu Manajer/ Direktur untuk dapat sekiranya mengisi sejumlah pertanyaan yang telah kami rangkum dalam kuesioner di halaman sebelah. **Ingin kami tekankan bahwa kuesioner ini tidak membutuhkan sebarang informasi keuangan yang terperinci.** Kami sangat menyadari akan kesibukan Bapak/ Ibu Manajer/ Direktur, oleh sebab itu kuesioner ini telah kami bentuk sedemikian rupa sehingga **hanya memerlukan waktu kurang dari 15 menit untuk mengisinya**. Segala jawaban yang Bapak/ Ibu Manajer/ Direktur berikan dalam kuesioner ini, sifatnya adalah **sangat rahasia dan hanya untuk tujuan riset semata - mata**. Sangat penting bagi kami sekiranya Bapak/ Ibu Manajer/ Direktur dapat memberikan jawaban keatas isian kuesioner ini seakurat yang mungkin, karena jawaban tersebut akan mempengaruhi langkah – langkah yang akan kami tempuh ke depannya.

Pihak kami juga berharap sekiranya Bapak/ Ibu Manajer/ Direktur dapat mengisi sedikit data demografi dibagian akhir kuesioner. Sebelumnya pihak kami ingin mengucapkan terima kasih kepada Bapak/ Ibu Manajer/ Direktur atas kerjasama yang telah diberikan dan kesediaan meluangkan waktu mengisi kuesioner ini.

Hormat kami,
Peneliti

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BAGIAN I.

Petunjuk : Untuk setiap pernyataan dibawah, mohon Bapak/ Ibu lingkari pada angka yang Bapak/ Ibu rasa menggambarkan keadaan yang paling sesuai dialami perusahaan anda, mengikut urutan skala seperti berikut:

(1) **Sangat Sedikit/** (2) **Sedikit** (3) **Moderat/** (4) **Banyak** (5) **Sangat**
Tidak Ada **Sedang** **Banyak**

1_CR1. Ketika berhadapan dengan krisis, saya rasa jumlah pekerja yang terpaksa diberhentikan oleh perusahaan adalah sekitar...?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

2_CR2. Ketika berhadapan dengan krisis, saya rasa jumlah staf pangkat menengah yang terpaksa diberhentikan oleh perusahaan adalah sekitar...?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

3_CR3. Ketika berhadapan dengan krisis, saya rasa tingkat pemotongan jumlah gaji karyawan yang diberlakukan perusahaan adalah sekitar...?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

4_CR4. Ketika berhadapan dengan krisis, saya rasa tingkat pengurangan biaya bahan mentah yang berhasil diberlakukan oleh perusahaan adalah sekitar...?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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5_CR5. Ketika berhadapan dengan krisis, sebanyak manakah perusahaan berhasil memperoleh bahan mentah yang lebih murah yang digunakan sebagai pengganti bahan mentah dasar untuk produk perusahaan?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

6_CR6. Ketika berhadapan dengan krisis, saya rasa tingkat biaya administrasi yang berhasil dikurangkan perusahaan adalah sekitar…?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

7_CR7. Ketika berhadapan dengan krisis, saya rasa tingkat biaya non-produksi yang berhasil dikurangkan perusahaan adalah sebanyak…?

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

8_AR1. Dalam usaha menanggulangi krisis, saya rasa perusahaan kami berhasil menjual sejumlah mesin – mesin peralatan produksi yang tidak digunakan dalam skala yang bisa dikatakan sebagai…

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

9_AR2. Dalam usaha menanggulangi krisis, jumlah dana yang berhasil diperoleh perusahaan dengan cara mengagunkan/ memborohkan aset – aset perusahaan bisa dianggarkan dalam skala…

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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10_AR3. Dalam usaha menanggulangi krisis, perusahaan kami juga berhasil menjual aset – aset nya dalam porsi yang bisa dikatakan sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

11_AR4. Dalam usaha menanggulangi krisis, perusahaan kami juga berhasil menjual barang – barang inventarisir yang agak seret penjualannya dalam skala yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

12_AR5. Dalam usaha menanggulangi krisis, perusahaan kami juga berhasil mencairkan piutang – piutang nya dalam skala yang bisa dikatakan sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

13_DR1. Dalam usaha menanggulangi krisis, perusahaan kami berhasil melakukan negosiasi dengan pihak kreditor bagi mendapatkan struktur pembayaran hutang yang lebih ringan keatas hutang perusahaan dalam skala yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

14_DR2. Dalam usaha menanggulangi krisis, perusahaan kami berhasil melakukan negosiasi dengan pihak kreditor bagi mendapatkan keringanan dalam pengurangan tingkat bunga keatas hutang perusahaan dalam skala yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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15_DR3. Dalam usaha menanggulangi krisis, porsi hutang perusahaan yang berhasil dilunasi diperkirakan dalam skala yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

16_DR4. Dalam usaha menanggulangi krisis, perusahaan kami berhasil melakukan negosiasi dengan pihak kreditor bagi mendapatkan pengunduran tenggang waktu jatuh tempo keatas hutang perusahaan dalam skala yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

17_DR5. Dalam usaha menanggulangi krisis, jumlah hutang perusahaan yang disetujui pihak kreditor untuk ditukar kepada hak kepemilikan, porsinya bisa dianggarkan dalam skala ...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

18_AD1. Dalam usaha menanggulangi krisis, perusahaan kami berhasil menjual sejumlah divisi ataupun anak perusahaan yang mengalami kerugian dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

19_AD2. Dalam usaha menanggulangi krisis, perusahaan kami berhasil menjual sejumlah divisi ataupun anak perusahaan kami yang menguntungkan, dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

20_AD3. Dalam usaha menanggulangi krisis, perusahaan kami berhasil menjual sejumlah divisi ataupun anak perusahaan yang bisnisnya tidak berkaitan dengan bisnis utama perusahaan inti, dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

21_AD4. Dalam usaha menanggulangi krisis, perusahaan kami berhasil menjual sejumlah divisi ataupun anak perusahaan yang bisnisnya terkait dengan bisnis utama perusahaan inti, dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

22_AD5. Dalam usaha menanggulangi krisis, secara keseluruhannya perusahaan kami berhasil menjual sejumlah divisi ataupun anak perusahaannya dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

23_AI1. Dalam lima atau enam tahun terakhir ini, saya rasa tingkat investasi yang berhasil ditanamkan perusahaan dengan tujuan untuk memperbaiki fasilitas produksinya bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

24_AI2. Dalam lima atau enam tahun terakhir ini, saya rasa tingkat investasi perusahaan bagi membeli peralatan ataupun mesin – mesin produksi yang baru, bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

25_AI3. Dalam lima atau enam tahun terakhir ini, saya rasa tingkat investasi yang ditanamkan perusahaan bagi memper-modern proses fabrikasi dengan membeli peralatan – peralatan berteknologi baru, bisa dianggarkan dalam porsi...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

26_AI4. Dalam lima atau enam tahun terakhir ini, saya rasa tingkat investasi yang dikeluarkan perusahaan bagi membeli/ mendirikan divisi/ anak perusahaan yang berkait rapat dengan bisnis inti, bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

27_AI5. Dalam lima atau enam tahun terakhir ini, saya rasa tingkat investasi yang ditanamkan perusahaan bagi memperkuat bisnis intinya, secara keseluruhan bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

28_PO1. Ketika berhadapan dengan krisis, jenis – jenis produk perusahaan (dari lini yang sama) yang terpaksa harus ditarik keluar dari pasaran, bisa dianggarkan dalam jumlah...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

29_PO2. Ketika berhadapan dengan krisis, jumlah lini produk perusahaan yang terpaksa harus ditarik dari produksi, bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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30_PO3. Dalam usaha menanggulangi krisis, perusahaan kami berhasil memperkenalkan sejumlah produk baru ke pasaran, yang jumlahnya bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

31_PO4. Dalam usaha menanggulangi krisis, perusahaan kami berhasil memperkenalkan kembali beberapa produk lama dengan menggunakan kemasan baru dan campuran pemasaran yang berbeda, yang jumlahnya bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

32_PO5. Dalam usaha menanggulangi krisis, perusahaan kami melakukan sejumlah penyesuaian keatas tingkat harga beberapa produk perusahaan, yang secara rata – ratanya bisa dianggarkan dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

33_ME1. Ketika berhadapan dengan krisis, perusahaan kami terpaksa menarik diri dari beberapa pasaran domestik yang kurang menguntungkan, dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

34_ME2. Dalam usaha menanggulangi krisis, perusahaan kami berhasil memperluas kembali skop pasaran domestiknya dalam porsi yang bisa dianggarkan sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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35_ME3. Ketika berhadapan dengan krisis, sejauh manakah perusahaan kami terpaksa menarik diri dari pasaran luar negeri yang kurang menguntungkan, dalam porsi yang bisa dianggap sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

36_ME4. Dalam usaha menanggulangi krisis, perusahaan kami berhasil memperluas kembali skop pasaran luar negerinya dalam porsi yang bisa dianggarkan sebagai...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

37_ME5. Dalam usaha menanggulangi krisis, tingkat keberhasilan usaha – usaha pemasaran yang dilakukan perusahaan bagi menggaet segmen pasar konsumen yang baru, bisa dianggarkan berada dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

38_ME6. Dalam usaha menanggulangi krisis, tingkat keberhasilan usaha – usaha yang dilakukan perusahaan dalam memperluas skop distribusi pengeluaran sekaligus memperluas jaringan outletnya, bisa dianggarkan berada dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

39_GA1. Pada pandangan saya, ketika perusahaan sedang dilanda krisis, usaha – usaha Pemerintah dalam hal memperkenalkan pasar – pasar baru (yang belum terjamah) kepada perusahaan kami, bisa dianggap dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

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40_GA2. Pada pandangan saya, ketika perusahaan sedang dilanda krisis, usaha – usaha Pemerintah dalam aspek memberikan pelatihan – pelatihan dan konsultasi kepada perusahaan seperti kami dengan tujuan untuk membantu menghadapi krisis, bisa dianggap dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

41_GA3. Pada pandangan saya, ketika perusahaan sedang dilanda krisis, tingkat pengecualian pajak yang diterima perusahaan kami sebagai salah satu bentuk kepedulian Pemerintah, bisa dianggarkan berada dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

42_GA4. Pada pandangan saya, ketika perusahaan sedang dilanda krisis, perhatian dan bantuan yang diberikan Pemerintah kepada perusahaan – perusahaan yang terkena krisis seperti kami, secara keseluruhannya bisa dianggarkan berada dalam skala...

Sangat Sedikit/ Tidak Ada	Sedikit	Moderat/ Sedang	Banyak	Sangat Banyak
1	2	3	4	5

BAGIAN II.

Petunjuk : Untuk setiap pernyataan dibawah, mohon Bapak/ Ibu lingkari pada angka yang Bapak/ Ibu rasa menggambarkan keadaan yang paling sesuai dialami perusahaan anda, mengikut urutan skala seperti berikut:

(1) Sangat Menurun **(2) Menurun** **(3) Lebih Kurang Sama** **(4) Meningkat** **(5) Sangat Meningkat**

43_DR6_Rev. Jika dibandingkan dengan keadaan ketika krisis, nilai rasio hutang keatas total aktiva (total hutang/ total aktiva) yang dimiliki perusahaan ketika ini bisa dianggap sebagai ...

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

44_DR7_Rev. Jika dibandingkan dengan keadaan ketika krisis, tingkat beban bunga tahunan yang harus dibayar perusahaan ketika ini bisa dianggap sebagai …

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

45_DV1. Jika dibandingkan dengan keadaan ketika krisis, jumlah omset tahunan perusahaan ketika ini bisa dianggap sebagai …

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

46_DV2. Jika dibandingkan dengan keadaan ketika krisis, rasio nilai omset perusahaan keatas total aktiva yang dimilikinya (total omset / total aktiva) ketika ini bisa dianggap sebagai …

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

47_DV3. Jika dibandingkan dengan keadaan ketika krisis, nilai rasio laba kotor perusahaan sebelum beban bunga dan pajak keatas total aktiva yang dimilikinya (laba kotor sebelum beban bunga dan pajak / total aktiva) ketika ini bisa dianggap sebagai…

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

48_DV4. Jika dibandingkan dengan keadaan ketika krisis, nilai rasio laba kotor perusahaan sebelum beban bunga dan pajak keatas total omset perusahaan (laba kotor sebelum beban bunga dan pajak / total omset) ketika ini bisa dianggap sebagai…

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

49_DV5. Jika dibandingkan dengan keadaan ketika krisis, tingkat laba bersih perusahaan ketika ini bisa dianggap sebagai …

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

50_DV6. Jika dibandingkan dengan keadaan ketika krisis, tingkat nilai rasio laba bersih perusahaan keatas total aktiva perusahaan (laba bersih / total aktiva) ketika ini bisa dianggap sebagai …

Sangat Menurun	Menurun	Lebih kurang sama	Meningkat	Sangat Meningkat
1	2	3	4	5

BAGIAN III. DATA DEMOGRAFI

1. Latarbelakang Pribadi
    a. Jabatan yang dipegang :_____sejak: _____
    b. Umur :_____ Jenis Kelamin : L / W
    c. Pendidikan terakhir: _____

2. Latarbelakang Organisasi
    a. Nama Perusahaan : _____
    b. Perusahaan berdiri sejak: _____(tahun)
    c. Produk utama : _____
    d. Jumlah pekerja : _____ orang
    e. Jumlah aset perusahaan tidak termasuk tanah dan bangunan :
        ☐ Dibawah 2 Milyar   ☐ 2 – 10 Milyar   ☐ Diatas 10 Milyar

    f. Negara – negara yang menjadi pasar utama : _____

    g. Persentase pasar export/ luar negeri dari total omset perusahaan : _____ %
    h. Peralatan produksi terbaru yang kami miliki adalah dibeli pada tahun _____

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Website : www.balitbangsumut.go.id - Email : webmaster@balitbangsumut.go.id
Medan - 20126

Medan, ?? Januari 2009

Nomor : ??? /??? /Litbang/I/2009   Kepada Yth :

Lampiran :

Sifat :

Perihal : **Kerjasama Melaksanakan**
Penelitian   Di -

Medan

Sehubungan dengan telah selesainya pelaksanaan kerjasama penelitian antara Badan Penelitian dan Pengembangan Provinsi Sumatera Utara dengan Saudara Tengku Mohd. Chairal Abd tentang "Perilaku Perusahaan Ekspor-Impor Dalam Menghadapi Krisis Di Sumatera Utara", dalam rangka pengembangan lebih lanjut, dimohon kiranya Saudara dapat memberikan informasi yang diperlukan sesuai form terlampir.

Demikian disampaikan, atas perhatian dan kerjasamanya diucapkan terima kasih.

BADAN PENELITIAN DAN PENGEMBANGAN
PROVINSI SUMATERA UTARA
Kepala,

T. AZWAR AZIZ
PEMBINA UTAMA MADYA
NIP. 070007092

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Medan, ⸺ Januari 2009

Nomor	:	070/⸺/Litbang/I/2009	Kepada Yth :
Lampiran	:		
Sifat	:		
Perihal	:	**Surat Keterangan Telah Selesai Melaksanakan Penelitian**	Di -
Medan

Kepala Badan Penelitian dan Pengembangan Provinsi Sumatera Utara dengan ini menerangkan bahwa :

Nama	:	Tengku Mohd. Chairal Abd
NIP	:	132302879
Pekerjaan	:	Dosen pada Fakultas Ekonomi Universitas Sumatera Utara

adalah benar telah melaksanakan kerjasama penelitian di Kantor Badan Penelitian dan Pengembangan Provinsi Sumatera Utara berjudul " Perilaku Perusahaan Ekspor-Impor Dalam Menghadapi Krisis Di Sumatera Utara" dan berjalan dengan baik.

Demikian disampaikan, untuk dapat dipergunakan seperlunya. Atas perhatian diucapkan terima kasih.

BADAN PENELITIAN DAN PENGEMBANGAN
PROVINSI SUMATERA UTARA
Kepala,

T. AZWAR AZIZ
PEMBINA UTAMA MADYA
NIP. 070007092