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Analysis And Implementation Of Turnaround Strategies And Their Impact On Company Performance: A Case Study Of An Outsourcing Company

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ABSTRACT

This study aims to analyze and describe turnaround strategies and how their implementation affects company performance. This study employs a qualitative case study approach on PT DPS, an outsourcing company with head office in Tangerang, analyzing qualitative data gathered through in-depth semi-structured interviews with the company's senior management, as well as analyzing quantitative data obtained through examination of the company's reports and documentation. The study employs financial ratios to assess the company's financial performance and uses the Altman Z-score to evaluate the company's bankruptcy risk. The implementation of turnaround strategies has led to improvements in the company's performance, including profitability, liquidity, asset management, and the Altman Z-score. However, the company is expected to remain in a net loss position and not yet entirely free from the risk of bankruptcy by the end of 2024. Research on outsourcing companies is scarce, particularly studies focusing on outsourcing companies facing financial distress and implementing turnaround strategies. Previous research on turnaround strategies typically involves non-outsourcing companies or discusses outsourcing from the perspective of businesses utilizing outsourcing services as a turnaround tactic. This study aims to offer a deeper understanding of the impact of turnaround strategies on outsourcing companies operating within a growing industry.

INTRODUCTION

Businesses face distinct challenges due to rapid shifts in financial and market conditions. The current business landscape is significantly more unpredictable and volatile, which can result in a swift decline if management fails to recognize the warning signs. To thrive and remain competitive, organizations must develop and maintain effective strategies (Ukaidi, 2016).

Businesses often experience high failure rates, especially during economic recessions. These failures are frequently linked to weak financial positions, poor management, and intense market competition (Amankwah-Amoah & Wang, 2019). Many companies across various industries in Indonesia, including textiles, banking, and startups, have faced bankruptcy. Notable recent examples of companies that went bankrupt include Pegi Pegi, Zenius, Tupperware, and Toko Buku Gunung Agung (Briefer, 2024).

Financial distress arises from a combination of internal and external factors (Habib et al., 2020). Internal factors may include poor financial management, ineffective business strategies, or an unbalanced capital structure, while external factors often involve economic downturns, heightened competition, or changes in regulations. While financial distress does not always lead to corporate failure, a prolonged decline in financial health often results in bankruptcy. Signs of financial distress typically include declining profits, reduced cash flow, rising debt levels, and worsening asset quality. Companies in such situations may also undergo frequent changes in management or organizational structure in an effort to address their challenges (Liang et al., 2020).

According to survival-based theory, organizations must adopt strategies that emphasize operational efficiency and the ability to respond swiftly to changes in a competitive environment. Survival is determined by an organization's strength and adaptability to its surroundings (Abdullah, 2007). Companies can implement a turnaround strategy which is a short-term corrective action and aims to restore the company from the threat of a decline in the company's existence to become a company with profitability and sustainable growth (Gotteiner, 2018).

The outsourcing industry in Indonesia is poised for continued growth, driven by strong domestic demand in line with the country economic growth, government support, a competitive labor cost advantage, and a large and young population. Business Process Outsourcing (BPO) is expected to grow at a compound annual growth rate (CAGR) of 10.20%, reaching around USD 3.56 billion by 2029 (Mordor Intelligence, 2024), while the IT Outsourcing market in Indonesia is forecasted to grow at a CAGR of 11.68%, reaching about USD 3.44 billion by 2029 (Statista, 2024). This industry also employs a large number of workers.

There are significant number of outsourcing firms in Indonesia, they can be attributed to the straightforward licensing process, the availability of a large workforce, particularly those with low skill levels, and the relatively low capital requirements. Consequently, competition in the outsourcing industry is intense and dynamic, requiring companies to deliver competitive pricing and high-quality services to stay ahead.

However, there is limited research on outsourcing companies, previous studies have primarily explored outsourcing from the client's perspective, examining how outsourcing can be used as a tool to reduce costs or increase responsiveness. Moreover, based on previous studies on the impact of turnaround strategies on company performance performed by Dewi (2022) on Citilink airlines, Saputra (2023) on a logistic start up company, and Sirait (2024) on a construction state-owned company Waskita Karya, there are no direct similarities with the subject of this research, which focuses on outsourcing companies facing financial distress and implementing turnaround strategies. Therefore, this study seeks to fill a knowledge gap by analyzing how turnaround strategies can be effectively implemented in outsourcing companies and the subsequent impact on their performance.

PT DPS is one of the outsourcing companies that will be analyzed, it is an outsourcing company specializing in aviation and established in 2019. The company is actively pursuing an ambitious business development plan, aiming to leverage expanding market opportunities beyond its affiliated entities and into non-aviation sectors such as oil & gas and IT, while also focusing on exporting skilled workers to the global market. Achieving these objectives requires the company to maintain strong financial health and preparedness.

The company is currently in the survival stage, where it generates revenue but has yet to achieve profitability, recording a loss of Rp 2.4 billion in 2022 and Rp 15.3 billion in 2023. In 2023, most of the company's profitability ratios are negative, the liquidity ratios shows the company's less ability in meeting its short-term financial obligations, the activity ratios shows less operational efficiency and slow payment of customer receivables, also company's Altman Z-score (2,67) is in the gray zone, signifying a reduced risk of immediate bankruptcy but remains susceptible to external factors like economic downturns or internal operational issues.

The company's losses are primarily attributed to missed revenue targets, additional provisions for trade receivable impairments, and adjustments to corporate tax liabilities. The company faces challenges including limited working capital sources, heavy reliance on work orders from affiliated parties, weak financial controls, inefficient receivables collection, and suboptimal utilization of project opportunities and sales realization. Additionally, it faces stiff competition from outsourcing companies in non-aviation sectors with stronger working capital. Therefore, this study aims to analyze the implementation of turnaround strategies by DPS and how the implementation affects the company performance.

The rest of this paper is organized as follows: Section 2 analyzes existing literature related to the research topic while Section 3 presents the data and methodology. The case study results are explained in Section 4 and Section 5 concludes the paper.

LITERATURE REVIEW

Financial Distress and Business Failure

From a theoretical analysis perspective, financial distress is a continuous dynamic process and is the result of abnormalities in business operations that continue for some time (from months to years or even longer), from mild levels such as temporary cash flow difficulties to serious levels such as bankruptcy (Sun et al., 2013). Business failure refers to a situation in which a company ceases operations and/or loses its distinct identity due to an inability to respond and adapt promptly to changes in the external environment (Amankwah-Amoah, 2016).

Farooq et al. (2018) explained that companies experiencing financial difficulties typically undergo a three-stage progression based on profitability and liquidity. This begins with a net loss in a specific year or a decline in profits over two consecutive years, followed by moderate liquidity challenges, and ultimately severe liquidity issues, potentially leading to bankruptcy. The moderate liquidity stage occurs when a company cannot meet its financial obligations using current-year profits, despite maintaining a positive net worth. In contrast, the severe liquidity stage arises when the company's net worth turns negative, with liabilities exceeding assets, leaving the company unable to meet long-term obligations due to ongoing losses.

Amankwah-Amoah and colleagues (2016) classified factors that contribute to business failure as external or internal to the company. External factors refer to events outside the boundaries and control of the company, can occur suddenly, cannot be predicted, are often difficult to mitigate, and are protracted, such as the COVID-19 pandemic. On the other hand, business failure can stem from company-specific factors such as poor leadership, mismanagement, or inefficient operations. According to Tron (2021), the most common internal causes are inadequate management and weak financial controls (70% of cases), followed by ineffective operations, weak demand, or environmental problems.

Turnaround Strategy

Gotteiner (2018) stated that corporate turnaround refers to a set of short-term corrective actions aimed at recovering a company from the threat of a decline in its existence to a company with sustainable profitability and growth. The selection of an appropriate turnaround strategy is contingent upon the root causes of the company's distress, the competitive dynamics of the industry, and the company's competitive position (Nyatsumba, 2020).

In practice, implementing a turnaround strategy is not always successful, only 20% of troubled companies successfully carry out a turnaround (Ukaidi, 2016). Research by Graves and

Smith (2005) indicates a strong correlation between the severity of financial distress and the probability of a successful turnaround. More severe distress is associated with a higher risk of failure. Likewise, large companies have a greater chance of recovering from financial distress. The opposite results were obtained by TenBrink, Keller and Gelb (2017), their research shows that small sized companies are more successful in carrying out turnarounds because they have fewer layers of management so that decision making can be faster, they are easier to maneuver in competition, and only a few resources are affected by financial distress. Meanwhile, according to Firdaus (2019), replacing the CEO can have a positive impact on a company's turnaround efforts.

Two turnaround classifications are widely and consistently applied, namely operating (efficiency-oriented) and strategic (entrepreneurship). Operating turnarounds often involve short-term and long-term cost reduction and asset disposal strategies. They are driven by internal factors and aim to restore poor company performance. Strategic turnaround needs to be carried out if the company is running an inappropriate business or the sales volume is not satisfactory. This strategy is built by considering the company's advantages in the fields of production, marketing, and/or technology. External factors such as macroeconomics, technology, society, and industry are the triggers for strategic turnaround (Gotteiner, 2018).

Gotteiner further describes the five stages of turnaround as follows:

1. Management Change aims to bring in new management which is useful for providing a new perspective on company problems, ensuring the existence of more appropriate managerial competencies, providing a positive signal to stakeholders and increasing motivation that is lacking in company culture;
2. Evaluation Stage aims to assess the possibility of a reasonable company recovery and support the selection of a turnaround plan on the company's strategic and operating health, this stage also identifies the source of the decline in company performance;
3. Emergency Stage aims to stop the company's losses and generate positive cash flow so that the company remains afloat;
4. The stabilization stage seeks to achieve long-term profitability by optimizing operational processes and creating a robust platform for medium-term expansion;
5. Regrowth Stage which aims to achieve growth and increase market share.

Table 1 presents how financial characteristics are linked with turnaround stages:

Table 1. Stage of Turnaround Strategy – Financial and Actions (Gotteiner, 2018)

Financial Determinant	Diagnosis	Emergence	Stabilization	Return to Growth
Cash Flow	Diagnose -	Generate +	Sustain +	Sustain +
Core Business Profitability	Diagnose +	Protect +	Protect +	Expand +
Non-Core Profitability	Diagnose -	Cut Losers -/0	Refine +/0	Develop +
Total Operating Profit	Diagnose -	Cut Costs -/0	Improve +	Sustain +
Revenue Growth	Diagnose +/-	Ignore -	Reverse -	Diversify +

There are two-level hierarchy of turnaround activities, i.e. turnaround strategies and turnaround tactics. Gotteiner (2018) further defines turnaround strategies as the key turnaround activities essential to stop decline and initiate a period of growth and turnaround tactics as the specific actions that define how to implement turnaround strategies to stop the decline and initiate growth. Detail of turnaround strategies by turnaround stages are presented in table 2.

Table 2. Turnaround Strategies by Turnaround Stages

Turnaround Strategy	Preparations	Emergency	Stabilization	Return to Growth
Business Diagnosis	+	+	+	-
Management Change	+	+	+	-
Financial Restructuring		+	-	-
Working-Capital Improvements		+	-	-
Asset Reduction		+	+	-
Cost Reduction		+	+	-
Revenue Generation		+	+	-
Strategic Focus		-	+	-
Critical Process Improvements		-	+	-
Culture Change		-	+	-
Growth Strategis		-	-	+

Previous Studies

Research on financial distress analysis and the impact of turnaround strategies on company performance has been conducted by various researchers. Consequently, this section will present a review of relevant literature to strengthen the theoretical foundation of this study.

Graves and Smith (2005) research aims to study whether the information in annual reports is useful for distinguishing between companies that experience financial difficulties and undergo turnaround from companies that fail to do so. This research develops a discriminant model to identify companies that have the potential to undergo turnaround. The research results conclude that the severity of financial distress and company size are closely related to turnaround success. The more severe the financial distress situation, the higher the possibility of failure. Likewise, large companies have a greater chance of recovering from financial distress.

TenBrink et al (2017) study aims to explore company actions and situations related to a successful turnaround process in companies in growing industries. Their research shows that the severity of a company's decline is a significant factor in turnaround success. Apart from that, small sized companies are more successful in carrying out turnarounds because they have fewer layers of management so that decision making can be faster, it is easier to maneuver in competition, and fewer resources are affected by financial distress.

Gotteiner (2018) research aims to investigate the extent to which managers are willing to take proactive measures to prevent crises. Another objective is to establish a theoretical foundation for a new model that can assist companies in identifying strategic steps to enhance their performance, even during periods of stability. The study found that non-crisis companies tend to support turnaround tactics focused on business transformation, profitability improvement, and growth, rather than solely on liquidity enhancement.

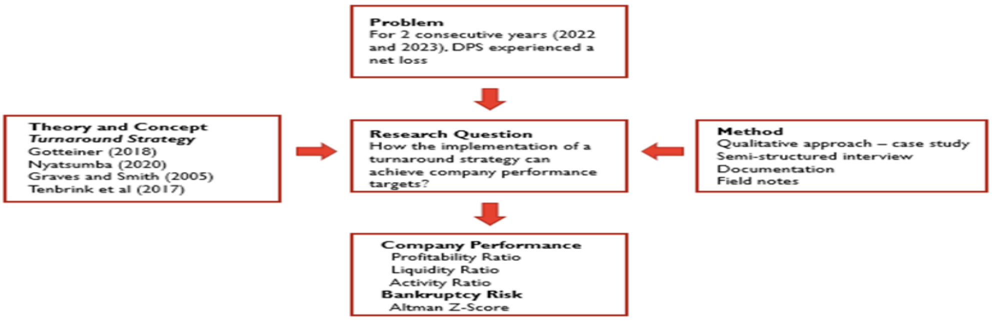
Firdaus (2019) studied manufacturing companies listed on the Indonesia Stock Exchange in 2012-2017, one of the research objectives is to analyze the effect of CEO turnover on corporate turnaround. The study concluded that asset CEO turnover has a significant positive effect on corporate turnaround.

METHODS

Conceptual Framework

Financial distress refers to a situation where a company faces significant financial challenges. According to survival-based theory, organizations must adopt strategies that emphasize operational efficiency and responsiveness to environmental changes to ensure long-term viability (Abdullah, 2007). Companies can implement a turnaround strategy which is a short-term corrective action and aims to restore the company from the threat of a decline in the company's existence to become a company with profitability and sustainable growth (Gotteiner, 2018). The effectiveness of turnaround strategies in improving company performance can be evaluated through financial ratio analysis, while the risk of bankruptcy can be assessed using the Altman Z-score.

Figure 1. Conceptual Framework



Research Approach, Data Collection, and Data Analysis

This study utilizes a qualitative case study approach to examine the company's turnaround efforts in depth. By focusing on a specific case, this method allows for a rich and detailed understanding of the complex factors influencing the company's performance and the implementation of turnaround strategies (Yin, 2018).

Primary data was collected through in-depth interviews with key executives: CEO, VP Corporate Finance, VP Business Support, VP Operation, VP Corporate Secretary / Legal / Procurement / HSE, VP Human Capital Management, and Senior Manager Strategy Management. The interviews were selected using a purposive sampling method.

Secondary data includes the company's financial and annual reports since its inception in 2019, operational data, business development plans, as well as online data such as BPS dan Statista data.To support the research, internal and external analyses were conducted, along with an evaluation of financial ratios and bankruptcy risk to assess the company's condition.

Table 3. Financial Ratios Employed in the Analysis

	Description
Profitability ratio	
Net profit margin	Net income/sales
ROA	Net income/total assets
ROE	Net income/total equity
Liquidity ratio	
Current ratio	Current assets/current liabilities
Cash ratio	Cash/current liabilities
Activity ratio	
Receivable turnover	Sales/accounts receivable
Days' sales in receivables ratio	365/receivables turnover
Total asset turnover ratio	Sales/total assets

The analytical tools to be used in this study include (Rothaermel, 2024):

1. Porter's Five Forces which analyzes the dynamics of competition in an industry and enables companies to identify areas where they can gain or maintain their competitive advantage;

2. VRIO (Value, Rare, Imitability, Organization) which assesses a company's internal resources, capabilities, and competencies to determine whether these assets provide a sustainable competitive advantage; and
3. SWOT analysis, which provides a framework for identifying a company's internal strengths and weaknesses, and external opportunities and threats, is a valuable tool for strategic planning.

Turnaround Strategies

The company is currently in the emergency stage, making the following turnaround strategies particularly relevant to its situation:

1. Management Change: replacement of top management is a common thing in turnarounds and is usually done at the beginning of the turnaround process because top management is considered responsible for the company's performance. This change is positively correlated to the success of changes in strategy, structure and control;
2. Reduction in the debt interest;
3. Working Capital (Cash) Improvements: short-term cash management and reducing accounts receivables that include accelerating efforts to collect receivables, establish collection procedures, correct late payment internal processes, entering into a factoring agreement with a financial institution;
4. Cost-Reduction: negotiating prices with suppliers, cutting non-urgent expenditures, and converting fixed costs to variable costs; and
5. Operational Revenue Generation: this strategy attempts to increase revenue from existing product lines by combining price changes, volume-based discounts, increasing marketing expenditures, and increasing direct sales efforts.

Company Bankruptcy Prediction

Edward Altman developed a model using financial ratios and multiple discriminant analysis to estimate the bankruptcy of public companies in the manufacturing sector, this model is known as the Z-Score (Ross, Westerfield, Jaffe, & Jordan 2019). Altman then revised the model for closed and non-manufacturing companies with the following model:

$$\mathbf{Z = 6.56\ X1 + 3.26\ X2 + 1.05\ X3 + 6.72\ X4} \qquad (1)$$

In equation (1), X1 = net working capital/total assets; X2 = accumulated retained earnings/total assets, X3 = EBIT/total assets, X4 = book value of equity/total liabilities. Z-score < 1.23 means the company is exposed to bankruptcy, 1.23 ≤ Z-score ≤ 2.90 means the company is in a grey area, and Z-score > 2.90 means no exposure to bankruptcy.

RESULTS

Implementation of Turnaround Strategy

Using the interviews result and supported by DPS's financial and operational data, along with internal and external analysis, this study lists down the turnaround tactical steps implemented by the company: Management change - Significant leadership changes occurred in 2023, namely the change of the CEO, VP of Business Support, VP of Human Capital Management, and SM of Strategy Management. The VP of Corporate Finance was replaced in 2024. These leadership transitions were revealed through interviews with company management. The new management revisit the company's strategy from focusing primarily on sales volume and expanding the non-affiliated customer base to a more balanced approach. This new strategy emphasizes improving the company's overall condition by aligning revenue growth with customers which have good financial standing, enhancing cash flow—particularly through better receivables collection—and optimizing costs. DPS is a relatively small-scale company with a simple organizational structure. The CEO directly supervises one director, five vice presidents, and two senior managers. DPS management team explained that the communication and collaboration processes between management and teams are shorter and easier, supported by frequent meetings involving all relevant management initiated by the new CEO. The CEO and management are often directly involved in operations, allowing for quick implementation of strategic decisions. Working capital improvement and reduction in the debt interest – To improve working capital, the CEO prioritized accelerating receivables collection. DPS implemented stricter customer screening, a five-day collection deadline, a dedicated collection database, and appointed a Project Manager. These initiatives resulted in a 50% increase in Total Asset Turnover and a significant reduction in Days Sales Outstanding from 63 to 18 days, demonstrating improved asset utilization and faster cash flow.

The VP of Corporate Finance highlighted the challenges posed by a shareholder with bad debt, which has significantly limited the company's access to bank loans. This issue was also identified as a weakness in the company's SWOT analysis. To mitigate this challenge, the company has implemented several strategies. Firstly, it has shifted a significant portion of employee salary payments from bridging loans to factoring. Secondly, the company has successfully renegotiated its bridging loan interest rates, reducing them from 2% to 1.5% per month. The CEO emphasized the company's ability to meeting its financial obligations, despite the higher interest rates incurred. This commitment is reflected in the company's positive cash flow, as supported by DPS financial data. To further optimize profitability, the company is actively negotiating with tax authorities to base income tax calculations on management fees.

To optimize cash flow and prioritize funds for more urgent needs, the VP of Corporate Secretary / Legal / Procurement / HSE explained that DPS has implemented measures to reduce advance payments and increase reliance on invoicing, extending the payment terms to 45 days. This adjustment allows for a delayed disbursement of cash, providing greater financial flexibility. As a result, advance payments have significantly decreased from Rp 964 million in 2023 to Rp 282 million as of October 2024. Additionally, the company has adopted the use of credit cards for purchases under Rp 20 million, leveraging the grace period before payments are due to further enhance cash management.As a result of these comprehensive efforts, the company’s average monthly cash flow has doubled by October 2024, reaching IDR 10 billion per month, compared to the 2023 average of IDR 5 billion. By October 2024, the company's current ratio has surpassed 100%, reflecting DPS's improved capability to meet its short-term financial obligations. Furthermore, the cash ratio has shown significant growth, increasing by 133% compared to 2023, further strengthening the company’s liquidity position.

Cost reduction – According to VP of Corporate Secretary / Legal / Procurement / HSE, the company optimizes its budget through a consignment management system, Just-in-Time procurement, and fixed pricing agreements for routine material suppliers such as cleaning parts, engineering & electrical material dan civil material. This approach enhances procurement efficiency and reduces down payments for purchases, as of October 2024, the efficiency in goods and services procurement has reached 74% of the 2024 target. Additionally, the Legal unit handles and resolves legal cases internally to minimize legal consultant expenses. Cost savings for a single case can amount to as much as 74% compared to engaging legal consultants for case management.Furthermore, interviews with the CEO, VP of Business Support, VP of Operations, and the SM of Strategy Management, underscored the strategic importance of prioritizing SLA-based Business Process Outsourcing (BPO) models. By aligning costs with client needs, these models enable the company to improve profitability by converting fixed costs into variable costs. Although manpower outsourcing contributes 65% of the company's revenue and BPO only 25%, the profit margin from BPO (revenue minus manpower cost) is significantly higher at 55% compared to 34% from manpower outsourcing. The VP of Business Support reported securing six new BPO contracts, including four from within the group and two from external clients, generating Rp 16 billion in revenue from third-party clients.

Operational revenue generation – The VP of Business Support outlined the company's 2024 growth strategy, which includes achieving a 20% overall revenue increase, securing a 10% annual revenue growth from the top 10 customers, and expanding into new markets beyond aviation and affiliates. Key growth strategies include focusing on high-margin products such as BPO services in Integrated Facility Management and skilled labor, exploring opportunities in sectors like oil and gas and IT, strengthening relationships with top customers, and utilizing weekly customer satisfaction surveys to drive service improvements. The company will simultaneously educate customers about the benefits of comprehensive SLA-based solutions while maintaining its existing headcount-based business, including its substantial presence in the FMCG sector. The company capitalizes on its competitive advantage, as highlighted in the VRIO analysis. This advantage lies in its highly skilled, certified workforce, particularly in aviation sector and its technology-based services, which deliver superior value to customers.

Based on Porter's Five Forces analysis, the outsourcing business is highly competitive and dynamic. In the cleaning, parking, management, and security services sectors, a few large companies dominate the Indonesian market. In contrast, the manpower supply services sector is extremely competitive with around 700 companies vying for market share. Outsourcing clients have significant bargaining power, allowing them to negotiate lower prices. Consequently, net profit margins for outsourcing companies are thin, often less than 2%. According to the VP of Business Support, corroborated by the VP of Corporate Finance, to remain competitive, DPS has adopted a strategy of low profit margins for its manpower outsourcing business (TAD). However, this is offset by higher profit margins in its business process outsourcing (BPO) segment.

The CEO and VP of Business Support acknowledged that a significant portion of the company's revenue historically originated from the parent company and affiliated parties. However, they noted a positive trend in revenue from third parties, which reached 26.41% as of October 2024. Based on financial data and confirmation from the VP of Business Support, DPS's revenue trajectory remains positive. Total revenue is projected to reach Rp 388.58 billion by year-end, surpassing previous years' revenues and exceeding the 2024 annual target of 100.24%.

With the cost reduction and revenue generation efforts, financial data shows there is 76% improvement of net income for FY2024 compared to 2023 loss, although it is still negative at Rp 3.75 billion due to impairment loss of Rp 10 billion on non-current receivables. The company's financial performance in 2024 has improved significantly in terms of NPM, ROA, and ROE. These positive trends indicate enhanced profitability, more efficient asset utilization, and a stronger return on investments. Table 4 summarizes the impact on company performance due to implementation of turnaround strategies.

Table 4. Key Performance Indicator 2023 – 2024

Key performance indicator	2023	Annualized 2024	Change
Revenue	Rp 323.47 billion	Rp 388.58 billion	20%
Net income	-Rp 15.32 billion	-Rp 3.75 billion	76%
Profitability ratio			
Net profit margin	-4.74%	-0.96%	80%
ROA	-17.80%	-3.74%	79%
ROE	-72.61%	-20.24%	72%
Liquidity ratio			
Current ratio	99.48%	112.97%	14%
Cash ratio	5.23%	12.16%	133%
Acitvity ratio			
Total asset turnover	3.76	5.65	50%
Days’ sales in receivable	62.97 days	17.65 days	72%

The company's financial health, as indicated by Altman Z-score, is still in the gray zone although improved slightly from 2.67 in 2023 to 2.79 in 2024. Continuous monitoring of the Z-score is crucial, as a decline could potentially push the company into a higher-risk zone. The improvement in Z-score gives a positive message of the likelihood of eventual recovery even though it has not yet achieved the desirable score (Graves & Smith, 2005).

Table 5. Altman Z-score 2023 and 2024

	2023	Annualized 2024
T1 = Net working capital/total assets	-0.004	0.11
T2 = Accumulated retained earnings/total assets	0.22	0.17
T3 = EBIT/total assets	-0.20	-0.03
T4 = Book value of equity/total liabilities	0.32	0.23
Z1 = 6.56 * T1	-0.03	0.71
Z2 = 3.26 * T2	0.72	0.55
Z3 = 1.05 * T3	-0.21	-0.03
Z4 = 6.72 * T4	2.18	1.57
Altman Z-score	**2.66**	**2.79**

Despite achieving significant improvements in key performance indicators through comprehensive efforts, DPS management supported by the SWOT analysis identified areas requiring the need for ongoing refinement of the turnaround strategy:

1. The company's significant reliance on its affiliate (above 70% in revenue) exposes it to risks. If this key customer experiences difficulties, it will have a direct negative impact on the company's revenue. Also, any adverse decisions made by the affiliate could disrupt the company's financial stability and operations.
2. Fragmented and manual financial controls, characterized by a lack of integration between contracts and financial systems leading to undercharged customers and overpaid contract employees, delayed recognition of expenses, and insufficient oversight of petty cash funds.
3. Limited working capital to expand its business and face intense competition in the non-aviation sector which is especially prevalent with several large companies in the cleaning, parking, management, and security services sectors.

DISCUSSION

The change in management led to the implementation of new strategies focused on improving customer alignment, enhancing cash flow, and optimizing costs. These strategies have shown positive results in improving key performance indicators. This finding supports the research of Firdaus (2019), which demonstrated a positive correlation between CEO turnover and successful corporate turnarounds.

DPS generates revenue but has yet to achieve profitability, recording a loss in 2022 and in 2023, but it always has positive cash flow and able to meet its financial obligation. Farooq et al (2018) defined this condition as the first stage of financial distress while Graves and Smith (2005) concluded that the severity of financial distress is strongly linked to the success of turnaround efforts. Based on their research, it can be inferred that, given the company's early-stage financial distress, the probability of a failed turnaround is relatively low, as supported by the improvement in financial ratios and the Altman Z-score following the initial implementation of turnaround strategies. DPS, a relatively small company with a streamlined organizational structure, exhibits characteristics often associated with successful turnarounds, as identified by TenBrink, Keller, and Gelb (2017). The company's lean structure, with direct CEO oversight and a limited management hierarchy, fosters efficient communication and collaboration, enabling rapid decision-making and agile responses to market dynamics. This agility is crucial for successful turnaround efforts.

CONCLUSION

PT DPS executed a turnaround strategy by implementing changes in management, negotiating lower loan interest rates with financing institutions, enhancing receivables collection, extending vendors' payment term, reducing costs from suppliers and consultants, and expanding its business beyond affiliates and non-aviation sectors. These efforts aimed to address the company's losses over the past two years. As a result, the turnaround strategy has led to improvements in the company's profitability, liquidity, and asset management, which are reflected in better financial ratios. Additionally, improvement in Altman Z-score gives a positive message of the likelihood of eventual recovery. Despite improvements in the financial ratios and Altman Z-score, the company is still expected to incur a net loss by the end of 2024, with the Altman Z-score remaining in the gray area, suggesting that the company is not yet out of bankruptcy risk. As a result, the company must continue executing the turnaround strategy consistently, while regularly assessing and refining its processes. This approach will help the company reach the stabilization phase, achieving net profitability and eliminating bankruptcy risk, and ultimately transition to a growth phase with sustainable expansion in alignment with its vision and mission. To expedite the turnaround process, the company should prioritize the following:

1. Implement a robust financial system that integrates HR, operations, and billing functions. Strengthen petty cash controls by enforcing stricter guidelines and timely reconciliations. Enhance the role of internal audit to identify and address control weaknesses.
2. Enhance the risk management unit function to proactively identify and mitigate potential risks arising from decisions made by the parent company and its affiliates. Develop preventive measures and contingency plans to minimize negative impacts.
3. Engage in negotiations with the parent company to facilitate a replacement of the shareholder having bad debt with a financially sound investor.

Additional research on this company is necessary to examine the next stages of the turnaround strategy, specifically the stabilization and recovery growth stages, in order to gain a thorough understanding of how these stages of the turnaround strategy are implemented in companies facing financial distress.

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