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HOW FINANCIAL DISTRESS AFFECT THE COPING STRATEGY? CASE OF INDONESIAN MSME'S DURING THE COVID-19 OUTBREAK

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ABSTRACT

This research intends to examine the effect of financial distress, self-efficacy, and leadership skills on coping strategy in time of COVID-19 pandemic. This study focuses on the coping strategy implementation of MSMEs in Indonesia during economic downturn due to the pandemic. We examine 125 MSMEs in Indonesia as our respondents. We employ multinomial logistics regression technique to test the hypotheses. Our findings show that financial distress negatively affects the choice of coping strategy. On the other hand, self-efficacy and leadership skills have a positive impact on coping strategy. Financial distress, self-efficacy, and leadership skills are empirically proven as the determinant factors that influence the coping strategy selection process during the COVID-19 pandemic. This research uses a new perspective of financial distress scales and leadership skills aspects as a new insight in coping strategy decision making process. This study contributes to the development literature on coping strategy and its determinant factors during crisis conditions. practically, this research has implications to the development of coping strategy models and its influenced factors for business practitioners, especially on how to develop coping models during crisis condition.

KEYWORDS: Coping Strategy; COVID-19 Outbreak; Decision Making; Financial Distress; Leadership Skills; Self-Efficacy.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh financial distress, self-efficacy dan leadership skills terhadap coping strategy selama masa pandemi COVID-19. Penelitian ini berfokus pada implementasi coping strategy pada entitas UMKM di Indonesia dalam kondisi penurunan perekonomian karena pandemi COVID-19. Responden dalam penelitian ini berjumlah 125 pelaku UMKM di seluruh Indonesia. Alat uji yang digunakan untuk menguji hipotesis adalah regresi logistik multinomial. Hasil penelitian membuktikan bahwa terdapat pengaruh negatif dari financial distress terhadap coping strategy. Sementara itu, self-efficacy dan leadership skills mempunyai pengaruh positif terhadap coping strategy. Penelitian ini berhasil membuktikan bahwa financial distress, self-efficacy, dan leadership skills merupakan faktor determinan yang mempengaruhi proses pemilihan coping strategy di masa pandemi COVID-19. Penelitian ini menggunakan skala baru pada pengukuran financial distress dan menambahkan perspektif leadership skills sebagai keterbaruan pada proses pemilihan coping strategy. Penelitian ini memberikan kontribusi pada pengembangan literatur mengenai coping strategy dan faktor-faktor yang mempengaruhi proses pemilihan coping strategy selama masa krisis. Pada ranah praktis, penelitian ini memberikan implikasi pada pelaku bisnis untuk mempertimbangkan faktor yang mempengaruhi proses coping strategy, terutama pada kondisi krisis.

KATA KUNCI : Coping Strategy; Pandemi COVID-19; Pengambilan Keputusan; Financial Distress; Leadership Skills, Self-Efficacy.

INTRODUCTION

The economic downturn caused by COVID-19 outbreak is become the hardest pressure for companies to implement turnaround strategies to maintain business sustainability. The COVID-19 outbreak has also caused unhealthy financial condition for many companies in Indonesia. Based on the data from the Ministry of National Development of the Republic of Indonesia in 2020, the decrease of purchase power in tourism sector and manufacturing for more than IDR 300 trillion during pandemic. Therefore, The Micro, Small, and Medium Enterprises (MSMEs) Sector become the most influenced sectors from COVID-19 pandemic in Indonesia.

Abnormal conditions due to pandemic has forced management to take decision to maintain business entities from bankruptcy (Huu et al., 2021). Coping strategy becomes researcher's attention due to the unique process of selecting strategy especially in the time of crisis. Most

3 researchers have explored the impact of COVID-19 pandemic on the business entities. A research conducted by Huu et al.,(2021) found that coping strategy during COVID-19 is affected by the financial condition and cost efficiency is become the concern of managers in deciding the proper strategy that fits to their firms. In other hand, (Parker, 2020) stated that during crisis, company strategy can be a very dynamic to adjust the unstable condition because of crisis. This is because managers need to change the strategy in order to maintain company's main goal. (Chowdhury et al., 2020) showed that the COVID-19 pandemic is also have impact on the F and B sectors. The disastrous impact on food and beverages industries were include improvement on rate product expiry, working capital difficulties, decreased on ROI, and the huge level of staff-cutting.

The strategy selection process is a dynamic process, that can be affected by the varies factors, for example work experiences, level of education, and leadership capability. A manager who can work innovatively and have a good vision tend to be more capable to use firms resources effectively, hence it can increase firm performance (Ogbonnaya et al., 2022). During the COVID-19 outbreak, companies sued for more flexible and innovative, so that could maintain prospect his business . Companies facing difficulty performance finance forced implement emergency strategies that can help save activity business company (Prawitz et al., 2006a)

The impact of global crisis economy as a result the corona virus pandemic that has spread to Indonesia, encourage companies to implement survival strategies in this difficult situation. Companies need to evaluate its strategy during the crisis condition to find the best formula in maintaining its operational activities. Most companies formulate the right strategy that is fit to its business scale and purposes during the Covid-19 pandemic. The coping strategy that can be chosen are cost cutting strategy , staff-cutting , develop a new business model and have no strategy (Bhattacharyya & Malik, 2020).

Goal-setting theory is focus on the performance achievement by defining the clear goal of organization (Locke & Latham, 2012). A leader is supposed to behave consciously and try harder in order to achieve the specific goal of the organization. The specific goals help the members of organization, including the leader to reduce the misunderstanding around the organization (Locke & Latham, 2019). The whole process of performance achievement is depends on the self-motivation of leaders to try hard and perform their best effort to achieve the organization's goal (Höpfner & Keith, 2021). Therefore, the ability of leaders and self-efficacy might influence the leader performance in the process of goal's achievement.

According to the perspective of goal-setting theory, innovative behavior from individual in organization is affected by some conditions, including the focus of management in goal-setting theory, the level of self-confidence and leadership style (Montani et al., 2021). In crisis conditions, the whole management organ need to work innovatively in order to maintain its competitive advantage and its business sustainability (Tao et al., 2020).

Turnaround strategy is the action in choosing the maneuver strategy during crisis condition, and it is also the complex process that need commitment from management. According to (Tao et al., 2020), the member of organization will attempted support the turnaround strategy process if they feel satisfy , so that they capable to provide innovative ideas as solution During company experience decline , especially consequence the COVID-19 outbreak .

Fabeil et al. (2020) conducted research in Malaysia, the MSMEs sectors become the most influenced sector during COVID-19 outbreak because of the low level of business capability in adapting the change of business climate. Business entities, especially MSMEs, need to be more adaptive in the uncertainty time. During the crisis conditions, companies must improve

their performances, for example the right marketing strategy target, improve the quality products, the right pricing strategy that can enhance their competitive advantage. Supporting the argument, (Eggers, 2020) found that financial condition become the important aspect in the coping strategy process. (Eggers, 2020) used the level of leverage, liquidity and profitability as financial performance indicators. In line with the argument, companies need to implement strategy to safe their going concern aspects (Prawitz et al., 2006a).

Business activities are challenging activities and require a good management and leadership skills. Since leadership skills is the main skill to organize business, a manager tends to be more creative and have a capability to decide the proper strategy for their organizations. In addition, a high level of trust is also an important factor for running a business.

As stated by (Sobakinova et al., 2020a) the creation of business idea can be influenced by self-efficacy of leaders, which can help management to survive in difficult conditions. In addition, innovation is included in the strategic aspect, and become the important aspect to face the unexpected conditions due to the high competitive business. Product innovation, development of new product, creative marketing and customer satisfaction are the strategies that can be applied during crisis condition (Sobakinova et al., 2020b).

During the COVID-19 outbreak, the business entities become unstable because of the sharply decrease on the economic condition. In order to sustain the business activities, managers must be able to create a creative business idea to enhance firm performance and also to increase the competitive advantage among others (Yazdanfar & Öhman, 2020). Self-efficacy is the ability to find the right strategy in order to achieve main goal of organization, especially during crisis condition (Zahurul et al., 2020). Supporting the statement, (Yazdanfar & Öhman, 2020) also proved that financial performance is positively affected by the ability of managers in facing up the difficult situation.

During the crisis condition, business risks increased because of uncertainty economic condition. To be up against the economic decrease conditions, companies have the greater risk and might have impact on its competitive advantage. Therefore, the high level of self-efficacy become the important things to increase the probability of company's sustainability during crisis conditions. The self-efficacy can be inferred as self-confidence and self-ability to face the challenge in difficult situation. Hence, the greater the level of self-efficacy, the better the coping strategy process. This research using a model of turnaround strategy from (Hofer, 1980) and had been developed by (Huu et al., 2021). (Huu et al., 2021) used four perspectives turnaround strategies, such as: cost efficiency, downsizing, implementation of business models new, and no action taken (Huu et al., 2021) used open questionnaires with the essay answers. The type of questions enable respondents to give a subjective answers. This study modify the questionnaires by using five Likert -scales. By modifying the research instruments, this study differs from the model of (Huu et al., 2021). Leadership skills developed from the model (Uzonwanne, 2016) which adapts the decision making model of (Scott & Bruce, 1995).

This study contributes to provide the evidence regarding what factors that influence the selecting strategy process based on the goal-setting theory in time of crisis. Previous researches in the frame of goal-setting theory only focus on the performance evaluation (Locke & Latham, 2013) or individual motivation (Höpfner & Keith, 2021). What factors that influence the strategy during crisis has not been explored clearly yet. This study modify the model of coping strategy from (Huu et al., 2021) models. However, this study provides a new factor on leadership aspects which might have effects on the process of decision-making in the COVID-19 outbreak. This study also explores more deeply on the influence

of entrepreneurial aspects on Coping strategy, and use the new perspective of self-efficacy. Furthermore, our findings contribute to the development of literature, especially correlated on the models of coping strategy during crisis, how to enhance firm performances by improving self-efficacy and leadership skills. This study, on the other hand, also gives empirical evidence for business practitioners on how to improve the capability of managers and leaders, especially in the process of deciding the strategy during crisis.

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Several studies on coping strategy among manufacturer's sectors has been conducted by many researchers (Smith et al., 2019; Takahashi & Yamada, 2021). However, a very few research focused on the coping strategy process on MSMEs. The Micro, Small, and Medium Enterprises (MSMEs) become the worst impacted sectors during the COVID-19 outbreak. The disaster may harm the ability of MSMEs to maintain their business sustainability, at least to maintain their health financial condition (Zahurul et al., 2020). (Boin, 2009) recommend the importance of management and planning processes during crisis conditions.

McCarthy et al. (2017) conducted research on crisis management on MSMEs, and found that entrepreneur behave more rational and more careful in deciding the proper strategy during crisis. Study related company's effort to solve the problems during the pandemic has conducted by (Eggers, 2020) financial condition during the COVID-19 outbreak. Research results shows that financial ratios such as liquidity ratio, profitability, and assets ratios have decrease significantly during the CCOVID-19 pandemic. This condition force managers to take maneuver strategy to safe company's assets and maintain the health financial condition before it is too late. The COVID-19 outbreak has become crucial problems, especially for the financial conditions. The worst the financial distress, the sooner coping strategy need to be implemented. As the reason explained, the first hypothesis is written as follows:

H₁: financial distress has a negative impact on the selection of corporate coping strategy

Self-efficacy is defined as an effort of individuals to prepare themselves by having the high commitment, and self-beliefs in facing the crisis conditions (Sobakinova et al., 2020a), to achieve organization goals successfully (Duarte Alonso et al., 2019). Individuals who have the high level of confidence and capability tend to be more accurate in deciding the proper strategic than those who have the low level of self-efficacy. During the COVID-19 pandemic, the economy changed faster than usual, that causes unpredictable business climates for most of business practitioners. The COVID-19 outbreak also has forced companies into the unhealthy financial condition and low market share. This situation will become worse, if managers could not act fast and deciding the maneuver strategy to maintain business activities. The choice of strategy must be formulated by appropriate in accordance to corporate character and culture. (Zahurul et al., 2020), found that self-efficacy is proven have a positive influence to the financial performance of companies. Managers who have self-efficacy are more capable in making decision that fits to companies strategy (Bhattacharyya & Malik, 2020). the higher the level of self-efficacy, the proper the coping strategy can be implemented to face the crisis conditions. Therefore, the second hypotheses is formulated as follows:

H₂: Self-efficacy has a positive effect on the selection of corporate coping strategy

The decision-making process is the most important function for organization, therefore it need the high capable leader to do the tasks. Making decision is a unique process that could not be equal between an individual to others. During crisis conditions, a leader is forced to make a decision faster and better than normal conditions (Tao et al., 2020). The accuracy of problem formulation and data collection can help managers to formulate the right strategy

that fits to their business goals. Therefore, in the decision making process, a leader tend to have a high-level of leadership skills in order to process information properly (Uzonwanne, 2016). The leaders who has capability, experience, sensitivity, rationality, and independence tend to be more creative and accurate in deciding strategy during crisis conditions (Eggers, 2020). Research regarding leadership skills was conducted by (Uzonwanne, 2016) who found that gender and age influence individual leadership skills in the process of taking decision . However, the direct influence of leadership skills to the decision-making process during the COVID-19 outbreak have not been explored yet. The higher the leadership skills of leader, the proper the coping strategy is formulated and implemented during crisis conditions. Therefore, the third hypothesis is written as follows:

H₃: Leadership skills have a positive effect on the selection of corporate coping strategy.

METHOD

This study is a causality study, which intends to investigate whether a condition can influence the other situation (Beins, 2017) This study use primary data that is collected using structured questionnaires. There are 44 questions in the questionnaires that each measure financial distress, *coping strategy*, *leadership skill* and *self-efficacy* . Financial distress, self-efficacy, and leadership skills is measured by five likert-scales, while coping strategy has four categories: cost-efficiency, downsizing, bank loan, and no strategy. Respondent must fill in the most suitable strategy for their business.

Questionnaire distributed directly to respondents. The respondents of our study are MSME's in Indonesia. Samples in this study are taken using *convenience random sampling*. This study focuses on MSMEs business sectors as the most impacted sectors during the COVID-19 outbreak (Yazdanfar & Öhman, 2020).

The model of coping strategy is developed from (Huu et al., 2021), namely efficiency strategy cost, downsizing, bank loan, and no strategy. Coping strategy represent corporate strategy choice in dealing with the COVID-19 outbreak. Coping strategy is dependent variable that is classified as category scale, and the reference category is no strategy.

Independent variables in this study are financial distress, self-efficacy, and leadership skills. Financial distress is measured by the sufficient of cash, the ability to meet company's daily operational cash, and the ability to cover short-term debt (Prawitz et al., 2006a). financial distress is measured through five liker-scale questions that is adapted from (Prawitz et al., 2006a).

Self-Efficacy is measured by ten questions that is measured the ability of management to make a proper decision making. Self-efficacy is measured by the level of self-confidence, the ability to come up with business pressure, self- motivation, the need of achievement, and the ability to solve problems during crisis conditions. The instrument of self-efficacy is developed from the model (Lönnfjord & Hagquist, 2018). Question model adapted of the model of (Sobakinova et al., 2020a).

Leadership skills is measured by five aspects: rationality, intuitiveness, spontaneity, independence, and avoidance (McCarthy et al., 2017; Uzonwanne, 2016). Each aspect is measured by five questions items, hence there are 25 questions of leadership skills indicators.

All the research instruments can be seen at Appendix 1.

7 To test the research hypotheses, we apply the multinomial logistics regression. The multinomial logistics regression is applied when the dependent variable is category data, while the independent variables is metric data (Huu et al., 2021). Due to the dependent variable have more than two categories, the multinomial logistics regression is applied. Before we apply the multinomial logistics regression tests, a reference category must be chosen (Ghozali, 2016). According to (Ghozali, 2016), reference category is used to compare the effects of another categories. Corporate coping strategies have four categories: cost efficiency strategy, downsizing category, bank loan strategy, and no strategy. the reference category is no strategy, and it is used to compare the probability of choosing another strategies (Huu et al., 2021). The research models are written as follows:

$$\text{Ln} \frac{P(Y_i = \text{Cost efficiency})}{P(Y_i = \text{no strategy})} = \beta_0 + \beta_1 * FD + \beta_2 * SE + \beta_3 * L + \epsilon \dots (1)$$

$$\text{Ln} \frac{P(Y_i = \text{downsizing})}{P(Y_i = \text{no strategy})} = \beta_0 + \beta_1 * FD + \beta_2 * SE + \beta_3 * L + \epsilon \dots (2)$$

$$\text{Ln} \frac{P(Y_i = \text{Bank loan})}{P(Y_i = \text{no strategy})} = \beta_0 + \beta_1 * FD + \beta_2 * SE + \beta_3 * L + \epsilon \dots (3)$$

Where :

Y_i = the probability of company in choosing coping strategy

FD = *Financial distress*

SE = *Self-Efficacy*

L = leadership skills

ε = other factors outside the research model

RESULT AND DISCUSSION

The population in this study are all business entities of MSMEs scale in Indonesia. MSMEs were chosen as research objects because MSMEs are the business entities most affected by the COVID-19 outbreak (El Chaarani et al., 2021). Sample selection using convenience sampling technique. The number of questionnaires circulated to respondents was 150 questionnaires. Meanwhile, the total number of questionnaires that are complete and can be processed is 125 questionnaires with a response percentage of 83.3%. Data regarding the respondent's response rate is presented in table 1.

A total of 125 respondents who are MSME business entities, are dominated by MSMEs engaged in services, which is almost 60%. The manufacturing sector opened 14%, while the trade sector opened 12%. Data regarding the description of respondents based on the MSME business sector can be seen in image 1.

Aspects	Number of Questionnaires
Number of outstanding questionnaires	150 questionnaires
Number of questionnaires not returned	(15) questionnaires
Number of questionnaires not completed and broken	(10) questionnaires
Number of returned questionnaires response rate	125 questionnaires 83.3%

Source: Primary data, 2022

Tabel 1.
Sample
Description

Variables	Min	Max	Mean	Std.Deviation
Self-efficacy	20	50	45,4	5,46
Financial Distress	18	45	29,3	9,46
Leadership skills	75	110	89,62	7,6

Tabel 2.
Descriptive
Statistics

Source: Primary data, 2022

Based on table 2, the minimum score of self-efficacy is 20 and the maximum is 50. While the financial distress variable and leadership skills, have minimum score of 18 and 75 respectively. The maximum score of both variabels are 45 and 110 respectively. As presented on the table 2, The mean score of all variables are lower than its standard deviation. It indicates that the data have a low variation to its mean. The smaller of standard deviation indicates the lower of data differs from its mean, and give the more accurate data (Ghozali, 2016).



Image 1.
Number of
Respondents
Based on
Business
Sectors

Source: Primary Data, 2022

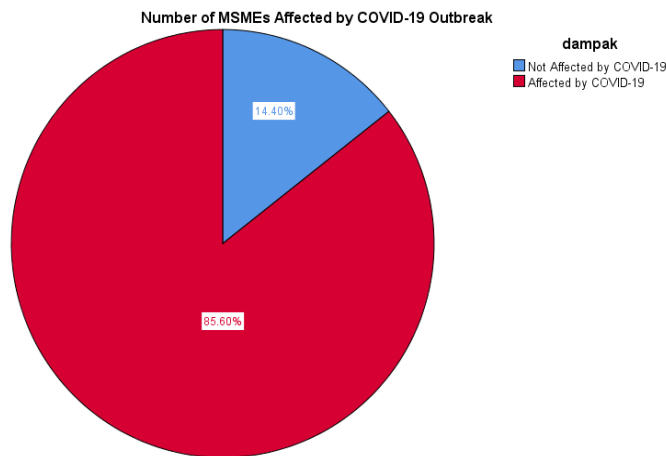


Image 1.
Number of
MSMEs
Affected by
COVID-19
Outbreak

Source: Primary Data, 2022

Based on respondent data, from 125 respondents of MSMEs business practitioners, more than 85% of MSMEs were financially affected by the COVID-19 pandemic. Only about 14% of MSMEs have not experienced the impact of the economic downturn due to the COVID-19 outbreak. Detailed data on the percentage of MSMEs affected by the COVID-19 pandemic can be seen in Figure 2.

During the COVID-19 pandemic, MSMEs affected by the economic downturn implemented strategies to maintain business activities. Data from 125 respondents shows that more than 58%, MSME entrepreneurs choose to implement a cost-efficiency strategy. While 35% apply downsizing strategy and the remaining 6% do not do any strategy. Cost efficiency and downsizing are strategies that are mostly implemented by business entities during times of crisis because of their fast effects to restore the company's condition (Huu et al., 2021; Ogbonnaya et al., 2022). Details on coping strategy choices during the COVID-19 pandemic are shown in Figure 3.

The choice of strategy during the COVID-19 pandemic is adjusted to the consideration of various factors. MSME entrepreneurs need time to implement this strategy since the start of the COVID-19 pandemic.

19. Based on research data, from 125 respondents, the average strategy implementation time is 4 months, with the shortest implementation time being 1 month and the longest time being 12 months. The data for the implementation period of the strategy is presented in table 3.

	Total	Minimum	Maximum	Mean
Length of coping strategy implementation	125	1	12	3.82

Source : Primary Data, 2022

Tabel 3.
Coping Strategy Implementation

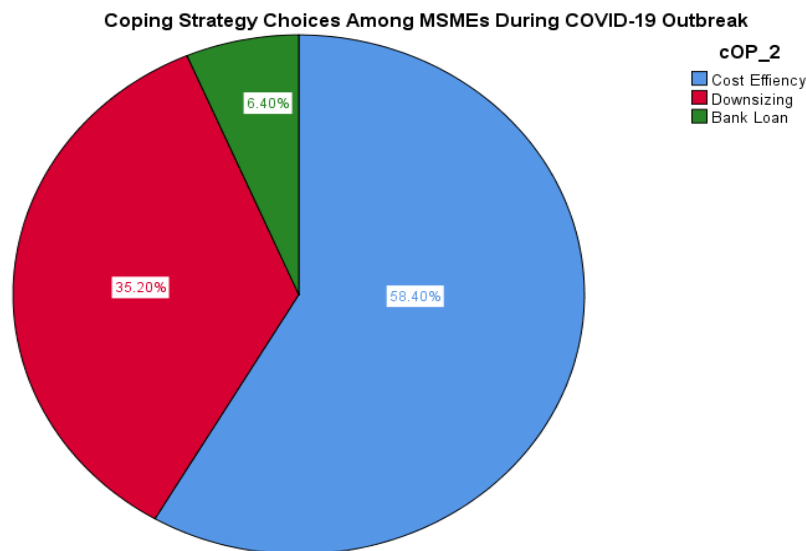


Image 3.
Coping Strategy Choices During COVID-19 Outbreak

The results of the study on the effect of the company's financial distress, self-efficacy, and leadership skills on the selection of a company's coping strategy during the COVID-19 pandemic are presented in table 3. The data is primary data based on respondents' entries for indicators of financial distress, self-efficacy, and leadership skills. . The results of the validity and reliability testing showed that all of the question items had met the validity and reliability criteria. In table 3, it can be seen that all question items have a significance below 0.05 which indicates that the question items are valid and able to measure the condition of financial distress, self-efficacy, and leadership skills in business entities. Meanwhile, all question items have met the reliability criteria, based on the Cronbach alpha value > 0.7 (Ghozali, 2016). Reliable question items indicate that the questionnaire is a research instrument that is able to provide consistent results from all answers given by respondents. Thus, the questionnaire used is a valid research instrument.

The financial distress variable is measured using 9 indicators of a decline in the company's financial performance which is the development of the model (Sobakinova et al., 2020a). This measurement model uses five Likert-scales that are different from the model. Meanwhile, the self-efficacy variable uses 10 indicators which are the development of the model (Lönnfjörð & Hagquist, 2018). The leadership skills variable is measured by five aspects, namely aspects of rationality, intuitiveness, independence, spontaneity, and avoidance. There are 26 question items on the leadership skills variable. Indicators for measuring leadership skills were developed from the model (Sobakinova et al., 2020a). All of the question items on the three variables have met the validity and reliability tests.

Hypothesis testing was performed using multinomial logistic regression. Multinomial logistic regression is used if the dependent variable is a categorical variable that has more than two categories. The dependent variable in this study is a coping strategy which has 3 categories, namely cost efficiency, downsizing, and bank loans. The category used as control is not doing any strategy.

The results of the likelihood ratio tests show that the significant value of all independent variables is less than 0.05. This proves that the variables of financial distress, self-efficacy, and leadership skills have an influence on the selection of coping strategies. The three independent variables are determinant factors that can influence coping strategy decisions. The variables of financial distress, self-efficacy, and leadership skills contributed significantly to the research model.

Variables	Validity	Cronbach-Alpha	Model Fitting		Overall % Prediction Models	Pearson's Goodness of Fit	Likelihood Ratio Tests
			Intercept	Final			
Financial Distress		0,965	222,762	1,622*	99,2%	1,00*	0.011*
FD 1	0,00*						
FD 2	0,00*						
FD 3	0,00*						
FD 4	0,00*						
FD 5	0,00*						
FD 6	0,00*						
FD 7	0,00*						
FD 8	0,00*						
FD 9	0,01*						
Self-Efficacy		0,993					0.00*
SE 1	0,00*						
SE 2	0,00*						
SE 3	0,00*						
SE 4	0,00*						
SE 5	0,00*						
SE 6	0,00*						
SE 7	0,00*						
SE 8	0,00*						
SE 9	0,00*						
SE 10	0,00*						
Leadership Skills							0.00*
Rationality		0,866					
AR 1	0,00*						
AR 2	0,00*						
AR 3	0,00*						
AR 4	0,00*						
AR 5	0,00*						
Intuitiveness		0,888					
AI 1	0,00*						
AI 2	0,00*						
AI 3	0,00*						
AI 4	0,00*						
AI 5	0,00*						
Independence		0,983					
AK 1	0,00*						
AK 2	0,00*						
AND 3	0,00*						
AND 4	0,00*						
AND 5	0,00*						
AND 6	0,00*						
Spontaneity		0,998					
AS 1	0,00*						
AS 2	0,00*						
AS 3	0,00*						
AS 4	0,00*						
AS 5	0,00*						
Avoidance		0,920					
APP 1	0,00*						
APP 2	0,00*						
APP 3	0,00*						
APP 4	0,00*						
APP 5	0,00*						

Dependent Variables : Coping Strategy
*Significant at 0,05 level

Tabel 3.
Research Results

Coping Strategy	Variable tutoring	Beta	odds ratio	Sig
Strategy 1: Cost Efficiency	Financial Distress	-2,285	9,287	0.02*
	Self-Efficacy	72.87	4,437	0.05*
	Leadership Skills	1,627	0,196	0,00*
Strategy 2: Downsizing	Financial Distress	-0,357	1,430	0,00*
	Self-Efficacy	67,48	2,04	0,048*
	Leadership Skills	8,226	0,00	0,05*
Strategy 3 : Bank Loan	Financial Distress	-0,770	2,160	0,00*
	Self-Efficacy	3,049	21,084	0,01*
	Leadership Skills	15,013	3,019	0,00*

Reference category : No strategy
*significant at 0,05 level

Tabel 4.
Multinomial
regression
Logistics Test

Source: Primary data,2022

The results of the hypothesis test show that financial distress has an influence on the probability of the company in choosing a cost efficiency strategy which is lower than the no strategy with a coefficient of -2.285 which is significant at 0.05. On the other hand, financial stress affects the choice of downsizing strategy -0.357 lower than no strategy, and affects the choice of bank loan strategy by -0.770 lower than no strategy. All results of hypothesis testing are significant at 0.05. This shows that financial distress has a negative effect on the selection of the company's coping strategy.

Self-efficacy affects the choice of cost efficiency strategy by 72.87 which is higher than no strategy. Meanwhile, the selection of downsizing and bank loan strategies is influenced by a higher level of self-efficacy than the no strategy of 67.48 and 3.049 respectively.

Leadership skills influence the choice of strategy more than no strategy by 1.627 with p value <0.05. Meanwhile, leadership skills influence the selection of downsizing and bank loan strategies more than the no strategy with a coefficient value of 8,226 and 15, 013, respectively, with a significance value of < 0.05.

The first hypothesis which states that financial distress has a negative effect on coping strategy decision making has been proven empirically ($P < 0.05$). Financial distress is a condition of companies that fail to manage and maintain healthy company finances (Balasubramanian et al., 2019). Financial distress conditions for companies can threaten business continuity which is marked by a decrease in the company's competitive advantage (Farooq et al., 2021). Financial distress is a warning signal for management to take immediate decisions to save the business before it becomes too late and turns into bankruptcy (Younas et al., 2021). Thus, in conditions of financial distress, which is an uncomfortable zone for the company, it can encourage companies to take a turnaround strategy that aims to save the continuity of the company's operations (Bhattacharyya & Malik, 2020). Our findings support the work of (Huu et al., 2021) and (Bhattacharyya & Malik, 2020).

The second hypothesis which states that self-efficacy affects the choice of the company's coping strategy can be proven empirically ($P < 0.05$). Self-efficacy is the innovative behavior and confidence of individuals to dare to take a structured decision to achieve the company's goals that have been set (Montani et al., 2021). Leaders who have high self-efficacy tend to make rational decisions and are able to bring business entities to take the right strategy in crisis conditions (Vecchi et al., 2019). Self-efficacy is an important factor for leaders and

business entities to be able to survive during crisis conditions, especially the economic downturn due to the COVID-19 outbreak. The results of this study support the research of (Huu et al., 2021) and (Montani et al., 2021) who stated that self-efficacy is a determinant factor that affects the effectiveness of business decision making in times of crisis.

The third hypothesis which states that leadership skills have a positive influence on the choice of a company's coping strategy can be supported by empirical evidence, with the results of the logistic regression test $p < 0.05$ (see table 4). Leadership skills are important determinants for leaders to be able to behave innovatively and creatively in dealing with crisis conditions. A leader who has the ability to make rational, intuitive, independent, and structured decisions is able to produce innovative ideas that are important for business continuity (Sobakinova et al., 2020a). Innovative ideas are an important factor for businesses to survive in crisis conditions. Innovative ideas arise from the leader's ability and capability to see opportunities, threats, and appropriate strategies in times of crisis. This study supports the research of (Sobakinova et al., 2020a) who stated that leadership skills can increase the effectiveness of decision making and support business sustainability.

The first hypothesis which states that financial distress has a negative effect on coping strategy decision making has been proven empirically ($P < 0.05$). Financial distress is a condition of companies that fail to manage and maintain healthy company finances (Balasubramanian et al., 2019). Financial distress conditions for companies can threaten business continuity which is marked by a decrease in the company's competitive advantage (Farooq et al., 2021). Financial distress is a warning signal for management to take immediate decisions to save the business before it becomes too late and turns into bankruptcy (Younas et al., 2021). Thus, in conditions of financial distress, which is an uncomfortable zone for the company, it can encourage companies to take a turnaround strategy that aims to save the continuity of the company's operations (Bhattacharyya & Malik, 2020). Our findings support the work of (Huu et al., 2021) and (Bhattacharyya & Malik, 2020).

The second hypothesis which states that self-efficacy affects the choice of the company's coping strategy can be proven empirically ($P < 0.05$). Self-efficacy is the innovative behavior and confidence of individuals to dare to take a structured decision to achieve the company's goals that have been set (Montani et al., 2021). Leaders who have high self-efficacy tend to make rational decisions and are able to bring business entities to take the right strategy in crisis conditions (Vecchi et al., 2019). Self-efficacy is an important factor for leaders and business entities to be able to survive during crisis conditions, especially the economic downturn due to the COVID-19 outbreak. The results of this study support the research of (Huu et al., 2021) and (Montani et al., 2021) who stated that self-efficacy is a determinant factor that affects the effectiveness of business decision making in times of crisis.

The third hypothesis which states that leadership skills have a positive influence on the choice of a company's coping strategy can be supported by empirical evidence, with the results of the logistic regression test $p < 0.05$ (see table 4). Leadership skills are important determinants for leaders to be able to behave innovatively and creatively in dealing with crisis conditions. A leader who has the ability to make rational, intuitive, independent, and structured decisions is able to produce innovative ideas that are important for business continuity (Sobakinova et al., 2020a). Innovative ideas are an important factor for businesses to survive in crisis conditions. Innovative ideas arise from the leader's ability and capability to see opportunities, threats, and appropriate strategies in times of crisis. This study supports the research of (Sobakinova et al., 2020a) who stated that leadership skills can increase the effectiveness of decision making and support business sustainability.

CONCLUSION

The crisis conditions due to the COVID-19 outbreak caused an economic downturn in various business sectors. Crisis conditions during the pandemic also caused financial distress for companies, even some companies went bankrupt. Difficult conditions force business people to take turnaround strategies in order to maintain business continuity. The choice of strategy is called coping strategy. This study aims to examine the factors of financial distress, self-efficacy, and leadership skills on the choice of a company's coping strategy during the COVID-19 pandemic. The results of the study show that financial distress, self-efficacy, and leadership skills are determinant factors that can influence the company's coping strategy selection process during the COVID-19 pandemic. The results of this study practically have a contribution to the development of literature related to coping strategies and factors that influence the decision-making process, especially during the crisis due to the COVID-19 pandemic.

This study has several limitations, including not exploring in more detail other factors that might influence the coping strategy selection process, such as the level of leader knowledge (Sobakinova et al., 2020a), the ability to create innovative ideas (Montani et al., 2021). Examining the moderation effects between self-efficacy on the influence of leadership skills and the selection of coping strategies is also an opportunity for future research to get more comprehensive insight into the coping strategy literatures (Huu et al., 2021; Sobakinova et al., 2020a)

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