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The Effect Of Liquidity, Profitability, And Solvency On Financial Distress With Good Corporate Governance As A Moderation

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Abstract: This study aims to determine whether the current ratio as a proxy for liquidity, the return on equity as a proxy for profitability, and the debt to equity ratio as a proxy for solvency have a significant effect on financial distress as measured by the Altman Z-score, and whether the implementation of Good Corporate Governance, which is proxied by institutional ownership, being able to moderate it. The sample for this research is construction companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Samples were selected using purposive sampling. This study uses multiple linear regression with panel data. The results showed that the current ratio has no significant positive effect on the Altman Z-score, the return on equity has a significant positive effect on the Altman Z-score, and the debt to equity ratio has no significant negative effect on the Altman Z-score. Institutional ownership strengthens the effect of the current ratio and the debt to equity ratio on the Altman Z-score but weakens the effect of the return on equity on the Altman Z-score. The research results are useful for the management of construction companies in managing finances by maintaining sales levels and collectibility of payments from consumers. It is also beneficial for investors and creditors to tighten supervision in providing financial assistance to construction companies.

Keywords: Liquidity ; Profitability ; Solvency ; Financial Distress ; Good Corporate Governance.

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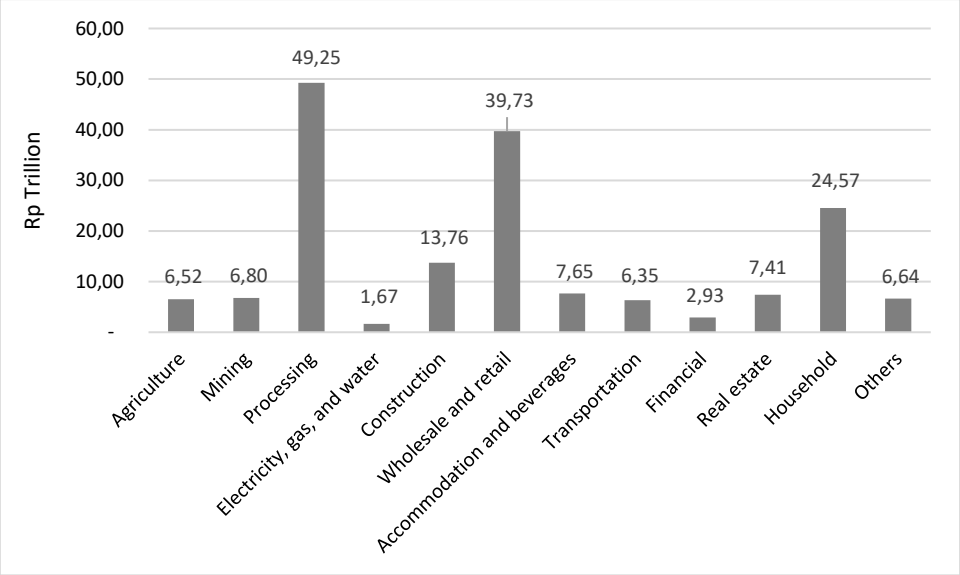
1. Introduction

Corona (SARS-CoV-2), better known as Coronavirus Disease (COVID-19), appeared in 2019 and became a global public health disaster. In March 2020, the World Health Organization (WHO) declared COVID-19 as a global pandemic due to the massive spread of this virus (*Satuan Tugas Penanganan* COVID-19, 2020). Lockdowns and social distancing were implemented in various countries, including Indonesia, which had shut down many trading activities and caused significant economic losses. This condition has caused several companies to experience financial distress.

According to Plat and Plat (Hanafi & Supriyadi, 2018), financial distress is a condition of financial difficulty in which the company's cash is insufficient to pay off its operating costs and short-term liabilities. If it continues, the company may experience bankruptcy. Bankruptcy can occur in all companies, large or small companies, private or public companies, and government or private companies. Companies that are prone to experiencing financial distress are construction subsector companies. This is because this subsector is highly dependent on leverage to finance its long-term projects. This subsector also has the risk of defaulted payments from consumers, thereby disrupting the company's cash flow and causing a cash deficit.

Graphic 1 : NPL Quarter IV-2021 based on Economic Sector



Source: Otoritas Jasa Keuangan (2022)

Graphic 1 shows the Non Performing Loans (NPL) in the construction subsector at 13.76 trillion rupiah in the fourth quarter of 2021 (Financial Services Authority, 2022). This figure is the fourth largest NPL at the end of 2021 after industrial processing, wholesale and retail trade, and households. According to Otoritas Jasa Keuangan (2020), financial distress is usually caused by the companies' financial health and good corporate governance (GCG). Financial health can be identified through financial ratios, liquidity, profitability, and solvency.

The liquidity ratio is used to measure a company's ability to pay off the company's short-term obligations that are due using its current assets (Gitman & Zutter, 2015). Research conducted by Trung et al. (2022) proves that a higher liquidity ratio in a company will keep the company away from financial distress. However, other research shows that the liquidity ratio has no impact on financial distress (Mesrawati et al., 2022). This is because the company's current assets are mostly in the form of receivables and

inventories, so the company requires effort and time to convert them into cash which will be used to pay its short-term debts (Mesrawati et al., 2022).

The profitability ratio shows the company's ability to generate returns on common stock to shareholders (Gitman & Zutter, 2015), so it better reflects the company's ability to generate profits without debt (free from leverage aspects). According to research by Susilo & Suwaidi (2022), profitability ratios have a negative effect on financial distress. However, research conducted by Mesrawati et al. (2022) shows that a high profitability ratio does not guarantee that a company will avoid financial distress because the management of the company is not optimal.

The solvency ratio shows the percentage of total liabilities, short and long-term, with the company's total common stock equity (Gitman & Zutter, 2015). Research conducted by Trung et al. (2022) proves that the solvency ratio is directly proportional to financial distress, which means that it is more likely that a company will experience financial difficulties if it has a high solvency ratio. Several studies get the opposite result, the higher solvency, the more the company avoids financial distress. This is due to the use of large debts for company operations, being able to generate high income and profits so that they can meet their debts (Sakinah et al., 2018; Susilo & Suwaidi, 2022; Widhiastuti et al., 2019).

The second cause of financial distress, according to OJK, is poor GCG implementation. GCG is a system used to control and supervise management in managing the company by external parties of the company, such as investors, the government, and the community (Mesrawati et al., 2022; Widhiastuti et al., 2019). Based on the 2020 CG Watch rankings by market conducted by ACGA and CLSA, Indonesia ranks 12th among Asian and Australian countries, with a value of 33 percent, in the implementation of GCG, which can be categorized as still relatively low (Alexandra et al., 2022; CLSA, 2020).

Good GCG implementation will increase investor confidence, so that companies can raise capital efficiently and effectively, have good company performance, and keep them away from financial distress (Mesrawati et al., 2022; Widhiastuti et al, 2019). However, several studies have shown that implementing GCG increases the company's cost of capital which can worsen the company's financial condition (Firmansyah et al., 2021). The cost of implementing it exceeds the benefits received by the company, thereby increasing the risk of financial distress (Habermann & Fischer, 2023). In addition, most companies implement GCG only for administrative obligations regulated by the Capital Market Authority in Indonesia, so they pay little attention to the quality of the implemented GCG (Firmansyah et al., 2021).

Referring to the results of previous studies which gave different results, this study aims to analyze the effect of the current ratio as a proxy for liquidity, ROE as a proxy for profitability, and DER as a proxy for solvency, which is moderated by institutional ownership as a proxy for GCG, on financial distress which is determined by the Altman Z-score.

2. Discussion

2.1 Literature Review

Financial distress is a situation where a company experiences one of two things, a cash shortage on the asset side or debt piled up on the liability side (Outecheva, 2007). Both of these have an impact on the company's cash flow which is not sufficient to pay off its maturing short-term debts (Outecheva, 2007; Platt & Platt, 2002). According to Ali et al. in Sudrajat & Wijayanti (2019), factors that cause financial distress can come from internal, such as poor management of company assets, or external, such as the economic conditions in which the company operates.

There are several methods used to predict financial distress, namely the Altman Z-score, Zmijewski, and Springate (Sudrajat & Wijayanti, 2019). This study uses the Altman Z-score because it is the model

most widely used by practitioners and academics to indicate the probability of failure (default) (Altman et al., 2019). The formula for the Altman Z-score is as follows:

$$\text{Z-score} = 6{,}56T^1 + 3{,}26T^2 + 6{,}72T^3 + 1{,}05T^4$$

T^1 is net working capital/total assets; T^2 is retained earnings/total assets; T^3 is earnings before interest and tax (EBIT)/total assets; and T^4 is the market value of equity/book value of total liabilities (book value of liabilities). If the company has a Z score > 2.60 then it is categorized as a healthy company (non-financial distress), a Z score < 1.10 then it is categorized as a company that has the potential to experience bankruptcy, and a score of $1.10 \leq Z \leq 2.60$ categorized as a company in the grey area (Bragg, 2007).

Liquidity shows the company's ability to pay off the company's short-term obligations that are due (Gitman & Zutter, 2015). The liquidity ratio used in this study is the current ratio. The current ratio is used to measure a company's liquidity through the distribution of current assets and short-term liabilities. The current ratio was chosen because it is simple and easy to understand and is an indicator in analyzing a company's short-term liquidity (Fahlevi & Mukhidad, 2018). A high current ratio indicates that the company has sufficient current assets to cover its maturing short-term debts (Gitman & Zutter, 2015) so that it will increase the company's Altman Z-score, which means that the risk of financial distress is getting smaller (Hanafi & Supriyadi, 2018; Susilo & Suwaidi, 2022).

Profitability is an indicator to measure company profits about the level of sales, assets, or owner investment (Gitman & Zutter, 2015). In this study, the measurement of profitability uses the return on equity ratio (ROE) because it reflects a company's ability to manage its capital, without the help of debt (Gitman & Zutter, 2015). The higher the ROE generated by the company, the easier it is to obtain outside funding (Gitman & Zutter, 2015), so that the Altman Z-score increases or the company's potential to experience financial distress decreases. Susilo & Suwaidi (2022) also proves that profitability has a significant negative effect on the financial distress.

Solvability or leverage is a ratio that assesses the level of risk and return of the company on the use of fixed-cost financing, namely debt (Gitman & Zutter, 2015). This study uses the debt to equity ratio (DER) as a proxy for the solvency ratio. According to Gitman & Zutter (2015), a low DER is often seen as an indication that the company is not using enough financial leverage to increase profits, while a high DER is often seen as an indication that the company may not be able to generate enough money to pay off its debt obligations. The higher the DER owned by the company, the higher the risk of the company being unable to pay off its debts (Gitman & Zutter, 2015), so the Altman Z-score decreases or the company's potential to experience financial distress increases. Research from Hanafi & Supriyadi (2018) shows that solvency has a positive and significant effect on financial distress in manufacturing companies.

Good Corporate Governance is a process to reduce agency conflicts caused by different interests within the company, the interests of the principal (capital owner) and the agent (management) (Jensen & Meckling, 1976). The implementation of GCG will help capital owners control the running of the company which is carried out by management. One aspect of GCG is institutional ownership. According to Hanafi & Breliastiti (2016), institutional ownership can reduce agency problems between managers and capital owners of the company so that the company avoids financial difficulties. The greater the institutional ownership, the greater the oversight given to management to enhance company performance, thereby increasing the Altman Z-score or decreasing the potential for financial distress. Institutional ownership is obtained through a comparison of the number of company shares owned by institutions, both government and private institutions. Handriani et al. (2021) explained that the

existence of institutional ownership in public companies can improve management performance to prevent financial distress. Research by Kartini et al. (2020) proved that GCG, which is proxied by institutional ownership, management ownership, independent commissioners, board of directors, and audit committees, has a positive and significant effect on a company's financial performance. If financial performance increases, the Altman Z-score will increase and the company will evade financial distress. Research on the effect of GCG on profitability was conducted by El-Chaarani & Abraham (2022) on banks in Lebanon during the 2019-2021 financial crisis. From his research, it was found that GCG, proxied by a concentration of ownership, has a positive effect on ROA and ROE. Analysis conducted by Sakinah et al. (2018) show that GCG can moderate the relationship between solvency and financial distress. Good implementation of GCG helps companies that have a high level of solvency in encountering financial distress. Based on the theory and results of previous studies that support the theory, the hypothesis in this study can be formulated as follows:

H_1: Current ratio has a significant positive effect on the Altman Z-score.
H_2: Return on equity has a significant positive effect on the Altman Z-score.
H_3: Debt to equity ratio has a significant negative effect on the Altman Z-score.
H_4: Institutional ownership strengthens the effect of the current ratio on the Altman Z-score.
H_5: Institutional ownership strengthens the effect of the return on equity on the Altman Z-score.
H_6: Institutional ownership strengthens the effect of the debt to equity ratio on the Altman Z-score.

2.2 Methodology Research

This research is associative research used to see the relationship between variables. The variables used in this study consist of: 1) the independent variables, which consist of the current ratio to see liquidity, ROE to see profitability, and DER to see solvency; 2) the dependent variable is the Altman Z-score to assess financial distress, and 3) the moderating variable is GCG which is proxied by institutional ownership. This research is based on hypothesis testing using secondary data. The data is then processed so that information is obtained to answer the hypotheses that have been determined.

The population of this study is construction subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, totaling 18 companies. The sample selection was carried out by purposive sampling method with the following criteria: 1) registered on the IDX; 2) carry out business operations for the 2017-2021 period; 3) publish annual and financial reports for the 2017-2021 period; and 4) have more than 25 percent institutional ownership. From these criteria, the number of companies that were sampled was 13 companies.

This research uses a multiple linear regression method with panel data, which is a combination of data from time series and cross-section. The software used in the research is Eviews 10. The stages that will be used in the research are: descriptive statistics, classical assumption test, selection of panel data regression, and hypothesis testing.

2.3 Result

Through the calculation of descriptive statistics, an overview of the data from financial distress (Altman Z-Score) can be seen as the dependent variable; liquidity (current ratio or CR), profitability (ROE), and solvency (DER) as independent variables, and institutional ownership (IO) as moderating variable through minimum, maximum, average (mean), median, and standard deviation values. The results of the statistical analysis are obtained in Table 1.

Table 1 : Descriptive Statistical Analysis

	ALTMAN_Z SCORE	CR	ROE	DER	IO	CR_IO	ROE_IO	DER_IO
Mean	3.264342	153.1692	5.465367	239.6575	0.669254	105.6064	3.690924	163.1777
Median	2.682195	141.5200	7.780000	152.0000	0.660400	86.98200	4.984000	98.76318
Maximum	34.13371	428.6000	24.31000	3546.560	0.903900	386.1686	16.99370	2832.637
Minimum	-2.990.760	28.00000	-8.126.00	22.00000	0.441300	21.13280	-5.366.41	17.11820
Std. Dev.	6.813189	72.78850	14.11646	447.7911	0.131085	69.32043	9.551314	354.9078
Jarque-Bera	489.3215	49.00541	1231.690	5761.673	2.860545	118.2843	1022.376	6697.263
Probability	0.000000	0.000000	0.000000	0.000000	0.239244	0.000000	0.000000	0.000000
Sum	212.1822	9956.001	355.2489	15577.74	43.50150	6864.417	239.9101	10606.55
Sum Sq. Dev.	2970.851	339082.6	12753.57	12833080	1.099738	307540.6	5838.566	8061413.
Observations	65	65	65	65	65	65	65	65

Source: output Eviews 10 (2023)

Liquidity proxied by the current ratio has an average value of 153.17 with a standard deviation value of 72.79. This indicates that the average current assets owned by sample companies can guarantee short-term liabilities of 1.53 times. The lowest current ratio was 28.00 owned by PT Cahayasakti Investindo Tbk in 2019, while the highest current ratio, amounting to 428.60, was owned by PT Paramita Bangun Saran Tbk in 2018. Profitability as seen through the ROE indicator has an average value of 5.46 with a standard deviation value of 14.12. This indicates that on average the sample companies can provide a return to equity of 5.46 percent. The lowest ROE of -81.26 was owned by PT Waskita Raya (Persero) Tbk in 2020, while the highest ROE, amounting to 24.31, was owned by PT Total Bangun Persada Tbk in 2017. Debt to Equity Ratio which is a proxy for solvency has an average value of 239.66 with a standard deviation value of 447.79. This indicates that on average the sample companies have greater debt, amounting to 239.66 percent, compared to equity. The lowest DER of 22.00 is owned by PT Pelita Samudera Shipping Tbk in 2021, while the highest DER, of 3,546.56, is owned by PT Acset Indonusa Tbk in 2019. Financial distress, as the dependent variable in this study, is calculated using Altman Z-score. The average Altman Z-Score of the sample companies is 3.26 with a standard deviation of 6.81. The company with the smallest Altman Z-Score, -29.91, is PT Waskita Karya Tbk in 2020. Meanwhile, the largest Altman Z-Score, 34.13, was obtained by PT Wijaya Karya Tbk in 2019. Institutional Ownership as a proxy for Good Corporate Governance as a moderating variable, has an average value in the sample companies of 0.67, with a standard deviation of 0.13. The highest institutional ownership is owned by PT Paramita Bangun Sarana with 0.90, and the lowest is by PT Nusa Construction Enjiniring with 0.44.

The Goodness of Fit test was conducted to find out whether all the independent variables included in the model had an influence on the dependent variable (F test) and how far an independent variable determines changes in the value of the dependent variable (R^2 test). The results of the Goodness of Fit Test can be seen in Table 2.

Table 2 : Goodness of Fit Test

Weighted Statistics			
R-squared	0.916898	Mean dependent var	-0.931888
Adjusted R-squared	0.905818	S.D. dependent var	23.02520
S.E. of regression	7.070131	Sum squared resid	2249.404
F-statistic	82.75038	Durbin-Watson stat	2.115495
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.467254	Mean dependent var	-0.592924
Sum squared resid	2520.152	Durbin-Watson stat	3.184833

Source: output Eviews 10 (2023)

The probability value of the F-statistic is 0.0000, which is smaller than the significance value of 0.05. These results indicate that all independent variables are feasible to explain the dependent variable. In other words, there is a significant influence between the current ratio, ROE, DER, and the relationship between these variables and institutional ownership on the Altman Z-score. Adjusted R^2 shows a value of 0.9058, which means that the variable current ratio, ROE, DER, and the relationship between these variables and institutional ownership affect the Altman Z-Score of 90.58 percent.

Table 3 : T test (Partial Hypothesis Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.493983	0.358377	1.378387	0.1749
CR	0.005605	0.057475	0.097520	0.9227
ROE	0.831713	0.278260	2.988975	0.0045
DER	-0.021561	0.011760	-1.833376	0.0734
CR_IO	0.007071	0.070243	0.100661	0.9203
ROE_IO	-0.776124	0.417105	-1.860738	0.0693
DER_IO	0.027378	0.014604	1.874675	0.0673

Source: ouput Eviews 10 (2023)

The results of the panel data regression analysis test show that the current ratio has a positive t-statistic value, meaning that the higher the current ratio, the higher the Altman Z-Score, and the more distant the company is from financial distress. However, the probability of the current ratio is 0.9227, more than the significance value of 0.05, indicating that the effect of the current ratio on the Altman Z-score is not significant. Thus, hypothesis 1 (H_1) is rejected.

Testing the effect of ROE on the Altman Z-score produces a positive t-statistic value. This shows that the higher the ROE, the higher the value of the company's Altman Z-score, so that keep the company away from financial distress. The ROE probability value of the Altman Z-score is 0.0045, which is less than 0.05. This shows that the effect of ROE on the Altman Z-score is significant, so hypothesis 2 (H_2) is accepted.

The t-statistical value of the effect of DER on the Altman Z-score is negative, indicating that the higher the DER owned, the lower the Altman Z-score produced by the company so the possibility of construction subsector companies into financial distress increases. The probability of testing the effect

of DER on the Altman Z-score is 0.0734, which is greater than 0.05. These results indicate that the effect of the DER on the Altman Z-score is not significant, so hypothesis 3 (H_3) is rejected.

The interaction between the current ratio with the Altman Z-score and institutional ownership as a moderating variable produces a probability value of 0.9203 with a positive t-statistic value. These results explain that institutional ownership strengthens the effect of the current ratio on the Altman Z-score, so hypothesis 4 (H_4) is accepted.

The probability value of the effect of ROE on the Altman Z-score is moderated by institutional ownership of 0.0693 with a negative t-statistic value. This explains that institutional ownership weakens the effect of ROE on the Altman Z-score. Institutional ownership does not guarantee strict supervision for the realization of cost efficiencies and timely payments from consumers in the construction subsector companies. These results indicate that hypothesis 5 (H_5) is rejected.

The influence of DER on the Altman Z-score is moderated by institutional ownership having a probability value of 0.0673, with a positive t-statistic. Thus, institutional ownership strengthens the influence of DER on the Altman Z-score. Institutional ownership makes it easier for construction subsector companies to obtain loans, both from banks and bonds, so hypothesis 6 (H_6) is accepted.

2.4 Analysis

The high or low value of the current ratio owned by companies in the construction subsector has no significant effect on the value of the Altman Z-score. This is because the largest portion of current assets owned by construction companies are inventories in the form of property assets, both those that are still under construction and those that have been completed but have not yet been sold. If these property assets take too long to be converted into cash, the construction company has the potential to experience financial distress. A low current ratio also does not guarantee that the company will experience financial distress if the company can manage its current debt properly so that it can increase its profitability. The result of this study is in line with the result of research from Negoro & Wakan (2022) that the level of liquidity owned by companies does not have a significant effect on the occurrence of financial distress. However, this result is different from those obtained by Trung et al. (2022) that high liquidity keeps companies away from financial distress.

The higher the ROE owned by a construction subsector company, the higher Altman Z-score of the company, so that it keeps the company away from financial distress. A good ROE makes the construction subsector companies easy to obtain loans from third parties, or even additional capital from investors (Gitman & Zutter, 2015). Under these conditions, the potential of construction company to experience in financial distress is getting smaller. The result of this research supports the research result from Susilo & Suwaidi (2022) and Willey et al. (2023) where high profitability keeps companies away from financial distress.

The debt to equity ratio in the construction subsector company is not able to affect the value of the Altman Z-score. This result is in line with the results of research conducted by Negoro & Wakan (2022), where the solvency of the company does not affect the financial distress of the company. However, this study is not in line with the result of Trung et al. (2022) which state that an increase in solvency increases the risk of financial distress. Likewise, it is also different from the result of Sakinah et al. (2018) which state that increasing solvency reduces the risk of financial distress. Companies in the construction subsector have an enormous debt to finance their projects, both from banks and bonds. The use of large debt in the company's operations will affect the company's liquidity. This will make it difficult for construction companies to pay the debt principal and interest, thus push construction companies into financial distress. However, if the company can manage loan funds properly and can obtain a large

income from it, it will certainly lead to different results. With good asset management, companies can reduce their operational costs and expenses. On the other hand, loan interest can be used by companies to reduce the income tax.

The implementation of Good Corporate Governance (GCG) which is proxied by institutional ownership strengthens the effect of the current ratio on the Altman Z-score of construction subsector companies. Institutional ownership makes it easier for construction subsector companies to get capital injection to increase their liquidity and keep it away from financial distress. This result is inline with the research conducted by Rama (2022), GCG moderatea the effect of liquidity on the financial distress conditions faced by companies. However, the result of this study is different from the results obtained by Sakinah et al. (2018) and Negoro & Wakan (2022), that GCG does not moderate the effect of liquidity on financial distress.

Institutional ownership weakens the effect of ROE on the Altman Z-score in construction subsector companies. Although high ROE can make it easier for companies to obtain additional funds from third parties, both from creditors and investors, institutional ownership does not guarantee strict supervision for the realization of cost efficiency and good company management. The result of this study agrees with the research conducted by Alshirah et al. (2022) that obtained the implementation of GCG did not moderate the effect of profitability on financial distress.

Institutional ownership in construction subsector companies strengthens the effect of DER on financial distress. Institutional ownership makes it easier for construction subsector companies to obtain loans, both from banks and bonds. According to Shleifer and Vishy in Wiranata (2013), the loan is not only used for working capital but also be used for the political purposes of the controlling institution. Thus, the existence of institutional ownership can exacerbate the financial distress of construction subsector companies that have high DER levels. The result of this study is in line with the results of Sakinah et al. (2018) that GCG moderates the effect of solvency on financial distress. In contrast to the research results of Negoro & Wakan (2022) which argue that GCG is not able to moderate the effect of solvency on financial distress.

3. Conclusion

Financial distress can occur in all companies, both large and small companies, private or public companies, as well as government or private companies. Companies that are prone to experiencing financial distress are construction subsector companies. Prediction of the occurrence of financial distress can be done through financial ratios such as liquidity, profitability, and solvency. In addition, construction companies can avoid financial difficulties by implementing good corporate governance. However, several studies show that the implementation of Good Corporate Governance increases the company's cost of capital. Based on this, this research was conducted to analyze the effect of the current ratio as a proxy for liquidity, ROE as a proxy for profitability, and DER as a proxy for solvency moderated by institutional ownership as a proxy for GCG, on financial distress as determined by the Altman Z-score.

From the results of this research, it is known that the current ratio and DER are not able to affect the value of the Altman Z-score in construction subsector companies. The high or low current ratio and DER values owned by construction subsector companies do not affect the condition of the company toward financial distress. Meanwhile, the ROE of construction subsector companies can affect the company's financial distress. The higher the ROE, the higher the Altman Z-score of the construction subsector company thereby reducing the potential for financial distress.

In addition, it was also found that institutional ownership strengthens the effect of the current ratio and DER on financial distress, but weakens the effect of ROE on financial distress. This means that institutional ownership in construction subsector companies makes it easier for companies to obtain funding, both from creditors and investors, thus increasing their liquidity. However, this increase in liquidity is not only used for the company's operations, but also for the political interests of the institutions that control the company. This can encourage the formation of subsector companies experiencing financial distress.

Based on these results, it is hoped that the management of construction subsector companies will be able to manage marketing strategies and financial management, especially by maintaining sales and profitability levels. Companies must also pay attention to the commitment and ability of their consumers to complete payments so that high sales achievements are offset by high levels of payment collectibility as well. Thus, the construction subsector companies will not experience financial distress due to long arrears of receivables from consumers. In addition, the institution that controls the construction company must be able to behave professionally in carrying out the company's operations. Using the company as a political tool to achieve personal goals can push the company into financial distress.

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