

Synergistic Effects of Management Turnover and Financial Distress: An Investigation of Auditor Switching Moderation on Company Value

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ABSTRACT

This study addresses the research problem of fluctuating company value in the manufacturing sector amidst the post-pandemic recovery, specifically examining whether internal governance shifts and financial pressures influence investor perception. The research objective is to analyze the impact of management turnover and financial distress on company value, with auditor switching as a moderating variable. Using a purposive sampling method, 32 manufacturing companies listed on the Indonesia Stock Exchange were selected, resulting in 160 observations over the 2020-2024 period. The analytical method employed was panel data regression using the Random Effect Model (REM), preceded by Chow, Hausman, and classical assumption tests. The key empirical results indicate that management turnover has no significant effect on company value. Conversely, financial distress and auditor switching exhibit a significant positive impact independently. These findings suggest that the market interprets distress as a "turnaround signal," where successful recovery triggers a significant upward price correction. However, auditor switching fails to moderate the relationship between the independent variables and company value. The research contribution lies in reinforcing Signalling Theory by demonstrating that transparency mechanisms and proactive crisis management are more valued by investors than leadership rotation. Practically, management is advised to prioritize operational recovery and strategic audit transparency to restore market confidence.



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INTRODUCTION

In the modern business landscape, company value serves as a fundamental metric that reflects the market's assessment of a business entity's performance and future potential. A company's value in the eyes of the market depends not only on financial figures but is also greatly influenced by how the company is managed (Hidayat, Nurjanah, et al., 2025). The factors that influence a company's value consist of two main factors that are very important. Firstly, management stability, where frequent leadership changes may indicate pressure to improve performance or a shift in strategy. Secondly, financial health, which is evaluated based on indicators that could potentially threaten the continuity of the business. Thus, the market's view of a company's value is an integrated combination of financial performance and the quality of internal governance (Hidayat, Yahya, et al., 2025).

The issue of company value is directly correlated with the share price of an entity. Share price movements, particularly in the manufacturing sector, show substantial fluctuations. Company value serves as an indicator of efficiency that disciplines financial performance through market pressure (Hidayat, Nurjanah, et al., 2025), and is also the main trigger for management changes or CEO replacements when low share prices demand strategic restructuring and restoration of investor confidence (Salvi et al., 2024).

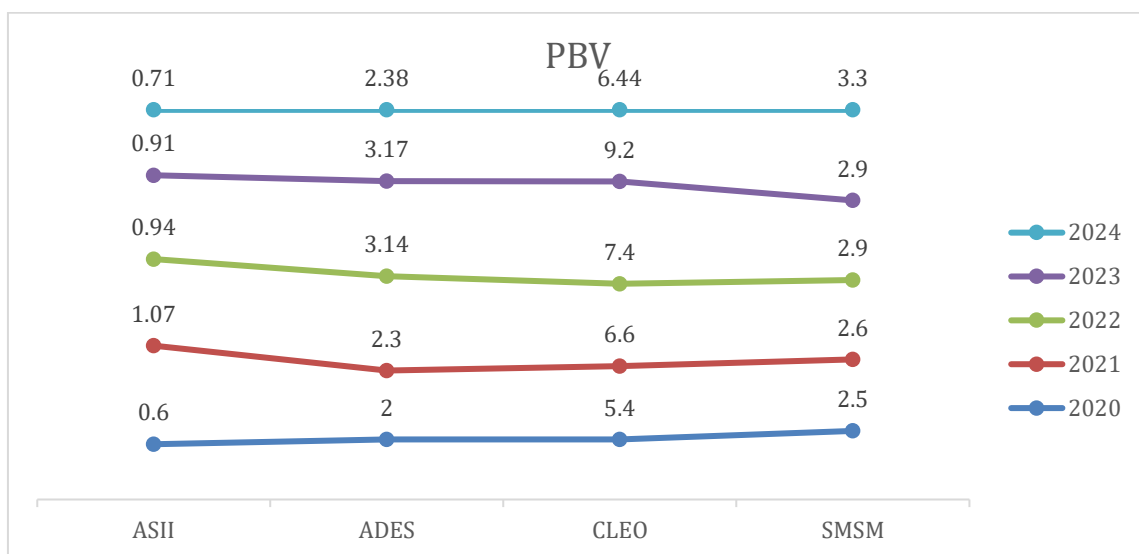


Figure 1. PBV Values of Manufacturing Companies from 2020 to 2024

Source: Data processing, 2025

Figure 1 shows the movement of manufacturing company values with an upward trend in 2023. The majority of issuers experienced an increase in valuation from 2020 to 2023. This reflects the recovery of market confidence after the pandemic and significant improvements in financial performance. There was a simultaneous decline in PBV for all issuers in 2024. The sharp decline in CLEO (9.2 to 6.44) and ADES (3.17 to 2.38) indicates market adjustments or profit taking by investors amid changing macroeconomic conditions. The simultaneous decline in PBV in 2024 confirms that low share prices force strategic restructuring to restore investor confidence, where

persistent value depreciation acts as a primary trigger for CEO or management replacement to improve performance and correct market mispricing (Global, 2024). Various intrinsic elements believed to affect firm valuation consist of management turnover, auditor changes, and financial health.

Voluntary replacement of the Chief Executive Officer (CEO) or Chief Financial Officer (CFO) tends to increase company value more than involuntary replacement, which is often associated with previous poor performance (Liao et al., 2023). Planned CEO transitions generally have a positive impact on company value, as they minimise negative publicity and align with succession planning (Sivapregasam et al., 2020). Frequent CEO turnover, particularly in companies with short-term investors, can lead to poorer operating performance and increase idiosyncratic risk. A change in CFO can cause uncertainty about the quality of financial reporting, thereby reducing the relevance of financial disclosures. This negative impact tends to disappear within three years after the new CFO has established his or her role (Hong et al., 2025).

The quality of financial statements is measured by the relevance and reliability of their presentation, thus requiring the services of highly qualified and credible public accountants (auditors). Auditors are responsible for producing optimal audit opinions that meet stakeholder expectations. If auditors fail to meet performance standards, companies tend to seek more independent and credible replacements, which is referred to as auditor switching (Selfia, 2020). The phenomenon of auditor switching is driven by several factors, namely indications of financial statement fraud, professional disputes regarding audit content or opinions, significant changes in internal management, and considerations of competitive audit fees.

Table 1. Several Phenomena of Auditor Switching in Indonesia

No	Company Name	Year	Name of Public Accounting Firm	Problems
1	PT. Garuda Indonesia	2018-2019	The public accounting firm Tanubrata, Sutanto, and partners	Errors in the presentation of the 2018 financial statements and failure to switch auditors for 8 years. The Minister of State-Owned Enterprises recommended a change of auditor. In 2020, the auditor was switched to the public accounting firm PWC.
2	PT. Envy Technology Indonesia	2016-2019	The public accounting firm Kosasih	There are allegations of manipulation of the 2019 financial statements at the subsidiary, PT Ritel Global Solusi (RGS), whereby the statements were reported even though they were not prepared. Senior management denies any knowledge of these actions.
3	PT. Hanson International Tbk	2017-2018	The public accounting firm P Purwanto,	The sanctions imposed by the Financial Services Authority (OJK) on auditors were due to violations of capital market laws and applicable

No	Company Name	Year	Name of Public Accounting Firm	Problems
			Sungkoro, and Surja	professional codes of conduct. Inflated revenues of Rp 613 billion in the 2016 financial statements. Sanctions were also imposed on the President Director of Rp 5 billion.

Source: Processed Data 2025

The replacement of auditors implemented by several companies in Indonesia, as shown in Table 2, is a phenomenon that needs to be analysed. Public accounting firms, as independent entities, still commit several violations in the presentation of financial statements. This makes auditor switching a means to improve auditor independence and objectivity, reducing the risk of bias that may arise from long-term relationships between auditors and clients. Auditor rotation provides companies with the opportunity to gain new perspectives and different approaches to auditing, which can help identify issues that may have been overlooked by previous auditors.

A change in CEO directly influences the decision to change auditors. Companies with a change in CEO are more likely to change auditors, especially in industries such as mining, where the quality of financial reports is critical to investor confidence (Hapsari et al., 2023). In addition, companies experiencing financial difficulties that replace their CEOs are more likely to receive high-quality audit reports, thereby increasing the likelihood of auditor turnover (Hudaib & Cooke, 2005). Financial difficulties combined with a change of CEO increase the likelihood of receiving a quality audit report, which in turn increases the probability of a change of auditor. Companies with severe financial restatements are more likely to dismiss their auditors, especially non-Big 4 auditors (Hennes et al., 2014).

Changes in top management often necessitate a comprehensive reassessment of corporate policies, particularly regarding financial reporting and the procurement of auditing services (Sondakh et al., 2019). New management tends to switch auditors to find a more qualified public accounting firm that is capable of accommodating the entity's rapid growth, while also selecting an auditor that is considered cooperative and in line with their accounting policies to achieve the desired audit opinion (Tjahjono & Khairunissa, 2021).

Empirical studies focusing on manufacturing entities reveal that financial distress is significantly negatively correlated with auditor replacement decisions (Monica & Sulfitri, 2023). Management turnover enhances company value by mitigating agency costs through the alignment of managerial and shareholder interests according to Agency Theory, while simultaneously providing a positive Signal to the market regarding restructuring commitments that correct mispricing and restore investor confidence. This finding reflects the reality that companies facing financial difficulties tend to be reluctant to change auditors, perhaps because they are concerned about the additional costs and risks associated with the process amid financial instability. This shows how important financial stability is in strategic decision-making, where companies choose not to switch auditors to avoid further complications (Darmayanti et al., 2021).

Prior research focusing on manufacturing firms listed on the Indonesia Stock Exchange (IDX) found no significant relationship between financial distress and the decision to switch

auditors. These findings imply that extraneous factors may exert a more substantial influence on auditor displacement in this specific context (Lestari et al., 2020). Research on company value has been conducted extensively, but this study focuses on turnover or changes within companies, particularly in management and auditing. This is due to several factors, including government regulations requiring auditors to be replaced every three years. Meanwhile, Management Turnovers are caused by internal factors, both planned and unplanned.

This study is designed to assess the drivers of company value, with a focus on the critical role of financial distress. By positioning auditor switching as a moderator, the research examines the interplay between management transitions, financial health, and company value. Ultimately, the study seeks to clarify whether changing auditors strengthens or weakens the impact that leadership changes and financial hardship have on a company's perceived value.

Literature Review and Hypothesis Development

Agency theory describes the contractual conflict between principals (shareholders) and agents (managers) arising from the separation of ownership and control. Because agents are rational actors seeking to maximize personal profit through information asymmetry, they may engage in opportunistic behaviors that benefit themselves at the expense of shareholder interests (Yahya et al., 2024). The integration of Agency Theory and Signalling Theory explains that management replacement and auditor switching during financial distress serve as disciplinary mechanisms to curb opportunistic behaviour by managers, while also sending a strategic message to reduce information asymmetry, correct mispricing, and restore company value through the return of market confidence (Agustina & Malau, 2023).

Market value encapsulates investor perceptions of a firm's trajectory and past success (Hidayat, Nurjanah, et al., 2025). A robust market valuation serves as an indicator of management's effectiveness in utilizing assets and resources to maximize shareholder wealth (Nurjanah et al., 2024). The value of a company as reflected in the stock market reflects all available information (if the market is efficient), which supports the use of Price Book Value (PBV) and Price Earnings Ratio (PER) as proxies.

Management Turnovers decided by the General Meeting of Shareholders (GMS) following voluntary resignations often result in significant changes in accounting and financial policies, including the potential replacement of the Public Accounting Firm (Nainggolan et al., 2022). As each new leader has a different philosophy, operating style and strategy, they tend to choose a public accounting firm that can provide optimal support for the new policies and objectives they will implement (Permana & Setiawan, 2023). The appointment of new management through a General Meeting of Shareholders (GMS) is a strategic governance mechanism that can be explained through the integration of Agency Theory and Signalling Theory. Based on Agency Theory, leadership succession serves as an instrument to mitigate conflicts of interest and managerial inefficiencies, whereby new leaders bring different philosophies, operational styles, and strategies that enable the optimisation of business processes and more transparent accounting policies (Chabachib et al., 2019).

Management Turnovers are often accompanied by modifications to human resource practices, which aim to improve employee job satisfaction and performance. This improvement in human resource performance directly contributes positively to the overall performance and value of the company (Atawnah et al., 2024). New management can introduce innovative ideas and better knowledge management practices, which can lead to higher-quality innovation and improved company performance (Zhou et al., 2018). Management decisions and strategic direction play a crucial role in determining a company's value. Effective management can optimise business processes and strategies, which in turn improves financial performance and company value (Drosos et al., 2021).

Financial distress has a negative impact on company value because it triggers an increase in agency costs through opportunistic managerial actions and sends bad news signals to the market, which widens information asymmetry, thereby reducing investor confidence and depressing share prices below their intrinsic value.

Financial distress represents the preliminary stage of insolvency, defined by a firm's incapacity to meet its current and non-current liabilities. This state is typically precipitated by liquidity shortages and a measurable deterioration in overall financial health (Hidayat, Permatasari, et al., 2021). In order to anticipate potential bankruptcy, management and company owners must monitor the viability of the business. This monitoring allows them to gain a deep understanding of the company's financial condition (Hidayat, Dewi, et al., 2021), to maintain the continuity of their business. To ensure their survival and sustainability in the market, companies are required to adopt and implement innovative adjustment mechanisms as a survival strategy (Ariff et al., 2023).

Financial crises generally cause a decline in company value. Companies experiencing financial crises are often valued lower than healthy companies. The level of financial difficulty can range from 4-7% of the company's value, depending on the severity of the crisis (Goetz, 2020). Financial distress has a negative impact on company value (Hidayat et al., 2023). The escalating financial crisis will reduce the value of the company. (Monica & Sulfitri, 2023).

Auditor switching tends to have a negative impact on company value because, from an agency theory perspective, voluntary auditor changes are often interpreted as management's attempt to seek a more favourable audit opinion (opinion shopping) in order to cover up opportunistic behaviour or managerial inefficiency.

Auditor switching is a term used to refer to a situation where a client company decides to replace its assigned external auditor (Saad & Anjani, 2016). A change of auditor may cause delays in the audit process. The transition to a successor auditor involves a necessary period of adjustment, during which the new firm must gain a comprehensive understanding of the client's unique operational nuances and internal control frameworks (Patria et al., 2025). This orientation requirement may extend the duration of the audit, which could potentially cause delays in the delivery of audited financial statements (Widhiasari & Budiarta, 2016).

Companies that change auditors for opinion shopping tend to have lower earnings response coefficients, indicating that investors perceive a decline in audit quality and are less likely to trust the earnings audited by these companies (Chung et al., 2025). Investors responded

negatively to mandatory audit firm rotation policies, as was the case in Korea, where the value of firms declined during the regulatory period and increased after the policy was revoked (Lim, 2025). Companies that switch to lower-quality auditors experience a decline in stock liquidity, which can negatively impact company value. This effect can be minimised if there is strong corporate governance (Choi et al., 2015).

The role of auditor switching as a moderating variable in the relationship between management turnover and company value can be explained through the mechanisms of signal enhancement and agency cost mitigation (Siregar et al., 2025). According to Signal Theory, if a change in management is followed by a decision to switch auditors to a firm with a higher reputation (e.g. to one of the Big Four), this acts as a confirming signal that the new management is committed to a high level of transparency and accountability. The synergy between new leadership and a credible new auditor can significantly reduce information asymmetry and provide additional assurance to investors that strategic changes will yield tangible results, thereby strengthening the positive impact of succession on the increase in company value (PBV) compared to if the company had retained its old auditor, which may have had historical ties to the previous management regime (Nuristya & Ratmono, 2022).

Management Turnovers have a positive relationship with auditor turnover. This relationship is evident in various contexts (Lestari et al., 2020), including public companies in Indonesia and Malaysia (Fang et al., 2020). Management Turnovers often lead to a review of the current auditors, potentially resulting in a change to suit the preferences or strategies of the new management (Darmayanti et al., 2021). A change of auditor, particularly one prompted by a change in management, can affect the value of a company by influencing the quality of the audit and financial reporting practices (Lin & Liu, 2010).

According to Agency Theory, companies experiencing financial distress have higher agency risk because managers tend to manipulate profits to conceal poor performance (Yahya, Nurjanah, et al., 2023). Conversely, through Signal Theory, if the auditor switch is made to a more credible auditor (such as the Big Four), this policy acts as a positive signal that the company is willing to be audited to stricter standards even under difficult conditions.

Auditor changes often occur in companies experiencing deteriorating financial conditions (Lestari et al., 2020). The company may replace its auditor to obtain a more favourable audit opinion from the new auditor (Chen et al., 2009). The results of the study indicate that companies that change auditors have a higher probability of experiencing financial distress in the future. The use of non-audit services by new auditors can reinforce the positive impact of auditor replacement on company value (Bansal, 2025). Thus, the credibility of the new auditor becomes a determining factor in whether the impact of financial difficulties will worsen or begin to be responded to neutrally by the market through improvements in the quality of information.

METHODOLOGY

This study adopts a comparative quantitative method, an approach that aims to conclude the causal relationship between variables based on numerical statistical data analysis (Sugiyono, 2018). Secondary data was used, accessed through the official website of the Indonesia Stock

Exchange (www.idx.co.id). The study population consisted of all manufacturing companies listed on the IDX during the period 2020-2024. Sample selection was carried out using purposive sampling techniques, taking into account specific selection criteria, namely:

- a) Manufacturing entities listed on the Indonesia Stock Exchange (IDX) consistently during the period from 2020 to 2024.
- b) Entities that publish complete annual financial statements along with Notes to the Financial Statements for the period 2020–2024.
- c) Presentation of the entity's financial statements in Indonesian Rupiah (IDR).

The following are operational definitions of the variables in this study:

1. Company value is defined as a representation of investors' perceptions of the company's operational success, which is reflected in the share price on the market (Yahya, Hidayat, et al., 2023). High share prices are directly proportional to high company value. An increase in company value is significant because it is directly related to an increase in shareholder prosperity (Nurjanah et al., 2024). Company value is measured using the Price to Book Value (PBV) ratio.

$$PBV = \frac{\text{Price per share}}{\text{Book value per share}}$$

2. Auditor switching; Transfer of Public Accounting Firm by clients to maintain the independence and objectivity of auditors in auditing financial statements (Sondakh et al., 2019), measured using a dummy variable (1 = changed, 0 = not changed) (Elva Marisa N et al., 2022; Holdi & Tarmizi, 2022; Ridhasyah & Dewi, 2022).
3. Financial Distress: Refers to ineffective conditions or financial crises that have the potential to trigger bankruptcy and prompt a change in the Public Accounting Firm (Holdi & Tarmizi, 2022), measured by the Debt to Equity Ratio (DER) (Tjahjono & Khairunissa, 2021). The Debt to Equity Ratio was chosen as a proxy for financial distress due to its theoretical and empirical ability to reflect the risk of insolvency and the agency costs of debt that are detrimental to company value (Saputri et al., 2024) (Fitri & Syamwil, 2020).

$$DER = \frac{\text{Total Liability}}{\text{Total Equity}}$$

4. Management Turnover (CEO/CFO), which is a change in the board of directors through a GMS decision or voluntary resignation, which may trigger policy changes and the need for qualified auditors (Tjahjono & Khairunissa, 2021), jalso measured using a dummy variable (1 = changed, 0 = did not change) (Andini, 2020; Ridhasyah & Dewi, 2022; Tjahjono & Khairunissa, 2021).

The methodology utilizes EViews for hypothesis testing and model estimation. The use of panel data (panel data regression) in this study was chosen because of its ability to capture the dynamics of relationships between variables that cannot be detected by cross-sectional or time-series data alone. The selection between Common, Fixed, and Random Effect models is guided by a series of decision tests (Chow, Hausman, and LM).

The selection of the panel data regression model was carried out systematically through the Chow Test to choose between CEM and FEM, followed by the Hausman Test to determine the superiority of FEM over REM, and the Lagrange Multiplier Test as a final validation to ensure

that the selected model was able to accurately control heterogeneity between companies. In terms of diagnostic rigour, selecting the CEM necessitates passing the complete set of classical assumption tests—normality, multicollinearity, heteroscedasticity, and autocorrelation. Conversely, if FEM or REM is adopted, the diagnostic focus shifts specifically to multicollinearity and heteroscedasticity (Napitupulu et al., 2021).

RESULT AND DISCUSSION

Data Analysis Results

This research is a descriptive quantitative study. Of the total 228 manufacturing companies, 32 companies met the purposive sampling criteria. The observation period from 2020 to 2024 produced a total of 160 sample data (32 companies x 5 years). These sample data were then processed using EViews software, beginning with descriptive statistical tests.

Table 1. Descriptive statistical test results

	X1	X2	Z	Y
Mean	0.206250	5.985340	0.450000	2.068350
Maximum	1.000000	26.98239	1.000000	10.90000
Minimum	0.000000	1.063225	0.000000	0.000000
Std. Dev.	0.405882	4.572637	0.499056	1.921729
Observations	160	160	160	160

Source: *e-views 10 output, 2025*

Based on Table 1, it can be explained that the highest standard deviation is found in variable X2 (Financial distress) at 4.572637, which indicates that the data variation is the largest among the other variables. The Management Turnover variable (X1) shows an average value of 0.206, which means that around 20.6% of companies change their management every year. Economically, this figure reflects the fairly active governance dynamics in Indonesia's manufacturing sector in response to changes in the post-pandemic business environment. For the market, this turnover is not merely an administrative rotation, but a strategic decision to realign managerial competencies with the challenges of economic recovery.

The Financial Distress variable (X2), proxied by DER, has an average of 5.98 with a high standard deviation (4.57). This indicates wide variation in capital structure between companies, with some entities operating with very high leverage. The implication for management decisions is increased pressure from insolvency risk, which can hamper operational flexibility. From the market perspective, the maximum value of 26.98 signals a warning to investors about the potential cost of debt agency, which can erode shareholder value.

Meanwhile, the Company Value (Y) proxied by PBV has an average of 2.06. Economically, this value indicates that the market gives a positive appreciation (premium) above the book value of manufacturing companies. However, the minimum value of 0.00 indicates that there is a group of companies that have lost market confidence due to severe financial pressure. This phenomenon demonstrates market efficiency, where investors actively correct prices based on signals of financial health and quality of supervision (Z) as reflected in the selection of auditors.

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.111074	(31,125)	0.0000
Cross-section Chi-square	305.088785	31	0.0000

Source: *e-views 10 output, 2025*

The Chow Test results (referring to Table 2) show a probability (p-value) < 0.05 , so the Fixed Effect Model (FEM) was chosen over the Common Effect Model (CEM) before the final best model was determined by comparing the FEM with the Random Effect Model (REM) using the Hausman Test.

Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.249630	3	0.0066

Source: *e-views 10 output, 2025*

The Hausman Test results (Table 3) show a probability (p-value) < 0.05 confirm the selection of the Random Effect Model (REM). To ensure the validity, reliability, and unbiased nature of the regression model, it is necessary to fulfil the classical assumptions of panel data, which include the multicollinearity test and the heteroscedasticity test (Napitupulu et al., 2021).

Table 4. Multikolinieritas Test

	X1	X2	Z
X1	1	0.0077058	0.0884908
X2	0.0077058	1	0.0076787
Z	0.0884908	0.0076787	1

Source: *e-views 10 output, 2025*

Table 4 shows values < 0.85 . Analysis of the correlation matrix indicates that there are no significant multicollinearity issues among these independent variables. The correlation coefficient between X1 and X2 is very low, approximately 0.0077, indicating a negligible relationship. Similarly, the correlation between X1 and Z is also very low, around 0.0885. The correlation between X2 and Z is also minimal, around 0.0077. Therefore, it can be concluded that the data is free from multicollinearity.

Table 5. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.292795	0.080208	3.650457	0.0004
X1	0.046638	0.078798	0.591867	0.5550
X2	0.013417	0.011090	1.209872	0.2286
Z	0.041953	0.063596	0.659672	0.5107

Source: *e-views 10 output, 2025*

The results of the heteroscedasticity test (Table 5) show that the probability values (p-values) for the variables Management Turnover (X1), Financial Distress (X2), and Auditor Switching (Z) exceed 0.05, confirming the absence of significant heteroscedasticity and that the model passes the classical assumption test. With the model's validity ensured by the classical assumption test and the selection of the Random Effect Model (REM) as the best model, the REM estimation results are presented in Table 4.

Tabel 6. Model Random effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.642935	0.150407	10.92326	0.0000
X1	-0.076471	0.147764	-0.517521	0.6057
X2	0.054670	0.020796	2.628842	0.0096
Z	0.253266	0.119257	2.123698	0.0357
X1Z	-0.140445	0.325336	-0.431691	0.6667
X2Z	-0.013063	0.027039	-0.483111	0.6299
Cross-section fixed (dummy variables)				
R-squared	0.892655	F-statistic		30.57256
Adjusted R-squared	0.863457	Prob(F-statistic)		0.000000

Source: *e-views 10 output, 2025*

The results of panel data regression testing (Table 6) on the Random Effect Model (REM) show that: Management turnover (X1) has no significant effect on company value (p-value = 0.6057 > 0.05). Financial Distress (X2) and Auditor Turnover (Z) both show a significant positive effect on company value (p-value X2 = 0.0096 < 0.05; p-value Z = 0.0357 < 0.05). The Auditor Change (Z) variable does not function as a significant moderating variable, as evidenced by the interaction coefficients X1*Z (p-value = 0.6667) and X2*Z (p-value = 0.6299), both of which are greater than 0.05.

The insignificance of the moderating effect is due to signal independence, whereby the market responds to auditor switching (Z) as an independent compliance signal without linking it to management succession, as well as the asset-intensive nature of the manufacturing industry, which causes investors to prioritise cash flow fundamentals over audit mechanisms during periods of extreme financial distress. Furthermore, the mandatory nature of auditor rotation in Indonesia causes this policy to be viewed as an administrative routine rather than a voluntary strategy. This is compounded by the model's limitation of not distinguishing the direction of reputation switching (upward/downward switching), thereby failing to statistically detect the signal-strengthening effect.

Discussion

Management Turnover in the company's value

In this study, Management Turnover did not affect company value. In companies with strong governance structures, strategic decisions are made collectively by the board of directors. New CEOs tend to continue existing plans, ensuring continuity in company strategy. As a result, a CEO change does not cause significant changes in direction, and its impact on company value is insignificant. Furthermore, in certain industries or periods of time, company value is primarily controlled by external environmental determinants, such as government regulations, global commodity prices, or economic recessions. A change in CEO may not be powerful enough to alter the trajectory of a company driven by powerful external forces, rendering its impact on company value insignificant. Organisational changes, including Management Turnovers, can cause significant disruption (Kohli & Pillai, 2018). If not managed properly, this can cause resistance from employees, which in turn can have a negative impact on the company's performance and value (Choy, 2017).

Financial Distress on the company's value

The results of the study show that financial distress is positively correlated with company value, thus rejecting the previously formed hypothesis. A positive effect of financial distress on company value is very rare, but some reasons for this include management's reaction in taking drastic measures to save the company when it is in difficulty, such as major restructuring, inefficient asset sales, or previously delayed strategic acquisitions. The market may view these emergency measures as a positive signal that the company is serious about improving its fundamentals. If the market believes in the rescue plan, the share price may rise. The observed positive effect may not be due to the distress itself, but rather to management's response, which is viewed positively by the market, with market signalling theory supporting these research findings (Nurjanah et al., 2025). This finding is contradictory (or inconsistent) with previous literature indicating a negative correlation between financial distress and company value (Goetz, 2020; Hidayat et al., 2023; Monica & Sulfitri, 2023).

Auditor switching and company value

The research findings reveal that auditor switching is positively and significantly correlated with company value, rejecting the initial hypothesis. This finding reinforces the market signalling argument: when management or the audit committee voluntarily replaces an auditor, the market tends to interpret this as a proactive step by the entity to intensify transparency and Good Corporate Governance (GCG). This reflects the entity's commitment to independent and credible auditing, which is welcomed by investors, thereby increasing company value (Kleppe, 2025; Saluy et al., 2024). Mandatory audit firm rotation has been found to positively impact firm market performance. This is perceived as a mechanism to improve audit quality, which in turn enhances investor confidence and company value (Montenegro et al., 2023).

Auditor switching as a moderator of the effect of management turnover on company value

Auditor switching was statistically proven not to moderate the effect of management turnover on company value in this study. Management turnover is often driven by poor operational or strategic performance, while auditor switching may be due to routine reasons such as mandatory rotation, cost savings, or requests for different specialised services. If the market views these two decisions as strategically unrelated—for example, new management is forced in, but the audit decision is left entirely to an independent audit committee that carries out mandatory rotation—then auditor turnover will not modify (strengthen or weaken) the signal from management turnover. The market will assess the two events separately. The impact of management and auditor changes may be too small compared to external forces affecting the company's value (Fang et al., 2019). For example, if a company is in an industry experiencing a significant decline (such as the heavily regulated tobacco industry), a change in CEO or auditor may have no measurable impact on company value. External factors dominate company value movements, masking internal moderating effects.

Auditor switching as a moderator of the effect of financial distress on company value

The results of the study conclude that auditor switching does not moderate the effect of financial distress on company value. Financial distress is a very strong signal of risk for the

market. Investors focus on the company's ability to survive, repay debts, and restore profitability. The act of changing auditors—although intended to increase transparency—may be considered by investors as irrelevant to the fundamentals of the crisis (cash flow, solvency). The signal of "better audit quality" from the new auditor cannot offset the fact that the company is heading towards bankruptcy (Lestari et al., 2020). The transition process to a new auditor requires time, costs, and internal resources (management and accounting staff). In conditions of financial distress, these resources should be allocated to operational restructuring or debt negotiations. Investors may view auditor switching during a crisis as an unnecessary additional disruption that exacerbates the company's condition rather than moderating it positively. This perception negates the potential moderating effect.

CONCLUSION

Based on panel data regression analysis of manufacturing companies for the period 2020-2024, this study concludes that management turnover has no significant effect on company value. However, financial distress and auditor switching are proven to have an independent and significant positive effect on company value. This positive effect of financial distress supports Signal Theory, in which the market assesses emergency management actions as a signal of fundamental improvement, while auditor switching is appreciated as an effort to increase GCG transparency. Nevertheless, the Auditor Switching variable was not found to significantly moderate the relationship between Management Turnover or Financial Distress and Company Value, indicating that investors tend to assess fundamental risk (distress) and governance mechanisms (switching) separately.

The implications of this study briefly indicate that, theoretically, the positive findings of financial distress and auditor switching on company value reinforce Signal Theory and the importance of GCG. Practically, management is advised to focus on tangible operational improvements when experiencing difficulties, as well as strategically implementing auditor switching to build market confidence, while investors are advised to view difficulties as potential turnarounds. Implications for further research include examining the role of other intervention variables and more specific types of corrective actions. This study reinforces Signal Theory by demonstrating that financial distress and auditor switching are positive signals for corporate value recovery, while acknowledging limitations in moderation measures that do not distinguish the direction of auditor reputation. Its practical contribution emphasises the importance of audit transparency in turnaround strategies, while future suggestions are directed towards the use of auditor specialisation variables and expansion of the industrial sector to improve the generalisability of findings.

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