

# Turnaround Strategy of the Subscription Television Industry in Indonesia

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| ARTICLE INFO  | ABSTRACT   |
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| <p><i>Keywords:</i><br/>PEST analysis,<br/>Five forces analysis,<br/>Turnaround strategy,<br/>Pay television,<br/>Value chain analysis</p> <p><i>Kata Kunci:</i><br/>Analisis PESTEL,<br/>analisis lima kekuatan bersaing Porter,<br/>strategi turnaround,<br/>televisei berbayar,<br/>analisis rantai nilai.</p>                     | <p>This study aims to identify the PESTEL and Porter’s 5-Forces analysis while identifying the turnaround process of TV provider subscription after a decline in firm performance. The case of this study is MSKY Vision Enterprise, which employs a qualitative descriptive approach using the conceptual framework of PESTEL analysis, Porter’s Five forces, and turnaround strategy developed by Hoffman in 1989 in analyzing the condition of a decline in firm performance and an appropriate turnaround strategy. The study is initiated by firstly investigating financial distress using a Multiple Discriminant Analysis (MDA) developed by Altman and Hotchkiss (2006). Furthermore, an analysis of the company’s external and internal factors is conducted to determine the causes of performance decline, threats, and opportunities in the pay television industry in Indonesia. Next, a turnover strategy proposition analysis is proposed to identify the strategic and operational actions taken to overcome the decline in performance.</p>  |
| <p>Corresponding author:<br/>Berto Usman<br/><a href="mailto:berto_usman@unib.ac.id">berto_usman@unib.ac.id</a></p> <p>Copyright © 2023 by Authors,<br/>Published by IRJBS.<br/>This is an open access article under<br/>the CC BY-SA License</p>  | <p>SARI PATI</p> <p><i>Penelitian ini bertujuan mengidentifikasi analisis PESTEL dan analisis lima kekuatan bersaing Porter. Di samping itu, fokus penelitian juga pada identifikasi proses strategi turnaround penyedia TV berlangganan yang terjadi karena penurunan kinerja perusahaan. Objek studi kasus pada penelitian ini adalah PT. MSKY Vision Tbk, yang kemudian dianalisis menggunakan pendekatan deskriptif kualitatif dengan kerangka konseptual analisis PESTEL, analisis lima kekuatan bersaing Porter, dan strategi turnaround yang dikembangkan oleh Hoffman pada tahun 1989. Penelitian ini diawali dengan terlebih dahulu menyelidiki potensi kesulitan keuangan (financial distress) menggunakan Multiple Discriminant Analysis (MDA) yang dikembangkan oleh Altman dan Hotchkiss (2006). Analisis dilakukan terhadap faktor eksternal dan internal perusahaan untuk mengetahui penyebab penurunan kinerja, ancaman potensial, dan peluang pada industri televisi berbayar di Indonesia. Selanjutnya, analisis proposisi strategi turnaround diusulkan guna mengidentifikasi tindakan strategis dan operasional yang dapat diambil untuk mengatasi penurunan kinerja</i></p> |

## **INTRODUCTION**

This study examines the competitive strategy of corporations in Indonesia in designing business strategies to deal with industrial changes triggered by information technology disruption in the era of Industry 4.0. This study is essential to present empirical evidence on how a company transforms its business to face industry changes. In addition, the internet development in Indonesia also impacts changes in people's social life patterns in communicating and obtaining entertainment. Entertainment presented digitally has shifted the existence of television as one of society's primary forms of entertainment in the previous era. Currently, conventional entertainment media has raced towards digital one. This is shown through the development of internet users in Indonesia, which is monitored to increase yearly. According to "We Are Social data," in 2020, there were 175.4 million active internet users in Indonesia. Compared to 2019, this number showed an increase of 17%, equivalent to 25 million internet users. Based on the total population of Indonesia, which is 272.1 million people, it can be interpreted that 64% of Indonesia's population has access to the internet actively.

Not only in terms of the number of internet users continuing to increase, but the duration of internet use is also observed to grow, placing Indonesia in the third position in the world with an average internet usage of 6 hours 43 minutes per day. This is followed by television, with an average duration of 3 hours and 18 minutes. With the high internet growth rate, it is seen that television entertainment media is negatively affected by the disruption of digital technology. This is also reinforced by the results of research conducted by the Indonesian Internet Service Providers Association (APJII) in 2018, which reported that internet use in Indonesia to obtain viewing entertainment in the form of films or videos was in 4th place at 8.7%. This situation puts pressure on the television entertainment industry in Indonesia, both free-to-air and paid TV. The author focuses on the subscription television business with DTH (Direct to the home) technology

in this study. Before the digital era disrupted the pay-TV entertainment market in 2013 and with the still low market penetration in Indonesia of 15% (Media Partner Asia 2013 data), many players in the pay-TV business were competing to win the market, including; MNC Vision, Transvision, Big TV, Orange TV, Aora TV, and Nexmedia. However, in 2019 the disruption of digital technology changed the composition of players in the pay-television industry. Of the various subscription television business players that use DTH technology, only MNC Vision and Transvision can survive.

The projected decline in the potential of the subscription television market with satellite technology shows that in 2023 the total subscribers absorbed in the market will only reach around 2 million subscribers with a monthly ARPU of US\$ 6. This figure is lower than the projected market potential in the Internet Protocol TV business (IPTV), projected to increase until 2023. The IPTV business is an upgrade to pay television services by combining high-speed internet connectivity, which is expected to encourage the future growth of Indonesia's digital television business ecosystem. Furthermore, referring to data published by Media Partner Asia (MPA) in 2018, subscription TV penetration through satellite technology will only reach 14% by 2023. Not only that, but the slow growth of Pay TV is also due to the ever-increasing cost of content. Due to foreign currency fluctuations, DTH Pay-TV operators are under pressure on content costs. MPA estimates related to subscription channels and content providers will increase at a CAGR of 2% from US\$249 million in 2018 to US\$272 million in 2023.

The downturn in the Pay-TV business is also reflected in the performance conditions experienced by PT MSKY. It has been operating for 25 years in Indonesia through the "Indovision" brand, and at the end of 2017, rebranded its product to become "MNC Vision." MNC Vision has become the market leader in the satellite technology-based subscription television industry through the maximum benefits

provided to its customers. PT MSKY services managed to control a market share of 59%, with a total number of subscribers of 2.4 million at the end of 2019. However, the position as market leader was eroded not because of competition between similar companies but due to disruption in the form of digitization of entertainment media. PT MSKY's 2018 financial report shows that the number of customers has declined since 2016, with initial customers of 2,495,585, down 4% from the previous year in 2015. Customers again fell by 6% in 2017 to 2,480,973 people. Entering 2018, subscribers fell 5% to 2,404,838 people.

In terms of revenue generation, PT MSKY also experienced a decline from 2014 to 2019. At the end of 2019, the company's revenue only reached 2,453 trillion (a 5% decrease compared to 2018). The company also recorded a loss of 75,323 billion in 2019. The decline in PT MSKY's financial performance is directly proportional to the decline in the subscription television industry, which is projected to continue to decline until 2023. This means that PT MSKY must take a strategy that can help the company avoid potential bankruptcy. Companies are required to have an innovative response to technological developments that disrupt the pay-TV entertainment market. Companies must also strengthen their business by maximizing their resources, technology, knowledge, and capabilities. The company is expected to have a turnaround strategy under the company's internal and external conditions in this industry, so that the company still survives to adapt to changes in the industrial environment.

The presence of digital technology disruption has resulted in a decrease in the pay television industry's potential, which impacts the performance of PT MSKY. Competition for subscription television entertainment no longer originates in similar business industries. Still, it comes from entertainment through digital technology, which reduces the audience's demand for entertainment through television and shifts to the digital entertainment industry. Facing

this, PT MSKY has taken several strategic steps to save the company from bankruptcy. Therefore, the author needs to analyze the company's strength amid declining performance to formulate a turnaround strategy under the company's internal and external conditions in the pay-television industry. The research questions posed in this study were (i) Did PT MSKY experience financial distress during the 2014-2019 period? (ii) If so, what were the causes of financial distress in that period? (iii) How might the PESTEL and Porter's 5-forces analysis explain the PT MSKY current situation? and (iv) what turnaround strategy does PT MSKY need to take to overcome the financial distress?

## **Literature review**

### ***Financial Distress***

One of the declines in company performance is marked by the emergence of financial distress, which negatively impacts the company. With financial distress, companies can take various actions to improve company performance. According to Platt and Platt (2002a), financial distress is a condition of declining financial performance before bankruptcy. According to Platt and Platt (2002b) and Gamayuni (2011), financial difficulties can be defined as; (i) Economic Failure, where the company's revenue cannot cover the total cost, including the cost of capital. Businesses that experience economic failure can continue to operate as long as creditors are willing to provide additional capital and owners can receive returns below-market interest rates. (ii) Business Failure is a condition where the business stops its operations, resulting in losses for creditors. (iii) Technical insolvency is a condition in which a company can be considered bankrupt if it does not fulfill its obligations. This technical insolvency may indicate a temporary lack of liquidity, in which case the company can raise money at some point to meet its obligations and stay alive. On the other hand, if technical insolvency is an early symptom of economic failure, this is a financial disaster. (iv) Insolvency in bankruptcy is a condition in which the book value of total liabilities exceeds the market value of the company's assets. This is a

more complex situation than technical insolvency because, in general, this is a sign of economic failure that leads to the liquidation of a business. (v) Legal Bankruptcy is the bankruptcy term for any company that fails. In this context, a company cannot be legally bankrupt unless a lawsuit is formally filed under federal law.

### **Factors Causing Financial Distress**

Various internal and external factors can cause financial distress. According to Damodaran (1997) and Isayas (2021), several factors causing financial distress are; (i) cash flow difficulties, which occur when the company's income is not sufficient to cover operating expenses for the company's operational activities. Cash flow difficulties can also be caused by management errors when managing cash flow to make payments for company activities that can worsen financial conditions. (ii) A large amount of debt, the company's policy of incurring debt to cover costs for the company's operational activities, will result in an obligation for the company to repay debt in the future. When the bill is due, while the company does not have enough funds to pay off the debt, the creditor can confiscate the company's assets to cover the lack of payment of the bill. (iii) Losses in the company's operational activities for several years. The existence of company losses will cause negative cash flow in the company. This can happen because the operating expenses are greater than the income received by the company. According to Damodaran (1997), although a company can overcome these three factors, it is not necessarily a company that can avoid financial distress. This is due to external factors (macro), which can also cause financial distress.

### **Measurement of Financial Distress**

Altman (1968) states that the management of depressed companies can use the Z-Score model to guide financial turnover. Discriminant analysis is a statistical technique used by Altman to predict the potential for a company's bankruptcy. This technique is also known as Multiple Discriminant

Analysis (MDA). The MDA approach combines various financial ratios into a predictive model that can be used to assess the potential for bankruptcy of a company (Suzanne, 2020). The Altman model in question is denoted as follows.

$$\text{Z-Score} = 1,21(\text{X1}) + 1,4(\text{X2}) + 3,3(\text{X3}) + 0,6(\text{X4}) + 1(\text{X5})$$

Variable X1 is Working Capital to Total Assets. Working capital is defined as the difference between current assets and current liabilities. X2 is retained earnings to total assets. This ratio measures a company's earning power and failure rate. X3 is Earning Before Interest and Tax to Total Assets. This ratio calculates the company's total assets into earnings before interest and tax deductions. X4 is the Book Value of Equity to Book Value of Debt, where equity is measured by the combined market value of all shares, while debt includes both long-term and long-term. Furthermore, the criteria for bankruptcy risk (cut-off) of a company based on the Altman analysis method can be seen from its Z-Score value, where (i) Z-Score > 2.9 is categorized as a company that does not experience financial difficulties. (ii) 1.23 < Z-Score < 2.9 is in the grey area, so it is categorized as a company with financial difficulties. The company can be saved or go bankrupt depending on the policy decisions of the company's management as decision-makers. (iii) Companies with a Z-Score < 1.23 are categorized as companies that have financial difficulties and are at high risk, so they have the possibility of bankruptcy (Altman and Hotchkiss, 2006).

### **PESTEL Analysis and Porter's 5-Forces**

Thompson (2020) emphasizes that the character and competitive forces operating in an industry are never the same from one industry to another. Porter (1980; 1989) states that the intensity of competition in an industry is not a matter of chance or bad luck. Competition in an industry is rooted in the underlying economic structure and goes far beyond the behavior of current competitors (Martinez-Contreras, 2022). The state of competition in an

industry depends on five basic competitive forces, shown in Figure 1.

The collective strength of these five forces determines the profit potential in the industry. The profit potential is measured in terms of long-term return on invested capital. Not all industries have the same potential. Each sector differs fundamentally in profit potential due to different collective strengths, and a particular firm in the industry might hold a distinct competitive strategy in the competition (Barney, 2022).

**Turnaround Strategy**

A turnaround strategy is an activity reversing the company’s direction from declining performance (Duncan et al., 2014; Thomson, 2020). As a company’s success strategy, turnaround can be done in several stages of the company’s life cycle. Several types of turnarounds carried out within the company, as mentioned by Kamel (2005), include; (i) Smart Turnaround, a condition where the company’s performance or profitability begins to decline so that the company can act early to launch efforts to resolve quickly through the organizational change in the right direction. This type of action requires an organization with the proper measurements to identify the factors that

affect the internal and external environment as well as visionary and proactive leadership. It also requires the organization to be financially strong and have the turnaround knowledge to change before the company proactively suffers a loss. (ii) Just In Time (JIT) turnaround, used when the company faces declining performance and profitability. JIT begins before the company starts to lose profits. Organizations that use JIT usually have a moderate measurement system, react quickly, have strong leadership, and minimize losses relatively quickly. (iii) Survival Turnaround is a company condition that has lost its profitability and performance for a longer time. In this situation, organizational resources are scarce, and bankruptcy is imminent (see Figure 2 for illustration).

**Generic Turnaround Strategy**

According to Hoffman (1989), Generic Turnaround Strategy is a set of activities to stop a decline and stimulate an upward cycle. Operational activities in the turnaround strategy focus on improving company performance. Strategic turnarounds focus on changing or adapting the type of business a company does. The preparation stage includes leadership and organizational/cultural restructuring strategy. The short-term improvement phase includes three operating strategies, namely (1) cost

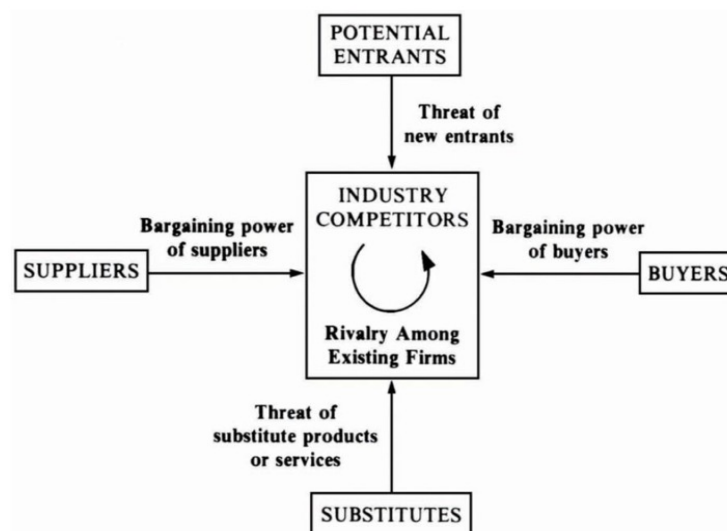


Figure 1. Five Forces Framework, Porter (1989)

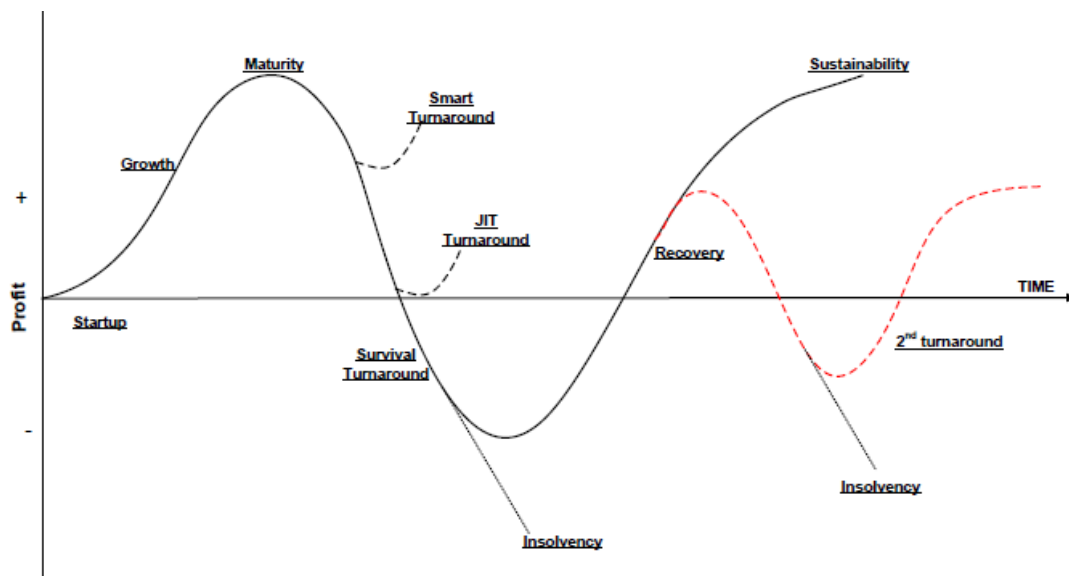


Figure 2. The turnaround life cycle (Kamel, 2005).

reduction, (2) asset relocation, and (3) selective product/market strategy (Shamsud, 2019). Finally, the growth stage emphasizes the repositioning strategy. Not all turnarounds must go through all three stages or use all strategies at every stage. Most strategies include defensive activities (stopping a slump) and improving performance.

### ***Leadership Restructuring and Organizational/Cultural Change***

Organizational restructuring is needed to spur change. One of them is a change of leadership that is often necessary to change an organization. The new leader is expected to develop a strategy to bring about change that consists of technical (goal, structure), political, and symbolic (culture) dimensions. They also develop their management team through structural and attitude changes. The new leader achieves turnaround through coordination with all management within the company. The formal and permanent organizational structure changes must increase full management control and implement a repositioning strategy. Control is increased by reducing the size of management, centralizing decision-making authority, and developing a goal structure. Structural changes help refocus attention on key activities for growth. For example, one company reduced

the number of operating units from 13 to 5. Growth through diversification has been aided by developing profit centers, geographic or customer-based divisions, and holding companies.

### **Cost Reduction**

Defensive strategies include reducing costs, accounts receivable, inventory levels, and personnel. Controlling costs is the key to a successful turnaround. Defensive cost-cutting strategies also signal that significant changes are needed for the organization. However, offensive cost reduction strategies involve installing appropriate management controls to eliminate mistakes in the past or prevent them in the future. In some turnarounds, budget control or planning is not exercised. Other offensive strategies include the introduction of new technologies to increase efficiency. Some of the main conditions needed to increase the effectiveness of a cost reduction strategy are due to poor internal controls or sales that are well below the break-even point level.

### ***Repositioning Strategies***

Repositioning begins with redefining or refocusing the company's mission. Thompson et al. (2020) emphasize that the competitive character and strength of companies operating in an industry are



never the same from one industry to another. Porter (1989) also states that the intensity of competition in an industry is not a matter of chance or bad luck. Competition in an industry is rooted in the underlying economic structure and goes far beyond the current behavior of competitors. The state of competition in an industry depends on five basic competitive forces. The collective strength of these five forces determines the profit potential in the industry. The profit potential is measured in terms of long-term return on invested capital. However, not all industries have the same potential. Each industry differs fundamentally in profit potential due to different collective strengths. The elements in the five forces consist of; (i) the Threat of New Entrants. (ii) Rivalry among Existing Firms. (iii) Threat of Substitute Products. (iv) Bargaining Power of Buyer. (v) Bargaining Power of Suppliers.

## METHODS

### *Research Design and Data Collection Method*

The research design carried out in this research is a case study. Contextually, case studies can reveal and explain empirical experiences in a research subject using various facts in the study process. In addition, this research is descriptive qualitative research, which emphasizes an understanding of the problem based on a holistic, complex, and detailed reality. Meanwhile, the data collection method was carried out according to the data needed in this study, namely primary and secondary data. Primary data in this study is the source of research data obtained directly from the source, namely the results of interviews. Secondary data is obtained from records or documentation regarding the implementation of the company's strategy. The data collection techniques in this study consisted of interviews, observations, and documentation to obtain the expected information.

Data collection through interview techniques is direct communication between researchers and informants. The type of interview used is a semi-structured interview, where the interview is conducted using interview guidelines but is more

complimentary in its implementation. The goal is to find problems more openly. In this study, the in-depth interview method with informants was carried out to obtain information regarding PT MNC Sky Vision Tbk's business strategy and business plans that will be carried out in the future. Interviews were conducted with strategic officials at PT MNC Sky Vision Tbk, namely; (i) the Corporate Secretary of PT MNC Sky Vision Tbk, (ii) the Finance of PT MNC Sky Vision Tbk, (iii) GM Satellite Operation Engineering (to find out about the prospect of using satellite for the subscription television industry, and (iv) Regional General Manager 1 ex. Telkom Vision. The criteria for selecting informants include honest individuals' characteristics, keeping promises, obeying regulations, liking to talk, not belonging to one of the conflicting groups in the research setting, and having a certain view of the events that occurred.

Furthermore, a documentation study was conducted to collect data through several event records recorded through documents. In this study, the documentation study aims to support the credibility of the interview data. Documentation is carried out by reviewing the internal documents of the MNC Sky Vision Tbk company, both documents in the form of performance reports, as well as documentation of strategies that have been carried out in the past, which are then collected and used as a complement to the information and data that have been obtained through interviews.

### *Research Instruments*

The research instrument is used to measure the observed natural or social phenomena. The questions asked are made in such a way as to answer the formulation of the problem in this study. Some of the questions asked were as follows:

1. What is the company's current strategy in dealing with the decline in the pay television industry?
2. What is the acceleration in implementing the company's current strategy?
3. Do the various strategies implemented allow

the company to get maximum profit during the declining condition of the subscription television industry? If so, what competencies and capabilities can be maximized for profit?

4. What is the position of PT MNC Sky Vision Tbk in the pay television industry?
5. What is the target to be achieved by the company? To what extent have these targets been achieved?
6. How are the company's resources prepared to survive in the declining pay television industry?
7. What preparations will the company make to survive in the pay television industry?

#### **Method of Data Analysis**

Analysis of the data used in this study using descriptive methods. Descriptive analysis is a form of research that aims to provide a systematic and accurate description of the facts, nature, and relationships between the phenomena studied by collecting, presenting, and analyzing data to conclude the existing situation (Singh, 2022). Before exploring the turnaround strategy further, we analyze the level of financial distress experienced by the company through the Multiple Discriminant Analysis (MDA) method, as suggested by Altman and Hotchkiss (2006).

In addition, an analysis of various internal and external factors that can affect the company's condition is carried out. In the internal environment analysis, identification of the company's strengths in facing competitive challenges in the pay television industry is carried out. The analysis in this study was carried out in two stages, namely, resource analysis and value chain analysis. (i) Resource Analysis is conducted to determine the strength of the resources owned and used by PT MSKY to develop, create and sell products to customers. The resources studied in this study include; physical, human, and organizational resources. Meanwhile, (ii) Value Chain Analysis was conducted to obtain information regarding the main activities and supporting activities carried out by PT MSKY in the input and output processes. This analysis enables

a more detailed analysis of the company's internal strengths and weaknesses.

Furthermore, on external factors, several factors impact the company's condition. The analysis in this study was carried out in two stages, namely macro and industrial analysis. Using the PEST analysis concept, the macro-environment analysis covers Indonesia's macro-environmental conditions, namely the economy, technology, politics/law, and socio-cultural. The economic environment influences purchasing power and consumer buying patterns for PT MSKY's subscription television products. Furthermore, the technological factor is related to the company's ability to utilize technology to maximize the company's profit-generating potential. The socio-cultural environment consists of institutions and other forces that influence the fundamental values, perceptions, choices, and behaviors society adopts, such as lifestyle. PESTLE analysis in this study consists of political, economic, socio-cultural, technological, and legal aspects associated with the position of the subscription television business of PT MNC Sky Vision Tbk. Furthermore, industrial environmental analysis is also carried out using the five forces model. This five forces model determines the nature and strength of competitive pressures in the industry, including three steps. Step 1: For each of the five forces, identify the various parties involved and the factors that cause competitive pressure. Step 2: Evaluate how intense the pressure is from the five forces (strong, moderate, or weak). Step 3: Determine whether the five forces support high industry profitability.

#### **Process of Data Analysis**

The data analysis process in this study used three stages: (i) data reduction; the data obtained from the field are written or typed in the form of a detailed narrative description or report. These reports need to be reduced, summarized, select substantial main points, and searched for themes or patterns. The reduced data gives a sharper picture of the observations' results and makes it easier for



researchers to find back the data obtained when needed. (ii) presentation of data; is an effort to organize a collection of information into a metric or configuration that is easy to understand. This configuration allows for drawing conclusions and taking action. (iii) conclude from the data that has been collected. Researchers try to find meaning in the data, so they need to look for patterns, themes, relationships, similarities, things that often arise, hypotheses, and so on.

**RESULTS AND DISCUSSION**

**Findings of Financial Distress**

The background of the research states that the company experienced a decline in performance

caused by the decline in the pay-television industry. According to Altman and Hotchkiss (2006), the condition of a company’s decline in financial performance is categorized as a business failure which refers to the potential for a company to stop operating due to its inability to generate profits to cover expenses. Measurement of Multiple Discriminant Analysis (MDA) is carried out to identify the extent to which the company is in financial difficulty. The results of the MDA analysis are presented in Table 1.

Referring to the results of measuring the company’s condition for three years (2017-2019), it can be concluded that the company experiences different

Table 1. Multiple Discriminant Analysis (MDA) Outcome.

| Year | Current Asset | Current Liabilities | X          |
|------|---------------|---------------------|------------|
| 2017 | 700,375       | 1,121,544           | -421,169   |
| 2018 | 706,172       | 2,490,767           | -1,784,595 |
| 2019 | 666,686       | 711,372             | -44,686    |

| Year | Working Capital | Total Asset | X1     |
|------|-----------------|-------------|--------|
| 2017 | 421,169         | 4,947,388   | -0.085 |
| 2018 | 1,784,195       | 4,893,410   | -0.365 |
| 2019 | 44,686          | 4,359,635   | 0.010  |

| Year | Retained Earnings | Total Asset | X2    |
|------|-------------------|-------------|-------|
| 2017 | 1,533,174         | 4,947,388   | 0.310 |
| 2018 | 1,761,288         | 4,893,410   | 0.360 |
| 2019 | 1,836,611         | 4,359,635   | 0.421 |

| Year | EBIT    | Total Asset | X3    |
|------|---------|-------------|-------|
| 2017 | 230,015 | 4,947,388   | 0.046 |
| 2018 | 157,957 | 4,893,410   | 0.032 |
| 2019 | 125,980 | 4,359,635   | 0.029 |

| Year | Book Value of Equity | Book Value of Debt | X4    |
|------|----------------------|--------------------|-------|
| 2017 | 2,202,790            | 2,475,380          | 0.890 |
| 2018 | 2,071,636            | 2,061,644          | 1.005 |
| 2019 | 2,843,405            | 780,117            | 3.645 |

| Year | Coefficient | 2017   | 2018   | 2019  | Z-Score | Total |
|------|-------------|--------|--------|-------|---------|-------|
| X1   | 6.56        | -0.085 | -0.365 | 0.010 | 2017    | 1.70  |
| X2   | 3.26        | 0.310  | 0.360  | 0.421 | 2018    | 0.05  |
| X3   | 6.72        | 0.046  | 0.032  | 0.029 | 2019    | 5.46  |
| X4   | 1.05        | 0.890  | 1.005  | 3.645 |         |       |

Source: The statistical outputs were extracted from the company annual reports of PT MNC Sky Vision Tbk 2019.

states every year. In 2017, a Z-score of 1.70 was obtained, which means the company is in a grey area, so it is categorized as having financial difficulties. However, the probability of a company surviving is as great as the probability of bankruptcy. In 2018, the Z-score value showed a result of 0.05. This indicates that the company has considerable financial difficulties and high risk, so it has a high possibility of bankruptcy. On the other hand, in 2019, the company experienced a stable financial condition. This is indicated by the Z-Score score of 5.46. In 2019, the company succeeded in paying off the bank and syndicated loans of Rp1,280,156 (million), which reduced the company's total liabilities by Rp1,305,544 (million) or 46%. The funds used to pay debts do not come from the company's cash but from the parent company—the results regarding the condition of financial distress answer the first research question.

### ***External Environmental Analysis***

The external environment is environmental factors outside the company that cannot be controlled by the company, but can influence the decision-making process and the selection of strategies that the company will determine. External environmental factors include macro-environmental (PEST) and industrial environmental analysis (Five Forces). The macro-environment forces have an impact on the company's business activities. This macro-environment analysis consists of political, economic, social, and technological factors commonly abbreviated as PEST. This analysis helps company leaders identify various external factors that impact business continuity. Further discussion of various macro-environmental factors that can be both opportunities and threats is provided in the following subsection.

### ***Political Factor (P)***

The government regulates the broadcasting industry in Indonesia in Law no. 32 of 2002 Article 26. The management of subscription television licensing is related to television broadcast reception (television receive only / TVRO) and or broadcast access to

subscribers (direct to home). The government has exclusive control over broadcasting licenses, including the right to regulate the use of frequencies according to the community's needs in terms of receiving information. According to the Indonesian Satellite Association (ASSI), the various conditions underlie the use of satellites in the entertainment industry are based on (i) the geographical size of Indonesia as the 15th largest country in the world, with a total area of 1,919,440 km<sup>2</sup>. (ii) Indonesia is the 4th most populous country globally, with a total population of 259 million people, (iii) Indonesia is an archipelagic country with 17,508 islands divided into 34 provinces.

From the various characteristics of the Indonesian state, the use of satellites is vital so that communication and entertainment technology can reach all regions in Indonesia. MSKY has a self-supporting satellite called the Indostar 2 satellite, which was launched in 2009, and was preceded by the launch of the Indostar 1 satellite in 1997. The characteristics of the Indostar 2 satellite are that it has a capacity of 479.23 Mbps and 260.0 MHz (S-Band) which is profound. Its use still has a vast capacity, only for the subscription television industry owned by MSKY. From the usage data, the Indostar 2 satellite owned by MSKY has ample space if it is only used for the subscription television industry. In line with the government's plan to develop a 5G telecommunications network, a frequency following its characteristics is needed. In 2018 the government issued a policy to take over the S-Band frequency, which will be used to develop 5G networks. This is stated in the Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 13 of 2018 concerning the Allocation of the Indonesian Radio Frequency Spectrum, which reads, "The radio frequency band 2 520-2 670 MHz is prioritized for the broadcasting satellite service (Broadcasting Satellite Service/ BSS) until December 31, 2024. After 31 December 2024, the radio frequency band 2 520-2 670 MHz for the broadcasting-satellite service may not claim protection from harmful interference caused by

other services. Suppose the use of this band for the broadcasting-satellite service is terminated before December 31, 2024. In that case, reallocating the existing BSS users will be carried out under the applicable provisions. Radio frequency band 2 520–2670 MHz has been prioritized for implementing the International Mobile Telecommunications (IMT) system since January 1, 2025”. The CEO of MSKY revealed that he had coordinated with the ministry of communication and information and was in the exploration stage to mobilize the use of the Indostar 2 satellite for the needs of the 5G telecommunication network.

*“We occupied the S-band frequency range of 2.5 GHz - 2.6 GHz, and there are 150 MHz. Frequency is suitable for implementing 5G and LTE networks in the future. We say this is a hidden treasure. We are still discussing with the government and several stakeholders, including telco operators, how to monitor the frequency we will use for 5G and LTE telcos in the future. So, there is a hidden value here.”*

### **Economic Factor (E)**

In 2019, global economic conditions were heavily influenced by negative sentiment through economic and geopolitical feuds and price wars between the United States and China. This condition also affected Indonesia in fostering trade relations with other countries, resulting in a decline in trading activities for several Indonesian commodities due to protectionist policies carried out by several marketing destination countries. In addition, the exchange rate of the Rupiah against the United States Dollar (USD) was also affected due to the strengthening of the exchange rate at the price of Rp13.865/US\$ or strengthened 0.4% at the end of 2019. Amid the world economic challenges, Indonesia is trying to achieve a relatively stable economic performance quite good despite a decrease compared to the previous year. According to data from the Central Statistics Agency (BPS), in 2019, Indonesia achieved a national

economic growth rate of 5.02%, lower than the 2018 achievement of 5.17%. The fluctuating global economic growth rate affects the growth of the Pay-TV industry.

According to Media Partners Asia (MPA), Pay TV penetration will reach only 14% by 2023 with a monthly ARPU of US\$ 8. subscriptions are under particular pressure on content costs. MPA estimates indicate that costs for paid channels and content providers will grow at a CAGR of 2% from US\$249 million in 2018 to US\$272 million in 2023. This is reinforced by the industry conditions experienced by ex. Telkom Vision Telkom Vision, for 16 years, has been an actor in the subscription television industry. General Manager Regional Office ex. Telkom Vision said content is the dominant cost burden for pay-television companies.

*“Until 2014, we have barely reduced it to zero, not yet our profit. Telkom Vision’s financial report from being built was challenging and hard to profit from. So operating costs are always higher than operating revenue. So, the operating cost compared to the incoming revenue is unequal. And that’s because most of the content takes up 60% of the cost. The company always spends money on content.”*

Referring to 2020 with economic shocks due to the Covid-19 outbreak, the Ministry of Finance released a 2020 economic growth scenario related to economic developments and fiscal policy measures. The Indonesian economy in 2020 is projected to grow by 2.3% (BPS, 2019). The government is optimistic that in the first quarter of 2020, the Indonesian economy will still grow by 4.7%. In the second quarter of 2020, it fell to 1.1%. In the fourth quarter of 2020, it started to rise again to 2.4%. This condition affects the burden of contract fees with international channels, which must be paid in dollars (more than IDR 15,000/dollar).

### **Social Factors (S)**

Corporate social responsibility (CSR) is a business

approach to contributing economic, social, and environmental benefits for sustainable development. Social responsibility is manifested in the form of a business commitment to act ethically, operate legally, and contribute to improving the quality of life for employees and society. Following the Decree of the Chairman of Bapepam-LK Number: Kep-431/BL/2012 dated August 1, 2012, MSKY's CSR implementation is based on 4 (four) pillars, namely: (i) Social, community, and environmental, (ii) Employment, occupational health, and safety, (iii) Community development and humanitarian activities, and (iv) Responsibility to customers.

As a business player in the pay television industry, MSKY realizes CSR to achieve sustainable development goals under applicable laws and norms and uphold the principles of good business practice, social justice, and environmental justice. Through these various platforms, PT MSKY has carried out several social activities such as; (a) applying operational standards based on going green (care for the environment) in every daily business activity by always maintaining the efficiency of resources such as paper, electricity, and water used. (b) MSKY and the *Mat Peci* community (*Ciliwung* Concerned Society) cooperated to clean up the Ciliwung River. This activity was accompanied by the release of catfish seeds, tree planting, and the distribution of books to nature school students. (c) MSKY also opens job opportunities for persons with disabilities to create better growth for the company. Several company employees who are persons with disabilities are assigned to several areas, such as finance, operations, and public services. They have equal duties and responsibilities and rights and powers. (d) Provision of sports facilities for employees such as a fitness center, sports field, and multifunctional field to perform various sports activities such as yoga, muay Thai, badminton, basketball, futsal, volleyball, and table tennis. (e) Throughout 2018, employees did not experience any work accidents while carrying out operational activities. (f) Routinely conduct blood donation

activities every 3 (three) months. Throughout 2018, the Company has held 4 (four) blood donor programs. The employees also participated actively in blood donation activities so that the Company could donate 840 bags of blood to the Indonesian Red Cross (PMI). (g) Regular visits from various schools and universities to witness entertainment industry practices regarding broadcasting pay-TV as a learning process. (h) Providing compensation for orphans, people with mental disabilities, and the homeless.

### ***Technological Factors (T)***

Currently, many conventional entertainment industries are starting to move towards digital. Competition in this industry is not only from similar media industries but is more complex with digital entertainment media (Yang, 2021). According to APJII data, internet user penetration in Indonesia in 2018 was 171.17 million, 64.8% of Indonesia's total population of 264.14 million people. However, the penetration data of internet users do not entirely refer to the number of conventional media users because television has begun to be abandoned by the public. There are still people who faithfully watch television. According to the Executive Director of Media Business Nielsen Indonesia, the emergence of digital media does not necessarily kill conventional media. Digital media is needed to increase audience reach. Based on Nielsen's 2018 research, the traditional audience of television penetration is still the highest compared to other media. Another interesting thing shows that internet penetration for Generation Z and Millennials is above 50%. As for Baby Boomers and Generation X, radio penetration is still higher than the internet.

However, unlike the subscription television industry, whose position is below the internet and radio media, subscription television media requires a monthly subscription fee collected from consumers (Moon and Lee, 2021). Therefore, the public still has choices of other entertainment media without paying a subscription fee (free-to-air television and radio). The impact of development of the digital

entertainment industry affects the pay-TV business in Indonesia, which does not show significant growth. Its growth was only recorded at 1% and is expected to decline in 2024 (see Figure 3). MPA 2018 data states that high-speed internet connectivity is driving the future of broadcast content in Indonesia. Pay-TV subscriber growth will remain low at a CAGR of 1% during 2018-2023 as subscribers increasingly choose online video services over broadband internet (see Figure 3).

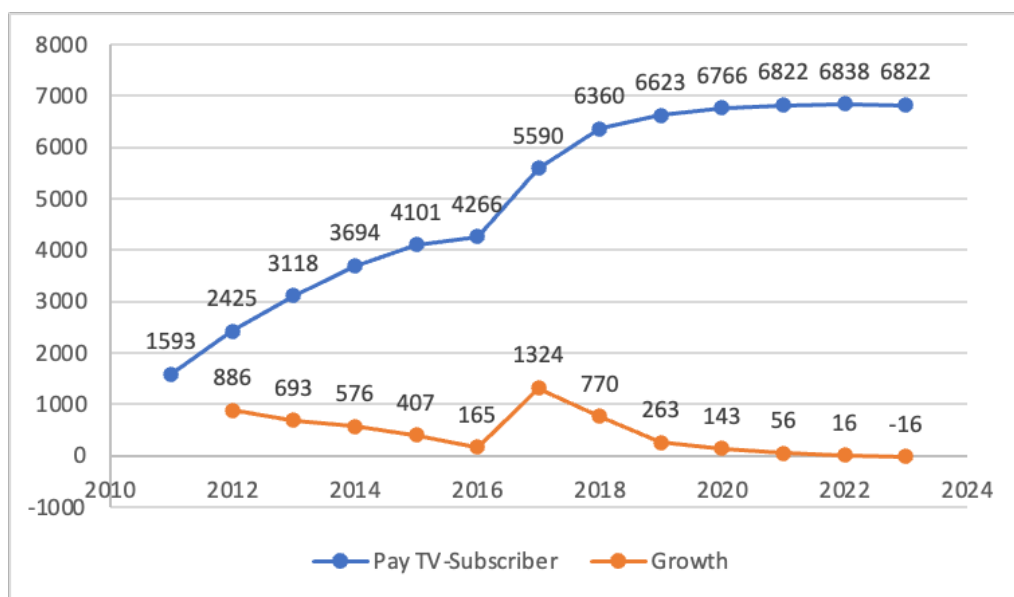
Figures presented in Figure 2 are still projections and fluctuate. The trend shows a decline in consumer growth starting in 2018. In 2021, government regulations related to the takeover of S-Band frequency technology for developing 5G and LTE networks will also be implemented. The impact of the government’s takeover of the S-Band frequency allows the company to transfer technology to the KU Band with lower quality than the S-Band.

Referring to the results of the macro-environment analysis, it is known that the bad condition of the global economy is a threat that impacts the high value of the dollar. In addition, the disruption of digital technology also affects the slow increase

in subscribers (Sujono 2021). More customers are turning to entertainment on digital media platforms in this context. Both of these things put tremendous pressure on the company’s business conditions. Apart from threats, there are also opportunities. The first opportunity is implementing a government policy to take over the S-Band frequency owned by PT MSKY to develop the 5G network. This provides an opportunity for PT MSKY to mobilize the S-Band frequency to become a new source of income. However, in running the pay-television business, the company is threatened to reduce broadcast quality by switching the S-Band frequency to KU-Band frequency.

**Industrial Environmental Analysis**

The industrial environment analysis aims to determine the level of competition and PT MSKY’s position in the pay television service industry so that the company can defend itself well during the declining industry by identifying five interacting forces. The threat of New Entrants is the first aspect of Porter’s five forces model. The threat of entry of new entrants into an industry depends on the barriers to entry and the reactions of incumbents to new entrants. Barriers to entry are significant if



3. The projected growth of satellite-based subscription television  
Source: Media Partner Asia (2018).

Table 2. External (macro) environmental analysis

| Key factors  | Trend  | Industry  | Firm   | Opportunity/threats |
|--|--|---|--|---------------------|
| <b>Politics</b>  |  |   |  |                     |
| Government takeover of frequencies for 5G networks                         | Radiofrequency band 2 520–2670 MHz is prioritized for the implementation of the International Mobile Telecommunications (IMT) system on January 1, 2025  | Government takeover of frequencies for the development of 5G networks for the telecommunications industry | Frequency switching for subscription television and S-Band satellite monetization  | Opportunity         |
| <b>Economics</b>   |  |   |  |                     |
| Negative economic sentiment due to the trade war and the covid-19 outbreak | The Rupiah exchange rate against the United States Dollar (USD) was also affected due to the strengthening of the exchange rate at Rp13.865/US\$ or strengthened 0.4% at the end of 2019<br>Indonesia's economy in 2020 is projected to grow by 2.3% | Fluctuations in economic conditions affect rising dollar prices   | Increased burden of international channel content costs  | Threat              |
| <b>Social</b>  |  |   |  |                     |
| CSR-related activities   | Various companies carry out CSR activities to have a positive impact on the environment and support the company's business continuity  | CSR activities will improve the company's good name, both in the eyes of the community and the government | PT MSKY actively carries out various CSR activities in different aspects, including environmental, social, educational, and others | Opportunity         |
| <b>Technology</b>  |  |   |  |                     |
| Disruption of digital technology   | Digital technology makes people have more attractive alternatives through the internet   | There is no significant improvement in the pay-TV entertainment industry                                  | This disruption has an impact on the slow increase in the number of customers who are the company's primary source of income       | Threat              |
| Transfer of S-Band technology to KU-Band                                   | There is a takeover of the S-Band frequency  | The pay-television market in Indonesia entirely uses satellites with the KU-Band frequency                | Decrease in the quality of pay television broadcasts when using KU-Band (reducing advantages)                                      | Threat              |



the investment required to enter is large and strong resistance from old players, so the threat of entry by new entrants will be low.

The second aspect is the bargaining Power of Suppliers. In discussing the bargaining power of suppliers, the industry is in a position as a consumer of the products or services offered by suppliers. Suppliers have bargaining power, for example, in terms of price and product quality as well as continuity of supply, as disclosed in general information can affect the profitability and business continuity of the subscription television supporting industry. Suppliers in the pay television industry are providers of satellite broadcast capture technology for distribution to subscribers. In this case, the technology needs are; (i) a digital decoder, which serves to capture signals so that subscribers can access television channels (ii) a viewing card, to access received data and open various broadcast programs (iii) mini outdoor unit, functions as signal receiver equipped with LNBF (Low Noise Block Feed horn) mounted on a mini satellite dish that is only 80 cm in diameter. In addition, foreign broadcast content suppliers vary in various aspects of the show, including films, culinary arts, children's series, music, and others.

The third aspect is the bargaining Power of Buyer. Buyers within the subscription television industry scope are people who need a variety of television entertainment equipped with foreign broadcasts. In this industry, buyers have a wide choice of products considering the limited number of players. However, it should be considered that the use of subscription television by buyers is strongly influenced by the variety of entertainment products other than television.

The fourth aspect is the threat of Substitute Products. The business activity carried out in the subscription television service industry is to provide various entertainment options through television channels. Currently, the threat of substitution for television entertainment is entertainment through

broadband internet technology, and one of them is a video on demand products. Furthermore, the last aspect of Porter's five force model refers to the rivalry among Existing Firms. Competition in the subscription television industry is relatively high due to price competition. The high level of competition is also due to the small number of players in this industry, which impacts price competition and customer service. Moreover, because the subscription television products are equipped with internet services. The summary of each aspect is available in Table 3.

Based on the investigation on the results of industrial competition analysis using five forces, the serious threat of substitute products, buyer offers, and industrial competition make the pay television industry quite attractive. Competition and the threat of substitute products have developed towards internet technology that complements paying television viewing or what is currently called the IPTV business. This has spurred high competition among companies that offer attractive subscription packages with fairly tight price competition. However, if economic conditions recover and satellite-based pay television companies can adapt to the development of digital technology, then this business still has good prospects. This industry's threat of new entrants is relatively low because it requires a significant investment. The suppliers' subscription television companies need distribution equipment and quite a lot of broadcast content at exceptionally competitive prices.

Various things become the emphasis of the discussion of the external analysis, including the industry's threat and condition, which is quite attractive. The macro-environmental threat stems from the bad condition of the global economy, which impacts the dollar's high value, and the disruption of digital technology, which has an impact on the slow increase in customers who have switched to entertainment through digital media. Furthermore, the analysis results on the industrial environment, namely the serious threat of substitute

Table 3. The summary of industry analysis

| Variable/factor                                  | Strong | Weak | Explanation   |
|--|--------|------|---|
| <b><i>Threat of New Entrants</i></b>             |        |      |   |
| Economics of scale                               |        | X    | High investment cost  |
| Technical aspects                                |        | X    | Having particular specifications in satellite operation   |
| Technological aspects                            |        | X    | Satellite cost  |
| Business experience                              |        | X    | Customers are interested in competitive services, product offers, and prices.   |
| <b><i>Bargaining Power of Suppliers</i></b>      |        |      |   |
| Number of suppliers                              |        | X    | A large number of suppliers   |
| Product differentiation                          |        | X    | No product differentiation  |
| Supply price                                     |        | X    | Competitive supply price  |
| <b><i>Bargaining Power of Buyer</i></b>          |        |      |   |
| Choice of subscription television provider       | X      |      | There are quite a lot of subscription television providers  |
| Specifications for subscription television needs | X      |      | The specifications for subscription television are quite diverse  |
| The profitability of the pay-TV industry         | X      |      | The profitability of the Pay-TV industry is declining   |
| <b><i>Threat of Substitute Products</i></b>      |        |      |   |
| Types of Substitute Products                     | X      |      | The number of substitute products varies due to digital technology  |
| Product availability                             | X      |      | Availability of many products, easy to get and cheaper  |
| <b><i>Rivalry among Existing Firms</i></b>       |        |      |   |
| Price and product competition                    | X      |      | Pretty high   |
| Economics situation                              | X      |      | The declining economic conditions resulted in high competition among competitors to seize market potential, which also decreased. |

products, buyer offers, and industry competition, make the pay television industry quite attractive. This external analysis answers the second research question related to the cause of PT MNC Sky Vision Tbk experiencing financial distress.

#### ***Internal Environmental Analysis***

The internal environment consists of environmental variables within the company and is easily controlled by the company. The internal environmental analysis identifies the company's strengths and weaknesses to optimize the resources that are strengths and minimize weaknesses. The internal environmental study carried out includes an analysis of the company's resources as well as an analysis of the company's value chain activities.

#### ***Tangible Resources***

Regarding technological resources, PT MSKY is a

pioneer in the satellite-based pay-TV industry in Indonesia, allowing subscribers to receive pay-TV broadcast programs anywhere in Indonesia. PT MSKY is the only private pay television company that owns an independent satellite called Indostar 2, which was launched in 2009 and preceded by the Indostar 1 satellite launch in 1997. The satellite uses the most stable and suitable S-band frequency technology for the tropical climate in Indonesia.

In terms of physical resources, PT MSKY is a market leader in the satellite-based subscription television industry, whose services are spread throughout Indonesia. In 2019, the Company had assets of IDR 4,359 trillion through various infrastructures, including: (1). Has a head office at MNC Vision Tower (formerly Wisma Indovision) Jl. Raya Panjang Z/III, Green Garden, West Jakarta 11520, and 9 main branch offices in Indonesia, including

Balikpapan, Bali, Bandung, Surabaya, Medan, Makassar, Pekanbaru, Palembang, and Semarang, (2). Has Indostar II Satellite, (3). Operational cars and various office equipment.

Meanwhile, from the aspect of the workforce owned by PT MSKY as of December 31, 2019, the Company has 1,654 employees. This number decreased by 11.07% compared to 1,860 people in 2018. This increase/decrease aligns with the efficiency and effectiveness initiatives that MSKY has carried out. To meet the need for talented and competent Human Resources (HR) amid challenging conditions, the company actualizes an integrated HR management system in line with the pay-TV industry competition. This condition causes price wars and human resource turnover, which are increasingly difficult to control. The company understands this challenge and faces it by prioritizing organizational effectiveness and efficiency. In addition, the company also improves quality by becoming a competitive entity with a comfortable working environment and adequate benefits.

PT MSKY continues to evaluate the effectiveness of the HR development system and process that has been implemented. The Company's HR strategy in 2019 focused on synergy between companies within the MVN unit. It starts with conducting outings and seminars for all business units, followed by a Leadership Workshop by making synergy targets and evaluations in the middle of the semester. Several functions have been carried out in synergies, such as Corporate Sales and ads. Sales, Marketing, HR, Corporate Secretary, and Legal. Along with the increase in human resources quality, the operational performance rate will also increase. For this reason, PT MSKY gradually implements various Education, Development, and Training Programs designed according to employee competency needs.

#### ***Intangible Resources***

From a reputation point of view, the show's quality

is a strength that can be a reference for customers to watch quality entertainment and information shows. A good relationship between the company and its customers is also the strength of PT MSKY. In addition, the brand plays a role in determining whether customers decide to believe in a brand or not. Brands with a good perception will generally be more attractive to potential consumers because potential buyers believe that the brand has good quality and can be trusted (Trequatrini et al., 2022). Only a well-managed and professional brand can attract consumers' attention, and encourage and stimulate consumers to make purchases and even decide to buy again. Therefore, the brand is a crucial company asset in the business world. A strong brand will further enhance the image and value of a company. This is evidenced by various awards through the assessment results of various research teams related to brand strength and also quality services for customers, shown in table 4.

#### **Value Chain Analysis**

Furthermore, value chain analysis is carried out to see the synergy between a series of activities between the company's internal activities. From the investigation, the company is seen as a process chain of activities, from changing inputs to becoming value outputs for consumers. PT MSKY mapped the value chain of main activities and supporting activities in running its business.

Regarding the main activity, there is an inward Logistics activity. PT MSKY's logistics activities related to signal reception equipment to broadcast distribution to subscribers, including broadcast content. Most devices with broadcast capture technology (decoder, LNB, DISH) are imported from suppliers. For completeness of devices, such as cables and connectors obtained from local manufacturers. Researchers conducted observations and collected data from the results of operational meetings, which showed that the supply chain management team always updates the stock of goods, with detailed data as follows: (a). Summary stock position (weekly), (b).

Table 4. The summary of PT MSKY Awards

| Awards   | Category                                   | Organizers                                    |
|--|--|---|
| Superbrands Indonesia's Choice 2017            | Pay-TV                                     | Nielsen and Grandindo                         |
| Indonesia's Prestige Brand Award (IPBA)        | The Highest Top of Mind Brand for Cable TV | Warta Ekonomi                                 |
| Customer Loyalty Award (Net Promoter Good)     | Net Promoter Score (NPS) for Pay TV        | SWA magazine and Net Promoter                 |
| Indonesia WOW Brand Award                      | Pay-TV                                     | Markplus Inc.                                 |
| Contact Center Award                           | Pay-TV                                     | Center Customer Satisfaction & Loyalty)       |
| Indonesia's Top 100 Most Valuable Brands Award | PT MNC Sky Vision Tbk                      | Swanetwork                                    |
| Corporate Image Award                          | Pay-TV                                     | Frontier Consulting Group & Tempo Media Group |
| Indonesia's Original Brand Award               | Pay-TV                                     | Swanetwork                                    |
| Indonesia Best Brand Award                     | Pay-TV                                     | Majalah SWA                                   |
| Indonesia Customer Satisfaction Award (ICSA)   | Pay-TV                                     | Swanetwork                                    |
| Top Brand Awards                               | Pay-TV                                     | Swanetwork                                    |

Summary reconditions, (3). Details of devices that are still outstanding, (4). Forecast device requirements until the end of the year. All data updates are always reported at the board of directors meeting every week so that if there are problems, they can be escalated immediately. However, the company reconditions equipment from withdrawing equipment from unsubscribed customers to reduce costs and maximize borrowing and use. The quality will decrease in terms of signal reception compared to new devices.

In addition, according to Schulz et al. (2021), foreign broadcast content whose contract period is about to expire always evaluated according to the interests of the most liked shows by most customers. This will determine whether a channel's contract will be extended or completed. Not only that, PT MSKY is supported by the broadcasting business of MNC Media, which is the most extensive media in Southeast Asia and has complete in-house production of broadcast content. That's what competitors don't have; the various contents include music, movies, children's series, culinary, fashion, religion, and automotive.

From the operational aspect, PT MSKY's main business is subscription television broadcasting services, which require operational processes from broadcasting to distributing broadcasts to customers' homes through devices. In detail, PT MSKY's operating system can be seen in Figure 4.

Figure 4 shows that the operating system begins with the customer registering personal data to subscribe to the product. Furthermore, the data is verified by the Subscriber Verification Management (SVM) Team (Li et al., 2021). The data is processed by the signal-receiving and transmitting system for activation according to the subscription package agreed upon by the customer. The technician comes to the customer's house to install a signal-receiving device, including a decoder, LNB, and satellite dish. After installing the device, the technician activates the subscription package via a viewing card inserted in the decoder.

Furthermore, the analysis is carried out based on the company's business activities in pay television broadcasting services related to outbound logistics activities. Therefore, the analysis is emphasized customer satisfaction using the services of PT MSKY.

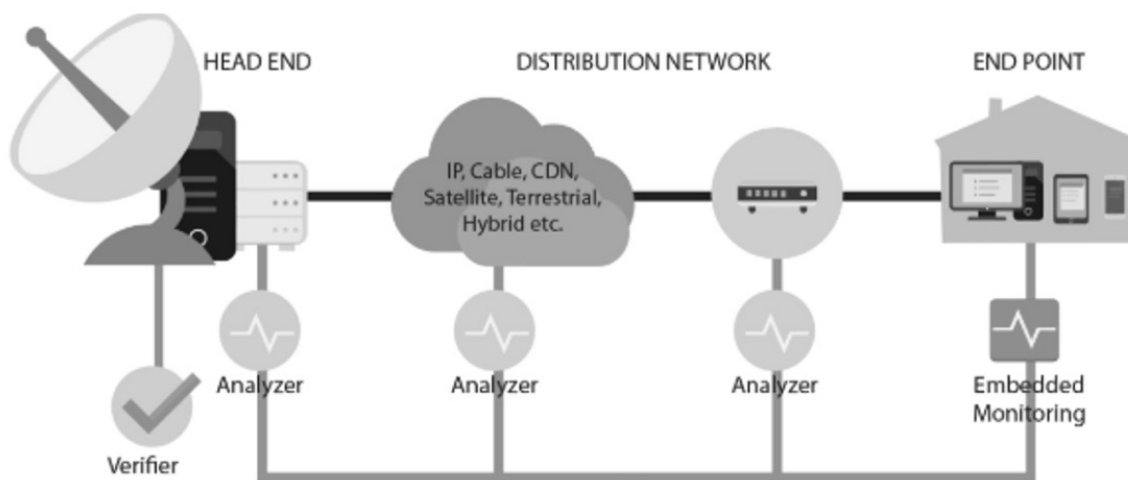


Figure 4. Operational system process for receiving broadcasts to customers' homes

To obtain an overview, interviews were conducted with customers who have subscribed for more than ten years. The interview results show that PT MSKY is the best satellite-based pay television product that, through S-Band technology, can maintain the quality of its broadcasts against weather disturbances. In addition, the broadcast coverage is extended to various remote areas in Indonesia. The company also implements strategies to increase customer loyalty by focusing on consumer segmentation and analysis to improve upsell performance, customer retention, and churn management strategies—separate consumers based on certain criteria to provide different experiences in low, medium, and high tiers.

Regarding marketing and sales activities, PT MSKY is quite aggressive. Advertising, promotion, and sales are part of the activities in it. The activities carried out in the promotion are integrated, and almost all platforms are used. The promotions include (i) above the line, namely carrying out promotional activities and placing advertisements with a broad target segment in various media, including radio, television, newspapers, and magazines. (ii) below the line, namely carrying out promotional activities with limited targets and segments, with activities such as participating in exhibitions organized by third parties and being a media partner for

events organized by third parties. These activities are the main ones in the company to promote a brand. Meanwhile, the activities carried out by the company to sell products in addition to selling directly to customers, corporate sales are also carried out. The company cooperates with various corporate agencies, including hotels, hospitals, restaurants, banking, etc.

Furthermore, in supporting activities, PT MSKY, operating for more than 20 years, has experience in customer after-sales services. Various service lines for broadcast interruptions can be delivered through various communication media (SMS, email, fax, social media, and the MNC Vision mobile application) and a call center media that is ready 24 hours a day. In addition, the company can maintain customer engagement through loyalty programs and other services for loyal customers. Several important points in this support activity are; (i) company infrastructure, where the value chain in the company's infrastructure activities differs from other supporting activities. These activities support the entire chain, including planning, finance, accounting, legal, government affairs, and quality management. (ii) Human resource management—the career path in the Company is entirely based on the potential and achievements of human resources. There is an opportunity for

every human resource who has the potential to take on greater responsibilities through the provision to move up to a higher career level. To support smooth coordination and internal communication, the company plans a series of activities as a forum for employee meetings at the head office and representative offices spread throughout Indonesia.

#### ***Generic Turnaround Strategy Proposition***

Recognizing the challenges in the pay television industry, the company has made various efforts to improve performance internally and in collaboration with business groups. The action is used to stop the decline and stimulate a rising cycle. The following are the efforts made by the company to improve company performance which are included in the identification of generic turnaround strategy propositions.

#### ***Leadership and organizational/cultural restructuring strategy***

At this stage, the company has implemented corporate cultural values, which are the key to achieving synergy between all employees in achieving company goals. The company is fully committed to implementing a work culture in all company lines to maintain its position as the number 1 Pay TV in Indonesia (Ulum et al., 2021). The implementation of the Company's cultural values is based on 4 (four) aspects: the culture driver, which includes Leadership, Human Capital, Teamwork & structure, and Performance. Corporate cultural values (Vision, Quality, Speed, Hardworking, and Progressive) are instilled in employees from the recruitment stage through the new employee orientation program. The inculcation of cultural values is carried out continuously through the role of all business unit leaders as role models.

In addition, the company is also considering carrying out a cost-reduction strategy and a repositioning strategy to respond to industry changes. In the cost reduction strategy, the company must streamline the organization, including reducing human resources. In addition, companies need to carry out

operational efficiency and effectiveness, including content costs, that will increase profits. The pay-television business is maintained by using the KU Band frequency. If previously sales were made by borrowing and using equipment when using the S-Band frequency, now the company has made sales by the dealership (drop-off) to explore the market for changing the pay-television business model using the KU Band frequency.

In the repositioning strategy model approach, with the government regulation regarding the takeover of the S-Band frequency for the 5G network, the company is in the negotiation stage with the government regarding monetizing the S-Band satellite. The main focus is simplifying and developing the best products with premium content and increasing content sales. The goal is to increase revenue, and one of the ways is to expand the market for individual customers, hotels, apartments, and commercial premises throughout Indonesia, which is still very large to be developed. From the financial aspect, the company received financial support from the parent company of Rp847,607,453,660. The funding support increased the cost of paying bank and syndicated loans by Rp1,280,156 million. The debt payment resulted in a decrease in liabilities by Rp1,305,544 or 46%.

#### **MANAGERIAL IMPLICATIONS**

The research is expected to positively impact the management of PTMSKY to strengthen the turnaround strategy to improve the company's performance. Following the theory of generic turnaround strategy analysis (Hoffman, 1989), it is still necessary to strengthen repositioning and cost reduction for steps to improve the company's condition in the future, such as; (i) intensive negotiations with the government regarding the monetization of the use of S-Band frequencies for telecommunications networks. Monetization is in the form of material receipts (rent) and 5G technology for bundling internet products with pay television. (ii) Divesting assets that are no longer profitable. The divestment proceeds can be used to develop digital technology in the pay-



television business. Looking at Telkom's experience building the IPTV business, the divestment funds from Telkom Vision in 2015 were used to construct the Indihome business, which has now become the market leader in the current IPTV business. (iii) Although the financial condition in 2019 improved compared to 2018, this was due to financial support from the parent company to pay the company's debt. Therefore, companies must generate positive cash flows independently with efforts to streamline unnecessary costs and develop new market strategies that can adapt to digital technology. (iv) The costs in question include the costs of foreign broadcast content. Companies need to do an intensive review to sort out the content that customers like, don't like, and don't like. Reducing the cost of unattractive content can be shifted to internal content development by maximizing the potential of MNC Media Group as the most prominent media in Southeast Asia. (v) By improving the quality of content internally, it will also support the sale of pay television by end-of-sale, which will become the company's new market in 2025. In addition, the company is also expected to be able to enter into exclusive contracts with various sporting events, both national and international. This is because sports content is the top three content viewers like the most.

Additionally, to increase profitability, the company carries out a series of activities such as; (i) organizational streamlining, one of which is through a reduction in the workforce owned by 11.07% decreased in 2019 compared to the previous year. (ii) Simplify and develop the best products with superior content and increase content sales. (iii) Increase revenue by expanding the market for individual customers, hotels, apartments, and commercial premises. (iv) Encouraging revenue growth through upsell activities and new customer registration through digital media. (v) Adapting Android-based TV allows customers to interact more with the product and access content more freely by introducing DTH OTT set-top boxes. (vi) There is a government policy to take over the S-Band frequency owned by PT MSKY to develop the 5G

network in 2025. This allows PT MSKY to monetize the S-Band frequency, which will become a new source of income for the company. However, the takeover of the S-Band frequency will negatively impact the decline in the quality of paid television shows, which will switch to KU Band technology. The KU Band satellite is vulnerable to bad weather, resulting in lost broadcasts. Related to this, in 2019, the company explored the sale by selling off.

This study has the limitations of only taking one case of a company in analyzing a turnaround strategy facing a decline in company performance in the pay television industry and only applying one of the generic turnaround strategy theories proposed by Hoffman (1989). In addition, there are conditions of Large-Scale Social Restrictions due to the Covid-19 outbreak. Some of the primary data needed from resource persons in this research can be reached through communication lines via telephone, not face-to-face during interviews. There is also a limitation in obtaining sources for primary data needs that have not touched the top management (owner/chairman) in MNC companies because he is the strategic determinant of all companies under the auspices of the MNC Group. The research will be more comprehensive if it involves the relevant informants who are also stakeholders in this company.

## CONCLUSION

PT MSKY, in recent years, has experienced a decline in the company's performance, one of which is marked by financial distress. However, these conditions spurred PT MSKY, a paid television company that has been around for more than 20 years, to try to maintain its position in this industry. It can be concluded that based on the measurement of Multiple Discriminant Analysis (MDA), in 2017, the company had financial difficulties, with the same probability of recovery and bankruptcy. In contrast to 2018, the company is considered to have considerable financial difficulties and high risk, so the possibility of default becomes very large. Meanwhile, in 2019, the company experienced

a much more stable financial condition. This is because the company has paid the bank and syndicated loans of Rp1,280,156 million, which made the company's total liabilities decrease by Rp1,305,544 million or 46%.

Furthermore, the decline in performance experienced by PT MSKY was caused by the company's external factors. This condition occurred due to the disruption of digital technology, which

decreased the demand for the pay-television industry. In addition, the weakening of the economy also impacted the negative sentiment of the rupiah against the dollar. This affects the contract fees for overseas channel content paid by the company based on a minimum of ARPU (average revenue per user) per month. The company experienced high-cost pressure amid declining public demand for pay television products. ■

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