

Business Renewal in the Jamaican Subscriber Television Industry

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March 14, 2013

Our Discussion

Business Renewal is the process of performance recovery from organizational decline

Learning Objectives:

1. How to assess profit decline for action
2. How to resolve cash flow problems
3. How to develop competitive strategy
4. How to increase efficiency of operations

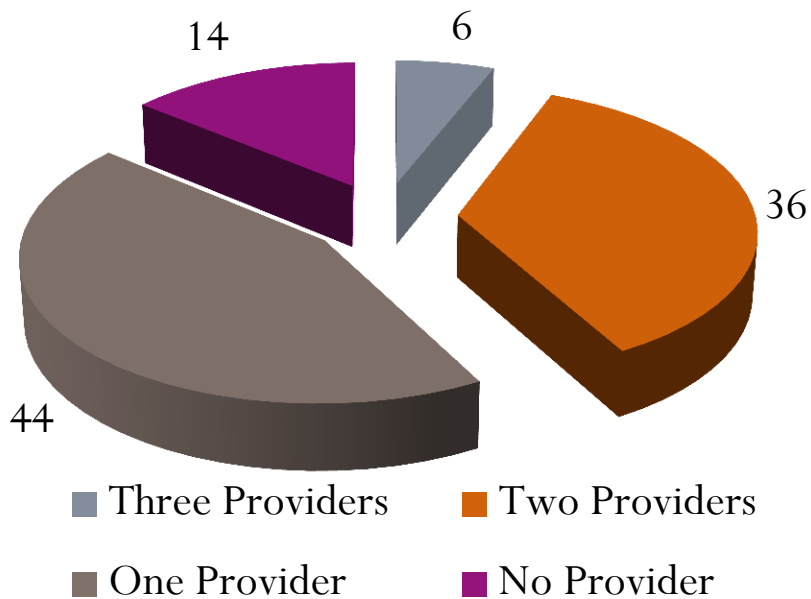
Approach:

Interactive conversations, exercises for practice, case study

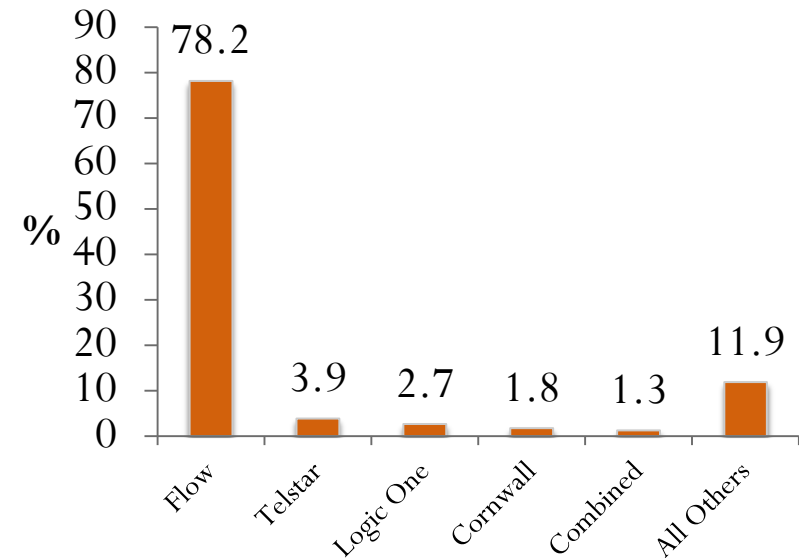
Schedule

9:00 a.m. - 9:05 a.m.	Overview & Schedule
9:05 a.m. - 9:20 a.m.	Pre-Test
9:20 a.m. - 9:40 a.m.	Jamaican STV Industry Profile
9:40 a.m. - 10:15 a.m.	Assessing decline for business viability
10:15 a.m. - 11:00 a.m.	Resolving cash flow problems
11:00 a.m. - 11:15 a.m.	B R E A K
11:15 a.m. - 12:15 a.m.	Developing competitive strategy
12:15 a.m. - 1:00 p.m.	Increasing operations efficiency
1:00 p.m. - 1:30 p.m.	Sustaining business recovery
1:30 p.m. - 1:45 p.m.	Post-Test
1:45 p.m. - 2:00 p.m.	Summary and Next Steps
2:00 p.m.	L U N C H

Allocation of 241 Zones (%)



Market Share (2010)

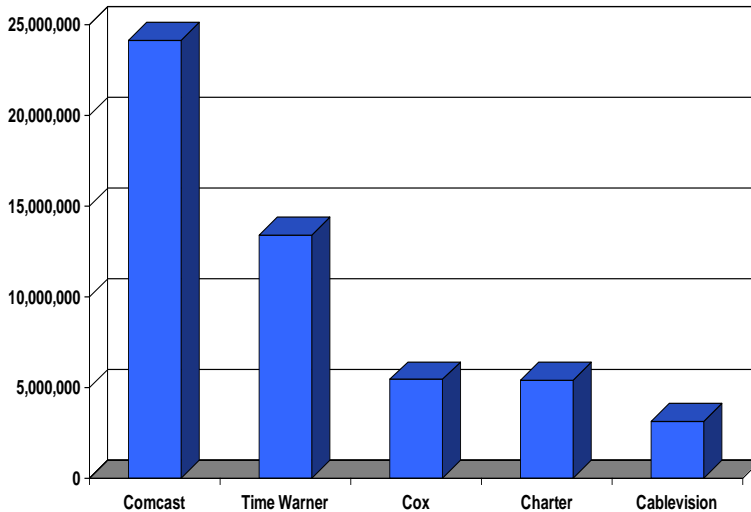


**The rate of increase of industry current liabilities
has outstripped increase in industry current assets**

Business Viability

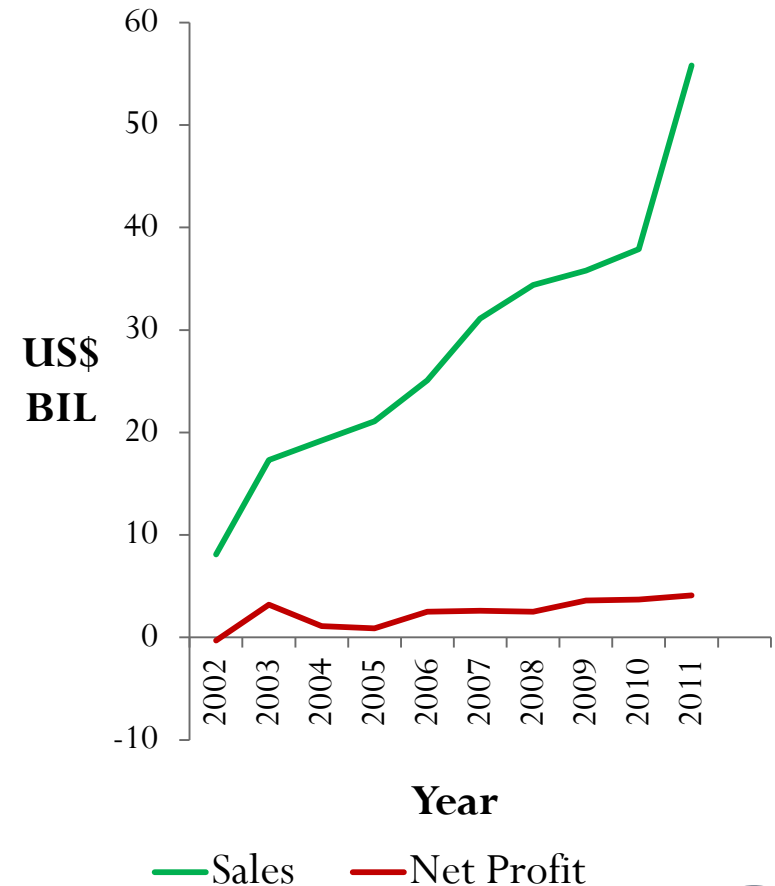
<i>Business Factor</i>	Low	Moderate	High
Sales potential		✓	
Tax incentives		✓	
Ease of exit		✓	
Access to financing		✓	
Availability of skilled staff		✓	
Ease of scaling		✓	
Ability to compete		✓	
Potential to make money		✓	

Market Share



- Top 5 Cable Companies represent 80% of the approx. 1,200 Cable operators
- Franchise fees amount to about 4% of Revenues
- Cable TV penetrates 60% of 113 million households
- Advertising accounts for 36% Revenues

Comcast

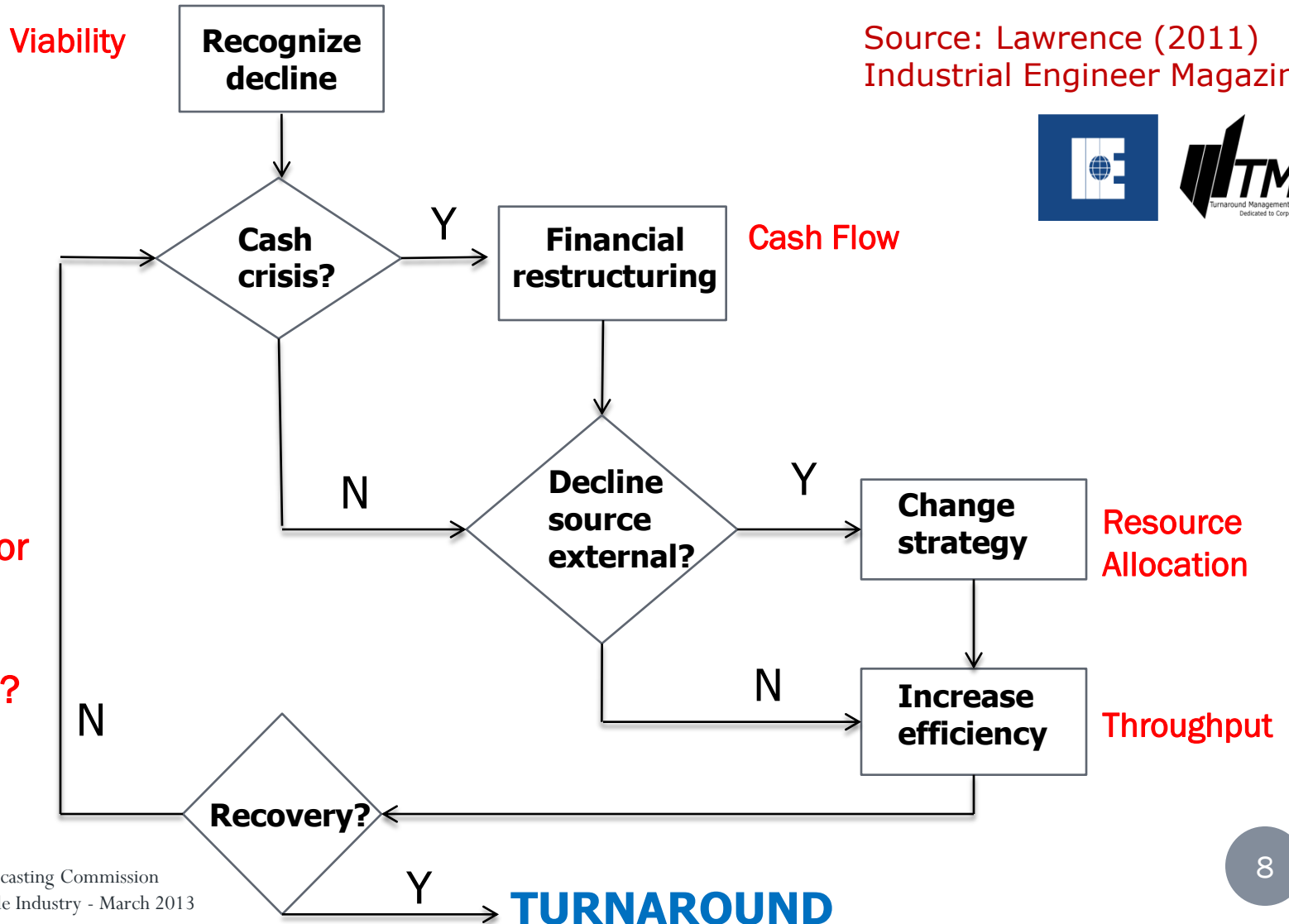


Turnaround Literature

- Business losses arise from lack of knowledge, financial problems and harsh economic climates (Carter & Van Auken 2006)
- Firms unable to pay debts must undergo financial restructuring as a matter of urgency (Hofer 1980)
- Turnaround comes from changing strategy or regaining efficiency depending on the cause of decline (Schendel, Patton & Riggs 1976)

Four Pathways for Business Renewal

Source: Lawrence (2011)
 Industrial Engineer Magazine

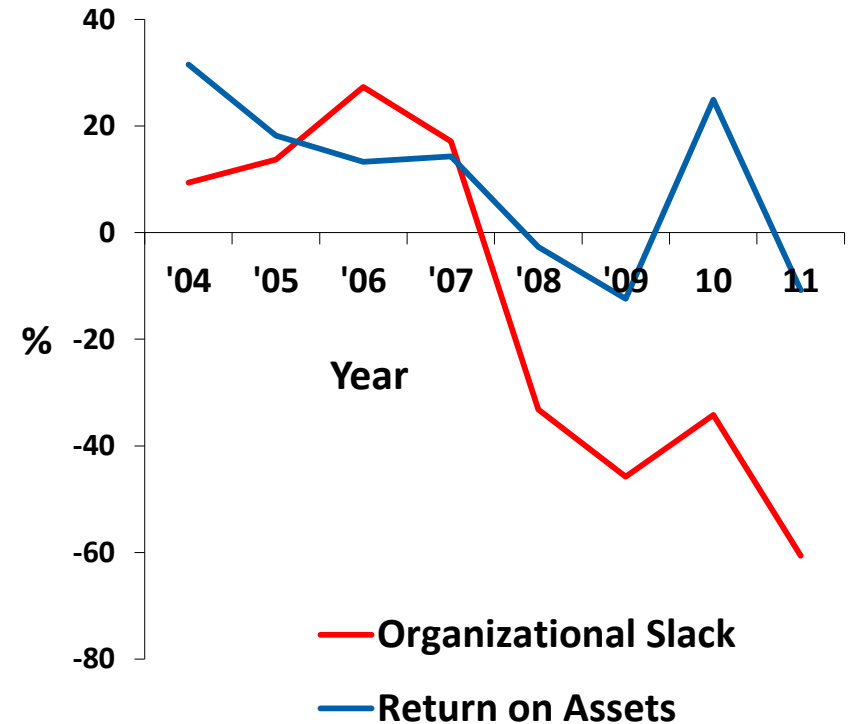


What pathway for Arawak Cable Company ?

STV Licensee Environment

Force	Issue	Outlook
Political	Incentives	Threat
Economic	Devaluation	Threat
Social	Theft	Threat
Technology	Digital	Opportunity
Legal	Regulation	Opportunity ??
Competitors	FLOW	Threat
Suppliers	Energy costs	Threat
Customers	Subscriptions	Threat
Substitutes	Internet	Opportunity

Organizational Decline



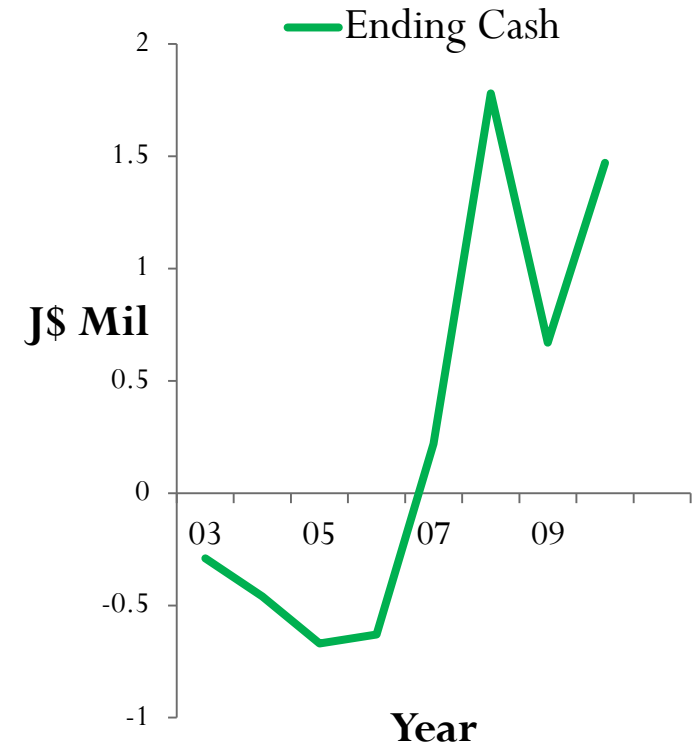
What are the strengths, weaknesses, opportunities and threats of Arawak Cable Company?

Restructuring to Boost Cash Flow

Cash Flow (\$ Millions)

	2009	2010	2011	
Revenues	175	130	85	
Cash received	110	60	140	Sell Assets or Equity
Cash disbursed	90	105	125	Defer or Replace Debt
Net cash flow	20	(45)	15	
Cash at start	5	25	(20)	
Cash at end	25	(20)	(5)	

Arawak Cable Company



1. Has Arawak Cable Company achieved financial health?
2. What action(s) would you suggest to build cash reserve?

Choosing Strategy

Strategy	Aim	Key Factor
Diversification	Multiple Revenue Streams	Resources
Merger/Acquisition	Market power	Synergy
Product differentiation	Value-added	Buyer need
Cost leadership	Low Price	High volume

Deciding Competitive Strategy

Arawak Cable Company

Perspective	Strategy Map – Actions for turning resources into accomplishments	Key Performance Indicators	Strategic Initiatives	Risk & Response
Financial		<ul style="list-style-type: none"> • Debt % Assets • Return on Assets 	<ul style="list-style-type: none"> • Sell Equity • Increase revenue 	<ul style="list-style-type: none"> • Shares not fully taken • Offer preference shares
Customer		<ul style="list-style-type: none"> • Market share % • Number of revenue streams 	<ul style="list-style-type: none"> • Promotion programme • Offer video-on-demand 	<ul style="list-style-type: none"> • Low market penetration • Augment the core product
Internal processes		<ul style="list-style-type: none"> • Throughput productivity • Service quality 	<ul style="list-style-type: none"> • Adopt lean practices • Change to digital technology 	<ul style="list-style-type: none"> • Equipment breakdown • Preventative maintenance
Learning & Growth		<ul style="list-style-type: none"> • Labour productivity 	<ul style="list-style-type: none"> • Staff appraisals 	<ul style="list-style-type: none"> • Weak team synergy • Team coaching sessions

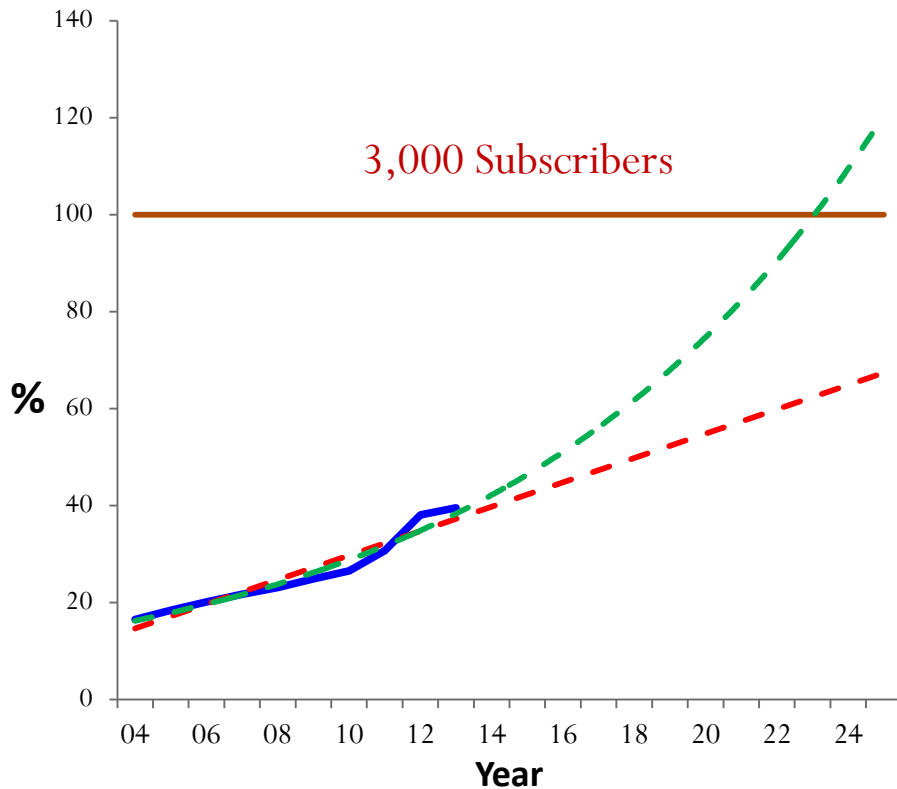
Increasing Efficiency

Focus	What?	When?
Output	Re-scope products	Unmet demand
	Re-scope markets	Market saturation
Input	Reengineer processes	Low value-added
	Adjust technology	Obsolescence

How should Arawak Cable Company increase the efficiency of its operations?

Sustaining Recovery

Arawak Cable Company



Sustainable Rate of Sales Growth = $y/1-y$

$y = \text{Return on Equity} \times \text{Retention Rate}$

Retention Rate = $(1 - \text{Dividends/Net Profit})$

1. What is the sustainable growth rate of Arawak Cable Company as at the end of 2010?
2. Can Arawak Cable Company serve 3,000 subscribers by Year-end 2023?

Motivating Employees

- Leadership by example
- Generating excitement
- Open lines of communication
- Transparency
- Recognition for achievement
- Teamwork
- Collective reasoning
- Rewards/Incentives for performance

Summary and Next Steps

- ❑ Viable STV Operators can use the roadmap provided for business recovery from declining profitability

- ❑ Going forward, each STV Operator should:
 - (1) assess the need for business turnaround and
 - (2) develop an appropriate turnaround plan if necessary