Santo Broadcasting Company: Moving Forward or Held Back in Time

Case

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Abstract

This case tells the story of 26-year-old family member, Rahman, who joined his grandmother’s telecommunication business, with the goal of introducing innovations to keep the business within the family. He was challenged by the resistance of his grandaunt who expressed concern that introductions in processes and services would threaten the jobs of loyal employees. However, Rahman felt that the decision to maintain the status quo would jeopardize the financial position of the firm and subject the firm to a take-over by bigger telecommunication firms, a fate that other family-managed businesses in the industry had experienced. With his grandmother advancing in age, Rahman wondered if it was time to resurrect discussions with his grandaunt.

Case Learning Outcomes

After discussing the case, students should be able to:

- pinpoint operational lapses that can occur in a family business that is not up-to-date in technology;
- identify challenges that the next generation encounters when introducing innovation into the family business;
- explore alternative courses of action to address the needs of a changing environment; and,
- prepare an action plan.

Introduction

Twenty-six-year-old Rahman Tirran, business development manager of Santo Broadcasting Company wondered if it was time again to talk to his Grandma Dewi’s sister-in-law, Grandaunt Rika who co-managed the radio station operations in Surabaya with her husband, Ibrahim Hardja, grandma Dewi’s youngest brother. He recalled how Rika had rejected his proposal to install software that would monitor the number of times a client’s advertisements were aired on their radio station. The software would lighten the load of station assistants who spent days at the beginning of each month manually preparing reports to send out to clients as a basis for payments. With the software in place, there could be real time reporting that, in turn, would facilitate early payment to clients for advertising placements.

When he tried to talk to her the last time, Rahman’s grandaunt had expressed her concerns: “Why change something that isn’t broken? The current processes are working now and serving their purpose. Why rock the boat? Besides, what would happen to the people whose jobs will be displaced by the software?”

Rahman believed that the way things were run before may have been the best way to do things in the 1990s and 2000s, but there were more efficient ways to do things at the present time. For the business to compete and grow, there was a need to adapt, the way other players in the industry had. If the company continued to do things the same way, better outcomes could not be achieved.

“There could be other tasks the employees could do,” Rahman had explained to his aunt. “They can be useful when the business expands in other cities. I have spoken with the employees, and they are excited about the prospects.”

Rahman believed that the skills of employees in the radio station could be upgraded in preparation for the eventual change in technology in the radio business. He could not express this sentiment to his grandaunt who was against technology that would displace jobs. Grandaunt Rika was emotionally vested in the station operations and the loyal group of employees who had been working in the Surabaya station. Yet, his Grandma Dewi, who owned a controlling share of the business and was its managing director, was in full support of...
Rahman’s vision of transforming the radio business.

Rahman had dreams for his grandmother’s business. He wanted to digitalize radio delivery and move to on-demand radio programming as well as pursue other businesses that the company’s franchise license would allow. The eldest of seven cousins by a large age margin, Rahman had joined Santo Broadcasting barely one year earlier to steer the business away from the fate of the hundred or so family-run radio broadcasting companies in Indonesia that were being sold, or thinking of selling, to large corporations because there was no apparent successor. As it was, there were no other second-generation family members involved in the business, except in name.

Tracing Its Roots

Santo Broadcasting was a spin-off of PT Son, a business established in 1972 by Ali and Anissa Hardja, Rahman’s great-grandparents, and their children Ahmad, Angga, Hidayat, Amir, Farrell, Nadya, and Ayu (see Figure 1 for the Hardja genealogy). PT Son was granted a nationwide franchise to offer broadcasting services, but the brothers decided to operate radio transmitting stations only in Jakarta, managed by Ali, Angga, and Farrell, as well as in three key areas in Indonesia, namely Surabaya, managed by Ahmad; Yogyakarta, managed by Hidayat; and Denpasar, managed by Amir (see Figure 2 for site locations).

Figure 1. Hardja Genealogy

Figure 2. Location of PT Son Radio Stations
Santo Broadcasting was established in 1993 and managed by Rahman’s grandfather, Ahmad. Because Ahmad was also managing the Surabaya broadcasting station, it was transferred to Santo Broadcasting in early 1998 when the Indonesian government granted Santo Broadcasting a franchise to construct, install, establish, operate, and maintain radio and television stations in Indonesia. Together with PT Son, it operated the then famous station DXYL on the FM band.

Meanwhile, PT Son was ready to launch its television station after a 10-year investment in its infrastructure since launching in 1988. However, economic and political crises hit the country and the television station was reclaimed by the government due to a legal technicality. Great-grandfather Ali was so overwrought with the reclamation that he died of a heart attack shortly thereafter.

Despite the setback, Ahmad continued to operate the Surabaya radio transmitting station that had always been profitable. It had the reach of the Jakarta radio transmitting station, because Surabaya was the second largest city in the country, but it had a cost structure that was cheaper, allowing it to generate surplus. Its 10,000 watt station covered Surabaya and nearby cities. Its core audience were individuals between 18 and 35 years of age who appreciated modern jazz music and a balance with information, entertainment, and news.

Unlike the Surabaya operations, the broadcasting stations in Jakarta, Yogyakarta, and Denpasar, operated by Rahman’s granduncles, were not doing as well. With their great-grandfather Ali deceased, the Hardja brothers decided to cash in on their fathers’ investment and sell the rights of PT Son to DXYL (the FM radio station) to Jakarta Broadcasting Company, the industry’s market leader by a wide margin. Under the terms of the agreement, Jakarta Broadcasting granted Santo Broadcasting and PT Son the license to operate DXYL in all areas except Jakarta (see Figure 3 for a visual representation of the transaction).

Figure 3. Visual Representation of Broadcasting Stations of PT Son and Santo Broadcasting and License to Operate DXYL Radio Station
Except for Ahmad, the rest of the Hardja brothers opted to exit from the radio broadcasting business. From the proceeds they received from the sale of the rights to operate DXYL, each ventured into other activities. Angga began a newspaper publishing business in Jakarta. Hidayat, stayed in Yogyakarta and went into fishery. Amir, who was previously based in Denpasar, moved to Jakarta and began a real estate business with his youngest brother Farrell, who had always been based in Jakarta. Due to the diversion of attention into their respective businesses, operations in Denpasar and Yogyakarta were suspended from 2010. The radio transmitting equipment is still in place but has not been used since.

The Hardja Family and the Broadcasting Business

Rahman’s great-grandfather, Ali, and his children, Ahmad, Hidayat, and Amir, were active managers of PT Son. Each of the three sons were assigned a station, but only the Surabaya station thrived. The Surabaya station was managed by Ahmad until he retired. He was assisted by his wife, Dewi, the eldest of 10 siblings, who invited her youngest brother Ibrahim, and his wife Rika, to manage the daily station operations in Surabaya, while Ahmad and Dewi operated out of Jakarta. Then a newly married couple, Ibrahim and Rika accommodated Dewi’s request for assistance and relocated from Jakarta to Surabaya in 1993.

When Ahmad retired in 2009, he transferred ownership of his shares to his wife Dewi, his three children Dea, Umar, and Evi, as well as to his son-in-law, Hassan Tirran, Rahman’s father (see Table 1 for share distribution and board membership). Prior to his retirement, Ahmad trained his eldest son, Umar, to take over the business. However, Umar was easily bored, so he decided to establish his own business in 2010. Nonetheless, he remained president of the firm, while Grandma Dewi was the managing director.

Table 1. Santo Broadcasting Company Ownership

<table>
<thead>
<tr>
<th>Family member</th>
<th>Position</th>
<th>Percent ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dewi Hardja</td>
<td>Managing director</td>
<td>50</td>
</tr>
<tr>
<td>Hassan Tirran</td>
<td>Director</td>
<td>5</td>
</tr>
</tbody>
</table>
Rahman’s mother, Dea, the eldest of three siblings, was not interested in the telecommunication business. Dea and her husband, Hassan, decided to go into real estate. Dea’s younger sister, Evi, and husband, Bayu Darwanan, were in the home and personal care business.

Journey Into Santo Broadcasting

Rahman’s parents were very young when they got married, while his uncle Umar and Aunt Evi married much later. This made Rahman the eldest of the third generation and the heir apparent. The offspring closest to him in age was the daughter of Uncle Umar, who was 13 years old.

As his parents’ only child, Rahman led a sheltered life. His father encouraged him to take up a business degree so that he could succeed in the corporate world. After obtaining his degree, he worked for Novartis Indonesia. He enjoyed his new-found freedom working in the firm because it allowed him to visit several less popular cities within Indonesia. During that period, he married his long-time sweetheart, Aisyah. Shortly thereafter, they decided to try their hand in a small venture. Thus, Rahman resigned from Novartis.

Rahman reasoned, “Somewhere along the way, I started to feel that even if I put in 90% or 50% of the work, the return to me was still the same. The salary was fixed—you are bound by the corporation, bound by your responsibilities. If you are already bored, you have to wait for something to happen. You have to wait for your manager to promote you. I felt like if I exerted this much effort into something else, it would soon produce a greater return. My wife and I talked about it and said let’s try our hand at business.”

Rahman’s wife had a culinary degree so the couple envisioned owning and managing their own restaurant. They started quite small, first by selling specialty desserts in food bazaars. Because they made their own dough, it was an intensive, manual job. Rahman felt they were doing well until Aisyah got pregnant. Because they had not trained anyone to take her place, they found they could not sustain their small business. It was then that Rahman decided to apply for work at Santo Broadcasting. It was an opportune time.

“My grandma was already problematic. She was 66 at that time, and there was nobody in sight who could take over. We were already talking, and she was concerned it was almost the end of the line since all her children were disinterested in the business. She thought the only option was to sell to the bigger stations,” Rahman recalled.

And so, Rahman applied at Santo Broadcasting. He was interviewed by his Uncle Umar and Grandma Dewi, and then they discussed salaries. Compared to his salary at Novartis, Rahman accepted a pay cut. He reasoned that in the long run, he would earn more if he was able to grow the business. He believed the potential was limitless.

When Rahman joined the family business, he was given responsibility to increase radio sales, and to expand the business in other markets and other product derivatives. He was also tasked to manage the daily operations of the firm. Because he did not have an operations background, he initially reported to his Uncle Umar. For three months, he observed operations at the Jakarta head office and in the Surabaya radio station where his Granduncle Ibrahim and his Grandaunt Rika were based.

Rahman stated, “I spent a couple days with the DJs, a couple of days with the engineers, a couple of days with the sales support, a couple of days with the accounting and finance. It was okay. They were actually
receptive. They were relieved to see the young blood and felt assured that there was someone who would take care of the business. They could see a future in the company.”

Rahman continued, “These were the people who had been with us since the beginning. They were able to send their children to school because of the company. In return, they have been very loyal to us. They have done their jobs very well and they have done them the best they could. However, it is now time to up the game.”

**Envisioning the Path**

Santo Broadcasting operated in the upper class market which was the sector that advertisers were targeting. Although the station had only about 20,000 listeners, these were the listeners who had purchasing power. Consequently, companies that advertised on the DXYL station in Surabaya were almost assured that their advertisements were being targeted at the right market.

“Radio penetrates 96% of the population, while social media and internet connectivity in the country is less than 10%. Television is significantly lower than radio, at 60% of the population. It depends on the marketing, what the advertiser wants to achieve. Radio advertising is certainly most cost-efficient due to its reach. Advertisers just need to find whatever station fits their market. In terms of converting to spending, it’s more of a chance. But at least you know that the market you are advertising with has very high spending power and disposable income. It may be 50:50 but once this person decides to purchase, he will purchase, and he can purchase. He has the power to purchase,” Rahman confidently explained.

Rahman’s vision for Santo Broadcasting was to make the Surabaya transmitting station the flagship station of the company. He also wanted it to serve as a training center for future company-owned radio stations. He wanted to increase the number of radio transmitting stations, back to the days of PT Son, and to enter the digital television market in Jakarta. However, Rahman realized that telecommunication equipment was quite expensive.

At the stations, the useful life of equipment was 30 years. Because the company started in 1993, this meant that the equipment would soon need to be replaced. Given the new technology, it would make sense to not merely replace the equipment, but to upgrade to the latest technology. This required enhancing the skills of its employees, but if Rahman could not even convince his Grandaunt Rika to install software that would improve service delivery, he wondered how he could convince her to move into new broadcasting technology.

**Grandaunt Rika and the Surabaya Radio Station**

Granduncle Ibrahim and Grandaunt Rika were only two years married when Grandma Dewi asked the Jakarta-based couple to manage the radio station in Surabaya. Compared to Jakarta, Surabaya culture was laid back. Locals communicated in their dialect. They were more soft spoken and were averse to conflict.

When Grandaunt Rika moved to Surabaya, she had to learn these ways so that she could integrate well into the culture. She took time to learn the dialect and to study the market, more so than Granduncle Ibrahim did. She became so immersed in her new environment and the radio station operations that she became the face of Santo Broadcasting in Surabaya.

Rahman explained, “she is well-versed with regards to local trends in a sense that she provides better, more meaningful insights when we have meetings regarding the performance of the station and how to move forward. Even the station employees identify more with her than with my granduncle. They trust her much more. She exhibits more initiative and leadership qualities than my granduncle.”

If Rahman wanted to introduce changes in the station, he knew he had to have the approval of Grandaunt Rika. He believed that convincing her would yield better results. With her onboard, it would be easier to obtain the support of everyone else.

**Initial Encounter With Grandaunt Rika**
Rahman recalled his first business encounter with Grandaunt Rika, barely a year earlier. He had wanted the company to use software to facilitate the billing process. Under the manual system, employees were overworked at month-end because reports had to be prepared and verified before being sent out to advertisers. It would take anywhere from 7 to 14 days before a bill was sent out and another 60 to 90 days before the company was finally paid. However, with the software, billing could be made real time, thus shortening the cash conversion cycle.

“When I suggested all of these things, the reception was – it is like they felt we were taking away the importance of their job…they feared getting laid off because they were not useful anymore. For me, it was not a way of actually cutting them off. It was a way of taking away the menial things, the things that can be done automatically so that you can use your time more wisely on things that matter more,” Rahman explained.

Rahman continued, “They can do more things. If we upgrade the equipment, the engineers don’t have to be 24 hours in front of a transmitter looking at the reading meters. We can have just one engineer looking at the performance of the equipment through a computer, even here in Jakarta. And the engineers in Surabaya can be deployed to the other areas that we want to expand into…They can be like the team that starts up and trains the station people. Once they’re done then they can move to the next area of expansion. But because they are so busy watching over this old school equipment, their knowledge is just there and cannot be shared.”

Rahman realized that he was just one year on the job and he had a lot to learn about the industry. He had to prove himself and he thought that perhaps he should take things a bit slower. Instead of pushing his grandaunt to adapt to technology, he wondered if the better way was for his grandaunt to find the need for it. He could concentrate on generating more sales that would effectively increase the workload of the people employed in the Surabaya station. At that point, perhaps his grandaunt would see the need to upgrade processes.

Rahman wondered how long he should wait before he resurrected the conversation. He needed to build up corporate resources to prepare for the upgrading of equipment. He believed that shortening the cash conversion cycle would allow the firm to use the resources wisely. He did not want to be in a financial predicament that would force the family to sell their business. He recalled how his family had sold off their Yogyakarta and Denpasar stations to a large Jakarta-based firm.

With his grandma by his side, Rahman knew his grandaunt would not totally disregard his opinion. However, his Grandma Dewi was quite advanced in age and Rahman wanted the plans laid out before anything happened. While his granduncle and grandaunt were not shareholders, he also did not want to push them too hard because it might cause them to quit. Rahman realized that they had managed the Surabaya station for almost 25 years andalienating them might do more harm than good to the business.

Rahman felt alone. In the industry, he was probably one of the youngest who was still interested in managing a radio broadcasting station. He would attend industry business association meetings where the next youngest owner was 35, and after that were owners in their sixties.

“The running joke is that the industry is a dying industry. It’s dying because there are no successors. Each time, there was one less owner present during the meetings. The radio broadcasting stations in the rural cities, which were practically all family-owned, were being sold to the giants such as Jakarta Broadcasting Company. Here I am, very interested, but my hands are tied because of my grandaunt’s resistance to technology advancement.”

Discussion Questions

1. What are the problems with the current operation of the company? What innovation was Rahman trying to introduce to address the lapses in the operational procedures? What other proposals did he have in mind? What argument did Grandaunt Rika use in rejecting the process improvement proposal?

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Describe the industry, corporate, and personal challenges that Rahman is facing.

3. How should Rahman address his situation with his grandaunt? What are the options available to him? What are the potential strengths and weaknesses of each option?

4. From your proposed options, what course of action would you recommend that Rahman take? Prepare an action plan.

Further Reading
http://dx.doi.org/10.4135/9781529758611