The Effects of Political, Economic and Organizational Factors On the Performance of Broadcast Media in Developing Countries

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On the Performance of Broadcast Media in Developing Countries

In the past 25 years, changes in technology, policy, and industry structures have transformed the broadcast industry. Nowhere have the changes in the broadcast media been more important than in nations such as those in Eastern and Central Europe and South Asia that have been going through political and economic transitions. Experiences in these nations have highlighted the critical roles television and radio play in political and economic transformation and the development of civil society.

In most of these emerging media markets, government-controlled broadcast organizations are transforming themselves—or being transformed--into independent Public Service Broadcast organizations at the same time that the market has been opened to commercial broadcasters. As a result, the formerly state-controlled and the newly emerging commercial stations are experiencing fierce competition for audience attention and for limited economic resources.

This study uses strategic management and organizational culture theories to examine the issues faced by newly independent broadcasters in nations where political and economic systems are being renegotiated. The project seeks to understand how operating conditions affect the broadcast media's ability to serve the public interest and support political and economic development.

Conceptual Framework

Research on the strategic behavior and performance of firms has been a key focus of organizational studies since the 1960s (Whipp, 1996), but only more recently has the subject attracted the attention of media scholars and political economists. One reason for the increased attention has been the growing awareness among scholars of the impact that media economics and management have on media performance and, by extension, society. Recent research has suggested that the dynamics of media markets has a measurable impact on the quality of the journalism that reaches society (Jacobsson, Jacobsson, Hollifield, Vlad, & Becker, 2006; Hollifield, 2006). The relationship between high-quality journalism and transparency in government, economic development, and civil society has been widely acknowledged (World Bank Institute, 2002).

There are several valuable models for understanding how market forces affect the performance of media and the quality of journalism. The Industrial-Organizational model (IO) tries to answer the question of why some firms outperform others by looking at the structure of the industries within which firms operate (Whipp, 1996). In mass communications, Lacy (1989, 1992, 2000) developed the Financial Commitment Model, which predicts how moderate competition affects journalism quality, while Hollifield (2006) extended that model to examine the effects of hyper-competition on news organizations.

Finally, theories of organizational and professional culture examine the relationship between structural forces and the internal culture, dynamics and behaviors of professions and organizations.

In the IO model, the effects of market structure on firm performance is analyzed by examining a number of structural factors including the number of buyers and sellers in the market, the degree of vertical integration among existing players, and the levels of product differentiation (Albarran, 1996; Barney & Hesterley, 1996). Market and organizational performance are defined strictly on the basis of economic returns.

The IO model argues that in consolidated markets where there are few sellers, organizations can capture economies of scale and thereby lower their costs. Vertical integration as both an element of market structure and an organizational strategy reduces cost structures and uncertainties by giving firms greater control over lines of supply or distribution.

The number of buyers in the market also is important to firm performance. Where there are too few buyers in the market, it may become uneconomic for sellers to continue to serve the market. This can occur in two different ways: a small number of buyers may exercise such power that they can force concessions from sellers that make continuing to sell into the market unprofitable, or buyers may command so little purchasing power that there are too few of them able to pay the minimum price required to cover the production costs of the product.

Product differentiation is another key element of market structure. Hotelling's (1929) Theory of Optimal Location has been used to predict that in duopoly markets, product differentiation will be minimized as sellers regress to the mean in an attempt to appeal to the largest number of buyers. Conversely, competitive markets would be expected to create product differentiation, providing customers with more choice.

In the media sector, these issues of market structure, which are common to most if not all industries, are further exacerbated by the specific economic characteristics of information products. As noted by Priest (1994), media products are costly to produce, largely indivisible, and of variable relevance to consumers. These economic characteristics increase the impetus for media companies to consolidate and integrate vertically, horizontally, and laterally. Consolidation and integration have the potential to reduce uncertainties and increase market share. Consequently, independent media producers may operate at a substantial disadvantage to consolidated companies in media markets.

The financial commitment approach, which originated with Litman & Bridges, (1986) and was further developed by Lacy (1989, 1992, 2000), extends the examination of market structure and firm performance to news organizations. Lacy's four-step model postulated that intensity of competition would result in an increased financial commitment to the news product as measured by investments in news production. That, in turn, would increase the quality of the news content produced, which would increase the audience's utility. Ultimately, the investment would pay off for the news organization in the form of increased circulation and advertising revenues.

Research has generally supported Lacy's (1992) model. A substantial body of research suggests moderate competition produces numerous benefits including larger newsholes, more full-time newsroom employees, and lower workloads per reporter (Lacy, 1987; Lacy & Blanchard, 2003; Lacy, Fico, & Simon, 1989; Litman & Bridges, 1986; Nixon & Jones, 1956). Lower reporter workloads were found to increase the degree to which stories were balanced as measured by giving both sides of a story approximately equal attention (Lacy, Fico, & Simon, 1989).

As valuable as this research is, it should be noted that Lacy's model has been tested only in the media markets of developed countries in conditions of moderate competition where the primary concern has been media consolidation, not excessive competition.

Hollifield (2006) extended the financial commitment model to consider the potential effects of hyper competition on journalism performance. She argued that excessive competition will, at some point, reduce media's financial performance to the point where the benefits of competition are reversed. News staffs will shrink, news organizations will invest less in news gathering, salaries will fall, demand for professionally educated journalists will exceed supply, but the decline in salaries will cause some experienced journalists to leave the field. Reporting jobs will be more likely to be filled by untrained and inexperienced people who have not been socialized into the profession's values and ethics. As financial stress on the news organization and its employees increase, both the companies and media employees will become more susceptible to bribes and outside influences, while the countering influence of professional ethics will be reduced. Finally, in the search for audiences and revenues, media companies will begin to seek low-cost product differentiation strategies such as focusing on sex, violence, sensationalism, or social, ethnic, and religious differences.

Finally, another major theoretical perspective that has been brought to bear on understanding the dynamics of firm behavior and performance is theories of organizational and professional culture. Definitions of culture used in research recognize that culture is historically and socially constructed, and includes shared practices, knowledge and values that experienced members of a group transmit to newcomers, and is used to shape a group's processes, material output and ability to survive (Bantz, 1997; Bloor & Dawson, 1994; Linton, 1945; Ott, 1989; Schein, 1992).

Organizational culture is constructed from three main elements, namely, the national culture within which the organization operates, the long-term influence of the organization's founder or early dominant leaders, and the nature of the organization's operating environment (Ott, 1989). Within organizations, professional and occupational subcultures exist that cross organizational boundaries. These professional subcultures unite individuals who work in the same profession but within very different organizational cultures (Bloor & Dawson, 1994; Martin & Frost, 1996; Ott, 1989). Professional subcultures are distinguished by specialized professional knowledge, the provision of an exclusive and essential service that involves the discretionary application of specialized knowledge in unforeseen situations, members' efforts to gain primary control over their work, basic standards for professional education or training, an established code of ethics, membership in professional associations, and a reliance on other members of the professional subgroup as the primary reference group within the organization (Bloor & Dawson, 1994; Bourdieu, 1988; Forsyth & Danisiewicz, 1985; Toren, 1969).

Because the bulk of published research in the field of media management and economics focuses on media in developed countries, little is known about the market structures, strategic management, and organizational cultures of broadcast organizations in nations going through political and economic transitions. Such evidence as there is suggests that market structures are complex. Some nations have attracted significant foreign direct investment (FDI) from Western media corporations (Hollifield, 1993), with as much as 80% of some nations' print media being wholly or partly owned by foreign interests (Sukosd, 1992). Such highly integrated companies pose significant competitive challenges to locally owned, non-integrated media organizations. The media industries in other emerging nations have attracted comparatively little FDI. Many of those nations appear to be characterized by weak economies and slower rates of movement towards more open political and economic systems. However, independent commercial media continue to emerge in these nations.

This study seeks to address the gaps in our knowledge of the effects of market structures, strategic responses, and organizational and professional cultures on the management and performance of broadcast organizations in nations in transition. The project seeks to use existing models of strategic management, competition, and organizational and professional culture to understand the conditions in which broadcasters operate in emerging nations. If, as theorists postulate, a vibrant and independent media industry is a necessary condition for democratic political systems and economic development, then enhancing knowledge of the economic, strategic and organizational challenges facing media executives in emerging nations should be a key contribution toward the development of strong civil societies.

Television in Eastern and Central Europe

In late 2005 the Open Society Institute (OSI, 2005) released what is to this point the most exhaustive study of television in emerging media markets. The study focused on Eastern and Central Europe exclusively, but the experiences of the media in this region are similar to those in other emerging markets, and the study deserves particular attention for that reason.

The project covered the eight Central and Eastern European countries that joined the European Union in 2004 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia); Bulgaria, and Romania, expected to join in 2007; two candidate countries (Croatia and Turkey); four older EU member states (France, Germany, Italy, and the United Kingdom) and the potential EU candidate countries in South-Eastern Europe (Albania, Bosnia and Herzegovina and the Republic of Macedonia, plus a special report on Serbia).

According to the report, a “generic” European model was used to restructure the media after the fall of communism. This model was designed to produce broadcast media of two types: a private media sector and a public service broadcasting sector, independent of the state but accountable to the public through their elected officials. The two sectors were expected to compete with each other, but both were expected to survive the competition.

The report found that television markets are highly concentrated in all of Europe in terms of ownership and audiences. The three largest television channels generally dominate the markets. The ownership of private broadcasters tends to be highly concentrated. This pattern of ownership concentration was higher in Western Europe than in the transition countries, though the transition countries also have experienced market consolidation in the last decade. Commercial television is often subsidized by politicians or by companies outside the media sector. The authors of the report noted that, in these conditions, “commercial television can, and often has, become an instrument for pursuing political or business interests. More often than not there is a low level of transparency of media ownership and interests (p. 22).”

The transition countries have experienced an influx of foreign investment, which has had tremendous impact on the domestic markets. Some of this investment was the result of limits on media ownership in some Western countries. The Western media used revenue generated in their own markets to allow them to invest and then survive in the new media markets, providing them a particular advantage in competition with the local media properties.

A number of broadcasters in the new markets of Central and Eastern Europe have posted profits. Examples are the Polish Telewizja Polsat, TVN and Wizja TV, the Czech CET 21, operator of TV Nova, and the Hungarian Magyar RTL Televizio and MTM-SBS Televizio. Even in markets with limited economic resources, some broadcasters have been successful. An example is TV Pink in Serbia. In Romania, however, the largest national private stations have had great losses and, as a result, failed to pay taxes and became indebted to the State. In general, however, private stations have captured larger market shares than have the public stations.

The OSI report found that editorial independence is closely linked to the financial and management independence of the public service broadcasters. "Without sound financing allowing the public service broadcaster to carry out investigative and solid news reporting and produce high-quality programmes, or management structures guaranteed immunity against external pressures, editorial independence cannot be achieved," the authors wrote (p. 64).

In the case of the commercial stations, the owners' links with other businesses have a negative impact on editorial independence. The owners often use the stations to advance their other business interests rather than to serve their viewers, according to the report.

At both the public service television and commercial stations, news production is influenced by the market and by political agents and owners. One result is that investigative reporting is infrequent in most television stations. “For many stations in the transition counties, public service and commercial alike, the tabloidisation of newscasts has become a way of avoiding reporting on sensitive issues,” according to the report (p. 76-77).

For the most part, local television in emerging media markets is particularly challenged. The majority of the advertising revenues are captured by the national stations. As a result, the local stations are often subsidized by local governments and are used by these governments to promote their own causes.

In most of the emerging media markets, competition law has had impact. The assumption is that more broadcasters can operate in a market of undistorted competition and that the range of opinions in the media will increase with increased competition.

Technological change is likely to have great impact on these markets in the future, according to the report. These changes are particularly likely to affect the public service stations. The commercial broadcasters, with their additional resources, are more likely to gain from this change, while the public service broadcasters “appear to risk losing much, if not most, of the traditional justification for their privileges (p. 23).”

Method

This study uses a comparative case-study design to examine the problems and strategies used by Public Service Broadcast organizations (PSBs) and private commercial broadcast companies (CBs) in developing countries. The research is based on a convenience sample of 13 radio and television networks. Six of the 13 networks were PSBs, 7 were CBs, and four were in organizations moving from the PSB to the CB model.

Of the 13 broadcast networks in the study, 7 were television networks and 6 were radio networks. Of the 6 radio networks, 4 were part of a joint operation with a television network in the study. To the degree possible in the combined operations, separate data were collected on the radio and television networks. Some combined Radio-TV networks, however, were not able to break-out data by radio or television for some questions

PSBs were defined as networks that received 51% or more of their revenues through subsidies from either government or NGOs. CBs were defined as networks that received 51% or more of their revenues from advertising, even if some subsidies remained.

Data were collected through in-depth, semi-structured interviews with senior executives of either the broadcast networks or of the broadcast management-consulting firms working for those networks. Data were gathered between 2002 and 2005 through a combination of in-person interviews and written questionnaires. Each interview lasted 2-3 hours and, where necessary, translators were used.

The 13 networks were located in six countries, all defined by the World Bank as “developing.” Two were in South Asia, and four were in Europe. At least two networks were interviewed in four countries. In two countries only one broadcaster participated.

Freedom House (2004, 2005) described these seven countries in the following ways:

Country 1: The media in this country are considered to be the freest in the region. Legal protections exist and are enforced, but intimidation of journalists by differing parties continues. Most print media are privately owned. The print media provide wide- ranging content and criticize the government. Broadcast media are mostly in private hands. The state alone can use the AM band, however, and the FM band cannot be used for news broadcasts. Private TV channels exist, but they are often considered to be biased. Internet access is unrestricted. There is little evidence of change from the year before.

Country 2: Though the law guarantees press freedom, laws on libel and defamation are used to seriously restrain the media. The state former public service broadcaster is dominant and biased. It alone can reach the whole country. Two independent broadcasters were shut down during the year by the government, using technical terms. The majority of print and broadcast media are financed directly or indirectly by political or other interests. No foreign investment in the media is allowed. This is circumvented through creation of foundations to run the media. The media situation had deteriorated the year before, when the country was partly free. The dominance of the media in one of the multiple languages used in the country in terms of advertising support was noted as well. Transparency in media ownership was considered to be lacking.

Country 3: This country’s rating dropped from partly free to not free because of increased harassment of journalists and media outlets by authorities and a new bill to increase penalties for defamation. The laws allow the government to curb press freedom. The military use aggressive tactics to silence journalists. Daily and weekly newspapers that are privately owned exist. Most electronic media are state owned. New private cable and satellite television channels are more lively. Private radio is not allowed to broadcast news. The government controls the press through the allocation of advertising. The internet also is partially controlled. Freedom House in 2005 said that restrictions are placed on the work of foreign journalists through visa requirements and travel limitations.

Country 4: The constitution guarantees press freedom, but the media are controlled by political and economic forces. Libel laws are criminalized and used to control the media. State-owned broadcasters favor the ruling party. The media are owned by foreign publishers, former politicians, and local businessmen. Half of all local television stations are owned at least in part by former ruling party politicians and businessmen. Individuals with close ties to the party control many of the newspapers. Foreign publishers have been accused of censoring the local journalists. The foreign publishers say they must tone down coverage to obtain advertising. Outside agencies have criticized the government for writing off debts for media outlets to obtain more favorable coverage. Freedom House in 2004 noted that few media outlets are profitable. The distribution system for media is state-owned and functions poorly. Advertising is used as a tool to pressure media outlets.

Country 5: Press freedom is constitutionally guaranteed, but political pressure, libel suits and an unreformed regulatory system restrict the press. Defamation suits are used by political interests. Little progress has been made to transform the state broadcaster into a public service station. Attacks on journalists are common. Numerous private media outlets exist, but there is little transparency on ownership. The regulatory environment is politicized, and privatization occurs in this environment. In 2005, Freedom House said the government has closed media outlets using laws against hate speech. Journalists are subjected to harassments, threats and actual physical violence.

Country 6: The rating improved from not free to partly free because of changes in the media environment following recent elections. The legal framework guarantees freedom of the press. The government, however, used politically motivated libel cases and licensing to control the media. For example, a television station lost its license and its assets were frozen by a court. The government exerted pressure on the media during the elections. Journalists face intimidation and violence. Private ownership of the media is possible, but most media are owned by politicians or businessmen linked to politicians. The post office has refused to distribute newspapers critical of the government. A year earlier, Freedom House said that most major newspapers were financed by powerful political and business interests. Government influence in the broadcast sector is extensive. The state or pro-government interests control all the national television stations. The government has sought to monitor the internet.

In the interviews for this study, the characteristics examined included level of national political and economic development, type of broadcast network (PSB/CB), level of competition in the market, and company organizational structure. Outcomes examined include reported problems with government interference, newsroom operations and/or advertising operations; audience share, and organizational efficiency and stability.

In addition to the 13 semi-structured interviews that were conducted, during the study period the authors met with hundreds of broadcasters, journalists, and media executives in transitional countries around the world. Although the findings reported in this study are based strictly upon a careful comparative analysis of the 13 interviews, they are supported and supplemented by the additional information gathered in conversations, meetings, and workshops from journalists from Central and Eastern Europe, Asia, the Middle East, Africa, and South America. The information and insights gathered in those unstructured discussions are wholly consistent with the findings reported here on the basis of the 13 comparative case studies..

For purposes of analysis, responses to the questions on the semi-structured interview instrument were organized into a dataset to that allowed comparison of responses across organizations. Full transcripts of the interviews were created and used to supplement the information from the more structured parts of the interviews. During the data analysis process, the transcripts also were used to provide additional context on some questions.

Findings

The study found that broadcasters in developing countries face similar issues regardless of location, national development, or whether they are a PSB or CB organization.

F1: The structure of media market structure is a significant issue affecting media performance in transitional countries. Broadcasteing suffers from hyper-competition, but perhaps less than print media. Market structure is clearly an issue for broadcasters in transitional nations. All of the broadcasters in the countries studied were operating in markets characterized by low levels of seller concentration relative to their comparatively high-levels of buyer concentration. In other words, the broadcasters in all of these countries face high-levels of competition for advertising, particularly when the print media in the market also are factored in. In four of the six countries, the problem is exacerbated by the fact that the countries have multilingual populations, meaning that broadcasters actually reach only a subset of the total potential audience, reducing market share even more.

Additionally, there was significant market distortion in all of the markets in the study. Networks heavily subsidized by government, political, business, or criminal interests compete side-by-side with commercial companies that are wholly dependent on advertising. Subsidized networks are able to use their subsidies to support advertising-rate cuts that commercial broadcasters can't match. Although many countries have limits on the amount of advertising PSB can sell, in some countries, those limits are not enforced. Finally, commercial networks compete in international programming markets against their subsidized brethren, which drives up program prices.

Surprisingly, although there were four laterally integrated Radio-TV and two networks were laterally integrated with newspaper operations, only one of company in the study was vertically integrated. Overall, the level of consolidation among the study participants was low, although several reported that they are pursuing cooperative partnerships with other broadcasters, if not ownership integration.

Despite the high levels of seller concentration and low levels of buyer concentration and industry consolidation, all of the 9 broadcasters who reported their financial results said they were at least breaking even, if they included subsidies from governments and NGOs. The PSBs reported that they were generating anywhere between 15% and 70% of their revenues from advertising, while the CBs were all almost entirely advertising supported.

Two of the networks were state-owned PSBs in the process of being privatized, while another two were privately owned PSBs in the process of being converted into CBs. All were struggling to restructure their operations so as to remain viable after subsidies end. Both of the commercial broadcasters in South Asia reported strong financial results, but the majority of networks said they do not have generous resources available to invest in content production.

F2: The relationship between broadcasters and their audiences is changing in transitional nations no less than it is in developed ones. However, broadcasters' in transitional nations have fewer resources available and less freedom of action to respond.

Most of the networks that were asked about audience research were buying data from commercial services. However, like their North American and Western European counterparts, they were generally dissatisfied with the quality of the data they were receiving.

Most reported that they had lost audience share from the year before, with estimates ranging from 2% to 12%. But two networks – one CB and one PSB, reported dramatic growth – up 15% and 30% respectively. In the case of the CB, the network was relatively new and the growth may reflect the audience's increasing awareness of its presence in the market. In the case of PSB, network executives credited increased political activism in the country and operational improvements for their larger audiences.

Most PSBs, however, appeared to be facing special challenges in retaining audiences. PSBs overwhelming reported that their programming was heavily focused on news, public affairs, and cultural programming. As a result, all of the PSBs reported that there audiences were becoming older, grayer and, for the most part, smaller. Although the PSBs generally reported that they appealed to “higher-income” and “more intellectual audiences, most were very concerned that the audience segment they attracted put them at a significant disadvantage in the advertising market.

PSBs who consider trying to change their programming to appeal to younger audiences face some obstacles. In some places, there are regulations in place that limit the ability of the new owners of privatized PSBs to radically change their programming lineup. Changes can be made, but they must be gradual, over many years. Even where such regulations don’t apply, the governments and NGOs that subsidize PSBs generally have expectations about the type of programming the networks will air. And PSBs hesitate to change their programming too radically in pursuit of younger audiences and advertisers, lest they lose the following they already have even as they face a more competitive market.

CBs do not, of course, face these issues to the same degree. While all networks may quail before alienating existing audiences, CBs generally have greater degrees of freedom in figuring out how best to attract and relate to audiences through programming choices.

In general, discussions of audiences and programming revealed relatively little product differentiation among the networks in the study. The PSBs described their programming strategies in highly similar ways, regardless of the country in which they were located. Similarly, the CBs programming was similar. In some cases, the CBs shared the same management consulting group, which would be expected to have an impact. But those CBs that did not employ that group still did not show much evidence of differential programming or strategy. Overall, the programming strategies described by these executives were similar to those of Western Europe networks. They emphasize news, sports, public affairs, and cultural programming and, for those programming entertainment, telenovelas and reality TV.

The final issue identified in the study related to media-audience relations is credibility. Many of the networks reported that they face serious credibility issues. They believe that these issues stem from the audience's general distrust of media because of the government's historical control over content. Additionally, in many transitional countries, there is a well-recognized connection between media and either government, government cronies, or criminal enterprises. At best, media ownership is far from transparent in most of these countries, which does not inspire public confidence.

Public distrust of media also has been encouraged by media behavior. The rampant competition that followed the liberalization of media laws produced many newspapers, magazines, and broadcasters that tried to attract audiences with sex, violence, and sensationalism, or by aligning themselves with political, ethnic, or religious groups. Even media organizations that pride themselves on trying to report professionally, with balance, and in ways that serve the public interest and the development of civil society, share at least somewhat in the public's loss of trust in their institution.

F3: The advertising market continues to be concentrated and challenging in transitional countries.

The advertising market in most of the countries studied appears to still be characterized by buyer concentration, although specific measures are difficult to find.

Broadcast, and particularly television networks, reported being heavily dependent on international advertising. Several television networks interviewed reported that 50% or more of their advertising came from international clients. From one perspective, this can be seen as positive. Advertising from international clients draws income into a country from outside and can provide a buffer against local economic ups and downs. However, over-reliance on international advertising can make the networks financially vulnerable to political changes. In the changing political environment characteristic of transitional countries, events could, at any time, encourage an exodus among international businesses and advertisers.

In addition to international advertisers, television also depended heavily on national advertisers. Only radio networks reported picking up a significant part of their revenue from local businesses. This finding may be partly an artifact of the size of the countries included in the study. Many were geographically small enough that local and national broadcasters are almost indistinguishable from one another, making radio and television advertising inefficient for strictly local businesses. It probably also reflects the continuing weakness of local economies in many transitional countries, and the powerful presence of international corporations.

The networks interviewed generally had adopted many standard industry practices for managing advertising operations. They tended to employ 4-6 account executives, paying them on a salary-plus-commission basis, with commissions ranging between 5% and 10%. All of the networks maintained that advertisers were not permitted to influence content.

The main challenges the networks reported facing in their advertising operations were predictable: too much competition for advertising, rate competition from subsidized competitors, and advertisers' lack of interest in older audiences, rural audiences, and traditional content formats. The advertising markets in most of the countries included in the study were not yet developed enough to produce extreme audience-market segmentation.

One respondent noted that a critical issue his network faces is a constantly changing client list. From year to year, different industries surface as the biggest advertisers in the country, only to largely disappear the following year. A number of factors contribute to the variation: A company or industry may advertise heavily to build business in anticipation of being privatized, but the new owners slash the marketing budget following acquisition. Foreign industries move into a market and launch an advertising blitz upon arrival that later fades as the companies become established. Whatever the cause, instability in the client list hurt the efficiency of advertising department operations and made it extremely difficult to predict network revenues year-to-year.

Despite these challenges in the advertising side of their business, none of the networks reported being substantially in debt or under major financial stress.

At least one executive noted that in his country, television has the largest share of the advertising market, and it is likely that this is true in at least some other transitional countries as well.

F4: Many of the networks reported problems with government pressure or interference, and other types of regulations, although in most countries, the situation appears to be improving.

The majority of the networks interviewed reported still being pressured directly or indirectly to give favorable coverage to government departments or officials. For the PSBs, such pressure can represent a financial and operational threat, because they are dependent upon the authorities for financial support. Pressure was exerted on both PSBs and CBs through other means as well, including attempts to directly control programming decisions; threats of mass firings at PSBs and attempts to pressure CB executives into firing reporters not liked by the government; banning a network from government press conferences in retaliation for unfavorable coverage; directly attacking the credibility of the networks through public comments or by refusing to permit government representatives to appear on the network's programs in order to undermine the network's reputation for balance and objectivity; holding up the importation of needed broadcast equipment for months; and using broadcast licensing processes to undercut "unfriendly" networks.

Some of the networks had developed proactive strategies for dealing with such pressures. One had established a back-up operational center off-shore that would allow it to continue to broadcast into its home country should the government ever attempt to it shut down. Another network in a different country had previously had – and used -- such an off-shore arrangement, but discontinued it after a new, more democratic government took power.

On a positive note, broadcasters in only one country reported that governmental pressure and interference was increasing, while broadcasters in another country reported that the situation was both bad and unchanging. In the remaining four countries, three of which Freedom House rated as being either not free or only partly free, broadcasters generally reported that press-government relations were improving at least as measured by the number of media companies being permitted to set up operations. Generally, the media appeared to be growing progressively more independent. Even among some of the PSBs that remained government owned, the emergence of truly pluralistic multi-party systems in their countries had effectively curtailed official meddling. Lack of consensus among competing political parties derails efforts to control the network's content.

Broadcasters reported problems with other types of regulations as well. Lack of experience with free-market economies and incomplete development of appropriate regulations on business practices create unnecessary financial problems for businesses. In one country, for example, laws allow a 90-day grace period on bill payments. As a result, the average length of time between the date a spot airs and the broadcaster is paid is more than 100 days, exacerbating broadcasters' already difficult cash-flow management problems.

Similarly, laws restricting the ability of formerly state-owned companies to lay-off employees after being sold to private investors create problems for the PSBs. Most of the PSBs in the study had larger staffs than their commercial counterparts. Based on the data provided, PSBs produced roughly 4 minutes of news per full-time news employee, compared with 5 minutes of news per full-time news employee at the CBs.

The average size of the total full-time staffs at the PSBs also was several times larger than those at the CBs. Looking only at comparable television networks, PSBs employed an average of 62 full-time people for every hour the networks were on the air daily. For the commercial broadcasters, the number was 14.5. These figures have to be viewed somewhat cautiously because of differences in the size, scope, and types of operations across networks. But the size of the difference is striking and suggests that the inability to reduce staff quickly will create problems for PSBs that are losing government and NGO subsidies and will have to survive in a highly competitive advertising market.

F5: Broadcasters are challenged by the need to change their organizational and professional cultures.

Perhaps one of the most challenging – and pervasive problems -- facing the broadcasters and journalists in transitional countries is managing their changing professional and organizational cultures.

In countries moving from state-controlled to independent media, the professional culture of journalism is often under negotiation, with wide variations in journalists' beliefs about what the journalism profession's normative role in society is and what the standards for acceptable and ethical journalist practice should be.

These internal debates about professional standards are exacerbated in many countries by an influx into newsrooms of non-professionals. In countries that have seen explosive growth in the number of media outlets in the market, the industry's demand for trained journalists often exceeds the national supply. Highly educated and experienced journalists also may be forced from the field by falling wages caused by the financial weakness of media companies in transitional markets. The result is that some media companies resort to hiring people without any journalism education or experience to work as reporters. Since professional education is the main channel through which professional culture is transmitted and professional ethics and standards are established, the dilution of the professionally educated media work force weakens one of the constraints in the industry against corrupt and irresponsible journalism.

The failure to develop some agreement on the normative standards for the performance of professional journalists and news organizations further undermines the credibility of the media with both the public and government. As noted, credibility with the public already is a serious issue in many of the countries studied. Poor performance of its public service role through the practice of quality journalism and loss of credibility as an institution in the eyes of the public have negative implications for the development of transparent governments, healthy and growing economies, and strong civil societies. It also has implications for the economic health of the media industry itself. The quality of the journalism produced by news organizations has been linked to increased in ratings for broadcasters (Just, 1999) and circulation for newspapers (Lacy & Martin, 2004).

In addition to professional culture, many of the broadcasters interviewed reported that their networks were undergoing difficult but necessary changes in organizational cultures. Issues of organizational culture raised by the network executives were the need to motivate their staffs, particularly their journalists, to be more aggressive, harder working, less susceptible to pressure from government and others seeking influence, and more focused on working in ways that facilitated the network's financial success. PSBs that were in the process of becoming CBs faced particularly difficult challenges in developing new organizational cultures, but even the CBs were not immune. Network consultants and, sometimes, network executives remarked on the generally casual attitudes toward work and productivity among staff in some of the countries, the reluctance of workers to take personal initiative, and the unwillingness of organizational members to concern themselves about the company's financial success.

Executives reported that in networks used to operating under extreme conditions and in the midst of national conflicts, it was even a cultural challenge to learn how to operate with sufficient resources and in a time of peace. One of the most difficult issues identified by respondents was learning how to work under a new business model without abandoning the core values that had made their organizations unique.

Respondents reported that, at best, their efforts to transform their organizational cultures were going slowly. One barrier to rapid change identified by the executives was the laws in some countries that restrict companies' ability to reduce staff sizes quickly or get rid of unproductive employees.

Interestingly enough, networks with a history rooted in opposition to previously autocratic governments, with a tradition of revolutionary activism in support of democracy and human rights, also were struggling with the need to change their organizational cultures. Executives of such networks reported facing significant internal resistance to their efforts to place their companies on a firm financial footing. Attempts by network executives to make programming more appealing to a broader audience base, to respect the importance of advertisers rather than reject them as capitalists, and to move towards balanced and objective journalism rather than advocacy journalism, were often perceived by the staff as "selling out." In some networks, long-time members of the organization who had manned the microphones and barricades in the face of threats, jail, and violence were now departing in the face of commercialism.

Nor is it only staff members who are feeling personally these radical changes in professional and organizational culture. As one network executive interviewed for the study said:

> *"You used to have to worry about whether someone would kill you or injure you; that you were in danger (because of what you were reporting). Now you still have to worry about all of those things, but also about whether your company will go bankrupt or an advertiser will pull their advertising contract."*

F6. Broadcasters in transitional countries are generally optimistic about the future. They are more confident than many of their print counterparts in the same markets about their ability to financially survive the period of transition.

Executives of the 13 networks interviewed generally were optimistic about the future. Of the 7 networks that responded to a question about their near-term financial stability, only one had doubts about whether it had the financial resources to stay in business over the next three years. In contrast, in an earlier study of newspapers in transitional countries, only one publisher out of five interviewed reported having made a profit in any of the previous three years and most had concerns about the future (Hollifield, Becker, & Vlad, 2004).

Most of the broadcast executives were in the midst of executing plans for advancements and expansions. Two networks expected to reach financial self-sufficiency within two years of the interview, eliminating the need for further NGO subsidies. Another two were preparing for privatization. One PSB radio-TV duopoly was in the process of constructing and equipping a new headquarters, setting up cooperative partnerships with PSBs in surrounding countries, and expanding its reach in its own market through the installation of new, more powerful transmitters.

Other networks reported that they were in the process of diversifying and laterally integrating by expanding into Internet, book publishing, radio, or advertising and marketing operations. Some were laying the groundwork to expand horizontally through the launch of new channels, while others were preparing to begin distributing their news and entertainment content over alternative digital platforms such as cell phones and PDAs.

However difficult the challenges facing the broadcast executives interviewed or slow the pace of change, most appeared confident of their organizations' abilities to weather the transition and go forward.

Discussion and Conclusions

Among the problems identified in the study were hyper-competition for viewers and advertisers, aging and shrinking audiences, lack of credibility, concentrated and unstable advertising markets, government pressure on content and operational decisions, and the existence of organizational and professional cultures that hinder the development of strong independent journalism.

The study also found that commercial broadcasters in these countries were able to operate more efficiently and flexibly in addressing problems than were most of their PSB counterparts. Commercial broadcasters were more likely to report audience growth than were PSBs, with the news/public affairs focus of PSBs and their historical connection to governments potentially contributing to audience defections. PSBs tended to have aging audiences that were less attractive to advertisers, and faced more limitations on their ability to combat declining audiences by adopting new programming strategies.

Many of the broadcasters reported continued difficulties in dealing with transitional governments, with efforts to pressure and control the networks ranging from direct threats to petty harassments. However, respondents in most of the countries included in the study reported that in recent years, direct government interference had declined.

Among the greatest challenges reported by the networks in the study was the need to significantly change existing organizational and professional cultures. The professional culture of journalism in most of the countries has been significantly disrupted by the societal changes that have occurred. The result is that there is little agreement among media professionals in many, if not most, of the countries studied about what the normative standards for journalism performance, behavior, and ethics should be.

The challenges of organizational change are no less significant. Whether transitioning from state-owned to private-commercial, protected monopoly to market competitor, PSB to CB, or revolutionary channel to capitalist medium, almost all of the networks interviewed were struggling with the need to create a new organizational identity.

In the end, however, the majority of the networks were surprisingly confident about their chances for success. Indeed, like their counterparts in more stable and developed countries, they were starting to innovate, diversify and focus on the strategic investments that would help them survive the next period of transition for their industry – digital technology.

From a theoretical perspective, these findings suggest that the market structure variables in the I/O model do, indeed, offer a helpful framework through which to understand the factors shaping the behavior and performance of broadcasters in transitional countries. The Financial Commitment model in both its original and extended forms (Hollifield, 2006; Lacy, 1989, 1992, 2000) is less useful as a tool in this analysis. Market distortions from regulations that limit programming changes among historically news-focused PSBs and laws that prevent media companies from laying off excess staff make it impossible at this point to gauge the true relationship between these organizations' financial performance and the financial commitment they subsequently make to news production. Finally, the responses in this study make clear that organizational and professional culture theories have much to contribute to the study of the behavior and performance of media organizations, both in transitional countries and elsewhere.

In general, the findings of this study are encouraging. Broadcasting, and particularly television, has the power to play a significant role in political and economic development. If, as theorists postulate, a vibrant and independent media industry is a necessary condition for democratic political systems and economic development, then having a financially strong, professional broadcasting sector that is able and willing to invest in producing high-quality journalism will make a critical contribution to the development of civil society.

If most of the networks in this study cannot be termed financially strong, they appear to be at least relatively financially secure. More importantly, most of them continue to make a substantial investment in journalism. Because a content analysis was not conducted, it can be neither argued nor assumed that they are producing high-quality journalism. However, many of the networks have hired experienced consultants, or have sought opportunities for continuing journalism education by sending staff to study in developed countries or inviting leading international journalists and mass communication experts to hold workshops and seminars in-house.

It also cannot be assumed that these 13 organizations are representative of all broadcasters in transitional countries. Some of these networks operate in markets where there are literally thousand of unlicensed pirate broadcasters. Others compete against national networks known to have strong government or mafia ties. All operate in countries where there are bitter complaints by the public and even media professionals about the bias and lack of quality in the media.

However, one of the unresolved questions in measuring media performance is how many high-quality news products a market must have before it's deemed to have a quality media industry. Is it enough to have one BBC-quality broadcaster, even if all other media in the market focus only on sleaze and sensationalism? Or must audiences have a choice among several responsible, professional news outlets for the national media to be considered "quality?"

This study does not attempt to answer that question. What it does, however, is offer evidence that in many transitional markets, the broadcast sector of the media industry is showing signs of maturation and stabilization, while government-media relations appear to be improving. For those interested in the development of strong political and economic institutions and a vibrant civil society, those are hopeful signs, indeed.

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