

The Cost of Doing Business in Public Radio

Cost-Benefit Analysis

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The purpose of this study was to 1) Develop an approach to assigning quantifiable values to intangible and tangible costs and benefits that are associated with a station's university alliance, and 2) Develop a tool that will allow stations to quantify the cost and benefits of their alliance with their university licensee.

We interviewed station managers at a university licensed station and at a community licensed station. The results of the interview were incorporated into an outline for a focus group. The focus group consisting of six station managers was conducted to determine which variables constituted a cost or a benefit. The results of this study were incorporated into a web-based questionnaire. This questionnaire was then pilot-tested on 12 station managers in an effort to develop the cost benefit tool and refine the questionnaire.

The results of the 12 station sample are contained in Tables 1 and 2. These results should be interpreted with caution because of the small sample size and variability of responses. Overall, the twelve station managers find their university affiliation to be positive (as indicated by 11 of the 12 participants). The mean value of their university affiliation is a net benefit of \$581,051 for this sample.

The resulting tool contains 14 benefits and four costs associated with a station's university affiliation. Using the tool, individual stations can enter each of these costs and benefits to determine the net value of their university affiliation.

One challenge presented by this research dealt with conceptualizing and measuring the amount and cost of time spent by radio personnel on non-radio, university activities (i.e., serving on the homecoming committee, etc). The final wording of that question is as follows:

What is the value (in dollars) of radio personnel's time spent on university related activities or demands that staff would not perform for a non-institutional licensee?

It should be noted that two non-university affiliated station managers indicated that they spent a significant amount of time on non-radio activities, such as dealing with their board.

A second challenge presented by this research is the small sample size and the variability of responses. Before any generalizations can be drawn, the sample size has to increase to at least 30. In an attempt to increase sample size, the final questionnaire and the benefit cost analysis tool will be posted on the USA website with an appeal to station managers to participate.

Despite the small number to which the questionnaire has been issued, preliminary results suggest strong agreement to the following statements.

- Our radio station helps fulfill the university mission.
- Public service is a part of our university's mission.
- Our station's 'brand recognition' comes primarily from our NPR affiliation.

There is substantial agreement to the following statements.

- Our university values entrepreneurship in our station.
- Our radio station's image is enhanced by our university affiliation.

There was a broad range of responses from “strongly agree” to “strongly disagree” to the following statements.

- Our radio station operates independently of the university.
- Our radio station provides an academic function.
- Our radio station has a high level of community involvement through boards, 501c3 organizations, friends groups, etc.
- The licensee discourages the station from being involved in the community.
- Our affiliation with the university does not compromise our editorial integrity.
- Our university creates opportunities for us to be successful.
- Our university values entrepreneurship in our station.
- Our university treats us unfairly compared to other university units.
- I've explored the possibility of creating a separate support organization, LMA or becoming a community licensee.
- Affiliation with our university hampers our fundraising effort.
- Our station's 'brand recognition' comes primarily from our affiliation with the university.

The mean values for the university covered expenses are shown below in Table 1.

Table 1	
Mean Value for University Covered Expenses	
Expense	Mean
Salaries	\$218,534
Physical Space	\$110,805
General	\$73,400
Retirement	\$49,714
Insurance	\$40,607
Tuition	\$33,691
Faculty Giving	\$20,414
Utilities	\$18,605
Internet	\$10,305
Accounting and Audit	\$8,422
Capital Equipment	\$4,635
Legal	\$2,600
Data Base	\$2,273
Venue Space	\$1,955
Overhead Payment	(\$6,682)
Lost Interest	(\$8,227)
TOTAL	\$581,051
Operating Budget	\$2,482,358
% Covered by University	23.41%

Correlations were estimated among all of the variables. The results are shown in Table 2.

Table 2 Correlations	
Positive at .01 level	Positive at .05 level
<ul style="list-style-type: none"> • Mission and Success • Mission and Entrepreneurship • Mission and Integrity • General Support and Population • \$ Budget and CUME Audience 	<ul style="list-style-type: none"> • Overhead Payments and Image from University • Overhead Payments and University Brand Affiliation • Reorganization and Community Involvement • Community Involvement and Independence • \$ Salaries and Time Spent on Non-Radio Activities
Negative at .01 level	Negative at .05 level
<ul style="list-style-type: none"> • Unfair treatment and Success • Unfair Treatment and Radio Image from University • Overhead Payments and Unfair Treatment 	<ul style="list-style-type: none"> • % University Budget and Radio University Brand • Annual Budget and Independence • CUME Audience and Independence • Discourage Community Involvement and Entrepreneurship

Responses to the open ended questions are included below verbatim.

Table 3: What is the most important asset your station provides to the university licensee?

- Student training
- Media facilities; professional staff; world wide recognition via web
- Visibility for the President and University throughout the state
- Station provides a positive image in the community as well as providing information about events and activities going on at the university
- Public service; provide positive community image
- Community service; community awards; association with NPR; student internships
- The Station provides a daily University presence to a significant population and desirable demographic, many of which have no other tie to the University.
- A tool for continuing education and a presence in the community. When the institution went out with a nearly \$1 billion bond they made sure the radio stations were a part of it. Their thought was that it would appeal to voters who received no other benefit from the institution. The bond passed in every precinct.
- Community service/outreach
- Training to student and public relations
- Public service and education of communication majors
- Our reputation and our huge regional (geographic) reach

Table 4: What is the most important asset the university licensee provides to your radio station?

- Facilities, utilities, salaries and benefits for five full-time staff
- Legal counsel and oversight
- Funding for some salaries and physical space on campus
- Payroll for four full-time staff and the ability to get financial help in case of emergency situation or end-of-year deficit
- Faculty, staff and student resources
- Financial and moral support
- FCC Licensees
- Although University now “pays” for most university benefits and services, University affiliation is an asset when recruiting staff (good benefits, retirement, longevity, and stability). However, the station (NOT the University) absorbs the costs of just about every University benefit and service.
- The freedom to be the architects of our own fate
- Free space for offices, studios and some administrative services
- Financial support through the federal government’s Title III program
- Infrastructure support as well as financial support for salaries and in-kind support for much of the administrative work
- If an emergency struck us the University would be the first to step in to assure our survival. They are deeply invested and often refer to us as one of the University’s “crown jewels” and mean it.

Table 5: What would you most like to see changed in your relationship with the university licensee?

- Quicker response to contracts and turnaround times for purchasing and equipment matters
- That the station be viewed as not just an auxiliary function of the university, but an integral part of its mission
- Station placed in an organizational area that frees the station to operate more in its interests rather than the interests of various individuals at the university
- None
- Improved status of station within university structure
- Reduced rent
- University recognition and assistance in “institutionalizing” station as an important asset to both the university and overall community, so that regardless of who the “players” are at any given time, the station’s existence is not at risk.
- I’ve spent 30 years training these folks. I don’t want to change anything.
- Have the funding for the station that comes from the university taken out of the College of Arts and Sciences and placed somewhere more secure; Dean doesn’t like paying for something that benefits entire university, not just his college.
- Less red tape in getting simplistic tasks accomplished

- I wish the University would actually do what they have said wanted to do which is to stabilize their financial support for us at some benchmarked figure (i.e. a percentage of our budget or of theirs, etc.)

From the above analysis, given the smallness of the sample, we conclude that eleven of the twelve station managers found their university affiliation to be positive rather than negative.

ADDENDUM
Feb 19, 2007

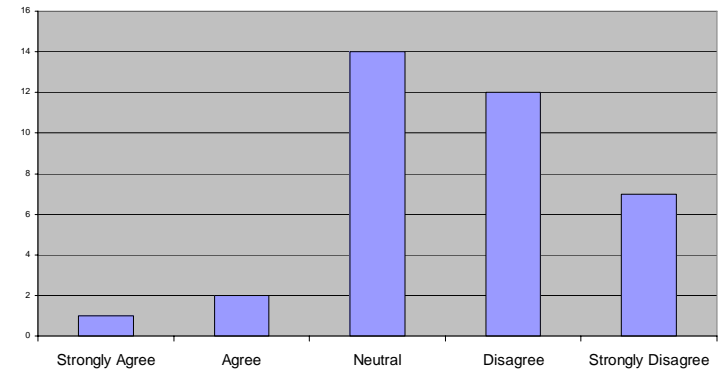
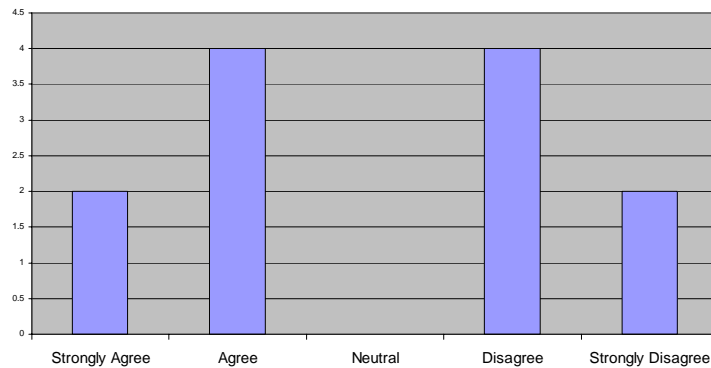
Recently, we opened the surveying instrument to additional university licensed stations. The number of responses increased from twelve to thirty six. The financial information is detailed in the following table under the column labeled Mean 2.

Expense	Mean 1 (n = 12)	Mean 2 (n = 36)
Salaries	\$218,534	\$180,914
Physical Space	\$110,805	\$106,269
General	\$73,400	\$100,614
Retirement	\$49,714	\$29,101
Insurance	\$40,607	\$33,042
Utilities	\$18,605	\$14,810
Internet	\$10,305	\$14,292
Accounting and Audit	\$8,422	\$14,108
Capital Equipment	\$4,635	\$20,045
Legal	\$2,600	\$2,586
Data Base	\$2,273	\$1,333
Venue Space	\$1,955	\$2,562
Overhead Payment	(\$6,682)	(\$11,128)
Lost Interest	(\$8,227)	(\$14,043)
Total	\$526,946	\$494,505
Operating Budget	\$2,482,358	\$1,873,373
% Covered by University	21%	26%

The frequency distributions from the new surveys are shown in the right hand panels of the following slides. In general, the responses were very similar to the responses in the pilot survey.

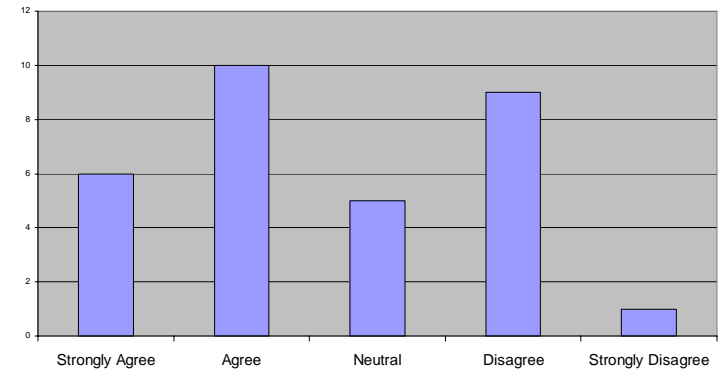
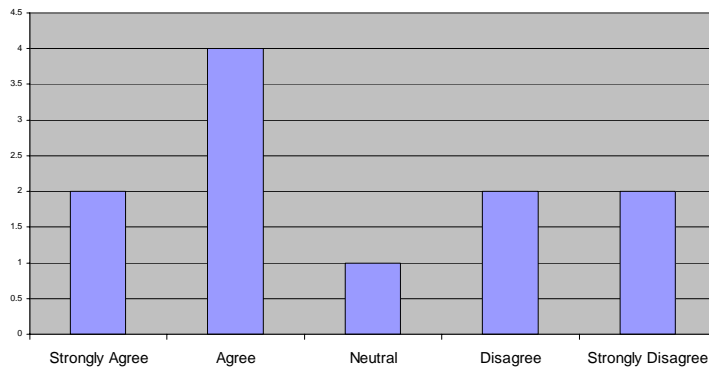
Independence

Our radio station operates independently of the university.



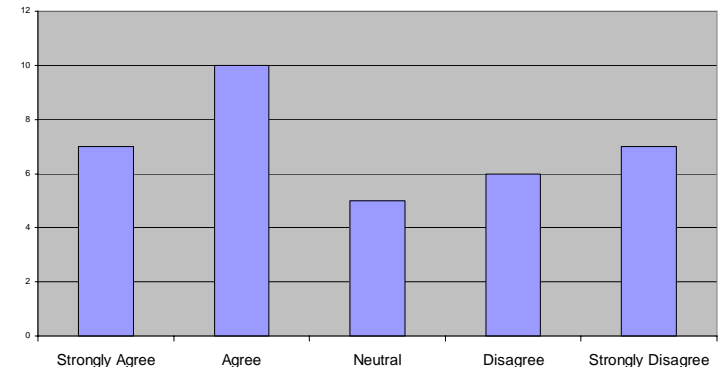
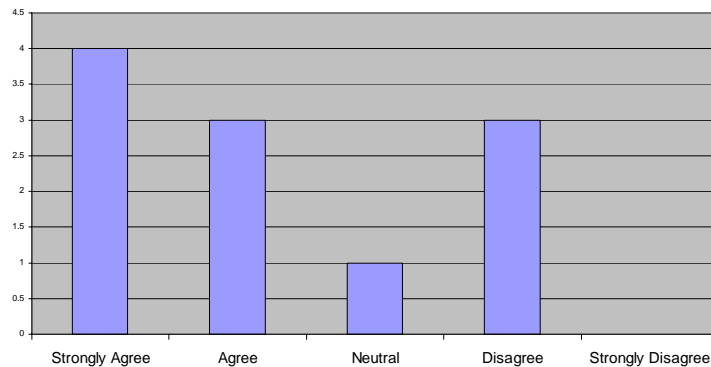
Academic Function

Our radio station provides academic function.



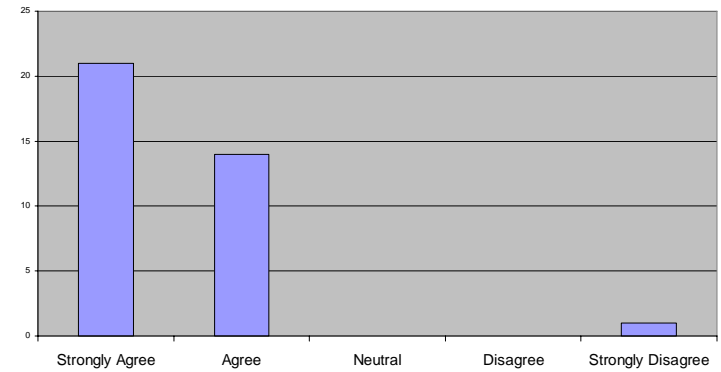
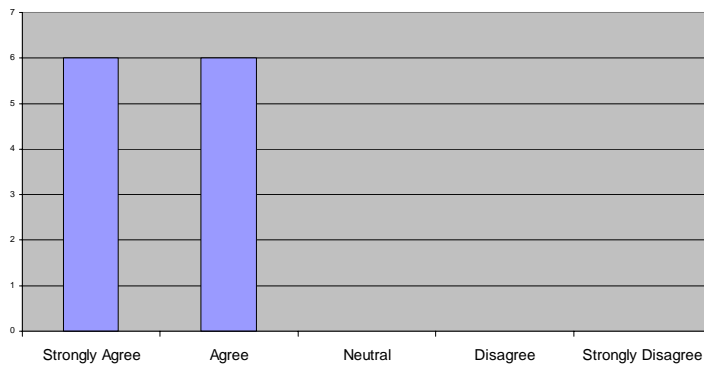
Community Involvement

Our radio station has a high level of community involvement through boards, 501c3 organizations, friends groups, etc.



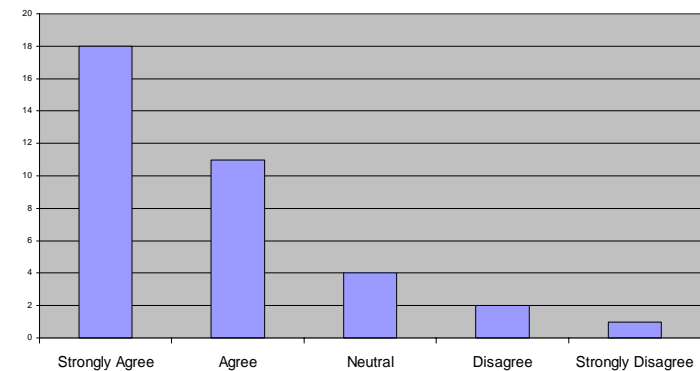
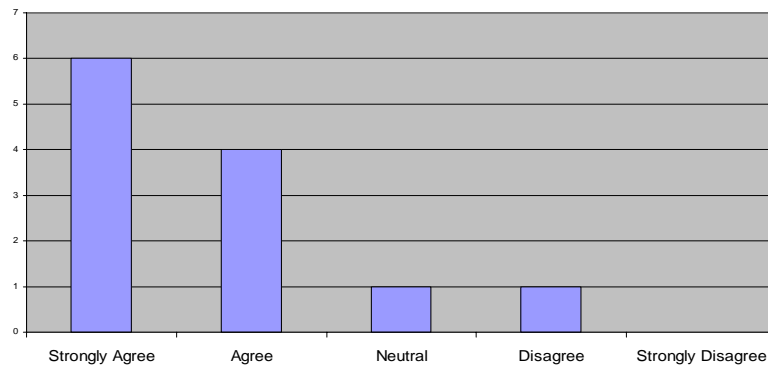
Mission

Our radio station helps fulfill the university mission.



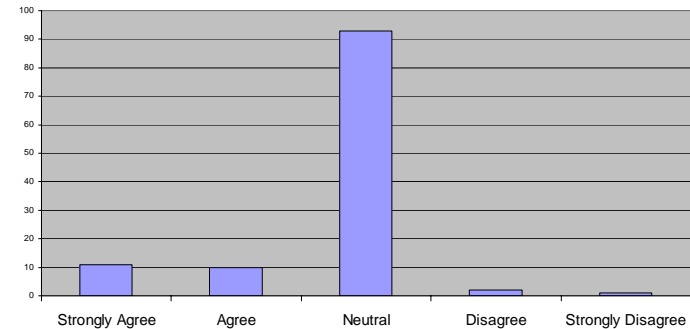
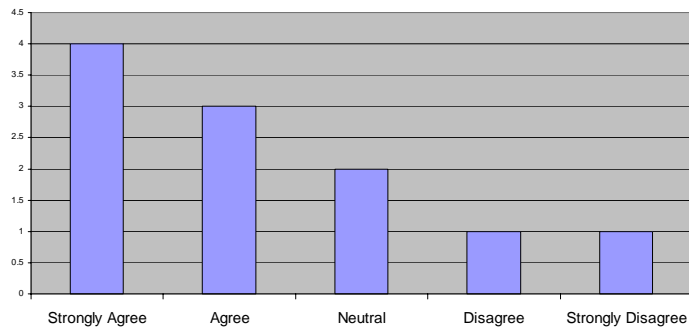
INTEGRITY

Our affiliation with the university does not compromise our editorial integrity.



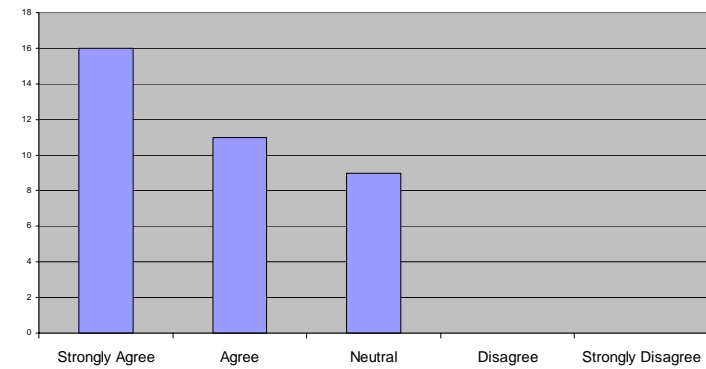
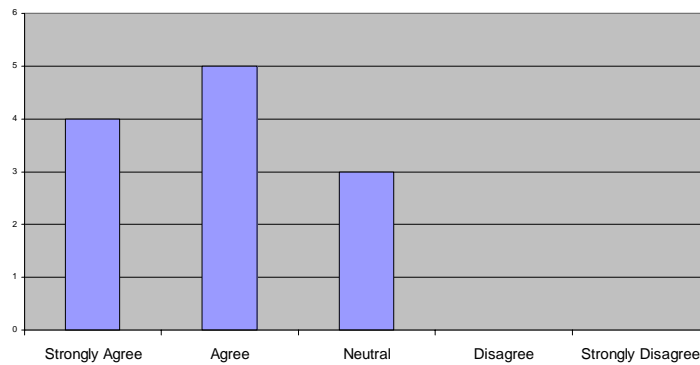
Success

Our university creates opportunities for us to be successful.



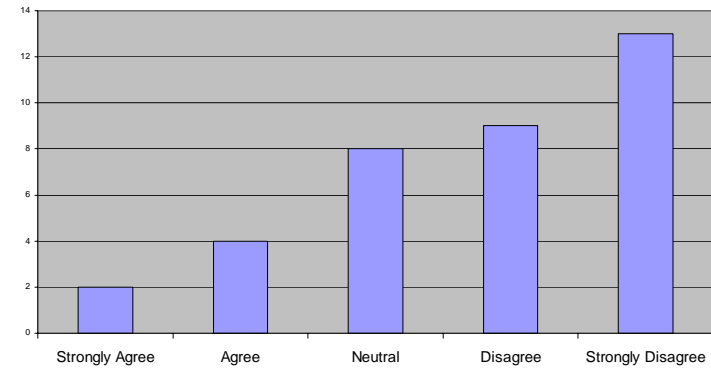
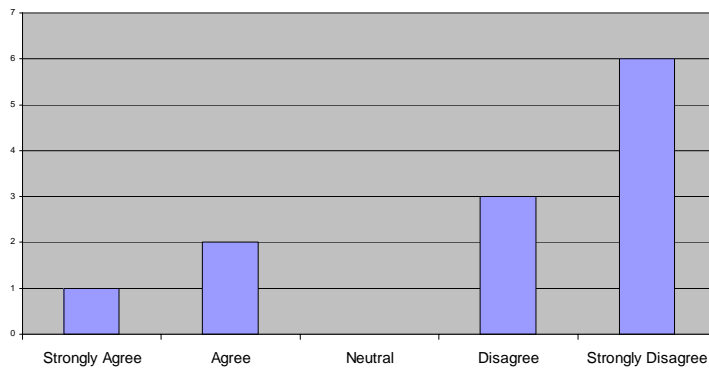
Entrepreneurship

Our university values entrepreneurship in our station.



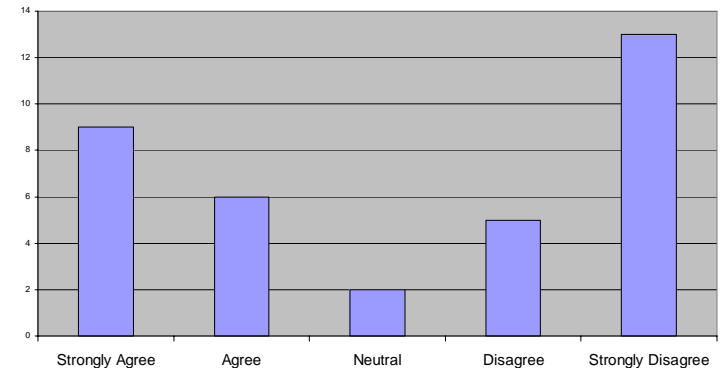
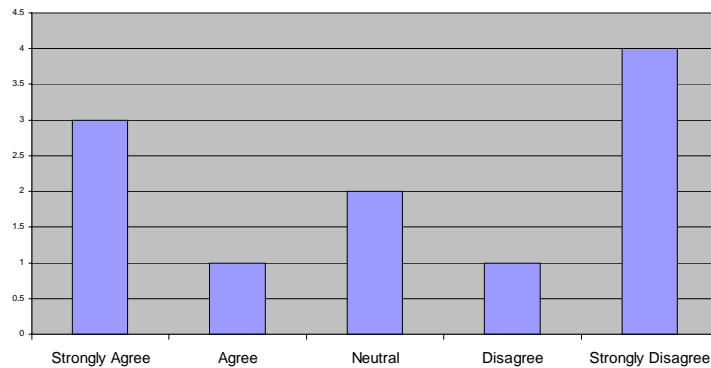
Fairness

Our university treats us unfairly compared to other university units.



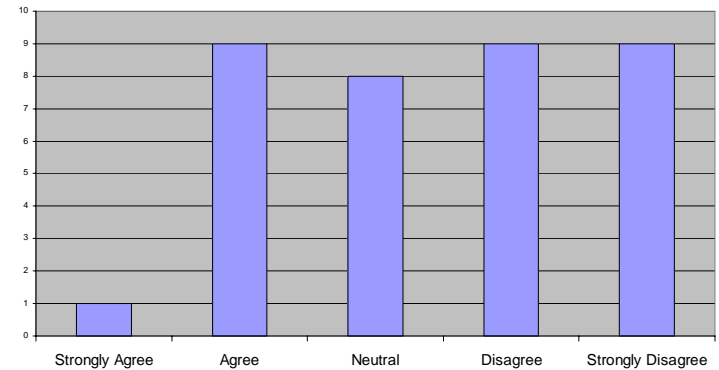
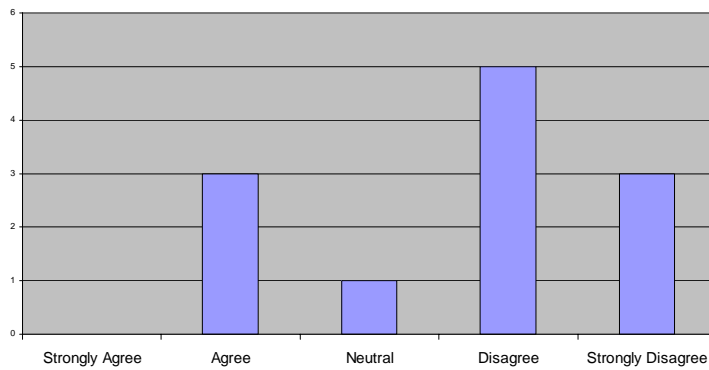
Reorganization

I've explored the possibility of creating a separate support organization, IMA or becoming a community licensee.



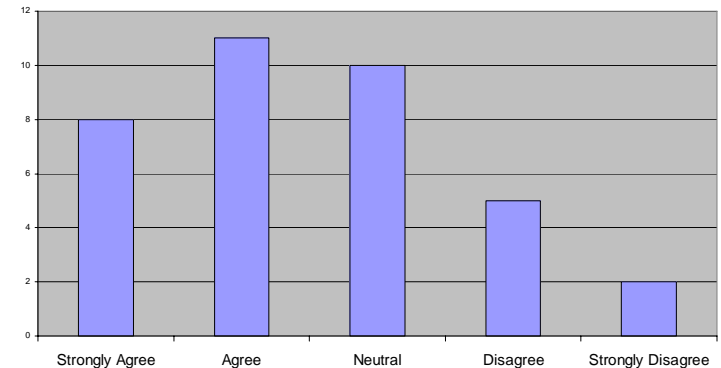
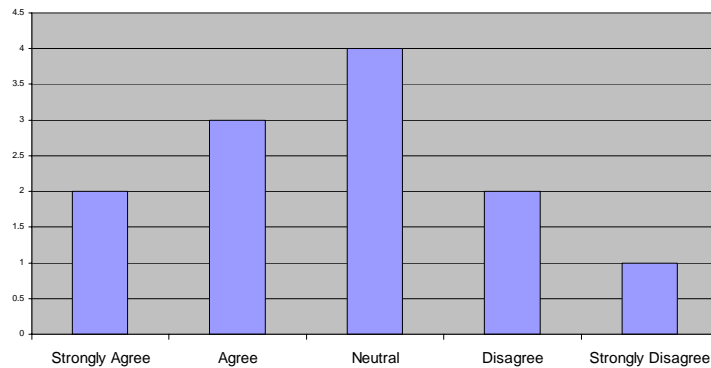
Fundraising

Affiliation with our university hampers our fundraising effort.



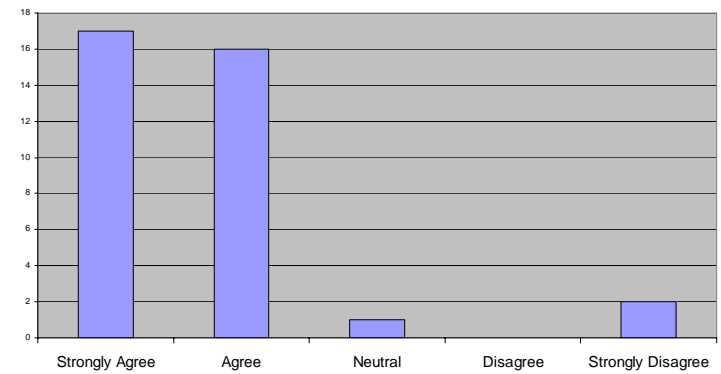
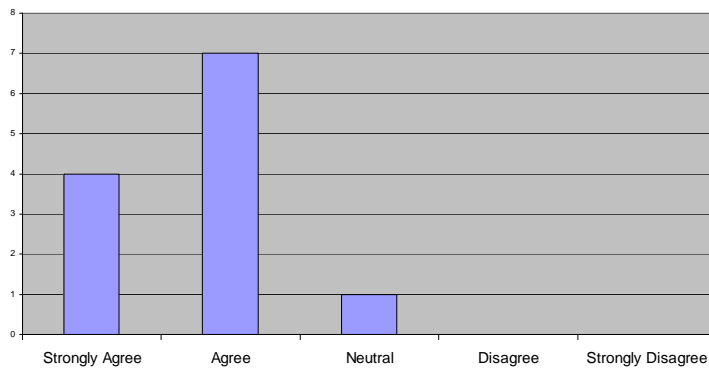
Station Image

Our radio station's image is enhanced by our university affiliation.



University Image

Our university's image is enhanced by the affiliation with public radio.



NPR Brand

Our station's 'brand recognition' comes primarily from our NPR affiliation.

