

FINANCIAL SUSTAINABILITY MODEL

FOR

**COMMUNITY RADIO STATIONS IN
SOUTHERN AFRICA**

PREPARED BY

**THE SOUTHERN AFRICA INSTITUTE FOR MEDIA ENTREPRENEURSHIP
DEVELOPMENT**

(SAIMED)

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1.0 INTRODUCTION

This document presents a financial sustainability model that has been developed by SAIMED to assist community radio stations in Southern Africa to become financially sustainable from inception. This model was developed based on research conducted in Namibia in 2002 among six community radio stations in that country. The research and development team comprised Dick Maganga and Zwide Mbulawa.

In developing this model, it was assumed that it would primarily be applied in cases where a new community radio station was being established. However, the model was designed to be equally applicable in existing community radio stations which did not utilise this model at the time of their establishment. By implementing the steps outlined in the model, existing community radio stations could make a fresh start which will lead them to financial sustainability. The model is also equally applicable irrespective of differences in economic activity or cultural differences.

For purposes of this document, a financial sustainability model is defined as a series of steps to be followed by a community radio station in order that they might achieve financial sustainability.

2.0 MODEL DESCRIPTION

2.1 Model Assumptions

The model outlined below is based on three fundamental assumptions:

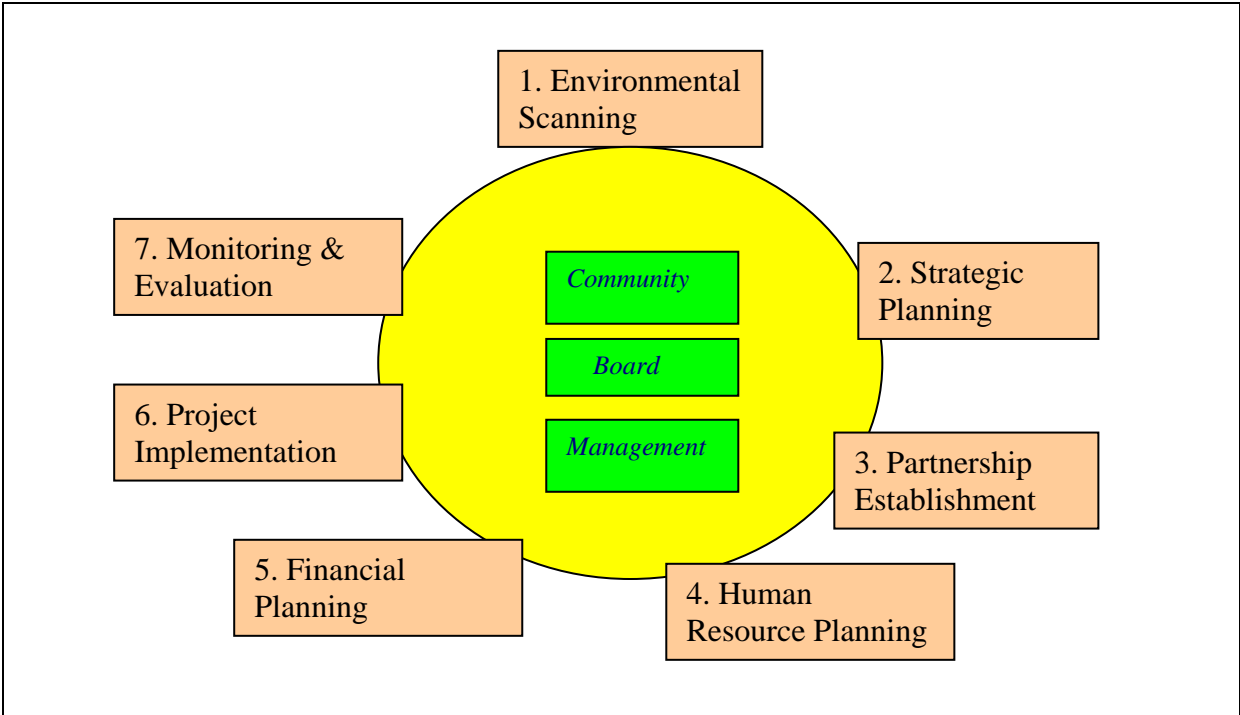
- a. *Operations are responsible for the sustainability of any business operation.*
A business consists of operations that define its nature, scope and scale. Good operations generate a profit. Therefore, there is a direct relationship between business operations and hence sustainability.
- b. *Operations must take place in a conducive business environment for growth to be achieved.*
A business environment is an intangible, but it is also observable on the cash flow. The environment can be determined by a whole host of things, including regulations and policies. When these are conducive, growth is easily achieved.
- c. *Any business operation is by nature cyclical, and therefore feedback is a vital component for growth and sustainability.*
Feedback is an important part of business operations because it encourages the collection, interpretation and application of information that results from operations. It helps diagnosis as well as forward planning, and the correction of business deviations. Using feedback also encourages a measurement system of some sort to be in place in the business.

2.2 Elements of the Model

The proposed financial sustainability model for community radio stations consists of seven elements:

- 1. *Environmental Scanning*
- 2. *Strategic Planning*
- 3. *Partnership Establishment*
- 4. *Human Resource Planning*
- 5. *Financial Planning*
- 6. *Project Implementation*
- 7. *Monitoring and Evaluation*

The pictorial representation of the financial sustainability model for community radio stations is as follows:



Financial sustainability model for community radio stations

The circle represents the community radio station itself. The Community, Board and Management are the key players in the community radio station. It is assumed for purposes of the model that:

- a. The community has already been mobilised and that the idea of a community radio station is owned by them.
- b. The Board has been appointed and is already functional.

The seven elements of the model are the steps that must be taken in order for the station to become financially sustainable as described below.

2.2.1 Environmental Scanning

This is the first step in the process of establishing a financially sustainable community radio station. The environment is what provides both market opportunities and threats to the radio station. The purpose of environmental scanning therefore is to understand our environment better and to assess its potential. The underlying assumption is that the radio station should be able to sell airtime to some willing buyers in the environment. Therefore, in performing environmental scanning, the station should seek to answer the following questions before the station is launched:

1. Is the economy of the area strong enough to support the radio station?
2. Who are the potential buyers of our airtime and where are they?
3. Are there enough potential buyers of airtime in the area to make the project worthwhile or should we extend the coverage area?
4. Who else is providing services similar to ours and at what price?

2.2.2 Strategic Planning

Once the environment is scanned and the station promoters are convinced that there is potential in the area for the operation of a successful community radio station, the promoters should undertake strategic planning. This process will help it to decide the reason for the radio station's existence, what sort of station it should be and how to make it the kind of station that it is intended to be. The following questions must be answered as part of this process:

1. What is the purpose of this radio station?
2. Which audience are we targeting?
3. Which other radio station is targeting the same audience?
4. Which geographical areas should we cover?
5. Which other radio stations are covering the same geographical areas?
6. Where should the station be located?
7. What should be our broadcast hours and why?
8. What will differentiate our radio station from the others?
9. What is the minimum airtime quantity that we should sell in order to survive?
10. What should be our airtime price policy?
11. How should we sell our airtime?
12. What importance should we attach to sponsored programmes?
13. Who should be our strategic partners?
14. Where should the station be five years from now?

2.2.3 Partnership Establishment

A community radio station cannot be established successfully without the involvement of partners. The community which wishes to establish the station is itself a partnership. However, for the project to work, there is a need to involve other external partners. Examples of such external partners are government, local councils, local NGOs, churches, donors and local companies.

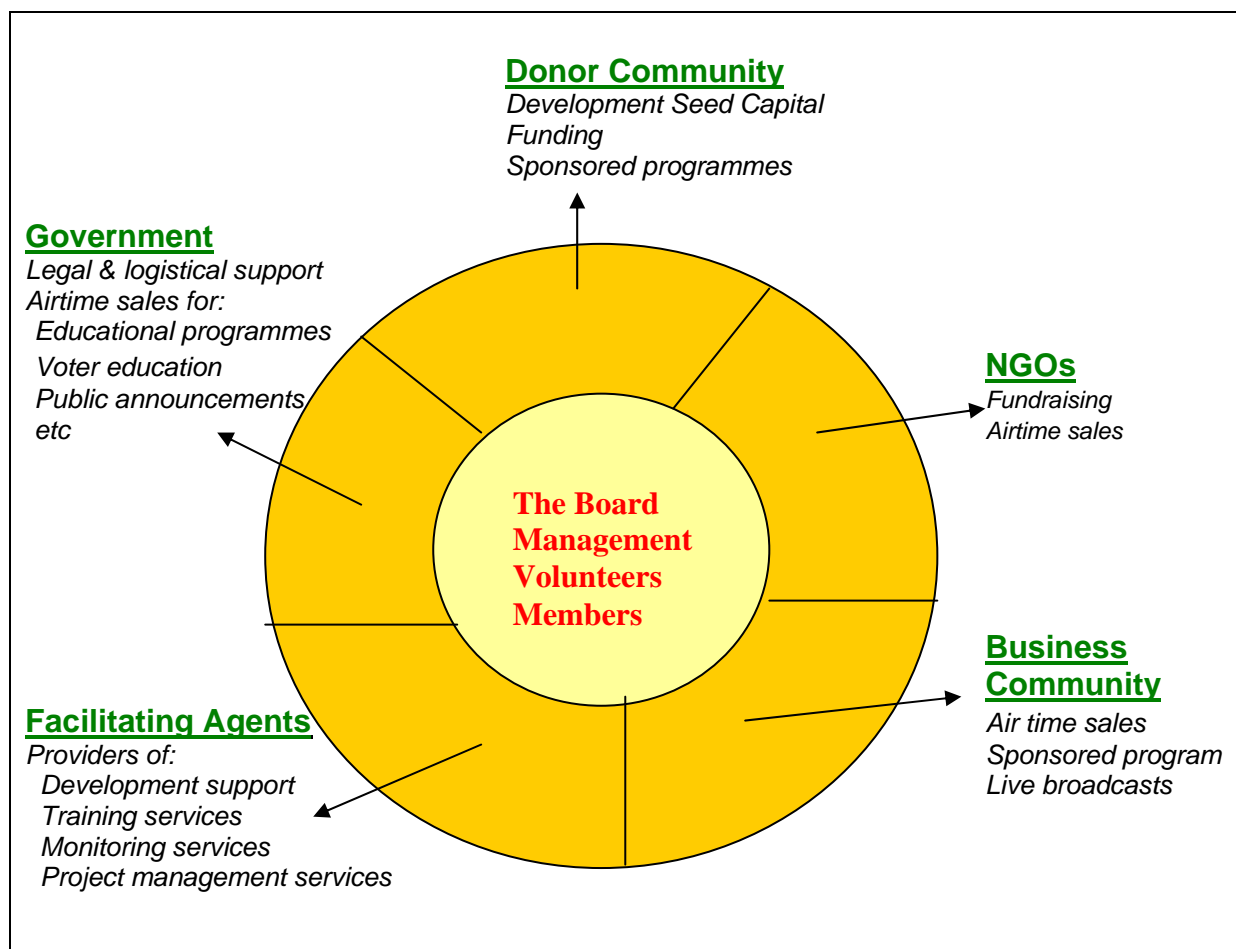
Very often, too much focus is placed on partnership with donor agencies, with the station doing everything possible to make sure that it attracts more money from the donor. In reality, relations with other stakeholders are just as important for the growth and survival of the community radio station and must be well managed.

Gabriel Urgoiti, in his article *Community Participation; the backbone of a successful community radio station*, has listed the role players in a community radio as community residents, local leaders, community structures such as religious group, sport clubs, civics, NGO's, Government officials, donors, volunteer, consultants, and experts.

We have classified these potential partners into five groups, namely;

- Government
- Donor community
- Business community
- NGOs
- Facilitating agents

These groups and their potential contributions are outlined in the community radio partnership model presented below:



Community Radio Partnership Model

Three of the partner groups shown above require further explanation:

1. The donor community.
 Most community radio stations cannot be established without the support that comes from donors. In most cases, communities do not have the resources to acquire the radio equipment, to renovate buildings into suitable studios and to pay for all the activities necessary to launch a radio station. Donors therefore play a key role in the establishment of community radio stations and are an important partner. However, community radio stations should not rely on donors to provide them with financial support forever. That is why it is important that community radio station to apply this sustainability model.
2. Facilitating agents.

One of the facilitating agents among the partners is a development support entity whose role is to facilitate the development of community radio stations in a given country or region. In the case of Namibia, a National Community Radio Network (NCRN) was already established to provide the necessary development support to the six community radio stations. Such an entity is very important for the development of community radio stations. It is therefore strongly recommended that every country should have its own development support entity like the NCRN to provide the necessary support.

The following are some of the responsibilities of a development entity of this nature:

a. Administration

The entity could act as a co-ordination centre for all the community radio stations in a country. This helps to establish the principle of networking, which will create a conducive environment for growth and stability

b. Training

The entity could become a coordinator for training or even establish a centre for production training, technical training and technical assistance for all community radio station in a given country.

c. Financial Strategy

The entity could become a production centre for some airtime and sponsorship programmes. This would eliminate duplication of effort and ensure cost effectiveness in programme production.

d. Trust Fund

The entity could become the coordinator of such facilities as pension funds, medical aid packages and insurance packages for all staff in community radio stations in the country.

e. Audience Research

The entity could conduct research regularly in order to acquire a better understanding of the market, which could in turn provide useful information to the radio stations to ensure their continued sustainability.

3. The Business community

The basic philosophy of this model is that community radio stations are businesses and should therefore be run as a business. The only difference is that they do not make a profit and that any excess funds are regarded as a surplus.

Every community radio station needs to establish a relationship with an anchor sponsor because the financial support from such a sponsor, which should be an established business, is essential for its survival particularly in the early years of its establishments. Such a relationship is also important because it positions in people's minds the fact that the station is a serious organization which is capable of doing business with business partners of different sizes. Such a relationships should be developed at the inception of the station and should be maintained for as long as possible.

The following questions should therefore be asked about each of the five partner groups that are appearing in the partnership model above:

1. Who in each group should become our partner in this project?
2. What are their areas of interest?
3. What contribution can they make to the project?

3.2.4 Human Resources Planning

Human resources are a critical element in the success of a community radio station. The better informed the human resources at all levels are, the greater the chances of the radio station becoming financially sustainable.

A new community radio station needs six groups of human resources from the time the idea of a radio station is conceived to the time it is launched. These are:

- The steering committee
- The Board
- The interim management
- The station management
- The station staff
- Volunteers

a. The Steering Committee

The steering committee is the first team of human resources for a new community radio station. This committee should comprise members of the community who understand the importance of a community radio station in their area and are prepared to invest their time and effort to implement one. The role of the steering committee is primarily to facilitate the establishment of the station. This is the team that should play a key role in the environmental scanning exercise.

b. The Board

Once the Steering Committee has completed environmental scanning and satisfied itself that a market exists in the chosen environment for a community radio station, they should then appoint a Board to oversee the creation of the station. This will involve undertaking detailed strategic planning as already outlined above. Once the station is established, the Board will then play a directing role.

The Board needs training in order for it to function effectively in its role. In most cases, those who eventually become Board members will not have had experience of operating at Board level. Therefore it is important that all Board members receive training in the following areas:

- The role of Board members as strategic thinkers and the difference between management and Board roles.
- The strategic planning process.
- Corporate governance.

c. The Interim Management

Before the station becomes operational, it is advisable to have a team of interim managers to oversee the actual launch of the station. The interim management should comprise a team of experts employed on a short-term contract merely to assist with the process of getting everything together for the launch of the station and a team of local managers employed to run the station once it becomes operational. The team of experts will have undertaken radio station launches before, and they will play two key roles in the station:

- They will use their expertise to ensure that all aspects of the radio station are in place prior to station launch to ensure a successful launch and to iron out any post launch problems that may arise.
- They will act as trainers for the new managers who are employed to run the station after the station is launched.

d. The Station Management

Once the station is launched, the local managers of the radio station must now take over its running, supervised for a while by the expert managers. Their key roles are to ensure that all aspects of the station are running effectively and that it is meeting its financial targets with regard to airtime sales and programme sponsorship.

The key managerial positions that must be filled in the radio station at the time of its launch are as follows:

Position	Responsibility
<i>Station Manager</i>	Overall responsibility for the effective running of the station, providing strategic leadership.
<i>The Producer</i>	Responsible for all editorial matters to do with the station as well as ensuring that the equipment and studio staff are performing to the required standard.
<i>The Advertising Manager</i>	Responsible for selling the station and its airtime as well as other services being offered by the station to prospective buyers.

The station management should be given training in the following areas:

- Strategic planning
- Business management skills
- Financial management skills
- Marketing management
- Radio station management

e. The Station Staff

Certain staff positions should also be filled by the time the station is launched. These staff members are essential for the effective running of the station. The key staff positions that must be filled prior to the station's launch are as follows:

Position	Responsibility
News Editor	To provide news editing function to the radio station.
Programme Presenters	To present the programmes being offered by the radio station
Accounts & Administration Officer	To provide administration support and maintain the financial records of the station
Sales Executives	To sell the station's airtime, which is the major source of income for the station

The station staff should be trained in the following areas:

- An attachment to another radio station for the news editor to learn how others do their news editing.
- News gathering and story writing skills for the volunteers working under the news editor.
- An attachment for programme presenters to other radio stations.
- Budgeting for the Accounts and Administration Officer.
- Marketing skills for the sales executives.

f. Volunteers

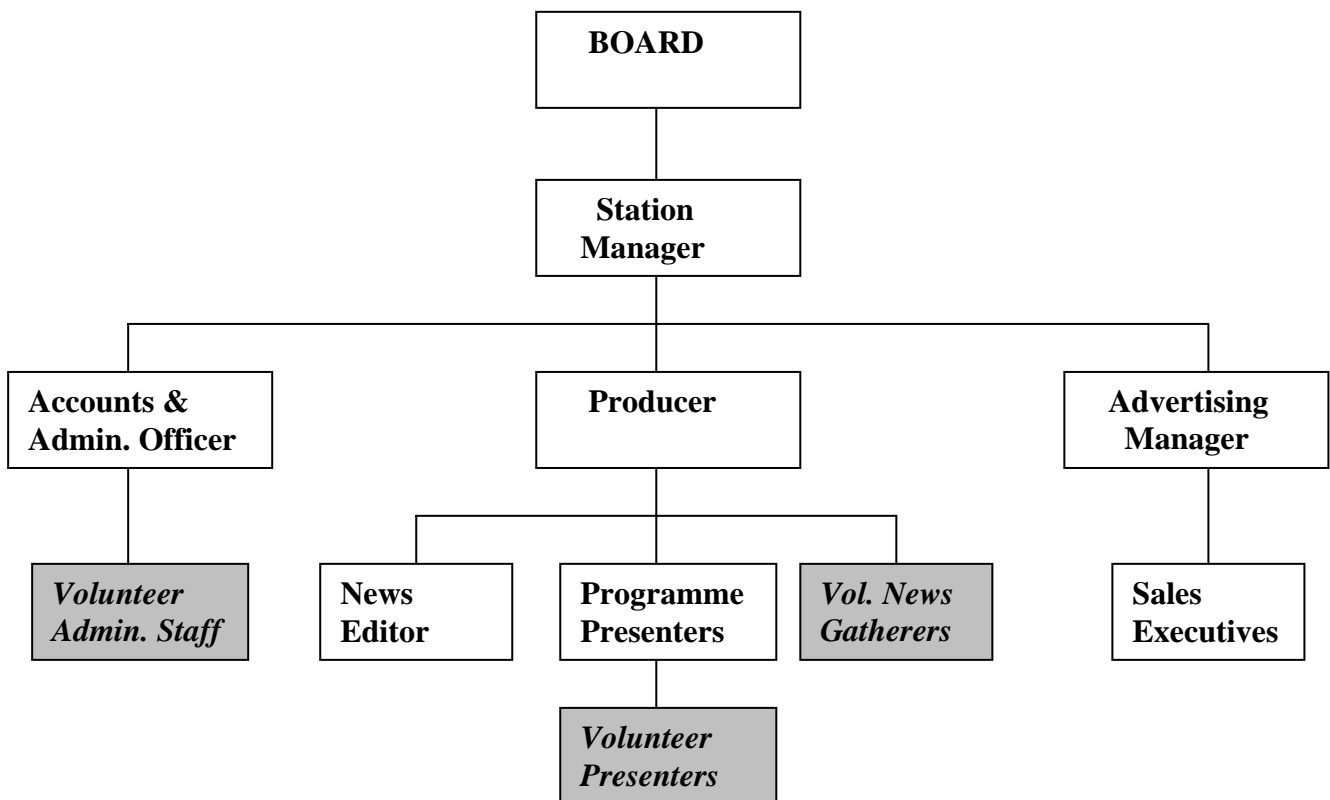
Volunteers can be recruited to provide support in some aspects of the radio stations work. The involvement of volunteers is also a means of empowering the communities by providing them opportunities for on-job-training. Those that perform very well as volunteers may be employed as full time staff in the station or may become part-time staff of the station. Obvious areas where volunteers can play a role are:

- News gathering (journalism)
- Programme presenting
- Administration.

No volunteers should be assigned to the marketing function because this is a specialist field requiring already developed skills to ensure that enough airtime is sold to sustain the business.

Organisational Structure

A typical organisational structure of a community radio station should therefore look as follows at the time of launching:



3.2.5 Financial Planning

A financial plan for the radio station is necessary before the station becomes operational. The planning process will involve calculating the financial implications of all the assumptions and decisions taken by the station, and where necessary, changing them accordingly. The final plan should demonstrate that the station will be financially sustainable.

The financial assumptions will differ from site to site, but some of the common ones are as follows:

- a. The basis of calculating income is the sale of air-time. This does not exclude other forms of income such as sponsorship, but for planning purposes, this gives a better basis for forecasting.
- b. Donors will provide equipment to the station.
- c. Donors will finance set-up costs including initial staff costs, initial staff training costs,

- the cost of launching the station and running costs for the station for the first 3-6 months after the launch.
- d. Membership fees and levy fees (where applicable) are not classified as an operational income, but as investment income. The recommendation is that investment income should be used to build up a trust fund for the radio station.
 - e. Any funds raised through community fundraising will be used to build up a development fund for the station.
 - f. Donor Funding will be regarded as development funds. As committed money, such money does not generate sustainability, but only creates an environment for sustainability.

Financial Reporting

It is advisable to install simple accounting software at each community radio station to assist management to keep proper financial records and to produce timely reports. This will also facilitate the process of monitoring the financial operations and budget requirements.

Reporting is a form of feedback on the operations of the business. Without proper financial reporting, it is not possible to diagnose the business well, and forward planning becomes a major obstacle. Financial reporting should be ongoing. End of year results tend to blur the relationship between activities and their financial outcomes, as they represent a sum of happenings.

3.2.6 Project Implementation

Once the financial planning is done and the figures show that the project will be financially sustainable, the project can now be implemented.

Project implementation involves taking all the steps necessary to make the project operational. The table below outlines the recommended project implementation plan. This plan assumes that the community has already been mobilised, that the environmental scan has already been undertaken and that a Board has been appointed.

Project Implementation Plan (Roll-out Plan)

Activity	Outcomes of Activity	Time frame	Comment	Financial Implications
The Board is trained in strategic thinking and corporate governance	The board is ready to fulfil its functions as a strategic guide for the station's operations.	Month One	A Board that understands its directing role will be very effective	This training activity is funded by donors as part of their support for the station's establishment.
The Board undertakes strategic planning, an exercise to be facilitated by an expert.	A strategic plan for the radio station is produced.	Month Two	The strategic plan will guide all future actions by the Board and the station.	This activity will be funded by donors as part of their support towards the station's establishment.
The Board recruits a team of experts, a Station Manager and an Interim Management Team	A station manager, Producer and Advertising manager are recruited together with a team of experts to oversee the launch of the station.	Months Three and Four	The team is ready to embark on the steps necessary to launch the station	This activity will be funded by donors as part of their support towards the station's establishment.
The Interim Management Team takes steps towards the station's launch	<ol style="list-style-type: none"> 1. A radio licence is obtained. 2. The station equipment is installed and tested. 3. An awareness campaign is launched. 4. Business contacts are followed up 5. The station manager receive on-job-training, both outside the station and within. 6. The producer receives training both outside the station and within. 7. Staff are recruited and trained. 8. Potential volunteers are identified and trained. 	Months Five to Ten	The human resources at the station will be prepared to take charge of their respective roles and responsibilities.	This activity will be funded by donors as part of their support towards the station's establishment.

Station Manager takes care of administrative arrangements	<ol style="list-style-type: none"> 1. Hire a security company or community service for community radio. 2. Arrange for insurance of equipment. 3. Mobilise community for Station Launch. 4. All stakeholders are notified 	Month Ten	Prepares for station launch.	This activity will be funded by donors as part of their support towards the station's establishment.
Community Radio Station launch	Radio station on air	Month Eleven		This activity will be funded by donors as part of their support towards the station's establishment.
Post-Launch Monitoring	Radio station operating smoothly	Months Eleven to Twelve	During this period teething problems will be ironed out.	This activity will be funded by donors as part of their support towards the station's establishment.

3.2.7 Monitoring and Evaluation

Once the project is successfully implemented, it will be up to the station manager and his team to ensure that the station is running successfully and that financial targets are being met. This calls for continuous monitoring and evaluation. Monitoring will allow management to pause and reassess the progress being made by the station as a matter of principle on a regular basis. This practice requires discipline on the part of the station manager and his management team.

Monitoring and evaluation will consist of asking questions on the sustainability of the financial plan on a regular basis. The following are the questions to be asked on a regular basis by the station manager:

1. Have we lost any business this month? If so, which are the business partners that we have lost?

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____

2. Have we gained any new business this month? If so, which are the business partners that we have gained?

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____

3. Which business activities made the most money this month? Give details of the top three activities.

	Activity	Amount
a.	_____	_____
b.	_____	_____
c.	_____	_____

4. What did our main competitor focus on this month and how does that compare with our own focus area?

Competitor

Ourselves

a. _____

a. _____

b. _____

b. _____

c. _____

c. _____

5. Examine the Income & Expenditure Account and compare actual incomes with budgeted incomes and actual expenditures with budgeted expenditures. Seek explanations for any major variations from budget.

3.0 MODEL CHECKLIST

This checklist is intended to help anyone contemplating establishing a community radio station to quickly check whether all the steps have been followed and whether the right decisions were taken. A 'NO' answer to any question signifies that the step in question should be re-visited.

Instructions:

If the answer to one or more questions under each item is 'NO', re-visit that item once more.

If the answers under each item are all 'YES', go to the next item.

		Yes	No
1.	Environmental Scanning a. Was environmental scanning done? b. Did the outcome show that the potential exists for a community radio station to operate successfully?		
2.	The Board. a. Was the Board appointed? b. Were the Board Members trained in Strategic Planning and the role of a Board?		
3.	Strategic Planning. a. Was strategic planning undertaken? b. Was there agreement on the purpose, the target audience, the geographical coverage, the choice of partners, the location and the vision of the station?		
4.	Partnership Establishment. a. Have you agreed which partners to choose and what contribution you can expect from each one?		
5.	Human Resource Planning. a. Has the Board agreed on the composition of the team of experts? b. Has the Board agreed on the minimum qualifications and experience levels for the station manager, producer and advertising manager? c. Have the minimum qualifications and experience levels of the station staff and volunteers been agreed upon?		
6.	Financial Planning. a. Has a financial plan been prepared? b. Does it show that the station will become financially sustainable?		
7.	Management Team. a. Was the Station Manager appointed? b. Were the producer and advertising manager appointed?		
8.	Staff. a. Were the News Editor, Programme Presenters, Accounts & Administration Officer and Sales Executives appointed?		

9.	Training. a. Were the managers and staff trained in their respective specialist areas?		
10.	Financial Management Systems. a. Has an accounting software package been installed? b. Have the Accounts staff been trained in how to use the package?		
11.	Project Implementation. a. Is everything ready for the launch of the station?		
12.	Post-launch Monitoring. a. Was the station launched successfully? b. Is monthly monitoring taking place as planned?		