



# The South African public broadcaster's financial sustainability: Internal stakeholders' perceptions



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**Orientation:** The existing funding framework of the South African Broadcasting Corporation (SABC) has proved to be unsustainable.

**Research purpose:** Because sustainable funding has an impact on the organisational outcomes (customer benefits and performance) of the public broadcaster in South Africa, this study sought to identify factors that influence its financial sustainability.

**Motivation for the study:** Past studies have mainly focused on defining public service broadcasters or ascertaining the future of public service broadcasters. These researchers did not attempt to develop a sustainable funding framework.

**Research design, approach and method:** The study adopted a positivistic paradigm and a quantitative approach that used a self-administered, structured questionnaire for data collection. An EFA was conducted, Cronbach's alpha coefficients were calculated and the relationships between variables were measured by calculating Pearson product-moment correlations and conducting multiple regression analyses. The respondents were selected through a stratification sampling technique that drew participants from each provincial SABC office by accessing the database of managers, unionised and non-unionised employees, as well as freelancers. A total of 167 respondents completed the survey.

**Main findings:** The study determined that internal stakeholders, a competitive environment and the management of resources have a significant positive influence on the sustainable funding of the SABC. In turn, sustainable funding of the SABC has a significant positive influence on organisational outcomes.

**Practical/managerial implications:** It is envisaged that this study could assist the SABC in understanding the factors influencing financial sustainability, thereby assisting the organisation during strategy development and decision-making. Furthermore, this study provides practical recommendations that could improve the financial sustainability of the SABC.

**Contribution/value-add:** This study contributes to the body of knowledge relating to sustainable funding in the context of public broadcasting.

**Keywords:** public broadcaster; South African Broadcasting Corporation; SABC; financial sustainability; sustainable funding.

## Introduction and background

Public service broadcasting plays a critical role within the broadcasting communication industry as it serves all members of a community. The basic mission of public service broadcasters is to serve the cultural, social and political needs of their audiences (Obijiofor 2011:13; Picard 2006:183). Like all organisations, public service broadcasters require a sustainable source of revenue to function effectively. It is of utmost importance that public service broadcasters have adequate resources and stable sources of revenue to fulfil their public service responsibilities (Burnley 2014:11; Juneau 2000:6; Obijiofor 2011:15). Public service broadcasters depend on resources, in particular the organisation's assets and skills that ensure a sustainable competitive advantage and long-term performance in relation to competitors (Aaker 1989:91). Some skills are inherent in the employees, who form an important internal stakeholder group that contributes to and influences the development of the organisation (Florea & Florea 2013:131).

In South Africa, public service broadcasting is the duty and responsibility of the South African Broadcasting Corporation (SABC), mandated through the *South African Broadcasting Act* (Broadcasting Act 1999). The *South African Broadcasting Act* of 2002 holds that the SABC is obligated to provide a broadcasting service that is representative of all South Africans (Broadcasting Act 2002:Section 8a). To fulfil this obligation, the SABC requires sufficient resources and a stable

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funding framework. According to Fourie (2003:18) and Mendel (2011:61), such funding should be sufficient to allow the SABC to achieve the multiple tasks it is legally mandated to perform, including the provision of broadcasting services in 11 official languages and being responsive to the needs of those who are deaf and blind. However, the SABC has an unstable revenue income as reflected in the financial reports for the period 2009 to 2016. From 2009 to 2011, the organisation experienced revenue losses, while, in 2012, the SABC announced a nominal profit (SABC Annual Report 2010:32, 2012:90). This fluctuation continued as a loss was declared again in 2013, 2015, 2016 and a profit in 2014 (SABC Annual Report 2014:99, 2015:92, 2016:125). Revenue losses and financial insecurity seemed to have been triggered by the global financial crisis that began in 2007, with its effects felt in 2009. To prevent this trend from continuing, sustainable and reliable revenue sources are needed.

Against this background, it was critical that research be conducted to assist and ensure financial sustainability for the South African public broadcaster by developing a sustainable funding framework. The SABC's existing funding framework is not sustainable. The need to develop an effective and sustainable funding framework was supported by the late Minister of Communication, Roy Padayachie, at a budget vote session of the Department of Communication delivered on 31 May 2011 (Department of Communications 2011:5). This need indicates a gap that this research aims to address. Previous research has not attempted to identify the factors influencing the sustainable funding of the SABC. Past studies have mainly focused on defining a public service broadcaster or considered the future of public service broadcasters. This statement is confirmed by Lloyd (2009:57), who holds that no effective, viable funding model has been realistically developed for the South African public broadcaster. Therefore, this study sought to identify factors that influence the sustainable funding of the SABC, with recommendations to improve its financial sustainability. The following sections will present a literature overview, research methods, results and managerial implications.

## Literature study

This section presents a theoretical discussion based on a review of the literature on public broadcasting in South Africa and the financial sustainability of the SABC. The background of the SABC is discussed in this section that also explains the organisation's funding split regarding the sources of its funding. The following factors that influence the SABC's financial sustainability are also discussed: internal stakeholders, the competitive environment, the management of resources, customer benefits and organisational performance as a possible outcome of sustainable funding.

### Public broadcasting in South Africa and South African Broadcasting Corporation's financial sustainability

The *South African Broadcasting Act* (1999:6) defines broadcasting as a form of unidirectional electronic communication that distributes content, such as audio and

video, intended for anyone permitted to have appropriate equipment or facilities to receive the communication. A licence is required before broadcasting activities are undertaken. This licence is referred to as a broadcasting licence or a broadcasting signal distribution licence that is issued and monitored by a regulator, namely the Independent Communications Authority of South Africa (ICASA) (Broadcasting Act 1999:9). The conditions of broadcasting and the broadcaster's obligations are outlined in the broadcasting licence (Salomon 2008:9). In the South African context, public service broadcasting and community broadcasting are regarded as free-to-air services (Broadcasting Act 1999:17).

Public service broadcasting in South Africa is the responsibility of the SABC, which is the only national public service broadcaster mandated through the *South African Broadcasting Act*. The SABC broadcasts four television channels and 18 radio stations to the general public (Broadcasting Act 1999). These television channels and radio stations allow the SABC to fulfil its obligations, which include providing universal service and accessibility to all South Africans. These obligations, as stipulated by the *Act*, are that the SABC has to make its services available throughout the Republic (Section 8a of the *Act*) in all official languages (Section 10.1 of the *Act*). The principles of public service broadcasting include providing multilingual and multicultural radio and television services that inform, educate and entertain all citizens (Juneau 2000:7). Mendel (2011:5) maintains that the principles of providing multilingual and multicultural services by the public service broadcaster should distinguish the roles of public service broadcasting from those of commercial broadcasting services.

In the broadcasting industry, funding is one of the factors that determine the extent to which and the way in which the broadcaster's responsibilities are fulfilled. Funding has the potential to assist the broadcaster in fulfilling its day-to-day operations (European Broadcasting Union 2000:4). Financial sustainability ensures the smooth operation of the organisation in terms of profitability and adequate liquidity to overcome any challenges of bankruptcy (Marwa & Aziakpono 2015:873). Financial sustainability is a challenge that most organisations must address. However, an increasingly competitive market, a growing number of emerging organisations and a globalised economy exacerbate the problem (Leon 2001:9). According to Mendel (2011:92), the main threat to the ability of broadcasters to fulfil their operational mandate and objectives generally stems from financial constraints. Juneau (2000:8) adds that it is imperative that broadcasters, particularly public service broadcasters, have an adequate and stable stream of revenue to fulfil their public service responsibilities, such as the production and broadcasting of programmes of national interest, including news, dramas and educational programmes. Sustainability in the broadcasting media sphere depends on a concerted, on-going effort to ensure the viability and fulfilment of a broadcaster's objectives. In the context of this study, financial viability is the broadcaster's ability to generate revenue sources that meet the capital

and operational expenditure, thereby achieving financial sustainability (Hussain 2008:6).

Public service broadcasters receive funding from diverse sources, including licence fees, contributions by individuals, government grants and commercial financing (Burnley 2014:6; Juneau 2000:9). The funding split of the SABC in 2016 was as follows: advertising revenues 79%; television licence fees 12%; sponsorships 6%; government grants 2% and business enterprises and facility revenues 1% (SABC Annual Report 2016). This funding split indicates a reliance on income from commercial sources, such as advertising. Yet, many public service broadcasters are challenged by increasing competition from commercial media and broadcasting over the Internet (Burnley 2014:11; Department of Communications 2014:54). Advertising is seen as a financial base for commercial broadcasters (Rutherford 2005:28). Broadcasting over the Internet also has its own negative impact on the viability of traditional broadcasting services, such as radio and television, as there is no licence requirement for Internet streaming. This competition affects revenue, which leads to strained and insufficient resources for public broadcasters to fulfil their public service responsibilities (Burnley 2014:11; Department of Communications 2014:54).

The SABC's financial challenges are compounded by the 12% revenue generation from licence fees, which is low in relation to the size of the country's population of approximately 55 million people and 16 million households (Statistics South Africa 2016). This low revenue generation can be attributed to a high rate of non-payment of television licence fees by South Africans (SABC Annual Report 2016). Thus, as financial instability might prevent the SABC from fulfilling the basic principles and mandate of public broadcasting, it is important to investigate the factors influencing the sustainable funding of the SABC.

## Factors influencing the South African Broadcasting Corporation's financial sustainability

### Internal stakeholders

Freeman (1984:41) refers to stakeholders as individuals or groups who affect or are affected by an organisation either directly or indirectly, benefit from an organisation and are vital for the survival and success of an organisation. According to Miles (2012:290) and Dhalla (2014:1), stakeholders include internal and external stakeholders, such as customers, communities, employees, managers, unions, governmental bodies, investors, political parties, suppliers and trade associations. Nieman (2006:179) notes that, without the stakeholders' support, an organisation would cease to exist. Thus, stakeholders can influence the actions, objectives and policies of an organisation. Leon's (2001:21) model outlines the pillars of financial sustainability and regards internal stakeholders as a foundation to financial sustainability. Therefore, this study focuses on internal stakeholders who may influence the sustainable funding of the SABC. These

internal stakeholders include the board of directors, employees, freelancers, management and trade unions.

According to the *Broadcasting Act* (1999), the SABC's affairs should be governed and controlled by a board of directors. The SABC's board of directors bears the overall responsibility for ensuring the sound financial management of the organisation in line with the *Public Finance Management Act* (About the SABC 2016). Employees who work for the SABC are part of an important internal stakeholder group that contributes to and influences the development of the organisation (Florea & Florea 2013:131). As part of the employee internal stakeholder group, freelancers contribute to and influence the development of the organisation (Florea & Florea 2013:131). Freelancers are mainly found in the creative industries such as radio, television and print media (Hesmondhalgh & Baker 2010:34). As an important internal stakeholder group, management represents a group of individual professionals responsible for managing departments and teams of employees on behalf of the investors (Mbabane 2008:6). Managers are directly involved in the strategic processes of an organisation and can influence important decisions (Florea & Florea 2013:131; Mbabane 2008:6). Trade unions as internal stakeholders also influence the operations of an organisation. Cole (2004:398) observes that a trade union is an organisation of employees with the common goal of protecting and promoting the rights and interests of employees in the workplace, mainly by means of collective bargaining and consultation with employers. Leon (2001:21) emphasises that achieving financial sustainability in any organisation is determined by a solid foundation in terms of strong leadership and loyal employees. Thus, 'internal stakeholders' implies effective leadership and teams of dependable employees.

Based on the discussion of internal stakeholders, it can be concluded that various stakeholders and the way in which they make decisions might influence sustainable funding of South Africa's public broadcaster.

### Competitive environment

The environment in which organisations operate involves dynamic environmental forces that include a competitive element. This environment has a direct influence on the organisation's operations and determines whether the organisation achieves its objectives (Gitman & McDaniel 2005:34). Gavrea, Ilies and Stegorean (2011:292) observe that the competitive environment in which an organisation operates, and the uncertainty of the business environment, has an influence on organisational performance.

Competitors are external stakeholders who, because of their status and capacity, affect the financial stability of an organisation (Dhalla 2014:1; Miles 2012:290). The SABC is the dominant broadcaster in South Africa in both the radio and television sectors (Mendel 2011:59). However, the multiplication of commercial broadcasting services has led to audience fragmentation, and it is becoming increasingly



difficult for any broadcaster to reach a large proportion of the total audience owing to a wide choice of available broadcasters (SABC Annual Report 2014:24). Broadcasting over the Internet also poses challenges to public broadcasters owing to online content distribution. Public broadcasters are forced into a competitive position and have to compete for the same audiences and revenue to ensure their survival (Juneau 2000:7).

The online content that can be accessed on demand, which might include interactive capability, is termed New Media (Department of Communications 2014:53). New Media represents the convergence of telecommunications, computing and traditional media. New Media broadcasting is defined as the migration of broadcasting content to mobile and Internet protocol distribution (Juneau 2000:7). New Media technologies include Internet websites, mobile technologies and the streaming of audio and video. Obijiofor (2011:18) confirms that the Internet is increasingly becoming an established outlet for the distribution of broadcasting services. The Department of Communications (2014:53) posits that, considering these changes in the broadcasting industry, a regulatory policy should be in place to ensure that all forms of broadcasting adhere to the principles of fair competition.

The environment within which the SABC operates is also determined by the acquisition of sports broadcasting rights and the commissioning of local content (SABC Annual Report 2014:38). For the SABC to meet its mandate on the delivery of sports events of national interest, it has to enter into negotiations with various sporting federations, at a cost (SABC Annual Report 2016:44). The Acting Chief Executive of the SABC, James Aguma, confirmed that the acquisition of broadcasting rights for sporting events incurs a loss of revenue for the SABC owing to investments in mandated sports, which yield a negative return, and the exorbitant cost of sports broadcasting rights (SABC Annual Financial Performance 2016). In addition, the commissioning of local content affects the SABC's competitive environment. Local content regulations prescribe local content quotas for radio and television services for the broadcasters to develop, protect and promote South African identity and culture (ICASA 2014:8). The local content quota has led to competition for local content commissioning. According to Fourie, Lloyd and Martinis (2014:4), both public and commercial broadcasters derive the majority of their advertising revenue from local content productions. ICASA (2014:39) reports that local content attracts audiences, which, in turn, generates revenue from advertising and sponsorships, and thus has become a commercial imperative. Fourie et al. (2014:4) add that local content commissioning tends to be expensive. The competitive environment is, thus, possibly a variable that influences the sustainable funding of South Africa's public service broadcaster.

### Management of resources

Resources are factors of production or the assets that are required to accomplish the desired outcomes of an organisation, such as the production of services that meet the

customers' needs and wants (Miller & Spoolman 2011:9). According to Trautmann (1994:215), these resources are employees (labour resources), financial (capital) resources and physical resources, such as technical equipment. Successful management of these resources ensure the sustainable, competitive advantage of an organisation (Aaker 1989:105). Therefore, they are managed through the application of effective business practices, revenue or income generation activities and the application of digital technologies. According to Leon (2001:17), efficient business practices help organisations to make the most of their resources while allowing revenue to be generated through available assets.

Revenue generation and financial support are crucial for a public broadcaster to be able to successfully manage its resources and deliver broadcasting services (Arora, Ramakrishnan & Fernandez 2015:3; Mendel 2011:17; Obijiofor 2011:16). According to Thomas (2010:6), revenue is essential for the production of content. Juneau (2000:9) concurs that the sources of finance of a public broadcaster may enhance or diminish the broadcaster's ability to carry out its mission and fulfil its objectives. In addition, to manage its resources, the SABC has to ensure availability of appropriate digital technology infrastructure that will allow for the production and delivery of programmes that support revenue generation (SABC Annual Report 2016:26).

Juneau (2000:9) maintains that a broadcaster's management of its resources, including skilled labour, revenue generation activities and infrastructure, could influence its sustainability prospects. Thus, the management of resources might be a factor influencing the sustainable funding of South Africa's public broadcaster.

### Customer benefits and organisational performance as outcomes of sustainable funding

In the broadcasting industry, measuring customer benefits is directly aligned with the perception of value attained from the broadcast content experience and the extent to which customers' expectations (as audiences) are met or exceeded by the broadcaster (Hastings 2004:305). Public broadcasters are obligated by the constitution and national legislation to broadcast to all citizens as consumers by educating, informing and entertaining them, using local quality content that should benefit society as a whole (Hastings 2004:301; Obijiofor 2011:15). The Department of Communications (2014:64) emphasises that public broadcasters should not only meet local content obligations, but also ensure that content is of quality and draws audiences.

Public broadcasters, in general, are faced with varied requirements from diverse stakeholders. However, Hastings (2004:306) emphasises that it is the audience (as the consumer and financier of a public broadcaster) who is the most important stakeholder to a public broadcaster. Therefore, a financially sustainable public broadcaster should focus on increasing audience satisfaction and customer benefits through improved content offerings.

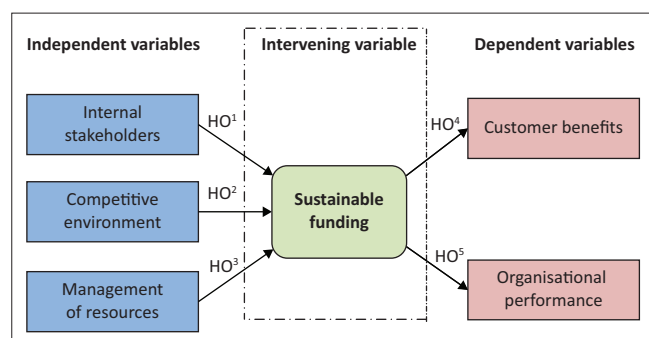
Organisational performance refers to the ability of an organisation to meet its goals and objectives in an effective and efficient manner (Gutner & Thompson 2013:58). According to Gavrea et al. (2011:287), organisational performance is a significant indicator of organisational success. Organisational performance is measured against predetermined outputs that can be in the form of financial or non-financial indicators. Financial indicators of organisational performance include profitability, which is reflected by the return on investment measurement. Non-financial indicators of organisational performance relate to an organisation's marketing effectiveness, market share, product quality and technological efficiency (Venkatraman & Ramanujam 1986:804). Gumucio-Dagron (2001:5) and Jallof (2012:29) regard organisational performance as an outcome of sustainability, especially in the context of broadcasting. Thus, a financially sustainable public broadcaster would be able to improve its financial and non-financial indicators of organisational performance if sufficient funding is available.

## Research objectives and hypotheses

The primary objective of this study was to investigate the financial sustainability (or sustainable funding) of the South African public broadcaster through a consultative process with internal stakeholders. This study identifies factors that influence the financial sustainability of the public broadcaster in South Africa. Moreover, the study makes recommendations for improving the financial sustainability of public broadcasters (particularly SABC's), and outlines a sustainable funding framework.

Based on the literature overview and the research objectives of this study, a theoretical framework regarding sustainable funding for the public broadcaster in South Africa was constructed to determine whether relationships exist between each of the independent variables and the intervening variable. In addition, the theoretical framework identifies whether relationships exist between the intervening variable and the two dependent variables, as indicated in Figure 1.

The proposed theoretical framework in Figure 1 indicates that the intervening variable, which is sustainable funding



**FIGURE 1:** Proposed theoretical framework regarding sustainable funding for the public broadcaster in South Africa.

for the public broadcaster, is possibly influenced by three independent variables, namely internal stakeholders, a competitive environment and the management of resources. The framework indicates that the perceived outcomes of a sustainably funded public broadcaster are customer benefits and organisational performance.

The hypotheses were identified as follows:

**H1:** There is a significant relationship between internal stakeholders and sustainable funding.

**H2:** There is a significant relationship between competitive environment and sustainable funding.

**H3:** There is a significant relationship between management of resources and sustainable funding.

**H4:** There is a significant relationship between sustainable funding and customer benefits.

**H5:** There is a significant relationship between sustainable funding and organisational outcomes.

## Research design and methodology

To achieve the objectives of this study, a positivistic paradigm was adopted and a quantitative approach was followed. The quantitative approach differs from qualitative methods in that it explains relationships by attempting to objectively identify facts or causes that influence outcomes (Creswell 2009:7). The sampling units identified for this study were confined to the SABC, which has approximately 3902 permanent employees (also referred to as internal stakeholders), spread around the nine provinces of South Africa. The SABC employs approximately 100 freelancers; this figure is based on an estimated daily attendance of freelancers (SABC Employment Equity Report 2016). Using the sample size table from Krejcie and Morgan (1970:609) in Collis and Hussey (2014:199), the targeted sample size is 351 permanent employees and 80 freelancers. Therefore, the representative sample translates to 39 employees and nine freelancers in each of the nine SABC provincial offices. Put differently, it is  $351/9 = 39$  and  $80/9 = 8.9$  (rounded off to 9), in each office, ensuring proportionality of the sample. The proportional stratification sampling approach was used to select possible respondents to gather diverse perspectives of the sample size of 39 internal stakeholders per province, who were categorised according to SABC provincial offices (Creswell 2012:145). The current permanent SABC employees' profile is 3902, which is composed of 579 management and 3323 (85%) general employees (SABC Employment Equity Report 2016). The profile of non-unionised compared with unionised employees is 1193 (30%) and 2130 (55%), respectively (SABC Employment Equity Report 2016).

The data were captured by a web-based survey tool (Survey Monkey), which used a self-administered questionnaire based on the literature review of this study. The major elements of Gumucio-Dagron's (2001) and Jallof's (2012) sustainability concepts and Leon's (2001) pillars of financial sustainability were considered during the

questionnaire development. The questionnaire was first piloted or pre-tested with a small group of the sample to assist in the refinement process and to ensure the validity and reliability of the instrument. According to Ruel, Wagner and Gillespie (2016:97), pre-testing allows the researcher to pinpoint possible problem areas, reduce measurement errors and ensure that the respondents are interpreting the questions correctly. The feedback received from the pilot study participants was used to make minor changes to the questionnaire to ensure its efficiency in achieving the research objectives.

The questionnaire consisted of two sections. Section A of the questionnaire, which comprised 65 questions, measured the independent, intervening and dependent variables. Section A used a five-point Likert scale (strongly agree to strongly disagree). The scale consisted of positive and negative responses on a symmetrical scale with 1 being the lowest and 5 the highest point. Section B focused on soliciting the biographical information of the respondents. This section comprised seven questions that gathered information regarding the respondents' gender, union affiliation status, their position in the SABC, department, provincial office, age group and level of education.

Furthermore, the SABC management assisted by sending a letter to employees to encourage them to participate in this study and survey. A separate cover letter was sent to the respondents to explain the purpose and the rationale of the study. The letter also confirmed confidentiality and anonymity by explaining that the respondents were not required to identify themselves in the questionnaire. The respondents had a choice whether to participate in the survey or not, and their privacy was guaranteed. The results were described without identifying or misrepresenting participants. A total of 167 of the 431 questionnaires, which were electronically distributed via the SABC's email addresses database, were usable (Struwig & Stead 2013:116). Thus, a response rate of 41.00% was achieved. Microsoft Excel was used for data capturing and cleaning, while Statistica was used for data analysis.

The questionnaire's face and content validity were confirmed by using experts in the field of financial management to evaluate the questionnaire and by conducting a pilot study among 20 respondents, respectively. Evidence of construct validity was ensured by conducting an exploratory factor analysis (EFA). Only factors with a minimum of three items with factor loadings of 0.45 or greater were accepted. The internal reliability of the instrument and data were evaluated using Cronbach's alpha (CA) coefficient, where coefficients of at least 0.7 were regarded as reliable (Hair et al. 2014:115, 123). Descriptive statistics (means and frequencies) were used to describe the demographics of the respondents and the study's variables. Correlation coefficient ( $r$ ) analysis was used to measure the association between variables. The strength and direction of the relationship between two variables was measured by using the Pearson Product

Moment Correlation (PPMC). Multiple regression analyses were used to determine whether statistically significant relationships existed between the variables (Hair et al. 2014:157) to evaluate the developed hypotheses.

## Ethical considerations

Permission was sought and granted by the SABC management to access SABC documents, and a consent letter was given to the researchers, authorising the use of SABC name in academic articles or papers and publications resulting from this research.

## Empirical results

This section presents the results of the empirical investigation undertaken in this study. The sample description as well as the validity and reliability analysis of this study are presented. Based on the EFA results, the hypotheses are re-formulated and presented. Furthermore, descriptive statistics of the variables as well as results of the correlation analysis and multiple regression analyses are explained. Finally, based on the empirical results, a proposed sustainable funding framework for the public broadcaster in South Africa is developed.

## Sample description

Part of the questionnaire focused on soliciting the biographical information of the sample respondents. The sample composed of more male (57%) than female (43%) respondents. The majority of the respondents were unionised (69%). Most of the respondents were between the ages of 41 and 50 (32%). The remainder were between the following ages: 31 and 40 (28%); 51 and 60 (24%); and 21 and 30 (13%). Over 85% of the respondents had an educational qualification above grade 12, with most respondents holding a certificate and/or diploma (39%) or a postgraduate diploma and/or degree (27%). The respondents worked in more than 11 different SABC departments and most of the respondents were from the Media Technology Infrastructure (21%) and News (21%) departments. The respondents comprised general employees (64%), with 27% in middle management positions. The senior management and freelancer respondents were 5% and 3%, respectively. The majority of the respondents were from the SABC Eastern Cape province (22%), with 14% from SABC Auckland Park. The other provinces accounted for a combined 62%.

## Validity and reliability analysis results

Validity is the instrument's ability to measure and perform as it is designed to perform so that the results reflect the phenomena under study (Collis & Hussey 2014:53). Factor analysis was used to determine construct validity using the EFA assessment (Collis & Hussey 2014:53). A reliability test assessed the consistency between multiple measured variables by using CA (Ruel et al. 2016:84).

Of the 30 items developed to measure the independent variables, one internal stakeholders' item, three competitive environment items and five management of resources items cross-loaded, and were, therefore, omitted from further analysis. Table 1 shows that a sufficient number of items loaded as expected on three distinct factors, each relating to one of the three independent variables. All 13 items developed to measure the intervening variable, namely sustainable funding, were retained, although these items loaded onto two factors. Consequently, these were classified and renamed as sustainable funding as an enabler (five items) and sustainable funding management control (eight items). The reason for the renaming relates to the fact that the five items that loaded together to form the sustainable funding enabler factor had common key words such as 'allows' or 'ensures', and therefore related to 'enabling' sustainable funding measures. The eight items that loaded together to form the sustainable funding management control factor all centred around the SABC's management control measures that are in place for funding and used key words such as 'has sufficient' and 'has sound'.

Six of the 22 items developed to measure customer benefits and one of the 22 items developed to measure organisational performance, which are both dependent variables, were excluded owing to cross-loading. Customer benefits (four items) and organisational performance (11 items) loaded onto one factor. This shows that customer benefits and organisational performance form a single construct in the broadcasting context. Owing to these above-mentioned items loading onto a single factor, this newly formed factor was named as organisational outcomes (which includes benefits and performance).

Table 1 shows that all the factor loadings of the retained items were greater than 0.45. In addition, all the CAs were greater than 0.7. Therefore, there is sufficient evidence of construct validity and inter-item reliability of the questionnaire.

**TABLE 1:** Validity and reliability results.

Factor	Items retained	Factor loadings range	Cronbach's alpha
Internal stakeholders	9 of 10	0.772–0.451	0.847
Competitive environment	7 of 10	0.794–0.487	0.813
Management of resources	5 of 10	0.756–0.457	0.736
Sustainable funding enabler	5 of 13	0.672–0.822	0.894
Sustainable funding as part of management control	8 of 13	0.473–0.729	0.802
Organisational outcomes (customer benefits and organisational performance)	15 of 22	0.845–0.669	0.957

**TABLE 2:** Descriptive statistics of the variables.

Variables	Mean	Standard deviation	Disagree (%)	Neutral (%)	Agree (%)
Internal stakeholders	2.916	0.778	21.43	61.91	16.67
Competitive environment	3.116	0.739	20.83	61.90	17.26
Management of resources	3.058	0.787	17.26	50.00	32.73
Sustainable funding enabler	2.863	0.637	19.06	71.43	9.52
Sustainable funding management control	4.051	0.734	3.57	15.48	80.95
Organisational outcomes	4.028	0.705	2.38	16.67	80.95

Based on the EFA results, the hypotheses were re-formulated as follows:

- H1:** There is a significant relationship between internal stakeholders and sustainable funding as an enabler.
- H2:** There is a significant relationship between competitive environment and sustainable funding as an enabler.
- H3:** There is a significant relationship between management of resources and sustainable funding as an enabler.
- H4:** There is a significant relationship between sustainable funding as an enabler and organisational outcomes.
- H5:** There is a significant relationship between internal stakeholders and sustainable funding as management control.
- H6:** There is a significant relationship between competitive environment and sustainable funding as management control.
- H7:** There is a significant relationship between management of resources and sustainable funding as management control.
- H8:** There is a significant relationship between sustainable funding as management control and organisational outcomes.

## Descriptive statistics of the variables

As shown in Table 2, the mean scores for the factors relating to competitive environment, management of resources and organisational outcomes indicate that the respondents have neutral perceptions, with a tendency towards agreeing about these factors' items as the means are 3.058 (management of resources), 4.028 (organisational outcomes) and 4.051 (sustainable funding management control). The mean scores for internal stakeholders (2.916) and sustainable funding enabler (2.863) are slightly below average, implying that more respondents were neutral with a tendency to disagree with the items used to measure these two factors. This shows that the respondents do not view SABC internal stakeholders to be influencing the financial sustainability of the SABC positively. Furthermore, the respondents do not, currently, view SABC as a financially sustainable organisation. The standard deviations for all the factors are small; therefore, the responses of the respondents were closely knitted together. The sustainable funding enabler responses varied the least (SD = 0.637).

## Results of the relationships analyses

Pearson Product Moment Correlations were calculated and these revealed positive correlations between all factors, although these were weak or moderate in a few cases. The weakest correlation between independent variables and the intervening variables was evident between the internal



stakeholders (independent variable), and the intervening variable relating to sustainable funding management tool ( $r = 0.165$ ). The strongest correlation, although moderate, was evident between the sustainable funding management tool (intervening variable) and the dependent variable relating to organisational outcomes ( $r = 0.614$ ).

To confirm the correlation results and to identify statistically significant relationships between the variables, multiple regression analyses were performed. The results are categorised into three parts: the influence of the independent variables on the first intervening variable (sustainable funding enabler), the influence of the independent variables on the second intervening variable (sustainable funding management control) and the influence of the two intervening variables on the dependent variable.

The results of the first multiple regression analysis are shown in Table 3: all three independent variables have significant positive relationships with the variable relating to a sustainable funding enabler. Moreover, the independent variables relating to internal stakeholders ( $b = 0.358$ ;  $p < 0.000$ ), competitive environment ( $b = 0.170$ ;  $p < 0.001$ ) and management of resources ( $b = 0.264$ ;  $p < 0.000$ ) significantly and positively influence the intervening variable (sustainable funding enabler), with the independent variable (internal stakeholders) having the strongest ( $t = 7.554$ ) influence. The independent variables explain 57.61% of the variance in the data. Therefore, it can be concluded that the involvement of various internal stakeholders, such as directors, managers, employees and trade unions in SABC decision-making, would contribute to the financial sustainability of the public broadcaster. In addition, a highly competitive environment would increase the sustainability of the SABC. To become competitive, the SABC needs to increase the number of commercial broadcasters, introduce additional channels, create online Internet broadcasting platforms and provide mandated sports broadcasting. In addition, it should develop a definite broadcasting charter, a licensing framework and regulatory policies. The public broadcaster's financial sustainability will be also ensured by an improvement in the management of its resources, including its revenue streams, revenue generation methods as well as its adherence to business policies, regulations and practices.

According to Table 3, only the management of resources independent variable ( $b = 0.251$ ;  $p < 0.002$ ) has a significant positive relationship with the intervening variable relating to sustainable funding as part of management control. This independent variable explains 8.69% of the variance in the data. The independent variables relating to internal stakeholders ( $b = 0.112$ ;  $p < 0.166$ ) and competitive environment ( $b = -0.156$ ;  $p < 0.067$ ) do not significantly influence the sustainable funding as part of management control intervening variable. The  $p$ -value should be less than, or equal to, the significance level ( $p = 0.000$ ), to indicate that there is a statistically significant association between the

**TABLE 3:** Influence of the independent on the intervening variables, and influence of the intervening variables on the dependent variable.

Variables	<i>b</i>	<i>t</i> (164)	<i>p</i>
<b>Independent variables: Influence on sustainable funding enabler – <math>R^2 = 0.5761</math></b>			
Internal stakeholders	0.358	7.554	0.0000
Competitive environment	0.170	3.377	0.0009
Management of resources	0.264	5.578	0.0000
<b>Independent variables: Influence on sustainable funding management control – <math>R^2 = 0.0869</math></b>			
Internal stakeholders	0.112	1.392	0.166
Competitive environment	-0.156	-1.892	0.067
Management of resources	0.251	3.141	0.002
<b>Intervening variables: Influence on organisational outcomes – <math>R^2 = 0.0304</math> (SFE) and <math>R^2 = 0.3774</math> (SFMC)</b>			
Sustainable funding enabler (SFE)	0.193	2.281	0.0238
Sustainable funding management control (SFMC)	0.599	10.032	0.000

variables (Hair et al. 2010:165). Therefore, if the SABC's employees adhere to business practices, the organisation might be financially sustainable.

According to Table 3, the first intervening variable (sustainable funding enabler) explains 3.34% of the variance in the data. The sustainable funding enabler variable ( $b = 0.193$ ;  $p < 0.05$ ) has a significant positive relationship with the organisational outcomes dependent variable. Therefore, if the SABC had sustainable funding, it would be able to ensure the realisation of its strategic objectives, mission, audience benefits and, ultimately, its organisational outcomes. These organisational outcomes would be reflected in its ability to be a marketable, innovative and diverse broadcasting leader that generates stable revenue streams. This will enable it to surpass its liabilities, offer quality content to large audiences by means of digital technologies and be involved in outreach programmes.

The second intervening variable (sustainable funding management control) explains 37.74% of the variance in the data. This variable ( $b = 0.599$ ;  $p < 0.00$ ) has a significant positive relationship with the organisational outcomes dependent variable. Therefore, well-defined policies and regulations, as well as controlled revenue collection methods, will improve organisational performance.

Based on the results of the multiple regression analyses, hypotheses H1–H4 are all accepted as significant relationships were found between the following: the independent variables relating to internal stakeholders (H1), competitive environment (H2) and management of resources (H3) and the sustainable funding enabler intervening variable; and between the sustainable funding enabler intervening variable and the organisational outcomes dependent variable (H4). Therefore, internal stakeholders, a competitive environment and the management of resources might influence sustainable funding as an enabler of the SABC. In turn, sustainable funding as an enabler to the SABC might lead to the realisation of organisational outcomes.

The multiple regression results showed insignificant relationships between the two independent variables relating



to internal stakeholders (H5) and competitive environment (H6) and sustainable funding management control (intervening variable); therefore, hypotheses H5 and H6 are rejected. However, the hypotheses relating to the relationships between the management of resources (independent variable) and sustainable funding management control (intervening variable), H7, as well as that between sustainable funding management control and the dependent variable of organisational outcomes, H8, are accepted because significant relationships were found. Therefore, management of resources influences sustainable funding as part of the management control of the SABC, which, in turn, has a positive influence on the dependent variable, organisational outcomes.

Based on the empirical results, Figure 2 is, therefore, developed.

Figure 2 indicates that the sustainable funding enabler intervening variable is positively influenced by three independent variables, namely internal stakeholders, a competitive environment and the management of resources. In turn, the sustainable funding enabler intervening variable has a positive influence on the organisational outcomes dependable variable (customer benefits and performance). However, the intervening variable relating to sustainable funding as part of management control is only influenced positively by one independent variable, namely management of resources. The intervening variable relating to sustainable funding as part of management control also, in turn, positively influences organisational outcomes, that is, a dependent variable.

The empirical results depicted in the framework in Figure 2, show that the public broadcaster's financial sustainability, including sustainable funding as an enabler and sustainable funding as part of management control, will improve if the following are ensured: internal stakeholders are appropriately involved in decision-making; there is a highly competitive broadcasting environment with functional policies and regulations; and SABC resources are well managed. In addition, the empirical results showed that a financially

sustainable SABC would lead to an increase in organisational outcomes, such as customer benefits and organisational performance. This shows that the availability of sustainable funds will enable the SABC to improve its customer service as well as its organisational financial and non-financial performance.

## Managerial implications and recommendations

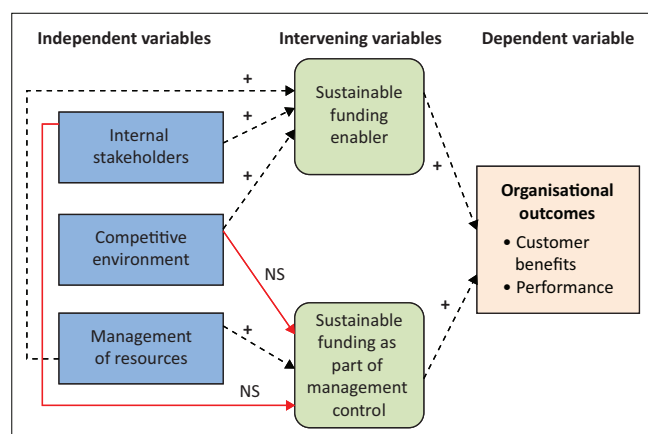
The financial sustainability of the SABC is important to the organisation and public broadcasting in the country. However, the literature review and the empirical results reveal that the SABC is currently not a financially sustainable organisation.

The following paragraphs explain the managerial implications of the study with regard to internal stakeholders and make recommendations:

- South African Broadcasting Corporation employees should contribute to the decision-making processes that are associated with its financial sustainability.
- South African Broadcasting Corporation's board of directors should ensure sound financial management that contributes to the financial sustainability of the SABC. This could be, for example, in the form of the implementation of a monthly (rather than quarterly) cash flow monitoring mechanism that can be viewed by management at all levels. This mechanism would allow for quick control actions or revisions, which would ensure sound financial management.
- South African Broadcasting Corporation directors should involve management at all levels in the design of strategic processes and inform employees as to why certain strategies are implemented.
- Trade unions should engage and actively participate in discussions surrounding employment policies that could influence the SABC's sustainable funding.

The empirical results showed a significant positive relationship between the competitive environment and the sustainable funding of the public broadcaster. Therefore, the following recommendations are made regarding the competitive environment in the broadcasting industry:

- The SABC should compete for sport broadcasting rights and local content to attract advertising revenue while meeting prescribed content quotas.
- The existing broadcasting competition regulations should be revised to provide clear guidelines for regulating the bidding process regarding sport broadcasting rights and local content acquisition.
- South African Broadcasting Corporation management should engage with ICASA and emphasise the need for fair competition among broadcasters by prohibiting the anti-competitive conduct and restrictive practices of financially strong media organisations.
- South African Broadcasting Corporation management should engage with ICASA to propose regulation for, and



**FIGURE 2:** The proposed sustainable funding framework for the public broadcaster in South Africa.

the licensing of, online Internet broadcasting to ensure parity between traditional broadcasters and online-based broadcasters.

- The SABC should venture into New Media, such as the streaming of audio and video.

The empirical results revealed a significant positive relationship between the management of resources and the sustainable funding of the public broadcaster. Therefore, the following recommendations are made regarding the management of SABC's resources:

- South African Broadcasting Corporation employees should adhere to business practices that allow the organisation to be financially sustainable.
- The SABC has well-defined policies and regulations; however, management should ensure that these policies are followed by all employees by conducting inductions and regular 'refresher' workshops.
- The SABC should have well-defined and diverse revenue streams.
- South African Broadcasting Corporation licence fees to be paid by audiences should be appropriately estimated according to the expected income levels of South African households.
- The SABC should revise its collection methods for licence fees, which are currently voluntary, by proposing a compulsory collection method to the ICASA, such as collection through a levy included in electricity bills.
- The SABC should request government grants for all projects of national importance and request quantified estimated costs from the National Treasury annually.
- The SABC revenue streams should be allocated proportionally to the relevant departments to achieve annual performance targets, which should be monitored on monthly basis.
- The SABC should invest in infrastructure, digital technologies and in-house production facilities to support its revenue generation.

Finally, the empirical results revealed a significant positive relationship between the sustainable funding of the public broadcaster and its organisational outcomes. Therefore, the following recommendations are made relating to SABC's organisational outcomes, which consist of customer benefits and organisational performance:

- The SABC should provide opportunities for communities to participate in content productions, which could grow the audience (customer) base.
- South African Broadcasting Corporation management should continuously engage with audiences through interactive methods, such as dedicated programmes and workshops, to improve the existing broadcast services, which might lead to audience loyalty.
- The SABC should collaborate with and support locally based production companies, which will ensure the sharing of resources, which might reduce costs and create quality content that draws audiences.

- South African Broadcasting Corporation management should support business innovation to position the organisation as a broadcast leader by establishing a dedicated innovation department.
- South African Broadcasting Corporation management should develop realistic budgets and use accurate expenditure tracking reports.

This research faced a number of limitations. Firstly, a number of respondents were too occupied with work related to broadcasting to answer the questionnaire. This meant that the number of respondents, who completed the survey, was lower than expected. Although various approaches to encourage respondents were employed, such as follow-up reminders and email encouragement from the SABC's Learning and Development Department, the response rate did not improve much.

The second limitation was because of the stratification sampling method used in the study, which meant that only those fixed selected participants could be respondents. The last limitation was related to the 'neutral' response option, which numerous respondents opted to select. This option was only intended for respondents who were unsure of a particular questionnaire statement. However, the web-based distribution survey, which had to be completed online by the respondents, did not allow the researcher to explain this option to the respondents.

Despite the above limitations, other researchers can apply the reliable measuring instrument and framework used in this study to other public broadcasters. As this research focused on financial sustainability, other researchers could explore variables this study might have not included. Finally, as this research concentrated on internal stakeholders, other studies could expand and include external stakeholders, especially with regard to policy development.

## Conclusion

In conclusion, through this study, the SABC, government and relevant policy makers gained insight into the factors influencing the sustainable funding of the public broadcaster. It is important for these role players to be cognisant of the study's results and practical recommendations during future strategy development and implementation in the industry. The results, conclusions and recommendations show that the SABC's financial sustainability and organisational outcomes could increase positively. The main contribution of this study lies in its contribution to the body of knowledge relating to sustainable funding in the context of public broadcasting.

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## Author's contributions

V.N. is the researcher and contributed 33.3% to the study. M.T. and C.R. are promoters, gave guidance and conceptual contribution, with 33.3% contribution to the study, respectively.

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