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Management Challenges in Public Broadcasting Service: The Case of Radio Televisão Portuguesa (RTP)

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The aim of this paper is, on one hand, to emphasize—in theory as well as in practice—some of the essential success factors associated with management and innovation in public service television (TV) and radio, and on the other hand, to enhance the fact that it is possible to develop reactive and proactive management attitudes in State-owned media companies. The importance of leadership within innovation, management, change, and organizational development processes of media firms is also shown. In this case study, best TV public service management practices are also identified and analyzed. Present daily challenges to this channel are highlighted, mainly regarding the balance between its public service responsibilities and its financial performance.

Keywords: management, leadership, innovation, change, restructuring

Introduction

This paper also explores the past financial crisis and the strong restructuring process of Radio Televisão Portuguesa (RTP). The results that the restructuring has produced until today are described in the next pages. It was a complex process change, especially due to the impact on the human resources, including downsizing practices and new challenges for the company collaborators. There were two main leaders that contributed for this dramatic turnaround process: (1) Morais Sarmento (former Ministry for media sector) gave autonomy and encouraged the restructuring and (2) Almerindo Marques (former board president) led and believed in the possibility of putting RTP in good directions. The social democratic government changed in 2005 but the board only changed in 2008. The present government recognized that good job was made by Almerindo Marques's team and invited him to lead other problematic restructuring in other State company (Estradas de Portugal). Guilherme Costa, the next president, assumed that he would continue the main policies adopted by former board (However, the current president is Alberto da Ponte).

As for methodology, this paper is mostly based on primary and secondary documental sources such as books on management and on the media sector, billing reports, internal RTP documents, reports made by banks, and press releases (including interviews with the RTP's president and administrators, as well as the minister responsible for that sector at the time of the restructuring). Because of the author's professional functions in the Presidency Ministry of the 15th and 16th Constitutional Governments, the access to privileged documental sources was easier. Furthermore, the author had the opportunity to share knowledge with some of the RTP's administrators, who are still part of the company even though the Government is a different one.

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This paper is divided into four main parts. The Literature Review starts by addressing a theoretical approach with regard to organizations' management and innovation and then narrows down its scope to management and innovation in the media industry. The part presenting the RTP Case focuses on the description and analysis of the restructuring process that occurred in the RTP channel. The main restructuring measures are studied with particular attention to their contribution to the improvement of the company financial ratios and audience indicators. The following part, Implications, presents the conclusions of the RTP case, enhancing the critical factors of management and innovation success applied to the media industry, in particular to the public broadcasting service. Last but not least, section five aims to point out some clues and recommendations regarding best practices of business and journalistic management which can be adopted by the public broadcasting public channels to achieve a good performance in a competitive market without disregarding the public service objectives.

Literature Review

The themes related to management and innovation are, in most cases, associated with leadership. From the organizational management point of view—with an emphasis on the motivational human resource related aspects as well as from an entrepreneurial management point of view—with an emphasis on the strategic and market aspects, there are many important contributions by researchers to a better comprehension of global management of companies and organizations. Some authors establish a close connection between leadership and management, even though they separate the concepts. According to Bennis and Nanus (1985), to manage means to cause, to direct, to take responsibilities, and to lead; while leading means to influence, to guide, and to give orientation. In that sense, managers are people that know what to do; and leaders are people who know what needs to be done. On the other hand, Etzioni (1989), Adair (1988) and Kotter (1995) considered that, in order to be successful, organizations need to combine a strong leadership with a strong management.

The management of employees' behavior, i.e., their motivation and satisfaction at work, is also a crucial aspect for the success of organizations. Theories by pioneer authors such as Maio (1960), Schein (1982), Maslow (1954), Argyris (1964), Herzberg (1966), and Etzioni (1989), among others, are still fundamental nowadays to better comprehend the social-organizational dimension of companies and organizations. Deep down, these authors enhance the need for leaders and managers to look at organizations as organic structures, but not mechanical (characterized by the primacy of the machines over people). Only organic structures can achieve productivity: Their success depends on the level of satisfaction and perception of the advantages (not necessarily material advantages) by the organizational members.

Nowadays, it is unanimously accepted in the scientific community as well as in the business community that innovation and leadership are two important pillars for a company's success and competitiveness (Picard, 2002; Albarran, 2006; Lacy, 1992). And media companies are obviously no exception. A recurring emphasis on innovation and leadership occurs, in part, because of the constant need for media companies to adapt to the market. The origin of this need is multiple, starting from the transformations of the consumers' tastes, the increase of competition, and the emergence of the new information and communication technologies (ICT). In particular, ICT are transforming every sphere within the media business, from the productive processes to the commercialization of products.

As the media industry heavily depends on the intellectual capital and the creativity of human resources, within such a dynamic context, the application of democratic and participative leadership concepts is key to success. However, it is recognized by some authors (Picard, 2005a, 2005b; Albarran, 2006) that creative industries (consulting, advertising, and journalism, for example) can demand the application of specific management concepts which value more the behavioural component and the creation of more challenging work environments. In knowledge-intensive companies, such as the media, most employees are highly qualified professionals (Sveiby, 2000). In order to retain them, relations among professionals and managers must be transparent and based on mutual understanding. Only in this way, a favorable work environment for innovations can be created and fostered.

According to Redmond (Albarran, 2006, p. 138),

> media organizations are where the creative process collides with pragmatic business concerns. If not carefully managed, a media organization, depending on creative excellence, can quickly lose the competitive edge necessary to fend off competition in a highly volatile operating environment. That may occur when the overriding business concerns, or the focus on them, are allowed to dampen individual creativity on which the media organization depends.

According to Mercedes (2005), the increase of competition in the communication sector made companies restructure their internal organization, their programming, and investment policy. In the Portuguese example, the answer given by the state's media company to this new competitive scenery was very late. However, the existing indicators on RTP's changing process, which started in 2002, seem to picture a brighter future. In this case study, some essential factors of success that seem to favor the set up of an innovation and organizational process in RTP can be identified.

RTP's Process Restructure

Innovations emerge either internally from initiatives of the employees themselves or externally from suggestions by press officers, consulters and auditors. In the case of RTP, the players involved were both the 15th Portuguese Constitutional Government and RTP's Board. The planning and set-up of RTP's organizational change also had the collaboration of international experts of the Boston Consulting Group (BCG). The work done by this consulting firm followed a model similar to the one implemented at the Spanish public TV Radio Televisión Española (RTVE), and it was developed in four modules, as we can see in Figure 1.

The first module aimed at improving the production strategy: Some program genres were set to be produced inside the firm while others to be subcontracted to independent producers. The two following modules (Creation of a New Production Company and Rationalization of the Area Concerning Porto's Production Centre) allowed the identification and analysis of the recurrent initiatives concerning the implementation plan for their execution. The last module (Quantification of the Impact and Plan of Implementation) contemplated the operationalization of the strategy impact and the execution planning. In the next section, a detailed description and analysis of the RTP case follows.

BCG's plan for the restructuring of RTP was later adapted and implemented in Spain's RTVE, after Enrique Bustamante Ramirez, a college professor responsible for a council created to address RTVE's problems, visited Portugal in order to study and learn from RTP's experience.

Prior to the analysis of the financial situation of TV operators, it should be noted that the Radio and TV of Portugal—aka RTP—has its main object as "the provision of public radio and TV, under the Laws of Radio and TV and the respective concession agreements", according to the Law nº 8/2007, which proceeds to the restructuring of the concessionaire of public radio and TV. In this structure, and according to the No. 2, Article 1 of this diploma, RTP has incorporated the Portuguese Broadcasting—Public Service TV, S.A., Portuguese

Radio Broadcasting, S.A., and RTP – Means of Production, S.A..

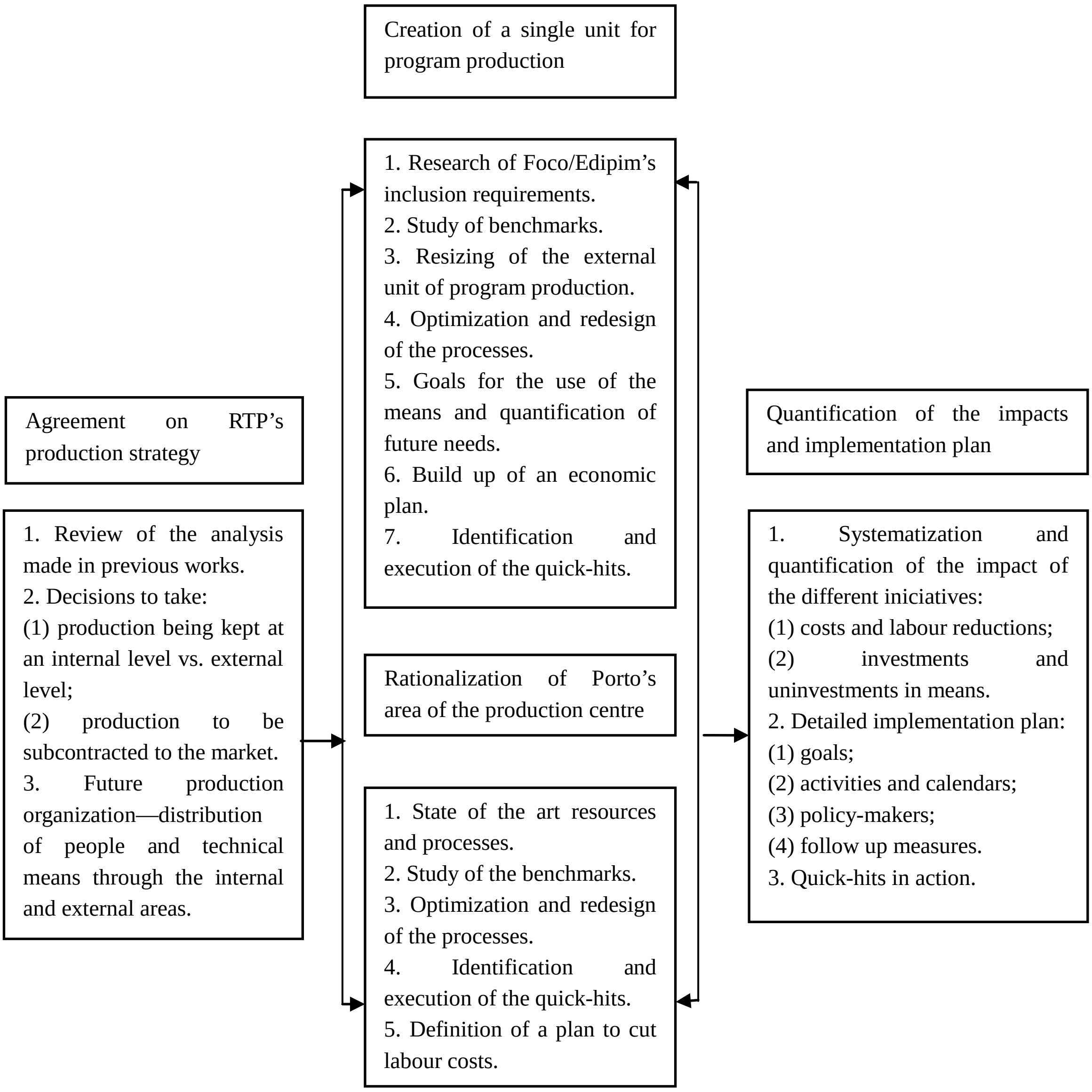

Figure 1. Methodology for RTP's restructure.

Note. Source: BCG.

Its mission, objectives, and obligations were established by the Concession of the Public TV, and they were concluded in March 2008. This agreement particularly consecrates the obligations to ensure as regards the sphere of TV: a comprehensive and varied program that addresses several audiences; ensure a programming reference of a high standard that stimulates cultural appreciation and education of citizens, strengthening their critical sense; promote a creative and alternative programming; and provide unbiased, plural, and rigorous information covering major national and international events.

The mission, objectives, and obligations related to the public broadcasting service between the Portuguese state and the Portuguese Broadcasting S.A. were set in 1999, stipulating in particular the obligations to ensure among others: pluralism, accuracy, and objectivity of information and programming; balanced programming that is informational and recreational; educational promotion that respects the different ages, occupations, interests and backgrounds of the public; and promotion of the dissemination of the Portuguese language to strengthen the identity and solidarity among Portuguese both in and away from Portugal.

The long process of reflection of the audiovisual sector of the state and the proposed restructuring model culminated in the publication of laws (Law nº 30, 32, and 33/2003 on August 22, 2003) that would guide the behavior of the broadcaster in the coming years. One of the main aspects of this legislative intervention relates to the constitution of an operator of TV service, with RTP no longer being the holding of the public audiovisual sector.

With this reformulation according to the Annual Report of RTP 2003, it became expected that the Radio and TV of Portugal became a real catalyst for common structures and synergies in the technical and productive areas, as well as a strategic center of rationalization of the audiovisual sector of the State. In addition, to being the owner of holdings in Radio Broadcasting and TV Broadcasting, Radio and TV of Portugal should still be the natural vehicle of financial management, managing revenues and allocating them according to the needs of fulfillment of public service obligations.

The restructuring effects resulted in the review of organizational charts and the allocation of more adequate human resources with a rescaling of the structure. It was intended to optimize resources to ensure the viability of the financial model designed. The first steps for debt consolidation were taken in 2003, in order to reduce operating costs and to raise revenue and income that would ensure the economic balance and financial health of the institution. At the same time, there was a symbolic change of premises of the two public service operators—Radio and TV—through their concentration in one building. This process was a decisive step for the approximation and convergence of Radio and TV in a single, unified, and consistent project for the audiovisual sector. Furthermore, this step by itself is part of the disinvestment plan set within the reduced resources and the implementation of the financial restructuring plan.

This new model, set out in the Law and in the concession contracts, was complemented by a financial restructuring agreement that called for the gradual release of RTP financial debt accumulated in recent decades. The state assumed obligations to recapitalize the company and accepted RTP’s operating costs cuts across the Radio and TV departments.

In September 2003, the government and the Portuguese public broadcaster RTP made a financial restructuring agreement, valid until 2019, which aims to progressively reduce billions in debt that was accumulated as a result of long-term financing of its public service. This approval is the result of an investigation that began after the European Commission received complaints from private TV operators between 1993 and 2003 that would raise doubts about the commercial and financial performance of state-owned operator.

With the primary goal of responding to an RTP obligation in Clause 28.ª of the Concession Agreement of the Public TV (CCSPTV), timely agreed between this company and the Portuguese State on 23 March, 2008, the institution began to prepare annual reports on the performance of public service obligations. These reports are divided into two parts, the first leaning on the fulfillment of public service obligations of a non-financial character and the second on the review under contract with the General Inspection of Finance, as the entity responsible for Financial Supervision, enshrined in Protocol signed on 23 February, 2009.

RTP's Innovation and Management in an Adverse Conjuncture

According to Bustamante (2002, p. 216), "The revolutions endured by public TVs during the 1990s, are the perfect examples of a twisted policy, lacking of models, never adopted as a result of an open and public discussion and getting the consequences of its actions". Public Broadcasting Service (PBS) has been lacking an innovative concept of management.

To understand the fall of RTP and the catastrophic situation it was facing at the beginning of the new century, it is necessary to take into account the social-economical context of the country, the media market situation, as well as the Internal reality of the PBS organizations. The "explosion" of the speculative bubble that surrounded the Internet and the "new economy" casted the first stone of an economic crisis at a worldwide level, which would be increased by the terrorist attacks of September 11th in the USA. The advertising market, structurally very dependent on the economic conjuncture, was one of the first to feel the crisis, compromising the expected revenue of the media companies in general and of the TV operators in particular. At the end of 2001, advertising revenues showed a negative growth of 6.3% when compared with 2000, a situation that would worsen in the following year, with a new fall of the adverting investment of 9.4%.

According to Vasconcelos (2003, p. 53), "Without learning the lesson from other countries, the Government decided to abolish the monopoly and open two private commercial channels without, at the same time, ensuring a stable and correct funding for the public stations". It was then questioned if the Portuguese advertising market would have the capacity to support the costs of three general TV channels without any tax paid for in the public service. The net results obtained by the three companies during the 1990s support this serious doubt (see Table 1).

Table 1

Net Results of the TV Operators 1992 -2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
RTP	-20.496	-39.071	-97.555	-132.585	-92.337	-160.728	-124.899	-124.660	-172.908	-264.892
SIC	-3.447	-29.913	-9.786	768	9.502	15.094	26.736	19.847	20.655	-27.204
TVI	-4.544	-27.329	-24.795	-24.202	-30.791	-21.563	-6.579	5.257	15.562	9.562
TOTAL	-28.486	-96.313	-132.137	-156.019	-113.626	-167.197	-104.743	-99.555	-136.691	-282.534

Note. Source: RTP—Estimative for the current prices—Values in millions of Euros.

Analyzing the trend behavior in the RTP results of over a decade, it seems clear it's worsening over time. In 2001, RTP's net results reached a record of -264 million Euros, in contrast with the positive results of the private operator TV interference (TVI) and Sociedade Independente de Comunicação (SIC)'s low negative results of 27 million Euros. TVI, marked by a very difficult economic and financial crisis, was only able to ensure its viability through its acquisition by the Media Capital Group, in 1995. Presently TVI is the TV operator with the best financial performance, having been contacted by groups as important as Prisa, PortQuay West I B.V. and Caixa de Aforros de Vigo, Ourense e Pontevedra, which have acquired 84.69%, 10%, and 5.05% of its "share capital", respectively. In fact, this recovery can be seen in Table 1, as net results grew from -24.260 in 1995 to 12.5 million Euros in 1996—an increase of 51.5%. Even SIC itself, which very quickly reached the leading position in terms of audience and a positive net result, saw its situation worsen in the last years of the 1990s and began a painful restructuring process in 1999.

Table 2

Net Results of the TV Operators 2002-2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
RTP	-228.270	-53.965	-6.050	-32.167	-24.880	-36.123	-46.882	-24.177	15.074	18.930
SIC	-19.358	5.297	20.336	17.543	17.548	20.456	-12.904	9.587	11.717	10.604
TVI	12.699	19.817	23.005	29.828	32.382	35.080	36.178	27.199	30.811	22.492
TOTAL	-234.929	-28.850	37.290	15.203	25.050	19.413	-23.608	12.610	57.601	52.025

Note. Source: RTP—Values in millions of Euros.

From Table 2, we can highlight the period after 2005, in which RTP denotes a worsening of its net income until 2010, when this negative trend was reversed.

On the private operators' side, it should be noted that the consistency and sustainability of the results of TVI remained always positive throughout the period. TVI is, therefore, the only operator to demonstrate a sustained financial strength over time. SIC, on the other hand, demonstrated lower and more inconstant net results than TVI, although far more positive than RTP.

According to Faustino (2007), since 2001 until 2006, Media Capital Group's (where TVI is integrated) revenue has been increasing, with the exception of 2003, where a slight decrease occurred. Regarding total revenues, 72% originated from TVI, 7% from radio, 7% from outdoors business, and the remaining 14% originating from all the other businesses. In 2006, Media Capital revenues reached 230 million Euros, which represented a 4% increase relatively to 2005. TVI was the leading TV channel in Portugal in 2005, for the first time in its history. TVI had been the leading station in prime time since 2001, but it reached an average audience of 34.9% of the market in 2005. The revenue sources associated to the TV business (172 million Euros in 2006) constitute the main Media Capital Group's business drivers. In 2010, TVI total revenues were above 158 million Euros.

The competition between different channels and the lack of a bigger ad market were partly responsible for the difficult financial situation of the various TV operators in the late 1990s. But that does not explain the fast derailment of RTP prior to the liberalization of the audiovisual market, in spite of its monopoly position and Government support. According to Mercedes (2005), the growth of the competition, especially after the privatization process observed in other European TVs and the liberalization of telecommunications, stimulated the search for new, safer, and less risky formulas of production. In the meantime, the new media offer created a more demanding audience and, therefore, the need to develop innovative strategies more in line with the tastes and interests of the public. The goal of innovation is to discover new solutions that improve the quality of products and services provided. Recent management and innovation lines of thought have stated the need to make public organizations similar to private ones, with a focus on results and performance goals, without losing sight of their social responsibilities. Accordingly, the citizen should be considered as a customer, which makes it possible for him to choose between public and private services.

However, the unpredictability of technological developments and the legal and economic uncertainties forced the companies to stop taking long-term decisions and hiring more employees. According to Whitfield (1975, p. 99),

> The innovator must have a job worth doing, in which he can make full use of his talents and provide an important contribution. However, since opportunities for real innovation are few, and many other people may be involved in developing the creative idea into a finished product, the innovator may find there is little use for him and his potential.

In general, obstacles to innovation arise when (1) there is a corporate culture focused on short-term results; (2) bureaucratic and paralyzing structures prevail; (3) there is a low level of trust and participation of the employees; (4) team work is absent; (5) arrogant management attitudes dominate; (6) leadership is absent; and (7) fear towards the unknown is observed. It is within this market context that we should frame RTP's current strategy of innovation and change.

Problematic Economic and Financial History of RTP

TV in Portugal started with a significant delay when compared to other European countries, considering that regular broadcasting only started in 1957. The RTP Group, whose shareholder is the Portuguese state, has an historic and important position in the Portuguese regulatory framework for broadcasting. Created in 1957, RTP faced the competition of private networks such as SIC (1992) and TVI (1993) and it has not always answered correctly to that new competitive scenery. As years went by, the state TV began to lose its competitiveness through the decrease of audience, and therefore of advertising revenues, which led the company to chronic financial difficulties. According to Vasconcelos (2003, p. 53) "Portugal was the last country in the European Union to authorize the establishment of private channels. Under the circumstances in which it happened, the financial crisis and substantial loss of credit by the public station was inevitable".

In 2001, RTP was a company sinking rapidly. However, and even considering that the State is an important part in assuring regular funding for the public service TV, the crisis in RTP was not only the fault of the government's lack of responsibility in that matter. The crisis emerged also from a deficient management which was not able to, on one hand, re-establish the company in new competitive media sceneries and, on the other hand, identify the needs (opportunities) to implement a renewal both from a management point of view as well as from a programming point of view. It is recognized by many analysts that RTP's management has been passive for many years (unable to react or pro-act) with regard to the changes of media demand.

There was no strategy and no leader capable of making its collaborators believe that it was possible to re-establish and recuperate RTP's brand operations. At the beginning of the 1990s, the configuration of the national TV market was clearly determined: RTP enjoyed the monopoly of broadcasting with two generalist channels – RTP1 with around 80% of the market share and RTP 2 controlling the other 20%. This comfortable situation created an easy access to the best international shows, as well as popular national events which could achieve greater audience numbers. Due to its status of public service, the public channels also received a large amount of financial Government incentives, which were increased by the advertising revenues. In 1994, RTP already showed a financial struggle on the verge of technical bankruptcy.

The State's TV channel had an excessive amount of structural costs, fed by the general inefficiency. A sequence of years with negative results made the company fall into debt and forced the State to a series of capital increases to keep the company alive. The accumulated losses since 1990 amounted to 1.2 billion Euros. On the first semester of 2001, RTP presented operational costs of 256 million Euros, with supply and external services (100 million Euros; 39% of the total) and personnel (84 million Euros, 33% of the total) being the major weights in the expenditure (see Figure 2).

As shown in Figure 3 and Figure 4, revenues in the first semester of 2001 reached a total of 95 million Euros, so the difference between costs and revenues revealed a negative operational result of 161 million Euros. The high financial costs, associated with a rapidly growing debt, made the net negative result even more worrying: 183 million Euros. Concerning the market share, measured by audience numbers and advertising revenues, from a share of 46.9% in 1994—two years after the establishment of private operators in the audiovisuals' market—RTP fell to an average level of half of that value in audiences (20.1%) in 2001, behind SIC and TVI (see Figure 5).

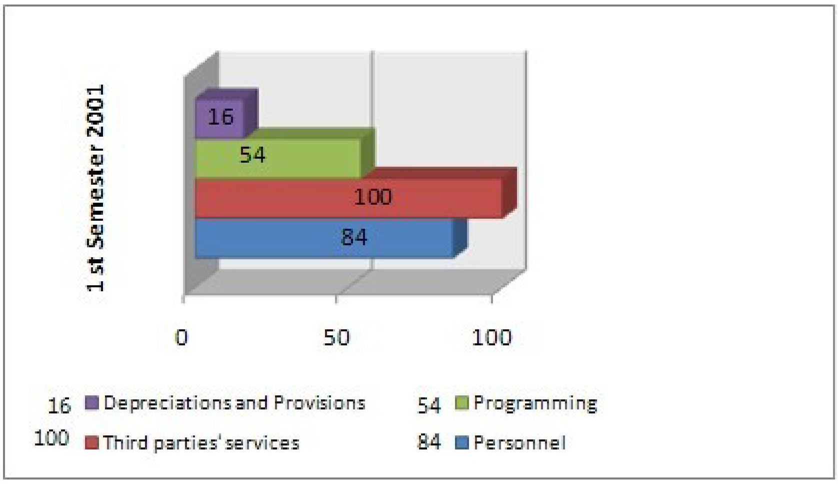

Figure 2. Costs in the 1st Semester of 2001.

Note. Source: Elaborated from data supplied by the company.

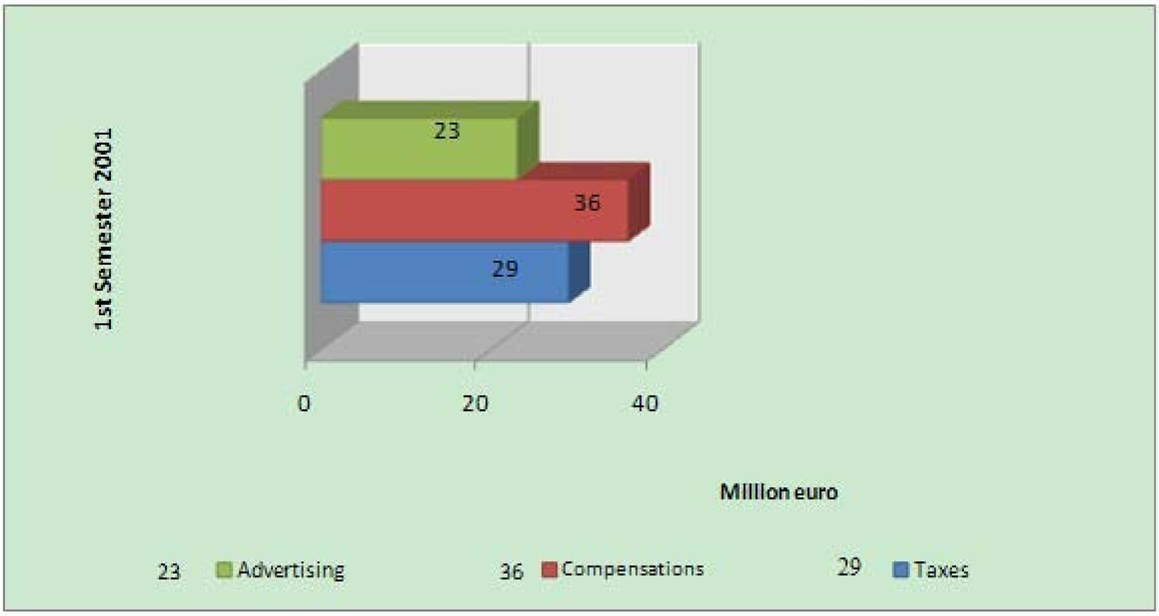

Figure 3. Revenue of the 1st Semester of 2001.

Source: Elaborated from data supplied by the company.

We can say that public TV channels were losing their influence in the Portuguese audience and putting their survival at risk. However, starting in 2002, important steps were taken to change the future of the public TV channel. And at the end of 2005 (November), RTP reached the second place among its competitors for audience numbers, doing better than SIC, reaching the first place in 2007 with a 30.4% market share and maintaining a market share above 29% in 2008 and 2009, with 29.4% and 29.8% respectively. In 2010, the audience shares were stable comparing with 2008 and 2009, with a slight increase of 0.2% on RTP1 and a decrease of 0.5% on RTP2. In 2011, RTP1 had a drop in share to 21.6% and RTP2 dropped to 4.5%. In the same period, both SIC and TVI suffered drops in their share values too, to 22.7% and 25.7% respectively, losing share to cable channels.

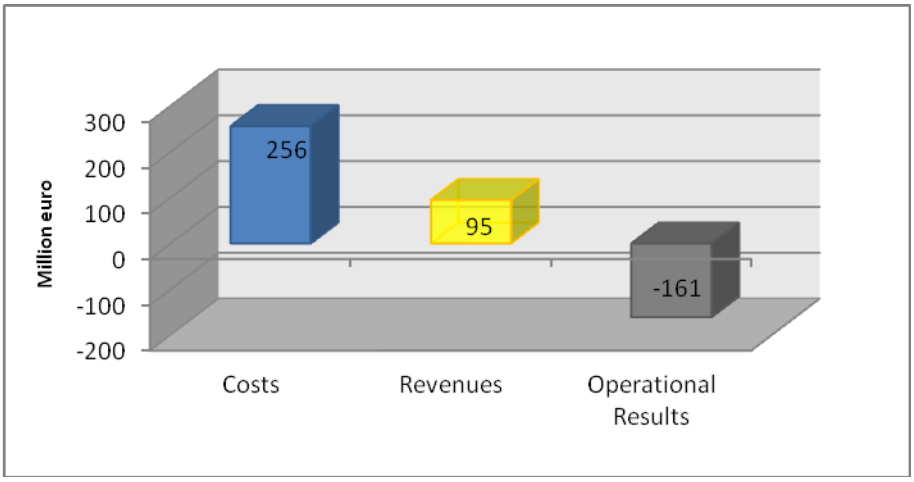

Figure 4. Operational Results in the 1st Semester of 2001.

Note. Source: Elaborated from data supplied by the company.

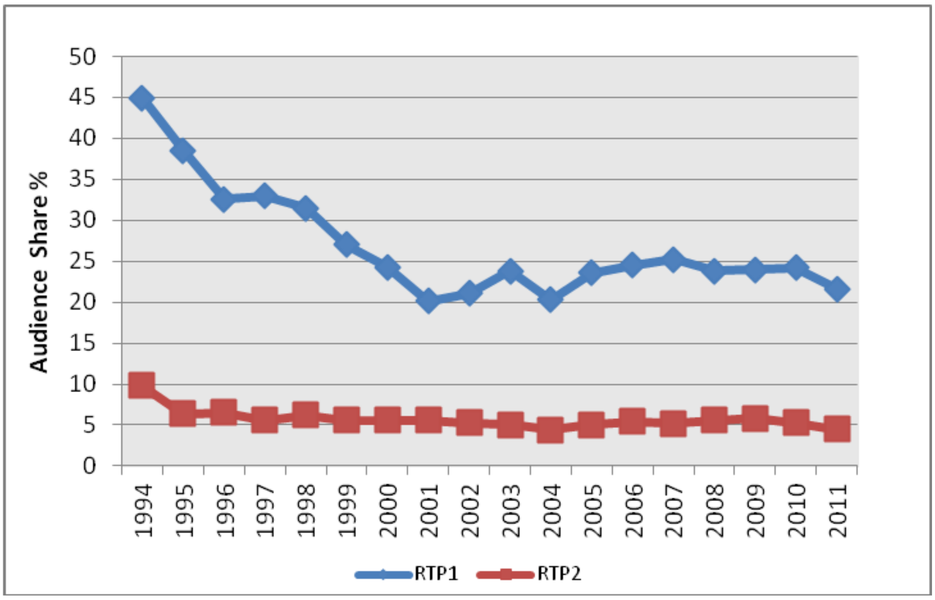

Figure 5. The audience share evolution in the public channels 1994-2011.

Note. Source: Elaborated from data supplied by the company.

RTP's Identity, Inefficiency Crisis, and Management Options

According to Richieri (1994), after the opening up of the TV service to private broadcasting, a legitimacy crisis started within the State-owned media companies, as well as a financial and an identity one. Besides the decrease in revenues due to the redistribution of advertising among all operators, "Costs increased due to the stretch of broadcasting time and the competition of different genres in the programming schedule (mass sports, imported fiction, star presenters)" (Bustamante, 1999, p. 58).

In fact, from the beginning of the 1990s, RTP faced growing difficulties, because of a more expensive public service and programming, the absence of a market-oriented management, as well as expensive organizational structures and staff. Furthermore, in 2001, RTP stepped into an identity crisis. A mission and a clear position, reduced to the imitation of private operators, were absent. The fast growth of private channels SIC and TVI, along with the absence of a clear definition of public service TV, explain the lack of orientation of the public operator of TV, with regard to the decrease in audience numbers.

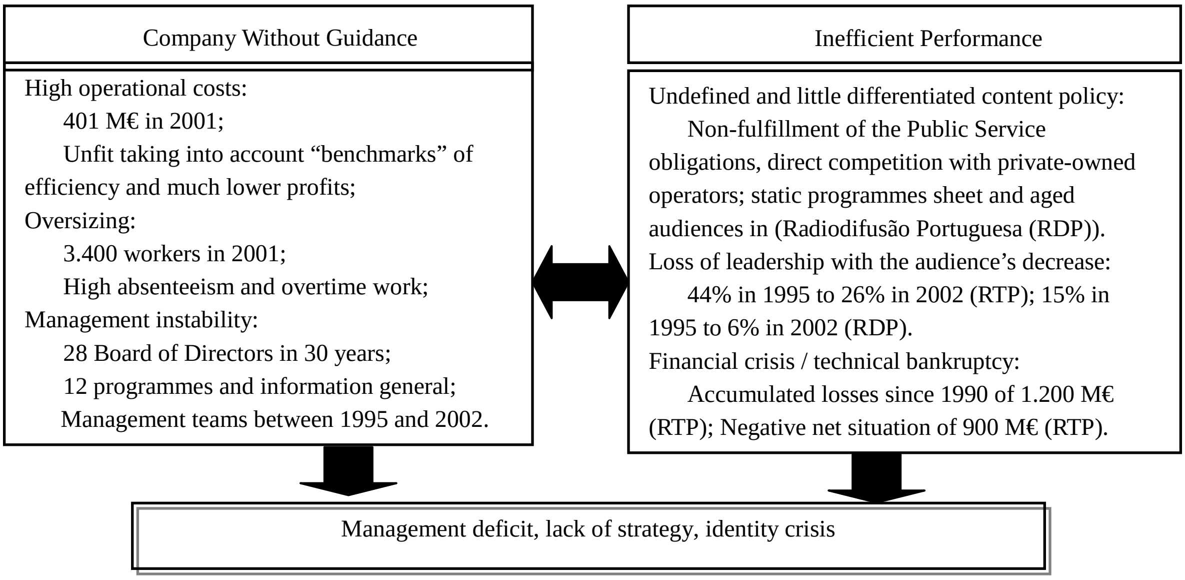

Figure 6. RTP in 2002—The public disaster.

Note. Source: RTP.

On the other hand, the significant management instability—the company had five different administrators and 12 Programming and Information Boards between 1995 and 2002—goes a long way in explaining the lack of a strategy. As a result, the execution costs unravelled and the financial liabilities jumped from 359 million Euros in 1996 to over a billion Euros in 2002. Furthermore, a loose human resources policy resulted in high absenteeism, increased overtime work, and inexistence of appraisal mechanisms.

The existence of participated companies, all of which in a deficit situation, added up losses of 16 million Euros in 2001, increased the inefficiency of the company and scattered its resources. Many analysts blame primarily the Portuguese Government for this situation. In fact, for several years, the State—single shareholder of the PBS—failed to take the appropriate core measures that could ensure a stable financial situation as well as an alternative strategic plan.

This situation forced the company to embark on a series of debts in order to sustain its operating and functional costs. Servicing the new debt added to the financial difficulties and forced the company to take up new loans, thus, generating a vicious cycle.

For commercial media companies, the main goal is to reach a larger audience and therefore generate higher advertising revenues.

> Public service and other non-profitable media services’ management are not obviously subject to these pressures; its main concern is to produce information and entertainment which are useful and interesting for the public. However, the decision is about which content to deliver should be taken with regard to the need of supplying a good service to different

population segments. (Picard, 2002, p. 2)

This can only happen if the business is run efficiently. According to Mercedes (2005), a media manager, even in a PBS company, needs to take the following issues into consideration: (1) TV programming is a continuous product: each day there is a broadcast of around 20-24 hours; (2) TV business sales should run out daily, even if advertisers buy time slots for the future; (3) Managers and professionals have a special social responsibility as they influence the mass media; (4) TV consumption is very sensitive: the competition is strong and the efficiency of the decisions is controlled daily; and (5) The decisions face a time barrier: Deadlines and the products' life cycle are short.

Even if the daily management of the public TV companies is dependent on external pressures such as markets, laws, and politics, it is necessary for those companies to develop and implement a business-oriented culture in the organization. Such a culture can provide public TV companies with clear strategies. The absence of a strong management and a business culture led RTP to an extremely fragile situation. Already in bankruptcy and falling behind both private operators in Portuguese preferences, a strategic decision on the future of this public company was in order. The closing down of RTP 2 as a response to the exiguity of the Portuguese ad market seemed certain. In a report published in 1996, Braumann pointed out four possible scenarios for the recovery of RTP:

(1) Conservative Scenario: RTP maintains all its channels and, given the insufficient ad revenues and the difficulty of an internal restructure, continues to be funded by the State with higher amounts. This scenario seems to be unbearable due to the large amount of financing needed;

(2) Liberal Scenario: The State "privatizes" or gives the partial or total concession of one of the two channels (RTP 1 and RTP2) to a private operator;

(3) Radical Scenario: RTP applies a full restructuring, which requires two to three years to reach financial balance. This strategy will radically change the organizational structure of the company, its programming strategy, and the competition with the private operators;

(4) Evolving Scenario: The focus is on creating a modern public service, adapted to future demands, through the constitution of a business group with predominantly public funds, which is able to compete with the segments in the world market, with strategic partners at a technological and contents level. The last scenario entails RTP's constitution as a holding, in line with experiences of other European public operators in countries such as the United Kingdom, Italy, or France.

The public awareness that RTP had its future compromised was something analysts had been predicting for quite some time. On the other hand, being under State control, any decision to be taken would be dependent on the political agenda.

Following years of controversial discussions and against a widespread skepticism on RTP's ability to recover, the 15th Constitutional Government released the "New Options for Audiovisual" package in December 2002. The mission and goals to be pursued by the PBS were set out in the new TV law nº 33/2003 of August 22nd, together with a new grant contract. The new governmental strategy resulted from an analysis of RTP's financial situation and took on board suggestions made by an independent working group, which roughly reflected both the Radical and Evolving Scenarios described above. On the one hand, ambitious goals were defined for the restructuring and financial uplift of the company. Key measures included a substantial reduction of organizational costs (110 million Euros a year), restructuring of participated companies, financial consolidation, and balance restoring. On the other hand, the new grant contract clarified RTP's obligations at public service level. With regard to the model for TV public funding, the law set out:

(1) The State ensures the funding of the broadcasting and TV public service, in terms established in the law and the following grant contracts;

(2) The funding of the broadcasting's public service is ensured by the collection of the audiovisuals' contribution;

(3) The funding of the TV's public service is ensured by compensatory indemnities and by the revenues from the contribution for the audiovisual that is not used in the terms of the number above;

(4) The operator's advertising revenues explored in the general grant of the public service are to be for the payment of the consolidated debt and, after that, to new investments, but not usable for the present exploitation;

(5) Together with what is written on the 1st article, the expenses of the broadcasting and TV's public service funding are predicted in a multi annual horizon, with the duration of four years, to allow an adequate and efficient management of resources, according to the predictable evolution of the social and economic conjuncture;

(6) The prediction referred above should identify, more than just the total costs for a four year period, the yearly part of those costs.

The big news was the introduction of a contribution tax to be forwarded to the PBS, a completely new revenue stream. On the other hand, the State made a financial commitment, by presenting the compensatory indemnities as a primary source of RTP's funding and by creating a contractual financial warranty derived from the State's budget. In the new law, the partnership model also changed through the creation of a holding that puts together Radio and TV in Portugal and will manage four operational areas: RTP, RDP, RTP—Meios de Produção, and MediaParque.

According to Almerindo Marques, president of the Administration Board at RTP at the time, the employees have had a safe job for two years now. Two or three years ago this company was about to be closed. And they are in a truly improved building when compared to the previous conditions. Also they have achieved safe and rigorous work relations, because when we got here there were about 300 disciplinary problems between company employees. This number decreased to less than 50%. There was also a resolution of the precarious contracts, the short term contracts that to that form only had a name and the receipts. It is true that, for a long time, employees didn't get a salary increase, i.e. they participated in the sacrifices demanded. But they achieved a Collective Work Agreement: (…) more than 50% of the employees have already access to this agreement. Our commitment, which is described in the plan for the financial restructure, is to achieve a balancing point of the present exploitation till 2005.

Subsequently, at the end of 2003, we could already see the light at the end of the tunnel and the effects of the new strategy: Business was growing. According to Dal Zotto (2005):

> A business grows when: (1) sales revenues increase, which means that more products are manufactured; (2) quality is improved and therefore an increased unit price is justified; (3) the product range is increased; (4) the products functionality and features are improved; and (5) a combination of these factors occurs. (p. 223)

Restructuring the Company and Re-establishing the Brand

The defined strategy for the new RTP SGPS is based on three milestones: (1) the transformation of RTP into a modern company, with clear business goals and a future-oriented strategy; (2) balanced operational results, with a very clear focus on costs efforts and financial rationalization of the company; and (3) the transformation of RTP into a reference TV, through the offer of a true public service focused on the different publics.

The rationalization of RTP's business structure was aimed at focusing the activities of the company around its "core business", with the subsequent liquidation or alienation of several subsidiary companies. In line with this plan, TV Guia and the majority shares of Sport TV were sold. RTC—Radiotelevisão Comercial, the subsidiary company which had the exclusivity of selling advertising was dissolved and RTP itself became responsible for the sales. Formas e Conteúdos, Produção Audiovisual, SA (FO & CO) and Edipim, two participated companies for content production, were restructured and merged into a new autonomous unity, RTP—Meios de Produção. The holding SGPS, which includes RTP and RDP, was created to enable the two companies to share resources, maximize synergies and generate economies of scale: This happened mainly through the integration of all administrative and support services, common use of regional and international structures, promotion of mobility and multidiscipline among employees of both companies, and joint negotiations with suppliers. In a medium term perspective, a merger between the two companies was thought to be a possibility. In 2007, RTP SGPS, RTP STP, RDP, and RTP Meios merged into a single company, RTP S.A..

The transformation of RTP into a modern company inevitably required the downsizing of its human resources, with a substantial reduction of staff, a rejuvenation of the board, and a more efficient HR management. Between 2001 and 2003, 800 employees were made redundant (a quarter of the total), mostly through a program of voluntary terminations of contracts. Overtime was strictly cut and appraisal models were introduced. Moreover, the mainstreaming of pension payments into Caixa Geral de Aposentações (civil servants' social security scheme) allowed significant savings. These two reforms allowed a cost decrease of about 9.2 million Euros over a two-year period. A reduced cost for the signal emission, due to a Government intervention, forcing a renegotiation of the contract with Portugal Telecom, one of RTP's main creditors, with more favorable terms for the PBS, was also instrumental for RTP's financial improvement.

Some cuts were made at program scheduling level, mostly due to the introduction of a new public service policy that rejects direct competition with private operators in the never-ending search for audience, but also due to the renegotiation of broadcasting rights for sporting events, such as football matches and automobile competitions. Conscious about persisting inefficiencies, the new board members which took charge on July 2002, promoted a series of internal audits aimed at improving working methods and procedures. Debt restructuring (notably the concentration of several loans into an aggregate 800 million Euros credit line from Depfta Bank with an extended maturity) from three and a half to 10 years led to yearly savings of over 15 million Euros in financial costs.

RTP entered the 21st century in a situation of major decline also regarding the Portuguese public preferences. At the beginning of 2000, it was already clear that the public service TV was recovering. This depended not only on a profound business renewal, but also on the new image that emerged from the construction of a new public service-oriented identity. RTP focused on its commercial nature by looking for what was interesting to the masses, but limiting its programming policy to the responsibilities of a public service TV, as defined in the new grant contract signed in 2003.

As for the strategy to be followed by RTP2, the debate was richer and even more complex. Several voices emerged defending the privatization of the channel or its pure and simple extinction. This could have helped reviving the fragile Portuguese audiovisual sector by allowing the redirection of ad revenues absorbed by RTP2 to the remaining channels. In contrast, there were warnings about the fact that the impending end of RTP2 would be just the beginning of the end of the public service TV. For this reason, the continuity of RTP2 was considered a way to ensure the rights and integration of social minorities. In the end, a political decision of maintaining RTP2 in the universe of PBS was taken. Several issues remained unanswered: (1) How could the difference between the two public channels be ensured while avoiding cannibalization? (2) How could the two channels be funded by the government given the public financing restraints in place? And (3) What added value could the 2nd state TV channel represent to the Portuguese audiovisual scenery and to public service?

The answers to these questions came with the implementation of an innovative concept. RTP2 was converted into a channel opened-up to the society, through a range of protocols with several entities, in order to enhance the integration of people, notably those with special needs, as well as to facilitate their access to knowledge. In light of this change, RTP established a protocol with SIC and TVI which abolished commercial advertising on RTP2 and reduced the advertising on RTP1 by 20%, to six minutes per hour. Results of these changes started materializing and allowing for some optimism. As costs fell, on the back of rationalized business management practices, audience numbers steadily increased. In 2006, RTP's audience grew for the fifth consecutive year, reaching the leadership of the Portuguese TV market for the first time in this century. The consolidated market share for RTP group was 30.8% (of which RTP1 accounted for 24.4%, RTP2 for 5.4%, and the rest came from small cable channels), and 1.1% points up from 2005 and 4.9% points up from 2001, reaching 30.4% in 2007 and keeping a market share above 30% in the two following years (see Figure 7).

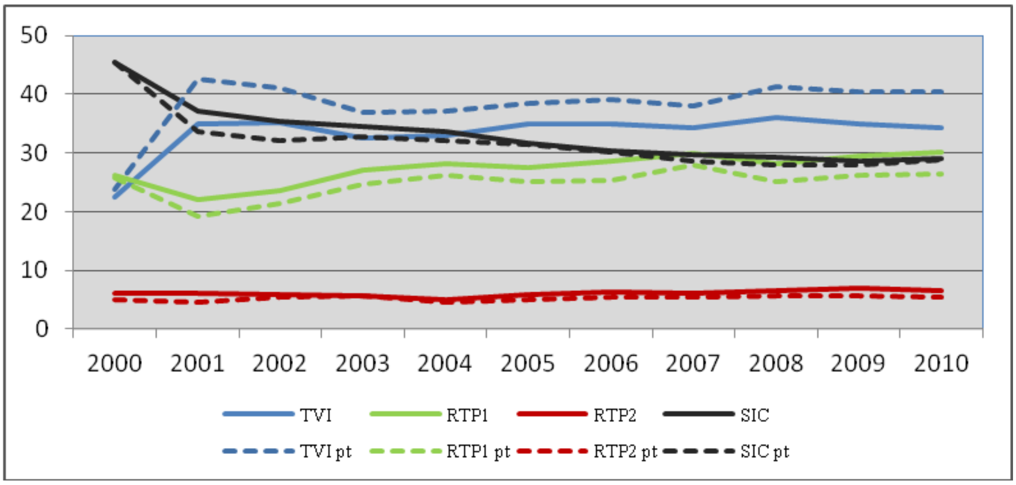

Figure 7. Evolution of RTP's and Private Operators Audience Share (%) 2000-2010, all day and prime time.

Note. Source: Marktest: 2000-2010.

We note that the graph analysis of the TV market has been characterized by several oscillations, with respect to the relative positions of the various players. We highlight the exchange of dominant positions between TVI and SIC in 2001 within prime-time (8 p.m.-11 p.m.), in which TVI occupied the lead spot that used to belong to SIC, up to today. SIC lost its second position in this time slot in 2006 to RTP (channel 1 and channel 2), a situation that stands till this day. In the all-day time slot (7 a.m.-3 p.m.), we can see that the year 2005 was a turning point: TVI takes the lead in this space and SIC sees its leadership position surpassed even by RTP (channel 1 and channel 2). Note also, in regard to the all-day time slot, that TVI lost its lead spot to RTP (channel 1 and channel 2) in 2009 and, most recently, in 2010. However, RTP shows a more stable behavior in both spaces over time.

Consequently, despite the substantial ad space reduction, advertising revenues grew from 39 million Euros in 2002 to 48,1 million Euros in 2006, representing an average annual growth of 5.8%. Although this trend was influenced by a slight recovery of the advertising market in 2003 (despite the recessive macro-economic framework), RTP's ad revenues growth rates were consistently above the global market performance, which suggests efficiency gains from the public service TV operator. In the context of a diversification strategy, running in parallel with RTP's new image, two new cable channels were launched in 2005: RTP Memória and RTPN. While the former focused on broadcasting old RTP programming (building on its 50 years of history), the latter followed from the extinct NTV and aimed at being a channel with a stronger proximity to regional realities (taking advantage of RTP's existing regional offices/structures) and a significant focus on news. 2007 was the year in which advertising revenues reached the higher value—54.2 million Euros. Since then, these revenues present a decreasing trend, reaching 48.6 million Euros in 2009. Despite the economical overall trend, advertising revenues increased 2.6% in 2010, reaching 49.9 million Euros.

In the following charts and tables, we look at the evolution of RTP's key economic and financial indicators, which translate the company's upturn, based on a strict cost control policy and increased revenues.

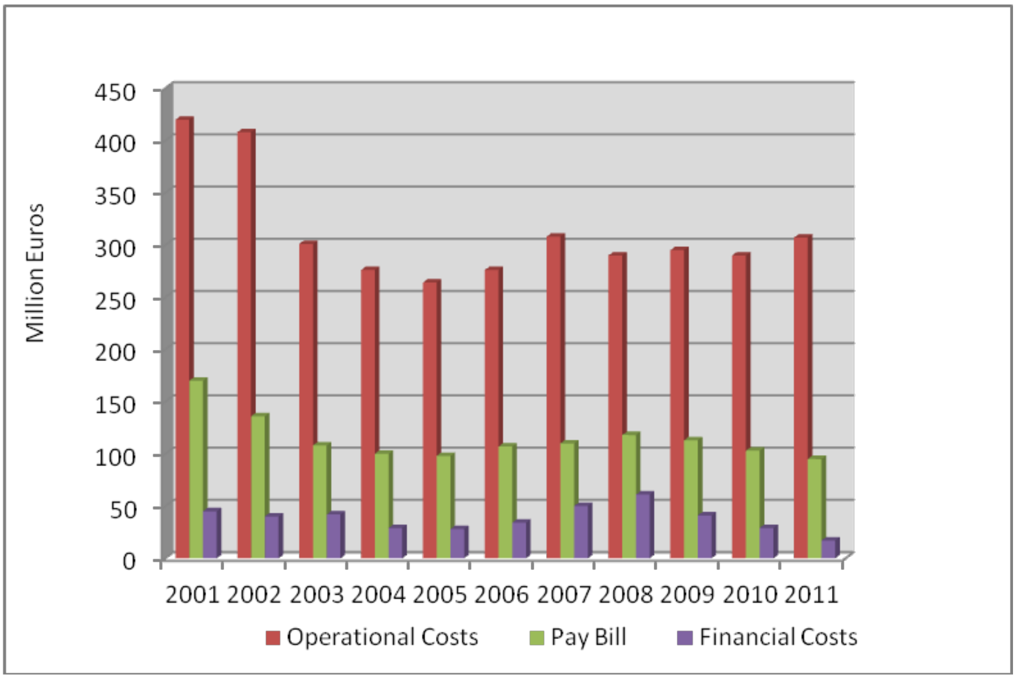

Figure 8. Evolution of costs 2001-2011.

Note. Source: RTP.

The recovery strategy implemented by the new board relied heavily on a strong cost contention policy, which focused primarily on the major spending areas, notably personnel. Operational costs decreased from 420 million Euros in 2001 to 276 million Euros in 2006 (a 34% reduction), practically stabilizing just under 300 million till 2010 (with the exception of 2007, with operational costs slightly over 300 million). In 2011, operational costs rose to 307 million Euros, an increase of 5.9% compared to the previous year. Leaving aside programming costs, which roughly account for a third of operational costs, the major contribution came from the pay bill, which decreased some 37%, from 170 million Euros in 2001 to 107 million Euros in 2006, seemingly having stabilized around 110 million Euros, dropping to around 100 million Euros in 2010 and rising again to 108 million Euros in 2011. Financial costs have also decreased from 44.5 million Euros in 2001 to 34 million Euros in 2006, increasing in 2007 and 2008 due to the rise in interest rates which lowered in 2009 and 2010, and decreasing slightly to 17 million Euros in 2011. These achievements were possible because of: (1) a more efficient management of resources thanks to the sharing of infrastructures and administrative services amongst the companies included in the holding; (2) the contract renegotiation with suppliers and the reduction of distribution cost; and (3) a human resources downsizing policy, which allows a cut of almost one thousand staff. Hence, in just five years, the company costs had been significantly reduced.

In a recent benchmark disclosed by European Broadcasting union (EBU), and based on 2005 data, RTP features as the most efficient public service operator in terms of running costs, investing only 9.25 million Euros per audience share point, against a European average of 56 million Euros. The report also highlights that, between 2001 and 2005, the per capita public services costs in Portugal decreased from 44 to 25 Euros per year, turning RTP into the least expensive public service operator to taxpayers in Europe.

In parallel with the cost reduction, RTP also set in motion a strategy to increase revenues. As the quality of the public service improved, audience shares increased, leading to a valuation of ad spaces. As shown in Table 3, operational profits jumped 42% from 205 million Euros in 2001 to 292 million Euros in 2006. Public funds take the lion’s share in the company’s revenue structure, having reached 224 million years in 2006, of which 124 million Euros were due to compensatory indemnities and the remaining 100 million Euros to the audiovisual contribution. Looking at commercial revenues, these increased 30% between 2001 and 2006. Advertising revenues increased from 44 million Euros in 2001 to 544 million Euros in 2007, dropping slightly to 49 million Euros in 2009, whilst the distribution and multimedia receipts grew even faster, from 1.3 million Euros to over 10 million Euros in 2001 and 2006 respectively, reaching 12 million in 2009. Data already available for the 1st half of 2007 seems to confirm this trend, with advertising revenues increasing 14% from the 1st half of 2006. 2010 RTP accounts show the positive impact of the Government decision of cutting 10%-15% on all state companies. Operational costs decreased by 5.4% to 309 million Euros, the pay bill dropped 9%, from 113 million Euros to 102.9 million Euros and financial costs reached 29 million Euros—41% less than the previous year.

Table 3

Revenue Evolution (Values in Million of Euros)

Analysis period	Operational profits	Advertising	Distribution and multimedia
2001	205	44	1
2002	222	39	1
2003	230	49	2
2004	262	50	4
2005	266	48	9
2006	292	48	10
2007	315	54	11
2008	298	52	11
2009	308	49	12
2010	309	50	14
2011	317	40	14

Note. Source: RTP

As mentioned above, the analysis of the revenue structure highlights RTP's significant reliance on public funds, which accounted for 77% of the overall operational profits in 2006. This has the advantage of artificially protecting the company from less favorable economic conditions, which tend to have a knock-out effect on advertising revenues.

As shown in Figure 9, as a consequence of the increased revenues and reduced costs, RTP's operational results have been improving steadily in recent years, having registered positive figures since 2005. Similarly, the company's operational cash flow increased from -195 million Euros in 2001 to 23 million Euros in 2009. In 2010, operational cash flow increased 23%, reaching 36,6 million Euros. As for net results, despite remaining negative, they have improved from -264 million Euros in 2001 to -14 million Euros in 2009, an impressive annual average increase of 18%. Operational results improved in 2010 from 2.9 million Euros to 22.6 million Euros. In 2010, net results became positive, reaching 15 million Euros. This is the first time in 15 years that RTP showed a positive net result. 2011 continued this positive trend with net results of 19 million Euros and operational results of 14 million Euros.

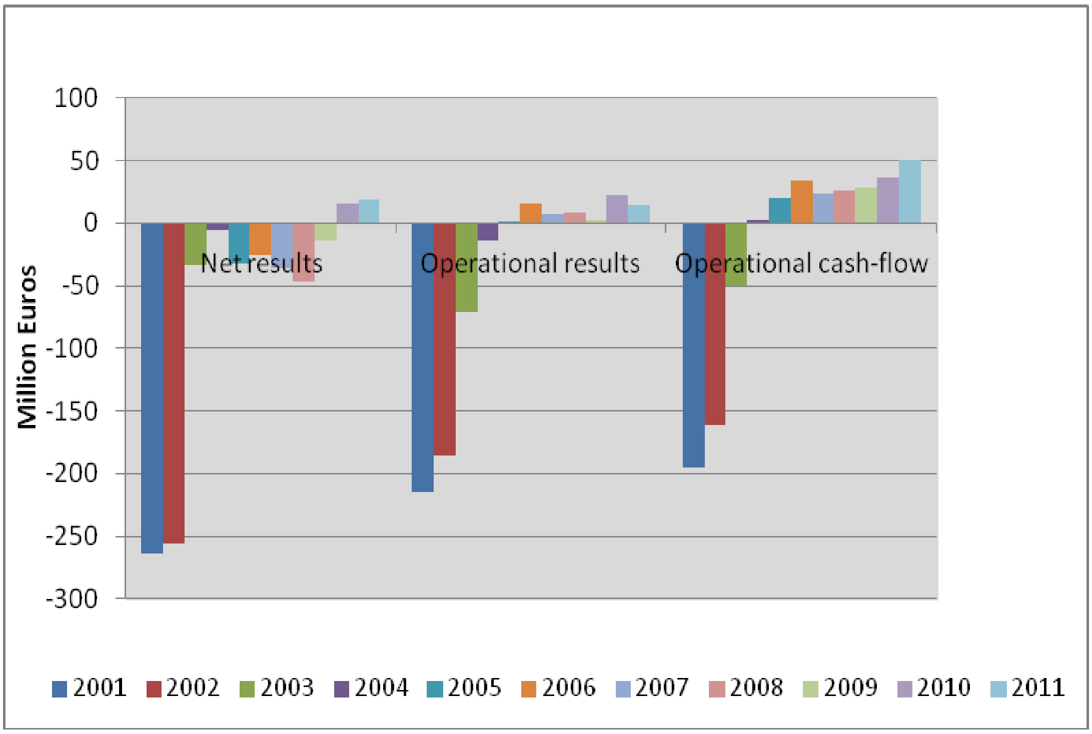

Figure 9. Evolution of Results 2001-2011.

Note. Source: RTP.

Portuguese Public Media Service With a Private Attitude

Since 2005, RTP has been adapting to a new reality and completely changed its attitude (from passive and reactive to pro-active and market-focused). RTP SA is currently moving towards "break-even", registering balanced results, on the back of a cost-structure fit to its dimension and a new funding system that transfers the necessary revenues, in a stable and planned way, towards the fulfillment of the public service of the TV station. By presenting its new identity, and therefore a new image, as well as by assuming a clear commitment with the public, RTP managed to re-conquer the trust of Portuguese people. This led to a bigger market share and higher ad revenues. In November 2005, RTP ranked the 2nd as the most watched TV channel, overpowering SIC. And, as mentioned above, taking the whole group into consideration, RTP reached the leadership in 2007. The company's administration remains committed to further reducing costs. According to Picard (2002), yield is fundamental to any media company, since it allows the production of funding sources and enhances the companies' attractiveness to the banks and other sources of income. All companies, including the non-commercial and non-profitable ones, should generate profit that can be used for their development and their actions; otherwise, they will find themselves in a downward spiral.

Costs reduction and the search for profitability have been considered two essential factors for the success of the public TV channel strategy. However, RTP has also been focusing on new strategic areas such as multimedia, internet, teletext, and SMS. An example of investments in these areas is the creation of MediaParque, a new company based on the infrastructure of the Porto's Production Centre and meant to become a small city around an ICT business. Simultaneously, attention has been devoted to the development of the company website, which not only reflects RTP's new image, but also constitutes an important news platform where interactivity plays a key role.

We can say that the case of RTP dismantles the popular myth that it is impossible for a public TV operator to offer a high quality public service and operate in financial balance and as efficiency as private companies are bound to do. For that reason, the management and restructuring process operated within RTP since 2002 represents an interesting case study of innovation and organizational change in the public administration.

Furthermore, RTP rates pretty well in various aspects, when compared with other European public service broadcasters, as shown in the study included in its public service report of 2011: It holds the 2nd lowest cost per inhabitant (just under €27), only slightly above Spain and 59% below the average of the countries considered. Meanwhile, Austria displays the highest value, €115.7/inhabitant, followed by Germany (see Table 4 and Figure 10). RTP's public funding is the 2nd lowest in absolute value and represents the lowest public funding per inhabitant (just under €22), the cost to public funding in relation to its audiences is the 15th lowest overall and 75% less than average; even though the audiences of the totality of services provided by the public service broadcaster has decreased slightly in 2010 and 2011, compared to E.U.'s other public service broadcasters in the period between 2002 and 2011, RTP appears with a consolidated 29% audience for the totality of its services and with a positive growth rate that contrasts with the majority of said broadcasters (see Table 5 and Figure 11).

Analyzing the graphs above, we can see that RTP, when considered with other European Public Service Radio and TV operators, presented the biggest reduction in public funding between 2009 and 2012. -2.1% contrary to what happened in most other European countries. Spain, in particular, presented an increase of 55.6% (see Figure 12). We can also see that RTP generated a 2.2% increase in advertising revenue between 2009 and 2012, being the fourth operator in the countries concerned. It should also be noted that this growth of advertising revenue came at a particularly adverse time in the Portuguese advertising market. France was the country that showed the greatest increase, 15% followed by Germany with 6% and Italy with 3%.

It is also of importance in this comparative analysis of RTP with other European operators to report its audience share evolution.

Table 4

Operating Costs for Public Radio and TV Operators in Europe in 2010

Country	Operator	Population	Operational costs (M€)	Operational costs per inhabitant (€/Inhab.)
Austria	ORF	8,375,290	968.5	115.6
Flemish Belgium	VRT	6,058,368	455.3	75.2
Denmark	DR	5,534,738	446.4	80.7
Germany	ARD/ZDF	81,802,257	8,352.3	102.10
Spain	Corporation RTVE	45,989,016	1,196.2	26.0
Finland	YLE	5,351,427	447.1	83.5
France	France TVs / Radio France	64,716,213	3,851.2	59.5
Greece	ERT	11,305,118	322.1	28.5
Holland	NPO	16,574,989	848.3	51.2
Ireland	RTE	4,467,854	376.0	84.2
Italy	RAI	60,340,328	2,907.0	48.2
Portugal	RTP/RDP	10,637,713	286.0	26.9
United Kingdom	BBC	62,026,962	4,196.9	67.7
Sweden	SVT/Sveriges Radio	9,340,682	726.8	77.8
Average				66.2
Portugal deviation from average				-39.3
Portugal % deviation from average				59.40%

Note. Source: RTP.

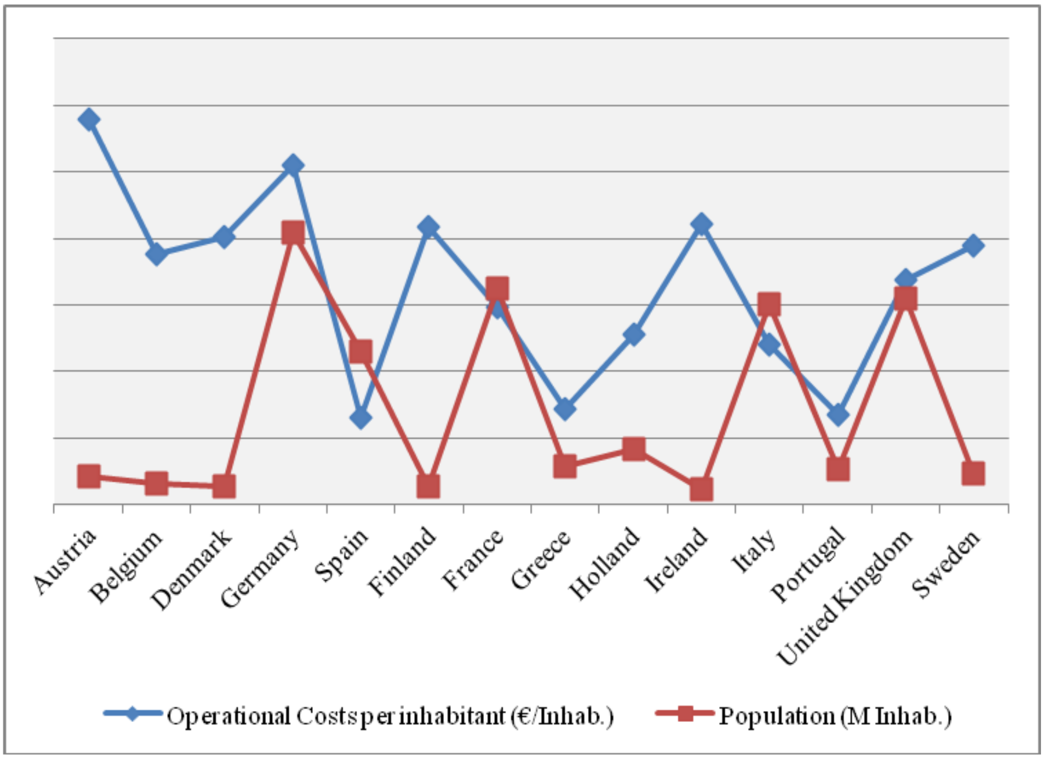

Figure 10. Comparison of operating costs per capita in the operators of Public Radio and TV in Europe in 2012.

Table 5

Indicators of Public Funds for Public Service Operators in Radio and TV in Europe in 2012

Country	Operator	Population (M)	PIB (M€)	Public Funding (M€)	Public Funding per PIB unit (%)	Public Funding per Inhabitant (M€/Inhab.)
Austria	ORF	8.38	286,197.0	581.0	0.20	69.4
Belgium	VRT	6.06	354,378.0	515.0	0.15	85.0
Denmark	DR	5.53	235,609.0	473.0	0.20	85.5
Germany	ARD/ZDF	81.80	2,476,000.0	7,204.0	0.29	88.1
Spain	Corporation RTVE	45.99	1,051,342.0	1,109.0	0.11	24.1
Finland	YLE	5.35	180,253.0	403.0	0.22	75.3
France	France TVs / Radio France	64.72	1,932,802.0	3,023.0	0.16	46.7
Greece	ERT	11.31	227,318.0	305.0	0.13	27.0
Holland	NPO	16.57	588,414.0	771.0	0.13	46.5
Ireland	RTE	4.47	155,992.0	196.0	0.13	43.9
Italy	RAI	60.34	1,556,029.0	1,685.0	0.11	27.9
Portugal	RTP/RDP	10.64	172,799.0	231.0	0.13	21.7
United Kingdom	BBC	62.03	1,700,137.0	4,569.0	0.27	73.7
Sweden	SVT / Sveriges Radio	9.34	345,538.0	719.0	0.21	77.0
Average					0.17%	53.81
Portugal deviation from average					-0.04%	-32.09
Portugal % deviation from average					-23%	-0.6

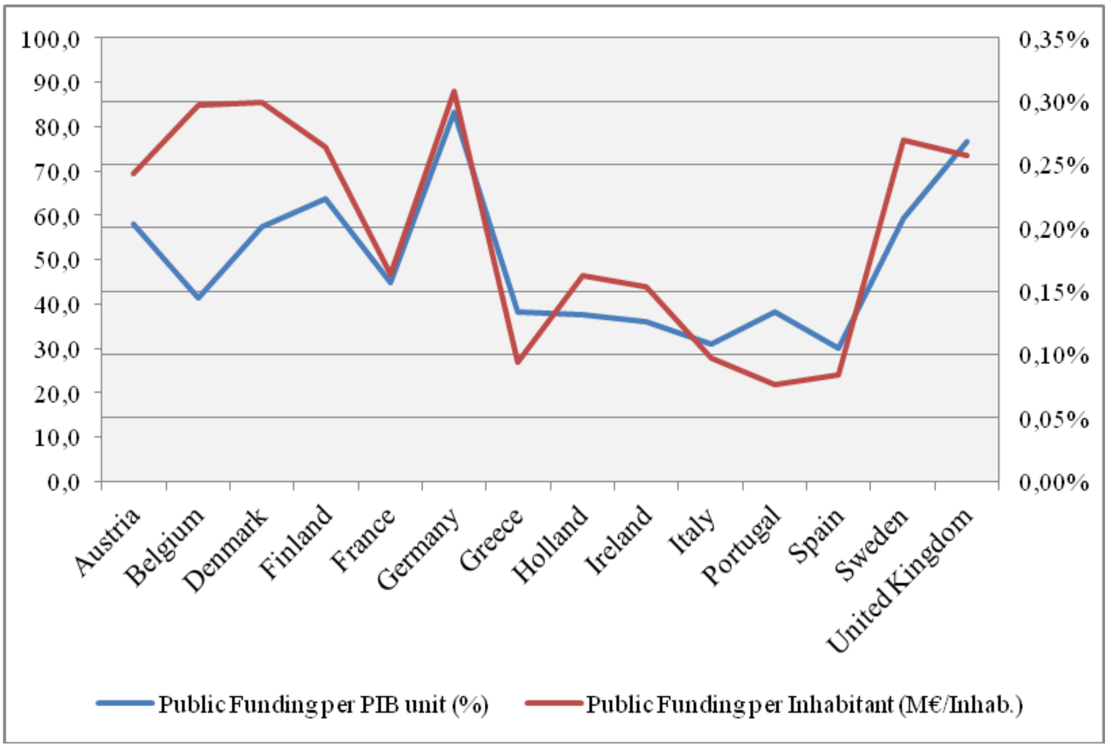

Figure 11. Comparison of public funds per unit of GDP and per capita public funding for operators of Public Radio and TV in Europe in 2010.

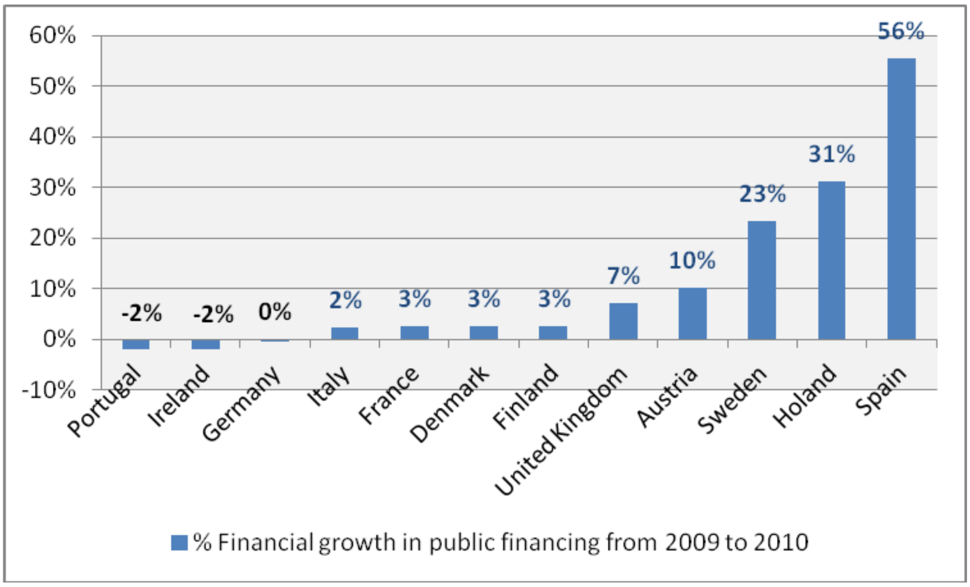

Figure 12. Evolution of public funding for operators of Public Radio and TV in Europe between 2009 and 2010.

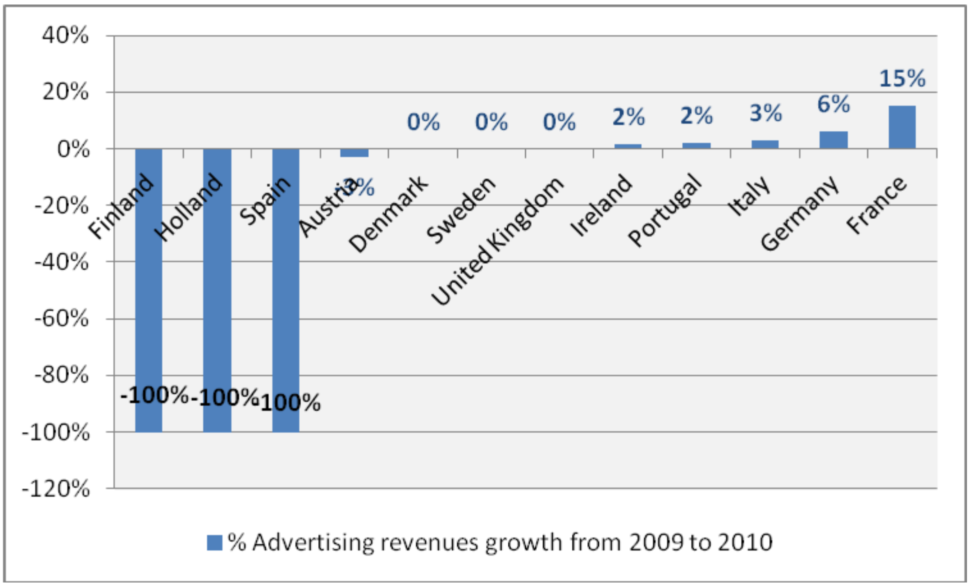

Figure 13. Evolution of advertising revenue for operators of Public Radio and TV in Europe between 2009 and 2010.

According to the European Broadcasting Union (EBU), the collective organization of Europe's 75 national broadcasters, the fall in audience share of RTP from 2009 to 2012 (1.4%) followed the trend of most European operators. However, RTP showed a positive growth rate between 2002 and 2011, unlike most European countries during this period. According to EBU (*EBU Viewpoint on PSM Funding*, 2011):

> The funding model does not have a significant impact on a broadcaster's performance. What does make the difference is the absolute level of funding. Revenues must be sufficient, long-term guaranteed, and shielded from the vagaries of national politics. Legislators must remember that without solid financial foundations, public service media lose their independence and cannot prepare for the future. Media organizations that truly serve the public must be editorially independent and not reliant on political favor or on their appeal to advertisers.

The radio and TV owned by the government of Valencia (RTVV), which owns the TV channels Canal 9, Canal Nou Dos. Canal Nou 24, and Canal Nou International, and the radio channels Radio Nou and Si Radio, is an eloquent example of the level of debt of a TV and radio chain, belonging to an autonomous region. In the context of a severe economic situation in the European and Spanish audiovisual market, compounded by the loss of advertising revenue and of public funding, this chain (TVV), along with the parent company (RTVV), is in the process of implementing a new organizational and management model that will adjust the production structure and work with the current economic and social reality. Under this model and very recently, a third of its workers were laid off (from 1,695 to 1,198), while RTP showed a decrease in its liabilities by 10% from 2010 to 2011 (from 932.8 million to 838.8 million). RTVV, in the same period and in pre-adjustment to the new management model, increased its liabilities by 9% (from five million to 7.3 million). Note that RTP, a nationwide operator, shows positive and increasing results (from 15.0 million to 18.9 million) in 2010 and 2011, while the regional operator aggravates their already substantial net loss of 147.6 million to 174.4 million.

Conclusions and Implications

Public TV should privilege the offer, instead of the demand, by enhancing the social integration that the commercial channels cannot provide. This integration, which is an essential aim to the public channels, comprises the citizen’s valorization. Due to their potential to influence social and cultural life, the social importance of media companies is different from other industries. Therefore, the strategy of public media companies, in spite of being focused on the market, should not be based on profit at all costs: Corporate strategy should include both business and social values. Moreover, business goals should be understood and shared by the largest possible number of managers and collaborators.

Considering this, we can say that for many years there was a clear absence of a business and innovation-oriented culture in RTP. The lack of a business culture prevented the definition of a corporate strategy in the form of a mission with clear objectives. And strategies need to be translated into practical actions. The development of an action plan has a major impact in three major domains: (1) the organization; (2) the financing; and (3) the people. Therefore, in order to avoid resistance during the implementation of an action plan. an innovation oriented culture needs to be put in place.

Until the establishment of the commercial TV channels, public TV was in a comfortable position that allowed it to conceive a programming schedule according to the interests of the people running the TV. The main concern at RTP was to have the best TV shows without ever questioning their costs. As soon as competition from private channels kicked-in. the performance of RTP started declining, until the turning point in 2002. As the analysis of the case shows. RTP has been improving its economic and social performance as well as its relevance in the national TV market.

We can, therefore, say that some of the myths usually associated with the public service of TV were also proven wrong. It is a common thought that: (1) PBS is chronically in deficit; (2) reducing resources and budgets of PBS leads inevitably to a decrease of the service performed; and (3) changing radically a public company and endowing it with an effective management logic takes many years. After the definition of a strategy and the general objectives of the Portuguese State TV’s public service, real measures to turn the economic and financial situation of RTP rapidly around had to be taken. On the one hand, it was necessary to urgently reduce costs and increase profits. These measures, based on an integrated management strategy, allowed the improvement of RTP’s business model in a short period of time. The implementation of effective management logic and a complete recovery of the financial situation, on track to break-even, is a reality.

Furthermore, the reverse of the audience trend towards positive figures testifies that the reduction of resources and budgets, through cost-cutting measure, did not have a negative impact on the service offered.

Finally, another important aspect—a cornerstone of the new management model—was the need to re-position the programmes in order to make them more coherent with the mission of improving the public service of information. In that sense, seven important decisions were taken. as we can see in Table 6.

Table 6

Content-bet on Public Service

Re-orientation of Programmes and Information for the Public service
Launch of new programmes and formats within the areas of prioritary content of public service; Cancellation of sensational programmes and with offensive content, and bet on quality entertainment programmes; Stabilization of the programme sheets and fulfilment of timetable sheets; Valorization of information, with the creation of new spaces of TV journalism, and bet on a reference, reliable and and exempt information; Creation of special programming lines, with several special broadcasts which permit RTP and RDP to stand out as active operators, with capacity for scheduling the TV and radio agenda; Bet on content of national fiction and documentary; Reformulation of the international aerials of RTP and RDP (Internacional and África).

Note. Source: RTP.

The description and analysis of the RTP case allow us to advance important conclusions related to the management of a public media company:

(1) To understand and manage any changing process, the existence of a strong leadership, which does not have to be authoritarian, is fundamental;

(2) The management of public service TV is compatible with the implementation of rational management practices similar to the ones applied in the private sector;

(3) The resistance to change can be dependent on the perception of the need to change and the involvement of employees in that change;

(4) The governments should delegate as many decisions as possible related to the operational management of media companies, though they can and should take part of the major strategic definitions;

(5) It is possible to offer a TV public service which is market-oriented and does not pursue disloyal competition towards other private TV operators.

From an academic point of view, the analysis of the RTP case shows also the importance of a good planning of the changing process, as well as the need to create mechanisms (negotiations) that can dissuade the emergence of internal and external resistance spots. One of the most remarkable aspects of the renewal process within RTP is that there was no significant resistance to change. Nonetheless, despite a considerable downsizing, the changing strategy was successful. This success can be partly explained because it was too obvious that something had to change. Otherwise, the future of the company and consequently of the employees would be compromised; on the other hand, the downsizing took place by mutual agreement with the employees and consisted mostly in pension compensations and early retirements.

From the time it took charge, the administration at RTP knew that the restructuring of the company was not an easy mission to fulfill, but the determination and persistence shown during the process has been strengthening the implementation of intervention measures. Some of them are quite radical. Beyond the importance of the political support to proceed with the restructuring, the experience and competence of the change leader—Almerindo Marques—was essential. With a professional background in the banking sector, he brought the appropriate management know-how which was missing at RTP. Important contributions were also made by other managers in the production, programming human resources and marketing and sales departments. Together, the new administration succeeded in developing a new management philosophy which: (1) underlined the concept of public service by devoting a larger attention to educational and cultural programs; (2) aligned the staff to the new structure and reduced the costs to meet new market conditions; (3) defined a Government policy regarding subsidies which enables the development of a medium term strategy; and (4) captured resources from the advertising market, without generating unfair competition for the private operators. In this sense, we can say that the administration under Almerindo Marques's leadership at RTP has been responding well to some of the major challenges that were set for the recovery of the company. In 2008, a new administration took over, leaded by Manuel Guilherme Oliveira da Costa, which continued the work started by the previous administration.

Despite the efforts and achieved results, the public TV still has many challenges ahead. Amongst these challenges are the increasing pace of change in network markets; the increasing convergence and competition across network products, complements, and substitutes; the reduced possibility to engage in monopoly pricing and price discrimination; and the shift towards access-based pricing rather than usage-based pricing (Bates & Albright, 2005). Thus, the future of the Portuguese public TV operator depends on the way the company is managed in the next few years. If the management philosophy remains based on a more rational attitude—which usually characterizes private media companies—the RTP brand is expected to become stronger and well perceived by citizens. Furthermore, citizens will benefit from a less expensive TV and a higher quality of information.

The successful projects of change should be sponsored by someone with a position tightly connected with the success in change. The leader of a team constructs a justification for the change, sells it, comes up with the necessary resources, sets goals, and establishes future actions. This behavior, sometimes visionary, almost evangelic—joint with a large determination in destroying the barriers—constitutes the energy source that leads to change. In this context, a good explanation for the change should also be found. The leader has to be prepared to face resistance to this change, which usually comes from managers and intermediate directors, who fear the loss of their power and the risk of failure. People at the lower management levels usually react better to change, because they often know how bad a situation was and want to help improving that scenario. In the case of RTP, the perception by the collaborators that the situation was unsustainable also helped minimizing the resistance to change, though there was some—and there still is.

Nevertheless, the public channel still faces a very problematic financial situation (by the end of 2010, shareholder's funds negative of circa 554 million Euros; and non-current liabilities of circa 784 million Euros). Inverting this scenario may not be possible without profound and disruptive reforms. Anyway, the overall company situation should be regarded. Namely, its present debt status has been consistently reducing, though still rather high.

Partly, most of the RTP's current debt situation is the overall result of an accumulation process over the years since its foundation. Anyway, RTP's high dependence on public funding (both through audiovisual tax and compensatory indemnity) cannot be disregarded, representing near 78% of its annual income. The remaining 22% is dominated by advertising (around 17% or 50 million Euros). At this stage, RTP restructuring is inevitably linked to substantial reduction of operational costs, as well as services and products discontinuation.

Despite significant restructuring of RTP management practices, as dealt in this paper (including operational results improvement in 2010 of 690%—from 2.9 million Euros in 2009 to 22.6 million Euros in 2010). The situation is still worrying for the Government. In fact, RTP still receives 231 millions from the public funding which, considering the dramatic situation of the Portuguese public debt, must be further reduced in the near future. This implies accelerated reforms and probably also disruptions on the current management model.

Thus, assuming the government will keep running RTP, besides from the competitive aspects of the new TDT operators in the market. the big entrepreneurial management challenge for the RTP has a lot to do with: (1) accelerating operation costs reduction and discontinuing products/services; (2) re-foundation of the concession model as well as the entrepreneurial and editorial management; (3) maximization of companies and brands synergies and reinforcing differentiation; and (4) assessing the possibilities of concentrating public service on channel 1, migrating channel 2 to cable. Meanwhile, open discussion about a privatization model has been an issue on the political agenda.

If this scenario becomes reality, it will probably lead to an excess of competition for public and advertising, given the structural fragilities in the market (due to limited market size of the advertising investment, public, and consumption). This effect will not only impact on the TV market but also on other media segments. Particularly, the press, which Portuguese market share has been consistently reducing—representing now about 15%, the lowest quota of all EU countries.

Due to the Portuguese public debt, the government studies different models of privatization of RTP, most of which would imply the closure of RTP2 and the privatization of RTP1, maintaining the international channels and giving the autonomous governments of Madeira and Azores control of the local channels. It is also being considered just selling the concession of RTP1 or even maintaining it without public funding and the maintenance of RTP2 as a minorities oriented channel, with the models differing in terms of publicity allowed per hour (which can affect the private operators as well) and the way in which public service will be assured. The current management model will be in effect through 2013, with the privatization being planned for the year 2014, although public funding will be decreased in 40 million Euros for 2013, while the audiovisual tax will remain unchanged.

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