Radio In Search of EXCELLENCE

Lessons from America's Best-Run Radio Stations

National Association of Broadcasters

Radio

In Search of Excellence

Lessons From America's Best-Run Radio Stations

with chapters by

McKinsey and Company
and
Other Management Consultants

Research and Planning Department

NATIONAL ASSOCIATION OF BROADCASTERS

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Preface

In Search of Excellence: Lessons from America's Best Run Companies has been a major force in American business. The NAB, in keeping with our 1985 Convention theme, "Take Part. . .Take Pride," believed that the McKinsey and Company approach would be appropriate for identifying superiority in radio management and sharing the elements of this success throughout the industry. During the past six months, McKinsey, the NAB Research and Planning Department and several top radio consultants analyzed management practices of some of America's best radio stations. The result of this in-depth analysis is *Radio in Search of Excellence: Lessons from America's Best Run Radio Stations.* The first chapter contains detailed findings of McKinsey and Company's in-depth analyses of 11 top performing radio stations. McKinsey's study is followed by the results of a nationwide NAB survey of top performing radio stations.

Besides these in-depth studies, *Radio in Search of Excellence* asked some of radio's top consultants for advice on applying the principles. The book begins with several chapters on motivation and communication. Rick Sklar, based on his years of experience in the business, tells how station management can encourage excellence in programming. Ken Greenwood talks about organizing and motivating a top flight sales department. Don Kirkley's chapter on communication contains advice on expressing your ideas and giving your staff the feedback necessary for superior job performance. He also discusses how to project a positive image to advertisers and others outside the station.

Staying close to the customer is another principle essential to radio success. The best managers use a variety of techniques. Research is one of these. Several chapters explain how to get the best data on your audience and how to use it to your station's advantage. John Dimling tells how to design promotions and schedule programming to insure diary recall and how to analyze and use syndicated data, like Arbitron and Birch, to your best advantage. Richard Harker explains what can and can't be learned from various kinds of music research. And finally, Ted Bolton talks about the value of custom research and why ratings aren't enough to truly know your audiences and effectively sell them to advertisers.

While research can sum up and simplify information about large numbers of people, it doesn't give the full feeling of a community. Really knowing the community requires actually meeting the people. From this perspective community involvement is a significant and high-yield investment in your station. Susan Eastman discusses how some of the stations nominated for superior community service use participation, visibility, access, and activity as the keys to successful community involvement.

Another attribute of the top managers identified in *Radio in Search of Excellence* is that they balance the looseness necessary to encourage creativity and still maintain the tight controls necessary to run an efficient and profitable business. Stuart Brotman talks about long-range planning to organize your pursuit of excellence. And, Susan Harrison describes managing finances to enhance the market value of your station. Finally, Jim Duncan, a long-time observer of radio station performance, talks about how radio management has grown and urges radio managers to continue this quest for excellence.

Bernadette McGuire
Editor

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Radio in Search of Excellence: Lessons from America's Best-Run Radio Stations

By McKinsey and Company

At the April 15, 1985, keynote radio session of the National Association of Broadcasters Convention in Las Vegas, McKinsey & Company, the internationally known management consulting firm, addressed the broadcast audience on the subject of excellence in radio management practices.

The address was given by Sharon Patrick, a principal in McKinsey's New York Office and a leader of the Firm's Entertainment and Communications Practice, and Bob Waterman, a director in McKinsey's San Francisco Office and co-author of McKinsey's best-selling book *In Search of Excellence.* Their presentation was based on McKinsey's research on 11 of the country's top-performing radio stations. In this article, they present an expanded version of their presentation, including additional material and findings from McKinsey's radio work.

In addition to Sharon and Bob, the McKinsey research team included Barbara Mullin, an associate in McKinsey's Entertainment and Communications Practice; Janet Abrams and Sue McKibbin, research consultants in the Firm's Organizational Effectiveness Practice; and Dolores Roebuck, an administrative assistant in McKinsey's New York Office.

The McKinsey team believes that it is important to emphasize that this article contains extensive quotes from managers and other talent at the 11 stations the team members visited. While analysis, conclusions, and findings are solely McKinsey & Company's, the team believes that the supporting data for its work—station interviews—should be presented to you directly from unedited tape transcripts, without paraphrasing. It is McKinsey's conviction that the primary source of guidance on excellent radio management lies within the industry's excellent stations and it is the McKinsey team's responsibility to assist them in bringing their message directly to you. Therefore, the extensive quotes contained below are central to McKinsey's approach and message and are critical to developing the Firm's case for excellence in radio management practices.

* * *

Perhaps the subject of excellence in radio management practices needs no introduction. But maybe it does.

Management techniques in radio do not make headlines. Those of us involved in McKinsey's Entertainment and Communications Practice work recognize that most members of the radio industry, including the management, must be so consumed by getting the "show on the air" that precious little time and energy are left over for reading Harvard Business School articles on the management of the enterprise.

Therefore, our article is about management practices. And, when we at McKinsey speak of management practices, this is what we mean. Management practices, to us, are concerned with what you managers are doing in your stations to win *"sustainable competitive advantage."*

Our definition of excellence in radio management is not addressed to those of you who are "dressing up the lady" for resale while she's still hot. It is for all of you who are concerned with your station's long-term financial success and survival—all of you who are concentrating on delivering your product to your listening and advertising customers in the most profitable way over time to ensure that your station has sustainable competitive advantage. Our comments are about managing to achieve superior performance relative to the competition.

To better understand how superior competitive advantage is achieved and sustained in radio, we undertook a comprehensive research project involving 11 of the industry's top-performing stations: WWNC, Asheville, NC; WBBQ, Augusta, GA; WGN, Chicago; WMMS, Cleveland; KOSI, Denver; KIIS, Los Angeles; WVOR, Rochester; KGO, San Francisco; WRSC, State College, PA; WKYS, Washington, D.C.; and KEYN, Wichita, KS. These stations in no way make up a complete list of the industry's excellent stations, nor does any one of them represent a *unique* or *sole* approach to achieving excellence. They are not intended to be radio's "top 11." Rather, these stations have been selected to collectively yield insights on the attributes of excellent radio management.

We chose our station sample on the basis of two sets of criteria—*same and different.*

We wanted the stations in the sample to be *the same* in exhibiting what we believe counts most when measuring excellence: financial and market success that is self-renewing in the winds of change. We used *American Radio Spring 1984 Report* to help us find station candidates that met this requirement.

We also required that the stations selected be known among their peers and industry experts as constantly innovative in terms of technology and products as well as management practices. Both an NAB survey and an NAB "Radio in Search of Excellence" Advisory Committee were useful to us in determining which stations met this requirement.*

Certainly the final sample exhibits financial performance, with a sample average annual net operating profit of 34 percent in 1982–83, 11 percentage points above published industry averages for that period. And in 1984, our sample averaged a 36 percent operating profit.**

All 11 of the sample stations have been number one in their formats, and the majority number one in their markets, over the last several years. In fact, 50 percent of the sample have dominated their ADIs for over 10 years. Naturally, the billings of our sample stations mirror their excellent market performance.

We also wanted the sample stations to be *different* so that they could be collectively representative of the wide range of the radio industry. Our 11 were selected, with the help of NAB staff and the Advisory Committee, from a spread of important variables, including: different formats and market sizes, a balance of geographic locations, and a range of maturity levels.

Why, you might ask, look at this group of 11 stations anyway? Because we at McKinsey believe in the validity of "management by imitation," as well as "management by objectives" and other "surefire" management concepts. We use the analogy of the ski instructor to argue our case. When an instructor takes the class to the hill and explains to them the physical principles of parallel skiing, they learn something. But they learn only half of the lesson. They learn the rest when the instructor shows them what parallel skiing looks

*We excluded from nomination those stations managed by members of NAB's sitting radio Board of Directors to emphasize our desire to select an "objective" sample not subject to any apparent political considerations.

**Comparable industry data not available.

SAMPLE FORMAT AND MARKET CHARACTERISTICS

Station Formats (competitors)	MARKET SIZE (Population) Large (over 500,000)	Medium (100,000-500,000)	Small (below 100,000)	Unrated
1. AC		WVOR-FM (19)		WRSC-AM (7)
2. AOR	WMMS-FM (26)			
3. Beautiful Music	KOSI-FM (33)			
4. Country			WWNC-AM (18)	
5. MOR/Variety	WGN-AM (32)			
6. News/Talk	KGO-AM (48)			
7. Top 40	KIIS-FM (43)	KEYN-FM (15)	WBBQ-FM (17)	
8. Urban Contemporary	WKYS-FM (32)			

like when it's done right as they follow him down the hill. It's that second half we searched for in our radio station research.

To understand what's worth imitating, a team of McKinsey consultants walked through the door of each of our sample stations and spent up to 3 days with each researching the basis of its excellent performance. We also spent many more hours analyzing findings and conducting an examination of 5 stations selected to represent the maturity curve: KIIS (3 years), WVOR (5 years), WMMS (10 years), WGN (18 years), and WBBQ (23 years).

In this article we are going to set out the results of our research effort in two frameworks. The first framework deals with *strategy*—it answers the question, what do our sample stations do strategically to win the game? The second addresses *organizational effectiveness*, or, how do they do it? In short, we'll be discussing, in simple terms, some powerful ways to manage yourselves to the top.

PART I
WHAT THEY DO—STRATEGY

In summing up, what our sample stations do to succeed is plain and simple: They are *brilliant on the basics*. That is, they are brilliant on those strategic activities that exploit the underlying economic characteristics of radio products and services.

What makes radio so interesting, and such a challenge, is the fundamental economics of the industry itself. Achieving excellence, or moving toward it, requires an understanding of the major economic forces at work. We know that you are generally familiar with these, but you may not be aware of just how powerful the economic forces really are.

Radio economics are very different from those of the make-and-sell businesses that were described in *In Search of Excellence*. In those businesses, the ratio of fixed to variable costs is, generally speaking, low when compared to radio. This is because the per-unit variable costs associated with producing additional product for sale are constant or, in some cases, increasing. In other words, there are relatively few economies of scale—or cost-savings—associated with producing additional units. Manufacturing companies, to produce incremental units, must make additional expenditures on the additional labor and materials to produce them.

In contrast, radio has a high ratio of fixed to variable costs, or the costs to a station associated with adding additional listeners (i.e., the radio product). This is because even a small market, low-wattage station must start with a healthy investment in equipment, facilities and people in order to operate. Production and distribution costs will essentially be the same whether 700, 7,000 or 700,000 listeners "tune in." The station will still need the same plant, the same "sticks," the same jocks, the same sales staff, more or less, and so on. Therefore, radio is one of the few industries where the per-unit, or per-listener costs spread and decrease absolutely as volume, or audience size, increases. Why? Because relatively few additional expenditures of labor, equipment, and other materials are required to increase audience size. These economies of scale are what make the economics of radio so unusual and powerful.

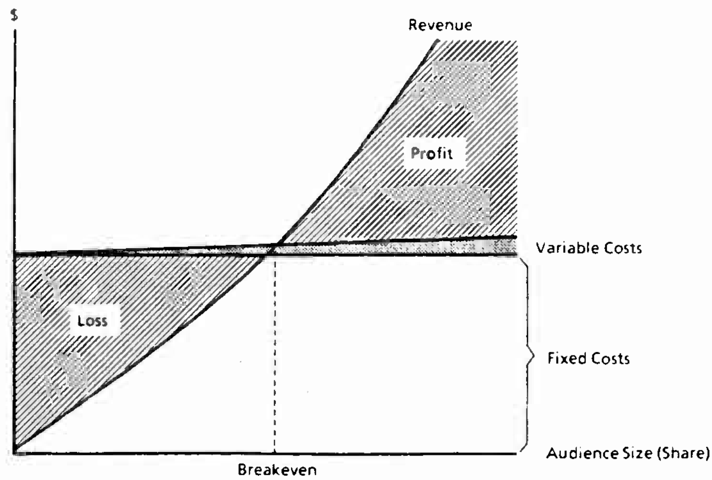
Why is that? First of all, because the decreasing per-listener costs associated with scale offer any station which increases audience size above break-even important cost-savings. Interestingly, scale also offers important revenue advantages. Stations that best maximize audience size and share earn disproportionally more revenues. This is because advertisers, in general, will pay premium CPMs to be on highly rated, number one stations in a market for several reasons: efficiency, image, and supply/demand dynamics. In addition, this higher CPM is applied to each incremental listener that top-performing stations are able to deliver to advertisers relative to their competition.

The lower per-listener costs and higher per-listener billings that characterize our sample stations, because of their larger audience size, directly explain their above-industry profitability.

To summarize in simple graphic terms, the scale economies of radio look like this:

THEORETICAL RADIO STATION BREAKEVEN ANALYSIS

ILLUSTRATIVE

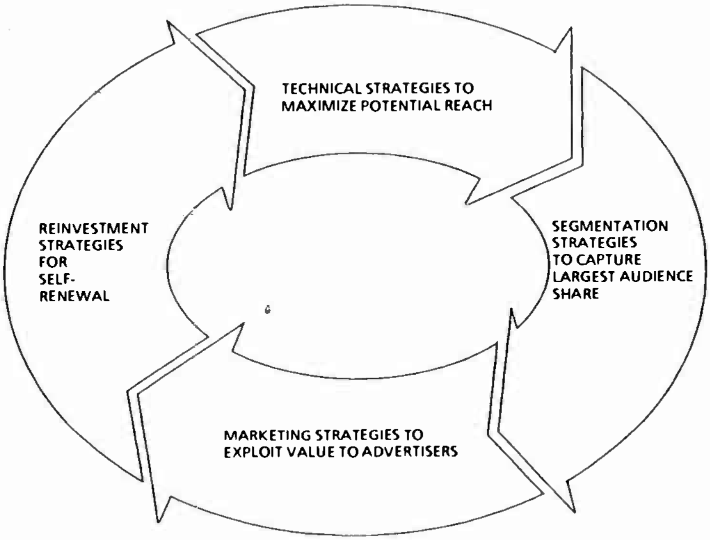


Note the sharpness of the angle at which the revenue line crosses the total cost line. What this means is that every tenth-of-a-share point increase above break-even, for example, has enormous leverage in generating return. And this sharp scissor cuts both ways. Every tenth-of-a-sharepoint decrease below break-even generates big losses, and expense control doesn't help much because such a large portion of the cost is fixed.

So, in radio, the name of the game is increasing share. Sustainable competitive advantage is won or lost on the ability of a station to maximize audience size, to exploit its value to advertisers, and to recognize that the financial benefits derived from it must be plowed back into the station to maintain and increase audience.

Radio's economic forces at work drive the strategic "basics" to which our sample stations pay unrelenting attention:

STRATEGIC BASICS OF RADIO



- Technical strategies to maximize potential audience reach and coverage
- Segmentation strategies for maximizing total audience size
- Sales strategies for exploiting station value to advertisers
- Reinvestment strategies to attain self-renewing competitive advantage.

TECHNICAL STRATEGIES

Technical strategies are crucial, since comprehensive, quality signal coverage of the marketplace brings maximum *potential* audience. So, as you might expect, we found that our sample stations do not scrimp on the technical plant; they are in fact quietly obsessed with their technical back-up strength to ensure fail-safe reliability. For example, Bart Walsh, General Manager of WKYS, told us:

> The first key to success if you want to go all the way is to have a *quality facility*. You can take the greatest management talent in the world, the greatest-sounding radio station in the country, but if it doesn't have the physical ability to reach the marketplace, without any holes or interference, you can't win. You're just running in a race with a broken ankle or in the Indianapolis 500 in a jalopy.

WKYS, and the other sample stations, put their money where their mouths are to ensure and safeguard quality signal coverage. Bill Smith, General Manager of WMMS, Cleveland, had this to say:

> Initially we invested in a good, strong signal and plenty of defensive backup systems. We can't afford to be off the air for 5 seconds because you can lose thousands of listeners and you don't want them flipping the dial—they might like what they hear.

Jack Palvino and Bud Wertheimer, of Rochester's WVOR, stressed their station's strategy to spend money on technical plant, saying:

> We've invested heavily in a magnificent setup—primary and secondary broadcast sites with redundant transmitters and antennas at both. This allows us to sleep at night. One goes off and the other checks in in 3 or 4 seconds automatically, invisibly. We can't afford to be off the air. When they turn that thing on, our audience wants to hear us, wants our consistency. . . .

KOSI's Chief Engineer, Keith Ericson, said:

> Group W gave us 'carte blanche' to build a new technical facility. Others might find it hard to justify the calibre of equipment we have here, but what results is the finest signal, and the greatest reliability possible, for our audience and advertisers.

Bob Zimmerman of WRSC in unrated State College, Pennsylvania was also as concerned with signal performance as were the larger market sample stations. Bob told us:

> To improve signal is to improve the coverage. So, when we arrived here, we bought transmitters for both the FM and the AM, gutted the station, and rebuilt it. I mean rewired—everything has been done to get quality.

Even the sample news oriented stations echoed this obsession with technical quality and reliability. Wayne Vriesman of WGN confirmed this point:

> Our transmitter, and everything connected with it, is *top goods;* it has to be for competitive advantage. We spent a lot of money on that transmitter. I've got two sticks up there, one just in case the other breaks down. I even moved one of my two big transmitters into the garage next door to the main building so, in case of a fire, they both don't go!

Harley Drew of WBBQ in Augusta may have had the last word on this subject when he told us:

> We have backup systems on top of backup systems. People can rely on death, taxes, the sun coming up, and BBQ. If it's snowing out there, and the trees are covered with ice, and limbs are falling off, and people's power is off, and they are sitting there with a flashlight and a transistor radio, and every station is off the air, *BBQ ain't*. Ain't gonna be if we can help it. I mean you can't be 'number one' where you don't have a signal—it's basic.

Harley's right. A reliable, quality signal is basic to achieving 100 percent audience coverage and maximum potential reach—and step one on the road to achieving the benefits of economies of scale.

SEGMENTATION STRATEGIES

The next step in capitalizing on scale economies is clearly to capture the "lion's share" of potential audience. This requires superb segmentation strategies. Why? Because, as we don't need to tell you, "head-to-head" competition is difficult in the radio business. This is again because of the economic forces at work in the industry. Scale, or audience size, economies create strong pressures for one most profitable and efficient station to dominate in an identical format. This means smaller competitors must create unique niches, by developing innovative segmentation strategies and differentiating their product in other ways, to survive and flourish over time.

We found that our typical sample stations evolved their segmentation strategies over a 5-year period, in a three-step process:

- Stage 1 (Years 0–2): *"Find a hole"* to establish a beachhead.
- Stage 2 (Years 3–4): *"Take down the walls"* to broaden format appeal.

- Stage 3 (Year 5 and beyond): *"Become synonymous with the community"* to achieve mass market appeal and win sustainable competitive advantage.

Find a Hole

All our sample stations gave us amazingly consistent stories on how they began their campaign for a place at the top—they found a hole in the market and specialized. As WWNC's Sheldon "Dino" Summerlin told us: "If you want to go fishing, go where the fish are and the fisherman aren't, and be sure to use worms the fish like!"

Bart Walsh of WKYS offered additional advice. He said:

> You have to begin by specializing—a rifle shot, not a shotgun. You have to be the best in the market at one thing initially. You can't be a little bit good at a lot of things because you'll end up not being good at all of them. Because, make no mistake, somebody else is there.

All our sample stations put incredible emphasis on the importance of experimentation and research to find their holes. Of course, they used many different approaches. Wally Clark of KIIS did it himself with his people. He described the process as follow:

> We inherited a "dance" format when we came here in 1981, and we started off rather conservatively. In looking through the Arbitrons and other industry rating books, we saw that we also inherited a younger audience who came in and left us immediately. The rating books proved to us that our audience just sampled us and then went on to another station. We concluded that their behavior probably was explained by the fact that 4 or 5 years before KIIS had been doing disco. So while the audience did keep in touch with KIIS, they didn't seem to like what they heard when they came back.
>
> I decided that up-tempo, Top 40 might be an opportunity for us. The rating books showed this format to be a more wide-open hole at that time, since it was somewhat out of fashion in the industry. We also knew that Mexicans and Blacks, to whom that segment might appeal, would provide a good basis to work from. They did. And it's still true today. We mirror the market—25 percent Mexican and 10 percent Black.
>
> My concept was to create an identifiable, *consistent*, what's-hot-at-the moment sound—I like to think of it as a "warm

> bath." The evolution took about a year. As we became brighter—harder—we kept testing the water through experimenting and watching the ratings. We'd have four oldies an hour and six current hits. Then we'd drop one oldie, then another. We're down now to one oldie an hour.
>
> Before I could promote I had to be sure the 'sound' was right—you can't promote a bad radio station. We fine-tuned the strategy by keeping closely in touch with what other radio stations were doing with our listeners. We had 'call-in' lines with student operators, on duty 24 hours a day, who were delighted to talk to our listeners for minimum wage—we could probably just as easily have used volunteers. We were also out there more than anybody in town with our jocks and people holding 'Weekend Warmups' in a different part of town every other weekend. We still do all of this today because it helps us know where to go next.

And sure enough, by 1982 KIIS was number one in its format. Despite KIIS's performance, Wally also had this to say:

> It's difficult to share our results. The bad thing about our business is that you get to one of our conventions and you discuss your approach, and people say, 'If I was in LA, I could do that too!' That is really not true, though; most of these things could be done anywhere.

Certainly our other sample stations bear out Wally's assertions. All essentially described processes similar to KIIS's for establishing the format beachhead. They only varied in their research techniques for finding the "hole."

For example, WVOR looked to *outside market research consultants* for help. Owners Jack Palvino and Bud Wertheimer cautioned, however, that if this approach is used by other stations, they should know that "there is a difference between strategy and action." The two maintained the following:

> Consultants who are out there get totally misused. Invariably, when you hear bad results from a good consultant, it has to do with implementation. A reputable consultant can show you a hole and recommend something you may do, but it's up to you to know your marketplace and what the recommendations mean for 24-hour-a-day programming. Our own local

> knowledge, the rating books, and our own perceptual research and experimentation help us to do that.

WMMS used their parent corporation's talent to help it find a hole to get established. That corporate talent is John Schaffey, "the world's most brilliant statistician" and the one who "finds the holes for Malrite." WMMS reports that Schaffey "goes through the rating books and, using his formulas, determines who's listening to what for what reason. He's just amazing."

Take Down The Walls

Once our sample stations gained a dominant beachhead in their chosen format/segment, usually about Year 2, they moved to take the island to become "top dog" in their overall market. While they retained their essential format, they went to work to take down the walls of their niche and move into their next-door neighbors' space. In short, they used a "try it, do it, fix it" strategy to broaden their format audience appeal. Bud Wertheimer of WVOR laid out the philosophy for us:

> After we set our identity and became a Cadillac, we realized we should stick with it but that the product had to bend every which way for greater success. A Cadillac is still perceived as a Cadillac. Ten years ago it had big fins, and today it doesn't. Yet people still value it as much today as they did 10 years ago. The only constant is change.
>
> So, once WVOR was established, we really stepped up getting inside our listeners' heads with extensive research. While it took work, we broadened and adapted our format to their life-styles. Our listeners now think of us not only as the music station, but the news station, the weather station, and the personality station.

All our sample radio stations mirrored WVOR's approach to capturing broader audience appeal and tune-in. The music formats mixed in news, weather, traffic, sports, and other hard-programming "talk" elements. The news/talk stations added more sports, heavy personality, and even music features. So, when we asked our stations to classify their formats, we weren't surprised that they had trouble. Here's what they said:

- *WGN (MOR/Variety):* We don't fit any of the standard formats. We are more than newscasting. If it is 20 degrees below zero in Chicago, we are a weather station. If the Cubs are in the pennant, we are a sports station. We flow with it. We are personality and information; we reflect this town.

  Wayne Vriesman

- *WMMS (AOR):* We are not an AOR station anymore—haven't been for quite some time. We're in the middle, a combination of AOR, CHR, and Top 40 for broad audience appeal. When you label something, it's already old.

  Jeff and Flash, DJ's

- *WBBQ (Top 40):* We're not strictly AC. The programming philosophy is to try to come as close as you can to being all things to all people—we're news, personality, weather; we never let up!

  Harley Drew, Program Director

- *WVOR (AC):* We're adult contemporary, but we're really not. We have all the features of any good morning drive station. We have an image as *the* radio station in the market for everything.

  Jack Palvino, General Manager

- *KOSI (Beautiful Music):* The sound of KOSI is more involved with *today* in Denver: live newscasts, business updates, and on-air promotion.

  Van and Marv, DJ's

- *KGO (News/Talk):* We're not a news station, really. KGO is a personality station and much more...we're really in touch with regular people.

  Mickey Luckoff, General Manager

What, you might ask, did those stations do to win "these islands in the sun?" As Wayne Vriesman and the others contend: "Anybody can do it." It requires getting out, learning your markets, learning about your listeners, and letting everyone else come up with the ideas for you. We found that our sample stations took down the walls—and continue to do so—using a four-part formula:

- *They experiment with additional format features—heavily.* Why? As Sheldon "Dino" Summerlin of WWNC told us:

Because it's like coming up with a recipe for good chili. It needs a little of this, and a little of that, a little chili powder, a little sausage, and *a lot of research*. You let your listeners taste it, and they'll not only tell you if they like it, but what else it needs. WWNC's recipe now includes country, rock and roll, gospel, weather, traffic, and Scotty reading the local newspaper on-air for an hour every morning.

- *They research—heavily.* They use a zillion techniques to learn where to go next—music research, call-in line research, market trend research, competitive research, perceptual research, lifestyle research, periodical research—and more research, research, research. It doesn't have to be expensive—many of our stations, such as WRSC, did the telephone and other market surveys themselves, or put their programming directors on air to learn directly from the listen lines.

- *They use promotions—heavily.* Promotions are a terrific means to get "close to the customer," and all our sample stations use them. Popular techniques include DJ guest appearances at such events as WKYS's Eddie Murphy movie nights or concerts; local sports event, such as WGN's Chicago Bears Day or WRSC's Penn State tailgate parties; small group get-togethers, epitomized by WBBQ's Pizza Hut lunches; major public events sponsored by the station, such as WWNC's "ugly pick-up truck contest" or "balloon day"; and ticket giveaways, such as KOSI's "night at *Gigi*."

- *They get involved with their market's public service activities—heavily.* They publicly support on-air, and in other ways, many of the city's public service programs and charity functions, such as the United Way, the March of Dimes, the Salvation Army, and the like.

- *They talk on-air—a lot more.* All our sample stations—even KOSI, Denver's beautiful music station—claimed that, as their formats broadened out, they had more talk content than other stations in their formats.

The result of all this energy and activity is broader appeal and bigger audience numbers for our sample stations. For them, larger audiences have translated directly into scale advantages—namely, lower per-listener costs and revenues—which have provided bigger profits.

Become Synonymous With the Community

It's now roughly Year 5, and our sample stations are tops in their market. So, where do they go from here? Denver's KOSI, at Year 3 and currently in Stage 2, knows: "Our idea is that someday KOSI will be synonymous with Denver." Certainly achieving *this* goal will guarantee KOSI maximum appeal, and most important, sustainable competitive advantage. To be Denver is to be there for a long, long time to come!

When we heard KOSI's goal, we did not think KOSI was crazy. We in fact knew that many of our older sample stations were already there: WBBQ has dominated its market for 23 years; WGN has been number one in its community for 18 years; WWNC has been a number one station for 11 years; WRSC has dominated for 11 years; WMMS has been "king of the hill" for over 10 years; KGO has been on top for 10 years.

These stations agree with our evaluation. Here's what some of them said on the subject of being synonymous with the community:

- *WGN:* "WGN is Chicago."

  Wayne Vriesman, General Manager

- *WWNC:* "We *are* the local station—we're part of this community; we're Asheville!"

  Sheldon "Dino" Summerlin,
  General Manager

- *WBBQ:* "Our research indicates that people really love this station; we try to be Augusta; we believe we are Augusta."

  Ed Dunbar, General Manager

- *WRSC:* "WRSC is State College, and WRSC is involved."

  Bob Zimmerman, General Manager

- *WMMS:* "WMMS is the people's radio station—we're Cleveland."

  Jeff and Flash, DJ's

What did these stations do to be able to make these claims? They spent hours telling and showing us, and essentially it boils down to this: While they did their share of PSAs, they did much, much, much more. As Sheldon "Dino" Summerlin of WWNC told us: "We are not *just* a radio station: we are people who fill community voids." For example:

> The people at WWNC got together and started an all-volunteer rescue mission to house 35 men that we operate strictly out of donations; we adopted a nearby orphanage for abused kids and keep it in the black with our annual auction; and we started Operation Child Find right here in Asheville to protect our kids.

WRSC's General Manager agrees. As one of the many examples he gave of his station's service to the community, WRSC raised $75,000 in radiothons to help pay for the medical expenses of a badly injured volunteer fireman.

WBBQ provides its community with the third-largest fireworks display in the Southeast on July 4. Ed Dunbar told us that last year the station had a 60-by-90 foot American flag that is raised in the dark with floodlights on it to the strains of the "Star Spangled Banner." He said the people of Augusta came away saying, "This radio station makes me feel great!"

Our sample stations who are just now entering Stage 3 are moving in the same direction as WBBQ and the other mature stations in our sample which are already synonymous with their communities. KEYN, for example, runs Children's Hospital radiothon, kicks-off the annual River Festival, and chairs the local Salvation Army; and WVOR runs the charitable "Heart of Gold Foundation" to raise money and give grants to needy Rochestarians not covered by any other charity—literally "touching hundreds of people each year."

These community activities, aimed at filling voids, are generally not a source of direct station promotions or tie-ins. All Stage 3 stations echoed KGO's Juana Montgomery, who said, "We're really out there to fill a need that cries out to be addressed—it's our personal commitment to the community."

The ultimate result of all this effort? Station purpose; community, not narrower format, appeal; high numbers in all dayparts and demographic segments; and, most of all, sustainability, Harley Drew of WBBQ makes the point best with this story:

> A little girl came into my station recently and said, 'My Mom said she's been listening to you since she was a little girl, and I'm 15 and I'm listening to you, too!' That makes me feel good; granted, it also makes me feel old, but the strategy has worked. We have not only maintained her mother all these many years, but now we're developing a second generation.

Since this discussion of segmentation is such a long one, let's recap what we've learned about segmentation strategies. We are going to call upon the WMMS buzzard for help. In 1971–1972, when WMMS was in Stage 1, and using corporate and other research to find and win its AOR "hole," the buzzard was a "pretty aggressive" bird. He had to be to establish WMMS's beachhead. As WMMS tells it, "In the early seventies, AOR was a laid-back and passive format that didn't dominate much." So, while AOR was a pretty good hole for the station, it had limitations. WMMS therefore announced its intention to change the AOR image by choosing the buzzard as its mascot "to show everyone we were not kidding, *at all*."

By 1974, the buzzard was number one in its format/segment, and into Stage 2. The objective of Stage 2, remember, is to "take the island," or to be first among competitors in the market. Through massive experimentation and "taking chances," WMMS turned its AOR format into a mass-appeal rock station programmed for "lifestyle." The station blended AOR, CHR, and Top 40 as much as possible, and created black and white cross-over artists. It not only got away from music labels, but also heavied up on news, weather, personality, jokes, and "a lot of other talk content." And the station changed its buzzard, showing him sitting on "tombstones etched with the call letters of those stations that the buzzard had buried." The buzzard's appearance was also "lightented up a bit" to reflect his increasing security.

In the late seventies, WMMS and the buzzard flew squarely into Stage 3 with their goal "to make WMMS symbolize Cleveland." The station changed the buzzard's image again and put Cleveland on his chest, consistent with his new mission: "fight tooth and nail for Cleveland." His assignment was to "get Cleveland out of the 'Rust Belt' and back on its feet—with a positive image of itself." The WMMS jocks launched Operation Cleveland, a clean-up campaign that literally brought hundreds of listeners out at 8 a.m. on Saturday mornings to help the morning men clean up the city. The station got involved with the Cleveland ballet, "brought drama back to the Playhouse Square," set up college scholarships, and funded a free medical clinic. It chased a Dallas sports writer who "had taken some cheap shots at Cleveland all over the country, hounding him by phone day and night." The Dallas paper received so many letters from Cleveland folks that one full page of the paper had to be devoted to upbeat letters on Cleveland. The buzzard, WMMS says, "followed the sportswriter right to the end." Standing proud, the buzzard, has been number one in the Cleveland market in every book since 1974.

Interestingly, recent WMMS listener research indicates that listeners believe the station "continues to do everything right, but that perhaps they have 'outgrown' the buzzard.'' Not according to General Manager Bill Smith, who told us, ''I don't see the buzzard going anywhere. I think the only way this station is going to be subject to a downfall is if we fall apart from within.'' He says the buzzard is the best reminder to WMMS itself of how the station got there.

SALES AND MARKETING STRATEGIES

Once the sample station's segmentation strategies had their Arbitrons heading ''due North,'' what did they do to exploit station share and value to the advertisers? We found they did it with a certain ''magic'' made up of three parts service and one part ''belief.'' In no case did they ''sell Arbitrons.'' Bob Salvato of KOSI spoke for the group when he said, ''If you live by the numbers, you die by the numbers.''

Not, of course, that the numbers don't help. To be sure, our sample stations command higher billings because of the scale advantage of their larger audiences and ''number one'' images. However, larger audiences don't completely explain the 47 percent difference between our sample's average billings per population and the average of their largest competitor in each market. Our sample stations told us that their premiums can be attributed to ''service-driven'' sales and marketing approaches—approaches that achieve inventory sellout while almost religiously maintaining rate card integrity. And, once these approaches begin to deliver consistent sell-throughs, supply/demand conditions usually ''kick in'' to drive rate cards higher. Here's how it works:

1. *They sell ''generic radio'' first.* Why? Bob Zimmerman of WRSC answered simply, ''Radio's worst enemy is radio.'' Bart Walsh of WKYS explained further:

> Nobody that's selling time wants an advertiser to use a station once and never come back. No station can achieve consistent sellouts if there is not a large pool of radio customers wanting time. Therefore, we want our customers very much to be successful. The thing that is going to bring advertisers back to us is the success of their efforts. Therefore, many times we recommend the use of other radio stations, based on their demographic needs, because we want to sell generic radio first.

WVOR's Ed Musicus agrees emphatically:

> Too many radio stations go after clients whose customers don't match the target of the station. As a result, too many

advertisers say, 'I tried radio, and it didn't work.' Well, we say, 'It wasn't radio that didn't work; you were sold wrong by the wrong station'.

Lynn Anderson-Powell of KIIS summed up the sample station's overall attitude pretty much when she said, "We're partners with our advertisers—if it doesn't work for them, it doesn't work for us.

2. *They sell on the basis of the "service" philosophy itself.* For example, KEYN's stated philosophy is "to be the sixth man on the basketball team. We want to be honest, honorable marketing arms of our clients' businesses, and they like and buy us for it."

WBBQ concurs:

The name of our whole business here is service to the advertiser, treating them with respect and courtesy and trying to be knowledgeable concerning their business and to be of genuine service to them in those areas where they want and need help to get business.

To reinforce its sales philosophy, WBBQ calls its salespeople "account executives" because, as Ed Dunbar told us:

When you talk to them, you'll realize that they are *far more than salespeople.* They're very knowledgeable radio people, and very knowledgeable advertising people, and they are fully capable of assisting our clients from planning right on through writing copy. Our salespeople are very creative and even write their own copy whenever this service is required.

Echoing WBBQ's philosophy, WVOR's Ed Musicus tells his "marketing consultants,"

You're not selling time, you're selling ideas. It's the ideas that then generate the traffic for the client. The time happens to be the buying element, and the only limitation. The 30 or 60 seconds. Time is only what they buy to get their message across to the people. The *important thing* is the message.

Sheldon "Dino" Summerlin of WWNC emphasizes ideas and innovation by awarding $100 each month to the member of his staff who comes up with the best commercial for a WWNC client. The month we were there the janitor won.

3. *They sell mainline ad agency products and service.* WVOR, for example, delivers on its "ideas and messages" with an in-house ad agency service that assists advertisers at no charge. The director of WVOR's creative department works very closely with the station's advertising customers to understand their businesses in order to write and produce quality commercials for them. Ed Musicus sighed, then brightened up, when he told us:

   It's sad to say it, but radio has not put a high priority on getting good people into the industry to write and produce for advertisers. Our 'resident genius,' Dave Roberts, has won, with his commercials for our advertisers, the New York State Broadcasters Award for the past 3 years. Dave's a person who understands advertisers, knows how to put sound together, works well with marketing concepts, and puts the whole picture together so that when advertisers hear the marketing concept and the commercial we're producing for them, they get excited—and we do, too.

   WVOR's approach helps not only sales, but also rates. Ed told us that advertisers pay the station, in increased buys, what they would traditionally pay to ad agencies for creative services. In fact, Ed estimates that the 60 percent difference in rate card prices and overall billings between WVOR and its nearest competitor can be attributed to 15 percent for the service philosophy and 15 to 20 percent for the creative services, in addition to the 25 to 30 percent for "delivering more people and being the number one station in town." In short, service more than pays for itself.

4. *They set the station's value—themselves.* Our sample stations reported that they price according to what *they* think their station is worth and, in most cases, it is "more than the numbers." They rarely, if ever, go off their rate cards. They do not accept commercials or tie-ins that are inconsistent with the station's image or format. They are careful not to oversaturate their programming with avails and lose audience. Last but not least, they believe in themselves. As Wally Clark put it:

   We do not have anything to offer but the chemistry of our people. We extend this chemistry to the people who buy time. We're always better at it because we believe. That is all; you just have to believe, and our advertisers do—because we do.

In summary, the sales and marketing message is short and sweet: Sell service, not numbers, and rewarded you will be.

REINVESTMENT STRATEGIES

The result, of course, of our sample stations fanaticism toward their listeners and advertisers is advertising billings, bottom-line dollars, cash, profit. Call it what you will. Just don't yet make the mistake of calling it sustainable competitive advantage—for it is only potential competitive advantage. Real competitive advantage is the result of what our top-performing stations do with their hard-earned profit. Do they give it to their parent corporations? Do they give it to their owners? Do they give it to themselves? A little, yes. But for the most part—NO. Remember, our excellent stations are after renewable success through holding and growing mass audience appeal to sustain the benefits that scale brings.

So, what they earn, they reported to us, they reinvest in self-renewal and continued market dominance—even if it means hours of actively educating their parent companies. By hook or by crook, our sample station managers put significant portions of their bottom-line dollars into the engines that drive their megatrains. They are a clique of revenue-driven, not expense-driven, managers. This was their principal message to us, and to you, for revitalizing success.

Bart Walsh of WKYS, for example, told us that he puts a significant portion of his revenues into productivity through people, "into the salaries of talent and salespeople, and promotion, things that regenerate additional ratings." And he adds, "Hopefully, it's a self-generating thing year to year, and the curve continually goes up."

Wayne Vriesman of WGN agrees with Bart's investment strategy: "My technical facility is in shape. It is the people—a handful of expensive people and talent. I pay my managers very well. I bonus them very well." By the way, Wayne also just paid handsomely for the rights to the Chicago Bears games next year. WGN *is* Chicago, remember?

WVOR's management spends a small fortune—close to a quarter of a million dollars—on research of all types to get, in their words, "much more mileage out of a good piece of music" by getting regularly as "close as possible to our customers." No expense is spared on VOR's creative department as well.

WBBQ's commitment to reinvestment is unquestioned. Asked WBBQ's Ed Dunbar:

> How many companies would come in and staff a local news department with seven reporters and operate four fully-equipped news cars requiring a heavy outlay for insurance, police monitors, 2-way radios, maintenance, and operation? How many companies do you know of in a city the size of Augusta? It is something BBQ is noted for. Everybody knows that when something happens in this town, we are going to be there. No station has been able to justify our actions economically. One station tried for a short time, and they gave it up.

There appears to be a lesson here somewhere. Is it that BBQ's audience size can profitably support the station's massive investments in value-added programming, while competitors with small audiences will have more difficulty doing so? BBQ's expenditures will also help assure the station maintenance—if not growth—of share, an ongoing competitive advantage over challengers. As Ed Dunbar says, the challengers give up—remember "death, taxes, and BBQ." Reinvestment in continuing quality and consistency in this business can be deadly—to competitors.

Now let's look at a younger, more controversial member of this "it takes money to make money" club. Wally Clark of KIIS is famous for putting money where the ears are in Los Angeles, the land of discretionary, ostentatious, razzle-dazzle spending. His investment strategy is the cornerstone of an elaborate plan to attract and hold mass audience, something that is difficult to do in the highly fragmented and competitive Los Angeles community.

First of all, KIIS invests in the largest cash giveaways in radio history—reported in the millions. A few years ago, for example, KIIS bestowed a Porsche with $20,000 in the glove compartment on a lucky winner. KIIS also invests heavily in such items as some of the biggest name talents in the industry, 24-hour call-in lines to get the music "right," and the only radio traffic helicopter in the Los Angeles basin—the freeway commuter capital of the Western world.

How does all of KIIS's investment attract mass audience tune-in and gain competitive advantage? The powerful Rick Dees morning show is the "kick starter." At 7:10 a.m., Dees plays a song, determined popular by the "call in" research, which, when replayed some time before 8:00 p.m., gives one listener up to $5,000 for being the designated caller. The "hooks" are set. Rick—an expensive but highly gifted talent—digs the hooks in deeper with what he calls his "local stuff'' for the day, a unique ongoing morning theme based on local color. The day we were there it was cows in the yard of a suburban house Rick spotted from the freeway while driving to work. The reverse phone book, hyped throughout the morning, eventually enabled an over-the-air call to the cow's owners. And you stay tuned. If the music, a chance to win the cash, or the cows are not enough to keep you hanging on, the reports on freeway traffic conditions might, since KIIS has the helicopter in town.

Taken together, cash, copters, cows, and solid gold constitute a powerful, consistent package that creates competitive advantage. Sure, KIIS's strategy is expensive, but the $2,000 per spot that the morning show commands, with its 10 share, funds the strategy, and the afternoon rates of $1,800 keep it going. Other stations with lower ratings and rate cards will find it difficult indeed to compete.

The challenge KIIS now has, is whether—through consistent investment in the ''right'' combination for Los Angeles—the station can turn their currently powerful market domination into a station that becomes synonymous with Los Angeles itself over time. Those more mature stations in our sample, such as WGN, WBBQ, WWNC, WGN, and WMMS, that have built long-term, sustainable competitive advantage through community identification provide lighthouses for KIIS and for the industry.

Bill Smith of WMMS speaks for them when he says:

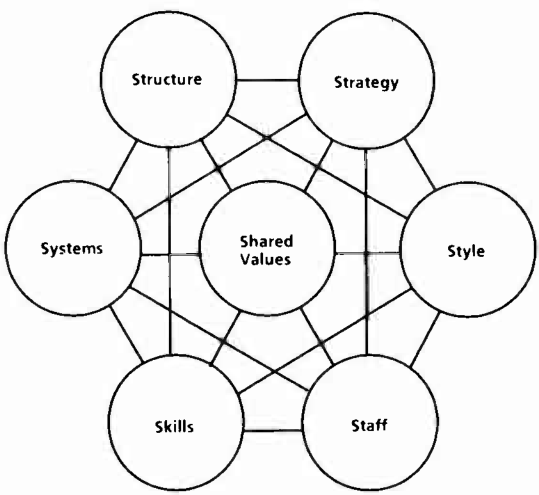
> If you want a car to last forever, you've got to throw some money back into that car and make sure that it's serviced properly on a continual basis. Otherwise, it's going to break down and fall apart. We know that we're constantly rebuilding the station one way or another. We throw the profit to the listening audience. . .to charities, to several nonprofit organizations, to free concerts or anything to affect the listeners of Cleveland as a whole. If we can donate the money to light up Terminal Tower, if that's what it's going to take and nobody else is going to do it, we'll do it. . .and we get and hold our listeners, year-in and year-out, because they identify us as being community-minded.

Paying attention to the strategic basics and getting them right through reinvestment—that's what WMMS and our sample stations do to reap the economic benefits of scale. They capture mass audience share through superb technical coverage and community-based segmentation strategies; they maximize the value of their audience numbers to advertisers through service; and they reinvest a significant amount of what they earn from their audience size and rate card premiums to ensure renewable competitive advantage.

PART II
HOW THEY DO IT—ORGANIZATION

While being "brilliant on the basics" explains *what* our sample stations do, it does not tell us much about *how*, as organizations, they do it. We now know what strategies these winners follow, but we found that strategy is not the only explanation for their excellent results. It is only one important element in a larger framework that we at McKinsey believe helps promote a full understanding of why our sample stations have been so successful. That framework is known as the McKinsey 7-S model. It includes six other elements, in addition to strategy, that we see as critical driving forces in any organization's success or failure: structure, staff (people), skills, systems, style, and shared values. The sections that follow present what we have to say about each one in relation to our sample stations.

McKINSEY 7-S FRAMEWORK



STRUCTURE

Structure makes clear who does what and how. It trades off *specialization* and *integration*—both critical to a radio station's success. These trade-offs are management's task—and the task is never-ending.

The structural requirements for specialization are not difficult to handle in radio. The stations are relatively small businesses, usually in one location, with only one profit center. Therefore, they require a simple functional structure—and that's what we found. Of more interest were our findings that each of the major functional areas was responsible for one of the four strategic "basics":

- Engineering carried out the technical strategies.
- Programming was key to the success of segmentation strategies.
- Sales and marketing delivered on strategies to exploit station value to advertisers.
- Administration and management were largely responsible for reinvestment strategies.

We realized that the major key to structure in a radio station is the way in which *functional areas are integrated*. For if one function overbalances another, an "unfocused factory" may result, to the detriment of "strategic fit" among the four "basics." This, in turn, could limit a station's ability to win competitive advantage.

For example, if programming overwhelms sales and avails do not receive proper positioning or attention, billings suffer. If sales overwhelms programming, product quality and consistency can suffer, and audience scale may be lost. If engineering is ignored, signal quality can deteriorate. And, if engineering is overly pampered, reinvestment dollars may not be maximized. Many of those interviewed spoke frankly about the rivalries that can divide a radio station. For example, Wally Clark said:

> Over the years, our business has tried to act like there were two separate poles: here we have the business people, and here we have the 'flakos' who perform.

KGO's News Director, Bruce Kamen, echoed Wally's observation and went on to point out the lack of rivalry at his own station:

> Programming generally says, 'We're the purists. They're the prostitutes. They'll sell anything. We don't want anything to do with them.' You just don't see that line here. It's wide open.

Indeed, we found that all our sample stations cleverly managed divisive trade-offs by reducing them through teamwork, collaboration, and the blurring of functional lines. Job descriptions were clearly open-ended. And not by accident—by management decision. The general manager, as the only line manager sitting over all functions, is the key. The sample GMs made it clear to us what they expected at their stations. Jack Palvino of WVOR said:

We don't have superstars here. We are colleagues, working together in a similar direction. That is why the receptionist will come in saying, 'I'm having trouble hearing the signal in Brockport,' and we'll check it out with the technicians. Everybody at VOR is interested in everything. Everyone knows everyone else's business.

Sheldon "Dino" Summerlin, of WWNC, spelled out the same attitude:

When someone is out sick here, I shouldn't notice because the others go ahead and do the work. In some radio stations and some businesses, people are fearful. They think, 'If I tell Susie what I'm doing, heaven knows, one day she's going to take my job. The less I tell her, the more valuable I become.' This doesn't happen here. You have to dispel that feeling.

At KEYN, Roger Dodson told us:

No one says: 'That's not my job.' The whole deal is all of our responsibility. Excellence comes from everyone's individual commitment to the big picture.

The GM's management of trade-offs through insistence on teamwork is, not surprisingly, reflected by their specialists:

My attitude, and the prevailing attitude at this station, is that if it doesn't work for all of us, it doesn't work for any of us. And when we hit our ten share for the first time, Wally personally gave every single person at the station a gold "10" lapel pin.

Lynn Anderson-Powell
Sales Manager, KIIS

I get to spend a lot of time doing other things than being an electronic janitor. I do some of my own research in broadcasting. Each person here contributes to the whole of the group.

Keith Ericson
Director of Engineering, KOSI

I can't quite see where one department starts and another ends.

Staff Member, KGO

We have a personal chemistry, which is the foundation of our success. It's important that our listeners can sense that we

> enjoy each other. Its another positive step in establishing that special rapport with our listeners.
>
> Jeff and Flash
> DJs, WMMS

> Engineering is a service function. The only reason we're here is to make sure the other departments can do what they're supposed to do. We try to give them whatever they ask for—no matter how elaborate the request. We have been able to customize the whole operation the way the talent wants. They're more comfortable with the equipment, and the on-air product is better.
>
> Jim Carollo
> Chief Engineer, WGN

We found that the cooperation among and between functions takes many forms at our sample stations. And cooperation was particularly strong in planning and mounting promotions which, as we know, are key to segmentation strategies and sales. Roger Dodson of KEYN, for example, commented, "Everyone. . .must be inclined in designing a major promotion, since they all will be responsible for making the project work."

At KOSI, salespeople put on tuxedos and formal gowns, like the rest of the KOSI team, to host and support programming's elaborate Bingo night. WWNC's popular morning talent, Scotty Rhodarmer, supports the sales effort directly by often calling on merchants personally who advertise on his show. He makes an effort to get to know their businesses and shows the clients that the entire radio station, not just the salespeople, is at their service. The sales manager told us: "We love him for it, and so do the advertisers. Scotty gets top dollar for his commercials."

The GMs in our sample stations reinforce their desire to emphasize integration over specialization by delegating within the team concept. Wayne Vriesman of WGN is a good example. He told us:

> As of about a year ago, I finally had the people in place here who could run the station without me. I delegate to six managers. We sit down once a week at 8:30 a.m. and spend as much time as we need to talk over problems.

Mickey Luckoff of KGO is another. He requires that his department heads meet with him at least once a week. Periodically, the KGO team also spends long weekends out of town discussing plans for the station.

Bob Zimmerman, General Manager of WRSC, insists on teamwork. He told us:

> I've trained the other management people to listen to the station all the time—all the time—to get them concentrating together on our product. We have meetings, we communicate with each other in a group at least once a week. Whether I'm out of town, or here, I've made it clear that they have to meet.

What, you may be asking, happens if—despite all this attention on balancing and integrating functions competing to be the first among equals—a heated argument erupts anyway? That's when all that close association through integration pays off most. Dave Ellsworth of WGN explains why:

> Since we all have a vested interest in the station, we feel obligated to speak our minds sometimes, even if it means ruffling someone's feathers. But that's really okay, because *it's like a good marriage.*

We know what Dave means! And that should be the last word on structure.

STAFF AND SKILLS

We found no arguments from sample station managers on the critical importance of these two "Ss". A radio station is nothing more than the sum of its people. The staff is responsible for 100 percent of the revenues and, in mature stations such as WGN, as much as 65 percent of the expenses. Now, *that's* people-intensive!

We also found that in radio, staff elements come combined with skill elements in one word—"talent."* The word "talent" is rarely used in other industries. And when used by our stations, it meant *everyone*. For example, Roger Dodson at KEYN told us, "They're all talent—from the morning team to the receptionist." Rick Brown, KEYN's Music Director, concurred with Roger, "Everybody was hired for their own little stage here, and they are expected and allowed to perform. That's why it's so great here. Nobody likes to be underused. There's nothing more frustrating."

*In our 7-S model, "skills" usually refers to organizational rather than individual skills. However, with respect to radio, we decided to define skills in terms of staff, since the strengths of our sample stations were so intimately tied to the skills of individual people.

At KIIS we were told:

> Everyone here feels like the talent in the way we feel about the place, and where we are going, and what we are doing. Since this is not just a business deal here, we have always been able to outperform our numbers.

This attitude—that all the people in the station are the talent pool—extended into all areas of station management, including, in many stations, union management. A good example is this most remarkable story that came from Jim Carollo, Chief Engineer at WGN:

> A few years ago, we negotiated a comprehensive union contract to reduce the engineering staff over a 2-year period from 23 to 13, guaranteeing everyone's job for 3 years. Our goal was to achieve more efficiency without compromising sound. If you just go in and chop staff, you'll hear that on the air immediately. So we phased it in by transferring people gradually to WGN's television station [in the same building]. All but one of the people who transferred went to TV by choice.
>
> One die-hard, a staunch union type, never wanted to learn anything new. But since we were phasing out his job, whether he went to TV or stayed with us, he'd have to do something different. He decided to stay with us, so I sent him out for training and encouraged him to be creative. What a change! He began to build customized items and special systems.
>
> The very people who negotiated against the combo system ended up building it in 6 weeks to make the deadline. They worked 15-hour days and weekends. They weren't satisfied until it was working perfectly.

We found that our sample stations agreed on four principles related to staff and skills: they hired individuals who loved radio; they looked for success-oriented people; they went after "locals"; and they fostered longevity at their stations.

Our sample stations are uniformly populated by people with a passion for radio. We talked to a weatherman who "gets high when there's a storm coming," to a sales manager who "burns the midnight oil writing his own commercials so they'll excite the client," and to a promotions director who went on vacation to get away from work and ended up having some of her most creative promotion ideas. Chris Bjorklund, Consumer Affairs Director at KGO, probably summed up better than anyone else this passion for radio: "We're almost caricatures in our own field—freaks in a way. We're specialists who are really, really into what we do. We're not just a voice going out over the airwaves."

Many of the people we talked to told us that their passion for radio had been sparked in them during their childhood or young adult years. Erick Steinberg, the Chief Engineer at KGO told us:

> This is really corny, but I love gadgets. Once I took apart a broken radio at my grandmother's house, and made it work again. My family gave me a lot of strokes. They said, 'Gee, look at him. He's only 9 years old!'

And we heard this from Harley Drew at WBBQ: "I decided when I was 9 years old that I was fascinated with radio and wanted to work at a station. When I turned 15, I got a part-time job mopping the floors on Sunday morning. Eventually I did shows before and after school."

George Weiss, President of WBBQ, brought Mobile News to the station in 1961 and became the Mobile News Director. George's interest in being there while the event is happening can be traced to his childhood. One of the stories we heard at WBBQ was this: "When George was a kid and a fire truck would come by, he'd be behind it on his bicycle to see where it was going. He's out right now, in fact, driving one of the news cars."

Reinforced by years of experience in the radio industry, many reported that their early passion has continued to the point that it is their life's work. Again, from Harley:

> This is my home. This is my life. I eat, sleep, drink, and think radio 24 hours a day. I always felt that radio was something to be proud of—an occupation that's up there with doctors and lawyers.

Why is this intense involvement in radio such a compelling characteristic for station excellence? We believe it relates back to our old friend, sustainable competitive advantage. Market leadership must be won 24 hours a day, 365 days a year, in a constantly changing environment, by a station's ability to "keep the faith" and the pace. This requires a level of energy and commitment that often demands more than 100 percent. Jeff Kinzbach of WMMS brought this point home when he told us:

> This work requires a lot of commitment, a lot of loyalty. Preparation is the key thing here. There's an old saying that goes, "Luck favors those who are prepared." Even though the show

is from 6 to 10 in the morning, we are here at 5 a.m. and don't leave until 2:30 or 3:00 in the afternoon. After that additional work and preparation for the next day's show is done at home. As you can see this job requires a lot of commitment and loyalty.

Bob Zimmerman of WRSC said it this way:

> This business demands that you have a fire in your gut, and that intensity every morning. I'm 50 years old, but I jump up in the morning and know I must be ready to go. And, you've got to feel it every day—that fire in your gut.

It makes sense to us that if one has a passion for the thing itself, it is a great deal easier to keep up this pace, day-in and day-out, with excellence. Our stations were bursting with such people.

Beyond loving their work, staff at our sample stations were oriented toward success. Station management reported they worked hard to find, hire, and, many times, train "the best." They reiterated over and over that the ability to be superb on the four strategic basics required top-notch, highly motivated functional specialists and support staff.

In the words of Mickey Luckoff, GM at KGO, "It's better to hire people you have to restrain than people you have to prod. Bright people who hustle reduce the need for formal systems and add a certain vitality to the operation." Mickey's philosophy was echoed by Bruce Kamen, KGO's News Director, who observed, "We hire the best. Many people are afraid to hire anybody too bright or too quick, but not KGO."

Sheldon Summerlin, GM at WWNC, agrees:

> I found people who were already successful doing something. Some were in the restaurant business. One was a bartender. One was selling pharmaceutical supplies. Whatever field they were in, they were doing well. I make sure we get the *very best* people and that they fit in with what we are doing here.

A desire to win defines the kind of person Wally Clark, GM at KIIS, looks for. He told us:

> I try to surround myself with people whose egos won't allow them to fail. All the time I hear people at the station say that there's no alternative to winning. Most people see that attitude as bad, but I believe it is a very positive thing.

This desire to succeed and win—and the ability to do so—is often so ingrained that it's almost unconscious. For example, Bruce Stevens, Music Director at WBBQ, won a Mercedes Benz, the top prize awarded by a music research company in a contest to pick hit records. And this was his comment: "I didn't do anything special. I just listened to the records I'd normally be screening anyway and picked the winners."

A third similarity among our sample stations was the fact that so many of the staff were *local* talents. When reflecting back to our four strategic basics, this is not surprising. So much of the success of segmentation strategies were reported to lie in a station's ability to mirror, and become synonymous with, its local community. Therefore, we should have expected to hear the following comments:

> About ninety percent of the people at WMMS are from the Cleveland area. When you're born and raised in a community you have a distinct feeling for what's going on and, what's more important, what will be going on in years to come.
>
> Jeff and Flash, WMMS

> I make sure that my people have roots here. You know, they have got to be from here.
>
> Sheldon Summerlin, WWNC

> In Rochester you have to have Rochester people running everything. That's how you get into the heads of your listeners and advertisers best. Rochesterians have native contacts. They understand the business and the market. This town is particularly heavy that way.
>
> Bud Wertheimer, WVOR

> Eight of our top managers are Penn State graduates. They've all come from here as well as most of our personnel. We want all of our managers to belong to civic organizations and get on boards of directors of different community events, that type of thing.
>
> Bob Zimmerman, WRSC

A final theme that ran through our interviews on staffing and skills was the subject of longevity. Many of the people to whom we spoke mentioned the "revolving door" phenomenon that seems to charcterize staffing in the radio industry. Bob Collins, WGN's "afternoon drive" talent, commented:

> I know some stations where, if you have one or two bad books, it's 'Adios.' Call in the U-Haul, and you're out the door. I

can't imagine any one of us leaving WGN. I can't think of a place that I'd rather work.

Bruce Kamen of KGO agrees. He told us this:

In this industry, there's rampant paranoia. Someone comes up to you and says, 'Hi! How are you?' And you say, 'Why? Do you know something that I don't know?'

We found no "revolving doors" at our sample stations. Longevity is the rule, rather than the exception. Again, we ceased being surprised when we heard someone—Wayne Vriesman, GM at WGN, in this case—say:

I have worked here my whole life—25 years. Wally Phillips (morning man) came here 25 years ago from Cincinnati. Bob Collins (afternoon man) has built his audience over an 8- or 9-year period.

Or take Sheldon Summerlin of WWNC. He told us this:

Our traffic person has been here for 15 years. My sales manager has been here for 17 years. One of our salespeople has been here for about 10 years. The janitor's been here for 14 years. And Scotty (morning man) holds the record. He has been at the station 33 years, with a 50+ Arbitron rating!

Because of his 14 years at WMMS Denny Sanders is known as the "Buzzard's Historian." He is also the 6:00 to 10:00 p.m. DJ every evening. Denny feels that some of the station's success can be attributed to the fact that most of the key talent has been at the station for over 10 years.

Even the sales staff—notorious for frequently switching jobs or being asked to leave—maintain long-term tenure at the stations we visited. A surprising number of the sales staff we talked to had been at their current jobs for over a decade. The fact that Rochester's WVOR has lost only one salesperson in 6 years is not atypical of the other stations.

A member of WVOR's management, in fact, asked us:

Why does radio have to be so different from Kodak? If I go to work at Kodak, I stay there all my life. I get my bonus every year, and I'm all set. And as a result of feeling secure, I perform better.

It did appear true that the well-known linkages among job security, reduced stress, and increased productivity appeared to influence the excellent performance of our sample stations. Not to mention the link between longevity and strategic performance.

Segmentation and sales marketing strategies that deliver competitive advantage are built on relationships which, if they work, deliver competitive sustainability over time—with respect to both advertisers and listeners. Ed Musicus of WVOR comments from the advertising perspective:

> The advantage of keeping people is that they really get to know their trade. And they really get to understand their client's problems and needs better. When advertising agencies or retailers get to know their sales representatives, they feel more comfortable with someone they're familiar with. When the advertising agency or retailer is always called upon by new people, they don't feel as comfortable as they do with somebody who has built a good relationship with them—and that sometimes takes time. Once our people are entrenched into a "comfort zone" with these people, it certainly is an advantage. If you're comfortable doing business with somebody, you're going to continue to do business with that person.

Harley Drew of WBBQ evaluated the impact of longevity on programming segmentation strategies and listening audiences:

> We have a number of long-term employees. We live here, our children are growing up here, we're involved in the schools, we know our community leaders, who will tell us in a second what's wrong with the station. This leads to consistency on-air, and in every other way, and is the key to success. We're the same thing year-in and year-out. The same voices on the radio. Very little changes in that respect. I've been doing the Golden Hour here since 1968, and it's very popular. The listeners and I are good friends—we've been together every day for years.

All our sample stations reiterated Ed's and Harley's points to us over and over again. They often called it by different names—longevity, consistency, relationships, and friendships, to name some. We would add one more to the list: sustainable competitive advantage.

SYSTEMS

Systems logically follow staff and skills in our analysis of the seven organizational elements. Systems are the tools used to make everything work—the processes that coordinate decisions, information, and people to accomplish station goals and strategies—and they are more critical to radio management than most of us realize. That is because making things work in the split-second environment of a radio station is a real art. In our sample stations, we found that one system was particularly key to achieving excellent performance—the management control system.

We found that the management control systems in our sample stations exhibited what we call in *In Search of Excellence* "simultaneous loose-tight" properties. Most organizations that are managed under this principle are firmly controlled from the top, yet allow for maximum autonomy, entrepreneurship, and innovation down the line. This approach is ideal for radio, which requires managing a large number of talented, creative, entrepreneurial "specialists" residing in a number of interdependent functions. It also creates the most effective environment for achieving the strategic basics. Bart Walsh of WKYS told us a little story to explain why:

> There was a young Frenchman who wanted to be the best fencer in France. So, he went to the best fencing teacher. The teacher told him the most important thing that the young man could learn from him was how to hold the foil. He said, 'You must pretend the foil is a bird in your hand. If you hold it too tight, you will kill it. If you hold it too loose, it will fly away.'

Bart concluded that "the art of radio management is the ability to know just how much pressure to put on to get the job done." Bill Smith of WMMS said the same thing another way: "It's like holding on to the reins of a horse."

There are three components in the management control systems used by our sample stations: providing a framework for accountability; monitoring performance; and taking corrective actions when necessary. These sound like tight elements of control—but let's see how the sample stations loosen them up.

Providing an Accountability Framework

To control employee performance, management first sets out roles and responsibilities that are in keeping with the station's strategic goals and objectives. The simple, unchanging functional structure of the radio station organization should make it easy for management to assign clear, well-defined roles and responsibilities to each employee. And, in fact, we found that those we interviewed in our sample stations knew precisely what *their* jobs—as well as everyone else's—were. The second step is to communicate straightforward performance guidelines and expectations for the various positions. These two steps are "tight." But now "loose" comes into play. Once the parameters have been set, the general manager gets formally out of the way, and "lets it rip"—managing by-and-large "by exception" after that.

When it comes to providing the ever-critical vision and guidance, Wayne Vriesman of WGN told us:

> Visitors are amazed at the freedom most of our people have. We do set common-sense parameters—*a framework*—but it's not a list of rules. The parameters are something you learn after you've been here for a while.

Wally Clark of KIIS calls his guidelines "the basic kinds of ways we want KIIS people to approach things." For instance, the "basics" for programming include such elements as how many songs and commercial minutes an hour, the type of on-air sound, and the content parameters that KIIS requires because "if the music isn't right, nothing else is going to make sense."

Bob Zimmerman of WRSC, in giving guidance to his station employees, stresses a philosophy that sets out the details of the format, including set phrases for giving the temperature ("it's so many degrees at WRSC") and call letter policies. Bob said:

> I make it clear that we must be particular—the one thing we don't want in this small-town radio station is to sound like one. So, I try to be clear on all the little details, and the bigger things will automatically fall into place.

Once the guidance is given and the rules are clear, management, as we said, gets formally out of the way and stays away unless the "common-sense parameters" are violated.

Here's the effect that this approach has on the creatives. Bob Collins, the afternoon man at WGN, spoke for the personalities in our sample when he told us how much he appreciated the "looseness"—the freedom and autonomy—that clear guidelines and responsibilities produce. He told us:

> I'm sitting here looking at doing a show in an hour and 57 minutes, and I have no idea what we're going to do. If we want to play Willie Nelson, we can do that. If we want to talk

> about nuclear proliferation, we can do that. All I know is that we're going to do 4½ hours. This is so comfortable here because of what you know you can do. I love it so much here, I'll never leave. I really like coming to work here every day.

Bruce Stevens of WBBQ spoke for the music directors:

> I'm given the latitude to do what I need to do, because I know what we want. Fewer than five times a year, someone will question a record I select. It's a great place to work.

The results of loose-tight accountability can often be surprising. Scotty Rhodarmer, WWNC's spectacularly popular morning man, told us, "My share jumped 20 points when Sheldon [Summerlin] came because he just told me what he wanted, and turned me loose."

The effectiveness of the loose-tight approach in providing a framework for accountability extends beyond the programming and on-air departments. Madeline Lane, WGN's promotions director, gave a good example, she said:

> None of the typical stifling radio "rules" apply to this station. Our looseness is what sets us apart. Anything goes in this department, not only because our commodities are personalities, but because we know what we're supposed to be doing. Maybe it shouldn't work, but it does—*in a big way.*

Lynn Anderson-Powell, sales manager for KIIS, spoke about the effect that loose-tight can have on the sales department.

> The philosophy of our company is to lay out clear sales guidelines, and then we're given total freedom within these guidelines. The guidelines are simple and tell me exactly what our department is expected to deliver: We must (1) make and exceed our budget, which we help 'build'; and (2) never break rate card to do it. After that, it's up to the sales department—we make the plans, and we can do what we want. My staff loves it, and it brings out the best in all of us. We feel just like creatives and professionals at the same time. It really works for us.

We believe that Liz Nestel, KGO's research director, spoke for the others in research when she said:

> I'm very much of a self-starter. I don't need someone giving me directions all the time. I come to work, and it's like having my own little business. I do what I want most of the time. I just love the freedom to do what I want.

We also believe that Liz hit on another important reason loose-tight guidance, "everyone," as Keith Ericson of KOSI puts it, "is their own boss." This, in turn, means that they can also be relied on to make the quick split-second decisions that can make all the difference in radio's "real-time" environment—and, most importantly, they can do it responsibly. Two news directors make the point as well as we can. Bruce Kamen of KGO told us:

> The anchors, the reporters, and the producers, have very wide parameters for the performance of their duties. With that goes a great deal of responsibility, and they know it. They work hard not to let us down.

Dave Ellsworth of WGN put it this way:

> The freedom here is something. But it can be intimidating. You walk in here and they say, 'There's the chair. There's the microphone. There are the records. You have 4 hours. Go ahead and do what you want.' On the other hand, we can get so involved in what we're doing on the air, and it's working so well that it just doesn't make sense to break for a commercial. So sometimes we don't. We know when to take the loss instead and how to make good on it somewhere else.

Monitoring Performance

Loose-tight is also at work in the way performance is monitored. Managers told us that they do check up on how people are doing, but they do so through an *informal* communication process. Contact with employees is frequent, but because it is casual, it allows the top management of sample stations to monitor performance with disturbing the sense of responsibility that "being your own boss" can bring. For the most part, we found no heavy-handed monitoring systems or techniques in our sample stations to stifle creativity; the informal communication processes in place obviated the need for them.

Two management techniques were especially important to the success of the informal communication process that monitored performance: the "open door" policy and the "MBWA," (management by wandering around).

The open-door policy in our sample stations not only reinforced the notion of teamwork, but was an important underpinning of "by exception" management. The open door proved a direct means for the "exception" to come to the general manager's attention. We found that the open door also underscored management's deep beliefs in the benefits of informality. Jack Palvino of WVOR spoke for most of the other managers we visited when he said, "I try to listen to everybody...the door is always open here." Sheldon "Dino" Summerlin of WWNC put it another way:

> I find it very important to let everyone (and it makes no difference if it's the janitor or the chief engineer) come in here and sit down and talk. I just let them talk. They tell me whatever it is they want to tell me.

Almost all of the general managers in our sample stations also prided themselves on the art of MBWA—management by wandering around. Roger Dodson of KEYN told us, "I don't usually call people in here to my office. I'm in their offices all the time." Wayne Vriesman said the same; "Things are kept informal and I'm accessible at all times. We solve many problems in the hallways and when people just walk into my office.

So did Wally Clark of KIIS:

> I have a little ritual I go through in the morning. I walk around and talk to everybody. I know them all, since there are only 70 people on the staff. I just walk through the station and say 'hi' to everybody. *They will tell you.*

Taking Corrective Actions

We found that the sample station managers recognized what we had learned in our previous research on manufacturing companies: that the quickest way to squelch innovation or experimentation is to have processes in place that invariably punish failure—overtly or covertly. As WGN's Bob Collins said, too many companies are plagued by the old "it's two bad books and it's 'Adios' " syndrome. Our sample stations had just the opposite philosophy, articulated most succinctly by Bruce Kamen at KGO:

> Some people in the business keep mistake counts. We're all human beings, and we make mistakes. We try the best we can. Everybody here is good. If they make mistakes, so be it.

But what about those times when mistakes that occur must be addressed and corrective actions taken? What happens then? Here, again, tight control is loose. Our sample GMs reported that they all "step up to the plate," immediately. However, problems and corrective actions are discussed in an informal setting—personal conversations in their office, at lunch, or in small group meetings—with the door shut this time. They reported that they believe the lower-key environment fosters better understandings of what must change, why, and how. They report that, in this manner, they continue both the "partnership" and the teamwork approach to solving problems. Rick Dees of KIIS described the nature of the process quite well when he told us:

> Wally and I are in business together for profit and fun. We manage each other. He's given me some great advice on my other businesses. He has some things he wants me to ease off on, and I have some things I want to get his support on. We'll have lunch together and work it out.

In conclusion, what we found in our sample stations' major management control systems was the coexistence of tight central guidance and maximum individual autonomy—or what we call in our book "having one's cake, and eating it too!"

STYLE

Now let's turn to style. Our proposition is that a station's style also has more to do with performance than most of us acknowledge. Why? Because time and time again, strategic possibilities are blocked—or slowed down—by constraints imposed by organizational style. This was not the case in our sample stations; their styles sparked success.

In this discussion, we want to consider style from two dimensions: the management style of our sample general managers, and the overall sample stations' style, as a reflection of their culture.

Management Style

We found that the general managers at all our sample stations have devoted their careers to broadcasting. Some, like Ed Dunbar, Wayne Vriesman, and Mickey Luckoff, have spent the greater part of their working lives at their current station; others, like Roger Dodson, Wally Clark, John Irwin, and Bob Zimmerman, gained their experience in different stations and formats. Some, like Jack Palvino, or Sheldon ''Dino'' Summerlin, started out as disc jockeys or on-air news reporters; others, like Bill Smith or Bart Walsh, moved up through sales. So, while their dedication to broadcasting is constant, their specific functional backgrounds and experiences differ.

The 11 GMs also represent a wide spectrum of management styles. Comments from staff members indicate the diversity of the approaches that the general managers use:

- ''The general manager is a coach.''
- ''The general manager in this station is like our father.''
- ''The general manager is friendly and accessible, but he does not interfere with operations. He is not involved day-to-day with the on-air staff.''
- ''The general manager here is a taskmaster. He is tough, but he hires people who complement himself.''
- ''The general manager encourages you to take chances. I admire him a great deal.''
- ''The general manager at this station is like a shark, he smells blood and goes for it. That's a good quality. It sounds awful, like a mean ogre. But no, he makes you do the best you can.''
- ''The general manager here is not a screamer, he never yells at anybody. So it's very low key here, everyone is treated with respect.''

Clearly, no one management style spelled success in the general manager spot. Each leader has put his personal signature on the organization he runs. WGN's Wayne Vriesman said it this way:

> You have to develop your own style. There's no right or wrong personality to have to run something well. There's no one personal style either. We can't in any way begin to treat everybody the same way. You have to be able to handle differences. And somehow you have to let people know, in your own way, that you *care about them.*

Organizational Culture

Interestingly, the various styles of management we saw seemed to engender very similar organizational cultures. We found that all 11 stations were fun places to spend 40 to 60 hours a week; had a real "bias for action" that disdained complacency; took chances; and exhibited highly intuitive cultures.

It was no accident that all the sample stations were *fun* places to visit. Most we interviewed reported that "work hard—play hard" is the motto and the style of life at their stations. WWNC's Sheldon "Dino" Summerlin spelled it out, "To get together and have fun is what life's all about. If it isn't fun, we won't do it. We work hard at having fun."

The sample radio stations "play" together every day. One manager admitted, "We're all a little wacko around here." At KIIS in Los Angeles, a larger-than-life-size poster of nationally known disk jockey Rick Dees grins at female staff members as they wash their hands in the ladies' restroom. At KGO, Bruce Kamen told us:

> The KGO newsroom is almost like a 'MASH' unit. Here's a typical story for us. One day a highly respected wire service executive toured the newsroom. He walked through, and before his visit was over, he had been hit by paper airplanes, and had a ridiculous sign taped to his back.

The excellent stations engage in a good deal of what we call "hoopla." At KIIS, Wally Clark has lunch catered for the entire staff once a month. Wally described the event:

> People stand around and talk to each other and celebrate how well we're doing. We have a good time. This is more than just working for a living.

WWNC also holds numerous parties and casual get-togethers. The station's Halloween costume party is an annual event famous throughout Asheville. Hefty Wiley Carpenter, program director, told us proudly:

> Last year I won the prize—the winner gets the day off. I came as a male chauvinist caveman. Imagine, a 260-pound, 6-foot 3-inch caveman with my full figure. It was something. This was twice for me. A few years before I won as the NBC peacock.

After WWNC awards the prize for best costume, everyone piles in a pick-up and tours Asheville on review to hundreds of expectant listeners. And there's more. Each week staff members bring food to the radio station to cook a meal together, and every Wednesday is "doughnut" day. The general manager of WWNC told us:

> In the summer, we pitch horseshoes; we have a swing out there; we rock in the rocking chair. We just have fun. It's just like a family.

This "family feeling" is, of course, a direct result of having fun. And it's a feeling that can be identified almost immediately in each of the 11 stations. Jeff and Flash, DJs at WMMS, referred to the closeness at their station as "the difference that sets us apart from the other stations. We really care. Everyone wants to help each other win." WGN's talkshow host Bob Collins spoke movingly of the strength he derives from his fellow station members:

> We're all good friends. We're all like family. We've been together for so long and worked so closely together I can't imagine going on the air without having them there. For me to go on the radio without having Stephanie there to produce—it is unimaginable. It's all like family.

The friendly, close atmosphere at the sample stations creates a fertile ground for creativity and innovation. Or, as KEYN's Roger Dodson told us, "Excellence needs some fertilizer." It's not surprising then that a "*bias for action*" was another distinct cultural style common to all the sample stations. We found our stations to be organizations where the creative juices were flowing and everyone was pushing hard on projects to hold on to their station's competitive edge.

This bias for action was, in fact, also driven by a high awareness of the dangers that competition can pose. Bart Walsh at WKYS in Washington, D.C., explained, "Someone can be driving in their car, listening to your station, and with the punch of a button you're gone. It's that sensitive." Many commented that top-ranked radio stations were "targets" for competitors. At KGO, the director of research, Liz Nestel, explained, "There's always someone out there who wants what we've got.'' Salespeople told us that competitors often ''sell against'' the number one station in town. Programmers, particularly those in the contemporary hits format, echoed what we had heard at KIIS, ''Our listen line is probably busy right now. Most stations would never want to admit they're stealing from someone else.'' We, at McKinsey, call that just smart imitation!

The high awareness of competition produced an important by-product that further fueled our sample's bias toward action—*disdain for complacency*. KOSI's chief engineer Keith Ericson put it simply, ''If we sit on our laurels, there's nowhere to go but down.'' Bill Bacigalupi, the sales manager at KGO, expressed the same thought:

> The last thing we want to do is be complacent and rest on our laurels. We try to run the radio station as if we're fourth or fifth and we're trying to get to number one.

How do they do that—fight complacency? They reported that they *constantly* work to improve their products, their service, and their image. And they said it in many different ways:

- Stations can be vulnerable if they live by the old saying, 'If it ain't broke, don't fix it.'

  Bart Walsh, WKYS

- Minnie Pearl used to say, 'Don't fix it if it ain't broken.' I say you can dust it and polish it all you want.

  Bruce Kamen, KGO

- The only concept we have is change. In fact, if I hear something on the air today, I had better know that it's on the air today because we decided to put it on and not because it was on yesterday—responsiveness is our business. Putting on one song after another sounds good, but everybody can do that.

  Jack Palvino, WVOR

- This is not a dress rehearsal. You come to work prepared to do your very best job every day.

  Roger Dodson, KEYN

- We're not a laid-back album-oriented rock dinosaur of the 1970s. We're an aggressive, high-energy radio station, fighting tooth and nail. We're not passive at all. The audience knows we're out there fighting for them every moment.

  Denny Sanders, WMMS

Throughout our top-performing stations, the "spirit of competition," not a caretaker style, reigned supreme. At KIIS, general manager Wally Clark asserted:

> We think we're the finest contemporary radio station in America. We really do. You might as well know that. Even so, we're constantly checking everybody else.

So does WBBQ, number one in their market for 23 years. Music Director, Bruce Stevens told us, "If I have to work night and day, I'm going to beat our competition with music."

Such high responsiveness often involves risks. So, not surprisingly, *"taking some chances"* was another style feature of most of our sample stations. At WMMS, Jim Marchyshyn said, "We've always been willing to take the risk even if the odds were stacked up against us, if we felt what we were doing was right for the station and the community. For the most part, it has paid off." Bud Wertheimer of WVOR agreed with WMMS remarking, "You have to be kind of rebellious. . . we were probably one of the first stations in the country to provide an AM sound on the FM dial, especially in the morning."

We found this attitude toward risk was resident at the individual staff, as well as the station, level. Bruce Kamen of KGO was a typical example. Bruce told us that two years ago, he decided that his station should have a sky box at the 1984 Democratic Convention. When he approached his general manager with the idea, Luckoff responded, "I wouldn't send a reporter to the moon for that much money." Kamen said that he "took a chance," persisted with the proposal and, eventually, brought it to life with great success. Nevertheless, he told us:

> It was frightening for me, but we had to do it. So I took a chance. Sometimes you do things not necessarily because they will translate into ratings, but as an image statement for the community. Our coverage of the Convention said, 'These are the kinds of things we're going to do.'

After all, *image* is style too!

In making quick decisions, the sample stations emphasized they are not "foolhardy gamblers." They reported they rely heavily on *intuitions* that staff members have developed over time. This cultural style values what one station calls "informed gut." WMMS's Jim Marchyshyn had this to say on the subject:

> We all got here on gut level feelings. We're all "hands-on" people at WMMS with the ability and power to act quickly

> on our own. We can act immediately on ideas we feel strongly about and don't get bogged down in red tape.

At KGO, executive producer Lucy Thomas explained how she and the operations manager use "informed gut" to make tough programming decisions: "We read, we listen to the product, we meet with ABC programmers, and so on. Then we ask ourselves, "What do we feel?" In Augusta, Harley Drew, program director of WBBQ echoed the sentiments of Jimmy and Lucy:

> Research doesn't always work. You can research yourself to death. Gut feelings still have to temper a decision. You have a gut feeling about how the radio station should sound, a gut feeling about what records fit, a gut feelings about which disk jockeys will work.

In sum, we found that the cultural style of our sample stations—that is, their attitudes and actions toward having fun, being responsive, taking action, beating down competition and complacency, taking risks, and using intuition—were key ingredients in their overall success. It could even be said, as we already did, that taken together they spark it.

SHARED VALUES

We now come to our last "S", the one we place at the very center of our 7-S framework. This is because we believe that shared values are of a higher order than the other organization elements. They are the guiding principles, or concepts, that infuse, inspire, stabilize, and lead the organization. Often unwritten, they go beyond the usual formal statements of business strategies and goals. Everyone in the organization knows, or at least feels, their importance. The drive for their accomplishment pulls the other organizational elements together. Shared values are the fundamental ideas around which a business is built—that's why they occupy the center of our 7-S model. They are the guiding principles that infuse, inspire, stabilize, and lead an organization. Everyone knows their importance. The drive for their accomplishment pulls the other elements of organization together.

We found that every one of our radio stations embraced a clear set of shared values. And that two values—quality and service—were not only common to all our sample stations, but stood head and shoulders above the others.

Quality

We don't need to linger very long on the details of quality—a driving force behind the excellence of our sample stations. They've expressed their obsession with this notion over and over again in such remarks as their standards for plant and equipment, the caliber of the people they employ, the attention they pay to the details of their segmentation strategies, and the level of service they provide to their advertisers. Mady Culhane, KOSI promotion director, captured the sentiments of our sample stations perfectly at one level when she said, "I don't know how else to put this, we don't touch schlock."

Beyond Mady's definition, we found that there was another, more abstract notion of quality afoot in our sample stations—what we would call a superordinate value. While the abstraction often meant little to outsiders like us, it seemed to guide our stations in their determinations of what was "schlock" and what was not. Let's give some examples of what we mean.

For example, KEYN station manager Steve Brooks told us what quality meant to that station:

> It means Wichita citizens get as good a radio station as if they lived in Los Angeles or Dallas or New York City. It needs to be localized, but it also needs to be professional. When people come home from Los Angeles or Dallas, they should feel proud of this station.

Jeff and Flash of WMMS commented on their station's notion of quality:

> It's to be the best of adult rock 'n roll that you can find. If we hear that someone in New York has the new Mick Jagger record or advanced tape before us, we will be just as angry as if it were a station in Cleveland that had it. And that's what separates us from the pack.

Sheldon "Dino" Summerlin of WWNC has his own dream about quality. He said:

> Although we were 'number one' in Asheville, I wanted us to go higher and do better. I knew we had to have some sort of goal, so we found out who the other leading station's were with the largest audience shares in the country. We then put together a plan on how WWNC could beat their shares. And, for the last 5 years, we've done it!

Bob Zimmerman of WRSC was another example of one who had a unique measure of quality that meant a lot to him and his station, "I don't want a small town radio station to sound like one. We want major market sound."

Ultimately there are no tests of the validity of such notions as "major market sound," "highest national share", or "record exclusives" as measures of absolute quality. However, those in our sample station reported that these notions were well articulated ideas of quality to them—rich in significance, and guidance. And, make no mistake, making such meaning for people is one of the main functions of leadership—and the main explanation of excellence.

Service

As we have also noted, time and time again, a service orientation pervaded all our sample stations. We have given a myriad of examples on how these stations cater to their listeners, to their advertisers, and to themselves in their support for one another among functional units. We have seen that, as the station's mature, their efforts to serve their general community become more and more extensive and generic.

We found that, for most of our stations, the notion of service, just like quality, was also driven by a more powerful superordinate value—something we've called "believing in the license." While this larger value anchored the concept of service, it meant more than the sum total of each of the individual acts of service.

Our sample station's directly discussed with us "believing in the license," or the broadcasters' public responsibilities. Roger Dodson explained KEYN's convictions in this area:

> We're licensed in the public interest, and I believe in that license... The radio station is more important than any one person in it, including the owners.

Bob Zimmerman of WRSC was even more direct in his remarks. Bob said:

> We believe that it's our duty to get involved in community issues so we do very long, controversial editorials on local political issues. No "God, mother and country" material, we blast politicians when we believe it's the right thing to do. We really take stands on issues. It's gotten us into hot water sometimes and it's cost us a few clients, but it's also found a few larcenists, too.

Ken MacDonald, WWNC's news director, put it on a more individual basis. He told us: "I came here from the old school of broadcasting that thinks the biggest thing you can do is fill your obligation to the public. And I really believe that."

And, KGO chief engineer Erick Steinberg, put it all together when he acknowledged:

> I want to be a part of something, something bigger. If you think about it, being a part of a radio station is. We're affecting a million people who tune in every day.

Those stations that provided news/talk to the public felt a special obligation to prepare their listeners to make decisions in a rapidly changing world. At KGO, operations director Jack Swanson remarked:

> I'm well compensated not because I'm giving a skewed view of the world for the economic benefit of a corporation. I'm out there with a mandate to do the opposite—to tap everybody to find the truth.

Erick Steinberg commented further on the role of KGO in making the community aware of significant issues such as the current Ethiopian famine:

> Don't you want to do something about that? Don't you feel real agony in this world? I think in some small way I'm doing something. I'm informing by being part of this station. We're setting a forum for the discussion of this problem, which motivates other people to help. So, in some minute way, I am contributing.

Thus, in hundreds of ways large and small—ranging from founding charitable enterprises, such as WVOR's "Heart of Gold" foundation; to funding community programs that fill voids, such as WWNC's "A Light of Hope" orphanage; to hosting talk shows on public responsibility, such as KGO's program on world hunger; to ensuring the truthfulness of advertising—the excellent sample stations put their commitment to service into larger context and action.

In so doing, they forged the solid alliances with the customers and communities they serve that are so critical to winning sustainable competitive advantage. And, as important, they added meaning to the work of their individual station employees by giving them—as they tell it—the rare opportunity to be "part of something bigger." In our view this is precisely where "the search for excellence in radio" begins—and ends.

2

NAB Survey of Top Performing Radio Stations

By Bernadette McGuire

Radio has become the reach and targeting medium of the eighties, one of today's most popular advertising media. Each week, virtually every American listens to one or more of the 9,700 radio stations offering entertainment, news, and information. They spend an average of 22 hours per week with radio. Over the past 20 years, total radio advertiser investment has risen over 600%. While the pervasiveness of radio is impressive the medium continues to grow because radio stations constantly seek new ways to serve and increase their customers—listeners and advertisers.

In keeping with the 1985 Convention theme, *Take Part... Take Pride,* the NAB investigated how some of America's leading radio stations obtained and keep their prominence. By discovering what makes these stations special, the entire industry can share the elements of their success. To begin this search for the best of radio, the NAB contracted McKinsey & Company, Inc., the creators of the best-selling book *In Search of Excellence: Lessons from America's Best Run Companies.* Still an international bestseller, this book has become the definitive work on excellence in American business management. Our project emulates this bestseller by applying it to radio.

McKinsey & Company staff spent nearly 20 days visiting 11 top performing stations. They visited stations representing major radio formats. Their in-depth interviews examined management practices in large, medium, and small market radio stations.

In beginning the *Radio in Search of Excellence* study we realized that in-depth interviews could be conducted only with a limited number of stations. So to round out the picture and to verify the findings from the in-depth interviews, NAB conducted a nationwide mail survey of leading NAB member radio stations.

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Selecting Stations for the Survey

Excellence is an elusive quality that can be defined by objective criteria such as ratings or by more subjective indicators such as reputation or community image. We attempted to use both types of criteria in selecting stations for the survey.

For the objective "numbers based" criteria we used James H. Duncan, Jr.'s *American Radio Spring 1984 Report** to select stations in these categories:

—top 50 Metro share leaders in each format,
—top 50 1/4-hour audience leaders in each format,
—the largest share gainer in each market,
—the top AM station in each market, and
—the top FM station in each market.

But, ratings provide only one measure of radio performance. The rating services do not capture the audiences of many excellent stations located in isolated areas or on the fringes of designated survey areas. Nor do they capture the many stations that have become unusually adept at specific aspects of the business. For example, even though not number one, scores of stations have outstanding air personalities, superb promotions, and extraordinary billings. To identify these top performing stations that the rating services miss, the NAB conducted a nationwide poll of broadcasters to nominate excellent stations in the following categories: programming, staff, community involvement and image, profits, innovation and change, billings, and overall excellence.

To add another dimension to the study, we tried to discover what characterizes the managers of excellent radio stations. Do they think and act differently from the average radio manager? Or, are they just in the right market at the right time? To answer these questions, we sent the same "excellence" survey to a randomly selected group of NAB member stations that were not on the list of top performing stations. These stations will be referred to as the "control" group.

Measuring Excellence

A mail questionnaire was developed to apply the facets of excellence found in other industries to radio. The questionnaire was modelled

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* Duncan, James H. *American Radio Spring 1984 Report*, Duncan Media Enterprises: Kalamazoo, Michigan, August 1984.

on the diagnostic survey McKinsey & Company uses in its excellent company research. A list of 27 items to measure the attributes of excellence in radio performance was prepared. To provide depth of understanding to the findings, a series of open-ended questions was added to the basic list of 27 items. These open-ended questions asked the station managers to describe the two or three most important things they do to achieve excellence in the following categories: programming, attracting and keeping staff, community involvement, innovating and using new ideas, attracting high billings, and maintaining strong profit margins.

The questionnaries were mailed during February 1985 accompanied by a letter from the NAB President Eddie Fritts. To encourage response, articles on the project appeared in the January and February issues of *RadioActive*, NAB's monthly radio magazine, and in *Highlights*, the NAB's weekly newsletter.

In all, 878 questionnaires were mailed to the top performing stations and 262 were returned for a response rate of 30%. Of the 500 control group stations, 101 returned questionnaires for a response rate of 20%. A higher proportion of large market and group-owned stations were found among the top performing respondent group.

Finding Excellence

Our nationwide survey found that the same principles of excellence found in American industry are being practiced in top performing radio stations. The attributes McKinsey identified in their in-depth interviews with managers of representative top performing radio stations are not limited to a small number of stations. Excellent radio managers across the country are applying these principles with rewarding results.

What are these principles and how important are they to radio broadcasters? Table 1 lists these principles in order of their importance to the top performing station managers and the control group of managers. The order was determined by asking managers to rate the importance of each principle on a scale of one to five. (Five was "very important;" one was "not important at all.") In other words, the higher the mean or average score, the more important the managers considered the principle.

To narrow this field of 27 principles and force the managers to pick the essential elements, we asked them to identify which five they believe contribute most to successful radio management.

TABLE 1
Radio Management Principles as Ranked by Station Managers

Rank	Average Scores Top Group	Average Scores Control Group	Item
1.	4.70	4.59	Encouraging departments to work together
2.	4.63	4.38	Talking with staff at all levels as often as possible
3.	4.63	4.39	Being flexible enough to move quickly if an opportunity arises
4.	4.61	4.53	Making clear expectations for employee performance
5.	4.60	4.44	Having all employees share the same idea of what the station is trying to achieve
6.	4.59	4.44	Rewarding results
7.	4.57	4.39	Making significant reinvestments in the station to maintain market position over the long term
8.	4.55	4.22	Targeting programming to a well-defined segment of listeners
9.	4.53	4.49	Having the strongest, highest quality broadcast signal at all times
10.	4.52	4.47	Providing community services that go beyond PSAs and programming
11.	4.45	4.44	Having a value system based on the belief that quality and service are as important as making a profit
12.	4.36	4.08	Allowing staff at all levels to contribute to decision making
13.	4.31	4.02	Encouraging informal communication among staff members
14.	4.29	4.24	Providing a complete range of services for advertisers beyond just selling time, i.e. targeting, creative, follow-up, etc.
15.	4.26	3.93	Encouraging staff to try new ideas, even if they might fail
16.	4.22	4.27	Being actively involved in community groups
17.	4.20	3.92	Using incentives other than money to encourage staff performance
18.	4.12	3.95	Using information to fine-tune programming
19.	4.08	4.07	Matching advertisers with targeted listener markets
20.	3.99	3.37	Systematically using market research or methods other than ratings to assess listener preferences and lifestyles
21.	3.94	3.92	Reflecting the values and lifestyle of the average resident in your community
22.	3.93	3.94	Keeping track of overall trends in the radio industry
23.	3.78	3.82	Managing revenues rather than expenses
24.	3.73	3.57	Regularly monitoring the performance of competing stations
25.	3.72	3.08	Having frequent employee celebrations to promote station spirit
26.	3.70	3.10	Systematically tracking ratings and other syndicated data to assess listener preferences
27.	3.68	3.52	Hiring and using local talent and expertise
Overall Average	4.25	4.06*	

( ) = average score on a scale where 5 = very important and 1 = not important at all.

* *This difference is statistically significant at the .001 level.*

The five most frequently selected items were:

1. Targeting programming to a well-defined segment of listeners.
2. Having a value system based on the belief that quality and service are as important as making a profit.
3. Having all employees share the same idea of what the station is trying to achieve.
4. Allowing staff at all levels to contribute to decision-making.
5. Making significant reinvestments in the station to maintain market position over the long term.

These five principles correspond with the findings from McKinsey's excellent company research. First, targeting is one of radio's most important tools for "staying close to the customer." As elaborated in their open-ended responses, top performing managers emphasize programming to a well-defined audience. They value knowing an audience completely—knowing them beyond demographics. How does the radio station fit into their lives? Can radio be a stronger force for this segment of a community?

Second, these managers emphasize the importance of values based on quality and service. These values not only hold the station together but drive its success. Top performing managers regard quality and service as important as making a profit. In fact, they see these values as a key means to achieving profitability. This is most apparent considering the strong audiences these stations draw.

Similarly, excellent managers value and emphasize having all employees share the same idea of the station's goals. This helps the station to achieve singleness of direction in its activities. Both motivation and innovation are achieved in this context of shared values by allowing staff at all levels to contribute to decision making. These managers recommend building a winning team by involving staff in decision making and making them feel that they also prosper as the station progresses.

Finally, these top managers identified reinvestment as one of the most important factors in radio success. They agreed that you can't rest on your laurels. Sustained top performance requires reinvesting in the station—both financially and emotionally—to maintain market position over the long term.

Putting the Principles of Excellence to Work

Of course, it's easy to agree with these principles. Putting them into practice is more difficult. The *Radio In Search of Excellence* study found that the top performing stations actually *did* these things and, in many cases, brilliantly. In most stations the principles didn't just happen, they were planned, managed events. For example, most managers would claim that they communicate with their staffs and encourage departments to work together. But how often are these platitudes rather than actions? How many managers make a point of showing up in the engineering department just to let them know they're important to the station's success? How often do managers initiate meetings between their sales managers and their program directors? How often do managers go out of their way to insure that staff members other than the top staff know the station's goals? How many managers have actual, routine ways in which employees can participate in the serious decisions of the station? The research suggests that the answers to these questions are related to excellence in radio management and station performance.

We asked the managers of these top performing stations how they put their ideas into practice. We asked them what were the two or three most important things a station manager should do to achieve excellence in the following categories: programming, attracting and keeping staff, becoming involved in the community, innovating and using new ideas, attracting high billings and maintaining a strong profit margin. The following pages summarize the responses of the 262 top performing managers in our survey.

TO ACHIEVE EXCELLENCE IN PROGRAMMING

1. Top performing managers give their programming staff freedom and authority to make decisions. They're not afraid to delegate responsibility in this area.
2. These managers insure consistent programming every minute the station is on the air. Consistent quality programming and good sound are essential. Their listeners know—from experience—that the programming they enjoy is always available on these stations.
3. These managers sharply define their audiences. They target, position, and segment compulsively.
4. They strongly emphasize hiring good people, especially the program director. They put as much effort as possible in the selection of programming staff which makes it much easier to delegate with confidence.

5. They stay current and inspire their staff to do the same. Top managers recommend keeping up with trends and knowing programming as well as you know sales.
6. Top managers don't just buy—they use—market research, music research, custom research, syndicated research. They consider research as feedback from their audience. As they study their audiences, they fine-tune their programming based on this information. These managers say that if you can't do this, it's time to re-evaluate your research program.

TO ACHIEVE EXCELLENCE IN ATTRACTING AND KEEPING STAFF

1. Excellent stations have earned a reputation as a great place to work. Top managers have created a positive environment where the better people gravitate. Their experience shows that a station doesn't have to be in a large market to do this.
2. They offer good, competitive pay for the market. Money isn't everything but it's important. This doesn't mean the highest salaries, it means compensation relative to quality in the market.
3. Top performing managers emphasize treating staff members as human beings, not hired hands. They deal with staff in a fair, honest manner and know each staff member. Creating a mutual interest, where staff realizes that they benefit as the station progresses is key. Praising and giving credit for performance are essential.
4. They let staff have some say in decision making. People tend to work harder if they have ownership in the effort.
5. Again, they stress that making an extra effort in hiring pays for itself many times over in the future.
6. These managers emphasize being clear in their expectations and goals for their staff. They keep them informed and give them regular feedback on how they are doing.
7. Top managers give their staff room to grow. Good people want to grow professionally and value a chance for experience and training. Providing these opportunities keeps top people around. Interfere as little as possible.
8. Top managers report frequent use of non-monetary rewards as motivators and morale builders.

TO ACHIEVE EXCELLENCE IN COMMUNITY INVOLVEMENT

1. Top managers join community associations. They make themselves and their staff visible at community functions through participation.
2. Excellent stations get involved beyond PSAs and public affairs programming. They actually provide a community service and don't just promote the activities of other groups in the community.
3. Top managers take an active role in letting community groups know how the radio station can help them.
4. Earning a reputation as a fair and honest businessperson is key to excellence in community involvement.
5. Picking and choosing projects is important. Limit the number by researching the community for worthy causes. These top performing managers recommend selecting local philanthropies that interest their listeners. This provides more opportunities to use the project to promote the station's image and help the community at the same time.

TO ACHIEVE EXCELLENCE IN INNOVATION

1. Top managers encourage ideas from everyone at the station, regardless of their job title or seniority.
2. Creating a receptive atmosphere for innovative thinking marks the top managers. They keep an open mind and allow themselves and others time to think. They let their staff know that new ideas and better ways to operate are welcome always.
3. They're willing to take risks. "Believe in your instincts but be willing to accept mistakes" is their philosophy.
4. Top managers emphasize staying on top of industry trends. They set time aside to read trade magazines and newsletters, talk to other managers, attend meetings and conventions and share ideas with stations in other markets.
5. These managers brainstorm with their staff and they do it regularly. The key is to set up frequent situations to discuss the station. Keeping the new ideas flowing can be managed just like other facets of station operation.
6. Managers of excellent stations act on new ideas. Seeing a new idea put into action and credit and reward given to the responsible person will start the other staff thinking and acting.

TO ACHIEVE EXCELLENT BILLINGS

1. Excellent stations have a top sales staff. As with all aspects of station operation, people are the key.
2. Good people are not enough. Excellent managers constantly train and motivate their sales staff.
3. Top stations ask for the best prices and stick to them. They regularly check the market to see what prices it will bear. Quality is worth a premium, and they, therefore, don't price just by the ratings.
4. Excellent stations keep striving to build audiences. Good ratings are important, especially if they're consistent and you can offer advertisers a reliable buy. Consistency and reliability are premiums they sell.
5. Top stations service their advertising clients and never just sell empty spots of time. They help advertisers produce quality creative spots, selling ideas not just spots. They recommend making "informative solutions" sales presentations to show advertisers how to reach their target audiences on their stations.

TO ACHIEVE AN EXCELLENT PROFIT MARGIN

1. Top managers have learned to be tough minded, to say "no" even when it hurts. They keep tight controls where it counts.
2. Carefully planned anticipated revenues and expenses are the norm at top stations. Setting realistic goals and working from a formal budget are mentioned again and again. Even if they've deviated from the budget, top managers know the direction they're traveling.
3. Budget plans don't just sit on the top manager's shelf. They regularly review the budget and expenses with their staff. They reconcile planned versus actual expenses as soon as possible.
4. Top managers maintain integrity in their sales practices. They raise rates with the market and have a tough collection policy.
5. They make many of their employees aware of the station's financial goals. Their department heads do their own budgets. Staff in these excellent stations are rewarded for staying within budget and spending responsibly.
6. Top managers emphasize buying and spending wisely, especially when it comes to quality equipment.

Achieving Excellence

Do these principles make a difference? Yes, they do based on the comparison of the top performing managers with the control group of managers. Overall, the top performing managers rated these principles higher then they were rated by the control group. As was seen in Table 1, this difference between the two groups was statistically significant. In fact, 24 of the 27 items received higher ratings from the top performing managers. The items particularly receiving more emphasis from the top performing managers included encouraging staff to try new ideas, and targeting to a well-defined audience segment. They also put more emphasis on talking to staff, allowing them to contribute to decision making, using non-monetary incentives, and encouraging informal communication. The groups also differed on the importance of ratings and research, but this may be more a function of the greater number of large market stations responding to the survey of top performing stations. Furthermore, the top managers had more ideas for putting the principles into practice. The number of ideas shared by the top managers significantly exceeded those of the average managers.

In selecting the five principles that contribute most to success in radio management, managers in the control group put less importance on allowing staff at all levels to contribute to decision making and less emphasis on making significant reinvestments in the station to maintain market position over the long term.

Surprisingly, the study also found that these principles were considered important regardless of format and market size. A country station in a small town and a contemporary hit station in a large urban market agreed on the central importance of these principles. The only major difference was, that as market size increased, station managers put greater emphasis on ratings and research.

In conclusion, the survey confirmed that McKinsey's attributes of excellence are not restricted only to large companies or to the eleven radio stations they researched in-depth. These management practices are in place and working at radio stations across the country.

Now this is not to say that the "average" stations don't have cadres of loyal listeners, eager staffs, and healthy profit margins. The main point is that the top performers have all of these and something more. The way these managers think and how they put their thoughts into action makes the difference. This difference has translated into sustained strong audiences, powerful community images, and profits. By observing these top performers, radio managers can augment their own growth in profits and service.

3

Programming for Excellence in Radio

By Rick Sklar

Radio stations that consistently excel in the ratings are usually happy places off the air as well as on. They can be as pleasurable to visit as they are to listen to. I love to walk into a facility that's first in its format in Arbitron or Birch, a leader in the market book after book, year after year, because most likely I'll be greeted by a lot of smiling people.

AUTONOMY SPARKS A PRODUCTIVE CREW

Those managers and programmers aren't happy because the ratings are high. They learned long ago how to live with big numbers and they know, better than most, that there's always another rating period and another challenger planning to make a run at them in the next sweep. It's a better bet that they're smiling because enlightened senior management, having succeeded in assembling a talented team to run the station, is letting them do their job with minimal interference in the decision-making and virtually none in the creative area. They are concerned with creating better programming, not protecting their turf. Their minds are on the product and not on internal politics. All one hundred and fifty percent of their output is devoted to the company's primary goal of setting and exceeding audience levels—levels that

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others perhaps thought were unattainable. How much freer people are to think and to come up with ideas that will keep a station in the lead when they don't have to spend time worrying about being second guessed by the boss or, worse yet, by a bureaucrat, somewhere higher in the organization, trying to justify a meaningless layer of existence. Excellence in radio programming involves a *creative* product. Creation is an intellectual and emotional process that comes from deep within. Set somebody worrying and that process is stifled. How those imaginations can soar when they're not shackled with concerns about a company comptroller who insists that "prize budgets be apportioned equally each quarter" or the president who can't stand the last record that was played and wants it yanked.

Stations that are consistently programmed for excellence share many characteristics. A wide degree of freedom in which the creative team operates seems to be a universal practice among such stations. We almost always find a small group of people responsible for the product, who work well together at such stations. We also find that as much priority has been given to *protecting* that team as was devoted to assembling it in the first place. Once a station has a winning program director working with a highly skilled production director, a research oriented music librarian, an imaginative promotion and marketing director and a chief engineer who knows how to translate programming concepts to sound, it is the responsiblity of management to build a double ringed *fortress* around those people to protect them from the condors and albatrosses within the organization as well as the headhunters without. When a close knit group is functioning well and producing the ratings, they have earned a certain level of autonomy. Smart managers will grant it. The group will go on shaping and fine-tuning the product and the station will continue to excel.

There are also secondary and tertiary traits that flourish in an atmosphere of autonomy. Such an environment encourages a *continuity of people*. When we have a successful team and can hold onto them we are insuring ongoing *consistency of the air product* itself. Once the moats are in place and the drawbridges are up, the sound pours out, gets the ratings and then keeps getting better. I watched those principles at work, experiencing them first hand, during the dozen years that WABC Radio was the most listened-to station in America. Although WABC had five different general managers over those years it essentially enjoyed one programming team. As each manager moved on he passed the word to the next, "Leave the program department alone. It's working. Let them keep on getting the ratings. Don't touch anything."

Many of us can cite other examples of similar situations. In each case the scrupulous enforcement of the principle of autonomy allowed the creators of the product to provide an unending outpouring of a superb sound.

WELL THOUGHT OUT SYSTEMS AND BACK-UP SYSTEMS INSURE THAT DECISIONS ARE REACHED AND CARRIED OUT

There are other, equally important characteristics that make for excellence in radio programming. Many of the best radio stations, with consistently high ratings, and profits, rely on well thought out *systems* to insure that decisions reached by management are implemented and carried out on an ongoing basis.

This takes some doing. Stations are run by people and rely on technological devices as well. People, we are fond of saying are "only human"—one way of explaining how we *forget, misinterpret,* and *modify* the best laid plans. Machines, as we all know, break, which is why they come with repair warranties. But warranties won't keep the format running from the moment of breakdown till the cartridge player is fixed a month later. And repairs won't get the signal to the entire coverage area if we have to rely on a small auxiliary transmitter during these critical weeks of the Spring book while the main transmitter is off the air. The excellently run radio station relies on systems backed by other systems and machines backed by other machines.

In communicating instructions to on-air performers, for example, at WABC in its heyday, three redundant routes were used. Notices were placed on bulletin boards that talent were instructed to read before each air shift. The operations director or program manager personally repeated the instructions verbally to the performer and a private memo, individually addressed was delivered to the locked mail box maintained by the station for each performer. Often a *fourth* copy of the instructions was posted directly at the on-air console.

If five cartridge machines were required to keep a format moving smoothly, at least *seven* were installed in the on-air studio with an eighth ready in the shop. Two full power transmitters, fed by two separate program lines and a third microwave primary source brought the programs from the studios to the air. Four sets of each piece of music—two already on cartridge for air play, backed by one more on a 45 record and one on an album plus dual discrepency reports (filled out by both engineer and d.j.) to report broken cartridges that needed to be re-recorded, insured that each song would get on the air when it was supposed to play.

Small radio stations, of course, cannot match a major market facility in the amount of equipment devoted to redundancy. Nevertheless, if the staff has a full awareness of the concept, and uses some ingenuity, the end results can be the same. Systems can be devised to make up for the limited budgets. Extra care and follow through and a closeness of the operating team (characteristic of smaller market operations) can go a long way to avoiding breakdowns that damage the program product.

Larger radio stations that can afford the redundant equipment and the backup systems may avoid them for other reasons. With the expanding use of computers to schedule and control events, station managements can be led to a false sense of security and believe they don't have to give much conscious thought to systems. Well-programmed stations avoid such traps. They are run by managements that never let their guard down and keep reviewing their operations. Their computers always have BACK-UP software. They constantly run checks for errors. And finally, the computer is recognized for what it is—a sophisticated device for carrying out decisions designed to create entertainment—show business decisions that are still made by human beings. The wrong decisions, multiplied and repeated, over and over again by a computerized format, can destroy ratings. Excellently run stations have managements who understand that the gut decision of the creative mind is the final control over the computer.

DIFFERENT GROUPS WITHIN A LISTENING AUDIENCE CAN IDENTIFY WITH YOUR STATION

Another clue to excellence in radio station management can be found in the way a station targets its programming. Rarely has the station whose ratings excel year after year, built its audience on one narrow target demographic. Invariably their eggs are in two or more baskets. By widening the spread and targeting a bit more broadly, there is far less risk that a major bail out by one segment of the listening audience will leave the station in the lurch—a fate that has befallen more than one broadcaster whose grab for greatness was made while standing on the shoulders of a million fast moving teens.

Building a coalition audience based on a number of groups, each of whom perceives the programming as their own, also allows for stability as people age, but are able to retain their loyalty to the station. They remain, as new listeners feed in at the low end. It's harder to create a product, each of whose components— announcers, topics, music and promotions appeal to multiple demographics, but if the groups are adjacent in age, one to another, it can be done.

Such stations are not stamped from cookie cutters. One of the most important features of these successful facilities is that they have refused to be another conforming member of the pack. Their programming usually doesn't sound like the programming of most other stations. Their management never becomes a herd of sheep blindly following the leader by duplicating the form (but not always the *content*) of the latest format fad. How many times have you heard people say "I don't know what it is about KGO, KIIS, WGN (fill in your own choice of call letters) that always keeps them with that big lead over the others. What are they doing that is so different?"

What they are probably doing is thinking through each new idea, each new proposed change in the program product and evaluating it carefully, not just jumping on bandwagons. Each decision, when it is finally arrived at, has been talked through, examined from every angle, above, below and from all sides, both close up and at a distance, under the scrutiny of the station's creative team. Because the team has autonomy their decisions are based on the strength and weaknesses of ideas and not on the whim of someone trying to win points with upper management. Any research that has been conducted in connection with the new idea or change in the program product has most likely been very carefully thought out.

PROGRAMMING IS SHOW BUSINESS IMPOSED ON MATHEMATICS

Good research is another indication of excellence in radio. Radio research especially as applied to program product and audiences, has become a big budget item. There are many logical reasons for this. Most radio managers are business people, trained to think numerically. Concepts, problems, answers and decisions are frequently based in large part on mathematical relationships. We know, for example, if we aren't reaching part of our market and we increase the power of the station's transmitter by X number of watts we will now cover all of the population—problem defined and solved by numbers.

Not so when it comes to programming. Programming is show business imposed on mathematics. The show biz is the creative product. But the radio manager often tries to reduce the sound that attracts the listeners to statistics alone—numerical values that he or she can understand. Enter research. Research can be a security blanket. Research talks the managers' language. Faced with poor ratings the manager opts to research the programming.

So far, so good. Research, well thought out and properly applied, can increase a station's ratings. But research misused, can pave the road to rating mediocrity. The way a station uses research is an additional measure of its excellence.

Radio stations frequently have research conducted for them after meeting with and trying to communicate their problems to research companies. Usually these are well run organizations staffed by professionals. But the interface between the professional researcher and the station management isn't always snug. Problems in communication spring up. The station management may be unconsciously intimidated by the presence of researchers. They come armed with advanced degrees and know how about legitimate sample sizes (sizes that somehow miraculously shrink or expand to accommodate your budget) and lots of proposed questions to ask large groups of listeners based on topics they have led smaller groups of listeners to discuss at focus groups.

Radio stations that are programmed for excellence will study the research conclusions very carefully and weigh the statistical evidence and the *way* it was gathered, against the show business entertainment factors (and instincts) before pulling out all the props and changing a winning routine.

TELL YOUR RESEARCH COMPANY WHAT YOU NEED TO KNOW, MAKE THEM AWARE OF HOW YOUR LISTENERS PERCEIVE YOU

Sometimes, however, in spite of the best intentions, research in action is not always approached with common sense or logic by a station. At a station I consulted recently, the owner was concerned with researching the repetition of music. This is not an uncommon situation. Frequency of song repetition is a legitimate concern of station management. Optimum repetition delivers maximum audience. Too little or too much repetition we suspect may cause tune out or less tune in. Because radio people work in an atmosphere where they are constantly exposed to the sound of their station via office and studio monitors, they become very much aware of the repetition of songs. A listener, on the other hand, may use a station for forty minutes at a time with a total daily usage of under two hours. Radio station personnel may hear the same song *four* times as often as the listener.

The station owner seized upon repetition of music as a key item to research. It may possibly be no more legitimate to ask a radio audience about music repetition than it would be to poll a theatre audience on whether the scenery should be constructed of wood or canvas. Used in the context of a radio questionnaire, such a question can be potentially very destructive of a station's audience.

Repetition, particularly on a well-formatted radio station, is something that the management is aware of, not something the audience consciously thinks about. We wouldn't presume to stop people at the Louvre and ask them if Da Vinci used too much green paint on the Mona Lisa or if his brush strokes were too broad. We ask them if they like the painting.

Asking people about music repetition makes them conscious of a "behind the scenes" technique. Once we make a listener aware of the concept of music repetition by asking them on a multiple choice question, for example, to check as one option, the box that says "This station repeats its music too often," we are prompting that person to very possibly indicate that the music, is, indeed, repeated too often. Yet this could very well be the same person who will play an identical record over and over again at home or on a juke box because she likes it so much.

I would venture a guess that more than one station's ratings have declined because they decreased the repeat ratio of records as a direct result of research that *seemed* to indicate that there was over repetition of music.

None of this is to imply that research is something to be avoided. We desperately need data to help us make decisions. But our research must be logical and make sense. Stations that exceed in their audience goals again and again, probably take a much more active part in thinking through the research and in making the research companies aware of the ways their listeners perceive them. When that kind of interaction goes on, the type of prompting at the focus group sessions is more productive, the questionnaires that result are more meaningful and the final results of the research more likely to lead to bigger ratings. Well thought out research is one of the ways of finding out the needs of the customer—in this case the radio audience.

LISTENERS CAN BE INDUCED TO MAKE RADIO LISTENING THE PRIMARY ACTIVITY

Whether or not research is a big part of program planning, the air product on a station that excels is a product that reflects the needs of that listener-customer. The more closely those needs are reflected, the more listeners a station will have. The customer wants to be entertained *in certain ways*. The customer wants to be informed *in certain ways*. Imagine the radio station as a giant mirror reflecting the needs of those customer-listeners. The more finely polished the mirror, the more accurate the reflection. On a good station, the mirror polishing is done with the precision of the creator of the Mount Palomar telescope. The end result is a radio station that somehow plays a better music mix, has a funnier morning show, gives more understandable weather (that is always there just when the listener wants to know what the weather is) and ends up with a longer listening span, by more people, than its competition.

We may not always be able to keep people for listening too long beyond what their life habits dictate. (Radio is, after all, frequently a secondary activity, going on while the listener is involved in some other primary activity.) Yet, on excellently programmed stations, the listener actually can be induced to make radio listening *the* primary activity. I have seen people driving in a car listening to a telephone talk show, reach their destination and *sit there* listening to the radio because they didn't want to tune out the song that was playing or because a discussion between a listener describing a personal relationship to Dr. Toni Grant was so engrossing.

People can get so wrapped up in a well-programmed radio station that they spend lots of time participating in its contents and promotions and getting on the phone to interact with a d.j. or show host. They collect playlists, attend radio sponsored events, display call letters on their cars, their totes and their T-shirts. The station has woven its way into their lives and become part of their lifestyle. No wonder people have little trouble remembering the name of such a station when an Arbitron diary arrives or the phone rings and it's Birch calling.

EXCELLENT STATIONS MAKE THE HARD WORK OF KEEPING A DIARY EASIER

At stations where excellence is the criteria, managements never forget that they are not only competing for audience but for *reported* audience. There's a big difference. Audiences listen. Reported audiences are the people that rating services tell us are listening. They are not the same. The reality most stations live with are reported audiences—audiences projected from people who keep diaries. Yet more than half the people who get diaries throw them away. It's hard work to keep a diary. People have to think and stretch their memories to recall times and call letters. They already are involved in television, movies, cable, books, magazines, videocassettes, newspapers and other tangible media. It's hard to remember something as elusive as a radio station's name.

During the years I programmed top rated radio stations, including the twelve years I programmed the station with the highest reported audience in the country, I tried to make it easy for people to keep a diary. I tried to make it easy for people to remember call letters and listening times. To this day in the consulting work I do with radio stations and their program directors we work very hard to make it easy for the audience to remember us. There are dozens of other stations on that dial and we have to stand out. We use many different techniques to get the announcers to remember to get the name of the station across to the listener frequently yet painlessly. By the use of production techniques and natural integration of elements, including jingles, there is an ongoing, effortless sell of the station's name or call letters that seeps into the awareness of the future diary keeper without that person being conscious of it. On a station with a quarter of a million average quarter-hour audience, one extra call letter impression in that quarter hour adds up to a million more impressions an hour, 168 million more per week and several billion added impressions during a 12-week rating sweep.

Let's give an "E" for excellence to those stations who make the hard work of keeping a diary easier. As a result of their efforts, more of their listeners keep diaries. That's the way it always is at my stations.

Techniques to get people to remember radio stations and time periods also work when it comes to telephone interviews. Closer to two out of three people will agree to take a phone call and be interviewed about their radio listening. (Answering a phone seems to be easier for most people than keeping a diary.) But here too, they have to recall times and station names so the effort to imprint reported listening data on people works well. Find a station that does a good job of imprinting and you find another example of excellence in radio programming.

KEEP A LISTENER'S EAR VIEW OF RADIO

Are we being too obsessed with this problem? We radio people, promoting a medium that you can't see, touch or feel, must keep a *listener's perspective* to win listeners, to excel at our craft and be first. We have to get out of our own skins and stop thinking like radio people. We have to think the way the audience thinks. When we are at a station it may be the center of the universe to us. We may think everybody out there is aware of us and knows we exist. But even if we are the highest rated radio station around, two out of three people in the market did not listen to us this week, did not listen to us last week, in fact *never* listen to us and might be hard pressed to even come up with our call letters when asked. Just look at the cume ratings in any rating book. The vast majority of the people in most markets never listen to the number one station in that market. Those number one ratings are built up out of a minority of the population. An even smaller percentage listen to each of the other stations. Once that realization of the extent of the presence of a station in a market sinks in, our market perspective changes. Each of our decisions and actions concerning ratings, promotions, programs and marketing take on new importance, new urgency and a sense of determination to make a real impact and get the audience to be aware of *us*, know *us*, listen to *us* and remember *us*.

At excellently run radio stations that perspective is present at all times. One very successful manager I know, a man whose stations always get top ratings, understands this need to build presence thoroughly. Going into a market where image was even lower than normal for radio he covered every outdoor billboard in town a with huge poster that read RADIO WXXX SAYS BAN BULLFIGHTING IN (NAME OF CITY). The town went into an uproar. The governor of the state called. Everybody suddenly knew the call letters of that station.

If nobody knows you and you put a traffic reporter on an *elephant* on the freeway *everybody* will know your station.

At stations that excel there is a sense of imagination that, coupled with the sense of perspective on the station's real place in the world of listeners, inspires a type of thinking that results in promotions that imprint the station in the minds of the listeners as thoroughly as if a micro-chip radio had been implanted in each of their heads.

You probably do not know too many radio people who possess the kind of perspective I am describing—a listener's ear view of radio.

As I travel around the country consulting stations it is a delightful discovery for me when I encounter one of them. They are the kind of people I would want to have on the payroll or on retainer if I owned or managed a radio station and had to answer for the bottom line. Where do you find such people? A good place to start looking is at those stations of excellence. You'll find them in every rating book.

4

Excellence in Managing and Motivating Salespeople

By Ken Greenwood

Picture, if you would, Thomas Paine sitting at his drum head and furiously scribbling those words, "These are the times that try men's souls." Only in 1985 it isn't Tom at the drum. It's the average sales manager of the average broadcast property who has just been told to increase last year's numbers by 25% and "by the way, also develop a high performance team that is motivated!"

The reason our sales manager is sitting by the flickering fire and using a drum is that he or she is hearing all sorts of funny messages in the management colonies of "how to" books. Never have the writing natives been more restless. We are told to plan for the long range yet pay close attention to the thousands of mundane details. We are told to dress for success as we wander around. We are told to catch people doing something good and stroke them for sixty seconds, yet stick to those things we do best. Oh yes, we should have a bias for action, yet be reflective. We also need to profoundly change our cultures before being engulfed by one of ten megatrends.

Sales managers today need help. Some managers are where they are today in the broadcast business because they were in the right place at the right time or they had the best client list. Broadcasting has been an apprenticeship business and most managers were once printer's devils. Mostly, they were survivors! Now, the job of being

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a sales manager certainly demands that ability. In fact, radio sales managers may be declared the next endangered species by whomever in Washington makes those proclamations.

We believe a sales manager begins to have a high performance team when he or she decides upon one basic element. That element involves a question which is, "when I have a problem or am in trouble, do I *turn to* or *turn against* my people?" If you are now a sales manager, take a quiet moment and ask yourself that question. We are convinced that if you turn *to* your people you turn them on. If you turn *against* your people you turn them off. Management and most unions have a classic story of just this simple paradox. It's almost too simple to be so true!

When management turns to their people for the solution to problems, they begin what could best be described as participatory leadership. Let's look at a group of management styles and how management shift practices from style to style. We labeled these management styles as enforcer, persuader, influencer and leader.

We have used four dimensions in this classification scheme to illustrate that management is not a static process but rather a fluid condition that tends to shift and change from situation to situation. The four dimensions we have chosen for purposes of illustration are power, motivation, expectations and participation. As extensions of those dimensions we have used position power as one extreme of that dimension and personal power as the other extreme. Does the manager use title, rank, position as the basis for their power or does he or she use personal power or "people skills?"

In terms of motivation, is the objective to get compliance or is it to get commitment? In terms of expectations, does management regard people as "a bunch of stupid idiots I wind up at 8:30 and hope they don't wind down before 5:00 o'clock" or does management show high respect for the skills of the station's salespeople. Finally, is the group run in an autocratic fashion or is it highly participatory?

In any given time, for a given management situation, a good manager may use any of these management styles. When a sales manager is working with a raw recruit, that recruit wants authority, direction and hands-on training. However, that same sales manager with a tenured salesperson would likely find such methods to be nonproductive. The manager needs to shift to influencing and leading.

Let's add another element to the synergy of producing a high performance team. At what level of skill, expertise and experience is the salesperson? What do they need and want? All salespeople go through a series of passages. We call these passages the "Four Passages of Selling" and again use four phases to illustrate the passage of selling. They are survival, learning, competence and professional.

These four passages are stages for any person who has ever sold. During the first month on the job, the objective is to survive. The classic phrase used by salespeople is, "My God, help me last until Friday." Their heads are full of all kinds of conflicting advice. They are told to prospect, smile more, be more relaxed, make more presentations, and use the telephone. All this advice just rattles around in their head.

After about thirty days salespeople begin to learn. They begin to make associations. Ideas become clearer. They begin to make connections. And where the focus in the first passage was on sheer survival, now the focus shifts to "when will I make some money?"

Sometime between the first and third year, salespeople begin to feel good about themselves. They realize they are good and can sell. Not only have they learned the basics, they know what to do, when to do it, and why it works for them when they do it. They have learned and become comfortable with the rules of selling. Now peer group acceptance becomes important. This is when winning sales contests is important.

After about five years, salespeople come to a "Y" in the path. Do they want to keep selling, do they want to sell this, for this company, or do they want to move on or go into management? What society thinks of them now becomes important. Recognition, status, perks and awards all become very important. If they can't find this satisfaction on the job, they may begin to find it off the job. They now coach the little league soccer team, for instance. Money is now less of a motivating factor. They are good and they know it. They have the greatest job security in the world. They know they can sell!

Now, we ask you as a sales manager to step back and look at your sales team. Ask yourself another question. Where in this simple system of passages are my people? When you have classified them, ask another question. Is there any way I could possibly motivate each of them the same way or does each person in each passage have special needs, wants, desires and expectations? Finally, how do I find those individual hot buttons? The answer usually is one-on-one coaching.

We suggest that a climate or environment which produces a momentum of sales and motivation of salespeople is based upon norms. There are two norms in any organization; one is what management says is so and the other is what the salespeople think it is. If management doesn't position the norms for the people, they supply their own. Management may say, "around here we always get to work by nine." Later, the new salesperson learns from the senior salesperson the "real" story of "how things are around here and how nobody makes it in before 9:30."

Work habits are one set of norms. Handling action plans or sales reports is another. Getting the best buy for both the buyer and the station is one set, as is meeting goals. All of these "how we do it around here" ideas are in reality the job standards or the standards of performance. They make up five basic components—norms, goals, feedback, reward and support.

In any sales organization, the center norm is the standard of performance. For instance, when IBM says we believe in company service to the customer every salesperson better believe it! What does management expect, what do people do, how much, when, how, what, where? If the norm is high performance, how does the sales manager achieve it? He does so with four basic steps. They are: clearly defined and understood goals, plenty of feedback on how the staff is doing, rewards when performance merits reward, and support to help everybody reach their goal.

Goals are the key element in improving productivity or performance. The simplest system that best fits this concept is found in the book, *Putting the One Minute Manager to Work*. Goals are really expectations. Expectations are future events. Managers prefer to think of goals in terms of performance. The question is, "what performance do I want?" This goal can be for yourself or your salespeople. The norm is performance or making your goal. Step one is to set the performance, define it and establish it. The second step is to agree upon how you will measure progress. The third step is a reasonable contract (with yourself if it's a personal goal, with the salesperson if it is with them). The fourth step is recognition of progress, coaching, and supporting. The fifth step is tracking the performance so it can be evaluated. If the goal or expectation is not achieved, was it a problem of aptitude or attitude? If it is aptitude, then you should add knowledge, more resources or more training. If the problem is attitude, let's find out if the person involved really wants to do the job. If you don't want to do it, had we better find a different person or situation?

Once I attended a management seminar where the presenter suggested that goals weren't goals, that getting close was pretty good. This was his norm for goals. At lunch he played a fast game of horseshoes. When he left the seminar to fly home, however, he had a different contract with the pilot of his plane. Getting close to the airport isn't quite good enough. The pilot hits the end of the right runway or his performance is up for review one place or the other.

A "SMART" system of goal setting would follow the steps listed below. We find that this system works well with salespeople. To achieve the goal:

—**S**et performance, define it, establish it.
—**M**easurement method must be defined.
—**A**greement on performance of goal.
—**R**einforcement, reprimand, praise, coach.
—**T**rack performance, evaluate.

Step one is to get the salesperson to set the goal, then jointly agree with the sales manager on the goal. The goal ought to be something that is simple, attainable, and measurable. The second step is to agree upon the measurement. Will it be a dollar number, a percentage, number of calls, a number of presentations? The next step is to agree on the performance goals and set a time span for the goal to be achieved. The fourth step is monitoring the goal and checking indicators for progress. The fifth step is to evaluate the performance at the end of the time span. With this very brief look at goal setting, let's move to the next link in the motivation of salespeople.

When you ask a group of salespeople, "How many of you are losers?" not many people raise their hands. The truth is, most people see themselves as winners. The sales manager accelerates the process of helping them to become winners. The key to this part of the process is helping people know how they are doing. Feedback is essential.

How can there be feedback if there are no goals? When the salesperson asks, "How am I doing?" and there is no basis for comparison, what can the answer be? The feedback ought to be based upon some type of objective measurement. For instance, how many prospect calls were the goal? How many have been made? How many "major" accounts requiring big presentations were actually made? How many totally new businesses were added to the client list? How do collections this quarter compare to last quarter? What are the indicators of progress or success? Are you beginning to spend quality time with your potential accounts or are you still spending 80% of your time on the less profitable 20% of your business?

In another important area, how does the salesperson actually perform on a call? When the sales manager accompanies the salesperson on the call and observes the performance of the salesperson, is there an objective analysis of that call? Do they discuss what went right? What, if anything, would the salesperson do differently if they were to make that same call again? Is the feedback positive and specific? The key here is to focus on behavior that is observable.

It is our observation that everyone likes to know how they are doing. CRT operators like to know how they are doing. What is their speed? What is their level of errors? How does this compare to other operators? This knowledge helps them focus on improving their performance. This is similar to the way athletes improve performance. They continually improve by using distances and clocks, not by the coach patting them on the back saying, "That was a better workout."

Another important area of managing a high performance team involves the allocation of rewards. To put this issue in some perspective we need to make a premise. The more you expect of your people, the more you must invest in them. This is a nearly equal ratio. For instance, in order for airlines to reach absolute levels of pilot perfection, they must invest tremendous amounts of time and money in pilot training. No airline pilot is ever really out of the training posture for too long. It is a steady process of reinforcing and retraining for new equipment.

What is less recognized is that airlines invest tremendous time and energy in training the entire crew so their group reaction to an emergency is immediate, planned and well-rehearsed. Not only are the individuals trained in individual responsibilities, but the whole crew also is trained in team responsibilities. Feedback is constant and imperative for airline employees.

When salespeople are asked what they expect from their job they usually want or expect several things. They want security. Job security for the salesperson does not mean social security. Rather, they talk about consistency, knowing where the company is going, knowing they will have good, competent management. They also talk about recognition for doing a good job. They speak of mental challenge, being able to set and meet their goals. They talk about knowing they are doing significant work. This enables them to grow as people. Material reward or money is less important on their list of expectations.

Other rewards they want from the job are often more important than money. Employees talk about wanting things such as attention, freedom of action, the opportunity to make mistakes, upward mobility, supervisory help to reach higher levels of client contact, visibility and respect, assistance to cope with customers and referral sources. They talk about recognition for taking on and meeting tough challenges. The mental challenge, especially for the tenured salesperson is more important.

One of the common questions sales managers ask is, "How do I motivate the old pro?" We answer that question with another question. "What kind of a client list does your old pro have?" Usually we find the old pro has the best list, the easy calls, the best route, the long standing company relationships. This is fine except for one thing. The old pro has been relieved of all the mental challenges. With all their experience, all their skill, all their expertise, he or she ought to be the team leader working on the tough accounts.

One of the best examples we found of using this skill of "the old pro" and producing high levels of motivation was at a station where the senior salespeople headed development teams. They had a rookie on their team, a creative person and a research person. They had five target accounts for the year. None of those accounts had ever done business with their station. Their challenge was to get all five on the air with major schedules. A suitable reward for achieving such a challenge could be a diamond ring, with one diamond for the first four accounts and a big one in the middle, for the fifth account. Each member of their team got a similar award. The award was made at a recognition dinner.

Good sales managers ask another question of themselves. They ask which of their salespeople produce 80% of the business. They spend 80% of their time with those people. So often it is the other way around. The sales manager spends 80% of their time with people who produce 20% of the business. The question again is "when you have a problem, who do you turn to?"

We think long-term sales contests have limited value in media selling. We prefer "quick-hitter" contests that allow for immediate gratification. There is enough delayed gratification in selling today without having to wait a year to find how I did. The smaller, quick-hitter contests ought to serve a purpose, focus salespeople on solving some marketing problem, help them reach personal goals, and indicate that the station is reaching its goal. Such contests ought to be viewed as the steps that take us to the big leap. It is interesting that often rewards are really support in disguise. For instance, attention and recognition work that way. That leads to the next step.

Let's assume the sales manager wants to provide an evaluation support for the salesperson. The salesperson indicates they are busy, and they are. Unfortunately, just being busy isn't getting the results. The sales manager is satisfied that the activity level is adequate. The sales manager suggests they look at priorities. Some questions the sales manager could ask include:

1. Are you using some kind of priority system? Do you set the priorities, or do outside events set them?
2. Are you spending too much time with unprofitable accounts?
3. Are you able to say "no" to unreasonable demands?
4. Is there anything the office staff can do to help?
5. Are you spending too much time on details and trivia?
6. What behavior change do you need to make in order to use better priorities?

This sort of questioning process is not a threatening one. Nobody bellows at the salesperson, "Damnit Dan, you've got to get your priorities in line!" There is no ultimatum. It is a low key process of really helping to find the problem, if there is one. It is designed to produce the idea of support. The salesperson sees the sales manager as a resource and they turn to the sales manager, not against the sales manager.

The turn to and turn against concept is a two-way street. If a sales manager needs to consider "When I'm in trouble what do I do?. . . Do I turn to the salespeople or turn against them?" Then the salesperson can and will ask the same question. "When I'm in trouble, do I turn to or turn against my sales manager?"

With the examples we have listed we have now completed the journey around the norm of the relationship between the sales manager and the salesperson. Let's look at one final issue in the equation of "How do I motivate my salespeople?" What we have suggested is that you can't manage motivation. You can manage the number of calls people make, the number of times they call in, the number of recommendations they make, but you can't manage the motivation to do it. The results depend upon the salesperson. At best, management begets compliance. It takes leadership to get commitment. There are basic differences between management and leadership. Again, we'll use rather simple points. We use simple points because we believe the skill of managing people is to keep the simple simple and make the complex simple.

Management	Leadership
Authority	Influence
Mandate	Commitment
Time	Energy
Production	Performance

Management begins with authority. In fact, many managers spend a lot of time telling a lot of people a lot about their authority, and "if you don't like it you can shape up or ship out." They may account for all the salespeople "ships" that pass each other in the radio business as they move from job to job. Authority works best with mandates. Mandates will obtain the employees' time, but not necessarily their energy. Time will result in some production.

The question the sales manager must ask is, "Do I want producers or performers?" You can make people produce. You can legislate the number of calls, mandate what they will sell, tell them how to sell it, demand sales reports that tell exactly where they spend their time and you can get production. However, if I'm that sort of sales manager I also have to be a mighty fine recruiter because I am guaranteed high turnover.

Leadership, where salespeople are motivated to sell, begins with influence, problem solving, mutual respect, empathy, good goals, recognition, rewards and support. It produces commitment, the desire to want to do it. The sales manager gets energy, not just time. They also get performance.

The points made in the book, *In Search of Excellence,* have been echoed in several ways in the concepts outlined in this article. Excellent companies turn to their people as a resource in the time of trouble. Ordinary companies blame their people, their unions, their lower managers, and in the case of broadcasting, we can always blame the ratings book. Excellent broadcasting companies are coming to realize their greatest wasted resource is their people who either do not, or are not allowed to, reach their full potential.

This same theme is picked up in the book, *Managing,* by Harold Geneen. His style of management begins with paying people well, then putting them under pressure to reach "stretch" targets. Next, Geneen says, "help them when they need it, even if they don't want that help." And finally, "cut out of the herd" those who won't or can't manage to achieve results. His three sentence course in business management fits well in building a high performance sales team.

5

Communication: The Key to Productivity

By Donald H. Kirkley, Jr., Ph.D.

When *In Search of Excellence* hit the bookstores, corporate offices, and classrooms a couple of years ago, it caused a considerable stir among managers, consultants, and academicians alike—and for good reason. The Peters/Waterman book, born out of McKinsey & Company research, seemed to pull together lots of ideas and theories which many of us had been preaching and practicing for years, present them in palpable terms, and moreover offer *proof* that many high-producing, high-morale companies succeed magnificently by actively employing basic and seemingly self-evident management techniques.

One area which pops up over and over again as the authors describe and illustrate their eight main attributes of excellence is *communication*. While no one is likely to argue that so long as businesses involve people, communication will continue to be a key factor, one might convincingly make the case in the *radio* business it is *the* key factor. In fact, in scores of radio management problem-identification sessions which I have coordinated over the last decade, communication in some form has emerged consistently as one of the primary areas of concern. Sometimes the problem involves the station's main line of communication, its programming, or its all-important twin,

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promotion, but more often than not it is the *internal* communication problems which prove the most vexing to managers.

In analyzing any organization from a communication standpoint, it is customary to break the message systems into internal/external, horizontal/vertical, and formal/informal. External communication in radio is not limited to programming and promotion activities, which receive (and deserve) the bulk of attention from management, but also includes a wide range of "little" things which can add up to quite a lot. For example, managers might take a good, hard look at the quality and appearance of every piece of paper that leaves the station. Everything from the design of the stationery to the clarity and tone of the writing says something about the organization. Some stations seem to believe that the more garish the colors and the more cluttered the letterhead, the better, when actually a clean, simple design is preferable for most purposes. As to the writing itself, there is no substitute for clear, concise, direct language. Why obfuscate the obvious with a plethora of platitudinous pomposities?

How about the way in which employees answer the telephone or greet guests or clients who visit the station? We have all had the experience of calling a station or other business and being greeted with all the warmth of a Siberian winter or trying to get through a secretary who is guarding the boss as though his or her life were in imminent danger. Such chilling receptions are simply bad business; they leave the caller feeling unwanted and unimportant. Most excellent companies have trained their people in telephone conduct and office etiquette. As Peters and Waterman suggest, the company that succeeds in making *everyone* feel important makes a lot of friends (and customers). Let your office staff take the lead from that bright-voiced morning personality who knows how to "reach out and touch" the audience.

These kinds of everyday activities, combined with other external tools of the trade, such as sales kits, rate cards, coverage maps and the like, are the easiest to "fix" if they are not up to snuff. It seems to be the internal, interpersonal communication activities which pose the most difficulty for managers. The place to start is clearly at the top.

There is no question that the manager's style and manner affect everyone in the organization, either directly or indirectly. A manager who practices an open style and who fosters a similar atmosphere throughout the station is likely to see lots of communication activity. To be sure, there will be many weak and half-baked ideas tossed about, but with enough thrashing out, these will be sifted out or refined. People need to participate to remain motivated, to be heard without fear of ridicule. As one Hewlett-Packard manager, quoted in *In Search of Excellence* said, "The easy communications, the absence of barriers to talking to one another, are essential. Whatever we do, whatever structure we adopt, whatever systems we try, that's the cornerstone—we won't do anything to jeopardize it." Great programming strategy, landmark promotions, new ways to sell radio, are all likely to be the result of good, open communication.

Since so-called "management style" is largely an outgrowth of self (who we are as people), it is difficult to alter one's style dramatically. It is not impossible, however, to change certain communication habits which may have erected barriers. We can institute environmental systems which help the station reach its goals. Following are some specific suggestions for your consideration:

Keep the channels open. Some station (or department) managers have discovered effective ways to hide from messages. Whether it is a physical buffer such as a closed door or a watchdog secretary, or a psychological barrier such as a "closed" face and body or an omniscient attitude, the message is the same: "I don't want to be bothered." Certainly every manager needs periods of privacy in which to read, write, think (and sometimes just to relax), but these periods can be built into the business day with plenty of time left for the open door (and mind).

Listen first, speak later. In a business like radio, when crises, opportunities, and interruptions seem to be the norm, it is easy to be brusque and precipitous with employees who "break into" your day. If management is, indeed, the process of getting a job done through people, then understanding your people and really listening to what they have to say must be critical to getting that job done. You may have been impressed by the way in which some people can make you feel that what you are saying is really important, even in a casual conversation. Strong eye contact, nods of understanding, and a general physical presence all contribute to that sense of communication. Interestingly enough, when a manager treats messages as important, the sender tends to see to it that they really *are*, so less time is spent on the trivial.

Sometimes just listening is enough; the individual is really looking for a sounding board. More frequently, the employee is trying to get you to help solve a problem or is seeking approval (or refusal) to do something. In either case, the manager has to learn when—and when not—to speak.

The best answer may be a question. It has been observed that if you ask the right question, the answer will frequently be obvious. Managers who resist the temptation to play the all-knowing guru and concentrate on asking probing questions which lead to the heart of the problem are usually rewarded for their effort.

Hesitate, don't procrastinate. There are thin lines between hesitation, deliberation, and procrastination, but the expert manager understands the distinctions. Hesitation is the key to good listening; it means waiting until you have heard the other person out and gathered the key facts before answering or acting. Deliberation comes into play when the executive knows that he or she needs time to consider consequences and weigh costs and benefits before deciding. Of course, there are times when it pays to wait, but the phenomenon which Peters and Waterman call "paralysis through analysis" has caused plenty of broadcasters to miss valuable opportunities. Plain, old-fashioned procrastination is generally the result of not wanting to deal with a problem or decision. Procrastinating managers are fond of expressions such as "I don't know right now," or "We'll have to give that some more thought." Better yet, they can always come up with something clever, such as "Let's put it on the back burner and let it simmer for a while." Most employees want an answer pretty fast, even if it is "no." Then they can act or move on to something else.

Beware of prejudgment and self-fulfilling prophesies. When we close our minds to alternatives or make up our minds before we have all the facts, we are guilty of prejudgement. Frequent prejudgement creates an image of closed-minded authoritarianism. Apart from the obvious impact on personal credibility, the manager also becomes cut off from fresh ideas and information that could improve the station's performance.

A young radio salesman told me recently that he had walked into a small advertising agency in Washington, D.C., introduced himself to the media buyer, and walked out twenty minutes later with an order for over four thousand dollars for a client who had not used radio previously. Back at the station, the sales manager was astonished. "They just don't buy radio," he said. Had our young salesman been forewarned, he might well have fallen victim to the manager's self-fulfilling prophesy. Instead, he went into the agency assuming that they would be able to do business—a very different kind of self-fulfilling prophesy. Positive thinking really worked for him.

Words which frequently signal a negative prophesy are "won't," "can't," "couldn't," "shouldn't," and "hasn't." We've all heard people say, "That can't be done," or "It hasn't worked so far, why should it now?"

Celebrate differences of opinion. The "Yes Man" has frequently been the butt of jokes and comedies, and with good reason. ("Anything you say, J.B.") The insecure manager who seeks approval and reinforcement from the staff by insisting on agreement is operating on a self-defeating level. The great advertising magnate David Ogilvy once said that he didn't want anyone working for him who wasn't smarter than himself. He preferred to surround himself with people who had fresh, creative approaches, who could stretch beyond the point where he might take them alone. A radio station which is truly excellent is an amalgam of personalities and talents who blend as a team under the leadership of a skilled manager. Communication is the key management tool needed to make this process work.

Meet regularly but minimize regular meetings. This may sound like a contradiction, but there is a real difference between "meeting regularly" and holding "regular meetings." For example, holding general staff meetings on a regular basis may be a waste of time for many of those present. Such required, rigid meetings interrupt the flow of the week and take people away from what they really should be doing. Departmental meetings, on the other hand, are generally a good idea, since there is a strong communality of interest and purpose. Most stations find weekly sales and programming meetings profitable. These can be brief, informal, relaxed, and productive, particularly if a little time is spent after the agenda items have been covered to kick around ideas and individual concerns.

Interdepartment meetings are also a good idea. They needn't become institutionalized, but, for example, getting sales and programming people together once in a while helps reduce rivalry and increase understanding of each other's needs. Entire department staffs don't have to attend such meetings. Start with the problem to be solved, and ask who can reasonably be expected to offer creative input. Revamping your mid-day programming might involve discussion by sales, promotion, and news personnel, in addition to the programming folks. Remember, the more people feel that they have a stake in something, the more they are likely to support it whole-heartedly. When a change from the status quo is involved, this is particularly important, given a reluctance by many to welcome change. *In Search of Excellence* speaks frequently of "Quality Circles" and "Skunk Works"—small groups of innovative mavericks who generate and demonstrate new ideas. Radio is a creative business that needs new ideas to remain competitive. It pays, then, to develop and encourage your own "skunk works."

One final note on the subject of meetings: if the gathering is action-oriented, always try to end it with a specific plan, complete with designated tasks and completion or feedback deadlines. How often people leave meetings "rarin' to go" but with no clear destination.

Form should follow function in station design. Where people work effect *how* they perform. Closed, separated offices offer privacy, but little else; they foster a closed atmosphere and isolated endeavors. Modern modular offices not only create an open feeling, but they encourage communication as well. The same applies to management personnel. There is a move away from the isolated executive suite to the location of the manager with his or her people. It is hard to watch the kettle if you're not in the kitchen.

Sometimes privacy *is* important, so space can be set aside for such activities as salesman-client meetings or delicate personnel discussion which are better held in a closed environment.

If you can afford the space for a lounge, all the better. Everyone likes to have a neutral "corner" where they can get away from the desk and relax or chat with a colleague in informal surroundings. The time apparently "wasted" away from the work station may, in fact, be far more valuable than that spent at the desk.

I have been particularly impressed by the extent to which Australian commercial broadcasters have gone to encourage informal communication at their stations. Not only do virtually all radio stations have a lounge for employees, but most have built-in bars that are opened up after business hours for shirtsleeve beer-and-bull sessions for key people, and, on occasion, for the entire staff. In one suburban station which has achieved phenomenal success, the sales staff has its own lounge, complete with wood panelling, dart board, and bar. The manager's theory was that since the sales representatives were on the street so much of the time, they needed a "home," so he gave them one. Predictably, the lounge became the favorite gathering place for just about everyone in the station, particularly on Friday afternoons. Morale at this particular station is incredible.

Beware of the "Memo Trap." So far, we've talked a lot about spoken communication, because it is fast, direct, allows for non-verbal as well as verbal messages, and permits immediate feedback. This writer believes that there is no substitute for face-to-face communication; some others do not share that belief. One manager (not known for his interpersonal charm) once said, "If it isn't written down, you didn't say it." This type of manager believes in management by memo: write it; send it; and hope it has the desired effect. The celebrated motivational researcher Pierre Martineau wrote "the greatest enemy to effective communication is the illusion of it." Thus a manager can write a memo believing that it will get the job done, when, in fact, there is no built-in assurance that the memo will be received, or read, or understood correctly, or acted upon appropriately. A face-to-face talk on the subject can insure that the message has been received, comprehended, and will be acted upon properly. There is less opportunity for "illusion" to interfere with the process.

Basically, there are only three compelling reasons for putting things in memo form alone. First, when you have to get the same information to several people and want to be sure of uniformity, send a memo. Second, given the long hours that a radio station operates, you may have to send a memo or note to reach employees with unusual shifts or in remote locations. Third, sometimes you really want something in "black and white" for the record. In the case of an employee who does not seem to be working out, you will want to keep a record of infractions and all discussions relevant to the incidents. On the other hand, when employees do something special, it is a good idea to commend them in writing—and in person. Frank Stanton's "happy faces" with his initials underneath are still cherished by CBS'ers.

Policy statements are a different matter. Radio station policies, whether they deal with general and administrative matters or with specific concerns affecting a particular department or job, should be clearly spelled out. There are at least three strong reasons for developing carefully formulated policies. The first is that in many stations there is considerable personnel turnover. A good policy manual can inform new employees on a need-to-know basis and help get them up to speed faster, avoiding confusion over standards or objectives. Secondly, in this era of deregulation, stations are now able to control many phases of their activities which were previously regulated externally. This new freedom provides management with the opportunity to determine exactly how they wish to operate their stations and to spell out their own policies and guidelines. Third, since radio broadcasting has not been completely deregulated, clear explanations of existing rules can help avoid problems in areas such as Fairness, lottery, and political advertising.

An old maxim holds that "information is power." Perhaps it is more apt here to say that "information is power*ful*," that the more everyone in the station knows about the radio business, about the state of things in the market, about how they are doing individually and as members of a team, the better they will be able to help achieve excellence. The more open and frequent the communication, the more likely that powerful, winning ideas will be generated. The more direct, accessible, and open the management, the greater the degree of motivation and trust. In short, while superior communication alone is not sufficient to guarantee excellence in radio, there is little doubt that without it the achievement of excellence is impossible. Communication is at once the glue that holds the station together and the lubricant that permits the gears to mesh smoothly.

6

Measuring Excellence: Using Ratings to Your Best Advantage

By John Dimling

According to David Kearns, the President of Xerox, American business is "drowning in facts, but starved for information." Station management that seeks excellence will recognize that syndicated audience data represents information; management that does not recognize this may well feel it is drowning in the data. This information can be used simultaneously as a sales tool, a report card, and an instrument to improve station performance. Along with budgets, sales reports, and other financial data, management must understand syndicated audience data. Such understanding includes:

—how to use the data;
—what the station can do to insure that its audience is measured accurately; and
—limitations of the data.

USES OF SYNDICATED AUDIENCE DATA

In their search for excellence, Peters and Waterman found that one characteristic of companies that excel is that these companies have an almost obsessive focus on their customers. As any good radio manager knows, radio is no different. Radio is different from many businesses, however, in that a radio station has *two* distinct groups of

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customers. One group, the station's advertisers, buys time on the station in order to deliver their messages to the station's listeners. The other group of customers, the station's listeners, trade their time and attention in listening to the station in return for the information and entertainment the station provides them. Syndicated audience data plays a key role in how a station carries out its commitment to both of these groups of customers.

For some large advertisers, station ratings become the product sold by the station. Advertisers look at syndicated data to determine total listeners, or listeners in a specific demographic group, and use these numbers to determine basic measures of the efficiency of a radio station in delivering advertising—measures such as cost per thousand gross impressions or cost per rating point. A station's sales management and staff must be conversant with these concepts and be comfortable in using them in order to succeed with this group of customers. There simply is no substitute for this basic knowledge.

These basic measures, however, are just the beginning of using the data to serve advertisers. A sophisticated sales effort will make use of the voluminous data produced by Arbitron (or by Birch or other research companies) to communicate the station's unique capabilities to deliver an advertiser's message. In competing with other stations, it may use data on audience composition to demonstrate to an advertiser that, although the station's total audience may be less than that of a competitor, the station represents a more efficient buy for the advertiser because more of the station's audience is concentrated in the demographic group the advertiser seeks to reach. A station may use exclusive cume data to demonstrate to the advertiser that important customers of the advertiser can only be reached on that station. A station may use audience data to sell an advertiser on dayparts the advertiser may not be inclined to buy—for instance, the station might analyze cume data to show that an advertiser delivering his message only in drive time will be missing a number of people that listen to the station at other times of the day but not during drive time.

Audience data also can be used to sell against other media as well. A station might use audience data, for instance, to show what percentage of an advertiser's target demographic is reached by all radio over a week, or it might compare its own cumulative audience with a newspaper's circulation. A station also might calculate the time spent listening (from the average quarter-hour audience and cume audience) to show how much people listen to the station.

Listeners are the station's other group of customers. Nothing can happen until a "sale" is made to these customers—until someone listens to the station. Audience data allows management to understand the nature of a station's audience, how the audience may be changing, and how to reach the audience better. From a basic market report, a station can determine such information as:

—what age/sex groups make up the station's audience and the extent to which a station is reaching its target audience;
—the amount of time the station's listeners spend listening to the station;
—the number of listeners that tune exclusively to this station and not to any others;
—where listeners listen to the station—in their homes or away from home;
—the patterns of listening across the day—that is, the extent to which a station's listeners recycle from one daypart to the next, versus listeners that listen only during one daypart;
—total audience for the station's format (i.e., that station's audience plus the audiences for other stations with the same format) and whether that audience is growing or declining over time.

Using more detailed data that may not be available in the published reports—by looking at diaries or using Arbitron's AID system—more information can be gleaned about the station's listeners and the competition the station faces to hold its listeners. For example, it can be helpful to know exactly what other stations a station's audience listens to, and the time periods it listens to these stations.

Finally, by combining audience data with other media research tools such as reach and frequency models, even more detailed analysis can be done to understand how listeners use the station. For instance, by calculating the reach and frequency of a station's record rotation, a music station can determine how often its listeners hear the same record.

A STATION'S RESPONSIBILITY

In addition to knowing how to use audience data, an excellent station will understand how audience data are produced and the responsibility the station has for seeing that its audience will be measured. It is critical, for instance, that a station return to Arbitron the station information package requested by Arbitron for *each* survey. By providing this information to Arbitron, the station helps insure that proper editing of diaries can be done, that any simulcasting between an AM and FM will be correctly reflected in the market report, and that correct sign-on and sign-off times are used for calculating audiences for a station that operates less than 24 hours a day. Because diaries are important means of communication between a station and its listeners, a station interested in staying close to these listeners will periodically review diaries. Such a review may provide insights into whether listeners may be confusing the station's call letters or slogans with those of another station, and also will also provide a check on whether the station is receiving proper editing, credit for call letter "flips," etc. A station will also recognize that 95% of all diary entries are call letters; catchy slogans are, therefore, no substitute for establishing a strong call letter identification in the minds of a station's audience.

At the same time, understanding audience measurement data includes recognizing the importance of maintaining the integrity of audience data. Station efforts to distort ratings, to encourage participants in audience surveys to list the station's call letters, or to gain some unfair advantage by selecting call letters or slogans that sound like those of a stronger competitor will be avoided. There is some question about whether such techniques work even temporarily, and in any case a responsible rating service will call the attention of advertisers to such techniques and therefore undermine the credibility of the station that uses them. Even more importantly, in the long run the strength of radio as an advertising medium depends on the credibility of its audience estimates, so undermining the credibility of audience data ultimately hurts all of radio.

LIMITATIONS

Excellence in using syndicated audience data also requires that a station recognize the limitations of such data. Virtually all audience surveys are based on samples, so the resulting audience data are estimates that are subject to sampling error. A sophisticated user of audience data will be aware that ratings are estimates, that each number in a ratings report has some sampling error associated with it, and will use the data appropriately. Responsible rating services provide information that allows users to determine the sampling error for various audience estimates, and station management will take these into account when interpreting data. For example, if a station's drive time audience fell from a rating of 9 in one report to a rating of 7 in the next report, it would be important to know how much of this difference between the 9 and the 7 rating is probably a real decline in station audience that calls for some corrective measure. If the sample size is relatively small, however, the difference between the two ratings might be a purely random occurrence, and the station's audience may not have declined at all. If this is the case, a sophisticated management will seek some other independent measure of the station's audience, or will wait until a subsequent rating report before concluding that some change should be made in the drive time programming.

Another limitation that is important to recognize is that ratings are history, even though they are often used to predict the future. In buying and selling time, ratings are implicitly used to indicate what a station's audience will be at the time a commercial runs; even if the audience estimates were absolutely correct for the period of time for which they were produced, there will, of course, be no guarantee that these ratings will accurately predict the station's future audience.

Finally, it is important to recognize that ratings are not an end in themselves. They are an important tool, but only one tool that a station's management and staff use to operate a station. Ratings can never show how effectively a station communicates with its audience, for example, nor can they show the rapport and trust a station has with its audience. Ratings may be necessary to sell some advertisers, but good salespeople will use ratings as a starting point, and communicate a station's qualities that go beyond its audience numbers.

7

Keeping Close to the Customer Through Music Research

By Richard Harker

Analyzing the elements that contribute to the success of a company, Peters and Waterman identified a handful of common characteristics. Among other things, they found that successful companies stayed "close to the customer." But, how then does radio stay close to the customer when the number of customers are in the thousands or millions?

The answer is research. Research enables a radio station to speak to a few hundred listeners with the confidence that the opinions of these few hundred reflect the opinions of all listeners in equal proportion.

Research for radio stations takes on several forms. Perceptual research is the most common. Perceptual research, most commonly telephone studies and focus groups, measures listener attitudes and perceptions of radio stations. Perceptual research is essential if a radio station is to keep in touch with its listeners. However, a second type of research, music research, is equally important. This paper will discuss the role of music research in establishing and maintaining closeness to programming's customer, the listener.

Music research works in harmony with perceptual research. In perceptual research, the major images associated with radio stations are determined in the belief that the listener's perceptions of a radio station have a direct bearing on whether the person listens to that station.

Richard Harker graduated from the University of Oregon with a major in marketing. He has had 14 years experience in radio, 10 years in programming. He has worked for companies which include: Metromedia, RKO General, King Broadcasting and Duffy Broadcasting. He joined Coleman Research in 1983 as vice president.

In reality, many of the images a station acquires are a result of its on-air product. Given that music typically represents the majority of a station's on-air sound, the music a station plays is critically important in establishing the station's image.

Furthermore, regardless of the strength of a station's image, if a station is playing the wrong music, listeners will go elsewhere. We therefore believe that music research is essential for a radio station to stay in touch with its listeners.

Music research is based on a simple premise—that listeners know which songs they like and which songs they dislike. People do not willingly listen to music they dislike. Consequently, they tend to listen to radio stations that play more of their favorite songs. Music research identifies those songs.

MUSIC RESEARCH TECHNIQUES

Before proceeding with a detailed review of music research methodology, a brief discussion of two common methods of monitoring music popularity should be discussed. Both record sales and telephone requests have been tabulated by radio stations for decades. We feel these two methods suffer from serious limitations that make their use ill-advised.

Record Sales

Tabulating record sales is one of the oldest methods by which radio stations have attempted to monitor the popularity of songs. Selecting a station's music based on record sales is based on the belief that the most popular songs are the songs that people buy. An implicit assumption is that the records people buy most are the songs that people want to hear the most on their radio station.

Research done on the subject generally suggests that most record buying is done by a small group of consumers. Broadcasters who defend the use of record sales generally acknowledge this. They, however, argue that this minority of listeners are "actives," or people who tend to set trends. The problem with this argument is that active record buyers tend to listen to radio less and rely more on records and tapes for entertainment.

The majority of radio listeners, particularly heavy users of radio, do not buy records. Furthermore, their taste in music tends to differ from buyers of records. Therefore, a station that uses record sales to choose its music is programming for the light user of radio—not the heavy user.

Setting aside the question of active versus passive listeners, there is still a problem with using record sales in that there is no demographic information regarding record sales. The question of whether a song appeals to young males or older females, for example, is of vital concern to radio stations, but rarely can this information be discerned from sales figures. Even if the demographic appeal of a record can be determined, a radio station still does not know whether listeners to their own station like the song. This information is rarely available.

Requests

Tabulating requests for songs telephoned to the station is another method utilized to find out whether a station's audience likes a song. While it answers the question of whether a station's audience is curious about the song, many of the same problems that trouble record sales also trouble request tabulations.

Research indicates that very few listeners telephone a radio station for any reason. Those listeners who do telephone, tend to be atypical listeners. Therefore, a tabulated list of requests only reflects the interests of a minority of listeners.

Furthermore, requests do not always reflect the sort of popularity that would justify continued airplay. For example, unusual songs, particularly novelty songs, generate more requests than "normal" songs. Listeners, however, tend to grow tired of unusual songs more quickly than traditional sounding songs. Consequently, a station relying on requests tends to turn over its playlist more rapidly. This pleases the small minority of listeners who request songs but turns off the passive listener who prefers the traditional sounding songs.

The advantage of monitoring record sales or requests is cost. Generally, either technique involves little expense. The DJs can tabulate requests while they are on the air. A few phone calls to record stores can determine sales.

While costs are small, a station that relies on sales or requests may be hurting itself. Monitoring sales and requests, the station may be moving away from the preferences of the majority of its listeners—not closer. Large market shares depend on pleasing *most* of a station's audience—not the minority who call in requests or buy records.

Both techniques suffer from similar methodological problems:

1. *Self selecting sample.* The portion of the audience that participates chooses itself by calling the station or buying a record. Therefore, a station cannot be sure that this preference represents the view of the majority of the station's audience.
2. *No demographic information.* Callers and record buyers generally do not give their age or sex. In the case of record sales, the station cannot be sure that the buyer listens to the format, let alone the station.
3. *There are no means to check the accuracy of the results.* Validation is the process of confirming the results of a research study. Without validation, the findings may or may not be accurate.
4. *Sales and requests can be manipulated.* Because participants select themselves, both sales reports and requests can be "hyped." The manipulation can be innocent with a teenager and friends calling in multiple times to request a song. It also can be financially motivated with record stores distorting sales figures.

Music research, properly executed, avoids each of these problems. Radio stations are able to determine the most popular songs for *their* listeners. Music research, however, is not without its pitfalls. Later, we will discuss the techniques of music research and how to avoid these pitfalls.

Call Out

Call out research is the process of playing short portions of songs to listeners on the telephone. After listening to the song, listeners are asked to evaluate the song.

Call out is so named because the radio station contacts the listener ("calls out") instead of the listener calling the station as in requests. The station thus is able to control the type of listener that participates.

Generally, listeners initially are contacted randomly using telephone directories or random digit dialing and asked questions regarding age, sex, and radio listening behavior. If they conform to the screening requirements established by the station, they are then invited to participate in the music test.

Establishing screening requirements enables the station to test music only with target group listeners. Deciding on how to screen participants is a decision that will be discussed later in this paper.

Call out research conducted weekly enables a station to track the popularity of songs over time. Songs rise and then decline in popularity as listeners become familiar and then tired of them. Call out research is able to monitor this "life-cycle" through weekly testing.

Generally a staff of five to ten people is needed to test 40 songs a week with 100 participants. Consequently, most stations test only current songs. Oldies, sometimes numbering in the thousands, are more appropriately tested in an auditorium setting.

Auditorium Tests

Auditorium testing resembles call out in that participants listen to portions of songs and then evaluate them. However, instead of listening to the songs over a telephone, large numbers of participants are assembled together to listen to the songs. Up to 100 participants are gathered at a time to evaluate more than 300 songs.

Auditorium testing enables a radio station to test large numbers of songs very quickly. For example, to test 1,000 songs using call out could take nearly six months compared with two days of auditorium testing.

Advanced methods of auditorium testing utilize multivariate techniques of analysis to identify audience segments within a radio station's audience. In this way, auditorium music testing affords radio stations perceptual insights as well as song preferences.

Other methods to test music have been tried. Participants have been mailed cassettes with songs to be evaluated. Participants also have been approached on the street or in a shopping mall and asked to evaluate music. These last two techniques generally have had limited success and, consequently, are used rarely.

MUSIC RESEARCH PITFALLS

Music research, properly executed, is the best method to determine the songs to play. It is, however, a complicated process with potential pitfalls. Important details that could affect the validity of the results need to be considered. Radio stations, therefore, should work with professionals to maximize the usefulness of music research.

Music research has four potential pitfalls. They are:

1. testing with the wrong people,
2. testing the wrong music,
3. using the wrong evaluative scales, and
4. improperly interpreting the results.

Testing with the Wrong People

The most troubling potential pitfall is the choice of participants. When tabulating sales or requests, the participants choose themselves. When testing music in call out and auditorium testing, the radio station chooses the participants. The evaluation of the music will obviously be affected by the type of listener who evaluates it. Testing hard rock music with listeners who normally listen to country music would most likely result in different evaluations than if the music was evaluated by listeners who prefer hard rock.

One of the most frequently committed errors is testing music with non-listeners. Some radio stations choose to test music with listeners who are not listening to the station because the station feels that people already listening must like the music and it is more important to find out what the non-listener prefers.

This can be a costly mistake. It cannot be assumed that changing the music to better serve the (assumed) potential listener will increase the station's audience. It may, in fact, do the opposite. If potential listeners have differing music tastes, changing the music to attract new listeners may antagonize present listeners. In as much as present listeners are more sensitive to changes in programming than non-listeners, new listeners will not be attracted as quickly as old listeners depart.

Testing music with the wrong participants occurs most frequently with regards to age. A station that has a large teen audience, for example, may want to attract older listeners. It therefore, chooses to test music with an older age group.

Unfortunately, it cannot be assumed that teens will like the same music as older listeners. Different age groups prefer different songs. Thus, substantial changes to the station's music to attract older listeners, using the results of the music test, may cost the station many more younger listeners.

The solution is to test the music with both present and potential audiences. Comparing the tastes of the two groups will tell the station whether it is possible to find a pool of songs that appeals to both groups.

If the music preferred by the present and potential audience differs radically, most likely changing the music will not be sufficient to attract new listeners. In this case, it is best to play the music *present* listeners prefer.

Testing the Wrong Songs

A second pitfall is testing the wrong songs. The radio station is choosing the music to be tested as well as the participants. Songs that are not included, therefore will not be evaluated. Furthermore, the absence of songs may mislead the station into misjudging the tastes of its audience.

For example, if a station assumes that its listeners prefer down-tempo ballads, and therefore does not test up-tempo songs, then the station will not be able to determine whether its assumption is correct. Without the presence of up-tempo songs in the test, the results will confirm the station's assumption because the songs that would refute it have not been tested.

Adult Contemporary stations are the stations most likely to commit this error. They often test only soft ballad songs by traditional Adult Contemporary artists. This creates the possibility that these Adult Contemporary stations will miss significant shifts in listening tastes because they have not tested songs normally thought of as outside the realm of Adult Contemporary music.

Evaluative Scales

A third pitfall is the method by which songs are evaluated. Different companies involved in music testing utilize different scales that listeners use to evaluate songs. The type of scale used and the complexity of it will affect the results. The more complicated the evaluated scale, the more likely participants will have difficulty honestly evaluating the songs.

The evaluative scales should be easy to understand and simple to use. Generally, the scales should be based on a single dimension, such as like to dislike. Multiple dimension scales where two or more decisions need to be made (Do you like it? Do you want to hear it more?) should be avoided. Two dimensions may double the data, but it will most likely make the data less reliable.

Interpretation

The final pitfall is interpretation. Provided the correct songs have been evaluated by the proper participants according to a simple valid scale, the station must still decide on which songs to play.

Obviously, the goal is to play the most popular songs. The term "most popular" is subject to interpretation, however. For example, is a song that most listeners are unfamiliar with more popular than a song that most listeners dislike? Is a song that equal numbers of listeners like and dislike a more popular song than a song that everybody is neutral towards?

These are questions that must be resolved before a station can decide which songs are the most popular. A full discussion of the best method of evaluation is beyond the scope of this paper, but suffice it to say that it is a complicated issue.

CONCLUSIONS

Radio stations, like other businesses, succeed by keeping close to the customers. Keeping close to the customer for most radio stations means playing music that the listener enjoys. An effective tool for identifying those songs listeners want to hear is music research. It is vastly superior to more primitive methods of music evaluation such as sales and request tabulations.

Music research, however, has several pitfalls that can invalidate the results of a music test. Careful planning and utilizing a company familiar with these potential pitfalls is the best way to maximize the benefit for music research.

8

Custom Research: Staying in Tune

By Ted Bolton

EXCELLENCE IN RESEARCH: THE ELUSIVE QUEST FOR SUPREMACY

Research in the radio industry has been heralded by many as the one factor which leads to success. Ask any manager or owner the following question:

Question:	What must you do to be a market leader in radio?
Probable Answer:	Research your audience, understand what your audience wants, and then deliver the product.

What appears to be a simple procedure has produced a remarkably high level of failure. You needn't look beyond your own marketplace to find stations that are actively involved in research, but continue to struggle year after year.

One can confidently conclude that the search for research excellence must go beyond the question of whether or not a station conducts proprietary audience surveys, music tests, or focus groups. Arbitron alone will tell us that the mere act of conducting research does not guarantee excellence or eventual success in the radio industry.

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Does this mean that managers who succeed with research have advanced degrees in statistics, psychology, or marketing? Is success dependent upon the encyclopedic knowledge of sampling theory, questionnaire design, and complex data analysis? *Our experience says no.* Radio stations that successfully use research to their advantage have developed and embraced a common approach to the *research process.* Those who have developed a "success equation" to the process of conducting research also have integrated this process into each and every research effort that the station undertakes.

The search for research excellence is therefore not a discussion of research methodology, questionnaire design, or data analysis techniques. Instead, it is the search for those traits which characterize the successful process of developing, initiating, and acting upon audience and marketplace research data. This entire process, however, is hinged upon one critical element. Successful managers have a keen understanding of what research can and cannot do.

HEALTHY SKEPTICISM

Successful users of research seem to have an air of skepticism about any research effort undertaken by their station. It isn't that they question whether or not research should be done. Instead they question whether or not the research findings have any real meaning. They share a common understanding that research, in and of itself, will not always produce "truth."

As researchers, we become worried when a major decision is finalized on the basis of research alone. Our concern is based upon our understanding that no one, and we mean *no one*, can produce research results that are accurate 100% of the time. Research deals with probabilities and uncertainties. We cushion our finding with estimates of error, and deviations. Thus, when a manager says: "That's what the research said, and that is that!," we thank the station for its confidence in our work, and then we advise it to consider other important factors before arriving at a final conclusion.

We say this because any station's decision must take into account factors that are "unresearchable," factors that weigh science against marketplace experience. Thus, any research finding must be carefully compared and scrutinized according to what good old common sense dictates. The smart manager carefully weighs research results against that which "the voice inside her head" tells her is right. A healthy amount of skepticism acts as the "regulator" which guards against any blind faith in the research findings. And you don't have to be a statistician to question research results.

Our point is this: Successfully run radio stations understand that research can be hard to live with. At the same time, *the successfully run radio station of the 1980's realizes that the station cannot successfully compete without research.* When we work with a radio station that understands the true limitations of research, we consistently see our research used as a *supplemental* resource that *complements* other elements of the station's decision making process.

We watch these stations struggle with the research findings until they are satisfied and confident with the validity of the results. Then we see a station that acts upon these results, because confidence leads to execution.

BEATING THE ODDS

So far we have suggested that a healthy amount of research skepticism is found in most successfully run radio stations. In a word, these stations understand that research is not always "truth". If research cannot produce truth, you may ask, then what good is it?

The answer to this question should come as no surprise to anyone who has worked in the broadcasting industry for any period of time. *Successfully run radio stations like to have the odds in their favor.* They realize that the one thing research can do is to increase the probability that management will make more right decisions in the course of the year. They use research to beat the odds in a business which demands decisions 52 weeks a year.

Think about the successful radio stations that you are aware of. They all seem to be "hungry" for information. They read and discuss listeners' letters. They log and track record requests, and they follow up on listener complaints to see if they are valid. They go out to the streets to talk to listeners in bars, restaurants and at state fairs.

They survey local retailers and ad agencies to discover station strengths and weaknesses. They are never above asking their reps for opinions about their sales material and presentations.

They call record stores and monitor local and national trends. Most have an internal staff of telephone interviewers who test and track records and station perceptions. And most definitely, they regularly commission a markeplace survey so they don't get lost in the forest for the trees.

We have often thought that if it were possible, they would wire their entire metro population to electroencephalographs to better understand listener brainwave patterns. These stations are *obsessed* with listener reactions and behaviors. What they do is play to win, and playing to win means using research to beat the odds.

TAKING THE BIG PICTURE

Radio has to be one of the most intensive and self-absorbing occupations anyone can enter. This level of intensity is evident from the conversations we have with station managers across the United States. I have personally entered into lengthy discussions and debates about the value of station promotions, the color of a billboard or a decision to add or delete a new record.

The problem is that these discussions can become so self-absorbing, you can lose sight of what is *really* important. For example, a recent client came to us with what was believed to be an advertising problem. "Nobody listens to us because nobody knows about us" was the manager's complaint. "We need to get on television and tell people what we're all about!" Our initial assignment as a research firm was to test a series of storyboards and other syndicated spots to see which commercial held the most promise for solving this station's problems.

After a series of meetings, we jointly concluded that we should first make sure the problem really was advertising related, before thousands of dollars were spent on an expensive campaign. As a result, a survey was designed to take a broader picture of the station and the marketplace. Yes, we looked at advertising related issues, but we also examined product related issues like listener satisfaction levels and station vulnerability and positioning.

Much to the surprise of management, we did *not* find a tremendous advertising problem, but instead found a *product problem.* A lot of people knew about the station. The problem was that they all knew *they didn't like it.* Extensive advertising would only have accelerated the station's demise.

Great radio stations always seem to avoid this kind of mistake by maintaining an awareness of *all* marketplace factors. They take the time to remove themselves from the daily decision pressures so as to get a clear picture of their own station and marketplace from afar. And if they can't get a clear sense of the "big picture," they make sure that their survey research does. As one GM recently put it, "The problem with this business is that we often lose sight of what we're really supposed to be doing. Our job as managers is really one of setting priorities, because we simply can't do everything. And the guy who sets the best priorities is usually the guy who gets the biggest piece of the pie."

The successful research process therefore is one which helps stations identify, track and modify these station priorities over time. Excellent radio stations are aware of these priorities because they *demand* research which will keep them abreast of the "big picture."

THE PROCESS-CONSULTATION METHOD

If you are sick, you can go to a doctor, describe your problem, and then await the diagnosis and treatment. If your radio station is sick, a similar pattern could be followed with your research firm. Describe your problem, let the firm go collect the data and then wait for the report.

An alternative approach practiced by most successfully run radio stations is the *process-consultation method.* With this method, the station and the research organization become an investigative team. Both parties become locked into a communication stream of shared information and problem solving. The obvious advantage to this procedure is that it brings two perspectives to the table: that of the station, and that of an outside research firm. It also has an additional advantage.

The more involved a client becomes with a research project, the more they will receive for their money. If your current research organization will not agree to this method, then go find another firm. If they charge you for their time, the incremental cost incurred will more than pay for itself in terms of the quality of the finished product. *You'll never know what you get back from a project if you don't know what went into the project.* Excellence in radio research is usually the result of intensive process-consultation communication.

OUT OF SYNC AND IN TUNE

There's a rhythm to the radio industry. The primary time-keeper is Arbitron. Arbitron sets artifical deadlines for the execution of format changes, marketing plans and the replacement of managers. There is no other singular force that plays a more decisive role in the fates and fortunes of radio managers and group executives. Because Arbitron is such a pervasive force, there is a strong tendency to react to Arbitron in ways that can be nonproductive and even destructive. Great radio stations have developed their own research systems which counteract "knee-jerk" reactions to Arbitron success or failure.

They do this by staying *out of sync* with Arbitron, and *in tune* with their own objectives. This does not mean that they ignore important Arbitron dates. In fact, the startup dates for their important projects coincide with diary mailout dates and diary retrieval requests.

The *do* stay out of sync with Arbitron, however, by monitoring station performance in ways that Arbitron *does not* measure, and at times that do not necessarily coincide with Arbitron dates. They examine station awareness levels and indicators of station loyalty. They keep keen eye on listener attitudes and unique listener life style traits. They look for clues of station vulnerabilities, as well as the vulnerabilities of their competitors. And they simply don't let a good or bad Arbitron lead them astray!

In other words, they avoid overreacting to an Arbitron report by having their own internal set of audience measures that they track over time. It's been said that you can't understand a running stream by catching it in a bucket of water. It may be difficult to think of Arbitron as a bucket of water, but that *is* in fact what Arbitron is all about. It is a *temporal* measure of listening behavior.

Successful radio stations who understand Arbitron have a research system that helps them cope with the temporal nature of Arbitron. It is a system that keeps station confidence up, and station objectives on track. It is truly amazing how many radio stations "bail out" of a strong marketplace position because their marketing and programming efforts have not yet surfaced in one Arbitron report. Great radio stations are aware of "what they got," regardless of what Arbitron says. Their own information is used like an X-ray to maintain programming and marketing consistency until they can reap the eventual rewards of a successful Arbitron showing. In this sense, they truly are out of sync with Arbitron and really in tune with their own objectives!

RISKING EXECUTION

Thus far, we have described the key procedures used by those who strive to achieve research excellence. Excellence has been found among those radio stations who view research as an ongoing process. Their approach to research includes a healthy amount of skepticism, the use of research to beat the odds, their ability to use research to get the "big picture," the development of research projects through a process-orientation method, and their distinct ability to stay out of sync with Arbitron and in tune with their own objectives.

Now comes the hard part. It is the part that absolutely separates true excellence from mediocrity. Many radio stations that become involved in research follow all of the process-oriented patterns outlined above. These procedures usually take these stations right up to the 80 yard line. However, anyone who understands the game of football knows the last 20 yards are the toughest. This is where they falter.

They falter because they fail to execute the game plan. They lack the conviction to follow through on the research results! This hesitation then takes them right back to where they started. They fail to dig in and institute the change necessary to score the touchdown. They give lip service to the value of research, but they fail in terms of actually *putting it to work* for their own station.

Great radio stations act upon their research results. There is no clearer conclusion about greatness in radio research. If the results are achieved through the laborious efforts we have described so far, you can be sure these stations will take advantage of the odds. They will act before they are acted upon. They will use research as an offensive force to bury their competitors. These excellent users of research dig in at the 80 yard line and then they score.

SURVIVAL OF THE FITTEST

It seems that research excellence, as we have experienced it, is a two-way street. The radio station confronts the research situation with a clear sense of purpose, and a statement of expectations. A quality research firm must then act upon these requests and help guide the radio station to even higher levels of commitment and excellence. Good research comes from a team effort, with *both* parties contributing to the research process.

In an environment where only the fittest survive, this reciprocal relationship between station and research firm will become the trademark of research excellence. Fly-by-night research firms, or programming consultants turned "researchers," will be unable to meet the demands of this high contact environment. As radio stations reach for new heights in audience research, so too must research firms move beyond the simplistic, and often archaic methodologies of the past. Those who cannnot keep pace with such research demands, will be left behind.

Although excellence in radio research may at times be an elusive and perplexing pursuit, it *is* attainable. Survival in radio, more so than in many other forms of business, truly demands staying "close to the customer." Staying close to the customer means more than the passive act of fielding audience surveys and conducting music tests or focus groups. Instead it requires an active *involvement* in the research process.

Don't forget. . .research is a science that produces numbers. At some point, these numbers must take on meaning. The meaning that is derived, if it is to be right, comes from a fair amount of cooperative communication, and some very hard head scratching.

The pursuit of excellence in research will surely continue. We think the procedures used by the great radio stations of today can and will be applied to the research demands of tommorrow. In the mean time, *get involved* and don't get caught waiting at the 80 yard line!

9

Excellence in Community Involvement

by Susan Tyler Eastman

Lip service won't work. Excellent radio stations consider involvement in their communities a fundamental operating principle that has concrete, practical rewards in audience satisfaction and advertising revenue. Nearly all stations, successful or unsuccessful, involve themselves in their communities—local participation is nearly unavoidable. At an intense level of concern, however, this commitment becomes a distinguishing trait of excellence in radio. This chapter shows how a persistent, consistent and sincere commitment to the four components of community involvement characterizes excellence in radio management.

ATTRIBUTES OF EXCELLENCE

Outstanding community involvement illustrates many of McKinsey & Company's basic principles of excellence in management. Community-oriented stations show value-driven, action-oriented productivity through people. They show the importance of knowing the local community while sharing the station's unique expertise with the community. When applied to community involvement, McKinsey's management principles emerge, in more familiar radio terms, as *participation*, *visibility*, *accessibility* and *activity*. Management's

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job is shaping and reinforcing these values by practicing and preaching them with consistency and sincerity.

At the same time, there is some risk. Only a continuously credible message can establish the values associated with community involvement, and even strong ideals can erode over time. Relatively short periods of managerial insensitivity to service values and unbalanced sets of staff expectations may undermine years of dedication and reinforcement. Token commitments to community involvement sap the meaning from the message. It takes extraordinary efforts over the long haul to blot out previous conditioning and install the fundamental worth of community involvement. The most salient of these values is community participation.

Participation

To be excellent in participation demands that the highest management personally identify with the value of community participation. In addition, the station must provide active support for participation by lower-level staff members. Establishing and maintaining the value requires a nearly obsessive level of concern with community activities, public and private commendation of worthy efforts, constant reinforcement through coaching staff members and setting a personal example in the field. When successful, a shared community participation value makes the station a symbol with which its staff can identify proudly. As McKinsey & Company point out, this kind of shared value permeates the station with the symbolic element of "greatness" which in turn drives people to their best efforts.

Excellent management stresses the importance of community participation by taking a leadership role in community activities and by participating in the station's own community projects. Managers publicly reiterate the value of participation on every possible occasion with the greatest enthusiasm and depth of commitment. Their sincerity becomes evident when they donate staff time and cover expenses such as duplication, postage and secretarial assistance.

WMT, Cedar Rapids, Iowa, a midwestern station, provides an outstanding example of management that encourages community participation. During 1984, WMT's staff made more than 174 public appearances, taking part in virtually every local event and community organization in its coverage area. During one year alone, its small staff stood up in front of more than 71,565 people as speakers to local women's clubs, bowling leagues, church groups, school groups, military groups and so on. Individuals on the staff served as master-of-ceremonies for the Spring Hog Market, the Iowa Pork Producers and other associations important to the farm community. They acted as beauty queen judges, fundraisers for the symphony and local theater group. WMT staff served in disaster relief organizations, led Cub Scout packs and joined Big Brother/Big Sister groups. One engineer made dozens of public appearances as Santa Claus. Since WMT's metro area contains 165,000 people within a coverage area of about 400,000 these activities show that WMT's staff directly interacted with an extraordinarily large portion of its community.

This station's management promotes *participation* as the key to learning what the public is saying about the station and learning to talk meaningfully in the language of its listeners. General manager Larry Edwards believes that successful radio is always a one-on-one medium that is effective only when the audience feels warmth, empathy and two-way responsiveness. He uses the metaphor of long-term friendship to point out the need for closeness rather than distance. The greater the station's participation in the community, the more the station will sound as if it's a part of the people.

Edwards feels participation is especially important for stations outside the larger markets because their effectiveness depends on what they share with their audiences. In practice, a station's staff must mingle with the people they serve—invest some blood and sweat in their activities—in order to gain insight into local perspectives. Station personalities, newscasters and management need to forget what divides and separates listeners and instead seek out those core emotions that cross all ages, incomes and educational levels. Their purpose is finding out what the community as a whole values.

In support of this philosophical position, as a regular prctice WMT gives its staff time off for community participation and pays mileage to and from meetings of non-profit groups, if necessary. The station also provides some financial support for some non-profit activities (especially duplication and secretarial assistance). Unlike most stations, WMT does not "sell remotes." It seeks out events such as the 125th anniversary of a nearby town as a way of fostering points of pride. Instead of charging for such remotes, the station covers them regularly, getting its monetary investment back manyfold in loyalty to the station and subsequent advertising sales.

WMT's signature emphasizes the message that it actively participates in its community. On the air, on the side of its equipment van, and in its advertising, WMT identifies itself as the community "ambassador," exemplifying its public service commitment.

Visibility

Radio stations naturally are familiar with promoting their images and programming to their communities. On-air and print promotion are part of the normal process of gaining audiences and advertisers. But stations that are recognized as excellent by their peers take an extra step. Like WMT, they consistently associate their call signs with their community activities. Their management chooses a slogan or theme that draws attention to the station's commitment to community activities.

Although many radio stations occasionally adopt a community involvement slogan, the outstanding licensee consistently identifies the station with the community in its on-air announcements, in print and cross-media advertising, on its stationery, on vans and equipment, in audience giveaways and so on. The station avoids even short breaks in continuity, refusing to displace its community identity in favor of slogans that seem momentarily more pragmatic. The practices of WCCO, Minneapolis/St. Paul and KMOX, St. Louis illustrate the value of long-term visibility within the community and the variety of tools that can be used to maintain station prominence. WCCO has stuck with a theme that captures and makes visible its community identity. As the case of KMOX shows, enormous local visibility arises from its immense, credible, and very long-term involvement in its community—a characteristic of an excellent station.

A listener created the theme of "Good Neighbor to the Northwest" for WCCO, Minneapolis/St. Paul more than 50 years ago. This overriding theme has continued to embody WCCO's commitment to its community. The station attaches the label of "good neighbor" to its stationery and consumer-oriented promotions. WCCO uses the concept of "neighborliness" in much of its locally-oriented programming and promotion. A daily program segment called "A Salute to a Good Neighbor" honors a selected individual who has contributed to the community in some way. In a similar vein, the station has honored a "Citizen of the Year" annually since 1924.

To reaffirm its unique position as a landmark institution and a responsible leader in Minnesota and surrounding regions, WCCO recently celebrated its 60th anniversary by inviting the people it had honored in the past 60 years (or their descendants) to a banquet featuring nationally known speakers in order to honor them all again for their contributions to the quality of life in Minnesota. The station visibly identifies itself with contributions to better life for citizens in Minnesota.

After more than 60 years of serving Kansas, Missouri and surrounding states, KMOX, St. Louis also stands out as a giant in community involvement. The station uses a four-part news/information/sports/entertainment format on a 50,000 watt signal to target a very broad audience with a large variety of programming—mostly non-music. It concretely exemplifies the interactive process of letting the public speak and informing them about the issues of the day, the fundamental principle underpinning ''information broadcasting.''

According to vice president and general manager Robert Hyland, one key to a community identity is *visibility* over the long haul—achieved by sending the station's microphones and staff to all important meetings and public gatherings in the coverage area and turning special events into service programming. Hyland himself takes a community leadership role by serving on hospital, college, and chamber of commerce boards, setting an example for his staff and encouraging their participation by suggestion and support. Through decades of active participation in its community, KMOX has achieved the pinnacle of excellence in community involvement. Its theme, ''KMOX—The Voice of St. Louis,'' embodies the station's values and reflects its enormous community visibility.

Accessibility

Nearly all stations ''research'' their audiences. They monitor local demographics, major retailers and manufacturers, and the important industries and activities of the community. The difference between the average station and its outstanding competitor is that the excellent station listens to its community by making itself open to the public, accessible to those who want to know the station. Management considers familiarity with its community more than a matter of shaking hands and signing autographs: It considers ''knowing'' an interactive, two-way process, requiring that the station open itself its audience in order really to know its listeners.

In the past, dedicated stations tried to utilize the FCC's ascertainment procedures as a two-way process. Today, these stations have instituted better measures that promote a partnership between the station and the public. Stations such as WBZ, Boston have created innovative hotline services that give the public access to the station's service capability. Staff members act as intermediaries between the public and other institutions and serve as ombudsmen for consumer complaints. As with participation and visibility, accessibility must be persistently, consistently and sincerely advocated by management. The station can become known to its outlying audiences by using bureaus, remote programming and audience participation shows. Artificial barriers between station management and listeners clog information channels in both directions. As the programming efforts of WBZ illustrate, the excellent station places a high value on being *accessible* to its audience.

WBZ, Boston has a long history of innovative access programming. During Boston's racial disruptions in the late 1960s, the station took the lead in stimulating on-air interaction between antagonistic groups. During the early 1970s, it stepped into the drug controversy by providing a public forum for medical and legal advocates on both sides—ultimately influencing changes in Massachusetts' drug laws. In recent years, the station has turned to various kinds of hotlines and clinic services as a way of opening the station to the public.

One of its most unusual access efforts, its "Crime Patrol Program," consists of a Boston police officer, assigned full-time to the station, who goes on the air with daily reports on stolen cars, missing children, and crime suspect descriptions. The Boston police department pays the officer's salary; the station provides production and staff support; and the listeners who provide good tips receive rewards (such as membership in an auto and travel club). For over a year and a half, this program has resulted in the return of several hundred stolen cars and many found children and captured suspects. It illustrates an unusual way of opening the airwaves for a community agency and the public.

In addition, WBZ maintains a Consumer Hotline for complaints about products and services, using staff members to solve problems for members of the public. It has an Emergency Hotline for weather disasters and it created a Drug Hotline for people with confidential information. This hotline is part of WBZ's comprehensive drug awareness project—encompassing documentary and interview programs for parents and educators; PSAs and editorials on drug-related problems in the schools; taped statements on the drug problem by the governor; and speeches by the station's personalities at PTA and school meetings. During the project's planning stages, WBZ sent a questionnaire to all school superintendents in the coverage area—the results of which indicated that suburban school officials did not acknowledge a problem although other evidence suggests that drug-related problems are widespread in schools. This kind of advance information solicitation and the station's provision for hotline feedback illustrates the level of WBZ's access commitment. The station's vice president and general manager, A.B. Hartman, personifies the station's engrained public service philosophy.

Activity

Activity clearly means "doing something" in the community—the station taking action in the community. Nearly all stations give lip service to participation in community affairs—much of which occurs naturally through sales promotions, contests and sponsorship of program-related activities.

But in practice, according to Jerry Wishnow, president of Wishnow, Inc. and an expert in public service, radio stations adopt one of three different attitudes toward community service—which he characterizes as the "passive," "active" and "activist" postures.* These labels reflect different degrees of commitment to activity in the community. Going beyond participation by joining local groups and activity sponsorship, Wishnow focuses on the public service announcements and programming as two on-air vehicles for service activity, describing how they can be used in *passive, active* or *activist* ways. Applying Wishnow's ideas about service to the community involvement arena generates a three-step ranking of stations activities.

Like the more active approaches, the passive approach to commuity involvement involves running PSAs, joining organizations and co-sponsoring community activities, but tends to be characterized by "waiting for an invitation" rather than pursuit of a community involvement goal. Typically, the passive station has too large a proportion of national PSAs, and the staff gives local announcements too little jazzing-up. Only the general or station manager usually joins local business/social/political organizations while activities by lower-level employees are not supported and encouraged. Management tends to be apprehensive about what staffers might say to the public or the press. Though the passive station co-sponsors

*Jerry Wishnow, "Promotion as Public Service," in Strategies in Broadcast and Cable Promotion, ed. by S. Eastman and R. Klein (Belmont, CA: Wadsworth, 1982).

program-related activities such as concerts or festivals, it rarely generates new community activities except in direct relation to sales. The passive station keeps a low community profile. It tends to continue with its normal daily programming despite unusual local economic or weather conditions.

In contrast, the active station's executives join every suitable organization and provide incentives for lower-level employees to become active as well. The active station sponsors at least one annual charity fund-drive and co-sponsors numerous other events, seeing them as viable promotional tools even when not immediately connected with sales. The station airs a large number of local PSAs, producing them according to a high technical standard. A regular community billboard and occasional public affairs program are a part of its normal schedule, and the highest executives regularly tape station editorials—on important, though not always controversial, topics. As a rule, its employees place a positive value on serving the community, but the relationship of involvement to service may be vaguely articulated in the station's goals. Although management speaks publicly in favor of community involvement, its staffers tend to see only the commercial value of the symbol. Prominent in its community, the active station generates financial support for important local institutions (hospitals, cancer and other charity fund drives). It is easy to rate this station as "very good" in community involvement, and its efforts typify leading stations.

Like many stations conscientious about community service activities, WMAL, Washington, D.C. has made outstanding efforts at fundraising. One 25-hour on-air solicitation, supported by preliminary letters of appeal to community organizations, labor unions, trade associations and the like, culminated in $603,000 for leukemia research. In another campaign, this time without direct on-air solicitation, WMAL raised $4.5 million for Washington's Children's Hospital by sponsoring golf and tennis tournaments, donating honoraria and generally raising the public's consciousness about pediatric medicine. Efforts like these characterize only the best stations. They demand large resources and are welcomed by the community organizations they aid.

Another example of outstanding active programming began at WCCO, Minneapolis/St. Paul. In a part of the country known for its severe weather—ranging from blizzards to floods—WCCO set the standard for weather-related service programming when it created a system for handling daily announcements of more than 500 school closings—as well as business disruptions, cancellations of community events and related public safety announcements. To aid parents and educators, WCCO now sends special packets to over 500 school superintendents providing instructions, a secret code and a restricted phone number. On storm days, a dozen staff members stay overnight to begin answering ten telephones at 3:30 in the morning. This extraordinary service has been copied widely by other radio stations—but most have a far smaller task than WCCO faces in the northern Midwest.

Finally, there is the activist or "interventionist" approach to community involvement. Like many stations adopting an active approach, the station with an interventionist philosophy also sponsors community events, raises funds for worthy charities, airs carefully nurtured local PSAs, makes strong editorial statements and incorporates more than a minimum of public affairs in its program schedule. Its staff participates in many local organizations and associations. In fact, an "active" level of community involvement characterizes most of any conscientious station's efforts. What is different is the occasional overwhelming effort—in which the station intervenes in a social problem and uses its resources to generate a new public awareness of an issue. Interventionist activities require a long time frame and massive commitment from all station personnel. They often result in new public laws, new social movements, new government actions—but sometimes only after a period of years.

The excellent station experiments with new community activities rather than repeating past successes over and over. The excellent station intervenes in selected community problems by using itself as a vehicle for solving the problem. WCCO's recent attack on midwestern farm problems epitomizes the kind of interventionist program a powerful station can mount. Called "Banking on the Farm," this full-scale effort has ventilated the issues and stimulated a few steps toward resolution of Minnesota's farm problems. The project goes beyond a single program and includes stories on newscasts, minidocs, remotes at farm and major event sites and talk shows. As part of the effort, the station helped send members of the community to Washington, D.C. and sent back program material by satellite.

Similarly, special projects at WMAL, WMT, KMOX and WBZ also illustrate outstanding efforts to utilize a station's special expertise, drawing on the unique contributions that radio can make to community affairs. For example, WMAL's widely known, outspoken editorials and public information campaigns against alcohol and drunk driving and WMT's long-term efforts to tie its audience to a local camp for the handicapped—using its programming, PSAs, fundraisers and individual staff participation over many years—are evidence of outstanding interventionist efforts.

On a smaller but equally effective scale, WVOX's editorial efforts reflect a strong interventionist approach. WVOX, a 500-watt suburban station in New Rochelle, New York, is a voice that echoes throughout a very large community. Because of the special nature of New Rochelle's residents—many of New York's highest ranking corporate executives and political leaders reside there—the listening area contains many of New York's most powerful opinion leaders.

WVOX's owner, Bill O'Shaughnessy, sees the broadcaster as a fiduciary—permittee and trustee for the public—a view reflected in his commitment to programming as a platform for the many voices of the public. O'Shaughnessy's own involvement in the national and state political scenes evidences his wholehearted commitment to active intervention in public affairs. The station's challenging community editorials on controversial issues are the hallmark of WVOX's format. As a policy, music is consistently subordinated to community involvement, and good journalism is valued over smooth announcing. The station's programmers seek every opportunity to put the community on the air, scheduling a very large proportion of remote broadcasts of local events of every kind in which—rather than serving as entertainers or performers—its staff focuses on drawing out members of the public, encouraging them to speak out.

WVOX's weekly schedule contains 93 different programs, and recorded music is secondary to this programming. The station stresses accessibility through its flagship program, "Westchester Open Line," a one-hour daily call-in show used to "talk out" local racial and ethnic incidents, labor issues and other controversial and emotionally hot events. The station features a special participation program for high school students from 21 neighboring schools. The station's editorials endorse political candidates and take strong positions on national and local issues. As manager, O'Shaughnessy functions as a cheerleader, a motivator for his entire staff, inspiring them to ongoing participation in their community as facilitators of the public's voice.

Despite having less power than any other station in its metro (New York) area, WVOX has successfully positioned itself as a preeminent community station, using its variety format to provide an effective soapbox for multiple views on public issues. It is management's persistent, consistent and sincere commitment to *participation, visibility, accessibility* and *interventionist activity* makes WVOX stand out as excellent in community involvement.

BENEFITS AND REWARDS

Large scale community involvement efforts have obvious benefits in creating a positive image for the station and increasing its influence in its community. Community service often results in public service awards and citations, boosting the station's symbolic value to its staff. Strong service efforts create high staff morale, fill public affairs programming commitments and provide promotional copy. They also generate responsive advertisers.

With all these benefits, why would a station attempt any less? The answer seems to lie in a combination of format, capital support and managerial philosophy. All music formats, especially automated ones, leave little time for talk. Economically marginal stations often lack the staff and resources to devote to service programming. But the most important attribute is management's philosophy. As the specific cases of successful stations show, a community involvement philosophy has four separate components—*participation, visibility, accessibility* and *activity*—which do not necessarily demand large budgets and staffs. For example, setting a high value on community involvement by personal participation, supporting staff participation, co-sponsoring of benefits and thematically identifying the station with community service have no real dollar cost. Access programming and interventionist editorials fit to some degree with most formats. Outstanding service efforts characterize America's truly successful stations. Excellence, as defined by McKinsey & Company, requires a top priority for community involvement.

10

Strategic Planning for Excellence

By Stuart N. Brotman

"If you don't know where you're going, any road will take you there." Now, perhaps more than ever, this well-known aphorism has taken on a special meaning as radio executives begin to recognize the link between long-range strategic planning and the achievement of business excellence.

Based upon my activities as a consultant for communications, information and entertainment clients, I have perceived a gap between understanding what excellence is and being able to achieve it in practice.

During the past five years, radio managers in large and small markets alike have had to face a number of new realities. These include significant deregulation fostered by the FCC; the authorization of FM SCA uses for a variety of business applications; the expansion of the permissible number of radio holdings from seven to twelve; the introduction of technological breakthroughs such as AM stereo; and the allocation of bandwidth for several hundred new FM stations under Docket 80-90.

The additional complexity of the radio business fortunately has brought with it new opportunities for buying and selling existing properties; applying for new frequencies; changing formats; enhancing broadcast fidelity; and developing ancillary businesses that provide increased cash flow at little incremental cost.

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All of the above activities require planning, particularly because a strategic move in one area (e.g., a format change) often affects another move further down the road (e.g., an acquisition). Radio managers in the 1980s must be able to make choices from a range of expanding options, and do so in a manner that reflects the long-term interests of their companies. If undertaken in a systematic way, strategic planning can provide radio managers with better information about what course of action (or inaction) to take, when is the best time to pursue it, and what the consequences of success or failure will be.

Planning, in short, appears to be a critical link for implementing excellence over a sustained period of time. In reviewing the files of several dozen clients, I have come to realize that long-range planning is capable of being described as precisely as the notion of excellence. Accordingly, this essay will be devoted to presenting the planning process in terms that can be utilized by radio executives as they modify existing standard operating procedures to achieve better results.

Without fail, and frequently as a sign of defensiveness, clients have told me that their problem cannot be inadequate or insufficient planning. After all, the in-box is always overflowing and there are more meetings than anyone can attend. Ironically, this type of response suggests that inadequate planning is present.

Excellent planning is not a series of activities designed to overload busy managers with information or obligations. Rather, it should and can be part of a seamless web, instead of a series of activities that are performed in isolation with an understandable sense of annoyance.

Below, I present eight attributes that I have found characterize media companies which have achieved success because of their ability to define where they wanted to be going.

These attributes are designed to be applicable regardless of staff size. The phrase "task force," for example, may create images of a giant organization. Bear in mind that any of the principles that will be discussed can be scaled down. A task force at a small radio station may involve two or three people; its mission still will be to produce results. Similarly, the level of planning formality that is set forth can be adapted to fit the size and interpersonal style of a particular company.

PLANNING FOR IMPLEMENTATION

Too often, planning is initiated by a company to forestall implementation, rather than to promote it. "When in doubt," reasons the managers, "form a committee to investigate the matter and have it report back in six months. And after that's been done, why don't we hire an outside consultant to perform the same task for another six months?"

One year later, a series of attractive reports rests on the back shelf of the manager's office, probably holding down a stack of otherwise stray papers. The reports recommend moving ahead as quickly as possible; unfortunately, the window of opportunity has closed because the planning was not initiated with implementation in mind.

This scenario illustrates why planning efforts often fail. The planning process is undermined at the outset because it sends a clear message to all staff members involved: go through the motions of conducting meetings and writing memos, but don't expect anything to happen.

As an alternative, let me suggest the initiation of planning with a different, more positive premise in mind. *Always initiate planning with the understanding that what results from that process—be it a decision to go full speed ahead or maintain the status quo—will be implemented.* In order to accomplish this, it will be necessary to communicate to staff that all ranks of the company hierarchy—those most directly involved in implementation—will assume a participatory role in planning. The more common model, of course, has been for the implementers to divorce themselves from the planning process, waiting for the final reports to be submitted before any action is taken.

DEVELOPING A BENCHMARK FOR EVALUATION

Planning can drift away from its initial premise because of a failure to define in advance how it is to proceed. Specifying that a committee meet every Tuesday afternoon in the conference room only ensures that a set of bodies will assemble on a regular basis. Once there, what do they do?

Any planning meeting should begin with a restatement of what the planning process is designed to achieve (e.g., a new sales program, deciding on an acquisition). This simple exercise will provide a necessary sense of continuity and a constant reminder of what the planning process is all about.

Another rule of thumb: if the goal of the planning process cannot be summarized in a sentence or two, it is probably not well defined enough to justify continuation of that process. Beyond this baseline definition, every planning process also should have a series of benchmarks that are used to evaluate how the process itself is proceeding. These benchmarks should be established to define what output is expected (e.g., an evaluation of previous sale programs that have been instituted at the station) and when it will be delivered (e.g., two weeks). Careful attention should be devoted to specifying a series of outputs that support the overall goal, and to estimating what time and resources will be necessary to achieve each benchmark.

A Time Line may be a useful tool to structure the creation of workable planning benchmarks. The Time Line is a task-oriented depiction of what needs to be done from one benchmark to the next. The failure to meet planning benchmarks on schedule, which a Time Line can indicate, represents a graphic example that the process has gone astray. A Time Line thus serves as an early warning system that indicates gaps in sequencing or unreasonable estimates for how long it will take to complete a particular task.

PLANNING IN MANAGEABLE PIECES

The notion of long-range strategic planning can convey the same amount of awe in the manager's mind as the notion of infinity. "It's too long and complex," the reasoning goes, "and besides, I don't know where to begin."

Companies that plan for excellence understand that long-range strategic planning is really the sum of many smaller parts. No matter how big the problem at hand, or how far ahead one must forecast, it is always possible to develop a series of modest planning steps that are easy to manage. These smaller steps should function as building blocks for long-range planning; if one is "defective," it can be replaced without damaging the structure as a whole.

Conversely, even the smallest type of planning task should be designed to fit into an overall planning process that continues throughout the life of the company. The best type of long-range planning, after all, has a beginning and a middle, but no end.

INITIATING SELF-ANALYSIS IN PLANNING

Long-range planning often is depicted in terms of financial projections, market research and the like. Although quantitative information is an important component of planning, it should not serve to camouflage other important, yet more qualitative, considerations. Planning involves psychological and emotional factors that should be accounted for at the outset. If these factors are ignored, even the best business plan may fail in practice because of an inability to reconcile business consideration with the attitudes and goals of the organization itself.

Self-analysis in planning can be accomplished efficiently by preparing a one-page summary of business priorities. This summary should be reviewed at various stages of the planning process to ascertain if the initial motivations remain the same and to re-order priorities, if necessary. Experience shows that motivations and priorities often change as a planning process unfolds.

For example, if the planning process was focused on entering into a joint venture with another company, the motivations of the company and its managers could be addressed by questioning the relative importance of attaining short-term profits; attaining long-term profits; opening new outlets to utilize existing business resources; increasing the promotional value of the existing business; becoming part of a new business on a larger scale; pooling existing and new resources to create a separate business entity; and utilizing complementary management talent. A comparable set of issues can be constructed for other planning goals in order to trigger the process of business self-analysis at an early stage.

ALLOCATING APPROPRIATE RESOURCES

A critical line between success and failure in planning often is represented by a company's willingness to allocate sufficient staff and financial resources. Proper resource allocation is best accomplished by first taking advantage of all available internal resources. Here, it may be useful to compile a company-wide "talent bank" that categorizes the best assets of each employee (e.g., education, experience, quantitative skills, writing ability). When a particular planning task is at hand, this information will be readily available to assist in the selection of an appropriate planning team.

One caveat regarding the "talent bank" approach is worth noting: don't use it as a justification for pigeonholing employees. For example, a natural tendency is to assign financial staff for financial planning, engineers for engineering, and so forth. Although this approach is beneficial because it utilizes strong internal resources in planning, it also can create a situation where only conventional solutions are available for novel problems.

A better approach involves a concerted effort to involve staff from a variety of backgrounds in any planning process. Although it may be more difficult to handle such a mix at the beginning (engineers, for example, may not be used to talking to members of the sales department), the clash of ideas that takes place should lead to more comprehensive and objective answers than can be generated from a similar group drawn from a limited set of experiences.

The utilization of internal resources for planning typically requires striking a delicate balance, since existing staff has important daily operational tasks to perform as well. Employees should not be placed in the position where they must neglect these tasks in favor of their planning activities, or vice versa.

Many planning activities can be enhanced by bringing in outside resources to save time, provide another level of expertise, function objectively as a "third eye," or ask critical questions of management that may be uncomfortable for those within a company to raise. Used widely, communications consultants and other professionals (e.g., lawyers, accountants, engineers) can serve as valuable external resources for planning.

The best way to evaluate the best blend of internal and external resources for planning is to prepare a Resource Index that describes what is needed to complete each benchmark that has been established. This document is especially useful when used in conjunction with a Time Line, which specifies when various activities are to be completed.

PROMOTING BETTER COMMUNICATION FOR PLANNING

Companies that reflect good planning tend to reflect the promotion of free-flowing internal communication as well. Although planning as a formal process involves discipline, it should not be imposed so as to stifle communication.

Those involved in the planning process should be encouraged to exhange ideas verbally or in writing, even if the planning "meeting" is not to take place for another week. Requirements for written output also should be kept to a minimum, since the goal is to produce an agenda for implementation rather than a tome for the company library.

When planning meetings are held, the physical environment should be designed to foster interaction and the generation of new ideas. The perennial smoke-filled conference room should be replaced by a setting where people can sit and breathe comfortably, and where there are ample outlets for writing ideas as they occur. Having pens and pads available, as well as blackboards and wall charts, can make a real difference in promoting communication during a planning meeting.

DEVELOPING A PLANNING REWARD SYSTEM

Since planning typically has been viewed as an activity separate from day-to-day operations, many within a company devote insufficient time to planning activities. Equally important, most companies do not create any system of rewards for employees who initiate planning as an outgrowth of their operational responsibilities, or for those who are called upon to serve on internal planning task forces. The absence of rewards, not surprisingly, can result in a mediocre planning effort led by unmotivated employees.

The development of a planning reward system can best be accomplished in two phases. First, as noted earlier, management should articulate that it considers long-range planning to be an important priority; that planning is directly linked to implementation; and that ample resources will be devoted to support it.

This message must then be supported in practice. Employees at all levels should be encouraged to suggest new procedures, and should be rewarded through company-wide publicity, bonuses, or other tangible incentives. When planning task forces are organized, the company should explicitly provide work-release time so that the staff member recognizes that management encourages setting aside some ongoing responsibilities to allow for more productive planning.

MAINTAINING CONFIDENTIALITY

Since most planning efforts involve competitive analysis and confidential financial information, it is important that news about planning activities stay within the confines of the company. During a planning process, there may be strong temptations to float "trial balloons" in the trade press, or to plant rumors with peers in other companies. These should be curtailed through informing staff members about the need to maintain confidentiality, and through disciplinary actions, if necessary, for those who "leak" information.

A sense of confidentiality also will enhance the morale of the planning team by giving its members a real sense of being part of a high-level activity. It will encourage them to gather any information they feel is necessary to complete the tasks assigned to them.

CONCLUSION

As with the eight attributes of excellence, my list should come as no surprise to many radio executives. At best, my intent has been to articulate some common sense principles in a way that promotes a better understanding of how long-range strategic planning is conducted today and how it may be improved in the future.

A company that undertakes planning so that it becomes second nature, that organizes planning activities reflecting both authority and spontaneity, and that relates planning to sustained financial growth is my ideal of an organization that knows where it's going: toward excellence. Fortunately, my experience with the radio industry suggests that a substantial number of companies are on that route and destined for continued success.

11

Excellence in Financial Management for Radio

By Susan D. Harrison

Radio station financial management offers a prime opportunity for achieving excellence in terms of both its service to the public and the bottom line return on investment for the owners. Clearly, a radio station's owners are in business to make a profit. No matter how high the station's ratings, or how well it serves the public interest, unless its financial structure is managed properly, it will not be possible to realize the income potential of the property for its owners.

Financial management in the radio industry is a complex process involving many factors and decisions with both long- and short-term implications. Excellence in financial management requires two key elements: knowledge of the variables and relationships associated with financial transactions; and the ability to utilize this knowledge appropriately to make the most effective financial decisions. These elements are particularly evident in three areas of financial management activity which significantly affect a station's profitability and return on investment: (1) optimizing the station's capital structure; (2) maximizing the tax benefits when purchasing a station, and (3) building capital appreciation through the station's operations.

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Optimizing the capital structure involves knowledge of the options available for raising capital, including an understanding of the advantages and disadvantages of each method, and the means to tailor the capital structure to meet the individual needs of the owner. Maximizing tax benefits requires a knowledge of the means which may be used to identify and amortize both tangible and intangible assets, and to appropriately treat non-amortizable assets, and a systematic approach which accounts for all of the station's assets in a responsible manner. The day-to-day operation of the station will have a significant impact on its capital appreciation as reflected in its resale value. Efforts to maximize capital appreciation involve knowledge of the factors used by potential buyers to calculate the station's value, and development of strategies which optimize both short- and long-term financial performance.

The pursuit of excellence in radio financial management is only one component in the industry's on-going search for excellence. In many ways, the radio industry serves as a model for McKinsey's eight attributes of excellent companies.

The broadcast industry, and in particular, the radio segment, is highly dynamic. Format changes occur overnight, rate cards are adjusted immediately in response to spot demand, and management and ownership transfers are commonplace. Radio is clearly an industry with a "bias for action."

Financially speaking, radio stations are revenue-driven and fixed-cost-oriented. One of our most common measures of financial performance, the station's operating cash flow, is, therefore, a function of how successfully management has stayed "close to the customer" (typically through audience segmentation or "nichemanship") and, at the same time, maintained a "simple form, lean staff."

We are a personnel-intensive industry. "Productivity through people" and "autonomy and entrepreneurship" are so integral to the radio business as to be sine qua non. What successful radio station general manager is not "hands on, value driven," and how many radio stations can you think of that are not "simultaneous loose-tight" operations (some a lot looser than others)?

Radio people don't just "stick to the knitting," they eat, sleep and breathe radio.

Within this context, excellence in financial management involves structuring capital financing so as to promote autonomy and entrepreneurship, showing a bias for action in aggressively pursuing tax benefits, and ensuring that station operations are, in fact, value driven.

The following discussion provides guidelines for achieving excellence in each of the three key areas. Both the knowledge necessary for effective decision-making and the means for applying this knowledge will be emphasized. By providing this focus for the discussion, other aspects of financial management such as the design and implementation of reporting systems, management of working capital, establishment of dividend policies, etc., will not be covered. However, the principles and considerations applicable to our three key areas are relevant to other areas of financial decision-making.

DESIGNING THE OPTIMAL CAPITAL STRUCTURE

Before an individual or organization can realize the benefits of station ownership, it is necessary to acquire a broadcast property. The choice of a specific property involves non-financial considerations which will not be treated in this discussion. Acquisition of a property requires capital. Typically, the prospective buyer finds it necessary and desirable to assemble the capital using outside sources. There are many different options for obtaining capital, each of which has associated advantages and disadvantages. The prospective buyer must weigh each option in terms of his needs and limitations and choose the one which yields the greatest benefit. Although many variations are possible, four of the most common alternatives are described below.

Seller Note

Probably the most common method of financing radio station acquisitions is the seller note, in which the seller accepts a portion of the purchase price in cash, as a down-payment, and then takes the rest in the form of a promissory note.

The seller note is also one of the most favorable forms of financing, since typically (1) interest on the note is at a fixed rate at or below prime; (2) the payback term is longer than that available from the institutional leader; and (3) there is not a minimum loan amount.

Possible negative factors involve the seller's relationship to the station before and after the sale, and the need to negotiate matters such as covenants not to compete, on-going consulting contracts, and apportionment of tax liabilities and benefits.

Institutional Lenders

If the seller is unable or unwilling to take back a note, it is typical to turn to the institutional lenders. These are usually commercial banks throughout the country. (Currently, there are about 60 commercial banks that are very active in lending to the radio industry.) Both the willingness to lend and procedures for approving the loan depend on the bank's internal policies. The rate of interest in recent years has typically been prime plus one or two points, and the term of the loan is generally five to seven years. While rates almost always float with the prime (as compared with a seller note which is usually for a fixed rate) there may be a guaranteed floor and ceiling. The debt is always secured against at least the assets of the station and, in addition, personal guarantees may be required. This type of debt is always senior, never subordinated, so the bank must be paid first ahead of other creditors.

Advantages with an institutional lender include the possibility of obtaining a moratorium on principal payments for the first few years, while the borrower is developing the station's cash flow stream. Also, because these institutions have "deep pockets," the capital resources are available for re-financing if this is necessary and feasible. Additionally, while the lender usually does not require equity participation (with the possible exception of warrants), in many cases the loan officer will act as a "partner," providing professional advice, as needed and desired.

Venture Capital

Because the commercial lender will never finance 100 percent of the purchase price, some participation is required by the buyer in the form of a cash down payment or similar contribution. If the buyer does not have the necessary initial capital or if a commercial loan is not feasible due to a lack of adequate personal guarantees or other consideration, it may be necessary for the buyer to surrender some equity in order to obtain financing. Venture capital companies exist which essentially serve as private investment banking firms to provide capital in exchange for an equity position. Typically, the buyer must pay a floating rate of interest on the money obtained from the venture capital firm, in addition to sharing any profits which are made with the investors.

In most cases, venture capital financing can be arranged in a relatively short period of time with a minimum of bureaucratic delays. Although the buyer is required to contribute relatively small amounts of capital, the tax benefits are retained by the station, with the savings shared by all equity participants. However, in venture capital financing, the buyer may have to surrender control of the business and, if interest rates rise, there may be problems with debt coverage.

Limited Partnerships

An option which balances many of the advantages and disadvantages of commercial and venture capital financing, although it is generally more complicated and time-consuming to accomplish, is the formation of a limited partnership.

The limited partnership is a way of raising equity capital which involves three players: a General Partner—typically the person or corporation that plans to actually operate the station after the acquisition and also the one whose idea it originally was to make the acquisition; the Investment Banker, who underwrites and structures the offering; and the Limited Partners, who enjoy virtually all the tax benefits.

The primary advantage of the Limited Partner compared to the General Partner is that he is required to put up very little money to make the acquisition. Where the General Partner is an individual, one percent of the equity must be contributed; and, in the case of a corporate General Partner, ten percent. A second advantage of the use of this form of financing is that the General Partner is commonly reimbursed for expenses incurred up to the time of the closing, and, additionally, may be compensated for the time spent putting the deal together. A negotiated management fee is also commonly written into the deal. Finally, although there are numerous Limited Partners, they are passive, and have no active involvement in the running of the station.

On the other hand, it cannot be denied that with such a substantial number of partners, the organizational structure of a Limited Partnership is a cumbersome one. A more pressing concern, however, is the time it takes to organize the partnership (usually not less then three months) once an acquisition target is identified. It is nearly impossible to hold on to a property for that length of time without at least the security of an earnest money deposit. Further disadvantages associated with the use of limited partnerships are (1) at least

90 percent of the available tax write-offs will be taken by the Limited Partners and will not be available to the General Partner; (2) there are substantial costs involved in the underwriting and preparation of the Offering Memorandum; and (3) the point in time when the partnership is scheduled to be dissolved may not necessarily be the optimum time to put the station on the market.

Clearly, the decisions involved in designing a station's optimum capital structure are quite complicated. Ideally, the buyer would like to purchase the station with little or no capital contribution and no surrender of equity or control, and with the arrangements concluded in the shortest possible time. Careful investigation of the available options is important to determine where compromises must be made. The buyer must then examine his or her own resources and requirements to see where the best trade-offs can be made. If the analysis is thorough and the decisions are made systematically, the resulting capital structure will service the station buyer well throughout the period of ownership and maximize the buyer's rewards.

TAX PLANNING AND MANAGEMENT: RECAPITALIZATION OF FIXED AND INTANGIBLE ASSETS

Once the station has been acquired, one of the most direct tax shelter opportunities available is the use of depreciation and amortization of the station's fixed and intangible assets. Typically, these assets may be recapitalized by the new owner at the time of an acquisition. Through the recapitalization process, the acquired asset base may often be "written up" substantially from the original cost basis posted on the acquired company's books (sometimes by as much as 200 percent). In so doing, the new radio station owner may be able to allocate up to 85 percent of the purchase price to depreciable and amortizable assets, thereby creating a significant favorable adjustment to taxable income.

Surprisingly, despite the ready availability of this tax shelter opportunity (and the substantial legal precedent for its use), many financial managers do not take full advantage of it—especially the amortization of intangible assets. Possibly, the three general asset classifications are not fully understood, or perhaps the methods of valuing each class are not widely known. To remedy this, we will describe the three types of assets found at the typical radio station, and will outline the appropriate techniques by which they should be valued.

Tangible Fixed Assets

The most easily understandable asset category at a radio station is the tangible fixed assets. These include land, buildings, studio technical equipment, antenna system and transmitter equipment, as well as office machines, furniture and fixtures, and vehicles. Other fixed assets which are commonly overlooked or undervalued include computer software, commercial and news copy files and reference sources such as reporters' notebooks, proprietary surveys of the audience or market, sales promotional materials, community leader lists and the production value contained on audio tapes.

Very generally speaking, on the average, tangible fixed assets may represent as much as 30-40 percent of the purchase price of an AM station; up to 20 percent of the purchase price of an FM station; and perhaps as much as 30 percent of the purchase price of an AM/FM combo.

The appropriate method for valuing most tangible assets is depreciated replacement cost in which the replacement cost for each asset is based on its current catalogue price (or the price of comparable equipment if the item is no longer available). Then, a depreciation percentage is assigned to the asset based on its (1) age and condition; (2) obsolescence; and (3) anticipated future usefulness.

When an active used equipment market exists, the sale price of comparable used property is the appropriate alternative method to use. Assets usually valued this way include furniture and fixtures, office machines, tools and vehicles. However, because of the specialized nature of broadcasting equipment and the incompatibility of individual assets from station to station without proper testing in combination with other station equipment, this approach is inappropriate for most assets of a broadcast property.

Certain costs incurred in the construction of a broadcast facility should be incorporated into appraised values when calculating replacement cost. These expenses, commonly known as "turn-key" costs, include installation, procurement, sales taxes, testing, debugging, consulting, engineering fees, contractor overhead and profit and contingency fees.

Amortizable Intangible Assets

While virtually all tangible fixed assets at a radio station fall into the depreciable category (land being the notable exception), intangible assets are classified as amortizable or non-amortizable. Those intangible assets at a radio station that can be amortized include real estate and equipment leases, contracts, sports broadcast rights, talent and management employment agreements, favorable financing agreements and tower space and SCA income leases. These are amortizable since they have a determinable useful life (as measured by the written terms of the agreements).

There is another group of intangible assets extremely important to the value of a radio station, but where the useful life is not easily determinable. These are the "market-related" assets. Buyers pay premiums to acquire stations (1) in markets with accelerating population growth; (2) with dominant programming formats; and (3) in markets with underdeveloped competition or in which there are newly-licensed competitive facilities. These market conditions provide a favorable environment in which the station can operate at premium revenue and operating cash flow levels.

Again, in very general terms, on the average, amortizable intangible assets may represent as much as 40 percent of the purchase price of an AM station; 60 percent of the purchase price of an FM station; and 50 percent of the purchase price of an AM/FM combination.

Two methods are used to determine the total value of the intangible assets. These are (1) the residual, or gap, method, and (2) the capitalization of excess earnings. The residual approach subtracts the value of the tangible fixed assets from the purchase price, and allocates it to both the amortizable and non-amortizable intangible assets. Under the capitalization of excess earnings method (supported by IRS Revenue Ruling 68-609), earnings which exceed a "normal" return on the tangible assets are capitalized over a "typical" investment period, yielding a total value for the intangible assets. The capitalization method is generally preferable to the residual approach, because if the separately calculated total value of the tangible and intangible assets is less than the purchase price, a step-up of both tangible and intangible appraised values can be realized.

In most cases, through a statistical analysis or a comparison with similar markets, substantial amortizable values for the market-related assets can be determined. The appraisal of such market-related assets must be carefully prepared and well-documented to maximize the tax benefits of the asset and withstand IRS scrutiny of the valuation.

Non-Amortizable Intangible Assets

The final category of radio station assets is the intangible assets that are not amortizable for tax purposes. These include the station's FCC license; going concern value; and goodwill. Often, because of the lack of any tax benefit accruing to the buyer from these assets, an unrealistically low value is assigned to them.

The IRS is well aware of the value of a radio station's FCC license. As such, it is essential that a realistic value be placed on the license in order to maintain the credibility of the entire allocation. Only in very unusual circumstances does a broadcast station's FCC license have minimal value.

As has been noted in a number of prominent broadcast tax cases, limited "goodwill" (considered to be a value of the reputation and loyalty of the customers to a business) is acquired in a radio station purchase. Because the loyalty of listeners and advertisers is generally to particular programs, personalities or formats, not to the station itself, goodwill is typically given a nominal value.

Clearly, the tax shelter opportunity available to a radio station financial manager from the use of depreciation and amortization following recapitalization is substantial. Amounts as high as 80 to 85 percent of the purchase price for the typical radio station may be allocated to fixed and intangible assets with determinable lives. The minimization of the station's annual tax liability contributes to the retained earnings available for reinvestment in the station or distribution to the owners, and, ultimately, enhances the return on investment.

INFLUENCING THE MARKET VALUE OF YOUR RADIO STATION: BUILDING CAPITAL APPRECIATION

Once the station is up and running, day to day profits accrue from the station's operations, but the prudent investor also must consider the resale value of the station at an appropriate time in the future.

In the last five years, the two highest-priced single-station AM sales (at $14 million and $15 million), the two highest-priced single-station FM sales (at $12.5 million and $18.5 million), and five of the six highest-priced single AM/FM combination sales (ranging from $13.5 million to $35 million) have taken place. Despite dramatic shifts in the nation's economy and the introduction of a number of new, highly competitive entertainment outlets into the media marketplace since 1980, radio station trading has continued at a healthy pace, and station values have continued to escalate.

The value of a station reflects the amount a buyer is willing to pay for it in an arm's-length transaction. This amount may be determined by a professional appraisal of the property made on behalf of the purchaser or the purchaser's lender. Such appraisals typically take a number of factors into consideration. These can be grouped into four major categories as follows.

Macroeconomic factors affecting radio value include: inflation/recession; stock market activity; interest rates; and changes in federal tax laws.

Industry factors affecting radio station value include: regulatory/legislative changes such as the elimination of the three-year trafficking rule; 80-90 FM drop-ins; the 12-12-12 rule; as well as technological changes such as AM stereo; multichannel satellite transmission; and uses of FM SCAs.

Local market factors affecting radio station value include: a particularly high growth, or, conversely, depressed local economy; the demographic profile of the market; the size of the market or its market rank; and the number and types of competing media.

Station-level factors affecting value include: the quality of the station's technical facilities; historic audience and revenue shares; and recent operating cash flows.

The conventional wisdom has it that a station's value should be some multiple of its annual operating cash flow. The multiple is typically chosen more or less intuitively, but will probably reflect the national, industry, local and station-level factors listed above. In most cases, the only factor the station's financial management can influence directly is the station's operating cash flow figure. Of course, there is a normally strong incentive to maximize operating cash flow even when a station is not on the market. Where a station is able to show a consistently growing cash flow for several years prior to a sale, the buyer's level of confidence in the purchase price is heightened.

Nonetheless, the prudent purchaser should rely on a comprehensive analysis of a station's long-term profit-making potential. In this approach an effort is made to combine historical data and realistic projections of national, industry, and local factors to identify trends which are likely to affect the station's performance. Key considerations include growth in audience share, revenues and expenses over the last several years, as compared with local market conditions, number and types of competing media, demographics of the market, and growth of total market revenues. This approach reflects growth in audience share and revenues as a function of capital investment in equipment and facilities and operating investments in market research, promotions, program development, talent, etc. Such investments may result in some short-term restrictions on operating cash flow, but they have substantial long-term benefits.

It should be clear that prudent financial management can be effective in insuring both substantial operating profits and a profitable resale value for the station. It is important to maintain a long-range view of station development and to understand and be responsive to all of the factors which can affect a station's profitability and ultimate resale value. In particular, the prudent manager should identify and anticipate the impacts of national and local trends such as changes in interest rates, economic conditions, broadcast technology, competing media, etc., and position the station to take advantage of positive changes and avoid the worst effects of negative changes. When this is done well, the station will prosper and its ultimate value will increase proportionally.

SUMMARY AND CONCLUSIONS

As "In Search of Excellence" has shown, excellence in business is no accident. Rather it is a goal to be strived for by management utilizing proven approaches and techniques. It follows that excellence in financial managment must be achieved through careful attention to the essential elements of financial decision-making. This has been demonstrated in the review of three key areas of radio station financial management.

The development of a radio station's optimum capital structure stems from a thorough understanding of the numerous options for obtaining capital. Through this understanding, it is possible for the financial manager to select the option or combination of options which best matches the purchaser's requirements.

After the purchase, the prudent financial manager should take advantage of the opportunity to recapitalize the station's tangible and intangible assets. This involves an extensive effort to identify all of the relevant assets and a comprehensive understanding of the methods which can be used to determine the appropriate values and lives for the various categories of assets.

Finally, after the station is up and running, the financial manager must consider both the short- and long-term implications of financial decision-making. The goal of capital appreciation can only be achieved through knowledge of how station values are determined, and the selection of strategies which will enhance the station's value. This approach focuses on a combination of variables which can affect a station's long-range profitability. Knowledge of these factors can be useful both in terms of positioning the station for resale and for choosing strategies which take into account a variety of national and local variables in attempting to maximize the station's day-to-day profits.

In each of the three examples, the tasks of the financial manager are essentially the same. First, to identify the relevant factors; second, to determine the nature and implications of the various factors; and third, to choose the most appropriate action based on the factors. Performance of the required tasks can be difficult and time-consuming. But, when the financial management tasks are performed at superior levels in these three areas, the station will be well on its way toward achieving excellence. Financial excellence provides the means for defining and demonstrating overall excellence for the station as a business enterprise, by optimizing the return on investment for the station's owners and investors. At the same time, excellence in financial management will set a standard and provide the resources needed for maintaining excellence in all of the remaining areas of station management. In this way, financial management can lead the way as the broadcast industry searches for and realizes the highest levels of excellence in the years to come.

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American Radio: Beyond Excellence Toward Perfection

By James H. Duncan, Jr.

Excellent:	superior, very good of its kind, first class
Perfection:	an exemplification of supreme excellence, an unsurpassable degree of excellence

Please study the definition of excellence from Webster's Dictionary for a moment. Notice how the definition of excellent is based on an upward extension of the word good. The definition of superior also uses the word good as a comparison. Excellence is therefore defined as a cut above good, a level above good.

The purpose of this book is to provide examples of and thoughts about excellence in the American radio industry. To me the excellence of our radio broadcasting system is a given. I am not talking about a comparison of our management practices with those of another industry—say computers. Such comparisons are difficult if not impossible: apples and oranges. The best way to judge the excellence of our radio industry is to compare and contrast us with our peers; the systems of radio broadcasting in the other nations around the world. Compared to them there is no doubt in my mind that radio in the United States fits the definition of excellence very well: superior, very good of its kind, first class.

Refer now to Webster's definition of perfection. Perhaps you are as surprised as I was that perfection is not necessarily defined as

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"without flaw" or "without error." Instead perfection can be described as an amplification of excellence. Notice how important excellence is to the definition of perfection. Just as excellence is a level beyond good, perfection is a level beyond excellence.

My thesis is that American radio already has reached the point where its excellence is unquestioned. In comparison with its peers there is no doubt that our system can be defined as excellent. However, the potential for greatness and for a kind of perfection is also within our system. Perfection as defined above is achievable and, indeed, has been achieved already by elements in our radio industry. Our entire industry must strive for perfection because the only benchmarks remaining are what the American industry is today—and our ideal of what it should be tomorrow.

THE EXCELLENCE OF TODAY

Where does the West begin? Where does the eastern United States end and the western half of the nation begin? Many have pondered this question over the centuries. Perhaps none have pondered so eloquently as William Least Heat Moon in his wonderful book *Blue Highways.* He says that to New Yorkers the West begins at the Hudson (remember the "New Yorker" cartoon), to Bostonians the line is the backside of the Common, and to Philadelphians the West begins at the Alleghenies. Many of us who live near the Great Lakes are positive the West begins at the Mississippi River. Geographers say the line of demarcation between East and West is the hundredth meridian or the two-thousand foot contour line. Meterologists say it is the twenty-inch rainfall line. To many broadcasters the West is anywhere that call letters begin with a K—except in Pittsburgh.

As an avid cross country driver I have thought about this issue a great deal. I have driven from Michigan to the West—usually New Mexico—over thirty times during the last decade and I think I have found a definitive answer; one which should forever put this issue to rest.

I have crossed into the American West when on my car radio, during the daytime, one of the following occurs:

A. WBAP's signal is its maximum strength (downtown Fort Worth)
B. KVOO's signal begins to fade (Lincoln County, Oklahoma)
C. You can just hear KOA (Kearney, Nebraska)

Just as I know where the American West begins by listening to radio stations anyone quickly can get a feel for the geographical area they are visiting by the radio stations they receive. No other medium becomes a part of the local community as well as radio.

One of the great strengths of the American radio industry is that it often serves its local market so well that radio becomes the market it serves. They are interchangeable and therefore, synonymous. This is not an ideal but a reality of the present. Radio reflects the tastes, culture, ethics and even the mores of its home communities.

> *"Competition surely is a tremendous spur to progress. Is it not the pursued man or business that advances through persistent effort to keep ahead? The constant striving to maintain leadership (or become a leader) ever involves new ways and means of accomplishing more efficiently and thus it is that the pursued is a progressive man. Put your pursuers on the payroll."*
>
> —W.D. Toland

Radio is certainly the most competitive medium in the United States and it is among the most competitive businesses in the world. There is one radio station for every 23,000 people. No other major nation has as many stations per person as does the United States.

I have been fascinated by news reports about the latest pirate radio station to invade the airwaves of Great Britain. The station is known as "Laser" and it broadcasts from a rusty old boat anchored just outside England's territorial boundaries. Apparently "Laser" has won huge audiences and this has upset the government controlled BBC and the two or three privately owned stations in England. The success of "Laser" should not surprise anyone since all of England has fewer different radio stations than an American city of 50,000 people.

Can you imagine what would happen if "Laser" dropped anchor just off the shore of Miami or New York or Los Angeles? With up to one hundred stations competing for listeners in those markets no one would notice "Laser" unless he put a million dollars or so into promotion. Even if he did promote that much he would be lucky to earn a one share in the ratings.

No nation on earth can match the variety, the quantity and, yes, the quality of programming offered by the American radio industry. Most listeners can easily receive thirty or more signals during the day and many more during the night. Listeners have access to at least twelve different primary format groups. There are also perhaps a hundred or more variations of the primary formats available in various parts of the country.

The excellence of our radio industry is clear and compelling when our system is compared with others around the world. Our industry is tremendously competitive, it offers a wide variety of programming, and it serves its local community well.

The picture of excellence at the individual station level is much cloudier. At the station level the comparison has to be made with other stations not with other broadcasting systems as we did earlier. Thus if some stations can be described as excellent there are others which will not earn that lofty description.

The very fact that there are 8,500 commercial stations out there competing for not only advertising dollars but also management, sales, and programming talent insures that the quality of radio stations will vary greatly.

There are many excellent radio stations in the United States, however. I believe that these stations, in order to achieve excellence, had to meet and exceed the following challenges:

A. *Excellence in service to the community:* As we discussed earlier this is probably radio's foremost social responsibility and it may well be what radio does best. Excellent stations know their communities well and they become an integral part of their communities. Excellent stations, in one way or another, put back into their communities as much as, or more, than they take out.

B. *Excellence in service to the audience:* Excellent stations consistently do well in audience ratings. This does not mean that a station has to be the highest rated station in its market. It does mean that it has to perform consistently well against its target audience. The excellent station knows its target audience and strives to offer them quality entertainment and information.

C. *Excellence in service to advertisers:* Excellent radio stations do not just sell, they also consult. They learn their clients' businesses. They provide creative expertise to insure that the advertiser's message is properly presented. An excellent station also knows when to walk from an advertiser. An excellent station will walk rather than cut rates. It will walk from slow-payers and it will walk away from an order when the station knows it cannot help the client. An excellent station also provides an on-air commercial climate which will enhance a commercial's chances of being heard.

D. *Excellence in relationships with employees:* Excellent stations take care of their employees. They go far beyond the norms of fair pay, a decent working environment, etc. Excellent stations help their employees discover and obtain the maximum that their abilities allow. Excellent stations encourage growth in their people. They encourage innovation and experimentation. The best stations seek a fraternal or family atmosphere where all are pursuing common goals and the welfare of both the individual and the corporation are nurtured and encouraged.

E. *Excellence in performance for stockholders:* Excellent stations make money for their owners. Excellent stations provide stockholders with a fair return on their investment. However, profits must be shared with the employees who helped make the station profitable. Also excellent stations put money back into the property to insure that the station's service to its audience, advertisers and community continues to improve.

TOWARDS THE PERFECTION OF TOMORROW

The concept of perfection has been debated through the centuries. To some perfection does not exist and to ''expect to possess it is the most dangerous kind of madness''. (Alfred de Musset). To others the pursuit of perfection is its own reward: ''We are fallible. We certainly haven't attained perfection. But we can strive for it and the virtue is in the striving.'' (Carlos Romulo). ''A man can do his best only by confidently seeking an unattainable perfection.'' (Ralph Barton Perry)

The excellence of our radio broadcasting system is certain. The question is where do we go from here and how do we get there? The system is fine. Industry advances will come from the local station level where those stations already possessing excellence must continue to seek a higher level of excellence - perhaps even that elusive entity known as perfection.

As perhaps you can tell I love the radio industry and I am proud to be a part of it. With the possible exception of a library I believe that radio is the finest communication and entertainment vehicle the world has ever known. Yet as fine as our radio system is there is room to grow. Voltaire said, ''Whosoever does not know how to recognize the faults is incapable of estimating the perfections.'' As American radio progresses, we will face these issues.

A. *Programming Innovation:* Our radio industry provides a wealth of programming variety. Yet I sense that something is missing. Perhaps we are spoiled. Perhaps we expect too much.

I feel music radio must become more of a leader and less a follower. Part of this may be the similarity and crossover of today's music. We need experimentation and innovation. Perhaps we need to mix formats or to block program.

I realize that such an action takes courage and foresight and talent. I also realize it is relatively easy for me to say these things because I do not own a station. However, I have a feeling there are new formats to be invented or discovered and the programming talent to invent them is out there.

B. *Strong Selling:* You cannot pick up a radio trade journal or attend a radio convention without reading or hearing someone preaching about the problems of selling radio. What they preach is correct and everyone leaves the church converted. The problem is that most everyone becomes a sinner again on Monday morning. Well, I guess it is my turn to preach.

I would make three simple suggestions to move radio towards sales perfection:

1. Sell both radio and your station. Sell your station's benefits instead of your radio competitor's alleged "disbenefits."
2. Be a consultant to your clients. Join them in an advertising and marketing partnership.
3. Maintain your rates. Be prepared to walk from the business rather than violate your own integrity.

"Perfection is attained by slow degrees; it requires the hand of time."

I admire the programming radio offers its audience. I respect what it has accomplished in the past, I admire the excellence it possesses right now, and I am excited about the potential for greatness and perfection which the future offers. I am awed by the power of the medium to reach every corner of this vast nation and nearly every person on every day of the week.

Most of all I admire radio people. I am proud to be associated with such excellent people. If the industry is to move beyond excellence it will happen because these people reach their full potential and contribute to the best of their abilities. Perhaps that is what perfection really is: human beings doing their best.

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