

**Canadian Broadcasting
Corporation**

Special Examination Report

29 June 2000

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Examination Objectives, Scope and Criteria

1. **Objectives.** As required by Part III of the *Broadcasting Act*, we have carried out a special examination of the financial and management control and information systems and management practices maintained by the Canadian Broadcasting Corporation (CBC or the Corporation). The Corporation is required by paragraphs 60(1)(b) and 60(2)(a) and (c) of the *Broadcasting Act* to maintain these systems and practices in such manner as will provide reasonable assurance that:

- the assets of the Corporation are safeguarded and controlled;
- the financial, human and physical resources of the Corporation are managed economically and efficiently; and
- the operations of the Corporation are carried out effectively.

2. Our responsibility is to express an opinion on whether, during the period under examination from October 1999 to April 2000, there was reasonable assurance that there were no significant deficiencies in the systems and practices examined.

3. **Scope.** A plan for the examination, based on our survey of the Corporation's systems and practices, was submitted to the Audit Committee on December 13, 1999. The plan identified those systems and practices that we considered essential to providing the Corporation with reasonable assurance with respect to its assets being safeguarded and controlled, its resources being managed economically and efficiently, and its operations being carried out effectively. They are:

- **Strategic management.** This includes CBC's strategic direction, accountability, the governance framework,

and measurement and reporting of performance.

- **Strategic planning and risk management.** This involves an ongoing process of identifying important factors and risks in the Corporation's operating environment, maintaining effective stakeholder relationships, balancing expectations and resources, determining long-term resource requirements, and translating the strategy into practice.

- **Service to Canadians.** The primary product of CBC is the programming delivered to Canadians. Critical success factors are distinctiveness, cost, availability and audience reaction.

- **People management.** CBC's success depends primarily on the creativity, flexibility and motivation of its people. We focussed on corporate culture; developing and safeguarding of creative talent; staff relations; and succession planning.

- **Capital assets.** The CBC has extensive capital holdings that are costly to acquire and maintain and are essential to operations.

- **Support services.** Effective and efficient operations are underpinned by support services.

4. Other systems and practices of the Corporation, although covered in the survey, were excluded from detailed examination because our analysis of the significance and risks associated with them indicated that, during the period under examination, they were not critical to providing the Corporation with the assurance required by paragraphs 60(2)(a) and (c) of the *Broadcasting Act*.

5. **Criteria.** The plan included the criteria to be applied in the special examination. The criteria were selected specifically for this examination by our Office in consultation with the Corporation. They were selected based on our knowledge and experience with value-for-money auditing by reference to

legislative and regulatory requirements, to standards and practices followed by the Corporation and by other organizations, and to professional literature. These criteria are listed in the Appendix.

6. Audit standards. Our examination was carried out in accordance with the plan as well as the standards for assurance engagements recommended by the Canadian Institute of Chartered Accountants. Accordingly, it included such tests and other procedures as we considered necessary in the circumstances.

7. Reliance on internal audit. In carrying out the special examination, we relied on internal audits carried out in the following areas: the History of Canada project; Time Capture System (TCS) French Network Implementation; TCS English Network Implementation; Corporate Payroll; Personal Services Contracts and Local Payroll; Evaluation of Buildings Following Industry Best Practices; Capital Planning; and the Canadian Television Fund.

Previous Audits and Reviews of the CBC

8. The Office of the Auditor General has conducted two previous value-for-money audits of the Canadian Broadcasting Corporation. The first, a comprehensive audit, was reported in 1984. The second, a special examination, was reported in 1995. The CBC has been the subject of numerous studies and reviews by others in the same period. Also, the Standing Committee on Canadian Heritage frequently calls the CBC to appear as a witness and one of its reports, *The Future of the Canadian Broadcasting Corporation in the Multi-Channel Universe*, proposed questions for the Auditor General to consider in his current special examination.

9. A number of common themes run through these audits and reviews. There has been ongoing concern about the need to clarify the role of the CBC and to put in place the mechanisms to allow this to happen. The implications of budget pressures, technology and competition have also been dominant concerns. In conducting this special examination, we followed up on the deficiencies noted in our previous audits, considered the recommendations in other key reports, and incorporated many of the questions suggested to us by the Standing Committee.

10. Our 1995 special examination report identified opportunities to improve the effectiveness of the CBC's management processes in six areas — strategic planning, facilities management, human resource management, program production, financial information and corporate culture. The work we have done as part of this special examination indicates that the CBC has made significant strides in addressing many of these concerns. Later in this report, we comment on its progress in strategic planning, staff relations and support services. In some areas, there is room for further progress in the implementation of support systems and, for a variety of reasons, the CBC continues to have more infrastructure than it needs.

11. Beyond these issues, however, there continues to be a fundamental question about the role and viability of Canada's public broadcaster. This question has an important place in this special examination report.

Context

Background

12. The CBC is a national symbol. It reaches most Canadians every week, and surveys carried out for the CBC indicate support for its existence. These surveys indicate that 86 percent of Canadians

believe it is important or very important to have a public broadcaster; most believe the funding provided to the CBC is about right or should be increased; and most people rate the CBC highest of all Canadian broadcasters in terms of credibility, quality and support to Canadian culture.

13. The Canadian Radio Broadcasting Commission was established in 1932 as a public broadcaster, at arm's length from the government, operating under the principles that Canada's airwaves are owned by the public, the broadcasting system should be owned by Canadians, service should be extended to all Canadians, funding should come from a combination of public and private sources, and programs should be of high standard and primarily Canadian. The CBC was created in 1936 to replace it. It now operates under the *Broadcasting Act* of 1991, which sets out expectations for the Canadian broadcasting system and, within it, the CBC. In general terms, the expectations for the CBC mirror those of most other public broadcasters around the world.

14. The CBC is Canada's largest cultural institution. Like other Crown corporations, it exists to serve a public need that might not be met commercially — in this case, to support Canadian cultural objectives through the production and distribution of distinctively Canadian programming. Culture has been defined in government policy as “ways of living together”, and embraces our symbols, traditions and languages. The major forces driving the government's cultural strategy are globalization, technology and demographics. These, along with competition, are major forces for the future of broadcasting as well.

15. The CBC's program services include two main television networks, one in English, one in French, which offer general and special interest programs; four main radio networks, two in English and

two in French, which offer information and general interest programs as well as music and cultural programs; two all-news and information television networks, one in English and one in French, financed by cable subscriptions and advertising revenue; radio and television services to the North in English, French and eight Native languages; and a digital pay audio service offering 30 continuous music channels 24 hours a day, without talk or commercials. It also offers, under agreement with the Government of Canada, an international radio service that broadcasts in seven languages. Recently, CBC initiated innovative new media services. CBC's main service programming is distributed through satellite in combination with microwave and landline. It is financed through public funds, supplemented by advertising revenue on television and by other revenue sources.

16. Under the 1991 *Broadcasting Act*, the CBC's radio and television services must “be available throughout Canada.” At present, about 99 percent of the Canadian population can access some or all of the CBC's broadcast services. Those services are delivered to Canadians across six time zones and some of the most rugged and sparsely settled terrain on earth. A complex and sophisticated broadcast transmission and distribution system feeds 95 CBC-owned stations, 1,164 CBC rebroadcasters, 27 private affiliated stations and 291 affiliated or community rebroadcasters. With 49 English Radio (ER) stations, 24 French Radio (FR) stations, 14 English Television (ETV) stations, and 8 French Television (FTV) stations, the CBC's services are deeply rooted in the communities and regions of Canada.

17. In 1999–2000, expenditures totalled \$1.4 billion. Figure 1 shows how these expenditures were distributed throughout the CBC.

The Challenges Facing the CBC

18. The CBC is a complex organization operating in a very dynamic environment, and it faces many challenges and risks. Three factors — competition, technology and resource pressures — stand out, and are driving a change process that is fundamentally altering the CBC.

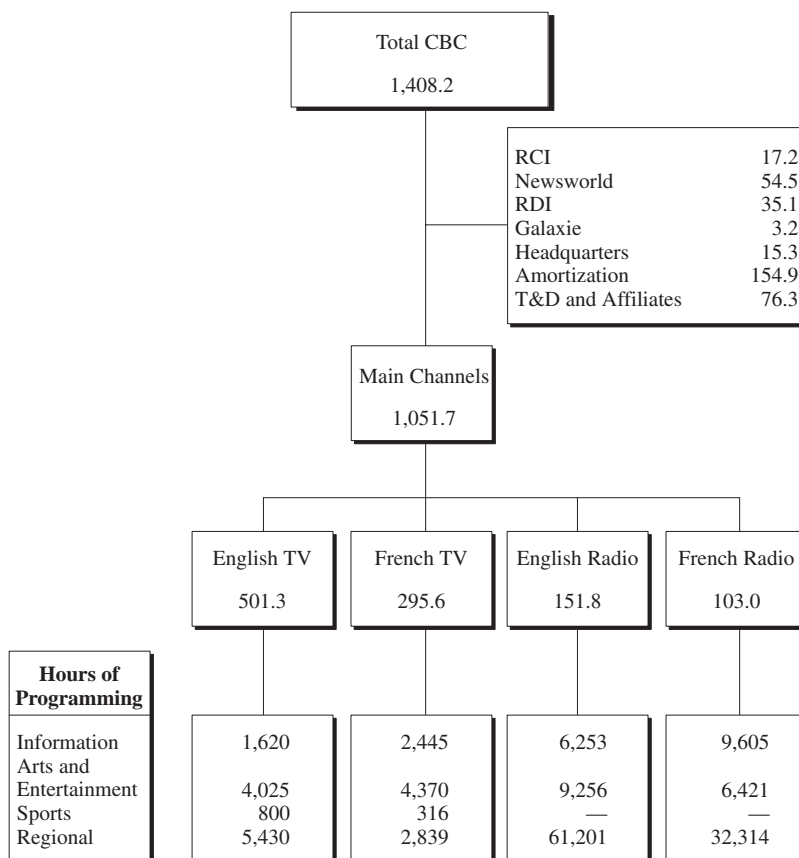
19. Competition in radio has traditionally been strong, but in television it was initially very limited. In the early 1960s, the BBG (the precursor of the CRTC) approved the establishment of CTV and Télémetropole. This began a shift in the balance between the public and private sectors, and launched a debate that has continued for the last four decades about their respective roles. As the broadcast market fragments, this debate intensifies. Despite their apparent satisfaction with the CBC, Canadians —

especially English Canadians — are tuning in to CBC television less and less. CBC radio, on the other hand, has developed a loyal audience and has maintained a relatively stable audience share. But this could change with the introduction of Internet-available digital radio.

20. Technology has been a constant driver, creating production efficiencies and new methods that have reshaped broadcasters. But even more compelling are its effects on distribution. In 1978, the Clyne Committee report concluded with an exhortation: “...with all the force at our command, we urge the government to take immediate action to alert the people of Canada to the perilous position of their collective sovereignty that has resulted from new technologies of telecommunications and informatics.” Today, multi-billion-dollar mergers between content providers and new and

Figure 1
Overview of CBC Expenditures and Outputs 1999–2000

(\$ millions)



Source: CBC Finance

traditional media distributors seem commonplace. The digital, interactive, multi-channel, tailored broadcasting environment is viewed by many as just around the corner. And the Internet has the capacity to turn the concerns of the Clyne Committee into reality by perforating borders and bypassing regulators of both radio and television.

21. The federal Budget of February 1995, coupled with previously announced reductions and increased financial pressures, marked the beginning of a four-year period that saw the Corporation's operating budget reduced by almost one third. Reductions of \$294 million in the parliamentary appropriations from 1995–96 to 1998–99, a structural shortfall, unfunded inflation and cost increases, projected commercial revenue loss and the discontinuation of RCI funding required an overall budget reduction of \$414 million. A series of measures, including restored funding to RCI and to radio services as well as a lower than expected commercial revenue loss, resulted in an overall budget reduction of \$354 million. During this period 3,000 positions were eliminated, headquarters staff was reduced by about 50 percent, and corporate expenses were reduced to about two percent of total expenditures.

22. During this same period, the government introduced the Canadian Television Fund to stimulate the independent production sector. CBC officials told us that this has had the effect of moving production of programming outside the CBC, which in turn has caused the departure of some creative staff, loss of ownership of programming rights, and reduced utilization of CBC studios.

23. The last five years have been, therefore, very difficult for both the management and the staff of the CBC. Despite uncertainties and budget reductions, and the inevitable stress that they create, Canadian content was

increased, no stations were closed, and the CBC remained highly regarded in terms of credibility, quality and support to Canadian culture. This is a tribute to the commitment to public broadcasting that was evident throughout this special examination.

24. The challenges facing the CBC are far from stable. Over the next five to ten years, competition will continue to grow, others will supply programming typically delivered by the CBC, resources will decline in real terms, and the traditional definition of broadcasting will be challenged as new technologies take over. Management believes there is a need to rethink how the CBC delivers its mandate and to re-engineer its operations accordingly. This has precipitated a fundamental reassessment of the role of the public broadcaster, whether services must be reduced or dropped, and how flexibility and nimbleness can be increased.

25. The new President has stated his intention to set a new direction for the CBC, and to bring to it a new management style. As he indicated to the Standing Committee on Heritage,

Unfortunately, the CBC, conceived during a Great Depression, is still expected to operate with woefully inadequate means, its budgets ever shrinking as more demands are placed upon its various services. You can't shrink your way to greatness. You can't maintain the status quo and hope that no one notices that you're not where the action is, indeed, that you're not in the action at all. That is why I have struck a Task Force charged with the re-engineering of English Television, property management, transmission and distribution, and sports. As I have mentioned before, everything is on the table at present.

26. We expect that this re-engineering and the many other changes now under way will have a major impact on CBC programs and

administration. This report therefore provides an assessment of the systems and practices of an organization very much in transition. We acknowledge the importance of the change and improvement initiatives but cannot judge whether, in the end, they will fully mitigate the key risks now facing the Corporation.

Findings

Introduction

27. We examined CBC's systems and practices in the six key areas described in paragraph 3. This section describes our findings in each of these areas. Our overall conclusion is that there are four significant deficiencies in the Corporation's systems and practices. These are described in the body of the report and are summarized at the end.

Strategic Management

28. Strategic management involves balancing the influences of strategic planning, management of resources, organizational culture and operational reality, to define longer-term strategy and direction. It is the responsibility of senior management, but to work well it requires close support from the Board and key government stakeholders. The governance framework and accountability structures must be effective, particularly when organizations are under stress. Results-oriented planning and reporting provide the basis for strategy determination and performance measurement.

A balanced strategy for the CBC is needed

29. The CBC cannot operate in an optimal manner without clarity, balance and stability in its strategy. It was apparent during our special examination that this has been an area of concern for some time.

30. At a minimum, we would expect a strategy for the CBC to define and balance:

- **Expected results.** These would include the type of programming CBC should deliver (for example, distinctive and Canadian), expectations for share of viewers and listeners, extent of ownership and control of programming content, regional production and regional reflection. It would also lay out objectives for support to such things as arts and culture, education, leadership and risk taking in programming.

- **Reach expectations.** This would include target audience groups and accessibility to programming in remote areas or where cultural minorities are small.

- **Resource strategies.** These would identify the best ways to configure human, programming, technical, information and capital resources to promote flexibility, optimize shelf space, focus on core competencies and minimize costs.

31. Some external factors — such as the impact of new technologies on radio, Internet capacity to deliver TV and radio, the government approach to digital transmission, and the future of programs that support production — present many unknowns in their timing and impact. Change, though inevitable, will also be somewhat unpredictable for all communications organizations. This in turn means the CBC strategy must permit flexibility and nimbleness.

32. Several attempts have been made to initiate significant changes in CBC's strategy, but for a variety of reasons they have not succeeded. The 1999 *Commitment to Canadians* strategy contained a number of change proposals, including the introduction of the "Constellation Concept" for English TV. Attempts have been made to secure new specialty channel licences but, since 1983, only two of 64 new TV licences were awarded to the CBC. Last year, the CRTC

turned down CBC requests for new radio and television licences, resulting in an appeal to the Federal Court of Appeal in one case and to the Minister in the other. One was dismissed, and the other is being pursued through a new application to the CRTC for a new specialty channel. The CRTC recently released its decision on the renewal of CBC's licence, and in it laid out a number of conditions and expectations. The President of the CBC indicated that some of the requirements were not affordable. In May 2000, CBC presented to the Heritage Committee a plan for the transformation of ETV. This plan involved closing down several regional ETV locations, which generated considerable debate across Canada. A modified plan had been approved by the CBC Board at the time of the completion of this special examination.

33. This represents a very serious risk to CBC's effectiveness and efficiency. Later sections of this report describe problems that can be linked to the uncertainty of direction and the perceived imbalances between expectations and resources. These include declining staff morale, a lack of focus of effort, successive rounds of cutbacks and layoffs, increasing workload for those who remain, threats to programming quality, excess facilities, and erosion of audience share and advertising revenues. In a business where ownership of programming content is critical, the CBC finds itself losing control of programming rights to independent producers. Also, ongoing investments in existing infrastructure may be in conflict with the requirements of a different strategy. Recently, these concerns have grown to the point where some question the survival of the Corporation unless a balanced strategy can be found.

34. We interviewed CBC officials and key stakeholders in government, industry and cultural groups, and almost all agree it is time to update the CBC's strategy. To help overcome the challenges

encountered during previous efforts, they also suggest that a better mechanism is needed to bring into focus, on a regular basis, the evolving role and funding of the public broadcaster. This is not a new idea; for example, in 1995, the Heritage Committee suggested that a Memorandum of Understanding between the CBC and government could be used to define strategy without compromising CBC's independence as a public broadcaster. The CBC Corporate Plan could equally provide a basis for building support among key stakeholders inside and outside government.

35. Concerns about clarity of role, rapid external change, and imbalances between expectations and resources have been part of CBC's reality, and the reality of many public service broadcasters around the world, for several decades. Successive parliamentary committees, special task forces and external reviews have called for clarification of the role of the CBC, decisions on priorities, and strategies for responding to profound and accelerating change. The Corporation has evolved continuously and considerably over the years, but the same issues reappear.

36. Section 3 of the *Broadcasting Act* defines the range of expectations for the CBC, but is written broadly to allow for change in the broadcast industry. To operationalize these expectations, decisions are needed on such things as the weight that should be applied to each expectation, and whether these expectations should be met individually or collectively by the various CBC services. Some argue that a cultural policy or an updated Act could provide the CBC with the precision it needs to settle on a course of action. Others suggest that these instruments will always be broad and somewhat vague, are difficult to update, and would not, therefore, be helpful in today's environment of rapid change. The government's response to the Heritage Committee's 1999 report *A Sense of*

Place, A Sense of Being included principles against which a cultural policy might be framed. But Canadian Heritage officials have indicated that there are no plans at this time to begin the development of a comprehensive cultural policy. There is also no appetite to reopen the *Broadcasting Act* unless there are clearly defined shortcomings that need to be corrected.

37. It is important, therefore, that the CBC initiate a dialogue with, and seek the appropriate support of, the Minister of Heritage, the CRTC, the Treasury Board Secretariat and other key stakeholders about the role and funding of the CBC. There has been a perception that the CBC has tended to isolate itself to protect the arm's-length relationship, but other public broadcasters have closer relationships with their government stakeholders. While consultation is necessary to provide the CBC with the foundation upon which it can build a balanced strategy, it will need to be done in a manner that respects the arm's-length relationship the CBC must maintain with government.

38. **The CBC cannot operate in an optimal fashion without a strategy that balances the results it is expected to deliver, expectations for audience reach, and how available resources can be optimally configured to meet them. This strategy would provide a basis for decisions affecting the effective and efficient functioning of all aspects of the Corporation's operations. Difficulties over the years in establishing a balanced strategy have resulted in prolonged discussions of the appropriate role of the public broadcaster. The current President launched a re-engineering effort intended to refocus priorities and rebalance expectations with resources, but it is apparent from the reactions to these proposals from across Canada that, like previous similar efforts, there will be many challenges to overcome. In the volatile environment that CBC**

works in, it needs a process through which the Corporation and its key stakeholders can periodically discuss the role and funding of the public broadcaster and measure its success.

39. This leads to our discussion of a critical requirement — clear accountability relationships. Later, in the section *Service to Canadians*, we discuss two key results areas that would have to be part of a CBC strategy: the type of programming CBC provides to Canadians; and the role of the regions.

External accountability is diffused

40. No institution can successfully launch a new strategy without the resources and authority to carry it out. To obtain resources and authority, the institution must have a reliable process for negotiating terms with stakeholders who control the resources and can supply the necessary authority.

41. At a minimum, one would expect such a process to define the job the CBC is expected to do, broadly enough not to interfere with its independence but specifically enough to define resource requirements; match the resources and authority available to the CBC with the agreed expectations; and define performance measures by which the CBC could account for its use of these resources.

42. The CBC has an abundance of accountability relationships, but none of them meet these expectations.

- The Minister of Canadian Heritage recommends resource levels. Officials of the Department of Canadian Heritage believe that their ability to offer guidance on expectations for the CBC is limited by the importance of the arm's-length relationship with government that underpins the independence of the CBC. Unlike those of most other Crown corporations, the CBC's Corporate Plan is not approved by its responsible Minister.

- The CRTC has a mandate to comment on and influence the CBC's strategies, but it cannot grant the resources to carry them out. The CRTC sets expectations for a seven-year licence term, a relatively long period in today's rapidly changing environment. The expectations do not address such key indicators as audience usage and a measurement of the value the public obtains from the CBC's services.

- The CBC Board of Directors is responsible for stewardship of the Corporation, examining its public policy objectives and ensuring that the Corporation communicates effectively with the Crown and other stakeholders. As we discuss later in the section on governance, the accountability relationships with the Board are also a source of difficulty.

- The Governor in Council appoints the Chair and directors of the Board and the President of the Corporation.

- The Treasury Board Secretariat focusses on expenditure planning and management, and can approve some financial flexibilities needed by the Corporation from time to time.

- The Standing Committee on Heritage regularly asks the CBC to appear as a witness to explain its strategies and use of resources.

- The Canadian Television Fund supports programs that make up a good deal of the CBC's television prime time schedules. Recent rule changes eliminate the CBC's guaranteed share of funding and require that programming meet strict Canadian content requirements to ensure distinctiveness from U.S. programming.

43. Relationships with the CRTC, Canadian Heritage and the Heritage portfolio entities have not produced a shared view of the role, funding and strategy of the CBC.

The governance framework

44. When an organization is under stress, its strategic management process must be efficient and decisive. At the heart of this is the governance framework that determines how the key players — the Board and its Chair, and senior management including the President — interact.

45. The CBC has placed priority on the development of its corporate governance framework, and over the last five years has substantially improved it. The Corporation has closely monitored and adopted the advances and best practices advocated for private sector corporations, and has participated in and contributed to various forums on corporate governance, including the Public Enterprise Forum of the Conference Board of Canada.

46. The CBC has institutionalized a framework for corporate governance that appears to be comprehensive, systematic and organized. Its characteristics include a formal structure that sets out roles and responsibilities, regular Board and committee meetings, an administrative support system, and prescribed governance practices including Board work plans.

47. While the design of the governance framework meets most expectations, there are elements that impede its effective operation.

48. Responsibilities of the Chair and the CEO. Separate positions of Chairperson and CEO were created in 1991 *Broadcasting Act*; previously, only the position of President was stipulated in legislation. Together, the Chair of the Board and the CEO should strive to build a productive working relationship of openness and trust. The CEO should be able to rely on the Board and its Chair as advisors and as a sounding board. Normally the Chair manages the affairs of the Board while the CEO manages the day-to-day operations of the Corporation.

In the past, however, the relationship between these important players was described as very stressful.

49. The roles of these two key people are described in the *Broadcasting Act*, the terms of reference for these two positions, and the Corporation's bylaws. The terms of reference provide considerable detail about responsibilities, and are valuable from an information and a continuity perspective. Annually, the Governance Committee of the Board updates the terms of reference. This provides an opportunity for the CEO and the Chair to jointly propose changes for review by the Board.

50. Another contributing factor in building a relationship of trust between a CEO and a Chair is participation by the Chair with the Board in the appointment of the CEO. While the Governor in Council has ultimate responsibility for these appointments, for a number of other Crown corporations selection committees comprising government and Corporation officials are used. For the CBC, this has not been the case.

51. Operations of the Board. The CBC is a billion-dollar corporation, and requires a Board with a balance of skills and experience. The Board's Governance Committee has assessed the Board's performance and has identified needs in areas such as previous Board experience, broadcasting, change management and accounting. There have been concerns that, when new members are appointed by the Governor in Council, identified requirements are not met.

52. Other opportunities related to the effective functioning of the Board include the following:

- In the past, the involvement by the Board in the day-to-day affairs of the Corporation may have been required in exceptional circumstances. Involvement of this type can be inefficient, hinder good management, and preclude the Board from discharging its obligation to take a

longer-term view of the Corporation's direction. The Board has resolved to minimize its involvement in the day-to-day affairs of the Corporation.

- The Board should support the CEO's responsibility for leading the development of the CBC's strategic direction. The Board's deliberations and approval of the strategic direction and the corporate plan formulated by management are a cornerstone of the Board's fiduciary responsibility for overseeing the management of the CBC. The Board should ensure that the principal risks to the success of the CBC have been identified and assessed.

- The Board should assign the CEO the responsibility for developing and implementing a plan to maintain effective relations and communications with key stakeholders. Communications should deal with the significant issues confronting the CBC, plans for and progress in responding to them, and the risks and challenges to fulfilling its mandate. The CEO should regularly present a plan for stakeholder relations and communications and progress made in implementing them to the Board for review and discussion.

- The Board and the CEO should work together to determine the nature of the information the Board requires to arrive at independent judgments and fulfill its governance responsibilities, to participate in the formulation of CBC's strategic direction, to hold management accountable for achieving objectives, to participate in significant developments and upcoming decisions, and to evaluate progress. The Board should delegate responsibility for this important project to its Governance Committee and should discuss and settle with management the parameters — the quantity, timing, frequency, and usefulness — of the information the Board receives. This joint Board/management review of the Board's information needs should be conducted annually.

53. The following section discusses the latter opportunity in more detail.

A reporting framework would simplify requirements and improve efficiency

54. Complex organizations like the CBC often develop an integrated framework for planning and reporting to simplify and organize internal and external information flows. There are a number of indications that such a framework is needed within the CBC:

- Concerns have been expressed by the Board that the information it receives is not sufficiently strategic, while management feels overwhelmed by the volume of information it must provide to the Board and others.
- Information about risks, stakeholder relationships, performance against “Promises” made to Canadians, and many other subjects is viewed as an opportunity for improved reporting to the Board and to government.
- There are many priorities, objectives and goals in place, creating confusion at the operating level. Reports from the various services are in different formats and do not always line up with corporate priorities. Linkages among regional, network and corporate priorities are complex, and the measurement of overall performance is very difficult, if not impossible.
- Performance reporting — from individual programs to reporting to the CRTC — tends to focus on measures used by the private sector, and places little emphasis on the factors that distinguish the CBC or reflect its contribution to other government objectives.

55. The Board and the CEO should work together to develop an information framework that meets the needs of the Board and the Corporation. This framework could identify, for all business lines, the elements that would be a regular feature of plans and performance reports,

including the elements that would make up the longer-term strategy — programming results, reach expectations and resources used to deliver them. Other key features could be management strategies for key resource areas, key risks, and significant shifts in the external environment. A structured approach could also be developed for the systematic reporting on projects and key initiatives that require the Board’s approval or its continuing attention.

56. The information contained in external reports and reports to the Board should mirror information used to manage throughout the Corporation. An integrated approach would involve layers of information that cascade through the organization, with increasing levels of detail at lower levels and the capacity to report upward in a cohesive way. The Corporation’s present financial information system should facilitate a more integrated approach.

57. There are shortcomings in the Corporation’s external accountability structure, its governance relationships and its performance information. These are critical to developing a balanced strategy, securing support for it, sustaining and updating it, and reporting on performance. The absence of a comprehensive, relatively simple performance reporting framework that links programming results to programming and non-programming resources constrains accountability and oversight of key management initiatives.

Strategic Planning, Stakeholder Relationships, Internal Accountability and Risk Management

The strategic planning system is well designed

58. The strategic planning process has been designed to integrate internal and external reporting, and to consolidate

plans for the regions, services and functional areas. The process is in place and is functioning well in defining requirements under the current set of operating assumptions. Capital requirements are determined against existing infrastructure holdings, a human resources transformation process has been developed, and steps are now being taken to develop a business systems architecture, building on the advances that have been made in implementing the new financial information system.

59. The strategic planning process deals effectively with the requirements of the various business lines under current operating assumptions. The Re-engineering Task Force will likely introduce a new set of assumptions for managing administrative, operational and transmission and distribution infrastructure.

Stakeholder relationships need greater attention

60. CBC has an unusual number and variety of potential stakeholders, from all sectors of the economy, with interests that range from technology to culture, spread across Canada and into other countries. These relationships are important, to build grassroots support for the CBC and to consolidate support for strategy. They also can be used to identify opportunities for co-operation with others in government and the private sector, to benchmark practices with others to find efficiencies, or to discover new talent or program opportunities. They also help the CBC to learn what viewers and listeners want. Some relationships lend themselves to local leadership, while others require corporate leadership.

61. Regional relationships. The regional locations we visited tend to align their relationships with local cultural, professional and audience groups. They use a wide array of instruments to reach out to their communities, to understand

their programming needs and to build alliances. There are many examples of effective stakeholder relationships at the regional level. For example, French Radio in St. Boniface in Winnipeg has a strategy for stakeholder relationships that involves increasing the use of partnerships, the visibility of French Radio, and the sources of radio content from Canada and abroad. Similarly, French Television in Montreal recently instituted a strategy for stakeholder relationships that will seek out new partnerships and new talent in the community, increase presence in the community, and establish strategies for meetings with government and private sector organizations. However, each region has its own approach to stakeholder relations.

62. Network relationships. Each network has extensive relationships, but once again each approaches them differently. The French Television Network is the only one with a plan for this area that stems from its business plan. An area for improvement is relationships with the other cultural institutions of the Heritage portfolio. There would seem to be a natural symbiosis between the networks and these other agencies, but many feel it has not been fully realized.

63. Corporate relationships. Relations with government decision-makers are discussed in the earlier section on external accountability.

64. Board relationships. The Board has established an Advisory Committee on Stakeholders Relations, which is considering alternative methods of collecting stakeholder input at the grassroots level, while remaining independent from CBC management. The Advisory Committee is assessing options such as establishing advisory councils to obtain ideas on programming expectations.

65. Many of the people we interviewed inside and outside the CBC feel that improvements are needed in stakeholder relationships. Each region has

its own approach, and there is no corporate strategy, despite the fact that a 1998 CBC Task Force report indicated that corporate lessons could be learned from the regions. It noted that it is “simply good business” and that other public broadcasters are very proactive in this area. There is a growing recognition in the CBC of the importance of well-managed stakeholder relationships. There are many pockets of strength to build upon, and excellent examples of appropriate delegation and information exchange practices. The CBC needs a more systematic stakeholder consultation process that defines, for different levels of the organization, who the critical stakeholders are, the strategies that will be used to deal with them, lessons learned from previous attempts, and how progress will be measured.

Internal accountability relationships are being clarified

66. In 1995, we reported several instances where internal accountability was diffused, causing some confusion and competition. Clear accountability is essential to the effective and efficient use of resources. The CBC has a variety of accountability approaches, ranging from highly centralized to highly delegated, depending on the nature of the function. Accountability relationships have gone through a series of evolutions over the last two decades, resulting in shifts in responsibilities among headquarters, the networks, and the regions. Relationships among these groups have improved over the last five years and continue to evolve. There are a few areas where accountabilities are confusing to staff, but working arrangements have been made to clarify them. In some cases, the relationship among regional, network and corporate priorities is weak, and the mix of demands at the operating level is confusing.

67. The executive performance management system introduced three

years ago includes annual objectives setting and performance assessments. It is now being extended throughout management and beyond. This process supports results-oriented management and will help align personal and corporate objectives, increase accountability, and increase oversight of key management initiatives.

Risk management provides an opportunity for the future

68. The risk profile of the CBC presents significant challenges because of the magnitude and complexity of the risks and the limitations in the ability to control and influence them. CBC risk issues providing significant challenges include fulfilment of the mandate, stakeholder relationships, rapid and dramatic technology changes, costly infrastructure, and ongoing challenges of culture and workforce change.

69. Like many organizations, the CBC’s risk profile became prominent during the 1990s when downsizing, pace of change, global competitiveness and stakeholder expectations of transparency and accountability came all at once. Planning activities were strengthened to consider risk more systematically. Strategies for most likely outcomes were augmented with contingency plans for worst- and best-case scenarios. More continuous and integrated risk management was also put in place through discussion of planning options by senior management and at joint business-line meetings.

70. The increased focus on risk, while very direct in many ways, has mostly been as an enhancement of planning, or as part of special task forces or preparations for CRTC hearings. Specific management structures to explicitly address risk, including adding more risk-related terminology to the Corporation’s common language and linking the management of risk to governance, have not been established.

71. A risk management framework would establish explicit management structures to sustain an organization-wide approach and processes for analyzing, communicating and reporting risks consistently, efficiently and effectively. It would tie in more directly to the Board's needs for information on key risks. A more structured approach to managing risk, building on existing practices, could be implemented with minimal additional process. It could be put in place after the CBC completes its re-engineering process, when things are more stable.

Service to Canadians

72. The CBC's success is largely determined by the characteristics of the programming it delivers to Canadians. As we describe earlier, the CBC's processes to measure the effectiveness of its programming do not reflect its distinctive mandate, although steps have been taken in this direction. A reporting framework that incorporated this dimension would contribute to strategy development, governance and internal and external accountability, and would help to shift the emphasis of performance measurement away from ratings.

73. To help us assess the adequacy of systems and practices in this area, we examined two dimensions that we believe would be part of such a framework: the distinctiveness of CBC's programming; and regional operations.

Distinctively Canadian programming

74. The presumption of a higher standard. The *Broadcasting Act* was written broadly to allow room for the broadcasting industry to evolve. It creates a set of expectations for both the broadcasting system in general and the national public broadcaster in particular, but does not offer guidance on the relative weightings of the expectations. The CBC is expected to, among other things:

- “reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions”;
- “actively contribute to the flow and exchange of cultural expression”;
- “contribute to shared national consciousness and identity”; and
- “reflect the multicultural and multiracial nature of Canada.”

75. The CBC is to pursue these goals through “a wide range of programming,” in both French and English, that “informs, enlightens and entertains” and is available to all Canadians.

76. Apart from linguistic and availability considerations, however, the programming-related objectives set out for the CBC are not fundamentally different from those for the system as a whole. The major difference is that the language of the Act implies higher standards for the CBC. For example, while “each element of the Canadian broadcasting system” is expected to “contribute in an appropriate manner to the creation and presentation of Canadian programming,” it is only the CBC that is required to be “*predominantly ... Canadian.*”

77. The presumption of distinctiveness. The CBC has sought to define the characteristics of its programming that define its role as a *public* broadcaster, and has tended to equate them with distinctiveness. Former CBC President Pierre Juneau told the Canadian Club in Toronto in 1983, “Making the CBC more visible to Canadians will require a new and reformed programming approach. Underlying this approach, there should be two fundamental principles: make it *distinctive* and make it *Canadian.*” The current project to transform ETV is built on the dual requirements for Canadian content and distinctiveness.

78. Canadian content has been an important priority for the CBC for many

years. CBC's radio services have historically delivered a high level of Canadian programming, and strategy documents since the mid-70s have proposed increases to Canadian content on the main television networks. CBC suggested to us that Canadianization comes at a price, including possible loss of audience advertising revenues. In 1993, the CBC indicated its intention to deliver broadcast schedules that were overwhelmingly Canadian, to make it stand out in the 500-channel universe. In its 1999 Strategic Plan, the CBC reported that ETV and FTV had almost completely Canadianized their prime time and most of their daytime schedules. A 10 percent increase in Canadian content was achieved by ETV between 1994 and 1998, during a period of budget cuts and downsizing.

79. The *Broadcasting Act* sets an expectation for CBC's programming to be not only *predominantly* Canadian but also *distinctively* Canadian. The Act also emphasizes the importance of quality in programming. To be distinctive, therefore, is not merely to be different. Also, the Act does not envisage the CBC as providing a narrow, highly specialized or merely supplementary programming service.

80. As listening and viewing options continue to grow worldwide, a number of countries have called into question the need for their own public broadcaster. For a large majority, the reasons for supporting public broadcasting remain quite convincing, but there is also a consensus that public broadcasters must be distinctive if they are to warrant continued public funding in the multi-channel universe.

81. Despite the importance of distinctiveness for public broadcasters, however, reporting still tends to rely on private sector indicators such as ratings and audience share, which are not specifically designed for public broadcasters. The CBC has taken some

steps to address the problem of measuring distinctiveness, but its efforts have not yet reached fruition.

82. It is generally agreed that the CBC's French and English radio services produce, for the most part, highly distinctive programming that would not, in their absence, be provided by private radio stations. However, the distinctiveness of ETV and FTV programming is often questioned. We therefore examined some key characteristics that might be used to define distinctiveness, both to assess the adequacy of management systems and practices and to test the feasibility of developing measures for this very complex area.

83. Indicators of distinctiveness. Distinctiveness can embrace a number of characteristics such as creativity, innovation, risk taking in programming and quality. We carried out a variety of tests, using data available within the CBC and from private organizations, to assess the distinctiveness of CBC's television programming across three areas: diversity of programming, quality, and share of Canadian programming.

84. It would be expected that CBC's high-quality Canadian programs would cover a broad range of program categories. In terms of diversity of programming we found the following:

- CBC FTV has a higher proportion of **information programming** than the private French broadcasters in prime time (about 35 percent compared with 20 percent), largely because it has more public affairs programs. This differentiation is, however, relatively recent: in 1988 and 1992, CBC FTV had about the same amount of information programming as the others. The evening programming of CBC ETV likewise has a greater proportion of information programming than its commercial counterparts.

- **CBC FTV fiction programming** consists primarily of drama series (téléromans and mini-series), while the private networks rely on films. Moreover, viewers are more likely to find Quebec or English-Canadian fiction on CBC FTV, both during the day and in the evening. About 40 percent of fiction aired on CBC FTV consisted of Quebec or English-Canadian productions. In prime time, the proportion climbs to about 75 percent, more than twice that of the private networks (see Figure 2).
- For the evening news, CBC FTV has more **international and Canadian news, a similar amount of Quebec news, and less local news**. It also carries more news from reporters on location, especially for international stories, and makes less use of the “talking head” format.
- CBC FTV and ETV both place more emphasis on **children’s programming** than other broadcasters. CBC FTV devoted 16 percent of its schedule to children’s programs in the fall of 1997, compared with an average of 10 percent for the other French networks. It also carried a higher proportion of wholly Canadian children’s programs (55 percent)

than the others (46 percent), had greater diversity among its non-Canadian children’s programs, and broadcast a much higher proportion of recent productions. CBC FTV is also the only French network carrying téléromans targeting a young audience.

85. In terms of programming quality, a CBC-funded survey asked viewers to pick the network with “the best” programming, from among all available Canadian and American stations. CBC ETV ranked first in 4 of 16 categories (Canadian programs, national news, current affairs, variety specials), the only broadcaster to do so, and was second in another 6 (international news, local news, documentaries, sports, comedy programs, family dramas).

86. We also examined whether CBC has a higher proportion and diversity of high-quality, prime-time Canadian programs with significant audience share. The Quality Ratings Survey (QRS) developed by CBC’s research department measures audience satisfaction (a broad but reliable indicator of how audiences assess program quality), and makes these comparisons possible. An international study of public service broadcasters stressed that for public service broadcasters to put “creative and market pressure” on commercial broadcasters “to achieve a society’s aims for its broadcasting market,” they must not only be distinctive but must also “maintain sufficient share.” The share required to exert market pressure varies from one country to another, one type of broadcaster to another (for example, conventional or specialty), and one program category to another.

87. Figures 3 and 4 show the results of this analysis. For ETV, the 1999 QRS assessed 88 Canadian and American programs, mostly in prime time (6 p.m. to midnight), on CBC, CTV, Global, and TVO. Of these, 39 received quality indices (QIs) of 100 or above, indicating above-average satisfaction, while 49

Figure 2

Origin of Fiction Programming on CBC FTV and the Private French Networks

Origin	FULL DAY (1993–1997) %		PRIME TIME (1993–1997) %	
	CBC FTV	Private Networks	CBC FTV	Private Networks
Quebec	36	13	71	23
English-Canada	3	3	4	1
United States	46	78	23	75
France	6	2	2	—
Other	9	4	—	—

Figure 3

Canadian Programs on CBC ETV With an Above-Average “Quality Index”
(Monday to Saturday, 6 p.m. to Midnight)

Quality Index	Share	Program
145	5.4	(Other Broadcaster)
143	5.9	Nature of Things
142	16.3	Hockey Night in Canada
140	0.9	(Other Broadcaster)
133	1.6	(Other Broadcaster)
119	16.8	RCAF
119	11.8	The National
119	7.9	HNIC Pregame
116	21.4	(Other Broadcaster)
109	9.8	Sunday Report
109	9.1	DaVinci’s Inquest
108	9.2	(Other Broadcaster)
104	8.8	Fifth Estate
104	16.9	(Other Broadcaster)
100	10.0	Wind at My Back
100	9.0	National Magazine

Figure 4

Canadian Programs on CBC FTV With an Above-Average “Quality Index”
(Monday to Saturday, 6 p.m. to Midnight)

Quality Index	Share	Program
175	16	Découverte
165	35	La facture
155	49	Un gars, une fille
155	55	4 et demi
152	57	(Other Broadcaster)
151	27	Enjeux
145	43	(Other Broadcaster)
139	22	Zone libre
137	57	La petite vie
126	28	Téléjournal/Le point
125	44	Virginie
117	23	(Other Broadcaster)
117	13	Christiane Charette
113	45	(Other Broadcaster)
111	48	(Other Broadcaster)
111	31	La part des anges
108	40	(Other Broadcaster)
106	22	La soirée du hockey
101	42	(Other Broadcaster)
101	39	(Other Broadcaster)

Source: CBC Research (1999 QRS, Nielsen)

received QIs below 100, indicating below-average satisfaction. Of the 39 programs with above-average satisfaction, only 16 were Canadian. While CBC ETV provides the highest proportion of Canadian programming in prime time (about 90 percent as of January 2000), Figure 3 indicates that it also has the largest proportion of high-quality Canadian programs with a substantial audience share. The same approach was used for CBC FTV, with similar results (see Figure 4).

88. Figures 5 and 6 indicate that the high-quality CBC programs of both ETV and FTV cover a wide range of genres. The only category without a high-quality program is Arts & Culture for CBC ETV. CBC FTV is somewhat stronger in

information programming apart from news and current affairs. Both networks have a number of programs with potential for making it into the high-quality range.

89. We also traced changes in the general level of satisfaction with CBC ETV programming by comparing the average QI for the same group of programs in different years. The average QI dropped from 110.8 in 1997 to 107.2 in 1998 to 97.5 in 1999. Not only are some of CBC ETV's current high-quality programs losing some of their audience appeal, but most of the programs within striking distance of high quality are also falling on the QI index. Many factors could be contributing to this trend. For example, people inside and outside the CBC have asserted that the decline in

Figure 5

Distribution of CBC ETV's Prime-Time Canadian Programs

(Monday to Sunday, 6 p.m. to Midnight)

	INFORMATION			ENTERTAINMENT			
	News	Current Affairs	Other	Drama	Comedy	Arts & Culture	Sports
<p>Quality Index Greater Than 100</p> <p>(arranged top to bottom in order of QI)</p>	<p>The National</p> <p>Sunday Report</p>	<p>Fifth Estate</p> <p>National Magazine</p>	<p>Nature of Things</p>	<p>Da Vinci's Inquest</p> <p>Wind At My Back</p>	<p>RCAF</p>		<p>HNIC</p> <p>HNIC Pregame</p>
<p>Quality Index Between 80 and 99</p> <p>(arranged top to bottom in order of QI)</p>	<p>Early Evening News</p> <p>Late Local News</p>	<p>Country Canada</p>	<p>Witness</p> <p>Venture</p> <p>Market Place</p> <p>Under-currents</p>		<p>Red Green</p> <p>22 Minutes</p>	<p>Life & Times</p> <p>On the Road Again</p>	

Source: CBC Research (1999 QRS)

resources for CBC ETV has reduced program quality.

90. In contrast, the survey indicates that high-quality programs on CBC FTV are generally improving.

91. The need for a measurement framework. This is a very complex, but extremely important, measurement area. Audiences may find Canadian programs “more satisfying” because they embody the kinds of values that best fulfil their needs as members of a democratic society. An information program, for example, might be judged as high-quality by its viewers not simply because it helps to empower them as citizens but because it presents its content in a meaningful and comprehensible way.

92. The analysis we carried out suggests that it is feasible to measure the distinctiveness of CBC’s programming and, by extension, the extent to which it is delivering its mandate as a public service

broadcaster. It also suggests, for the factors we analyzed, that CBC programming is quite distinctive. Clearly, any framework for assessing the overall distinctiveness of CBC television can point only very generally to the programming values through which such distinctiveness is being achieved. It can, however, help the CBC to define the values that best serve audience needs and to create a programming philosophy based on them.

93. The measures we employed for this analysis are intended as examples of how this might be done, and should not be viewed as the only approach to measuring the effectiveness of CBC programming. We strongly encourage the CBC to develop a measurement framework that includes distinctiveness. This would shift the emphasis away from ratings and would give the public an important role to play in programming policy.

Figure 6

Distribution of CBC FTV’s Prime-Time Canadian Programs
(Monday to Sunday, 6 p.m. to Midnight)

	INFORMATION			ENTERTAINMENT			
	News	Current Affairs	Other	Drama	Comedy	Arts & Culture	Sports
Quality Index Greater Than 100 (arranged top to bottom in order of QI)	Téléjournal/ Le point	Zone libre	Découverte La facture Enjeux	Un gars, une fille La petite vie	4 et demi Virginie Part des anges	Christiane Charette	Soirée du hockey
Quality Index Between 80 and 99 (arranged top to bottom in order of QI)	Ce soir				Bouscotte Caserne 24	La fureur	Franc jeu

Source: CBC Research (1999 QRS)

Meeting regional expectations

94. Canada’s geography, cultural diversity and widely dispersed population create a unique set of challenges. Regional services have become a focal point of recent discussions about the CBC, and will be a defining element of any new strategy.

95. Stakeholder expectations for CBC regional activities have included:

- delivering programming that reflects the regional differences in language and culture;
- building bridges between regions;
- offering regional and local broadcasting to regional and local audiences; and
- ensuring reasonable access by communities to both regional and national programming.

96. The CBC accomplishes its mandate to “reflect Canada and its regions

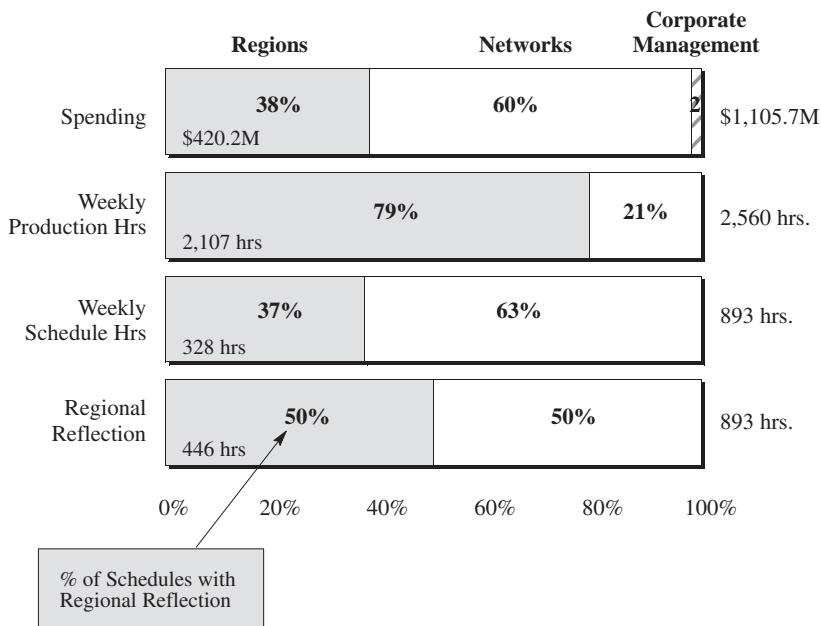
to national and regional audiences, while serving the special needs of those regions”, through national network programming with regional content broadcast across the country, and through programming produced in each region for local or regional broadcast. CBC estimates its spending either in the regions or in support of regional activities at approximately \$420 million, or 38 percent of total expenditures.

97. Regional production for all services amounts to about 2,000 hours weekly, excluding Newsworld and RDI. This represents 79 percent of total CBC production hours. Regional broadcasting accounts for such a high proportion because individual programs are produced at multiple locations for insertion into the same time period in the network schedule. On this schedule basis, regional production across all of CBC’s services is about 328 hours per week, or 37 percent of the total.

98. Distinctiveness of regional programming. In assessing the extent to

Figure 7

Regional vs. Network Spending and Production, All CBC Services



Source: CBC Finance and Administration (Excluding Newsworld, RDI and New Media)

which the CBC fulfils the expectations of the *Broadcasting Act* for regional content, it is important to consider not only the quantity of regional programming but also its quality. As Figure 8 indicates, there is a large amount of regional content (in terms of both production and reflection) on CBC ETV's evening schedule. Two of these programs are rated as high in quality, while the majority fall into the potential high-quality range.

99. Regional operations. We visited eight regional offices across Canada and carried out site visits, document reviews, and interviews with managers, support staff and creative staff of English and French Radio and Television. CBC operates 95 stations across Canada, housed in 80 buildings. As we point out later, significant investments have been made in these operations.

100. Each service sees a unique role for itself. English-language and French-language markets are very

different, and radio and television are very different media. ER, FR and FTV are very secure about their regional roles, but both radio services recognize that technology will have a major impact in the next 10 years. ETV is searching for role clarity in its very complex and dynamic environment.

101. Like employees across the CBC, regional staff and management are concerned about resource pressures, uncertainty, overload and stress, and the impacts these might have on retention of key skills and young talent and on programming quality. However, people are committed to the CBC and their regional operation and its culture of creativity, and they believe it is an important force. They believe there are unique opportunities in the CBC to do things that cannot be done in private broadcasting, such as high-quality in-depth work. They feel there is a prestige in working for CBC, the job itself

Figure 8

Regional Reflection and/or Production on CBC ETV
(Monday to Sunday, 6 p.m. to Midnight)

	Regional Production and Regional Reflection	Regional Reflection without Regional Production	Regional Production for National Distribution
Quality Index Greater Than 100	Da Vinci's Inquest	Wind At My Back	
Quality Index Between 80 and 99	Life & Times Witness Undercurrents Country Canada On the Road Again		22 Minutes
Quality Index Below 80	Nothing Too Good For a Cowboy Pit Pony		Just For Laughs Made in Canada
No Quality Index Available	Canadian Reflections Network specials produced in the regions	Network specials	

Excluding Regional News and Regional Program Inserts in Market Place, Venture, and Fifth Estate.

Source: CBC Research (1999 QRS)

is satisfying, and positive feedback from peers and the audience is an incentive.

102. Regional operations are key elements of any shared strategy. Re-engineering options that have been considered include reduction of ETV local/regional programming and shedding and/or rationalizing infrastructure.

103. Many, including regional staff themselves, believe the regions are important players in identifying audience expectations and developing stakeholder relationships. In its 6 January 2000 decision on the CBC licence renewal the CRTC stated, “The Commission considers that the highest priority for English-language television must be to increase the quantity of programming, particularly in the priority programming categories, that is produced in and reflective of the regions of Canada. It is as a national public broadcaster, firmly rooted in the regions, that the CBC will create the television audience loyalty it will need to thrive in the coming years.” The Commission’s orientation is toward greater independence for, programming from and reflection of the regions.

104. Recent experience demonstrates the many potential risks involved in changing regional operations, including public reaction, audience loss, revenue loss, union resistance, loss of talented staff, further debate with key stakeholders, and political sensitivity. At the same time, achieving agreement on how to deliver CBC’s regional responsibilities is fundamental to balancing expectations and resources, and to developing a viable strategy.

105. It is not our role to suggest which path is best. Our examination of regional activities reinforces our main conclusion about the need for a balanced strategy for the CBC. More than any of the other areas of possible re-engineering, this area continues to generate debate and will require stakeholder support to be successful.

People Management

106. The CBC’s success depends on the creativity, flexibility and motivation of its people. In 1995, we raised concerns about human resources management (HRM) systems, especially in the area of industrial and talent relations. Over the last five years, the HRM function has been transformed in its orientation, organization and key processes. A strategic orientation has been introduced that links HR priorities to corporate goals and priorities. Focus has been shifted from administrative functions and toward strategic HR planning, consultation and development. Critical HR processes, such as annual objectives and performance assessments for staff, have been introduced or reinforced. Training was consistently highlighted as an excellent service.

107. The last five years have also introduced considerable stress for the CBC and its staff. Budget cuts, staff reductions and uncertainty on the scale encountered by the CBC, combined with decreased creative opportunities for staff, will affect an organization’s staff morale and commitment. This contributed to our identification of people management as a risk area to be included in this special examination. We looked at four aspects of people management: CBC’s internal culture; support to creative talent; industrial and talent relations; and succession planning.

Internal culture needs additional attention

108. An organization’s culture deals with the way its people interact internally and with others. In the 1995 special examination we noted some concerns about the CBC’s culture. These concerns were echoed recently by CBC management, who identified a number of major risks, including the lack of a corporate ethic or cultural identity; “silo” operations that dampened synergy

between business lines; and an overly bureaucratic environment.

109. In its 1999 Strategic Plan, the CBC recognized that it must rethink its culture to respond to a new environment, building on the values and creativity of its people. The Plan notes the need to be performance-driven, to improve productivity, encourage partnerships, change the legal and financial frameworks, and increase accountability. We believe there is a need to reinforce these efforts and to also focus attention on the needs of creative staff. Budget cuts and uncertainty have shaken the traditional values that CBC thrived on in the past. There have been serious initiatives in this area, but management and staff indicate that there is still work to do to realize the benefits of these efforts and that the culture change initiative requires further visibility and support from senior management.

110. CBC embodies many cultures. CBC legitimately contains many different internal cultures that reflect the varying roles, operational requirements, traditions and histories of the regions, services, networks and headquarters.

111. For staff delivering programs, culture is driven by creativity, innovation and programming quality. Differences exist between regions, languages and services in the extent and quality of internal or external communications. Staff value the independence, the opportunity to be creative and the recognition that comes from good work. The creative staff we interviewed demonstrated a belief in the importance and value of the CBC's role as public broadcaster. They expressed a dedication to the shows they produce and tend to identify more strongly with them than with the organization as a whole. A major concern at the operational level is that budget reductions, downsizing and productivity measures have preoccupied the organization for so many years that the operational culture has been

compromised. There is concern, for example, that staff have lost their experimental spirit, sense of mission and enthusiasm. These concerns are not surprising given the magnitude of change that has occurred.

112. Support and administrative services, for their part, have been driven for many years by the very real imperative of putting in place basic systems and practices, ensuring consistency throughout the Corporation where warranted, and promoting productivity gains to help make ends meet. We were provided with a list of 60 "Initiatives to Change the Corporate Culture" that were undertaken over the last few years. They relate to a wide range of corporate expectations, including management of downsizing, contracting out of support services, project management, cost allocation and financial control.

113. It is important to preserve the cultural characteristics that are unique to a particular part of the Corporation. But where different cultures interact, people must understand the needs and perspectives of the others, and work toward achieving the broader objectives of the Corporation as a whole. While there is a sense within the CBC that the culture has opened up and co-operation and teamwork are growing (for example, the integration of some English and French radio and television news operations at the regional level), there are areas where progress has been slow and co-operation less than desired.

114. Involvement of staff. Positive culture and continuous improvement depend on staff involvement and commitment. Perceptions by staff we interviewed varied on the opportunities to be involved in identifying opportunities for improvement. Some cited openness to employee input, and described working groups, specific requests for input, and a general receptivity to new ideas. Others were less positive and cited a lack of trust of employees on the part of management,

coupled with a top-down approach to management.

115. Many different approaches are used in different parts of the Corporation, but their extent and impact vary among regions, services, and networks. Examples in individual regions include an in-house mentoring program to deal with technological needs; a committee to create a mandate for weekend programs; a staff survey; regular meetings with all staff to discuss issues and opportunities; and a workload committee to examine workload issues and suggest ways of relieving overload.

116. Most told us that, despite the variety of initiatives in place, this area needs improvement. There is no corporate strategy or guidance, even though modernizing corporate culture has been identified as a corporate priority. Management believed it had a general sense of staff concerns but had not conducted a corporate-wide employee survey to more formally identify them. CBC has been planning such a survey for many years but has delayed it due to the turbulence of recent years. It is now scheduled to commence in fall/winter 2000, and should provide useful input for people management.

117. CBC senior management has recognized the importance of cultural change as a long-term initiative. Each vice-president has culture change as an objective. Cross-corporate leadership training and the use of common language around corporate culture and change support this. However, these have not been managed under a broad-based approach.

Safeguarding creative talent is important to the CBC

118. Since CBC's success depends on the creativity of its staff, we interviewed a number of its creative staff in a variety of functions, in the French and English

networks and in regional locations, about culture, creativity and satisfaction.

119. In radio, the consensus was that creativity is encouraged and facilitated through a variety of mechanisms. In television, there is a belief that creativity is still fostered, but not to the same degree as in the past. Training — in terms of both quality and availability — was highly praised and viewed as a positive factor.

120. The main source of satisfaction is in doing good work and being recognized by peers, management and the industry in general. Staff also indicated that a positive work environment, a climate of mutual respect and an opportunity to influence the on-air product are key to satisfaction. Most people we interviewed believe that product quality continues to differentiate the CBC from other broadcasters.

121. Lack of resources was cited as a creativity damper. In particular, there is concern that emphasis on the “daily grind” of getting shows out has left little of the thinking time needed to foster greater creativity. There is also concern that insufficient effort is being placed on identifying and developing new talent. Uncertainty was the most frequently cited cause of stress. There is also broad concern about a lack of clear corporate direction and continuing budget reductions. While there was a general perception that change was a major contributor to stress, it was recognized that change is inevitable.

122. CBC has gone through a prolonged period of stress, and it appears that this will continue. Our examination indicates that this has had an effect on the creative staff who are critical to the success of the CBC. At the same time, it continues to be important that the Corporation reinforce efforts to introduce a more businesslike culture. People management efforts, therefore, need to be reinforced in two areas:

- **A creative organization survives on the basis of its ability to attract, retain**

and motivate its creative talent, and to foster the development of young talent. This can be promoted by encouraging staff participation and recognizing their creative contributions and excellence. Our discussions with CBC staff and management indicate that cultural change in this area requires further visibility and support from senior management.

- **The CBC has made good progress in introducing a more businesslike culture, but this priority needs to be re-emphasized. It should be supported by clear objectives and plans, visible initiatives and communication with staff about the importance of cultural change.**

Critical to the success of cultural change is recognition of the need to manage change proactively and positively in an environment of continuing budget pressures, technological change and changing management processes and structures.

Management of industrial and talent relations has improved

123. Ninety percent of CBC's employees are unionized and, in the past, collective agreements placed significant restrictions on the CBC's ability to operate efficiently. In 1995 we raised concern about the number of collective agreements. Over the last five years the number has been reduced to eight industrial agreements and seven talent agreements. Five years ago ETV alone had 17 industrial agreements, compared with the current four. The main jurisdictional barriers and most penalty payments have been removed. Industrial and talent relations are now being managed in a manner that recognizes the importance of collective agreements that suit the operational requirements and facilitate and encourage efficiency and economy. The Corporation's productivity reports indicate significant progress in the

use of technical staff. Both Toronto and Montreal report significant reductions in staff waiting time. More flexible collective agreements have contributed to this improvement.

124. While there have been significant improvements in the last two rounds of collective bargaining, differences in contract clauses remain among the various units. The CBC believes there are opportunities for further flexibility, efficiency and economy by applying technology and merging functions. To this end, it has applied to the Canada Industrial Relations Board to amalgamate the three main English units, in response to a union application to merge two of them. A similar application is being considered for the French network.

125. Another concern is the effect successive downsizings will have on the attraction and retention of younger staff. The CBC's regular complement has decreased by approximately 2,000 since our last special examination, and this reduction was achieved mainly through buy-outs and early retirement. Senior management is concerned that this approach may have reached its limits, and that seniority clauses in the collective agreements will result in the bumping of younger staff, should further layoffs be necessary.

Succession planning is being introduced at all levels

126. The succession planning process, which applies to the CBC management cadre, is generally consistent with good management practice. Specifically, the CBC has a documented succession planning process that assesses risk, influences staff development decisions and addresses the implications of business planning and staff performance management. The process has been in place since 1997 and there is evidence of its usefulness in practice. Efforts are now being made to extend it to staff at all levels.

Quality, Productivity and Cost Control in Program Creation

Internal control of programming quality is well developed

127. In an earlier section we describe approaches that could be used to measure and report on the distinctiveness of CBC's programming, based on a variety of factors, including public perceptions of program quality. CBC employs a variety of internal processes to control quality. For example:

- The CBC program schedules are aligned with overall corporate objectives, through a process of program selection that involves frequent informal discussion among senior managers. While the process of selecting programs for schedules could be documented more systematically, using consistent criteria, evaluation methods, and a stronger connection to objectives, the risk that programming will not meet the mandate is limited.
- Management informed us that all CBC journalists are made aware of their obligation to comply with the CBC handbook on journalistic standards and practices. The handbook has required updating for about two years to reflect important changes in the broadcasting environment. Updated versions of the practices are in use in the form of internal guidelines, but an updated handbook has not yet been approved. Given its significance, priority should be given to this approval. Also, it would be useful for the Corporation to assess whether the French Radio practice of requiring new journalists to certify that they have received the handbook should be a national policy.
- The Ombudsmen for French and English services act as appeal authorities for complainants who are dissatisfied with responses from CBC programmers or management. The Ombudsmen are also

responsible for evaluating compliance with journalistic policies. We noted positive results in this regard during the examination. We also noted a significant increase in the number of complaints, from 560 in 1996–97 to 1,111 in 1998–99. According to the Ombudsmen, this is primarily the result of greater visibility and the use of the Internet, which has increased audience response.

- Other systems and practices that provide feedback on program quality include ratings, focus groups, outside panels of evaluators, evaluation at the program unit and department level, and the Quality Rating Survey. Evaluation of television programs could be improved by a more systematic approach using consistent criteria, so that overall results could be compiled on a service-wide basis and reported to senior management.

128. These quality control mechanisms generally met our expectations, although, as noted above, there are opportunities for improvement.

Productivity improvement efforts are delivering benefits

129. In our 1995 special examination report we identified opportunities on several fronts to better co-ordinate program delivery and reduce duplication of costs and effort. Since then, important steps have been taken in this direction.

130. We suggested that the CBC study the consolidation of newsgathering operations (to avoid separate organizations for radio, television, English, French, and dedicated news channels), and examine the experiences of other broadcasters' consolidations. Management has informed us that it examined BBC and CNN and concluded that consolidation within television components was desirable but a full structural integration of all news was not, since radio managers believe that the needs of radio would come second in a combined structure.

131. The CBC has taken significant steps to eliminate duplication, ensuring

that coverage, facilities, and reporters are shared wherever workloads make it possible — for example, in almost all foreign bureaus. News resources are pooled among all four media and some private broadcasters on Parliament Hill. Newsworld and RDI share almost all live feeds of breaking events, and meet several times each day to co-ordinate coverage. These extensive working relationships are felt by management to produce the same improvements in efficiencies and programming quality that a formalized structure would.

132. Both the French and the English television networks are taking steps to integrate their information programming operations. In Montreal, the transition to digital equipment for newsgathering will be accompanied by consolidation of all television news operations in space to be constructed at La Maison Radio-Canada.

133. ETV plans to achieve efficiencies and better programming by reorganizing news and current affairs into units based on expertise rather than programs. A resource utilization study of the information area (including regions) highlighted opportunities to break down areas of “silo” mentality and reduce annual costs by almost \$4 million by integrating services.

134. Other examples of co-operation between English and French programming, achieved through informal mechanisms, include the following:

- Radio networks have long shared all recordings of live classical music. In addition, it is standard practice on the French network to interview bilingual subjects in both languages so that the English network can use the material.
- “Culture Shock/Culture Choc”, a Newsworld/RDI co-production, uses video journalists from across the country, all of them bilingual.
- The History Project is using a “double-shoot” concept, in which

performers are recorded once in each language. It is hoped that this series will achieve high audiences in both languages and become a cultural beacon for communication between the two language groups.

Control of program costs

135. We found that the systems and practices for cost control of both internally produced and acquired programs are sufficient to ensure the economical management of operations, with due regard to limited financial resources. The use of item-level budgeting and control within programs, and other incentives for internal and external producers to be on time and within or below budget, are examples of good control practices. Internal audit reports on the management of outside productions financed by the Canadian Television Fund concluded that effective controls and systems were in place, but found that practices may need to be changed as the Fund rules change. Management informed us that it has improved its practices in this area.

136. Internal and external benchmarking of costs. The importance and necessity of benchmarking as a regular management practice was stressed in the last special examination report. The CBC has carried out some benchmarking but it has been limited, in part due to the lack of required financial information from previous information systems.

137. To test the effectiveness in practice of program cost controls, and to examine the feasibility of benchmarking in the complex broadcasting environment, we carried out our own cost comparisons for the News and the Current Affairs genres. We compared data from two private Canadian broadcasting networks, one English, one French, with data provided to us by the CBC.

138. Television production costs vary widely as a result of quality and market demand considerations. We focussed on the cost-per-hour of programs offered on a

regular basis, and limited our attention to direct cost of original programming only, ignoring overheads, repeat programs, specials and the dedicated news channels. Even so, costs per hour vary greatly within these genres. The ratio between highest and lowest cost per hour is large, by as much as a factor of 30. Thus, in assessing these programs, we looked beyond individual numbers and made comparisons between activities that are properly comparable, both within the Corporation and between the Corporation and private broadcasters.

139. For network news, we found that the cost of the premium evening news and magazine hour, including all network newsgathering, was 30 percent higher for the English network than the French network. Management explained that *The National* is routinely produced three times a night, that the news stories of interest to English Canadians originate to a larger degree from outside Ontario and Quebec, and that there are differences between the ETV and FTV collective agreements. The reasons for these differences should be carefully examined by management.

140. Comparing the average cost of network current affairs programs was more problematic, because the English network produces fewer original hours than the French network (111 hours in 1999–2000, compared with 207), but repeats them more often (2.26 plays of each original hour, compared with 1.56). We therefore measured both the cost per hour produced and the cost per hour broadcast. On a production basis, the English network's current affairs programs cost 90 percent more per hour than the French network's, while on a broadcast-hour basis the difference is 30 percent. For series produced for prime time, which are expected to have better production values, the ETV's cost per production hour is 50 percent greater than FTV's. Management again attributes these to differences in collective agreements, and to the additional costs incurred for

travel needed to ensure that ETV's stories have a geographical mix appropriate to its audience. There are also areas where costs can be reduced through better staff utilization. Here again, the reasons for these differences should be carefully examined by management.

141. We then compared CBC news costs with those of the private sector, using information supplied to us by each. From this we concluded that the production costs of ETV's *The National* and its regional supper hour and late news, and FTV's local news in Quebec outside Montreal, were comparable with the costs of similar private broadcasters' programs.

142. The recent implementation of a new financial system should facilitate benchmarking within the Corporation and with private Canadian broadcasters. Furthermore, the Australian Broadcasting Corporation recently approached the CBC and the BBC with a proposal that it champion benchmarking among the three organizations.

143. Our experience with benchmarking of program costs demonstrated the difficulty of finding true like-to-like comparisons. Very large variances of cost can be acceptable if they reflect the quality desired by the broadcaster, anticipated use of the program, or cost of on-air talent. One must therefore be careful that cost comparisons are not misrepresented as measures of relative efficiency in these circumstances. Used carefully, benchmarking can encourage sharing within an organization and can be a source of new ideas based on the experiences of others.

Facilities Utilization

144. CBC has capital assets with a net book value of \$1.1 billion. Approximately one third of this is for the Toronto Broadcast Centre, while technical equipment represents the major portion of the rest. The Re-engineering Task Force is

determining the cost of maintaining these assets, but it would be reasonable to conclude that it represents a significant portion of the CBC's total expenditures. As total expenditures decline, the costs of these facilities gradually increase as a percentage of the total. This reflects the non-discretionary nature of a great portion of these costs, given current infrastructure practices.

Facilities utilization continues to be a problem

145. The CBC has two large production facilities — the Toronto Broadcasting Centre and La Maison in Montreal — and regional and local facilities across Canada. They house administration operations, studios and post-production facilities for television and radio, master control and transmission and distribution facilities, and storage for things like costumes and sets.

146. Our 1995 special examination report noted that CBC television studios in both the Toronto Broadcasting Centre and La Maison were underutilized. For the current special examination we repeated the analysis of utilization of television studios and post-production facilities. We did not look at radio studio utilization, but we understand that management in both Toronto and Montreal have closed or are closing radio studios to reflect reduced requirements. We also reviewed facility configuration and use in the regions.

147. In our 1984 comprehensive audit of the Canadian Broadcasting Corporation we noted that the Corporation's facilities mix led to "too many fixed costs chasing too few flexible programming dollars." While a lot has changed in the intervening years, the same situation exists now. The two main broadcast centres continue to have low utilization rates, and planned re-engineering will have an impact on regional utilization rates.

148. Network television studios. We assessed utilization based on the percentage of available days a studio was in use for any part of the day. This is a very generous definition of use, since the two major broadcast centres were designed on the assumption that many programs would use the same studio.

149. At all facilities, news studios continue to be well utilized. For instance, in Toronto, news studios are used on 91 percent of available days, and in Montreal they are used 97 percent of available days. Usage of production studios in Toronto and Montreal remains quite low at about 60 percent. Usage of rehearsal halls at the Toronto Broadcasting Centre has declined significantly, from 80 percent five years ago to about 14 percent today. This is due to the elimination of in-house studio drama production.

150. Management has sought to increase utilization by renting out studio space. In Toronto, utilization of non-news studios would have been half the current level without rentals. Rental of CBC studios to external parties was negligible at the time of our previous special examination.

151. The decline in studio utilization reflects the move from in-house production to independent production companies. The Canadian Television Fund has changed the production model, making it less attractive to produce drama in-house.

152. Network television post-production facilities. We also examined the utilization of edit suites and other post-production facilities. Use of edit suites in the Toronto Broadcasting Centre has declined, in part because of the introduction of the non-linear edit suites which do not readily allow multiple users. Montreal utilization of post-production facilities was not analyzed for our last special examination, but their current rates are similar to those in Toronto.

153. Regional facilities. Regional facilities for radio and television serve as transmission and distribution centres, studios for network production, local and regional news, and other regional programming. They were initially established under level of service notions, such as a facility in every provincial capital or region. Others were added in response to local pressures and special circumstances. At this time, there does not appear to be an overall rationale for the current constellation of regional facilities. Regional facilities are generally in good condition. A strategic decision was taken during the downsizing process to invest in new technology to increase efficiency. Utilization in the regions is not generally tracked, but it seemed reasonable in the locations we visited, given the regional news schedule, which is driven by the early evening and late evening time slots. Utilization of regional non-news studios varies, depending on the extent of network programs, regional shows and rental use of facilities. Initiatives have been taken to increase utilization, including rentals to private organizations and use of facilities for CBC specials and network programs.

154. Other facilities. The Re-engineering Task Force is currently looking at the utilization of space for offices, with a view to rationalizing it and increasing opportunities for rental. For regional facilities, reduced needs for space may result in consolidation or increased rental opportunities. Consideration is also being given to moving storage of sets and props to less expensive locations. We understand that there are significant opportunities in these areas. Master control and transmission and distribution are an integral part of facilities, and we did not assess whether there were opportunities to improve utilization in these operations.

155. Overall, the CBC continues to have more facilities than it needs, and initiatives to date have been insufficient to

achieve acceptable utilization levels. The situation can only become worse under current planning assumptions of constrained resources, increased productivity and reduced in-house programming. These facilities symbolize both the strengths of the CBC (local presence, community relationships, production capacity, sophisticated technology) and the weaknesses (inflexibility, ongoing resource drain).

156. At the time of our examination, CBC had not completed an analysis that would indicate the cost (taking into account revenue potential) of alternative facility arrangements and hence the true cost of remaining in its current facilities such as the Toronto Broadcasting Centre.

157. CBC infrastructure excesses impose an ongoing drain on resources and divert management attention from core responsibilities. This area requires immediate attention and resolution, and we support the efforts of the Re-engineering Task Force in this area. Efforts should focus not just on solutions to CBC's current situation but also on recommending optional approaches to better manage CBC's real estate assets in the future. This will be a key element of the balanced strategy discussed earlier in this report, and must be based on notions of service to Canadians and delivery of CBC's mandate. This issue is linked to other strategic issues, such as the future of regional news, use of regional facilities for network programming, and the future of in-house production by the CBC.

Support Services

158. In 1995, we assessed the operational efficiency of the finance, human resource and management information services and concluded that they were expensive. Since then, management has evaluated, restructured and downsized support services. This area has been examined extensively, and a

variety of mechanisms are used for continuous improvement:

- Studies and reviews include a 1995 study, subsequent benchmarking studies of the human resources and information technology management services, a review of the efficiency of building maintenance services as part of the analysis of the benefit of outsourcing this function, and an engineering services internal benchmarking study of transmission and distribution activities.

- Most services have assessed the costs and benefits of outsourcing part of their activities. Outsourced services now include insurance, mailroom, shipping and receiving, some tax functions, internal audit, certain IT support and project development activities, and building management services.

- Each of the support services holds regular meetings between corporate and network personnel and between network and regional personnel.

- The annual planning process gives support service managers the opportunity to clarify their priorities for the year and to document targets and deadlines.

- In 1999, a vendor satisfaction survey rated the corporate finance group between good and excellent. The information technology and engineering groups monitor service level agreements established with their internal clients as a way to gauge user satisfaction.

Good progress has been made in improving support services

159. Considerable progress has been made in the delivery of support services over the last five years. A more strategic approach has been taken to align support services with corporate goals. These services consume significantly fewer resources than in the past (see Figure 9) and the level of service provided has been maintained or improved. New information systems, most notably the new financial

system and improved personnel, payroll and time reporting systems, promise greater efficiency, cost control, and support to decision making.

160. A few opportunities for continued improvement remain. For example:

- The new financial system has helped improve efficiencies and overall financial control but is still at an early stage of development. Users require improved reporting mechanisms and more training. Leadership is needed to ensure that costs are recorded in a consistent manner across services, to allow proper cost control and internal benchmarking. Some “side books” still exist and some financial

Figure 9

**Support Services Resources
Full-Time Equivalents 1**

Support Service	March 31 1995	March 31 2000	Variance
Finance ²	565	254	(311)
Human Resources ³	296	219	(77)
Information Technology	343	248	(95)
Transmitter Maintenance	257	165	(92)
Building Maintenance ⁴	130	61	(69)
Capital Projects	109	69	(40)
Engineering Administration and Planning	63	26	(37)
Toronto Broadcast Centre	50	0	(50)
Communications	31	21	(10)
Promotion of Program	284	233	(51)
Total	2,128	1,296	(832)

Source: Finance CBC

¹ Full-time equivalent (FTEs) includes permanent, temporary and contract staff. Staff on long-term disability are excluded.

² Includes shared services (38 FTEs). The 1995 figures have been adjusted to exclude services outsourced and/or transferred to other areas.

³ Excludes services funded by the Pension Board.

⁴ Excludes 158 FTE reductions from outsourcing building services to Profac.

record-keeping systems remain in operation outside the official finance system. A new module and added reporting functions should improve the reporting capability of the new system and help to eliminate these other systems.

- Most regional managers we interviewed were dissatisfied with the new Totally Integrated Personnel/Payroll System and the new Time Capture System, noting problems such as inflexibility, limited reporting capabilities, manual interfaces, and increasing demands for pay administration. A task force has identified many of these issues

and action plans have been established to deal with them.

- Downsizing and a more strategic orientation have reduced the ability of the human resources function to offer all of the services it has in the past, such as pay and benefits services and consulting services to deal with matters such as problem employees. Staff in French-language services in the regions are concerned about the absence of HR services in French.

161. Overall, however, the CBC has made substantial improvements to its support services since the last special examination.

Opinion

We examined the systems and practices we considered essential to providing the Corporation with reasonable assurance with respect to its assets being safeguarded and controlled, its resources being managed economically and efficiently, and its operations being carried out effectively. In our opinion, with respect to the criteria established, there is reasonable assurance that, with the exceptions noted below, there are no significant deficiencies in the systems and practices examined.

1. The CBC cannot operate in an optimal fashion without a strategy that balances the results it is expected to deliver, expectations for audience reach, and how available resources can be optimally configured to meet them. This strategy would provide a basis for decisions affecting the effective and efficient functioning of all aspects of the Corporation's operations. Difficulties over the years in establishing a balanced strategy have resulted in prolonged discussions of the appropriate role of the public broadcaster. The current President launched a re-engineering effort intended to refocus priorities and rebalance expectations with resources, but it is apparent from the reactions to these proposals from across Canada that, like previous similar efforts, there will be many challenges to overcome. In the volatile environment that CBC works in, it needs a process through which the Corporation and its key stakeholders can periodically discuss the role and funding of the public broadcaster and measure its success.
2. There are shortcomings in the Corporation's external accountability structure, its governance relationships and its performance information. These are critical to developing a balanced strategy, securing support for it, sustaining and updating it, and reporting on performance. The absence of a comprehensive, relatively simple performance reporting framework that links programming results to programming and non-programming resources constrains accountability and oversight of key management initiatives.
3. CBC has gone through a prolonged period of stress, and it appears that this will continue. Our examination indicates that this has had an effect on the creative staff who are critical to the success of the CBC. At the same time, it continues to be important that the Corporation reinforce efforts to introduce a more business like culture. People management efforts, therefore, need to be reinforced in two areas:
 - A creative organization survives on the basis of its ability to attract, retain and motivate its creative talent, and to foster the development of young talent. This can be promoted by encouraging staff participation and recognizing their creative contributions and excellence. Our discussions with CBC staff and management indicate that cultural change in this area requires further visibility and support from senior management.
 - The CBC has made good progress in introducing a more business like culture, but this priority needs to be re-emphasized. It should be supported by clear objectives and plans, visible initiatives and communication with staff about the importance of cultural change.

Critical to the success of cultural change is recognition of the need to manage change proactively and positively in an environment of continuing budget pressures, technological change and changing management processes and structures.

4. CBC infrastructure excesses impose an ongoing drain on resources and divert management attention from core responsibilities. This area requires immediate attention and resolution, and we support the efforts of the Re-engineering Task Force in this area. Efforts should focus not just on solutions to CBC's current situation, but also on recommending optional approaches to better manage CBC's real estate assets in the future. This will be a key element of the balanced strategy discussed earlier in this report, and must be based on notions of service to Canadians and delivery of CBC's mandate. This issue is linked to other strategic issues, such as the future of regional news, use of regional facilities for network programming, and the future of in-house production by the CBC.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
12 May 2000

Appendix

Systems and Practices Examined and Related Examination Criteria

Examination criteria define the standards against which systems and practices are assessed. They are expressed in terms of reasonable expectations for these systems and practices to achieve corporate results. The criteria were selected by our Office specifically for this examination, in consultation with the Corporation. They were selected based on our knowledge and experience with value for money auditing by reference to legislative and regulatory requirements, to standards and practices followed by the Corporation and by other organizations and to professional literature. The criteria for each key area selected for examination are as follows.

For the six key areas, CBC’s management systems should be:

- designed to include the elements described below;
- appropriately documented and communicated;
- consistently applied; and
- continuously improved.

1. Strategic Management

- Approved legislative mandate for all activities
- A clear and shared strategy supported by a practicable corporate strategy with measurable, results-oriented goals
- A well-performing governance framework that meets best-practice expectations for roles, relationships, timely decisions, reporting and renewal
- A positive internal culture, with clear accountabilities, an appropriate balance between centralized and delegated responsibilities, and sharing across services
- Effective stakeholder relationships
- Results-oriented reporting to assess performance

2. Strategic Planning and Risk Management

- Identification of important internal and external factors and risks
- A practicable corporate strategy that balances reach, results and resources
- Definition of long term requirements for human, physical, financial and information resources, and plans to support the delivery of the overall corporate strategy
- Timely decision making
- Productivity improvement measures to reduce costs without compromising service

3. Service to Canadians

- Plans, linked to resources, for programming that supports the corporate strategy
- Measurement and benchmarking of value, cost, quality and availability of programming and audience reaction to it
- Measures to optimize co-operation and minimize unnecessary duplication between services
- Processes to control costs and improve productivity
- Processes for client feedback
- Adequate information for decision making

4. People Management

- Measures to develop a positive corporate culture
- Measures to attract, retain and motivate creative talent
- Processes to understand employee satisfaction and sources of stress, and to respond appropriately
- Participation by staff in the continuous improvement of operations and support
- Collective agreements and conditions of employment that balance employee and organizational needs and expectations

5. Capital Assets

- Definition of long term requirements for capital, built upon level of service considerations, to respond to reach and results expectations, key factors and risks such as digital technology, and new media and transmission alternatives
- Viable capital investment strategies
- Mechanisms to optimize usage of and revenues from studios and other facilities

6. Support Services

- Development and use of benchmarks for cost and level of service
- Periodic assessment of alternatives
- Good information for decision making, including costs and user satisfaction
- Evidence of improvement based on the above