



# Concluding Observations

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## 15.1 The Matrix of Media Management

We have come a long way since the opening chapter of this book. In the subsequent sections, we have covered much ground. As we observed at the beginning, the subject matter of media management can be thought of as a two-dimensional matrix. The *vertical* dimension is that of the various industries. Most of the books in the field follow this approach.<sup>1</sup> The industries we examined:

- distribution platforms: internet, telecom, TV and radio broadcasters, cable, satellites, and media clouds;
- content-creating industries: music, film, TV, books, newspapers, magazines, video games, and more;
- device-making industries: media-tech information technology, consumer electronics, and components.

In contrast, the *horizontal* dimension of the media management matrix is that of business functions—finance, marketing, distribution, and so on.<sup>2</sup> Each of the chapters covered a major management function, and their challenges were described and analyzed. Each of these functions is run by a high-level executive with extensive staff (for large companies) or by a multitasking entrepreneurial team (for start-ups).

- Producing
  - Production management
  - Technology management
  - Human resource management in the creative sector
  - Financing media and digital activities
  - Managing intellectual assets
  - Legal, regulatory, and public affairs
- Harvesting
  - Market and audience research
  - Marketing
  - Pricing
  - Distribution
- Controlling
  - Accounting in the information sector
  - Strategy setting and implementation

To make a media and information company effective, each of these functions and their managers must be made to work well, and work well together; or these functions must be outsourced to external specialist firms and professionals.

It has been the goal of this book to overcome the limitations of approaching the matrix from one dimension only. Instead, it applied the major dimensions of a management studies to the entire media and information sector. In the process, communications students and media professionals will have got a summary of an MBA curriculum covering many business issues and management tools. At the same time, more general-oriented business students and managers will have received an introduction into the media and information sector, and a “capstone” that integrates the various strands of a business curriculum as it applied to one sector.

## 15.2 Is Management in the Media and Information Sector Different?

### 15.2.1 Fundamental Factors

At the outset, we asked the question whether management in the media and information sector is distinct from the one deployed more generally. The answer is yes and no. It is an industry sector with many of the same incentives and constraints as exist in other parts of the economy. But it is also a special field with its special set of fundamental economics, policy sensitivities, technology dynamics, and market organization. Media and media-tech industries are also on the leading edge of innovation when it comes to new organizational practices and market relations.

We identified the factors that make media management special. We discussed twelve such fundamental factors at work. They include extremely high economies of scale; network effects; instability of demand; exceptionally high risk for product failure; extraordinarily rapid technological change; excess supply and price deflation; divergence of cost trends and convergence of technologies; high distance insensitivity; cumulative and accelerating returns; a pervasiveness of intangible assets; the presence of economic non-maximizers; and public good characteristics with a wide range of governmental interventions.

These characteristics impact just about every media activity and media manager. In each of the twelve major chapters of this book, we analyzed how they affect the particular functions of a media company. Many of these characteristics exist in other industries too, but not in the same combination or intensity. Together, they create unique incentives, demands, and constraints. Such particularities and peculiarities create a need for media-specific management considerations and analytical tools. In that sense, media management is indeed different.

### 15.2.2 Personal Motivation

There are also personal dimensions that make media management special. As we observed in the introductory chapter, management of media and information ventures has appealing cross-overs: creativity meets management; imagination meets technology; arts meet investment; business meets public policy; left brain meets right brain. Why are so many talented people interested in working in the media and media tech sector? It is a risky business, with its share of complex personalities. Yet all of us have a creative spark which has often subsequently submerged. We have become consumers and spectators. But managing in the media brings it back, in a way. Media integrates parts of our personalities and biographies. It is an endlessly interesting, fascinating, enthusiasm-building field. Its horizons of creativity and technology are unlimited. It creates the entertainment that forms our fantasies, shapes our styles, and sets our role models. It shapes our analysis of the world.

1 For details, see the literature cited in ► Chap. 1 Introduction, Footnotes 3 and 4.

2 For details, see the literature cited in ► Chap. 1 Introduction, Footnote 5.

It is the trendsetter that affects our tastes. It represents sweet imagination, seductive opportunity, rich possibilities, glamorous pioneering style, opportunity, fortune, and fame.

### 15.3 Challenges for Media Managers

Information has moved from being a supplementary factor to being the central business input and major output of advanced economies. Where information was once a scarce resource, it is becoming an abundant resource. Such a new environment requires:

- individuals capable of managing the production and use of information resources;
- organizations capable of deploying such individuals;
- tools to analyze and operate such organizations.

As important the nurturing of creativity and innovation is, ultimately it must be based on an economic foundation of investments, expenses, revenues, and income. Being able to plan and control activities and money is essential. This requires an understanding of statistics, finance, accounting and information systems.

The last few years have created a set of enormously powerful technology tools. These building blocks have only begun to transform the media and economy. Digital technology reshapes core processes, costs, products, content, distribution, customer relations, and consumption patterns. The elements are known and they are now making their way through the economy and society. John Maynard Keynes, possibly the most influential economist ever, observed that analyses of the future lack a scientific basis, and one therefore cannot work out long-range strategies; instead, what can be done is to prepare companies for opportunities and immediate challenges.<sup>3</sup> Yet we can also look ahead. In the media-tech field, “the future is already here, it is just unevenly distributed,” as William Gibson, chief technologist of Sun Microsystems, noted.<sup>4</sup> Trends such as Moore’s Law about the rate of progress in electronic components, will continue for some years, and one can engage—carefully—in extrapolation and projections.

As the newly emerging tools fully absorbed into economy and business behavior, new practices and organizations converge with the old ones. In the process, both are being reconfigured. This creates incentives to rapid investment. It generates boom–bust cycles. It affects the velocity of knowledge creation, the structure of markets, of companies, and of most institutions of society.

#### 15.3.1 The Search for a New Media Business Model

Traditionally there have been two basic business models for media, pay and advertising. Both are severely challenged. Impediments to the pay model are that “information wants to be free.” Even if piracy could be controlled, market forces are at work. With so much content being offered there is a relentless price deflation. It becomes difficult to charge for information directly.

The advertising model, too, is under pressure. The supply of ad space greatly exceeds demand. Competition drives down prices. There is a greater possibility for customization, but it is complex and costly. Readers and viewers can bypass advertisements. They increasingly refuse to pay for content by providing their attention. This has led to a third model of compensation—for users to “pay” by giving up information about themselves, thus making the remaining advertising more effective. Yet this direction raises issues of privacy and informational sovereignty.

The revenue model is not the only challenge to digital companies. There has also both a transformation of the traditional value chain. Producers, distributors, and consumers of information can interact directly or in different ways. In the past, media, information, and communications companies forged stable and profitable niches through high market shares in sub-markets, conglomeration across markets, and vertical integration. In the new environment, specialization, horizontal consolidation, and global expansion seem to perform better than conglomeration and vertical integration. The new environment requires a structural change in the way that the firms are organized.

#### 15.3.2 The Search for a Media Industry Structure

It is likely to lead, over time, to a system that combines two major types of companies:

- Specialist firms which concentrate on particular technology elements and on focused content.
- Integrator firms whose major contributions are to co-ordinate, finance, bridge, market, and collect. These could be major media companies, but more likely network distribution companies, and new-style information-sector firms such as Google or Amazon.

#### 15.3.3 The Search for a New Content Model

The traditional content model was based on mass-market content (blockbusters) as well as products for more specialized audiences. Audiences are now much more fragmented and oriented toward “long tail” content than in the past. The new broadband pipes will lead to new types of content. It is becoming participatory, individualized, and immersive; an experience, not just a show. To produce such content is

3 Sánchez-Taberner, Alfonso. “The Future of Media Companies: Strategies for an Unpredictable World.” In *Strategic Responses to Media Market Changes. Media Management and Transformation*. Ed. Robert G. Picard. Jönköping, Sweden: Jönköping International Business School LTD., 2004.

4 Chakravorti, Bhaskar. “The Future of the Future: Where Are the Breakthrough Innovations?” *Huffington Post*. April 22, 2014. Last accessed July 14, 2017. ► [http://www.huffingtonpost.com/bhaskar-chakravorti/the-future-of-the-future\\_b\\_5194767.html](http://www.huffingtonpost.com/bhaskar-chakravorti/the-future-of-the-future_b_5194767.html)

complex and expensive. The economies of scale are enormous, and transmission is distance insensitive. Together, these factors will lead to very large media firms playing an increasing role around the world as the central nodes.

### 15.3.4 The Search for New Government Policy and Regulation

Media managers often underestimate their public role. Media have high visibility, cultural significance, commercial impact, and political clout. As a result, they are usually in the crosshairs of governments that want to assure various goals of public policy. Media suffuses society, and therefore society suffuses media. Hence, a media firm's activity more than for most organizations, is subject to numerous constraints by government. Given these important and multiple roles it would be naïve to imagine that media and related digital firms will be able to function purely with a bottom-line orientation like most other businesses.<sup>5</sup>

Governments are not sure how to proceed. Should there be converged regulation? Separation of platforms and content? Barriers to free flow of content to protect national cultures? Support policies for upgrade investments in infrastructure? Access rules? Subsidies for the connectivity of weaker segments of society? Restrictions on ownership and mergers? Laws to protect privacy and security? Many of the old tools of control are becoming ineffective, while new tools are not easy to conceive or implement. More fundamentally, the boom–bust cycles in the sector show problems of instability in the media and digital industries. Media managers are in the middle of this transformation. They need to understand the forces in society and how they affect the regulations. They must anticipate and shape these rules. And they must comply with them, both domestically and globally. This is a process that must be organized and managed.

### 15.3.5 Understanding the Future and Understanding the Past

The media and information field is progressing at a prodigious rate. To assess it properly requires knowledge of the details, but also an understanding of the big picture. This means an understanding of where things have been coming from, and why. A sense of history is important to recognizing how people, companies, and governments have been acting and reacting in the face of media and technology transformations, and to learn from their successes and failures. It helps to understand the different cultures and hence actions of companies, industries, and countries. This requires knowledge of technology, its drivers, its leading edges, and its

trends. It also means an understanding of societal dynamics and their impact on people and politics.

### 15.3.6 Dealing with People

Media managers need to deal with several categories of people. Most obviously, there are customers or users. They are often unpredictable in their preferences and needs. They also affect each other. As societies become more heterogeneous, and as the supply of media content and services rises, these preferences become more specialized, more demanding, and harder to ascertain. A second major category of people is of those working for the media company, both inside and outside the organization. These include industrial workers, freelancers, middle-level managers, techno-geeks, and creatives. Each of these groups requires different types of attention by managers.

### 15.3.7 Globalization of Media and Information

There is a collapse of physical space, where a “death of distance” creates new markets for information goods and services, enables the entry of new competitors from abroad, and expands the footprint of companies.

There was a time when media activities were organized locally and nationally, in terms of companies, content, audiences, and governmental controls. That kind of segmentation is giving way to much wider cross-national footprints of activities. The challenges for managers in that environment is that they must broaden their understanding of markets, rules, competitors, audiences, and workforces far beyond their comfort level of familiarity.

### 15.3.8 How Organizations Succeed

Is there a “silver bullet,” a lever for success in this field? As we discussed in ► Chap. 14 Strategy Planning in Media and Information Firms, the classic business school approach is to “chart the best course.” That approach is to find the optimal strategy and try to get there. The alternative approach is to “build the best ship.” This has been the prescription of this book: *get the parts right and whole will work out*. Optimal strategy will keep changing. An organization based on a set of effective parts can handle rapidly changing strategy needs. Mutation and “strategic morphing” are needed to succeed in a volatile environment.<sup>6</sup> As Charles Darwin concluded, “It is not the strongest of the species that survives, nor the most intelligent, but rather the one most responsive to change.”<sup>7</sup>

5 Butler, Kelley M. “Examining the benefits of corporate social responsibility.” *Employee Benefit News*. May 1, 2006. Last accessed July 11, 2017. ► <http://connection.ebscohost.com/c/articles/20826550/examining-benefits-corporate-social-responsibility>

6 Kauffman, Robert J.; Miller, Tim; and Wang, Biin. “When Internet Companies Morph; Understanding Organizational Strategy Changes in the ‘New’ Economy.” *First Monday* (July 2006).

7 Brul, Caroline van den. *Creativity by Design*. Last accessed on 12 July 2010 at ► <http://www.creativitybydesign.co.uk>

### 15.3.9 Organizational and Personal Responsibility

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Beyond organizational recognition of a media organization's role as an important factor in society, there is also a personal responsibility for a media manager. Ultimately, companies are run by people and people have aspirations, needs, ambitions, and ideas. Media managers should not forget some of the reasons they choose their occupation:

- to support creativity;
- to support an informed society;
- to keep growing personally;
- to appeal to our better self rather than our worst instincts;
- to be part of change;
- to be at a leading edge of innovation in technology and relativity;
- to be responsible to others and to oneself.

As we observed in the opening of the book, the good news is that for those interested in the information resource—how to produce it, how to distribute it, how to use it—the present is the most exciting period ever. The bad news is that it is also a period with the greatest uncertainty and risk ever. What does it take for success in the media business? Creativity, innovation, and performance, of course. But that is not enough. It requires an understanding of technology, money, markets, audiences, pricing, global business, economics, managerial accounting, government relations, and the ability to nurture and lead talent. This book wants to help those in the media, information, and media tech sector become creative managers, and managerial creatives. The objective of this book is to make media management less daunting and less filled with blinding hype. It aims to make the reader a more effective, more productive, and more responsible participant.