



Introduction

- 1.1 The Need for “Media Management”? – 4
- 1.2 Approaches to the Study of Media Management – 5
- 1.3 Approaches to the Teaching of Media Management – 5
- 1.4 Outline of the Book – 6
- 1.5 Outlook – 7

1.1 The Need for “Media Management”?

This book is aimed at graduate courses and the professional market. A shorter version is available for the college level. The basics are shared because the subject matter and its importance are the same.

Everybody understands the importance of the media and information sector. It is a growing and dynamic field, encompassing content creation, distribution platforms, and technology devices. The information industry sector in 2017 accounted for about \$1.7 trillion in the USA and \$6 trillion worldwide, about 6% of the global gross domestic product (GDP). As a share of “discretionary income” the share of the sector is closer to 20%; and as a share of “discretionary time” it is an extraordinary 30%. Per capita media consumption in the USA is 2100 hours annually, which translates to 5.7 hours a day. And it is not only quantity that counts. Media industries are also a driver of change, leading in technological innovation, testing new organizational practices, and transforming societal institutions and culture. This has always been the case. Gutenberg’s movable print not only upended religion, science, and politics, but it was also the first machinery of any kind used for mass production. The production and distribution system for film has been the forerunner for an emerging production system of virtual companies. And more recently, the internet is changing everything again, far beyond the media and information sector. There is therefore no dispute over the centrality of the sector in advanced and developing economies and societies.

What is more of a question is whether the actual management activity in this sector is special. Is managing a media or information sector company different from managing a car manufacturer? An airline? A bank? After all, every business is run by similar functions—strategic planning, financing, human resources, production, marketing, distribution, accounting, government relations, and so on.

There are two perspectives. The first holds that managing media is quite distinct from management generally. Media—at least their content segment—are not driven by numbers and analytical models in the same way that other industries are. Managing media is based on creativity, “feel,” and intuition. The profit-motivation of business is also supplemented by a strong orientation to public service and cultural contribution. Media are thus seen as a special sector, with their own incentives, policy sensitivities, traditions, and styles.

In addition, the status of management in media organizations is unique. Whereas in most industries management need not justify its analytical approaches and motivation, in the media sector the very legitimacy of management is in question. Within companies, managers are often overshadowed by the “creatives,” who have prestige and public visibility. Managers are seen as “bean-counters” and “suits,” as narrow-minded clerks focused on the bottom line. In no

other industry does management have to continuously apologize for doing what managers do: raise money, hire and fire, control costs, and market the products.

But is that cultural difference enough to conclude that the management of media is too different from other industries that one cannot apply general management concepts and practices? The second perspective disputes that. It had that the distinctions do not make a difference. Economists and business researchers are used to almost every industry considering itself special. Agriculture, energy, health care, law firms, biotech, aviation, banking—they all see themselves to be governed by different principles. Yet all businesses have major commonalities: they must all raise funds, select projects, hire employees, arrange for inputs, create outputs, price them, market them, account for the results. The production technologies and distribution processes might be different, but the principles of economics and management are not.¹ In that perspective there is no “media management,” just as there is no “kitchen appliance management.”

But this, too, is overly simplistic. Yes, basic management principles apply to all industries, but media industries also have special characteristics. There are several fundamental factors at work, which, while individually not necessarily distinctive, are unique in their combination.

The differences are on two levels. There are “big picture” and narrower factors. The central setting of information production and distribution in the post-industrial economy and society, together with a tradition of public service and cultural contribution, are the “macro environment.” The fundamental business characteristics of information goods and services constitute the “microenvironment.” For example, it is a characteristic of media and information products to have extremely high fixed costs and extremely low marginal costs. Information is typically expensive to produce but very cheap to reproduce. Distribution networks are expensive to create but cheap to extend to additional users. Management implications are: large firm size, market concentration, incentives to mergers, incentives to early entry, incentives to imitation and piracy, intense price competition, prices that do not cover costs and are thus not sustainable, imperatives to price discriminate, and more. Twelve defining characteristics of media and information production and distribution are outlined in this book’s second chapter, “The Information Environment.” These and other characteristics impact just about every media activity and media manager. Many of these characteristics exist, of course, in other industries—but not in the same combination. Together, they create unique incentives, demands, and constraints as compared with those of industrial productions or other services. An example is the need for media strategies to “compete with free.” Where else

¹ Shapiro, Carl, and Hal R. Varian. *Information Rules: A Strategic Guide to the Network Economy*. Boston: Harvard Business Review Press, 1998.

must a company contend with zero-priced rivals giving away their products? Such particularities create a need for media-specific management approaches and analytical tools. In that sense, media management is indeed different.

1.2 Approaches to the Study of Media Management

For a long time, media management had a strong reliance on experience and gut feeling rather than numbers and analytical formulas. Book publishers used their experience to make hypotheses about the number of copies to print, the price to set for consumers, and the advance that should be paid to authors. Film distributors made educated guesses about the marketing budget of films and the numbers of home video copies to produce. Media tech entrepreneurs often forge ahead with more optimism than disciplined business plans. But lifelong experience in one segment of this increasingly overlapping environment does not suffice, nor does business daring.

It is, however, relatively easy to talk about the need for a holistic and convergent media management and much harder to provide its elements. One reason is the lack of an organized set of analytical tools. Economists have long talked about the three factors of production—capital, labor, and land. Over time a theoretical analysis has been developed for each of them. Finance theory has done it for capital assets; labor economics has provided a body of analyses for the people aspects of organizations; and regional and resource economics have investigated land use. But a fourth factor, information, has no integrated set of analytical tools that are equivalent. Information—as an input and as an output with its consumer manifestation of “media”—has no integrated body of analysis that can be used for management and decision-making. There are, of course, several kinds of “information theories” but they are useful for media managers only in a tangential way. One information theory is that of technologists: how to squeeze more bits into a pipe. Another kind of information theory is that of economists, dealing with asymmetric knowledge. But these theories do not relate directly to media where information is the output, not the input.

To deal with this, media management economics, a new sub-discipline, is emerging to provide analytical tools and insight into activities in the media and communications environment.² It combines several analytical management

disciplines such as microeconomics, financial economics, statistics and operation research, the behavioral sciences of sociology and psychology, managerial accounting, and marketing. It deals with an industry sector—media; with a product—media content; with an input—information; with a creative process—content production; with complex distribution systems—telecom TV and internet platforms; with dynamic technology—information systems; and with wide-ranging legal and regulatory challenges.

This is a major task. In time, it will bring the field—the management of information resources and products—to a more central role in economics and business analysis, just as finance theory has achieved. But today it is still an unconventional field for traditional departments, schools, and disciplines, whether in schools of management or communications.

1.3 Approaches to the Teaching of Media Management

Media activities are being taught and practiced all over the world. A large number of communications students end up on the business side of media companies, although the creative side might have been their initial goal, and although the curriculum they studied often does not reflect that career path. At universities, a typical “media business” course, if it exists at all, is usually a survey of the various media industries— film, print, music, internet, TV. A second type of course focuses on political economy, reviewing the role of media and with an element of media policy. A third approach, often practiced in management programs, is to use existing generic courses such as marketing or strategy and supplement them by media-specific cases and examples. A fourth approach is an umbrella course of guest speaker presentations by media professionals. This can be interesting and informative but typically lacks analytical tools.

In addition to students, many young and rising professionals who are already active in information sector firms, whether start-ups or established ones, find themselves in need of management concepts. They have often risen through the technical or creative ranks and find themselves as mid-level managers, yet without a business training. They require materials that apply a business curriculum to their jobs and industry.

There is therefore a need for courses, textbooks, and handbooks to help prospective and current managers in the media and information sector. Some do exist, of course. Basically, the subject matter can be thought of as a two-dimensional matrix. The vertical dimension is that of the various industries—music, film, internet, media tech, etc. The horizontal dimension is that of business functions—finance, marketing, human resource management, for example. The verticals tend to be taught or written about by sectoral experts on the particular industry “silo.” Books that follow this approach are organized by media industry

2 Several survey articles appear in: Albarran, Alan B., Chan-Olmstead, Sylvia M. Chan-Olmstead, and Michael O. Wirth. Eds. *Handbook of Media Management and Economics Handbook of Media Management & Economics*. Mahwah, NJ: Lawrence Erlbaum Associates, 2006. They are: Picard, Robert G. “Historical Trends and Patterns in Media Economics,” Albarran, Alan B. “Historical Trends and Patterns in Media Management Research,” Mierzejewska, Bozena I. and C. Ann Hollifield. “Theoretical Approaches in Media Management Research,” and Wildman, Steven S. “Paradigms and Analytical Frameworks in Modern Economics and Media Economics.”

such as music or TV,³ or by industry categories such as video media.⁴ Yet one of the defining characteristics of the overall sector is its increasing convergence.

The second approach has been to take the horizontal dimensions of the matrix: proceeding along disciplinary and functional lines, such as distribution, pricing, or market research. Such approach follows the disciplinary specialties of their authors and is thus rarely interdisciplinary, or holistic across business functions.⁵

- 3 Books: Greco, Albert N., Jim Milliot, and Robert Wharton. *The Book Publishing Industry*. New York: Routledge, 2013; Compaine, Benjamin M. *The Book Industry in Transition: An Economic Study of Book Distribution and Marketing*. White Plains, NY: Knowledge Industry Publications, 1978.
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- Advertising: Jugenheimer, Donald W. and Larry D. Kelley. *Advertising Management*. Armonk, NY: M.E. Sharpe, 2009.
- Web Sites: Elliott, Geoff. *Website Management*. Colchester, UK: Lexden Publishing Limited, 2007. Layon, Kristofer. *Digital Product Management*. Indianapolis, IN: New Riders, 2014; Strauss, Roy and Patrick Hogan. *Developing Effective Websites: A Project Manager's Guide*. Boston: Focal Press, 2013.
- Video Games: Hotho, Sabine and Neil McGregor. *Changing the Rules of the Game: Economic, Management and Emerging Issues in the Computer Games Industry*. New York: Palgrave Macmillan, 2013. Wagner, Marcus, Jaume Valls-Pasola, and Thierry Burger-Helmchen. *The Global Management of Creativity*. New York: Routledge, 2017.
- 4 Vogel, Harold. *Entertainment Industry Economics: A Guide for Financial Analysis*, 10th ed. New York: Cambridge University Press, 2014; Van Tassel, Joan and Lisa Poe-Howfield. *Managing Electronic Media: Making, Marketing, and Moving Digital Content*. Burlington, MA: Focal Press, 2010; Albarran, Alan B. *Management of Electronic and Digital Media*. Boston: Wadsworth, 2013; Chaturvedi, B.K. *Media Management*. New Delhi: Global Vision Publishing House, 2009; Turow, Joseph. *Media Today: Mass Communication in a Converging World*. New York, Routledge, 2013; Lavine, John M. and Daniel B. Wackman. *Managing Media Organizations*. New York: Longman, 1988; Pringle, Peter K. and Michael F. Starr. *Electronic Media Management*, 5th ed. Boston: Focal Press, 2006; López, Juan Torres. *Economía de la Comunicación*. Madrid: Grupo Zero, 1985; Hollifield, C. Ann, Jan LeBlanc Wicks, George Sylvie, and Wilson Lowery. *Media Management: A Casebook Approach*, 5th ed. New York: Routledge, 2015.
- 5 *Marketing and Distribution*: Eastman, Susan Tyler, Douglas Ferguson, and Robert Klein. Eds. *Media Promotion & Marketing for Broadcasting, Cable & the Internet*. Burlington, MA: Focal Press, 2006; Marich, Robert. *Marketing to Moviegoers*. Burlington, MA: Focal Press, 2013; Ulin, Jeffrey C. *The Business of Media Distribution: Monetizing Film, TV, and Video Content in an Online World*. Burlington, MA: Focal Press, 2013.
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1.4 Outline of the Book

It is the goal of this book to overcome the limitations of this matrix and apply the major dimensions of a Master of Business Administration (MBA) curriculum to the entire media and information sector.⁶ In the process, communications students and professionals will gain a sectoral-focused MBA summary, while more generally oriented business students and managers will gain an introduction to the media and information sector, and a "capstone" that integrates the various strands of the MBA curriculum within one business sector.

The book could be subtitled *Management Study in a Nutshell*. It takes most major components of an MBA program, simplifies them, summarizes them, and applies them to the media and information sector. The book covers these tools and approaches in a non-technical way. There are few equations and the style is non-jargony. There are no prerequisites, though an introductory course in economics would probably help in terms of mindset.

The book is organized in three main sections: Producing, Harvesting, and Controlling media and information activities.

■ Part I. Producing

1. Overview: The Information Environment
2. Production management
3. Technology management
4. Human resource management in the creative sector
5. Financing media and information activities
6. Managing intellectual assets
7. Law and regulation as tools and constraints

■ Part II. Harvesting

1. Market and audience research
2. Marketing
3. Pricing of information products
4. Distribution

■ Part III. Controlling

1. Accounting in the information sector
2. Setting and implementing strategy

Each of these chapters covers a major management function. Each of these functions is run by a high-level executive with staff (large company model) or by a multitasking team (start-ups). These functions and their challenges are described and analyzed. To make a media and information company effective, each of these functions must be made to work well, and to work well together; or alternatively these functions must be outsourced to specialist firms and professionals that must be supervised.

The book includes, for each chapter, a case discussion that follows a major media company (some US based, others international) throughout that chapter to illustrate the materials.

6 An academically oriented multiauthor survey of literature and analysis is Albarran, Alan B. and Sylvia Chan-Olmsted, and Michael O. Wirth. Ed. *Handbook of Media Management and Economics*. Mahwah NJ: Lawrence Erlbaum, 2006.

These case materials are set inside text boxes. To facilitate the book's use in a course setting, each chapter is followed by "Questions for Discussion" and a multiple choice quiz.

1.5 Outlook

Information has evolved from a supplementary factor to a central business input and output. Where information was once a scarce resource, it is now becoming abundant throughout the world. Partly as a result, we are going through one of the most creative periods in business history. More wealth has been created in a shorter time than ever before. At the same time, those managing media companies must remember the fate of established communications giants of the past. They must recognize that they might be the next targets of extinction.

This leaves the question: why be a manager in the media and information sector? It is a difficult business with an uncertain career path. Yet it is also an endlessly interesting, fascinating, enthusiasm-building field. Creativity meets management. Imagination meets technology. Arts meet investment. Left brain meets right brain. Youth meets wealth. Media create the entertainment that forms our fantasies, shapes our styles, and sets our role models. It provides our analysis of the world around us. It is the trendsetter that affects our tastes. It represents sweet imagination, seductive opportunity, rich possibilities, style, opportunity, fortune, and fame.

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 the period with the greatest ever uncertainty and risk. 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. What we want to do in this book is to help those in the media, information, and media tech sector become creative managers and managerial creatives. The aim of this book is to make managers in this field more knowledgeable and less blinded by hype. It aims to make readers more effective, more productive, and more responsible participants.

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