11. Media Industries' Management Characteristics and Challenges in a Converging Digital World

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The ongoing convergence of technology, media, and telecommunications has not only transformed the media industry, but also the management practices. This chapter outlines specific challenges for the management of media companies and discusses what convergence means from the perspective of managing media firms.

Introduction

In the last twenty years, there has been considerable discussion about the transformation of the media industry and its relation with telecommunications, bringing these industries closer and making them more convergent – mostly in terms of content management and distribution. Thus, convergence (especially driven by digitalization and deregulation) can be seen as a characteristic trend. This allows for and encourages a confluence between platforms that used to be treated as separate entities in policy issues and which did not often compete directly.

Due in large part to the severe economic recession, media companies in many information markets are not as profitable as they were in the past (especially in Europe and the United States), and traditional business models are no longer as valid as they used to be in the twentieth century. Also, the competition with digital and internet-based firms and online streaming services is growing. This has changed the competitive situation for traditional media companies.

The media industry is characterized by radical disruption and is going through a period of accelerated transformation. This has deep effects on management strategies and practices within and across media companies and industries. It is equally clear, however, that we find divergent characteristics among media industries that recommend distinct practices and strategies for responding to the specificities of diverse media companies and products. Demands on management competencies regarding key media-related practices and strategies are different depending on whether we are referring to a regional newspaper, a national telecommunications company or a transnational television company.

Nonetheless, many media industries are converging and companies are increasingly conglomerated. According to Gershon (2009, p. 269), 'the clear lines and historical boundaries that once separated the fields of broadcasting, cable and telephony are becoming less distinct. A natural convergence of industries and information technologies is blurring those distinctions'. Thus, today's media managers face new industry players and more diverse issues compared with years past. As Borders (2006, p. 118) noted, 'convergence does not operate in a vacuum of the print, broadcast and online newsroom, marketing and promotion; convergence to the audience and advertisers is essential'.

Although one can identify differentiating features of media industries compared to other industries, at the level of business management there are analogies. These include, according to Deuze (2007, p. 63), 'global and local ('glocal') competition, and corporate concerns over sales, advertising revenue, and profits'. Albarran (2002) observed that media management requires a combination of competencies, some general, some characteristic of media as a whole, and some specific to particular media industries, requiring particular individual and unique talents. Clearly, there is great need to develop a more comprehensive and comparative understanding of what is perhaps too simplistically described as 'media management' in the context of transforming and converging industry disciplines and sectors.

According to several authors (Towse, 2008; Picard, 2002), media differ from other products and services due to differences in the mechanics of supply and demand. On the one hand, media products are the result of creative, informative, and artistic work. Therefore, their products receive copyrights, which does not happen with most other types of products and industries. Also, media companies are more visible to consumers because they are an integral part of everyday life. Because of their cultural, political, and social goals, media are more influenced by public policies and regulations than many other industries, and often operate in publicly sanctioned and 'owned' spaces (such as the broadcasting spectrum and wireless frequencies).

Another key distinguishing aspect of media industries from other industries is that content creators and media business managers work in independent ways and are often deliberately separated. This has long been made clear in the separation of editorial and business management in news organizations. However, this idea – that advertising and news (or, more generally, business and creative practices) are separated domains – has changed significantly due to increasing competition, higher uncertainty, and declining margins. Overall, we see an ongoing convergence of different domains, sectors, and disciplines within and across the media industries, bringing new challenges for managing media firms, business models, and production processes.

In this chapter, we outline the specific challenges, opportunities, strategies, and tactics in the management of media companies, with specific reference to

businesses that operate on an international or even global scale. As even smaller and local media firms tend to be linked up in larger, global production networks, these managerial issues increasingly affect all professional media makers. Second, we map ways of understanding convergence from the perspective of managing media firms. We conclude by identifying key themes in media management theory, research, and practice resulting from our own research (for greater detail, see Faustino & Ribeiro, 2016; Noam, 2016, 2018).

Media management: Competencies and challenges

There are two classic economic 'public good' characteristics of information:

1. it is difficult to control the access to information because it is not physical ('non-excludability');
2. it is easy to share the product ('joint consumption').

Many media products are distributed for free rather than sold. Information is also publicly generated and distributed widely in a subsidized manner. However, media products are increasingly sold to regular customers by way of subscriptions or pay-services, be it online newspapers, movies, TV series, videogames, and live TV channels.

As suggested by Gershon (2009), media managers must be able to cultivate tone and setting, promoting a positive and creative environment where content makers feel free to produce the best work within resource limitations. Being a successful media manager involves six fundamental competencies:

1. planning;
2. organization;
3. leadership;
4. staff management;
5. control;
6. communication.

It has to be noted that these are not unique to media firms. The distinction lies in the types of workers the media boss is managing. In many cases, it is not easy to manage creative talent. This means that the six competencies, and their particular features, will be applied somewhat differently than in other industries.

Planning, for example, is essential but challenging when so much related to the media enterprise is not stable. Planning in a newspaper company, for example, must be done on a daily basis, since each newspaper issued is a micro-project with a life-span of 24 hours. Organizing is complex in big companies, often with

sharp differences between content makers in various professions and managers at diverse levels. Leadership is vital, yet media workers are typically sceptical by nature and not easy to lead or persuade. The staff is diverse with a broad range of skill sets and personality types, which can make it difficult to work in required team-based contexts. While control is important, success often depends on relatively high degrees of autonomy among workers. Furthermore, as much of the work is based on temporary alliances, impermanent affiliations, and fuelled by a range of subcontracted and outsourced labour, overseeing and managing media makers is particularly complex.

According to Herrick (2003, p. 57), the three most critical skills for running a media company are: cash flow management through accounting and marketing, people management through interpersonal skills, and time management of executives and staff. Additionally, the need for training is intensely felt by media companies and linked to the levels of required practical knowledge and adaption to the use of new technologies and converging industries (Faustino, 2009). The necessary skills and needs for training are listed in Table 1.

Table 1 Main needs for training in media companies

Managers	Management skills	Insight in anticipating the environment of future businesses Support innovative ideas and putting them into practice Provide adequate training and motivation
	Behaviour skills	Negotiation skills Networking skills Demonstrate flexibility
	Personal skills	Problem solving skills Constant updating towards the industry novelties Innovation and creativity skills
Editorial offices	Technical skills	Knowledge of new digital technologies Capacity to develop content on multiple platforms Knowledge of the propositions of the new media
	Behaviour skills	Demonstrate flexibility Professional empowering and continuous training Capacity to respect the ethical and deontological principles of the job
	Personal skills	Professional integrity Adaptation capacity Capacity to remain up-to-date

Source: Faustino (2009)

Technology inspires changes not only in terms of content production, but also in content distribution. This offers managers and investors the possibility to expand and diversify across a range of media platforms. In this context, platform

convergence – especially the interlinkage between traditional media and telecommunications – can also be seen, on one hand, as an aspect that influences professional profiles and the skills of employees, and, on the other hand, as a generator of new challenges to management strategies and the development of business models for media products, particularly in distribution and payment for content. A range of characteristic dimensions that are important to business approaches is illustrated in Table 2.

Table 2 Business approaches in the media and strategic and operational management

Types of platform/ business management	Newspapers	Magazines	Television	Radio	Online	Cinema
Profile and dimension of the companies	A few large ones and several small ones	A few large ones and several small ones	A few large ones and some medium ones	A few large ones and several small ones	A few large ones and several small ones	A few large ones and several small ones
Stage of the product's lifecycle	Decline trend	End of maturity	End of maturity	End of maturity	Moderate growth	Moderate growth
Management of distribution and logistics	High complexity	High complexity	Low complexity	Low complexity	Low complexity	High complexity
Market and competitive level	Oligopolistic structure	Oligopolistic structure	Oligopolistic structure	Duopolistic structure	Competitive structure	Oligopolistic structure
Target customers and markets	Readers and advertisers	Readers and advertisers	Viewers and advertisers	Listeners and advertisers	Users and advertisers	Mainly viewers
Business turnover	Tends to be low	Tends to be high	Tends to be stable	Tends to be stable	Tends to be moderate	Tends to be high
Investment on human capital	Frequently high	Frequently high	Frequently high	Frequently low	Frequently low	Frequently high
Business relation with the local culture	High dependence	Low dependence	Moderate dependence	Moderate dependence	Moderate dependence	Low dependence
Cost and investment structure	Tends to be high	Tends to be low	Tends to be high	Tends to be low	Tends to be low	Tends to be high
Activity and production seasonality	Tends to be continuous	Tends to be continuous				Tends to be unique
Scope of geographical coverage	Moderate	Moderate	Moderate	High	High	High

Source: Faustino & Ribeiro (2016)

The table illustrates many aspects of business approaches that may influence media management practices and strategies, and which should be taken into account when studying and understanding managing and making media. It is also important to remember that senior managers and employees of media companies have usually been trained to work on a particular platform (radio, television, magazines, or newspapers) and rarely have (or can be expected to come in with) an integrated view of the complementarities of different media.

Such a singular platform approach is no longer compatible with the current competitive context. Today, media management requires broader skills as well as nuanced understandings of diverse platforms, flexibility and adaptability to accommodate different work processes and contexts, and training initiatives that promote these skills. This professional and competitive demand for a multimedia perspective not only requires new training; it also calls for the increased introduction of related theories and practices, such as management models, business models, and production and distribution models that are influenced by the convergence of the Technology, Media, and Telecommunications (TMT) sectors.

Table 3 organizes the differences and similarities between companies in the TMT sectors, and notes characteristics that influence management and business models of each subsector. Notwithstanding specific characteristics, the main functions traditionally associated with business management have a common application.

In order to identify the similarities and differences between media companies, including their relation with telecommunication companies, it is relevant to know the features of the different types of media companies with regard to their market, financial, operational, and business dynamics. It therefore becomes increasingly important to analyse media products' interactions, to identify the various aspects of their creation and distribution, and to comprehend their dependencies and vulnerabilities.

Companies focused on unique creative products – such as books, computer games, music, and movies – implement strategies where the profit from one product is used to cover the expenses of another product. According to the 'hit' model, successful products compensate for investments in unsuccessful products, and generate all the profits. Managers focus on marketing to fight the high risk of failure, which Picard (2002) calls 'management of failure'. Companies focused on continuous creative products – newspapers, magazines, and television series – can concentrate on improving the content over time through research on audience's preferences, renovating the creative staff, and through the replacement of products as some go stale and others pop up. In this situation, concentrating on branding strategies is especially important. Competition in both types (single and serial) concerns the scope of the contents' selection and processing, and their longevity expectation.

Table 3 Similarities and differences between the media, telecommunications and other industries

Sectors/characteristics	Media	Telecommunications	Technology
Public visibility	High	Moderate	Low
Regulatory policies	High	Moderate	Low
Funding model	Dual*	Hybrid	Unique
Creativity and knowledge	Very intensive	Moderately intensive	Shortly intensive
Intellectual property	Very important	Very important	Important
Profit orientation	Low	High	Moderate
Social and public status	High	Moderate	Low
Influence on society	High	Moderate	Low
Work precariousness	High	Low	Moderate
Impact of the digital	High	High	Moderate
Product perishability	High	Low	Low
State as owner	High (on public broadcasters)	Low and decreasing	Low
Competition level	Moderate	High	High
Work organization	High autonomy	Moderate autonomy	Low autonomy
Product and marketing	Conflicting	Consensual	Consensual

* The main exceptions to this dual funding model are the book and the film segments. However, we can identify increasingly frequent situations of dual funding in the movie business, mostly via advertising, including product placements. In the case of the book segment, sales remain almost the only source of funding, although there are situations of sponsorships.
Source: Faustino & Ribeiro (2016)

Differences in media environments and the surrounding economic forces account for differences in production characteristics. The media differ when acting in production environments that rely on economies of *unit costs* and *fixed costs*. According to Towse (2008) and Throsby (2001), those that operate in economies of unit costs (books, magazines, newspapers, games, CDs, and DVDs) feature activities based on an economy of scale: there is a decrease in the cost as consumption increases. In these industries, products depend on a physical process of production. The process involves high logistics that entail additional costs for storage, transportation, and distribution. In fixed costs economies, additional production costs are not significant. The production costs of media such as cinema, television channels, and the internet tend to be based on product quality and branding. These industries rely especially on economies of scale and all the cost is in the first copy. In the case of TV series, for each episode there is a first copy, whose quality affects the main product (the series) as whole. Differences produced by these factors account for variation in the structure of costs and in the pressures experienced by business.

Since the late twentieth century, the differentiation of media support has increased significantly. The fundamental factors are the rapid expansion of personal computing, the increase in broadband, the exponential increase in computing power, and the progressive growth rate of the telecommunications industry. This has had drastic consequences for traditional media industries as a disruptive and destabilizing effect, but it also opened new areas of business opportunity.

Management practices and business strategies in converging media industries

There is little evidence that company size and platform type create substantial differences in terms of management practices applied to different media companies. Much of the general principles in business management and strategy work are applied regardless of the platform, type of company, or media product. However, we must consider that a company with activities in several types of media requires a greater effort in managing its portfolio, particularly in its attempt to maximize possible synergies between several businesses in its operations. It would also need to clearly distinguish the forms of content distribution according to platform-specific characteristics.

The business dimension can generate a greater concern with the product's risk management, to the extent that it is necessary to mitigate the risks associated with projects that require large investments. Larger media companies tend to dispose of smaller assets (media products) that do not generate significant business volumes and margins, because they sometimes require a level of business management work that is as demanding as with the larger assets.

There are distinct levels and characteristics in management approaches for the media. It is predictable that a larger company with more resources will have more sophisticated politics in terms of talent management, business organization, marketing management, and other operational domains. It is equally clear that smaller companies tend to have more fluid business structures and organizational models, not only because they privilege functional versatility but because they rely on more subcontracted work and have less internal moving parts. They do not necessarily lack strategy or knowledge, but have less resources and opportunity risks are higher.

In spite of differences specific to various media industries, media firms are increasingly adopting management practices fundamental to market logic. This circumstance also reflects the tendency of media products to be increasingly perceived as a commodity rather than a primarily symbolic good or outcome of a creative process with intrinsic value. Thus, the management practices adopted

by media companies increasingly bring other industries' practices closer. For its part, technology has contributed to the standardization of management processes and operations by creating software and other models of business management support that are generally applicable.

The combination of increasing convergence, automation and standardization of business and creative processes on the one hand, and radical disruption, market fragmentation, and the entry of new companies from non-traditional media sectors into the field on the other hand, has forced management approaches to adopt new methods. None of these new methods come easy: they challenge the established cultures of media firms, and pose significant challenges for the industry. In Table 4, by way of general classification, we can observe some aspects that reflect characteristics associated with traditional media management versus a contemporary media management approach.

Table 4 Aspects associated with traditional and modern management of media

Traditional management approach	Contemporary management approach
Cultural products	Economic products
Monomedia products	Multimedia products
Lower technology-based products	Higher technology-based products
Products with a limited portfolio	Products with large portfolios
Products with clear barriers or boundaries	Products without clear barriers or boundaries
Single-use products	Reusable products
Journalistic products	Journalistic and marketing products
Monomedia management	Multimedia management
Limited areas of required knowledge	Expansive areas of required knowledge

Source: Faustino & Ribeiro (2016)

The industries that lead digital convergence include computing (both hardware and software), telecommunications, and content production. With the advent of the internet, the proliferation of computers and globalization, the telecommunications sector has been challenged to solve infrastructure problems and propose new solutions. New features of the devices allow access to content, and also allow users to create, publish and share content, whether through computers, tablets, or smartphones. The content industry has also modified its production, communication, marketing, and distribution processes.

In other words, media companies are increasingly co-developing with the information and communications technologies sector, resulting in the new designation of a macro-sector: TMT. Convergence in technology, media, and telecommunications contributes to the standardization of management practices and business strategies.

In many media companies, one finds a convergence of business models, distribution platforms, means of production, marketing tools, and types of interactivity with the consumer. Regardless of the type, size or geography of the firm or production network, they are confronted, to a greater or lesser extent, with similar challenges in terms of management strategies and practices in the following areas: the creation of new products, innovation of production, promotion and publication practices, diversification of revenues, reorganization of work, brand management, investment in technology, cooperation with companies, cost reduction, project management, portfolio management, talent management, multiplatform content, continuing training, audience engagement, and productive synergies (such as branded content and native advertising).

The convergence of media industries coincides with an increasing role for audience measurement in real time, which leads to a profound change in how to manage, produce, distribute, and create advertising. Changes in converged and digital business models have also forced organisations into new human resources policies regarding qualifications and talent profiles – where technology companies now for example hire social scientists and anthropologists, and media firms recruit data analysts and computer programmers.

Convergence also impacts the structure of the media industry, offering opportunities for consolidation into multinational corporations as much as opening up spaces for new types of nimble companies and production networks. As Noam (2018) suggests, digital technology advancements combined with lower prices makes music, video, and text items cheaper to produce; this allows the entry of many small producers. Anderson (2006) called this phenomenon the 'long tail', when the content may be produced and distributed profitably to millions of niche markets, instead of firms focusing on producing a single product with broad appeal. The long tail phenomenon contrasts with the concept of scale economies. These opposing tendencies create new pressures and alignments.

In the past, economic sectors in the media had limited relation to each other and operated in what amounted to separate markets. Newspaper companies, for example, did not compete directly with broadcasting, and telecommunications had nothing to do with content. But the current trend is quite the opposite and emphasizes convergent businesses. With the advent of the internet and the globalization it has engendered, the media industry (broadly construed here) has been challenged to solve complex problems related to changes in infrastructure. Solutions have increasingly focused on the need to dematerialize content. The physical book, newspaper, and music CD become less viable as all types of content and services are offered in digital form online, by a growing variety of players. Media companies are increasingly developing their capabilities for articulation with information technologies and across communication sectors.

To understand convergence from the perspective of managing media firms, it is necessary to comprehend the interdependence between actors in TMT and the three platforms crucial to the process of making and distributing media goods: print media (newspapers and magazines), electronic media (television and radio channels, satellite and cable broadcasting), and telecommunications – mainly internet. As Killebrew (2005) suggests, from a technological perspective, the goal of convergence is to allow for a combination of different platforms in order to provide information and entertainment to the public by sharing numerous technical resources. The goal is also to guarantee a relatively equal distribution to each available platform.

Despite this, in practical terms the results can be the opposite, with big operators using economies of scale to fight and eliminate smaller, less popular players. Therefore, infrastructure networks – consisting of the companies providing access to content online – impose themselves as an increasingly dominant factor. The fight over 'Net neutrality' is a key outcome of this struggle between the companies that 'control the pipes' versus those that produce, publish, and publicize media content and services. The media industry is going through a complicated and sweeping process of change in which doubts and uncertainties about traditional business models and management practices are multiplied.

Conclusion

The sustainability of business models and financing is at the forefront of concerns about the future of the media industries and making media, particularly with regard to the role of news and information that is essential to ideals of public access, shared narratives, and democratic principles of quality, diversity, and plurality in content and services offered. It is difficult to support good journalism without adequate resources; the same goes for an independent cultural sector in national economies (such as a national film and documentary filmmaking industry, public service broadcasting, and a music and recording sector supporting local and regional talent). These concerns should concern society. Democracy, even in politically stable countries, is not a definitive achievement but an ongoing struggle. This calls for a pluralistic and independent media system.

Media companies will require managers to have experience in multiple types of media product segments, and makers from a variety of backgrounds who can (and are motivated to) collaborate and co-create. In practice, this challenge is more complex to materialize as the media ecosystem continues to undergo profound changes – technologically, entrepreneurially, financially, and globally. The question is: how can a media professional be effectively trained to work successfully in a sector that undergoes permanent change? If one makes a comparison with other

industries, such as banks, car manufacturers or airlines, one may observe that these companies resort to more scientific approaches applied to corporate management and frequently the managers of these companies are real 'superstars'. In media companies, managers are usually unpopular, they tend to operate in the shadow of the 'creatives', who have prestige and public visibility. In show business, there is no show without business, and no business without show. However, this may be the only industry in which the board and/or shareholders need to apologize for doing what managers do: raise funds, select projects, control costs. and market products.

In summary, the media industry has undergone significant changes since the end of the twentieth century, more than in any other period of media history. This highlights the need for new knowledge and the need to raise professional profiles in media organisations, regardless of type or sector. The answer to these challenges is not easy to implement. There is a need for media companies as well as for academia to develop new media management and production research approaches, tools, and knowledge for a better understanding of the emerging environment.

Further reading

- Case: How national telecommunications, internet, and media markets converge and are becoming more concentrated in Canada – Winseck (p. 175)
- Context: The transformation and innovation of media business models and shifts in business strategies – Villi & Picard (p. 121)
- Contrast: How the new platforms facilitate and profit from new forms of consumption without creating or producing content – Bilton (p. 99)

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