
4 Managing Strategy and Maximizing Innovation in Media Organizations

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This chapter looks at the issues of strategy, creativity, and innovation in media firms. At first glance readers may question the connection between these elements—how does creativity connect with strategy, for example? The goal of the following pages is to demonstrate how closely linked these elements are, how crucial they are for the success of media organizations, and the priority they represent for managers working in them.

The Strategic Environment

A leitmotiv throughout this book is the fast-changing context of the media industry. All strategic actions are context dependent—that is, driven by the strategic environment that surrounds an organization. Indeed, Porter (1980, 1985) sees the task of aligning an organization with its strategic environment as the essence of competitive strategy. There are other ways to view the task of strategy management, as we shall see, but to kick off this chapter and inform the subsequent discussion of creativity and innovation, it is worth first reviewing key changes—and challenges—in the strategic environment facing media firms at the current time.

Technological Change

The first major dimension of change in the media industry's strategic context concerns technology. The media industry tends to define itself in terms of content but in fact is just as intimately involved with technology—it is a technology industry as much as it is a cultural one. The media's relationship with technology is symbiotic: It owes its very existence to technological inventions dating back to printing and moving forward through a

steady stream of advances in creative, recording, reproduction, storing, and distribution technologies.

Viewed longitudinally, technology is probably the most powerful influence on strategy in the media sector, and the quality of an organization's response to changes in this domain is probably one of the most important determinants of strategic outcomes. Also viewed longitudinally, the pattern of technology development for the sector is consistent: Technology gives and technology takes away, but it seldom takes everything away. Technological innovations supplement, rather than replace, previous technologies. The previous medium is not destroyed but progressively undermined.

Technological advances create new products and services that in turn create new sectors of the media industry and fuel increases in usage and spending on media products. At the same time existing markets and segments are eroded, and business models are pushed to adapt.

The introduction of moveable type in 1448 disrupted the printing industry then based on carved wooden blocks. The invention of the microphone and sound recording led to radio broadcasting and recorded music but had a negative effect on live performances. Television created a new segment of the mass media but led to the demise of the comic book as a major entertainment product for children in the United States and ultimately caused newspapers' share of total advertising revenue to fall from 90% in the 1940s to 20% by the 1960s.

The constantly shifting "technological carpet" leads to one of the core strategic challenges for the industry—adaptation. The media industry's success in adjusting to the emergence of new technologies and the erosion of established products is mixed. While it is easy to criticize media companies for failing to respond adequately to new technologies, they do no better or worse than peers in other industries. Retrospective analysis of the largest U.S. firms indicates a repeat pattern by which some of the largest, best-resourced, and best-managed firms decline and even disappear, to be superseded by smaller players or newcomers, as a result of technological discontinuities (Utterback, 1994).

This results from inertial pressures within the incumbent, and a specific dynamic is involved (Tushman & Nelson, 1990; Tushman & O'Reilly, 1997; Tushman & Smith, 2002). In stable environments a market-leading organization focuses its resources on strengthening its lead by extending its core competencies and engaging in continuous incremental innovation. Inevitably structures, processes, and resource deployments also become focused around these activities. The more successful a firm is, the more confirmation it receives that its current priorities, systems, and strategies are correct. The more complacent it becomes, the more likely inertia will set in since there is little apparent need to change.

Inertia is not problematic until a technology transition takes place and technologies and markets shift. Organizations need to change, but the processes, systems, strategies, and assumptions that have brought success for so long have become institutionalized and are hard to alter. The incumbent cannot reinvent itself and cedes its leadership position to new players.

This pattern is not inevitable; clearly it is affected by the degree of inertia within an organization and also by the nature of the technological change. Not all technology transitions are identical. Some bring only incremental alterations to the status quo—evolution rather than revolution—that do not require substantial changes of direction. The move from typewriters to word processors to personal computers is an example.

Others, for example digitalization and the Internet, are revolutionary and have brought tremendous upheaval. Sectors such as the music industry, newspapers, and network television, which displayed all the inertial pressures described above, have been damaged deeply by their inability to find strategic solutions and/or implement the scope of organizational change necessary to master such challenges.

Evolution of Media Content Models

A second challenge in the current strategic environment concerns the dramatic evolution in media content models. This is an iterative process somewhat similar to the process of technology development described above. A new content model emerges, displacing but not destroying the previous one.

From the 1950s onward the media industry was characterized by mass media content models. These were based on products designed to reach large cross-sectional audiences and technologies that allow massive duplication at low cost for huge audiences. They provided portmanteau content that appealed to broad swathes of the population.

Mass media models are based on scarcity. When broadcasting frequencies are rationed, or when newspaper presses represent tremendous capital investments, media products must appeal to the broadest markets possible. In the 1980s, technological advances ranging from satellite and cable distribution to the Internet and digital cameras reduced the barriers to entry in content creation, production, duplication, and distribution. This allowed the emergence of content creation for specific market segments. MTV, CNN, and the Weather Channel are classic examples of such niche content.

Not surprisingly, audiences have demonstrated a clear preference for media content that matches their interests more closely than the portmanteau fare that was the norm during previous decades. In the United Kingdom between 1993 and 2003 the viewing share of nonterrestrial channels (effectively those offering niche content) increased from 6% to 33% (at the expense of the mass market networks).

In addition to the mass and niche content models comes a third content category, that involving social-network and participatory content. This broad category spans a broad spectrum including blogs, tweets, wikis, forums, photos, videos, and podcasts. Some of the strongest products—Facebook and YouTube—offer a combination of professional and user-generated content and have become central to the lives of younger media consumers.

As media products these are hybrids and hard to categorize. Communication and community functions are as important as content. They are designed to look amateur but are extremely professional. Their popularity poses a challenge for the established media industry that depends on the aggregation of mass audiences, especially as major consumer brands are beginning to advertise on the most popular sites.

Media Overload, Multitasking, Time Shifting, and Space Shifting

The third big area of change concerns consumers' relationship with media content. As the number of niche products continues to grow, as mass market content competes more aggressively for public attention, as peer content increases, and as more and more devices are capable of displaying media content, the media options available to consumers are becoming unmanageable. Consumption is increasing, but time and financial budgets are not limitless and certainly not increasing in line with the number of products and channels available.

Consumption is also increasingly nonlinear, which has particular ramifications for the mass media business model. The more consumers record and store broadcast content and continue to consume according to their personal schedule, the more difficult the traditional advertising model becomes, especially when there is an option to avoid advertising entirely.

The Strategic Challenge— An Emergent Environment

What do these environmental challenges mean for managers in the media? How do they shape the task of managing media work? The first general point to make is that these developments have created a very different strategic environment, an emergent one that is very different from the stable environment mass media models are predicated on. Emergent environments are characterized by uncertainty: Industry boundaries are unclear (as is, for example, the case with the ongoing convergence among the media, telecoms, and personal computing industries), business models are evolving (as in free newspapers or television formats that generate additional revenue from telephone calls from viewers), consumer preferences are not well known, and competition can come from hitherto unknown players (think of Internet search engines or telecom companies as purveyors of news).

Emergent environments present a complex management challenge, particularly for incumbents encumbered by their legacy systems and processes. Existing players need to embrace new strategic directions to master new

content competencies. They will need to be able to strategize more rapidly and make their organizations more flexible.

Media organizations are operating in mature sectors with rising costs, declining revenue, increasing competition for audience attention, and evolving technological platforms and media content models. The strategic challenge is one not simply of adaptation but also of adaptation with ever-scarcer resources. For established media organizations (the majority of the industry) it also leads to a constant stretching of all kinds of strategic resources. They find themselves needing to bridge a widening range of content categories across a broader range of platforms. This gives rise to tremendous strategic and organizational complexity, brings the risks of lack of strategic focus and overstretched resources, and places these organizations at a significant strategic disadvantage compared with new players who have the luxury of focusing their efforts on one area.

Ongoing Need for Creativity

Creativity is needed by all types of institutions but plays a particularly vital role in the media, where creativity is a strategic necessity. This stems from the intrinsic nature of cultural goods. Because each product is unique and customer demand is fickle, there is an incessant need for novelty. Viewed strategically, the higher the levels of product creativity, the greater the likelihood of market success and the stronger the competitive advantage.

The need for creativity, of course, extends much further than the content sphere (see also Chris Bilton, in this volume). All organizations need to become more creative when environments become more turbulent, especially when that turbulence involves emerging technologies (Yoffie, 1997). This is clearly the case with the media sector.

Socioconstructivist theories of organizational creativity (see Amabile, 1983, 1988, 1993, 1996) provide guidance to managers seeking to boost levels of creativity in their organization. Creativity from this perspective is understood as a social process rather than an individual psychological phenomenon. To occur and prosper, three elements need to be present in an organizational setting:

1. Creativity-relevant skills: cognitive skills such as the ability to understand complexities, to break “cognitive set” during problem solving, to suspend judgment, and to find relationships between apparently unrelated items.
2. Expertise: knowledge of the field coupled with the experience of problem solving.
3. Intrinsic motivation: a drive to engage in an activity for its own sake, expressed as involvement, curiosity, or satisfaction. Intrinsic motivation is important because when levels are high individuals are more likely to take risks, explore new solutions, and experiment.

Amabile's research has identified aspects of the environment that have a direct effect on levels of intrinsic motivation and therefore creativity. These include a clear statement that creativity is required and a creative challenge that is consistent, credible, and feasible; an appropriate level of resources needs to be available to the creative team (particularly there needs to be enough money to allow the team to concentrate on the task at hand, and deadlines need to be realistic), the project team should be composed in such a way that it represents a diversity of perspectives and backgrounds, and finally the team needs to be given autonomy to solve its problems or reach its goals.

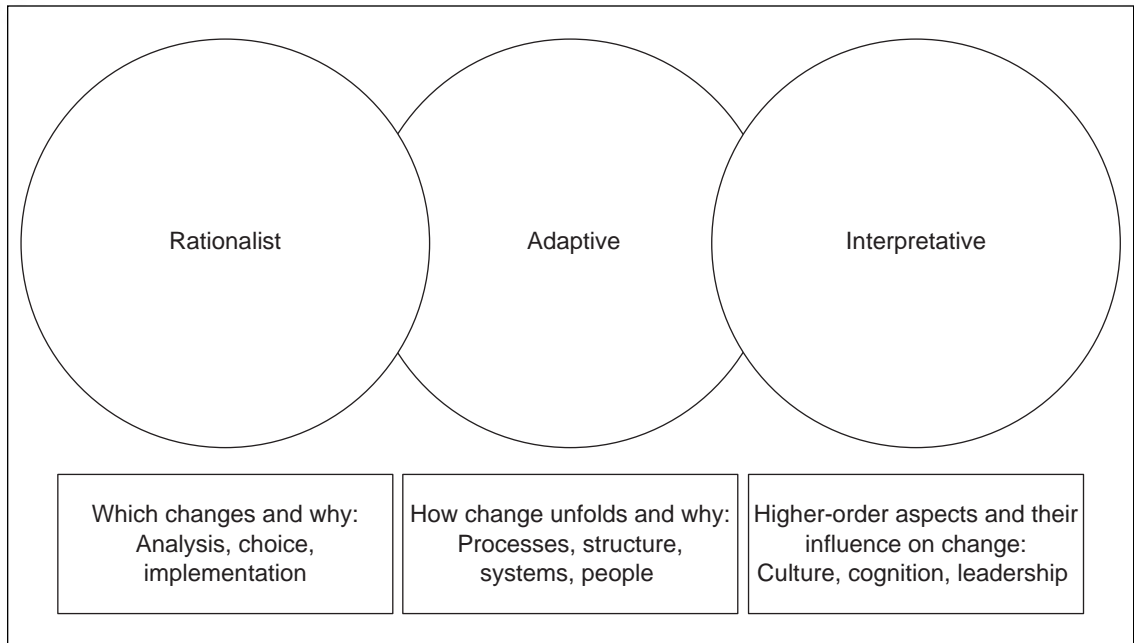
Media managers therefore not only need to ensure their organizations are permanently adapting to developments in technology and new content models; they also must ensure that the microclimate for those engaged in responding to these challenges is constituted in a particular way—for example they need to create clarity and consistency in terms of the creative challenge, even when the environment that establishes that challenge is itself permanently evolving. They need to ensure adequate resources are available, even if across the organization resources are becoming increasingly strained. They need to ensure the organization possesses internally or can access externally the creative skills and expertise required to create successful products for emerging technologies and consumer tastes.

Designing Strategic Responses

The field of management theory is enormous. The study of management and the development of business schools gained critical mass in the 1960s, spurred by the increasing complexity of organizations, industrial production, and international business. At this time strategic theory tended to be a subset of a discipline known as business policy and constituted a relatively manageable group of internally consistent concepts. Since then the field has exploded—there are reputedly over a thousand academic journals dealing with management alone. This diversity and complexity provides a stimulating research field for scholars but a challenge for managers seeking to apply this theory to their organizations.

Figure 4.1 offers one way to reduce this complexity. It views strategic theory as falling into three broad categories that are placed on a continuum moving from rationalist approaches on the left-hand side, through adaptive approaches in the middle, and to interpretative approaches on the right. The concepts in these schools should not be viewed as mutually exclusive alternatives. Rather managers need to work across the spectrum—using rationalist tools to diagnose problems but using adaptive and interpretative ones to ensure appropriate solutions are developed and successfully implemented.

Rationalist approaches to strategy involve sequential analysis of the strategic environment and the evaluation of the extent to which organizational resources can be used to respond to opportunities and threats. They help managers grasp how environmental developments are changing the dynamics and structure of

Figure 4.1 “Organizing” Strategic Theory

Source: Adapted from Johnson (1987); Chaffee (1985)

their industry and how organizations should configure their strategies in response. Concepts in this school include Porter's (1980, 1985) five-forces framework and value chain.

Much of the research into strategy in the media works with rationalist tools. This has yielded fine-grained insights into shifts in the media landscape and into the drivers of firm behavior—for example, whether the number of joint ventures and alliances by media firms has increased, and if the search for specific strategy-relevant resources can explain this. The processes of management within media organizations and the organizational phenomena at play have, however, received less attention.

The adaptive school of strategy addresses a core distinction in strategy literature between strategy content and strategy process. Rationalist approaches focus on the content of strategy, on the strategic plan, and they seek to find a strategic position that will lead to optimal performance under specific environmental conditions through maximizing returns from resources and establishing competitive advantage. Adaptive approaches, however, see strategy as an ongoing process: Because environments are shifting constantly, strategic activity is a permanent process of reconciling and integrating an organization's external and internal worlds, by altering structure, people, and processes.

The interpretative school of strategy is well known to scholars but less familiar to managers, although they will be more than a little acquainted with

the phenomena it deals with. For anyone who has been involved in a strategic change, the easiest way to grasp the relevance of this field is to take a moment to think back to such an event and then answer the following questions:

- Did the strategic change work out as planned?
- Which factors caused the most headaches?
- What, if anything, would you have done differently?

I have posed these questions many times to executives from the media and creative industries. Whatever the sector, whatever the nationality of those asked, the answers are invariably the same. Strategic projects seldom work out as planned. The factors that cause the most difficulties, the primary reason for the divergence between intended and actual results, tend to involve culture and mind-set. In retrospect the vast majority of those asked would have spent less time analyzing, planning, and writing documents and far more time working with those in the organization communicating, explaining the need to change, getting buy-in into the solutions, and even in some enlightened cases sharing the responsibility for diagnosing strategic problems and finding solutions with those in the organization who experience these problems or their effects daily.

The Importance of Managing the Social Architecture _____

The interpretative school focuses on exactly these elements, the implicit and unconscious aspects of organizational life such as beliefs, values, and emotions that can have a tremendous influence on strategic behavior. These are often underplayed or even ignored in strategic planning, partly because they are highly subjective and somewhat ethereal and partly because they concern phenomena that are difficult to access and interpret: how those working within organizations construe meaning out of events and phenomena, and the effects these processes of interpretation and sense making have on organizational outcomes. Time and time again we find that the most gifted managers in the media, from Greg Dyke at the BBC to John Lasseter at Pixar and Disney and even to Rupert Murdoch at News Corporation, have the ability to work with their organization's "social architecture" and use this to ensure strategic initiatives' success. Two elements are particularly important: cognition and culture.

Cognition

The issue of cognition often surfaces in press discussions of media industry strategic challenges. A "legacy mind-set" (i.e., old-fashioned thinking) has been seen as responsible for the industry's tendency to see new technology as

a threat rather than as an opportunity, despite the fact that new media technologies ultimately do tend to create new markets and increased revenue for incumbents: The introduction of video, cable and satellite, video on demand, DVD, and home cinema technology has, for example, brought continued growth for the film industry over past decades.

Cognitive approaches to strategy explore how organizations' reactions to strategic events are driven by their members' "governing beliefs," which influence how organization members perceive and interpret the information from the environment. Simon's (1955) concept of bounded rationality is central to cognition theories: Human beings can never comprehend the world in its entirety or grasp every aspect of complex situations. We therefore reduce uncertainty and complexity by developing inferential heuristics—or rules of thumb based on previous experience. These simplify decision making by providing shortcuts but also bring the risk that our decisions are flawed, since we have only processed a limited amount of data and not reviewed every option open to us.

Thus, in any strategic situation we are inevitably working with incomplete and often conflicting information. The rules of thumb we develop will oversimplify the situation and probably introduce inaccuracies and errors. They will, for example, encourage us to focus on particular aspects of an issue, favor data that confirm our existing beliefs, and limit the range of solutions considered—all phenomena that seem relevant to the media industry's response to new technologies.

From Cognition to Culture

Cognition and culture are similar concepts. However, while both draw upon the same basic premise—that problem-solving and adaptive behavior is driven by a set of governing beliefs—there are important differences. In cognitive theory, beliefs and assumptions are accessible at surface level and therefore far easier for managers to change. Cultural assumptions are deeper and far harder to access and alter. Culture is the usual suspect cited when organizations experience difficulties implementing strategies, but while most recognize that culture is an impediment to strategic change, the concept itself remains vague. There is no shortage of examples of culture's impact on strategic initiatives in the media. The difficulties experienced by both the Sony BMG partnership and the AOL Time Warner merger have been ascribed in part to cultural differences. Meyer (2004) sees the complacent culture of the newspaper industry as partly responsible for its slow response to the threat of new technology and to seize the potential of user-generated content.

The essence of an organization's culture is contained in a set of interrelated unconscious assumptions that are shared by members of an organization. Schein (1992) defines culture as a pattern, shared by a group of organization members, of basic assumptions that develop as the group solves problems of external adaptation and internal integration. Culture is therefore the shared

accumulated learning that is acquired as the group deals with its external environment and internal growth. This process gives rise to a set of tacit assumptions about how things do and should function that determine perceptions, thoughts, and feelings and function as shortcuts to decision making.

For Schein (1992) culture has three distinct but interconnected layers. The top layer comprises “artifacts”—behavior, dress style, rituals, publications, stories, and so on. These are easy to access but hard to interpret without prior understanding of the deeper levels. The second level comprises “espoused values”—officially expressed strategies, goals, and philosophies. This level of culture may appear to reveal a group’s underlying beliefs but in reality represents how that group feels it should present itself publicly. This level of culture can be used to check hypotheses about underlying assumptions but will not represent them accurately. “Basic assumptions” are the third and deepest level of culture, and its essence. These are the unconscious, taken-for-granted beliefs, perceptions, and feelings about the organization and its environment that act as the ultimate source of values and drivers of actions and that contain the key to a culture and the tools by which the other levels—espoused values and artifacts—can be interpreted.

Managers seeking to implement strategic change need to access this level of an organization to explore what hindrance, or leverage, it may offer. They must also avoid falling into the trap of assuming that cultural (and cognitive) assumptions are inherently negative. Such assumptions can be a powerful lever for corporate renewal; they must, however, be understood first.

Cognitive and cultural assumptions affect how the environment and strategic plans are perceived. All other things being equal, provided the cultural assumptions are broadly correct and the strategies are appropriate, the organization will experience success. That success will reinforce the “rightness” of cultural assumptions. But as discussed above in connection to incumbent reactions to technology transitions, a strong culture forged through success can also become a liability in that it gives rise to a rigidity that impedes the ability to adapt. Cultural assumptions about correct responses to the problems of internal integration and external adaptation are formed and validated by success and passed on to new members as the “correct” way to feel and act. In this way an organization’s culture is perpetuated. Yet should the competitive environment change markedly, members of the organization must change their core assumptions substantially, but such changes are hard to make (Schein, 1992).

From Theory to Practice: What Should Media Managers Do? _____

So what should managers in the media focus on to ensure they survive and succeed in the current environment? How can they respond to the developments described above and apply the strategic tools that have been discussed to manage their organizations better?

Forget the “Mass”

“Default” mass markets are evaporating inexorably, be they for national newspapers, national television channels, or other mass-market media. While particular vampire movies or finals of television talent shows might still achieve enormous audience figures, mass markets are fragmenting into smaller groups of consumers with specific tastes. Immediate strategic responses such as rebranding campaigns, redesigns, and promotions may provide short-term relief but also eat up financial resources and divert attention from the need to reconfigure the basic business.

Pressure on mass media models does not spell the end of critical mass: Mass media markets may simply be constituted differently—less around traditional portmanteau media offerings that provide something for everyone and more around niches that are magnified through the potential of global digital electronic networks. They may gather around franchises (Harry Potter, *Pop* or *American Idol*), talent (Madonna or the Rolling Stones), or slim national niches that become amplified globally.

Become Expert at Technological Change

Technological advances will continue to undermine established structures in the media industry. Adapting to changing technology will become a permanent facet of organizational life. Media firms need the capacity to judge how a new technology will affect them and the extent to which they can build on what they have or must access new competencies and resources. They must also make their organizations flexible and capable of adaptation. This may involve some combination of small project teams, response units that produce initial assessments of and/or responses to changes, and mechanisms that transfer learning to the parent.

By extension more attention will need to be given to organizational skills. Media members (professionals as well as scholars of media production) have long been obsessed with content competencies, but to flourish in the emerging environment all kinds of more prosaic organizational competencies will be required—project management, branding, management development, and most particularly leadership.

Learning is also central to adaptation. Companies must mine recent experiences to establish how much of the existing rule book has been rewritten and translate that learning into action (perhaps even learn what unofficial rules they have). Learning needs to be routinized to ensure it happens on a continual basis, and in an environment of increasing numbers of joint ventures, learning from new initiatives, internal or with partners, needs to be captured. A news organization, for example, needs to review how citizen journalism, social networking, and user-generated content can and should be integrated into its current content offerings and what implications this will have for it internally.

This requires technical and business skills but also the ability to shift cognitive frame. Organizations that best seize the potential of technological advance tend to be new players who may lack the advantages of brand, content assets, and financial reserves but who are also unencumbered by the legacy hindrances of mind-set. Some of the most creative new media organizations of the past decades—MTV, CNN, Endemol, and YouTube—emerged from underfunded beginnings to create new categories of media businesses. Arguably their newness and outsider situation allowed them to frame change in terms of a business opportunity rather than in terms of potential damage to existing ways of doing things. It is also noteworthy that the organization that found a commercially successful answer to digital downloading in the music business was Apple, far from a startup but an organization that was still an outsider to the music industry and therefore approached the problem with a different mind-set.

Understand Autonomy

A media organization needs to master the paradoxical demands of being able to reap the benefits of economies of scale and scope and cross-platform synergies and also provide small-scale autonomy to those tasked with creative projects.

The reason is that for the media industry autonomy appears to be first among equals of all the organizational elements that further creativity. The ability to synthesize autonomous small group creativity with the marketing and distribution capability of a large sophisticated organization is a consistent trait that distinguishes strong performers in the field. This means cutting bureaucratic sinews—creative people need the space to be creative. But as the theory discussed earlier demonstrates, autonomy needs to be carefully calibrated, and small groups operating autonomously still need to be well linked to the rest of the organization to ensure knowledge and learning can be transferred and creative potential can be fully exploited.

Tap Unexploited Reserves of Creativity

All media organizations need to be creative. And all media organizations—like any other institution—have reservoirs of unused creativity. Most creative individuals who have chosen to work in the media want to exercise their talents and will do so in the face of organizational obstacles. But an important element of managing creative organizations is not to strew unnecessary obstacles in the path of creativity. Theories of organizational creativity show how just about any employee can be more creative given the right circumstances. Levels of ongoing creativity can be raised through the appropriate management of a

range of subtle interdependencies spanning team tasks, job descriptions, feedback, performance metrics, control mechanisms, and even business models.

Bearing that in mind, established media organizations who fear they will be outrun by new players in the digital economy should perhaps remember that hotshot new media companies do not have a higher creativity quotient than older ones. They simply place fewer blocks in the way of their people acting on their creative drive and insight. The "old" media have all the necessary resources to innovate and succeed—they just need to liberate them.

Further Reading

For a more detailed discussion of the issues covered in this chapter, see Küng, L. (2008). *Strategic management in the media: Theory to practice*. Los Angeles, CA: Sage.

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