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# **The Management of Media and Communications Holding companies**

- Abstract -

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The main topic of interest for the present thesis is to analyze the mass media industry from different perspectives: business models, management, organizational frameworks but also stressing the ethical and cultural dimensions, with a special emphasis on the domestic market. There have been reviewed and analyzed developments in the media industry in terms of operational models, organizational structures, the type of management adopted for different industry segments and different markets. The focus was on management characteristics of complex media organizations (holdings/multidivisional corporations) exclusively or on mixed entities (which include media subsidiaries alongside other divisions): organizational frameworks, operating strategies, the relationship between owners and management, internal transactions, the status of minority shareholders. In this context one also discuss two other critical issues particularly affecting media industry: the political factor and the leverage provided by the ownership of one or more media subsidiaries included in diversified holdings for obtaining business advantages for the other non-media divisions..

Research focuses on developments in the Romanian media space, among other perspectives being a historical one, starting from the model for organization and management of "Monitorul" media holding to draw general conclusions valid for the Romanian media conglomerates in general. Another line of analysis takes into account the organization and operating model for TVR compared with the solutions adopted by other public broadcasters throughout Europe. It focuses on the impact of internal and external networks of influence on management decisions departing from the concept of "core group" introduced by Art Kleiner.

A second major research direction concerns the disruptive changes introduced into the traditional space of media industry by the new media technologies (Internet, social networks) and new patterns of consumption and their impact on traditional patterns of organization and management. Virtually zero-cost distribution of content, interactivity, mobile Internet (especially the appearance *iPad* like tablet types), decoupling the content itself (publishing, entertainment) from advertising, widespread video consumption on a "non-linear" format, concepts such as hybrid television and Social TV are the most important factors with significant impact on the industry. One of the consequences of Internet invading traditional media space is the advent of totally new players coming from the technological area (*Apple, TV sets manufacturers, etc.*), distribution (Internet, satellite, cable), E-Commerce (*Amazon*), or which operate exclusively on the Internet (*Google, Yahoo, social networks such as Facebook or Twitter*).

Understanding how the economic activities are coordinated effectively within different types of organizations was always a central topic in the literature, starting with Adam Smith. Coordination becomes even more important the larger the entities are the more industry categories are covered by

the different divisions, in which case the coordination becomes quite expensive. From this perspective, the first chapter, make a conceptual overview of the manner in which this topic has been treated over time, with emphasis on M and U type organizations, introduced and studied after the second World War mainly by Alfred Chandler at MIT and later by Oliver Williamson, using the experience of large U.S. corporations faced with coordination problems, large entities with complex and diversified products (such as *DuPont* or *General Motors*). This picture remained the dominant conceptual interpretation until the early '90s when the impact of the Information Technology, the advent of the widespread communication networks, the globalization of the markets have changed the context in which corporations are operating in terms of the dynamics of competition, management strategies and organizational charts. Also in this section are analyzed specific elements of organization, financial control, the relationship between ownership and management for holding groups. One analyzes, in a comparative manner, a wide range of situations, from those in Europe, U.S., Canada up to India, Korea, China, Japan and Russia.

The second chapter of the thesis is an extended survey of media and entertainment industry worldwide, from multiple angles: competition on the news and information segment as well as in the entertainment area, industry-specific regulations, rules of professional ethics in journalism - between theory and practice, the issues of national sensitivities and the cultural identity and, last but not least, geopolitical battle for media influence, the mass media segment being considered a key component of the *soft power* dimension.

The next two chapters entitled "*Media industry in the context of the digital economy and global networks*" and "*Strategic repositioning of television in the new world of the digital consumer*", analyzes the media industry, especially television in the fourth chapter, in the context of the digital economy, in light of three major determinants: 1. Content, 2. Distribution, 3. Regulations. An important issue is the relationship between virtual and physical world. How the advent of Internet affected the competitive landscape for other industries. A key area for conceptual disputes is the topic of *operational efficiency* (relatively easy to copy) vs. *strategic positioning* (eg defining core business elements, outsourcing strategy) in the Internet era involving leading names in the field such as *Michael Porter*, *Gary Hamel*, *Dan Tapscott* or *C.K.Pralahad*.

The average consumer "digital" philosophy of interaction have changed radically: from the traditional marketing approach, based mainly on advertising delivered in an unidirectional manner, by interrupting reading, viewing, listening, to a new kind of marketing based on interactive communication, on information, education and connectivity with social media. The Internet has already had a major impact on traditional business models governing the music industry and print media. Now it is the turn of the television since, among other things, Internet broadband has become

more widespread and relatively cheap. While it is too early to understand all the effects that will change the paradigm in this respect we are still able to discern the major trends: we are in the process of transition to *hybrid* TV access both to the *traditional live broadcasts*, so-called *linear* consumption, as well as to video *non-linear video streaming* (watching movies, series, shows, etc. through a broadband Internet connection). The two kind of content could be *synchronized* or totally independent of each other and there additional features such as T-Commerce (E Commerce version for television), voting facilities, connectivity to social media, etc

Central themes of the fifth chapter, entitled "*Strategies for media management in the context of the digital economy*" are the impact of disruptive changes introduced by *technological* and *sociological* (consumer behavior) evolutions on the business models for media industry, especially in areas of video/television, and possible repositioning strategies in the new digital universe. One makes a detailed analysis of how the business models of traditional media, in overwhelming proportion based on advertising revenues, reached an impasse under the pressure of disruptive changes in the technology and consumer habits and analyzes the main developments to be expected , the new business models compatible with the new realities of the industry. In terms of models of organization and management the traditional media corporations face major challenges but these developments offers offers also totally new opportunities. In close connection with them are other important issues affecting media and related industries: piracy, the need to preserve the integrity of the content and monetization solutions. What other additional elements can one attach to the content, whether editorial or advertising ? What kind of totally new applications can be developed and what kind of user interface will be provided for this new, connected, TV set ? How to adapt the old audience measurement systems to the new reality? And how to design in this new context the marketing messages?

It is an extremely fluid area. For this reason we will not try to provide definitive answers, something extremely risky right now, but to draw the major trends and to address the relevant questions for this stage. In this new environment are still valid for the media companies the old multidivisional operating framework ? The answer is nuanced. Traditional operating models will not disappear overnight but they already operate in a different way, within the frameworks of flexible ecosystems which aggregate different types of actors. A good example is provided by the television industry where alongside traditional TV players started to appear completely new players: TV sets and setup boxes manufacturers, software companies like *Microsoft*, companies developing applications for Apple and Android stores, virtual retailers *Amazon*, technology infrastructure companies such as TV and Internet cable, TV satellite or Telecom ADSL broadband Internet companies. In the new context there is both cooperation as well as competition between these

players.

Such changes have a major influence on both organizational philosophy as well as on the management. In particular this applies to the mass media holdings analyzed in the thesis. In this context the management of the holding companies face at least two major difficulties:

1. How to manage the relationship with a second more extensive ecosystem that includes content, sales and marketing partnerships specific for the digital economy?
2. How to formulate a coherent response to the erosion of traditional business models without affecting the operations of this type existent in the portfolio, operations that currently provide the main basis of income?

In terms of media management models, with emphasis on the situation in Romania, this thesis starts from a dual approach. A historical one covering the major development strategies of the main Romanian media groups in the last two decades, a perspective based on the impact of market uncertainty factors. The second perspective aims to analyze to identify and analyze the main management strategies used by these entities, generally structured as informal holding type groups (in Romania even now there is no formal legal framework for holding companies).

Chapter six, entitled "*Types of media holding operating in the Romanian media landscape*" is structured as follows: "*Models of management holding structure*", "*Typology of media companies in Romania*", the "*The Monitorul project: from a local newspaper to a media holding company with national coverage*"; "*Managing media holding structures in Romania: a comparative perspective*". The analysis takes into account management models, the relationship owners - management, development strategies and status of minority shareholders. By analyzing in detail the management and the organizational framework adopted by "Monitorul" one draws general assumptions valid for the good part of Romanian media conglomerates. One wants to emphasize, on the one hand, the innovative solutions aimed to exploit growth opportunities specific mainly for the first post-communism decade and, on the other hand, to identify the aspects critical to the success of such projects, the main bottlenecks, the main management and organizational errors. One identifies and analyze six major issues affecting in a critical way, in the author's opinion, holding media management:

1. Maintaining a functional and effective relation between the *Centre* and the *divisions*, based on a clear, coherent financial and management reporting system, able to ensure strategic consistency at the operational level and to specify clearly the categories of decisions requiring approval from the top level.
2. Maintaining the *strategic discipline* both at the Centre as well as at the divisions level. The tendency to *defocus*, by engaging in activities that deviate from the core business, often

- leads to a diversion of resources and erosion of competitiveness at the overall group level.
3. Fostering a climate of *formal* and *informal collaboration* among divisions of the holding with or without participation of the Centre.
  4. Find solutions to motivate the management of group entities, in every way, including those related to the status issues.
  5. There is a real danger that the personal agenda holding divisions managers divisions prevail over the interests of the group as a whole. This is especially relevant for the media divisions since one manager can relatively easily trade editorial influence for personal benefits.
  6. The relationship between management and owners. When the owner cultivate direct relationships with several senior editors of the group, mainly in order to intervene in the editorial line promoted by the media group, this puts management in extremely difficult situations. The phenomenon is visible especially in the diversified holdings that include media divisions.

Chapter seven, "*A model of organization and management for the Romanian public television operating as a virtual holding*", cover a number of complex issue. There are addressed various aspects of management of the Romanian Public Television, such as the organizational chart, public television's internal market, cost centers, production value chains, management of resource allocation for public television, alignment of the management to the strategy and developing a management model for public television operating in a virtual holding scheme built around production flows. In line with the ideas proposed by Michael Hammer regarding complex organizations, one assumes that the management must focus on process analysis, internal flows rather than on the final products.

An extremely interesting approach is to analyze the management of TVR starting from the human dimension of the organization, using the concept of "*core group*" introduced by *Art Kleiner*, a topic which, based on the author knowledge, was not treated until now in the literature. For an organization such as TVR developing a working relationship with influential internal networks, enjoying strong and privileged links with political circles and the intellectual elite from outside, is useful for the day by day management operations and is essential when one has in mind a restructuring process of the organization in order to better adapt it to the highly competitive media landscape facing a period of disruptive changes in the broader context of a changing operating philosophy for the public service broadcasters internationally, mainly in Europe.

The last part of the thesis, *Conclusions*, summarizes the main issues evolving from the analysis of the management models for complex structures, particularly for mass media, in the context of major

disruptive changes introduced by the new digital world. One also stresses two possible directions for further research: 1. Possible evolution scenarios for public broadcasters for the next period; new organizational charts and new operating philosophies; 2. How the management of traditional media outlets can cope with the current major challenges they face in a fast changing environment.

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