

MANAGEMENT DEVELOPMENT STRATEGIES OF A COMPANY FROM THE MEDIA INDUSTRY IN THE CONTEXT OF THE EVOLUTION OF WORLD MARKETS

PhD Student **Andrei NICULESCU**

ABSTRACT

Ever since the dawn of the human race, we have strived to find new ways to communicate, as this gift has been considered man's most powerful competitive advantage against all the other living creatures.

However, from this to the multinational media corporations that are currently ruling over the ways in which we communicate with each other in the modern world, the progress that has been achieved so far is perhaps staggering.

Media Instruments

Generally speaking media instruments are the means by which a message is transmitted from the broadcaster to a receiver or a group of receivers in the case of media consumers. Each instrument proves its own types of characteristics and particularities which represent the main argument in the process of choosing one or the other for broadcasting a piece of information. For example, one of the most important arguments in choosing an instrument is the audience rate, which represents how much of the target audience is included in the public.

Next, a few important media channels will be analyzed from the point of view of the way the broadcasting of the message to the target audience is made – for each type of channel the advantages and disadvantages will be highlighted.

Written journalism

With the appearance of the first newspaper in the 17th century, throughout the centuries the written journalism became one of the most used and widely spread means of broadcasting information.

Even though the first regularly published newspaper, *Oxford Gazette*, had its first edition in 1665, in the present there are many ways to classify this media channel. One of the simplest criteria of classifying written journalism is the periodicity: daily, weekly, monthly, yearly, etc. The periodicity of a periodical depends a lot by its audience and so one can choose what type of information to broadcast. Very specific information can be found rather difficult to issue in a daily newspaper or news regarding financial markets and political decisions can become obsolete very fast, so they would not be proper for a monthly, even weekly newspaper.

Other important characteristics are circulation and area of circulation – they are important in the process of choosing because their parameters can affect the intensity of the broadcasted information.

One of the greatest advantages of written journalism is flexibility, the low costs and the variety of forms of the written journalism insures a wide spread. Because of that a major role in written press is played by advertising, which assures the highest percent of the income of such a company.

Radio

After the written journalism, historically speaking appeared the radio in the 19th century. An important advantage of the radio is the almost nation wide coverage and an even more important one is the high level of target audience selection, thus enabling a higher segmentation of the public.

Regional radios, for example, make it very easy to broadcast messages to a certain target group be it information, news, shows, etc. This is why the radio has a personal touch to its information broadcast.

Other important characteristics of the radio are the mobility and adaptability to the human habits (a radio can be found in houses, cars, offices, etc). In contrast to that, a disadvantage of the radio is the fact that listeners are exposed only for a short while to the message.

Television

Becoming one of the most powerful mass media instruments, the television appeared in the 20th century and has more and more impact on society.

In the present television is considered the media channel with the highest and fastest dissemination power having the most efficient and greatest impact on audiences of any type. It is also said that television is the cheapest means of mass communication – practically every person who has a television set has almost free access to information.

The power of the message is high also: one can receive the message at home, in a bar, on a street and with the new technologies even on their mobile phone. Because of these technological discoveries television is practically omnipresent nowadays.

The major advantage of television is the use of a universal language – the language of images. This can be understood even by people who cannot hear or understand a language. Therefore the audience is larger than of any of the other media channels.

Creating value in mass media

The presence of capitalism in the mass media industry brought with itself a series of management consequences. The most important of them is the need for management to produce value for the organization's shareholders. The fuel of this machinery called mass media was the growing consumption of information. This had a series of causes among which one can specify the liberalization and deregulation of the markets and the growing importance of the advertizing agencies.

On the ground of growing demand – in 2008 the number of daily headlines exceeds 10,000 and the number of paying customers is higher than 1.4 billion – in the last years a capital infusion was received by the media industry, which also highlights economies of scale. This means that the efficiency of the organization is grown only by the growth of its size.

Economies of scale, the costs of the technology changes and the network effect caused by globalization made it possible for many media groups to develop into international press trusts. That way creating value for the shareholders becomes very fast a very important issue for the management of such an organization.

To create value for the shareholders an organization must act and plan in such a manner that the profitability of the invested capital is higher than the cost of the capital. EVA (Economic Value Added) is the most important indicator for the value of a company and it is calculated starting with EBIT (Earning before interests and taxes).

The principles of management oriented on adding value imply new variables such as the control of the invested capital or ignoring the activities which are not in the core business. These factors have important consequences in strategic management and the reinforcement of the control procedures.

Defining a competitive strategy

In an economy of growing performance the road to an international business can be often hard to control. Looking at the biggest media companies, the trend is to stimulate growth at a manageable rate through strategic diversification. This leads to independence and different growth rates for different products or activities.

One way to accomplish such diversification is through Mergers and Acquisitions (M&A) – the consequences are a redistribution of income sources, risk reduction and overcoming entry barriers for some markets.

Diversification strategies

A diversification strategy responds mostly to the objective of entering different media channels and thus maintaining the company's competitive advantages. The outcome is balancing the risk and more control over the incidence of exterior factors and situations.

This diversification only makes sense through economies of scope – a transnational group based on its brands capitalizes its synergies only if the different branches work together, and thus generating substantial economies.

So one can state that, actually, such diversification strategies within a media group aim the possible synergies between the different resources. This results in a concentration of resources with a global value higher than the value of each one of them.

Integration strategies

Integration is preferred when the objectives are the generation of economies of scale and to avoid a large number of players on the market. M&As, usually useful for fulfilling the objectives of horizontal strategies, can be supported for accelerating the international development of a media company.

Conclusions

This article aims at presenting the most important aspects from the media industry from a generalist perspective. The prerequisite for it was that before getting into any detail one should first cope with the elementary aspects that are of general concern among media managers and leaders worldwide.

After briefly presenting the most common media instruments used by most significant players on the media world market, the need for management to create added value to their company's shareholders is highlighted. Thus, two of the most fundamental strategies in the development of media businesses are presented, from small entrepreneurial entities to complex organizations that span multiple continents.

References

1. Albarran A.B., Gormly R.K., *Strategic response or strategicblunder? An examination of AOL Time Warner and Vivendi Universal*, JIBS, 2004, pp. 35 – 45
2. Alfacont/Mediawatch, *Presse und Rundfunk Studium*, Bucharest, 2007

3. Baker M.J., *Macmillan Dictionary of Marketing & Advertising*, Macmillan Business, London, 1998
4. Chan-Olmsted S., *Competitive Strategy for Media Firms, Strategic and Brand Management in Changing Media Markets*, Lawrence Erlbaum Associates, Mahwah, 2006
5. Compaine B., Gomery D., *Who owns the Media? Competition and Concentration in the Mass Media Industry*, Lawrence Erlbaum Associates, Mahwah, 2000, 3rd edition
6. Croteau D., Hoynes W., *Business of Media: Corporate Media and Public Interest*, Sage, London, 2001
7. Deslandes G., *Le Management des medias*, La Decouverte, „Reperes” collection, Paris, 2008
8. Rooke D., „Seven transformations of leadership”, *Harvard Business Review*, April 2005, pp. 66 – 76