

Television's Convergence Conundrum

Finding the right digital strategy

By Everett E. Dennis

For media and entertainment companies as parents of network and local television, finding a workable strategy in an increasingly digital environment has long been a conceptual—and operational—challenge. They worry that television's role in the media landscape will diminish as webcasters who play on conventional computer screens and hand-held devices inch their way into the media marketplace. Concurrently, search engines like Google and Yahoo!, the apparent new masters of the communications universe, are taking a more important role as aggregators and distributors of information and entertainment content.

For television, coping with convergence has been the cause of hand wringing for more than a decade. At first, TV executives considered it an annoyance that mostly benefited cable rather than over-the-air broadcasting. Later, broadcast executives saw it as a promising but unfulfilled revenue stream, mostly as a hedge against market uncertainty. A clear exception was NBC's bold joint

venture with Microsoft that created MSNBC as a cable and Internet presence integrated with CNBC, thus showcasing four distinct platforms. More quietly, for most television operations digital development has been incremental—mostly involving the Internet, but increasingly Video on Demand and other broadband innovations.

The term “convergence” itself has had ups and downs, first being wildly advertised as a Nirvana for the industry, and later decried as trendy and insubstantial, undervaluing the reliable, venerable medium of television itself. Typically, though, media executives have seen convergence in narrow terms, sometimes simply as cooperative ventures between TV and newspapers, as in the case of the Tribune Company, the nation's 12th largest media company by revenue. As recently as last June, *The New York Times* reported that Tribune had been “fitfully blending papers and TV,” but found pitfalls in a shifting landscape. A so-called synergy model, which originally allowed shared content and talent as

well as advertising and cross-marketing connections among television stations and newspapers in Chicago, was less successful when applied to this onetime midwest company's east- and west-coast properties and thus the cause for corporate hand wringing, according to media reports. As Richard Siklos and Katharine Q. Seelye wrote, "Not only would the properties in each city cross-pollinate their editorial content, but advertisers could make sweeping national buys across the media and across the country." Other firms have similarly reported ups and down in various ventures involving convergence strategies.

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Rarely, though, have media executives considered the full range of convergence options or the broad meaning of the term itself. While often used as shorthand for a "coming together" of content and distribution, electronic media and ink-on-paper publishing, convergence has a much more expansive formulation on which a digital strategy map can be drawn. As I wrote three years ago in *The International Journal of Media Management*, convergence is more than the sum of its parts. It is, first and foremost, a technological phenomenon that permitted an integration of all forms of communication through an electronically-based and computer-driven system. Thus, conventional media

were connected with the Internet, and old competitors in broadcasting, cable and even motion pictures were working together. This, of course, went hand in hand with regulatory convergence and the deregulation of the media environment generally. Regulations that previously blocked cooperative ventures suddenly were not only permissible but strongly encouraged. This enabled economic and market convergence and ultimately content and human capital convergence.

All this was evident to careful observers during the Dot-com boom and bust. Leading up to that dramatic meltdown, which affected the economy

generally and media most particularly, media companies, some with television properties, had radically different strategies for navigating what they believed to be the changes driven by the several convergences—technological, economic and regulatory. General

Electric's NBC pioneered a multi-platform universe with a high tech partner and most notably the nation's largest media company, Time Warner—for a time AOL Time Warner—was the most exuberant champion of convergence in the entire media marketplace. Other bullish companies included Disney, Bertelsmann and Vivendi, all hailed by admiring business leaders as innovative and forward-looking. At the same time, old lions like Rupert Murdoch's News Corp., owner of Fox Television, and Viacom, which acquired CBS to join its various cable properties, lagged behind. After the Dot-com crash, those who had been reluctant recruits in the march to convergence appeared prudent and wise,

while those who had led the pack looked hasty and even reckless. This quite naturally led to a cautious period from 2001 forward to at least 2004 in many corporate boardrooms and executive offices and the search for a workable digital strategy slowed considerably.

This seemed the perfect time to take the temperature of digital strategies, present and evolving, in the nation's top 25 media companies by revenue, which I did with two colleagues, Stephen Warley and James Sheridan, then research assistants at Fordham's Graduate School of Business. In research published in last spring in *The Journal of Media Business Studies*, we reported on interviews with CEOs and other executives from firms including TimeWarner, Viacom, Disney, Comcast, NBC, Cox, News Corp. and others. We asked how they shaped their digital strategies, how often they were reassessed, where the digital function fit in the company's hierarchy, how they actually conceptualized convergence in its application to marketing, consumer relationships, content and distribution. We also asked about perceived threats—and divined some new strategic questions.

Along the way we assessed leadership styles—and apparent performance. And, as educators and professionals we wanted to know how all this relates to hiring patterns for new and mid-level employees.

Just over half of the companies—14 had definite, written digital strategies, while only two confessed they did not. Those reported strategies fell into four categories—(1) direct or de facto coordination of all in-house Internet and other digital operations

at the senior management level; (2) decentralized Internet/digital operations with control at the divisional or local level; (3) cooperative ventures between two or more companies and (4) those who chose to make external investments to test out digital strategies without responsibility for full operations. The first strategy was mostly used by Cable MSOs; the second by local broadcasters and newspaper publishers; the third by entertainment conglomerates and the fourth by mixture of the other three and typically by smaller firms that were more risk averse.

Where did the digital strategy migrate in the corporate hierarchy? Here there were three dominant leadership patterns: (1) the CEO or senior executive of an exclusively digital media company of which Comcast was a prime example; (2) executives overseeing a separate or interactive division in a traditional media company, such as Belo, Hearst and ABC and (3) executives who “inherited” the digital strategy by virtue of their position and the culture of the company. At the time our study was conducted in 2004 and 2005, the latter model was in place at Primedia, Cox and Gannett.

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When asked about convergence per se, 17 of our executive interviewees embraced it while others said the term was either rarely used or virtually meaningless. Still, those who see convergence as a useful

term, spoke of (1) operational convergence wherein internal infrastructures confirm to digital standards; (2) cross-platform marketing in which companies leverage their platforms and repurpose old content; and (3) delivering on-demand content in addressable form for viewers and users.

In assessing how digital technologies affect the operations of the media firm, we asked how and to what extent the digital preoccupation affects hiring patterns for future managers and leaders. Here we learned ideal new employees would have (1) knowledge of the technological landscape, (2) creativity, especially in understanding content and distribution links and (3) analytics—a fundamental understanding of business plans, marketing, advertising and audiences. Business school and liberal arts graduates with industry experience were preferred by most we interviewed. Professionals from the content side of the business, including writers and journalists, were dismissed as having “marginal value” by some respondents who chafed about their preoccupation with detail and inability to think strategically.

When we asked about perceived threats, the executives turned introspective, most often decrying their own complacency and lack of imagination. While no generic platform was deemed a great threat or potential competition, they did express both fear and admiration of and for search engines. The executives worried about technology overload in a wireless environment as potentially crowding out some media products, including television fare. Control of intellectual property was also frequently mentioned

as critical to survival in a digital world. They complained that neither laws nor enforcement had kept pace and some said they were concerned about the future of paid content vs. that offered free.

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Clearly, there is a dynamic discussion among media executives about the interplay of traditional and new media as well as what platforms and organizational structures will be most suitable in navigating a nearly seamless digital landscape. As we assessed the companies in our study, three distinct strategic styles emerged. We saw companies that were or had been clear *leaders*, boldly seeking out their market share with innovation and creativity. Others, we’d call *learners*—more cautions about change, but drawing on lessons from successes and failures of others. And finally, there were *laggards*, cautious to the point of inaction in some instances, fearful of abandoning core competences and products for a clearly undefined world. As one executive summed it up, “truly none of us really know what we are doing. Yes, we make thoughtful, calculated guesses based on the best evidence, but as for what will ultimately work both in the short and long run, the jury is out.” Others worried that other technological changes affecting television and other media had longer gestation periods at a time when the market was kinder to innovation and less demanding of quarterly profits for shareholders.

Since the time we interviewed some

27 executives in 23 of the 25 companies and got information on the others from public and outside sources, it is clear that many changes are affecting the television industry as it integrates more fully with other media enterprises, largely in a digital context. Ultimately television, like cable, has begun to redefine itself and its role in the media family. It is an industry, a technological platform, a content creator and distributor of information, entertainment and advertising. Some say it is an institution or even a social force. It is coping with convergence by

harnessing many of the attributes of the digital revolution to its own ends. And all this is changing. Firms we categorized as learners and laggards at the time of our study are now on the move, some demonstrating muscular leadership while some of the former leaders have dropped back in the face of loss of market value and other economic difficulties as they reassess their approach. If television is to remain a dynamic industry, not only holding its own, but creatively marking its way, it will clearly have to master the challenges that digitization brings.

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