Prospects for a Big Idea – Is There a Future for Convergence?

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When Sony’s chairman Nobuyuki Idei was recognized as “an undaunted preacher for convergence in music, movies, games and communications in all forms” (Belson, 2003) in an April 2003 article in The New York Times, his advocacy of “constant non-linear change” was treated as an anomaly. Only months before the idea of touting an advocate of convergence as anything unusual would have seemed redundant. At that time, the CEOs of several giant media firms (among them Bertelsmann, AOL-TimeWarner and Vivendi) were riding high as apostles of convergence which was loosely defined in the media as the coming together of all forms of communication technologies and functions into a single system with a blurring of lines between what had previously been the distinct precincts of publishing and electronic media.

Convergence was a Big Idea from its beginnings in information theory where scholars, scientists and engineers, among others, had posited a future scenario linked to global connectivity. Marshall McLuhan’s global village and fanciful ideas about the extensions of media supported this with humanistic flourish.

As a longtime observer and enthusiast for convergence – the concept, not necessarily the business strategy – I have watched the rise and fall of convergence from its early conceptual articulation through more precise explications and finally into practical exposure in the communications industries. The journey has not been an easy one for this bright idea that seemed such an obvious linchpin in the inevitable development of a systemic approach to information acquisition, storage and retrieval as computing became central to the communications industries. The concept has, in fact, gone through at least four stages of development and has embraced various aspects of the media and entertainment industries involving industries themselves, firms that were heretofore focused on singular aspects of media, moving eventually across the frontiers of human and intellectual capital (Dennis, 1992).

Driven by promising new technology and the unprecedented reach and power of the Internet, convergence was aided by unprecedented economic growth and the willingness of governments to relax regulatory authority and allow industrial and other arrangements previously prohibited. The old protective barriers that prevented cross media ownership and mergers between the telecommunication and media/entertainment sectors were largely removed. This set the stage for a remarkable series of developments.

As for the four stages of convergence they included an incremental awakening beginning in the early 1980s long before the practical implementation of the Internet and World Wide Web, moving eventually to a period of early adoption in the 1990s, followed by nearly uncritical acceptance by the end of that decade, (sometimes called the “marriages of convergence”) and finally in the early 2000s to presumptions of failure. Of course, convergence or the coming together of previously distinct industries, operations, functions and firms was summed up in general terms in the Encarta World English Dictionary’s wordy explanation of “a uniting or merging of groups or tendencies that were originally opposed or very different” (Encarta, 2000, 396-7). The term, however, came to have multiple meanings in the media industries including a convergence of ownership involving connections between and among industries that previously operated in a more singular fashion, technological convergence, functional convergence (information, entertainment, etc.) and several others.

This is not to say that the optimism that accompanied early discussions of convergence did not also contain ominous warnings. The technology visionary Walter Wriston, former head of Citicorp, for example, wrote in the early 1990s that “instant communication does not in and of itself create understanding. Advanced technology does not produce wisdom. It does not change human nature or make our problems go away. But with much trauma and dislocation, it does speed the world on its journey to more freedom for more people...” (Wriston,1998, 151). People who cited Wriston in their business plans for new media ventures less often focused on the possible trauma and dislocation, it does speed the world on its journey to more freedom for more people...

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ustry which was rapidly joining in the convergence gamble relied on restructuring that was “determined by convictions of the importance of certain forms of synergy, convictions that I suspect are largely mistaken” (Lacy, 1997, 8).

Thinking about the future of what has become a corporate strategy, though one very much in play in 2003, requires some modest consideration of the road traveled to date, the curves and bumps on that trajectory and the prospects for retrieving and restoring its best elements. The visionary of convergence, AOL-TimeWarner’s former chief executive officer, Gerald Levin, once hailed as a brilliant business strategist, is at this writing denigrated as an architect of “big Media’s misadventures in cyberspace,” according to one scathing assessment (Motavalli, 2002, xv). Waylaid by the burst of the Internet bubble and the declining stock market in the early years of the 21st Century, convergence is now seen as a seductive force that failed as a business model. Not everyone agrees with this excessively negative view, however. Cable entrepreneur Leo Hindery says that critics have soured on otherwise competent business leaders whose “normal business decisions have not been perfectly executed.” He adds, “with a plummeting stock price...what should have been seen as a benign case of the pitfalls of irrational exuberance, has instead become a cause for general hand-wringing and criticism of Jerry Levin, Ted Turner and Dick Parsons,” AOL Time Warner’s principals (Hindery, 2003, A18).

It should be noted that media industry leaders largely dismissed early discussions of the promise of new media, cyberspace and what became of the Internet economy. Locked into their core businesses and competencies, they viewed forays outside their known territory with suspicion and danger. There were tales of business failures in cable by newspaper companies while media companies from book publishers to recorded music doubted the viability of electronic delivery of their tried and true hard copy products. Still, commentators suggested that communication be likened to transportation, a concept more important than any of its industrial components, as history had demonstrated. Corporate chiefains, comfortable in their traditional media environments, nevertheless declared that they were “information companies,” or “information and content providers.” The means of delivery, they said, didn’t matter it was the content and its targets that counted.

When the incremental awakening came, it was rarely among the rank and file of the communications industry as industrial managers, trade union members and others demonstrated a fierce conservatism and general rejection of the blandishments of the new media. Newspaper editors and television producers were among the last converts to convergence, which they neither understood nor appreciated. Instead, it was the CEOs and the strategic planners in a top-down approach who led the way. Levin was one of a dozen or so strong advocates for the benefits of convergence and they let their industry peers and associates know years before they did much about it. This was a time of incremental awakening when firms like Time, Inc. had several tepid efforts to explore new technologies in an auxiliary fashion as yet another channel for distribution, though deemed to be a modest one. This was followed by early adoption of digital strategies and whole divisions so devoted in firm after firm from the giant motion picture companies to book publishers and cable companies. All were poised for the future and ready to move boldly into a convergence strategy.

By January 2000 when the AOL-Time Warner acquisition/merger was consummated it was hailed as “the beginning of the end of the old mass media and the end of all serious debate about the new” (Huber, 2000, A26) by one pundit writing in the Wall Street Journal. About the same time Bertelsmann’s Thomas Middelhoff appeared in a commercial on German television in a Star Trek uniform declaring, “We pursue big ideas – no matter where they lead.” Convergence, of course, was the Big Idea. Industry figures such as Steve Case and Robert Pittman of AOL and Jean-Marie Messier of Vivendi were equally enthused. Of course, today in hindsight just where these bold and uncritical assessments led is clear.

With the collapse of much of the Internet economy, much of it in the dot-com world outside Big Media, people sang a different tune as David Geffen of DreamWorks declared that “convergence may be the most expensive word in history” (Arlen 2002, 36). The media analyst Michael J. Wolf noted that “marriages of convenience were justified as marriages of convergence” (Landler & Fabrikant, 2002, C1) in media and entertainment empires. In the midst of an uncertain economy the new heroes of the marketplace were those firms that had the most conservative, riskaverse strategy putting only their corporate toe in the water rather than gambling on a larger scale strategy. Thus firms like Viacom and News Corp., once fearful that they didn’t understand and couldn’t keep up with convergence, are hailed for their business acumen and failure to bite on the Internet bait.

At the same time that convergence is downgraded, so are its various components including synergy, cross-pollination and repurposing, among others. Globalism has also taken a hit, especially in the Vivendi case where internationalism and a group of French directors got the better of a superannuated CEO who had concocted a strategy not unlike Disney, one that didn’t sit well in European circles (Dennis, 2002, 7).

When seen in its many dimensions, the future of convergence, while uncertain, can be traced along certain contours. Convergence as a theoretical concept is as viable as ever and has now been subjected to some real world tests, some successful, some not. Industrial conver-
gence wherein telecom, movie and broadcast companies commingle has been tried and has largely failed. Organizational convergence wherein different divisions involving different media products has also been subject to experimentation and has had both successes and failures. In this realm there is much hope though as convergence involving the distribution of the same content across different channels, such as music, information and entertainment, has proven its worth. The problems have come with a failure to understand the melding of radically different corporate cultures such as the formalistic mentality of Time, Inc. and the breezy informality of AOL, among others. In New York the uptown uniform (suits) and downtown dress (black tunics) suggests a cultural and generational divide. Still, in the midst of all this, people now think differently about human capital and it is not uncommon for individuals to work successfully across and between different media. Indeed, MBA programs are full of students planning to pursue this strategy and there is much encouragement for it. The same notion pertains to intellectual capital. Once the province of rigid, limited outlets, the notion that content can move freely from medium to medium is now commonplace and operational. Problems associated with transitional technologies, such as cable, and fiscal impairments like music downloading or movie piracy, should not deflect from the long term benefits that can be derived once these difficulties are either solved or accommodated.

The future of convergence will, in my view involve greater care in fashioning corporate alliances, making assumptions about the blurring of information, entertainment, opinion and advertising lines. The first round of convergence failures stem from a failure to realize that:

Convergence is a concept to be articulated, orchestrated and developed. It is not in itself a magical business plan and must be accompanied by clear assumptions about profits, short and long term. Creating a product or firm with the explicit notion of selling it to a giant firm will cease to be an acceptable approach and will be policed by investment bankers, venture capitalists and the market;

Convergence requires sophisticated market research and calibrated planning that engages the benefits of interactivity in reaching precise markets, audience segments and individual consumers;

Convergence requires test marketing, pilot projects and experimental venues for media and entertainment enterprise whether developed by a single giant firm or a consortium of firms;

Convergence has and can continue to foster creative media ventures, new media venues and the identification of heretofore unknown markets and audiences never before allowed to commingle due to technological divides and impracticalities;

Convergence has triumphed in the repurposing of content and its reuse at present and in the future. With the prospects of storing all content across all media, the possibilities for its reuse for purposes not presently imagined are great;

Convergence has brought people together and has expanded their roles and functions so that we now have a more versatile and imaginative workforce than ever before.

Especially important is understanding how to manage convergence or as Barry Diller of USA Interactive has said, “the underlying issue is executing what you have converged.” He added that it takes “time, patience and, it takes not having the rug pulled out from under you prematurely” (Landler & Fabrikant, 2002, C1). For years it was understood that a new magazine or newspaper venture, for example, might take years to become profitable. Gannett’s USA Today took over five years to break even, let alone show profits while scores of other ventures were, in fact, loss leaders for their firms before proving their worth.

In the overheated Internet economy with its dazzling rise and equally precipitous fall, time for such healthy experimentation and risk management wasn’t available. As I have written elsewhere there was a blurring of leadership objectives and management capacity in inspiring and guiding convergence (Dennis, 2002). Convergence requires a profound and studied respect for the interplay between change and complexity. As CEOs urged the implementation of convergence they did what one expects from business leaders, that of navigating change and gauging uncertainty. Management, on the other hand, calibrates and guides an enterprise through complexity. Thus corporate leaders who preached a doctrine of convergence expected an overnight integration of various media products and enterprises into a seamless new venture while managers who mostly knew their core businesses and how to produce specific products were unable to comply—at least with the kind of dispatch required. Any consideration of the future of convergence requires a better interface between strategic planning and operational realities. Without it, new enterprises are always unnecessarily at risk.

The future of convergence is, in my opinion, boundless given an operational strategy that recognizes the genius of traditional media forms, some of which have not yet been well integrated into digital form (for example, the newspaper), and how they might benefit from interactivity, global reach and addressability which have heretofore eluded them. Naturally, the future of convergence in all its articulations is a function of the economy and while some critics say that the unprecedented New Economy of the 1990s may take a decade to recover, there are already indications that firms like
Disney are developing careful, well planned decentralized approaches to digital integration. Long term forecasts for media industries are still bullish and suggest that demands for information and entertainment will remain high and will be highly profitable, more so than many other industrial sectors. Closely tied to the economy are consumer habits and their resistance to digital delivery of some media forms and will be overcome as a computer savvy generation replaces those more distrustful. On the regulatory front, there will always be a shift between freedom and accountability, but there is no indication that the gains of the era of deregulation will be rolled back anytime soon. The coast is clear for creative new ventures.

It is perhaps unfortunate that convergence has come to be almost exclusively associated with media concentration in some critiques since that is only one dimension—albeit an important one—in the extensions of this multifaceted concept. At the heart of the regulatory debates, however, is concern about the impact of convergence on democracy. In the realm of economic concentration of media industries issues of diversity are frequently raised. Whether the ease of corporate mergers and concentration limits diversity of content, as some critics charge, or, in fact, creates more content options is a matter of unsettled debate. Does concentration bode ill or well for democracy? One commentator at a CEO forum said, “the question is open-ended” and that “business imperatives will play an important role in determining the outcome. The hypothetical powers of the new media risk head-on collision with the harsh calculus of financial viability” (Shister, 2003, 2). In a speech to the Netherlands Press Fund conference on “Newspapers and the Public Debate in an Electronic Age,” I argued that the benefits of global networking, interactivity and addressability could enhance the role of newspapers in a democracy. Noting that “the information and news function could be greatly accelerated...by systematizing the news” and with regard to the opinion function, there could be a “continuous interactive symposium that will make the current editorial and op-ed pages seem as though they belong in the Stone Age” (Dennis, 1995, 5). Similarly, the entertainment and advertising/marketing functions can be greatly improved and extended. Clearly business will need to be attentive to the critiques affecting the impact of convergence on democratic governance and civil society. To the extent that the public believes that concentration of ownership is deleterious, evident benefits may be ignored. For example, cable multi-system operators have been exceedingly unpopular with the public due to service issues and pricing structure even in the face of extensive programming offerings and presumed public benefit. The values that can be achieved in a converged media environment are many and need to be articulated, debated and understood.

With cautious corporate boards, whose fingers were burned by the buoyant efforts to capture convergence in the 1990s and beyond, especially reluctant for new ventures and funding sources similarly inclined, those interested in a convergence strategy will have to prove the worth of their enterprises in slow, incremental fashion. They will need to harness the energies of the 1990s while carefully reassuring investors that they have more than a good idea, but a business strategy accompanied by a persuasive business plan for each new venture. The economics of convergence will require people to pay for what they get. The Internet has been associated with the notion of free content and only a few sites have successfully convinced users to pay. This will need to be addressed for convergence to truly succeed as the intellectual property on the net and elsewhere in cyberspace costs money to produce and has real value. To date advertising and user fees have not solved the problem. An economic model for convergence is still to be fully developed and begs the question of how profits can be derived from intellectual property. Never in the history of the world has there been such a remarkable technology as that associated with global networking and it has the wherewithal to create a truly global marketplace. That a technology and its consequences were over hyped in an earlier decade is not a reason to block its inevitable development. At the same time improved variations on the digital media theme are already appearing and warrant attention and assessment. Especially notable are broadband connections that speed up web connections and help overcome one of the most important impediments to the success of convergence in recent years. Music downloads, for example, in the words of The Economist tried “the patience of saints, let alone teenagers” (The great convergence gamble, 2000, 67).

Those who believe convergence is dead and that any effective coming together of divergent media industries, firms or content is unlikely will, I think, be mistaken. While prediction is always a fool’s errand and likely to be off target there were many warning signs on the horizon in the mid 1990s that should have been factored into the rush to invest and develop new and converged media and media companies. That experience, however, ought not be viewed with despair, but rather as a blueprint for new development wherein obvious flaws can be addressed and corrected.

What we may be experiencing is a reversal of the old IBM strategy that benefited from the successes of small firms before plunging into new enterprises. Instead, we now have the example of old line media firms, some of massive size, who have laid the groundwork for converging communication activities. Their seemingly blind faith in some efforts that failed is nonetheless an early warning signal for future consideration. The designer and information architect Richard Saul Wurman once said that every failure is a step on the road to success and if that is so the tur-
bu lent experiences in the converging media companies in the late 1990s and early 2000s will be exemplars of what or what not to do in the near and distant future.

References


