Editors' Note

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Internet Newspapers: Are Some More Equal than Others?

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Management of Core Resources: The Case of Media Enterprises

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Interactive Television: A Model of Analysis of Business Economic Dynamics

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The Resolution of Digital Television: How HDTV and Must-Carry Are Hindering The Return of the Analog Television Spectrum

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Cory Allen, Elena Larsen Annenberg School for Communication,
University of Pennsylvania, U.S.A.

Why Communications Management?

Markus Will
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Calendar of Events

Impressum

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Dear Reader

Welcome to the spring issue 2000 of the JMM – The International Journal on Media Management. In this issue, the emphasis is placed on general questions in the field of media economics and new media management with a special focus on interactivity. We gratefully acknowledge all of the contributions we received. The outright peer reviewed articles focus on transition in the media industry’s different sectors and its new environment, settings and business models, all of which are required for this transition.

In his article, Enrique Dans looks at the development of internet newspapers and the consequences of paper-based newspapers of going online, e.g. different competitors, customers, and business models. He compares data from 15 Spanish newspapers and tries to identify factors that are responsible for the success of internet newspapers. The findings will be interesting for publishers trying to understand the new environment in their business.

The management of core resources in media enterprises is investigated by Frank Habann. In the new environment and market settings for media companies, knowledge concerning unique resources is becoming increasingly important. These core resources are proposed as the basis for an environment-orientated corporate strategy. The article aims to develop a systematic approach to the definition and management of these resources. Finally, his conceptual work is applied to the case of Bertelsmann AG.

Margherita Pagani writes about the journey from traditional broadcast TV to interactive television and its fundamental impact on the entire TV-business, such as modalities of consumption, production, and structures. Currently, the management of broadcasting companies faces diffuse strategic and managerial challenges arising from the potential of new media. The study analyzes the changing industrial structures and forms of competition by exploring the interaction between technological development, sector development, and economic implications for this business.

Hugh Carter Donahue, Cory Allen and Elena Larsen summarize current developments concerning digital TV in the U.S. from a legislative and legal perspective. They explore different scenarios through which the governmental bodies responsible for supervising the industry may implement their goals.

Markus Will looks at the communications management of companies. With the increasing importance of teamwork, the communication of a company’s strategy to its stakeholders becomes a success factor. In the challenging changing environment, different and new ways of managing the communication are needed. For this, different types of communication have to be distinguished, they have to be integrated and combined. He argues that as yet, there is no management discipline just for communications. Therefore, the article proposes a new discipline – communications management.

We hope that you enjoy our new issue and find its articles stimulating. If you are a researcher or practitioner in the field of (new) media economics and management and you would like to share your findings with experts, we would welcome your contribution to our journal for one of the forthcoming issues.

Beat F. Schmid
Peter Glotz
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Management of Core Resources:  
The Case of Media Enterprises  

by Dr. Frank Habann, mcm institute, University of St. Gallen, Switzerland

The resource-based view in strategic management focuses on the companies' unique resources and their impact on performance. This article develops a systematic approach to the definition and management of such "core resources". A corporate strategy that includes a consistent attitude towards its environment is considered as the appropriate guideline for core resource related management decisions. It is argued that a resulting strategy-resource fit will improve the company's performance. The concept is finally applied to the case of a media company.

1. Introduction

In scientific discourse the success of companies has been attributed to the favorable adaptation to the business environment as well as to the creation and utilization of company own potential for success. Thus an area of conflict emerges between the market-oriented view of management, which requires the consequent orientation of all business activities on the – frequently very dynamic – market environment and the resource based view of management, which has attracted increased attention recently (resource-based view (RBV)). The latter has attributed firm success mainly to the existence of all these factors poses barriers to potential imitators. The latter can be the result of a permanent application of (core) competencies, which will be further explained in the part “Interaction”.

The question, which characteristics a resource must have to be "core", i.e. to ensure sustainable firm success, plays a central role in the realm of resource theory. The literature on the RBV deals with the following characteristics:

- capacity to generate value
- non-imitability
- non-substitutability

The simultaneous existence of these three characteristics constitutes a core resource.

A resource has to fulfill the precondition of being capable to generate value, in order to contribute to long-term success. It is possible to differentiate between a primarily firm-oriented view of value creation, which is reflected in the company profits or the shareholder value, and the value creation for customers. The latter is the dominant interpretation and should be a premise for the first. The non-imitability, i.e. the impossibility to copy a certain resource is the characteristic, which has been best founded in the resources theory to date. Mainly Dierickx/Cool have identified influencing factors such as inefficiency of shortening the process of resource development, unclear causalities (“causal ambiguities”) between a resource and a competitive advantage, high fragmentation and complementarity of clustered resources and “asset mass efficiencies” that arise mainly after a critical level has been reached, e.g concerning a customer base. This idea is implicitly discussed at the moment with reference to network economies of the Internet. The existence of all these factors poses barriers to potential imitators. While in

2. Core Resources

2.1 Definition and constituting characteristics

There is a large variety of terms chosen for those firm resources being regarded as main success factors in the publications of the RBV. The resources under consideration can however be classified into two general types according to their contents. While the focus on core competencies, i.e. special skills of a business, is typical for the German-speaking countries, the English-speaking world extends the analysis to “strategic assets”, thus strategically important and in most cases intangible assets such as copyrights, brands, patents etc. are in the center of attention.
imitating a resource, a firm attempts to achieve a competitive advantage or a certain defined goal with a principally equal resource, the characteristic of non-substitutability prevents others to achieve the goal with a different resource.10

### 2.2 Core competencies

The term core competence is not clearly defined in the literature.11 The term “core competence” has become popular through an essay of Prahalad/Hamel in 1990; with this term they described the mastery of basic technologies, which have to be successfully marketable in the products of various strategic business units.12

The following analysis structures core competencies according to the functions attributable to them.13 As regards those functions, agreement has been reached only on the core competencies’ principal role as factors securing sustained competitive advantages and thus sustained above-average profit generation. As for a specific definition of functions, they may comprise the so-called “basic or meta-competencies”14, which are supposed to allow the very development of core resources; competencies, concerning basic functions of top management15 and finally competencies, representing skills related to value activities16 or supporting the creation of enterprise-value activities.17

### 2.3 Strategic assets

Assets are to be considered “strategic” if they fulfill the constituting characteristics of a core resource. The term “assets” indicates that these are assets of a company. This does not mean however, that the assets have a definite monetary value, since they may be intangible assets, which – depending on regulation – often are not accounted on the balance sheet and can hardly be evaluated accurately.20 The main strategic assets discussed in the specialized literature are intellectual property rights, company and product reputation as well as organizational culture.

The term intellectual property rights encompasses those legal standards that serve the protection of individual intellectual creations.21 As for the legal standards applicable in Germany in this context, two categories can be differentiated: those for primarily cultural creations, e.g. copyright and those for primarily technological developments with a business purpose, e.g. patent right. For media enterprises, the utilization rights enshrined in the copyright, i.e. movies, literature and musical works, (“content rights”) are of major business relevance.

The confidence a company has developed in a customer is defined as company reputation or “Goodwill” in the marketing literature and is an important intangible asset.22 Various authors of the RBV literature also indicate the importance of this intangible asset, while they mostly do not differentiate between a company and a product reputation, which is acceptable, as both are created mainly through long-term quality of the delivered product.23 Interestingly, the reputation of media enterprises often does not benefit from the reputation of their products, because the link is not obvious to customers.
Organizational culture means the “entirety of company-related values and standards, which influence the behavior of all members of the company.” In particular the capacity of organizational cultures to generate benefit has not been evaluated equally in the specialized literature. A systematic approach hereto would be to dismantle it into a coordinating and a motivation function. A coordination-related benefit certainly is the reduction of costs of coordination through conforming the behavior by culture; from the point of view of organizational theory, this could replace the creation of organizational structure rules. The extent of the motivation-related benefit creation of an organizational culture can be evaluated at least in terms of cost savings for the otherwise necessary motivation measures.

2.4 Interaction

Core resources do not stand alongside without any links to each other. Especially valuable core resources can emerge through interaction of core resources, mainly when core competencies are used for the management of strategic assets. Such management activities are-as described in the following-the identification, the acquisition (in a very broad sense, i.e. including development), the maintenance and the use of core resources.

The Potential of an integrative core resource emerged in this way, results from the sum of the “core” resource potential of its elements. This can be anchored more strongly in a (core) competence or also in a (strategic) asset, and in both in the ideal case, which can be assessed by analyzing the characteristics.

An example using the already outlined core resources shall clarify the topic: The “Quality management” as a core competence concerning multiple value activities is focused on the maintenance (and further development) of the strategic asset “Product reputation”. Both elements show a high potential as core resources, therefore their combination might result in a very powerful core resource complex (see figure 1).

3. Core Resource Management (CRM)

3.1 Definition and Decision Areas

The term CRM allows to summarize all decisions and activities targeted at core resources of the company. The basic decision areas of CRM include Identification, Acquisition (incl. Development), Maintaining as well as Use of core resources. Only rudimentary approaches to a concept of CRM are found in the specialized literature. They mostly give a broad outline of the above mentioned decision areas; some emphasize individual decision areas and perform a more profound analysis thereof. The management practice too has only started with the development of CRM concepts. However, it can be expected that such concepts will gain importance in future, since the increasingly stiff global competition is forcing companies to develop their own core resources, maintain them and use their potential systematically.

The considerations to date have focused mainly on the management of core competencies (CCM). At least some starting elements of a management concept have been developed, which reflect the heterogeneity of research approaches.

Figure 1: core resource potential matrix

CC = core competence,
SA = strategic asset;
CCV = capacity to create value,
NI = non-imitability,
NS = non-substitutability

- (Core) Competence is suitable to manage the (Strategic) Asset

CC-Potential (CCV, NI, NS)

SA-Potential (CCV, NI, NS)

Any Asset

low high

CC

SA

low high

Competence

Non-Imitability

Non-Substitutability
within the RBV. Here, approaches focused on theory, management and empirical-case studies exist along each other.

A global approach towards the management of strategic assets has not been developed. This is at least partially due to the fact that strategic assets differ across industries in terms of their importance and complexity, thus an integration thereof into a management approach is certainly more difficult.

3.2 Alternative activities in the decision areas

The identification of core resources has a special status among the decision areas, since no alternatives are developed here, from which one has to be selected depending on strategy.

To identify business core resources first of all the scope of resources, which can be considered as possible core resources, has to be defined. A pre-selection of resources should be broad in scope, in order to include early also those resources, which are currently of small relevance, however upon emergence of certain environmental conditions could become important core resources. Very often core competencies and strategic assets are drawn from the set of intangible resources, thus special attention has to be paid to these. The appropriate degree of aggregation to discover core resources cannot be defined from the theoretical point of view. Also empirical attempts to identify core resources through company surveys do not provide unequivocal information. A combined approach appears to be meaningful for the pre-selection of potential core resources in the practice. The outlined core resource systematization can be helpful to define areas of core resources. Possible concrete candidate core resources from the point of view of the company should be determined with the help of this systematization within the framework of empirical analyses. In the second phase they have to be evaluated as for their potential as core resource, whereby the above outlined characteristics of core resources can be applied. The transformation of these characteristics into measurable values however has only started. Proven analysis tools, such as Strengths/Weaknesses Analysis or Benchmarking may fail here, but can nevertheless be applied at least as a supporting instrument.

Alternative activities of core resources acquisition (in a broad sense) include in general: internal development, internal transfer, the development in cooperations and (market) acquisition.

There are two general alternative activities to maintain (and further develop) the existing core resources potential. On one hand a company can strengthen the existing resource base, e.g. by using learning curve effects and thus improving the resource base congruently. On the other hand, resource complexes can be expanded by adding new, often externally acquired resources; this can be a strategic starting point for entering new businesses.

General alternative activities to use core resources are the use in individual strategic business units (SBU) and the use by transferring them between SBU. Such a cross-SBU usability of core resources can constitute a significant part of their success potential and is therefore of special interest. If the envisaged target-SBU is a new business field for the company, we refer to it as diversification. Porter considers diversification as the most important area of application of RBV.

The alternative activities of the cross-SBU use include a) internal diversification, i.e. based on own performance potentials, b) cooperation, c) external diversification, i.e. implemented primarily through company acquisition, and d) external exploitation of a core resource through licensing.
TV, Music and Multimedia business. This example will be elaborated in the following.

d) The “Reactor” strategy, where a company reacts to environmental changes only when urgently necessary, but without a recognizable strategic concept. This company type showed poor performance in the empirical studies and is not the subject of the further analysis.

Based on a pursued situative (or contingency) approach, which uses this environment-related strategy as situative context for CRM, guidelines have to be drawn from the strategy for decisions (i.e. the choice from the given alternative activities) in core resource management. These decisions determine to a significant degree the composition of the core resource portfolio.

Within the situative organizational research we can differentiate two general approaches: the descriptive and the evaluating approach. In relation to this topic, the first approach analyses, which core resource portfolio the representatives of strategy types show in reality, in order to recognize certain regularities. The distribution of certain strategy-resources-constellations does not however say anything about their inherent advantages or impact on success, thus strictly speaking no recommendations can be drawn from that.

The second approach, which is principally favored here, serves the creation and confirmation of hypotheses regarding the most appropriate core resource portfolio for a specific environment-related strategy. Success measurements would have to be applied here, to find the more or less existing “Fit” between a Strategy and a core resource portfolio. Significant differences between core resource profiles of successful and less successful companies of the same strategy type should be the starting points for the development of a strategically adequate and thus success promoting core resource portfolio.

If however firm success is attributed to a favorable strategy-resource-fit, the analysis is in the realm of strategic success factor research. The principal criticism regarding this approach rests in the isolation of causal factors, since it can be expected from each cause-effect-assumption, that also other than the considered success factor(s), i.e. the “fit”, may be responsible for firm success. One strength of the presented research design however is, that at least the firm internal success factors are largely represented by strategy and resource components. These considerations are summarized in figure 2.

3.4 Corporate strategy - core resource portfolio - fit: hypotheses

With the aid of the core resource systematization shown above, hypotheses - exemplary for the “flexibility orientation” strategy type - are to be developed regarding the core resource portfolio conforming to the strategy. The actual core resource portfolio of Bertelsmann AG, the subject of the case study, is subsequently compared with the core resource portfolio recognized as adequate. The degree of the match between ideal and real portfolio can provide clues as to what extent the media company already successfully manages its core resources or where weaknesses still exist and corresponding recommendations should be observed.

In view of the above stated basic competencies, a special relevance of the organizational learning capability is to be assumed in case of a flexibility orientation as strategy. This particularly

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Figure 2: Situative Analysis of Core Resource Management: Framework

![Diagram](image-url)
refers to the traditional core business, in which the efficiency (and long-term quality) advantages should help to stabilize relations with the environment – similar to the defender. A distinct innovative ability is not required for the development of new businesses, because here a conscious follow-up strategy of the adaptation of innovations is applied.53

With regard to the top management’s possible core competencies, the “linkage facilitator” type most likely corresponds to flexibility orientation. This competency – to recognize interdependence between SBUs and to use them advantageously by transferring resources – constitutes the central skill of such a management type. For an analyzer this is of outstanding strategic importance, if the issue of a dual resource basis, which must serve two quite different business fields, is to be solved.54 The synergy link does not necessarily have to lie in a commonly used core technology – the answer to the question of which resource types will be used across different businesses must itself be a part of a "linkage facilitator’s" competency.55

An analyzer shows the same behavior as a defender in his core business. Therefore, for core competencies related to value activities the same theory-led hypotheses apply here as for the defender. With reference to individual value activities, the defender’s core resource potential can particularly be expected in input and output related competencies, because the interface to the direct business environment, whose behavior should be stabilized, lies here. Input related competencies mainly show themselves in a superior vertical linking of the internal value chain with that of suppliers, which often leads to arrangements similar to cooperation. On the output side, the stabilization of customer relations envisaged by the defender strongly depends upon the lasting provision of high product quality. This should require “quality management” as a core competency concerning multiple value activities.

Following a strategy of flexibility orientation means running a stable core business, selecting business opportunities in dynamic environments and systematically combining them with the core business. This results in an enormous challenge of the flexible employability of the management staff. This justifies the particularly useful establishment of a corresponding core competency in the supporting value activity, “personnel management”, with a focus on leadership powers.

Under the competency areas related to environment, a possible core competency of an analyzer can be a specific part of the “early recognition” capability, in fact the skill to filter a company’s possible product/market opportunities out of the comparison of opportunities in the business environment and the company’s strengths.56 With reference to an analyzer, this means to check the compatibility of promising product innovations in new business spheres with the company’s own competency basis in order to identify if an adaptation/imitation would present a growth option for the business. As a further competency area related to environment, the relationship management to innovators in emerging business spheres is relevant for the analyzer.

A firm’s or product’s reputation and in the media market, content rights, as a business specific type of intellectual property rights, essentially come into consideration as adequate strategic assets of an analyzer.

A lasting product reputation demonstrates the goal to stabilize customer relations appropriate to the stability orientation in the core business. However, in cases like those media businesses, where product variety is large and changing trends influence demand, such as the music industry, it can be difficult to achieve a lasting quality reputation of individual products. Even if so, they reside in the artist and are not bound to the company. It therefore may be worthwhile here for an analyzer to establish a comprehensive firm reputation aimed at all stakeholders of the firm, especially customers. This strategy will differ from a “prospectors” approach, who might focus on long-term contracts with new talents, in order to reap the benefits of a later product reputation by good contract conditions.

As a strategic asset, content rights can greatly contribute to success in the framework of flexibility orientation because they can be used in other business spheres, which raises their capability to create value (CCV). Because a flexibility oriented strategy of media companies also has to adapt technological innovations and attract innovative partners in new businesses, such content rights could be the “crown jewels” brought into such partnerships. However, problematic about an analyzer is the fact that he – as a follower – will often have to licence content rights himself, or will at least have difficulties in generating really innovative content.

4. CRM in media enterprises: case study - Bertelsmann AG

Bertelsmann AG, as an example for the strategy of flexibility orientation (“analyzer”), should be briefly sketched regarding its strategic traits and its actual – in comparison with the “ideal” – core resource portfolio. The first implications of this are then to be derived for the CRM.

4.1 Corporate strategy

Bertelsmann AG is one of the world’s largest media syndicates. Its business units are Book (publishing and book clubs), BMG Entertainment (music, video), CLT-Ufa (TV and Radio Europe), Gruner + Jahr (magazines and newspa-
The flexibility oriented basic strategic concept of Bertelsmann AG, to analyze and adapt existing innovation ideas, can be observed almost back to the start of its business activity. For example, the book club idea was already practiced in Germany in 1950 by Georg von Holtzbrinck, forefather of another large German media syndicate. This was adapted and successfully developed by Reinhard Mohn. In younger, very dynamic spheres today, like the European TV business, this concept appears again. Thus the first German Pay TV station, Kirch’s “Teleclub”, continued its operations in the 90s as “Premiere” under Bertelsmann’s main participation.

The domination of media technologies has long played a subordinate role for Bertelsmann AG. The story of the company’s growth reveals that access to media contents should primarily be secured through corresponding acquisitions and cooperation. The synergistic transfer of these contents between business units is, however, obviously (still) not a component of corporate strategy. Bertelsmann has recognized however, that the domination of media technologies could become a critical factor for success in the 21st century. The company therefore increasingly steps into media technologies, mainly through forced cooperations with technology oriented businesses.

### 4.2 Core resource portfolio

An organizational ability to learn was presumed to be the basic core competency of flexibility orientation, particularly in the traditional, stability oriented core business. The book club business represented the traditional core business of Bertelsmann AG. An organizational ability to learn could be expected here, if variables related to learning had positively – and superior to competitors – changed over time. In the widest sense, the “World Class Performance Program” launched at the Bertelsmann Book Club in the middle of the 90s, aiming at advancing process related competencies, falls into the category of organizational learning.

Within the identified processes, the investigation of dimensions with the help of process related benchmarking is conceivable. Its shaping and development over time can be compared to the competition as well as “best performance” businesses of other branches. Learning effects in those processes recognized as critical for success are of major importance, because they comprise the highest CCV. Processes b) and d) in particular should be critical for success, as they have a direct influence on customer relations, important in the book club business.

Of the three identified core competencies of top management, the “linkage facilitator”-competence has priority in the framework of flexibility orientation.

Two indicators support the fact that such a core competency is still insufficiently developed at Bertelsmann. Thus the “culture evolution” program launched by the CEO in 1997 has planned a task force which should define the function areas, “...which can be developed through an integrated business approach.” This indicates that the across-the-board use of resources has obviously been neglected in general until now, which can partially be put down to the desired autonomy of the individual business units in the house of Bertelsmann.

The fact that until now there has obviously been no across-the-board utilization of original copyrights at Bertelsmann AG, can be regarded as the second indicator. This can partially be explained by the fact that many business units like the book clubs, parts of the TV business and the area of multimedia hardly own these, but only acquire licenses from the original owners of these rights like publishers, which usually rules out the right to use them in other media. But in the area of science & business media, music, as well as newspapers and magazines, Bertelsmann could very well have original content rights at its disposal which could be utilized profitably, especially in the multimedia business.

It can be regarded as an indicator for a “linkage facilitator” competency of Bertelsmann AG however, that its Bertelsmann club concept, which can be understood as an integrated customer relations strategy, has obviously been transferred from the book to new business spheres like TV (“premiere”) and multimedia online services (“AOL Bertelsmann Online”). In Bertelsmann’s view, there are also additional benefits for customer relations here in the selection and structuring of high quality media contents for its members. Although such a club concept is easily imitated (no NI), it generates large benefits through its applicability in other business spheres (CCV).

Bertelsmann AG is in charge of hundreds of business entities, each with its own value chain. It is easily understandable that “the” value activity related competencies of Bertelsmann therefore can not be named, as a single case study of each business entity would be necessary, which, however, would also not then lead to generalisable core competencies of the house of Bertelsmann. But a personnel management compe-
tency related to all units can be seen in Bertelsmann’s executive sphere. This contains as elements the exclusive recruiting of excellent university graduates, their further training e.g. as assistant to the CEO or internal management consultant, as well as final responsibility for a business unit with high entrepreneurial independence, strict performance handicap and profit share option. Because of the associated fragmented nature of this resource complex (NI), a core resource potential is inherent here.

In the area of environment related core competencies, superior management of relations to innovators in dynamic business spheres can be seen at Bertelsmann. This is concretely revealed in cooperation with, or involvement in, small, innovative companies, e.g. in the business of Multimedia. These can be meaningful, particularly in those activities of the multimedia value chain that are critical for success and are therefore to be occupied early. Examples of this are the joint venture Lycos Europe, established in 1997 together with the company Lycos Inc., USA, one of the early providers of Internet search engines, as well as the capital involvement in the Berlin multimedia agency Pixelpark, an innovative producer of multimedia contents.\(^{67}\)

As a further environment related competency Bertelsmann shows a strategic ability for early recognition. The business continuously observes the media market on acquisition objects that possess a higher potential for profit than that realized by the current management.

As already shown, as a strategic asset content rights comprise a potential for success, especially because they can often hardly be imitated and can be used in different businesses, including the multimedia/online-business.\(^{68}\) Bertelsmann AG has both original content rights and content rights acquired through licenses at its disposal in considerable scope.\(^{69}\) The difficulty of gaining product reputation in the media market as a result of the extreme fragmentation and alteration of supply, has been pointed out. Bertelsmann’s product range perfectly reveals a series of products with good brand reputations.\(^{70}\) A few of these reputations have the potential to transfer to other media, the reputations of e.g. authors and composers are less easily transferable. It is also difficult to appropriate the yields generated through these, as the authors gain a large part of their resource yields through corresponding contracts.

Based on its outstanding personnel management and its entrepreneurial performance, Bertelsmann AG has built up a distinctive company reputation among many stakeholders in its relevant environment. But this hardly exists with regard to customers, because – with the exception of the book club customers – most of them are presumably not at all aware that the magazine or CD they have acquired is a Bertelsmann product.

4.3 Conclusions for CRM

The empirical investigation of the core resource profile of Bertelsmann AG as an example of flexibility orientation shows an apparent consensus with the formulated hypotheses. It is restrictive however, that because of the multitude of the company’s business units an adequately precise investigation of basic competencies and value activity related competencies is not possible. As an interesting result it remains to be recorded that the top management’s predicted ability to combine business units to generate benefits (“linkage facilitator”) is still barely developed at Bertelsmann AG due to the very autonomous operation of its business units. There is definitely a central starting-point for CRM measures here, especially with regard to the utilization of content rights in different business units. An integrative core resource-cluster as outlined in 2.4 could arise here, if a linkage facilitator – core competence is employed for the use of such intellectual property rights (strategic asset).

5. Conclusion and research outlook

With the presented concept of core resource management the following research goals are aimed for:

- The elaboration of a systematic management concept for the identification and treatment of core resources as central success factors. This was transferred to a media company, but can also be applied in other industries.\(^{71}\) As to identification, it appears to be meaningful to use a two-stage procedure that includes firstly a primal selection on the basis of a conclusive systematization and secondly an evaluation of the characteristics of potential core resources on the basis of the RBV. There is no generally valid rule for the extent to which industry-specific resources have to be considered as possible core resources.\(^{72}\) Most (single)value-activity-related competencies might fall into that category, but may very often not be core resources. In the approach represented here, a strategy-specific core resource portfolio is primarily postulated, if need be with industry-specific fine-adjustment.

- The uncovering of a strategically adequate core resource portfolio on the basis of the situative research approach. It can be presumed that such a conformity has a strong impact on firm success.

A future need for research lies in the further investigation of the extent to which firms (can) actually consciously manage their core resources, i.e. if measures of CRM in media companies could definitely improve the fit between strategy and the core resource portfolio in a planned way. This may be possible for core resources such as intellectual property rights, but hardly feasible for oth-
ers like organizational culture. The result of such investigations could be that parts of the core resource portfolio develop without conscious control and yet good performance is still achieved. Montgomery points out that the RBV overestimates the controllability of businesses’ (core) resource bases, and the fact that evolutionary processes take place inside businesses without management control should be noted.73 The possibility of formulating CRM is questionable from this view, but even when acknowledging this fact it can be supposed that firms successfully operating without consciously controlling their core resources would be even more successful with such control.

A further need for research lies in long-term research on successful firms, to examine the development of environment related strategy and the inventory of core resources over time. The research concept introduced here did not investigate – like almost all publications on the RBV and classic situative analyses – changes in variables over time: Montgomery speaks aptly on this: “Just as the resource-based view has given selective attention to a narrow range of resources, it has also given selective attention to a narrow window of time”, and subsequently adds: “The resource-based view has little to say about entrepreneurs, those whose inventory of resources is remarkably thin”74, which points to the importance of the founding stage of businesses for their further resource-sided development. The research concept introduced here is, however, suitable in principle for long-term research projects; a corresponding investigation can then simply be repeated at set intervals.

From this type of analysis, evidence about how the inventory of core resources develops in relation to the strategy could be expected. This brings us closer to answering the question of if a resource-follows-strategy or a strategy-follows-resource paradigm accurately describes the reality.75 The introduced situative approach starts out explicitly from the first; but the fact that unique core resources emerge, on which the strategy’s formulation must also be oriented can not be ruled out.76 This question most probably has no generally valid answer. It can rather be assumed that certain unique core resources can have a determining function for strategy formulation, while others follow the strategy and vice-versa.

As a further result, long-term research could simplify the investigation of the “core” resource attributes of those resources for which long-term examination is indispensable, such as organizational ability to learn. Their resource quality must often be deduced from weak indicators in one-off examinations, which merely leads to tendentious conclusions.

A final important result of long-term research would involve information regarding the question of how successful firms deal with very high environment dynamics, e.g. in the form of environment discontinuities. This could provide evidence about when and in what form transformation processes of environment related strategies become necessary, which is not a central theme of the investigations by Miles/Snow. In this way, an analysis of Bertelsmann AG carried out over the last decades could have shown a process of transformation from stability to flexibility orientation. The deficit in the core resource portfolio found here could allude to the fact that this portfolio can still in part – in the meaning of resource follows strategy – be found in the transformation.

Notes

1 See Wernerfelt (1984), Prahalad/Hamel (1990) and Barney (1991) as protagonists of the RBV. An important contribution in the German-speaking countries was Rasche (1994).
5 See the difference between “doing”-capabilities (competencies) and “having”-capabilities (intangible assets) Hall (1993), p.609 ff.
7 For all core resource types listed a profound analysis of characteristics was performed in the underlying doctoral thesis, see Habann (1999), p.23 ff.
8 See Habann (1999), p.8-12, also Rasche/Wolftrum (1994), p.507 for benefit creation for customers. It is not possible to assume automatically a simultaneous existence of both types of value creation, this also depends from influencing factors such as the competitive situation.
12 See Prahalad/Hamel (1990), p.79 ff.


See for the identification of intangible resources from the point of view of RBV e.g. Grant (1991), p.119 ff.; Teece/Pisano/Shuen (1994), p.15.

From the RBV perspective, the strategic importance of copyright has been elaborated mainly by Hall, see Hall (1992), p.137 ff. from an RBV perspective also Miller/Shamie (1996), p.521 for the movie business see.

See Kaas (1990), p.545.


See for the idea of interaction Brumagim (1994), p.81 ff.; also Verdin/Williams (1994), p.656: “...although strategic assets possess a profit potential... the realization of such a potential is often dependent upon the availability of and adjustment to other strategic assets...”

The logic applied here emphasizes primarily one direction of interaction; however constellations are conceivable, where a strategic asset influences a core competence. Thus an organizational culture open to innovation as strategic asset can be of immense importance for the development of capacity to innovate.


Thus e.g. the US Dow Chemical Company is on its way to develop an Intellectual Asset Management, which will start with the patents and be extended to other potential core resources, e.g. brand names and copyrights. See Petras (1996), p.365 ff.


See Dez (1994), p.2. u. p.6, who considers development, diffusion, integration, transfer and renewal of core competencies as decision areas of CCM. A great lack of this approach is the fact that it does not offer any definition or operationalization of core competencies.

See Krüger/Homp (1997), p.100-145, who analyze the identification, development, integration, use and transfer of core competencies and elaborate their considerations based on short case studies. See also Blümel/Diedrichs/Raster/Westphal (1997), p.31-46, who present a 4-step CCM. The first five steps deal however with the identification of core resources, the 6th step is called simply “Initiate the value creating mechanism”. Campbell (1992), p.175-187, derives from a survey of selected companies some thoughts regarding identification, development and transfer of “core skills”.

An exception here is found in Hall, who emphasizes the special importance of strategic assets: see e.g. Hall (1992), p.136-139. Hall himself does not develop a management concept regarding intangible resources, however he points out that this is a field with future research needs; see Hall (1993), p.617. In the example of Dow Chemicals presents a concept which is primarily related to strategic assets; see Petras (1996), p.365 ff.

See also Aaker (1989), p.101; Amit/Schoemaker (1993), p.36 in relation to the hardly projectable change of business environment which will start with the patents and be extended to almost all 25 core resources from employees surveys.

See in contrast thereto the approach of Hall (1992), p.140 ff., who presented the companies in the framework of his surveys a list with 12 intangible resources.


“...This takes an SBU’s point of view, if the resource in question is already possessed by another SBU of the firm...

See Habahn (1999), p.157 ff. There are usually no or only imperfect factor markets for core resources; thus e.g. the Organizational culture or company reputation do not have any factor market. For other core resources there is very often an information imbalance concerning their value or high firm-specificity, i.e. the owning company can use it with far the best profit, thus a sale is not meaningful. See also Barney (1986a), p.1231 ff.; Rasche (1994), p.58 ff.


Based on the generally accepted strategy typology of Miles/Snow (1978) this is in harmony with a core message of the strategy theory: “Strategy is the match between an organization’s resources and skills and the environmental opportunities and risks it faces...” Hoffer/Schendel (1978), p.11. This hypothesis is supported also from the practic-oriented point of view: see the McKinsey-Consultants Stuckey/Doman/Twathies (1993), p.71, who point explicitly to the situative relation of core competencies and strategy types defined by Miles/Snow. Black/Boal postulate the resource theory point of view also a Strategy-Resource-Fit, but accept also the pursuit of a strategy with completely different resource bases; see Black/Boal (1982).

See Miles/Snow (1978), p.29. also Homburg/Simon (1995), Sp. 2757 ff. The strategy types were operationalized by the author based on Miles/Snow through 12 characteristics in the 3 strategy dimensions “Product/Market-area”, “Technology” and “Market/Institution” and the media enterprises Bertelsmann AG. Kirch Group and ZDF in the underlying dissertation have been analyzed for their correspondence with the particular type forms.


The situative (or contingency), common in the empirical organization research, is based on the assumption that differences between the measured value of organizational variables of companies are due to differences in the situative context (usually the company environment. See Kieser/Kubicek (1992), p.45 ff; also Tebbe (1990), p.121-123 for a presentation from the situative approach...


For substantiation of this explorative observation through the results of empirical organization research see Habahn (1999), p. 213 ff.: 229 ff.: 246 ff.

Should the company’s core business, however, serve customers who primarily honour a high degree of innovativeness of products (such as the “early buyer” segment in the device of innovation diffusion), the ability to innovate is also relevant as a basic capability for this strategy type.

See Miles/Snow (1978), p. 73, who put the main stress on technology resources.


See Bohler (1983), p. 75, steps 6-9, 10.


In February 2000 the company (finally) announced that there will be responsibility for this task in the board, taken by Rolf Schmidt-Holtz.

Thus Bertelsmann, together with AOL, operates the online service AOL; together with debis Systemhaus mediaWays, a leading network provider in Europe; see Bertelsmann AG (1998), p. 70 ff.

See also Habahn (1999). in Munich, p. 48 the four core processes of the book club business were identified in the framework of this improvement programme: a) customer acquisition (“market development”), b) processing of customers’ orders (“supplychain management”), c) book club management (“management of invested capital”) and d) procurement of books (“procurement”).

See also Eckert (1994), who elaborates measures to improve the customer relations of the German Bertelsmann Book Club.

Thus Bertelsmann, in cooperation with, looks beyond the company’s core business.

e.g. in the printing sector, Gruner & Jahr’s “stern” and “Geo” and author of best sellers John Grisham of the US publishing company Doubleday; in the electronic media, the TV channel “RTL” and numerous famous artists in the business unit BMG Entertainment, Bertelsmann (1998).

The first research results in the banking sector already exist; see McDaniel/Kolar (1987), Knaase (1996).
72 See Amit/Schoemaker (1993), p. 39, in their view a congruence between the business’s strategic assets and the strategic success factors in an industry (“strategic industry factors”) is to be strived for. The consequence of this would, however, be that all the competitors in an industry work towards the same core resource profile. Middelhoff (1997), p. 419 f., quite conclusively describes the necessary competencies of a multimedia company; however, these are to be regarded as requirements of entering the market and do not constitute core resources.

73 See Montgomery (1995), p. 264 f.; this corresponds with the view of descriptive strategy research (as opposed to the prescriptive strategy theory), which wants to examine the actual emergence of strategies, which often happens independently and is not necessarily intended; see Mintzberg (1978), p. 394 ff. as a prominent advocate.


75 A strategy-follows-resource paradigm can be put under the classic RBV; see as representative Grant (1991), p. 116 ff.; also Aaker (1989), p.102.

76 Thus Küng (1997) investigates the organisational culture of the BBC and she notices an autonomous “enabling” or “disabling” influence from the organisational culture on the environment-related strategic ability to act; see p. 239 f.

References


for other references see Habann, F. (1999)
or contact the author

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# Calendar of Events

## May
- **05/18/2000 - 05/20/2000**
  4th International Conference on CORPORATE REPUTATION, IDENTITY, AND COMPETITIVENESS
  Copenhagen, Denmark
  http://www.reputation.cbs.dk/

## June
- **06/11/2000 – 06/13/2000**
  GLOBAL INFORMATION TECHNOLOGY MANAGEMENT (GITM) WORLD CONFERENCE
  Memphis, Tennessee, U.S.A.
  http://www.people.memphis.edu/~globalit/

- **06/19/2000 – 06/21/2000**
  13th Bled Electronic Commerce Conference
  Bled, Slovenia
  http://ecom.fowref.uni-mb.si/ECOMHome.nsf

- **06/26/2000 – 06/30/2000**
  Broadband Year 2000
  San Jose, U.S.A.
  http://www.broadbandyear.com/bbcallforpresentations.htm

- **06/28/2000 – 07/01/2000**
  INTERNATIONAL JOSEPH A. SCHUMPETER SOCIETY
  8th ISS Conference
  Manchester, UK
  http://nt2.ec.man.ac.uk/cric/schumpeter/cfp.htm

## July
- **07/03/2000 – 07/05/2000**
  Vienna, Austria
  http://ecis2000.wu-wien.ac.at/start.htm

- **07/08/2000 – 07/11/2000**
  ASAC-IFSAM 2000
  JOINT CONFERENCE
  Montreal, Canada
  http://asac-ifsam2000.uqam.ca/

- **07/16/2000 – 07/19/2000**
  Knowledge Management beyond the Hype: Looking towards the new Millenium, (KMAC 2000)
  Birmingham, UK

- **07/18/2000 – 07/21/2000**
  INET 2000 – The Internet Global Summit
  Yokohama, Japan
  http://www.isoc.org/inet2000/

## August
- **08/10/2000 – 08/13/2000**
  Long Beach, CA, U.S.A.
  http://www.csulb.edu/conference/ais2000/

- **08/22/2000 – 08/25/2000**
  CONCUR 2000: 11th International Conference on Concurrency Theory
  State College, Pennsylvania, U.S.A.
  http://www.cse.psu.edu/concur2000/

## September
- **09/06/2000 – 09/08/2000**
  CoopIS’2000:
  Fifth IFCIS International Conference on Cooperative Information Systems
  Eilat, Israel

## October
- **10/15/2000 – 10/18/2000**
  SMS 20th Annual International Conference, Strategic Management Society Annual Conference 2000
  Vancouver (British Columbia), Canada
  http://www.smsweb.org/Pages/Frames/00/00main.html

- **10/30/2000 – 11/04/2000**
  Third International Conference on Practical Aspects of Knowledge Management
  Basel, Switzerland
  http://research.swisslife.ch/pakm2000/

- **10/30/2000 – 11/04/2000**
  WebNet 2000:
  5th annual World Conference on the WWW and Internet
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Impressum

Title
JMM – The International Journal on Media Management
Copies: 600
Edition: Vol. 2 – No. 1 – 2000
ISSN (printed edition): 1424-1277
ISSN (electronic edition): 1424-1250

Editorial Office
mcm – Institute for Media and Communications Management,
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CH – 9000 St. Gallen
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Published by
mcm – Institute for Media and Communications Management,
University of St. Gallen/Switzerland
Müller-Friedberg-Str. 8
CH – 9000 St. Gallen
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Layout
BELAU, Duisburg, Germany, info@b-e-l-a-u.de

Printer
Niedermann Druck, St. Gallen, Switzerland

Remarks
This publication is part of the NetAcademy on Media Management at the mcm – Institute for Media and Communications Management, University of St. Gallen/Switzerland. Articles from the contributors do not necessarily reflect the opinion of the editors.

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The editors wish to thank Bertelsmann Foundation, Germany and Heinz Nixdorf Foundation, Germany, for their support with the publication of this journal.

Preview Publication Dates
Vol. 2 – No. 2 – 2000: July 2000
Vol. 2 – No. 3 – 2000: October 2000
Vol. 2 – No. 4 – 2000: December 2000

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