Editors’ Note

Changing Business Models of Online Content Services – Their Implications for Multimedia and Other Content Producers

Online Newspapers in the U.S. – Perceptions of Markets, Products, Revenue, and Competition

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Dear Reader

Welcome to a new issue of JMM – The International Journal on Media Management.

In this issue we have a distinguished group of authors, whose collected articles mainly cluster around the challenges arising from new digital media for the content industry. Through new services, technologies, and devices, innovative business models and products are required and the potentialities imbedded in the change have to be exploited.

Robert G. Picard leads off this issue with an analysis of business models of online content services, especially how they have changed through changes of technology and audience demand and how current business models resulted from these changes. In his article he explores the implications of these business models for multimedia and other content producers and possible prospects for the future.

In their article, Hsiang Iris Chyi and George Sylvie analyze the development of online newspapers and how they take advantage of the possibilities the online medium offers. Based on a survey with 14 online newspaper practitioners they show that while most newspapers hope to complement print and online products, these possibilities are not part of every newspaper’s strategy. Most of them are testing several models of earning revenues to become an economically viable medium.

David Nicholas and Paul Huntington assess the use of newspaper website logfiles. The goal was to determine the most appropriate method for evaluating the use of these logfiles and to establish what types of analysis could be drawn. For this, the logfiles of The Times/The Sunday Times Web were examined. Based on these findings the study lays a foundation and identifies new classifications on which more detailed cross-classifications and modeling can be based.

Technology-driven innovations in the area of transport media and new devices pose a challenge for both media companies as well as their customers. The main questions for the media industry is how these new technologies can be exploited, e.g. through new content-oriented products or new services based on these technologies. Joachim Rawolle and Thomas Hess concern themselves with an analysis of attributes of digital contents and an assessment of different combinations of target devices and transport media. Based on this, they deliver a discussion of two emerging concepts.

The influence of corporate culture on the achievement of strategic aims in two leading international broadcasting companies – BBC and CNN – is investigated by Lucy Küng. The article aims to explore how cultural beliefs support the organizations strategic goal is assessed and to uncover senior managers’ unconscious assumptions concerning organization mission, the competitive environment and acceptable strategic responses. The author concludes that culture can act as a restraint to strategic plans and that culture in general is a valuable strategic asset for media organizations.

This issue again concludes with our calendar of events. We hope you find our collection of articles interesting. We look forward to continuing to deliver strong, peer reviewed content to you and to develop our relationships with the (new) media community. You are always welcome to contribute your research or your feedback to the JMM and to take the opportunity to share your ideas within this community. Since we are a journal focused on the possibilities of new media, you will find all our content online under www.mediajournal.org.

Beat F. Schmid
Peter Glotz
Peter Gomez
Dörte Wittig
Exploring the link between culture and strategy in media organisations: the cases of the BBC and CNN

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Introduction

Since its inception, television broadcasting has been a classic example of a ‘public good’, with a distinctive financing sector and special regulatory arrangements. For many years the industry was characterised by stable nationally-bounded spheres of activity that were clearly circumscribed by regulation, markets that tended towards the oligopolistic, processes that were rooted in well-established technologies, strong organisational cultures derived from the confluence of a variety of professional, national and individual influences, and audiences who clearly understood their role in the broadcasting process.

However, starting in the late 1980s a series of tremors, including market liberalisation, the introduction of new transmission technologies, and changing social attitudes, triggered the beginnings of an industry restructuring. This was followed by a series of even stronger technologically-driven shocks which have provoked the so-called ‘digital revolution’. Developments such as the internet and World Wide Web, digitisation, rapid advances in computing power and bandwidth availability and the development of open global networked electronic platforms are gradually eroding the structural barriers between the media, telecommunications and information technology industries. This phenomenon, termed convergence, is leading to profound change. Channel capacity is fast becoming unlimited. Viewers are increasingly able to dictate which broadcasting products they want to consume and when and pay for these directly. Every single element of the broadcasting business model – whether funding, programming, production, delivery or audience – is subject to forces of disaggregation and fragmentation.

As a result the characteristics of television supply have been altered. Broadcasting is evolving into a wholly market-orientated system. It is no longer the pre-eminent example of a public good, but a private good which must compete for customers like any other. Public service broadcasters can no longer assume automatic access to every home, must fight to maintain access to viewers and even perhaps expect find a significant proportion of their income from commercial sources. As a consequence, the way in which they fulfil their basic function, in some cases, whether they are able to fulfil their basic function at all, is open to re-examination. For all players, competition is rising steeply, with new competitors coming from outside national boundaries as well as within, and from other industry sectors. The broadcasting world to come will be very different than that in which the current players grew up. Environmental change means that new strategic directions are inevitable.

Theoretical foundations and methodology

This article explores how the cultures of two broadcasting organisations – the BBC and CNN – are responding to the organisations’ respective changes in strategic direction. It is a digest comprising key findings from a five-year research project exploring the relationship between culture and strategy in media organisations, specifically the influence of corporate culture on determining strategic direction and achieving strategic goals.

The theoretical ‘lens’ by which the BBC and CNN are scrutinised is culture, a powerful but frustratingly elusive organisational element which has an equally powerful impact on an organisation’s strategic options. The model of culture that provides the theoretical underpinnings of this research was developed by Schein (1992). He contends that at the heart of every organisation there is a paradigm of interrelated and unconscious shared assumptions which directs how members of that organisation think, feel and act. According to Schein at the heart of the culture of any organisation lies an interrelated set, a paradigm, of deeply-held beliefs. These beliefs, so ingrained that they are unconscious, are the hidden determinants of actions and the ultimate source of beliefs and attitudes. They govern, amongst other things, what that organisation feels its fundamental mission to be, how it perceives its environment, and the strategies it judges as appropriate responses to that environment.

The primary in-company research underpinning this analysis of the BBC and CNN was conducted between 1994-5. During that period twenty-one senior members of staff were interviewed at the BBC and thirteen at CNN. The majority of these individuals were interviewed twice, once for the initial data-gathering and once for feedback. In addition, nineteen expert interviews were carried out with senior industry figures and academics in the UK and US.
The BBC

The BBC, or ‘Auntie’, has always been Britain’s “national instrument of broadcasting” (Blumler ed., 1992; 11), regarded with trust and affection by its devoted audience. Its uniquely broad range of programming; a blend of liberal and conservative, high brow and low, mass market and elitist was once famously compared to a cooked English breakfast as something which shouldn’t work but somehow does. It has always been accustomed to some level of protection against commercial forces and holds the dominant position in UK broadcasting.

The BBC was the world’s first public service broadcaster and for over seventy years has operated on the integrated factory model, producing a very high percentage of its own programming (in 1993/4 this was over 70 per cent, just about the highest figure globally for a PSB). It owned its own transmission system until 1997.

Among public service broadcasters the BBC is unusual in having a licence fee as its dominant source of revenue. In 1998 its income was approximately £2,000 million and it was engaged in a broad range of broadcasting activities including two national television channels, BBC 1 and BBC 2, five national radio stations and 35 local radio stations, five free-to-air digital channels available on each of the UK’s three digital platforms, digital radio and BBC Online – a non-commercial internet operation.

Since the 1960s and 1970s the number of households in the UK grew, bringing consistent increases in licence fee income. As large numbers of households each year traded up from black and white sets to colour sets with more expensive licences, fee income grew further, boosted by periodic increases in the licence fee. But increases in the licence fee reached a ceiling in the 1970s. In 1991 it was cut by three per cent and it has since been pegged to inflation. Low growth in UK households coupled with drop off of homes upgrading from black and white to colour mean that its income is effectively flat while its costs are escalating.

Until the mid-1990s broadcasting in Britain was still, by American or continental European standards a protected market. In 1994 the combined market share of BBC 1 and 2 and the two terrestrial commercial channels was 93
per cent, of which the BBC’s share was around 40 per cent. Cable and satellite programmes had a market share of only 7 per cent. In recent years the BBC has been faced with an unprecedented increase in competition. Not only has commercial satellite television become entrenched, but there are new digital channels to UK households transmitted via digital satellite, digital cable or digital terrestrial transmission systems.

The BBC’s cultural paradigm

The ‘Scheinian’ paradigm of inter-related assumptions that lie at the heart of the BBC’s culture is described below. Assumptions are, of course, unconscious and those presented here therefore represent an amalgamation, an synthesis of interviewees’ underlying sentiments, not actual, overt comments. The methodology for deriving these assumes an indirect relationship between individual language or rhetoric, group assumptions, and the corporate unconscious. Coded assumptions are therefore derived directly from the language of the interviewees. Schein (1992) does not make this methodology explicit, but seems to follow it himself. In contrast, the citations appearing after each assumption are verbatim quotes from interviews with senior managers. Grammar has not been corrected but repetitious information or non-sequiturs have been lightly edited (indicated by ‘...’). Confidentiality agreements with interviewees prevent the identification of the individuals concerned.

Assumption 1: ‘Public funding makes us different’

This assumption derives from the public service ethos which has been present in the organisation since its earliest days (Burns, 1977). It concerns a definition of broadcasting conceived in terms of the public good, of public betterment:

“It is the commitment to an organisation that is different in character from other organisations, it is the public service commitment, it is the commitment to quality... that drives people”.

As the quote above suggests, this belief encapsulated a profound conviction that the BBC makes an important contribution to the nation; that its programming does not just fill empty hours in the audiences’ evening, but, to echo Reith’s views, enriches the viewer’s life:

“Our aim is to provide entertainment that is morally sound and has a bit of the Reithian extra about it. Television producers are like doctors, good producers make good moral judgements as well as good programmes, I think it’s as important as in medicine”.

Assumption 2: ‘The Best in the Business’

This assumption relates to the ethos of professionalism, a concern to offer broadcasting of the highest possible quality. This strand of BBC culture appeared to serve as the ‘motor’ behind the organisation’s unparalleled excellence in programme-making:

“We’ve been a Rolls-Royce organisation, everything has been done very well. I would argue, if you were looking for best practice in broadcasting around the world, you’d probably find quite a lot of it here, in terms of product, in terms of the level of service that has sustained that product”.

Assumption 3: ‘Part of the British Way of Life’

The third assumption concerned the BBC’s view of its national role. The BBC conceived of its role as being far, far, more than simply supplying television and radio programmes. It was not simply in service of the nation but a fundamental part of the nation, and its programming should both reflect and help define the national identity:

“As everything else fragments around you and becomes multi-national, international, satellite and all the rest of it, the BBC remains a sort of touchstone for the identity of the nation”.

Nowadays, a sense of fulfilling a unique national role generates feelings of motivation and responsibility:

“This is the great thing with the BBC... the sense of acting on behalf of the nation, the BBC as a unifying culture – I’m sorry these are grandiose words but these are really what, if you talk to people in some areas of the BBC... they believe in”.

The BBC’s sense of fulfilling a unique national role had positive and negative connotations. Like the pride associated with Assumption 2, there was concern that sense of responsibility engendered by Assumption 3, could easily mutate into self-importance, and thence into arrogance:

“There’s a sort of Auntie knows best, condescending, patriarchal, matriarchal ‘we’ll look after you’, old-fashioned welfare state public service and a more sophisticated, ‘we’re aware of your needs’, ‘we’re in tune with the nation’, ‘we’re part of the nation and we can enrich it’”.

Assumption 4: ‘Defending a great heritage’

Just as children of famous parents have difficulty shrugging off the expectations of their heritage, so too, it can be argued, is the current-day BBC to some extent weighed down by the organisation’s extraordinary track record of power, influence and broadcasting success. For many, the BBC represents the pinnacle of televsual achievement, and that achievement was made possible by the rigorous values instilled by Lord Reith.

“I think that one of the tensions of the BBC is that the staff see themselves in a way as the custodians of the Reithian
ethos ... I think the tension arises not that the people at the very top don’t see that, but that they see changes are necessary. ... whatever else people feel about the BBC they feel a very strong sense of identity with the BBC. They may dislike a huge number of things about the changes, but they feel extremely strongly, and therefore extremely possessively, about this thing called the BBC. ... It’s an enormously conceived commitment and it’s an area of enormous strength, but it can also be an area of great tension, if the BBC, in the shape of its Chief Executives ... or the senior team around those entities wish to do something different, or something which the staff feel runs against the true interest which they feel they represent”.

Analysis: Reithianism versus Birtism

So how did the BBC’s culture, with its distinctly Reithian overtones, respond to the ambitious programme of organisational and strategic change initiated during the Director Generalship of John Birt? As a starting point, it must be observed that overt strategy-making of a positivist, rational type was at that point a relatively new activity for the organisation. Because for decades its environment was basically benign, its income generous and secure, and its mission clearly bounded, the BBC had had little need for classic ‘corporate strategy’:

“in the BBC you had a culture where because the income had been growing by and large ... there was a bedrock of sustainable income growth and even though the licence was not being upgraded, then your income was growing. Because of that ... there wasn’t a huge amount of long-term planning in the BBC. The strategy wasn’t there”.

The organisation’s intellectual tendencies also militated against strategic action:

“We make them (strategic issues) very complicated. We spend ages debating the various subtle nuances, there are a lot of them, but I’m not sure they’re really that complicated ... one of things the culture here is very good at ... is to discuss and debate, in an intellectual common room sort of way, but very little is set into action. There is a danger that we become fantastic at analysing the competition but don’t do a lot about it because we can’t quite work out what to do”.

Those at the ‘strategic apex’ of the organisation felt they understood well the dramatic changes facing the organisation, but were concerned that their understanding had not permeated throughout the entire organisation:

“For many of the strategic objectives that have emerged over the last three to five years ... one of the real difficulties ... has been the absence of shared understanding as to why the BBC is going down those paths (there was a( sort of mismatch between where the strategic intent of the BBC was and is, at its most senior level and what the vast mass of people in the BBC thought was the right thing to happen”.

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Figure 2: Assessing ‘fit’ between the BBC’s environment, strategy and culture

- **‘News lies at the heart of CNN – CNN is the news’**
  - Our news makes a difference to the course of the world history
  - Our news is a force for the good.
  - Our news connect the world with the world.
  - A global product for a global market.
  - We have reinvented news.

- **‘We understand the realities of life’**
  - Viewers pay the bills, if they aren’t happy, we aren’t in business.
  - Of course we want to do a good journalistic job, but keeping advertisers and viewers happy is part of that.
  - Serving the public does not mean getting high-handed and deciding what they need – at CNN viewers dictate, not producers.
  - It’s not our job to tell people what they should think.
  - Money doesn’t grow on trees and we don’t throw it around.
  - We spend – a lot of it necessary – but only on things that increase value for viewers.

- **‘CNN the pioneer – the dissident – the iconoclast’**
  - We’ve redrawn the rules, redefined the game.
  - We do it differently – we are where we are today because we can think outside the box.
  - We like risk, we like change, we like challenge. We know how to handle it. We are where we are today also because we know how to seize the moment.
  - To hell with the industry, and with the future for that matter: We will triumph – somehow – we always have.

- **‘We are the underdogs and outsiders of US broadcasting – and proud of it’**
  - Our unorthodox beginnings have given us an edge that we can’t afford to lose.
  - Though competition is good – it will ensure we stay lean, mean and on our toes.
  - Risk is good. Without risk there’s no progress.
When this phenomenon was discussed during feedback interviews, two possible reasons were mooted. First, that strategic goals had not been explained well:

“Management generally are perceived as the harbingers of doom and gloom. Another problem is that a lot of this is communicated poorly. The message is communicated without the rationale”.

Second, some suggested that organisation’s use of management consultants could be to blame:

“For 30 years McKinsey and other management consultants have been marching in an out of the BBC and ... they behave as if the company is just like any other company. All you have to do is install the correct processes, the correct systems, and by and large they tend to be insensitive, not only to corporate culture ... but extremely insensitive to non-economic issues”.

Relationship between culture and strategy at the BBC

Moving from generalities to specifics, the next question is whether the BBC’s culture supports its strategic goals. In response to squeezed financial resources, increasing and ever better-funded competition and environmental instability, plus a government requirement that it become a global player, the BBC developed a five-pronged strategy: innovative quality programming (including new non-commercial services such as BBC Online), efficiency, commercial activities, via enterprises and via world development, and alliances and partnerships.

There was no evident tension between the organisation’s culture and its goal of producing innovative quality programming. Indeed, this was so integral to the culture that some staff did not even perceive this as a distinct strategic priority:

“I’ve stuffed the BBC strategic priorities. My priority is to make the widest possible range of high quality drama in the knowledge that if we don’t get drama right on BBC 1, we are the defining factor on BBC 1, then BBC 1 will be sunk; if BBC 1 is sunk, then that in the public perception probably means the BBC. ... it’s the survival of BBC 1 with a substantial audience loyalty, and an audience out there that believes they get things they don’t get anywhere else that is important, and if you then focus down, well what can you do about this? You can’t mend the BBC, you can mend bits of it, and in mending bits of it you might mend the BBC”.

The second strategic goal was greater efficiency. This too appeared to pose no conflict:

“The audience is who we serve, programming is how we serve it, and efficiency is how we fund it”.

The third, fourth and fifth strategic priorities can be considered together. All concerned commercial activities, focusing on world development to be achieved via joint ventures and alliances. Here the BBC’s public service ethos, its commitment to serving the British public, traits of anti-commercialism and insularity, and the low priority given to business activities generated tension between strategy and culture:

“[W]e are involved in trying to get a couple of hundred million pounds in through commercial activities, via enterprises and via world satellite services and all the rest of it, and it scares the pants off me, because actually it’s diverting probably management attention and time from what is absolutely essential and what the UK viewer will only see as important, which is the services in this country. I don’t know if the BBC can compete as bloody Heseltine and the others want it to as an international broadcaster and channel operator, I’m not even sure that it’s necessary for the BBC to compete as a major international broadcaster and channel operator, but it’s in an economic bind that it can’t deliver its home services unless we get more funding directly from the public purse, without becoming a major international operator and broadcaster”.

Tensions between strategy and culture

There were two areas in particular where the culture of the BBC collided with its strategic goals. The first was the increasing emphasis on commercial activities, and this tension had many facets. From a cultural perspective, it contravened many cultural assumptions simultaneously – the public service ethos, the commitment to broadcasting ‘for broadcasting’s sake’, the commitment to serving the UK public, and the commitment to the Reithian heritage:

“I think there’s a great deal of unease ... critics would argue that there are two possible problems. One of them is that the public service organisation stops being public service when it starts to become aggressively commercial, and the other one is that the public service organisation, is by its very nature ill-equipped to be successful commercially because it has hired people who reject those principles”.

“We are not in the business ... of finding a segment of the market which they will then provide a product to and make some money in the process ... we are in a different world”.

In the case of commercial activities, cognitive constraints were reinforced by objections from competitors:

“If its job is to compete in the new media arena then [the BBC] has to change out of all recognition and must lose the licence fee, because if it’s competing aggressively with everyone else, there’s no reason why it should get a licence fee and we shouldn’t”.

(Competitor)

In addition, some saw a direct conflict between the BBC’s brand and commercial activities:
“The brand that we are selling (commercially) is a brand that has become what it is because it hasn’t had a commercial imperative ... what you are selling is the brand, and the brand is based on all those cultural attributes ... independence and non-commercial and so on. If you distort that then what you have to sell changes because it becomes more like other products, the more like other products it becomes, the less distinctive, and the less distinctive the brand the less attractive to buy, so the virtuous circle becomes a vicious circle”.

The second major tension arose in connection with the licence fee. It was clear from research that licence fee funding engendered creative energy, high levels of professionalism, and an innovative, award-winning standard of programming. But it was equally, as bankers would put it, no free lunch. In return for its guaranteed revenue the BBC must effectively be all things to all men. It must explain itself constantly (as evidenced by the plethora of strategy, policy and other publications). It must maintain an extraordinarily wide span of output to the highest possible creative standards. It must focus squarely on domestic markets while simultaneously developing into a world-media global media entity, and all this against a backdrop of falling revenues.

The closer the BBC is analysed, the larger loomed the conundrum of its funding. Technological change is rendering the licence fee increasingly anachronistic. Yet if it is abolished, important components of the internal justification which pushes people to perform at the levels they do will disappear. Public service status has been one of the things that enabled employees to ride out the radical changes within the organisation. Its removal could have a detrimental effect on motivation at all levels. Finding alternative sources of motivation would not be straightforward, since there appeared to exist an inverse relationship between financial rewards and motivation:

“By paying them more you would lose the motivation. Once you say ‘We can buy your commitment’ then you would lose it, because people want to believe their commitment is above pearls”.

**CNN**

Cable News Network (CNN) is a niche broadcaster concentrating on round-the-clock news reporting. It was founded in 1980 as a subsidiary of Turner Broadcasting Systems Inc. (TBS). In 1996 Time Warner, a 20 percent shareholder in Turner Broadcasting, bought the remaining shares of the publicly traded company. Now officially entitled the CNN News Group, CNN is engaged in a broad range of broadcasting activities across a variety of media including Cable News Network, CNN Headline News, CNN International, CNNfn, CNN/SI, CNN en Español, CNN Airport Network and CNN Interactive.

CNN has two major sources of income: subscription fees from cable operating companies and advertising. Since its merger unconsolidated figures are not available, however CNN’s revenue for 1998 has been estimated at $676.5 million. In 1996, CNN had around 3300 employees worldwide, their ranks swelled by several hundred freelancers worldwide. (Turner International and the rest of the Turner group employed around a further 3000.)

The core concept behind CNN was to concentrate one hundred per cent on news and cover that news in an entirely different way. First, it would be a twenty-four hour service broadcasting news non-stop. Second, the orientation would be global – CNN would report news from all over the world to all over the world. Third, it would be live — CNN would cover news as it happened, rather than report after the fact. The network sought to underline the ‘differentness’ of its news product by presenting it in a radically different way to the slick, groomed approach of the US networks. The guiding principle was to create “a role in the process for our viewers” (Peters, 1992: 33); ‘ragged edges’ would be on display, creating an impression of immediacy and authenticity, of real news stories evolving as viewers watched.
CNN was created in 374 days. Its founder, Ted Turner, a larger-than-life businessman (known as ‘The Mouth of the South’) announced its launch at a press conference on May 21 1979, saying it would go on air on June 1 1980. It duly did, with access to 1.7 million subscribers, although the minimum number of subscribers required to cover 50% of operating costs was 7.5 million (Whittemore, 1990). The network’s early days were characterised by a maverick opportunism and a great deal of luck. The industry was scathing about ‘The Chicken Noodle Network’, and considered it a gamble in virtually every respect. However, Turner was convinced that a 24-hour news channel had potential, and this conviction was endorsed by a series of scoops beginning within the first half hour of service, demonstrating the value of his concept and enabling CNN to establish itself as a major international broadcaster.

US broadcasting is intensely competitive. In part this is a reflection of national values, in part also a function of a regulatory environment which has, since the 1980s, relied on competition to ensure diversity (Blumler, 1992). Competition between the television networks has always been fierce. For many years CNN was outside the fray – viewed as a marginal player delivering a niche service using what was widely perceived as an inferior delivery system. Neither cable nor news were considered attractive by the industry’s dominant players therefore CNN was not viewed as a threat (the networks at this point were scaling back their investment in news). This meant CNN had the field of 24-hour international news coverage to itself for 15 years. However from the mid-1990s onwards, CNN’s competition intensified. A raft of new entrants (including FNC, FNN, MSNbc, and BBC World) entered the 24-hour news field, giving the network its first taste for full-blown direct competition:

**CNN’s cultural paradigm**

The four dominant beliefs that drive CNN’s corporate culture and the attitudes arising from them are described below.

**Assumption 1:**

News lies at the heart of CNN

– CNN is the news

At the heart of CNN’s culture lay a commitment to breaking news which is as fundamental as the BBC’s commitment to public service broadcasting. Underlying this was a deeply-held conviction that CNN’s news makes a difference to the course of world events: CNN staff believed their news can change the course of world history:

“It’s utterly brilliant at moving quickly to cover real time events and organise those real-time events into some coherent strand of oral history”.

**Assumption 2:**

We understand the realities of life

Like the BBC, those at CNN felt the organisation existed to serve its public. But the balance of power was different – at CNN viewers dictate:

“You are in the business of providing news and information to people, the theory being that if you are doing it well you will have lots of people watching. If you don’t have lots of people watching maybe you should examine how you are providing it”.

CNN did not appear to believe in ‘improving’ its audience, nor that it could afford to adopt a lofty tone:

“We want to educate them, but if you can’t get them to watch you can’t educate them, and that’s where a lot of people get lost. If they aren’t watching it doesn’t matter how good what you’re doing is”.

**Assumption 3:**

CNN the pioneer – the dissident – the iconoclast

CNN saw itself as a crusading pioneer, with its success rooted in taking risks, in doing things differently, in ignoring received industry wisdom. In part this has been driven by necessity: for many years CNN could not afford to follow standard industry practices. But now it has made a virtue out of necessity (and many of its practices – the VJ system, its affiliate network – have ironically been adopted by so many of its detractors to have become standard industry practice). Thus Ted Turner’s iconoclasm has transmuted into an ‘official’ policy of disregarding convention:

“... an edge that we have because we started off as nothing 15 years ago and people made fun of us, and nobody thought Ted knew anything about the news, so why was he starting a news network ... and that’s an important edge to keep, whether you call it underdog or whether you call it the lean and mean machine”.

For CNN, success rests on breaking moulds, disregarding received wisdom:

“I’d say we question what the industry says: we have proved that it pays to question what the industry does”.

**Assumption 4:**

We are the underdogs and outsiders of US broadcasting – and proud of it

The concept that CNN is an underdog, a battling outsider in a hostile industry, was central to its cultural paradigm and linked many of its beliefs:

“This place grew up with a cultural inferiority by being in Atlanta and with a total underdog mentality by virtue of being on cable when cable wasn’t chic-chic. As a result it has been driven by a desire to get as big as its competitors. At the same time it’s a cash poor, capital poor, betting-the-farm-on-the-next-acquisition kind of place. ... the corporate goal ... was to be bigger than we were because we were too small”.

www.mediajournal.org
For the underdog or the pioneer, survival is a battle, and CNN’s view of the outside world was highly combative:

“We used to say ‘you want to be an overdog, then you wanna to behave like an underdog’. No matter how good you are you want to wake up every morning figuring there’s somebody smarter, crazier, luckier than you are out there who’s gonna reinvent something and then you’re in trouble”.

**Analysis:**
**Culture’s impact on strategy at CNN**

How does CNN’s culture influence its ability to respond to its strategic goals? The starting point for analysis is to observe that CNN and its culture are themselves the products of environmental change and there was little evidence of cultural ‘tension’ about environmental upheaval. This is not to say that the organisation was not aware of the velocity and breadth of impact of the changes underway, but there was a latent confidence that the organisation was equipped to deal with them:

“It’s a bit of a race right now. Fortunately we’re already out there. Distribution is going to be very difficult for our competitors. As we say, the price of poker has just gone up”.

An interesting facet of the impact CNN’s culture on the strategic aspects of the organisation was that it predisposed the organisation to disregard formal strategic planning (an activity which it happily left to its parent). This could have stemmed from its desire to break moulds and do things differently, or from its immersion in the real-time world of news which means a focus on action rather than analysis. Whatever the root, it promoted flexibility of outlook:

“There is a certain impermanence that comes with the environment keeps changing, you’ve no guarantee that whatever you’ve built yesterday is workable tomorrow. That’s been a part of our thinking and our attitude”.

**Relationship between culture and strategy**

CNN’s strategy was conceived in response to address two environmental threats; increased domestic competition and industry instability. In response CNN developed three strategic priorities, continued global expansion, the development of new businesses and strengthened domestic programming.

Further global expansion offered a way of consolidating existing strengths, and was in some ways a wider application of existing competencies – newsgathering on a global basis and repurposing. Unsurprisingly, there was little conflict with cultural assumptions. Equally, the development of new businesses posed little conflict. CNN’s achievements had long been rooted in exploiting new developments and its associations with new technology were positive:

“in five or ten years’ time there’ll be 500 channels ... So if we say, ‘Okay, we’ve got our five networks right now, we’re ready, we’re in a good position’, that would be naive, because even if these other channels get only a few people to watch, they’re still going to break down our total numbers of viewers. So we need as many networks or stations as we can. ... In other words, if somebody is going to take away viewers from CNN, it might as well be us”.

However, CNN’s last strategic goal, that of strengthening domestic programming, did cause cultural conflict. By domestic programming the broadcaster meant fixed schedule, appointment-based programming that was not necessarily breaking news related, thereby relieving the news-related problems of erratic ratings, accusations of sensationalism and unattractiveness to advertisers. Here, the deep cultural commitment to news militated in many ways against the strategic goal:
“we have to be careful we don’t ever lose track of what it is we do, and that is cover the news, that’s our responsibility”.

CNN’s cultural commitment to news and its ambition of improving its scheduled programming did appear mutually exclusive. It was felt that an organisation dedicated to, and whose audiences expect, round-the-clock coverage of big breaking stories, could not afford to ‘clutter’ channels with fixed, immovable scheduled programmes:

“There is a sub-problem here, which is that we want to strengthen our domestic programme schedule. Everything tells us that outside of this breaking, just-in news, you need appointment-based programmes that have a special shape and content. How can you do that and make it important if every time the shit hits the fan, as we say in English, you throw out these programmes? The programme XYZ won’t be seen today because we’ve got this continuing coverage of a bomb threat in Abu Dhabi, or wherever we are. How can you reconcile being a 24 hour news channel with the need to put in programme posts, mileage markers, that tells people where they are in the day and when they can watch?”

A special case?

Do media organisations need managing differently?

What conclusions can be drawn from this investigation into corporate culture’s influence on strategic activities in broadcasting organisations? This section presents a number of insights arising from this investigation.

It is axiomatic to suggest that if an organisation’s culture offers unalloyed support for its strategic processes, and if those processes represent an optimal response to environmental demands, then a powerful foundation has been laid for exceptional organisational performance. This research does not claim to prove or disprove such claims but it does, however, provide evidence of the organisational implications when there is disequilibrium between such elements. Somewhat inevitably, the example is the BBC. For decades it was in the fortunate position of enjoying a stable environment (characterised by protection from competition and high levels of guaranteed income). Its strategy was correspondingly fixed and focused, concentrating primarily on delivering high quality programming to UK licence-fee payers. A stable environment, consistent strategy and market success, coupled with high national prestige and an elitist recruitment policy, gave rise to a powerful culture, driven by shared values of dedication to quality, innovative output, to public service ideals, to serving the UK and to preserving the organisation’s unique heritage for future generations. A ‘golden scenario’, where environment, strategy and culture were in harmony, gave rise to what the organisation describes as its ‘golden years’, when it enjoyed unparalleled success as one of the world’s leading broadcasting organisations.

However, the radical contextual change during the 1980s and 1990s destroyed the alignment between these factors. The BBC found itself for the first time both in a real marketplace, one that was commercial, global and multi-channel, and at a disadvantage vis-à-vis competitors. Changes in the environment forced a redefinition of its mission, goals and the means by which those goals were to be achieved.

Radical change required a radical strategic response. The BBC shifted gears, introduced an internal market (‘Producer Choice’, 1991), forced producers to focus on a wider range of viewer needs (‘Programme Strategy Review’, 1992), set up new divisions to reap the benefits of commercial exploitation of existing assets and to run international channels, and reorganised to cut administrative overheads and position the organisation for technological developments (‘A Structure for the Digital Age’, 1996). Thus, strategy and environment were ‘realigned’, and the assumption appears to have been that culture could be correspondingly brought into line, through the judicious application of management development interventions and internal communications initiatives.

However, despite such activities, the new strategic initiatives were poorly received by the prevailing culture. The research suggests that not only did the new strategy countermand many of its intrinsic beliefs and values, but this was aggravated by the fact many staff, because of the strength of the culture, had little understanding of the environmental developments which necessitated such radical responses The fact that some of the strategy development task was ‘outsourced’ to consultants meant that many within the organisation were not privy to the underlying reasoning processes, and had limited exposure to the underlying environmental rationale for strategic change.

Culture, strategy and the way forward

Perhaps the key general conclusion to be drawn is that the culture of broadcasting organisations exerts a significant influence on their strategic priorities and processes, indeed that culture’s impact on strategy is pivotal. Culture doesn’t preclude strategy, but it develops and shifts more slowly than strategic imperatives do and governs the rate of uptake of strategic imperatives. Culture not only governs how environmental developments are perceived, but also defines the acceptability of strategic responses to those developments, and, by extension, determines the level of commitment to achieving those responses.

Consider the organisational difficulties which have surfaced in relation to the BBC’s attempts to move into international and commercial arenas, and CNN’s intentions to develop ‘appointment-based’ scheduled programming. In both cases there are genuine ‘stum-
bling blocks’ in terms of resources, expertise and suchlike. However, as the research demonstrates, underlying these are cultural constraints arising from a fundamental emotional acceptance of and commitment to certain spheres of operation, and a concomitant antipathy to others.

This research demonstrates that culture can exert a powerful restraining influence on strategic plans in media companies. However it can also be argued that although the culture of a media organisation has significant destructive potential, it is first and foremost a valuable strategic asset. Culture provides leverage to all strategic plans because it holds the key to intrinsic motivation and creativity, and creativity of course is the key to the task that lies at the heart of any media organisation, the development of creative content. Culture drives motivation, drives creativity, drives content.

For both the BBC and CNN, their cultures are the emotional engines of their success. CNN could not have achieved its track record of exclusive live coverage of key world events without its singular cultural obsession with live news, nor would the BBC have been able to maintain its exceptional programme quality during a decade of organisational turmoil without a deep cultural dedication to serving the UK public with programming of the highest professional and creative standards.

The distinct cultural beliefs held by CNN and the BBC – about broadcasting’s fundamental purpose, about the nature of competition, about viewers, about the relationship between competition and quality – drive those organisation’s products, performance and strategic options. Their cultural beliefs have laid the foundations for each organisation’s striking current and past successes, and will also determine how these organisations respond to the coming media revolution, and perhaps also their ability to survive it.

References


The Author

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## Calendar of Events

### September
- **09/06/2000 – 09/08/2000**
  - **LUMIS 2000:** Second International Workshop on Logical and Uncertainty Models for Information Systems
    - Greenwich, London, UK
    - [http://www.dcs.qmw.ac.uk/~mounia/LUMIS.html](http://www.dcs.qmw.ac.uk/~mounia/LUMIS.html)

- **09/12/2000 – 09/14/2000**
  - **USM 2000 3rd IFIP/GI Int. Conf. on Trends towards an Universal Service Market**
    - Munich, Germany
    - [http://usm2000.informatik.uni-muenchen.de/](http://usm2000.informatik.uni-muenchen.de/)

- **09/11/2000 – 09/15/2000**
  - **SAB2000:** The Sixth International Conference on the Simulation of Adaptive Behaviour
    - Paris, France

  - **Web Site Content Management Summit**
    - San Francisco, U.S.A
    - [http://www.iqpc.com/cgi-bin/templates/0/index.html](http://www.iqpc.com/cgi-bin/templates/0/index.html)

### October
- **10/15/2000 – 10/18/2000**
  - **Strategic Management Society Annual Conference 2000**
    - Vancouver, Canada
    - [http://www.smsweb.org/Pages/frames/00/00main.html](http://www.smsweb.org/Pages/frames/00/00main.html)

- **10/19/2000 – 10/22/2000**
  - **7th Annual – Human Resources Management and Organizational Management/Behaviour (HRMOB) Conference**
    - Charlotte, North Carolina, U.S.A.

  - **Measuring & Analyzing Online Customer Behaviour**
    - Chicago, U.S.A.
    - [http://www.iqpc.com/cgi-bin/templates/0/index.html](http://www.iqpc.com/cgi-bin/templates/0/index.html)

  - **Online Intellectual Property**
    - Washington D.C., U.S.A.
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- **10/30/2000 – 11/04/2000**
  - **WebNet 2000**
    - San Antonio, Texas, USA

### November
  - **ACM Conference on Universal Usability: Solutions, Systems, and Methods**
    - Washington D.C., USA
    - [http://www.acm.org/sigchi/cuu/](http://www.acm.org/sigchi/cuu/)

### December
- **12/04/2000 – 12/05/2000**
  - **2nd IFIP / MASSYVE Working Conference on Infrastructures for Virtual Enterprises – Managing Cooperation in Virtual Organizations and Electronic Business**
    - Florianopolis, SC, Brazil

### 2001
#### January
- **01/03/2001 – 01/06/2001**
  - **Hawaii International Conference on System Sciences 2001**
    - Maui, Hawaii, U.S.A.
    - [http://www.hicss.hawaii.edu/](http://www.hicss.hawaii.edu/)
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- Effects of new media on economy, society, politics, law and culture

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