Title:
Managing media convergence: An economic and editorial project

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1. Introduction

Convergence is a major issue for most managers within the media industry. According to an international study conducted in 2007 (Scholz, IMMAA 2007), the convergence of new technologies is listed as one of the top three priorities of media managers. Digitalization and Internet have of course been accelerators of complexities and opportunities for the industry: mobile video, DVD, VOD, ITV are only a few examples of technological mutations which have renewed media consumption practices. The phenomenon of convergence has many dimensions and is often misunderstood. Within the scope of this paper, we demonstrate two different dimensions of convergence:

1. convergence on an organizational and managerial level from the viewpoint of human resource management on the example of mergers and acquisitions – editorial convergence;
2. convergence on media industry level from the viewpoint of new distribution models on the example of digital distribution of media content – convergence distribution and content aggregation;

Clear consequence of this technological evolution has been the development of multimedia companies, producing content for different media. Companies, previously operating in separate industries, started first to compete and then to merge with each other. Technological convergence caused organizational convergence. This trend greatly upset the overall media landscape and led media companies to rethink their organizational structure as well as their economic and editorial strategies (Picard, 2002). The recent recession of the global economy has only emphasized this process.

Killebrew explains that "technological developments are at the origin of convergence processes, but the players involved in these critical changes, in particular manages, are the ones facing the most ambitious challenges" (2003). Behind the extreme conceptual ambiguity of convergence (Albarran, Chan-Olmsted and Wirth 2006; Killebrew 2003; Dailey, Demo, and Spillman 2005a) two principal dimensions emerge which concern media firms: the economic and the editorial dimension of convergence. Media managers have to leave their administrator role and become mediators: in order to guarantee the success of technological and organizational convergence processes, they need to think of their mission not only as an economic project but also as an editorial project (Deslandes 2008). Literature and research in this area are underdeveloped both at theoretical and empirical level.

Nevertheless, it's important to investigate the phenomenon of convergence in a larger context to provide a framework for convergence as editorial project and guidelines for the management. The phenomenon of convergence is often seen solely as the integration of ICT technologies to provide services to the consumer in media industries. Especially e.g. in the world of broadcasting, the convergence of networks and services was major concern. This show e.g. DVB standardizations, aiming at the integration on network and middleware level to provide integrated infrastructure for Internet and broadcasting services to consumer homes [1]. As pointed out by [3], the primary goal of convergence is commercial and enabled by technological change to develop competitive and effective business models and industry structures. Thus convergence is not solely a matter of technological change, but is mainly taking place on business level to provide new service-eco-systems to the consumer. To provide such a service-eco-system, convergence requires new models for content aggregation. Thus editorial convergence becomes a matter of systems aggregating and providing content to the consumer. To develop a framework for the management of convergence, it's important to see convergence in a wider context, especially as the relationship between four levels: technology, media industries, organizational & management, and consumer, as shown in Figure 1.

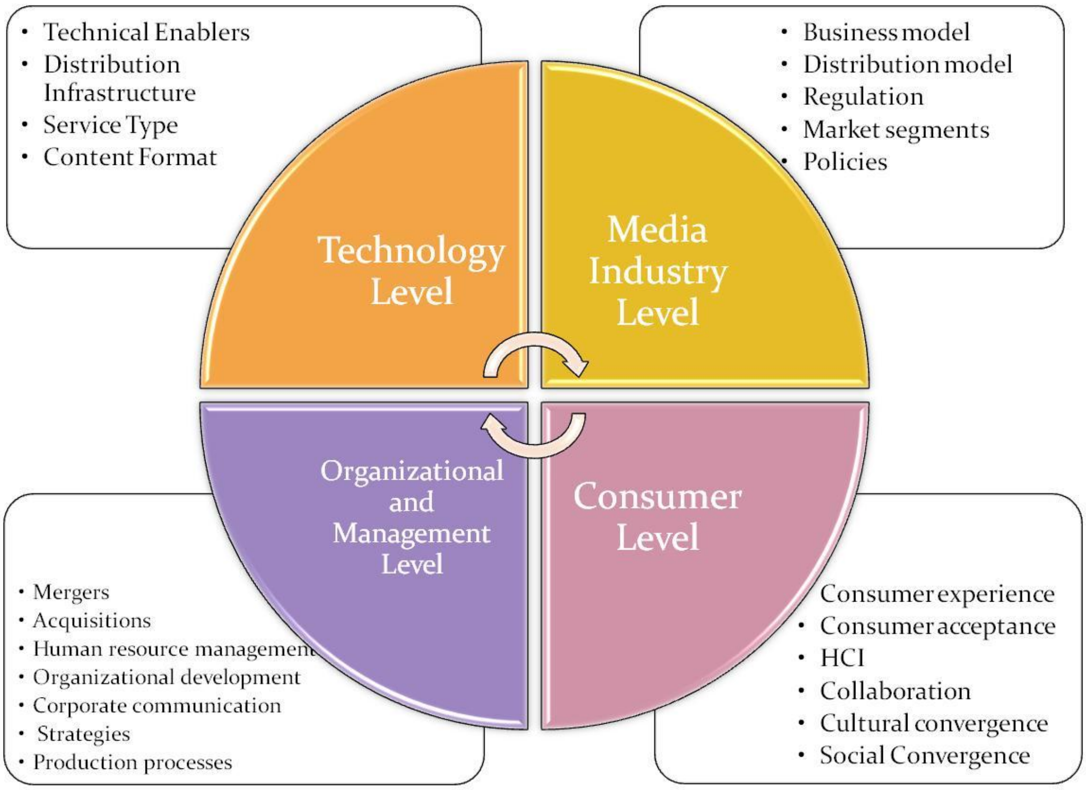

Figure 1: "Divergence of Convergence" – Various Viewpoints on Convergence

Convergence takes place on several factors that influence the economic of media – audience & society, content & services, policy & regulations, innovation & technology, value-chain, and stakeholders. Thus aspects for analysing use-cases in converging environments extend towards (collected from [5]):

- media segment industry specific value-chain integration characteristics in terms of regulation, business models, distribution model, revenue stream, and market conduct;
- balance between global content value network integration through the integration of content providers, distributors, and consumers; and single country value-chain balance;
- level of integration of network, distribution, service, and content technology on technology level;
- standardization, regulation, legal (especially copyright and DRM issues) and policies in a specific media segment, or for specific service offerings or service bundle offerings;

- integration of services and service sub-types and content formats offered to the end-consumer.

2. Objective of the study

First aim of this paper is therefore to propose a theoretical model to analyze the phenomenon of convergence, from a technological and organizational point of view, looking at both its economic and journalistic dimensions. From the media industrial side it presents a new distribution model as another example for convergence. The paper shows how different meanings convergence has, and on what impact convergence on all these level has in daily life in media industries. The main scholarly contributions on convergence and the related topics of mergers and acquisitions, human resource management, organizational development, as well as corporate communication are going to be unified in a single common framework. This requires a careful literature review.

The second objective of the paper is pragmatic. It proposes paths of reflection on the convergence process, both from a managerial and journalistic point of view, in order to better understand the critical factors playing a role when convergence processes are launched and implemented within media firms.

3. Method

To achieve this goal, we conducted two case studies, one case in Switzerland and one in Finland. Both cases analyze the convergence of two different organizational units as well as the convergence of content products and services into new ones. The methodology used to develop the case studies combines qualitative interviews with managers and employees, participant observation and review of literature and company documents.

4. Theoretical Framework4.1 Viewpoints on Convergence

Convergence as Economic Strategy

Convergence as economic strategy translates into alliances, partnerships or mergers between companies whose main objective is the maintenance of a competitive advantage (Picard, 2002). In the media industry, partnerships as well as mergers & acquisitions (M&A) allow to quickly integrate different business units, to consolidate strategies of niche, benefit of a captive audience and accelerate the implementation of technological innovations by the pooling of resources (Chan-Olmsted 1998). Economic convergence meets the objectives in terms of financial goals. It is also a way to reach a critical size and meet organizational objectives. Finally it responds to a change in the structures of the market for media products.

*Convergence on Media Industry Level*According to Hans Van Kranenburg, the constitution of multimedia groups or, more generally, of firms with a critical mass, allows economies of scale and of scope in the following areas (Van Kranenburg, H.L 2004): within the area of new information and communication technologies, multimedia groups can combine different media and offer the best of each media in a single "pack" directly to the consumer. Multimedia groups dispose of sufficient financial resources in order to invest on research and development. This results in technological developments that allow a more efficient use of information concerning customers or products as well as the reuse of these data to offer other products and services. Marketing expenditures are crucial factors to get or keep a market leadership. It is further generally accepted that marketing expenditures can increase readership (Picard, 1988). Therefore, companies with a sufficient critical size can benefit from economies of scale in this sector and multiply its effects.

Convergence as Process

Convergence as economic process is pursued also to downsize and streamline the production process to the maximum. However, the improvement of firm performance by reducing employment is not assured. Several studies have shown that only half of businesses which implemented a policy of downsizing has managed to achieve their objectives (Henkoff 1990). Media companies implement convergence because they hope to increase productivity and reduce costs by decreasing staff and rationalizing key functions. However, even if the financial objectives are still regarded as the major criterion to determine a merger transaction, most media managers who have experience in mergers and acquisitions now recognize that human capital management represents the key factor to maximize the value of media mergers (Schuler and Jackson 2001). The reorganization of the newsroom and therefore the modification of the process of information production, i.e. the editorial convergence which result from a merger, have in fact direct human resource management implications.

Convergence as Matter of Content Aggregation and New ways of Distribution

Editorial convergence deals with the processes inside the newsroom. However, the editorial process does not solely take place anymore in a newsroom. Content packaging, aggregation, and contribution have become a matter of technical systems. One example for convergence are new forms of digital distribution of music industry (see e.g. [4]).**4.2**

Managing Convergence

According to the main literature on mergers, following aspects are of critical importance managing the merger process: (1) Management of human resources, (2) The Organizational structure of the merged company, (3) The advent of a new corporate culture and (4) the communication policy.

It is clear that, according to the type of merger, more or less attention will be given to human resources issues. In general, regarding the structure of the company, more the organizational structures are decentralized and employees are empowered through participation to problem solving activities, the more efficient are the mergers (Deslandes 2008). ARIS and Bughin confirm this analysis from the perspective of innovation. According to the two authors, decentralization, flexibility, fewer rules and more interaction between the organizational departments offer favorable conditions for creativity (Aris and Bughin 2005).

Finally, many authors insist on the importance of the formation (training) to facilitate the implementation of the new structure and allow employees to reduce insecurity and stress related to the merger. Among the multiple reasons that lead to the failure of mergers, cultural shock, incomprehension and cultural incompatibility are the most frequently cited factors (Bianco, 2000). Argyris confirms the importance of "cultural fit" when he says that cultural incompatibility is the major cause of a merger that is under-performing and an organization that can respond to organizational objectives (Argyris, 1993).

The major issue here seems to be whether within the new converged company two pre-existing cultures can coexist peacefully or weather a new and transcendent culture is preferred instead. The importance of communication in an operation of convergence is crucial. In their study, Schweiger and DeNisi compare two mergers. One is characterized by a clear communication plan, based on "realistic job previews", while the other has no clear communication plan. The results show that the establishment of "realistic previews" reduces the insecurity of employees, and at the same time promotes commitment and confidence in managing employees (David M. Schweiger and DeNisi 1991).

Finally, Killebrew also stressed the need to establish an action plan to promote understanding and cooperation between all employees (Killebrew, 2003). A transparent, effective communication policy and the involvement of employees are a must: creative people are refractory to managerial authoritarianism. They need to share a common vision of the organization. Furthermore, training and professional opportunities should be foreseen: creative employees are very sensitive to their work environment and the potential it holds for expressing their creativity. A flexible and open structure could further strengthen informal networking between employees and boost cross-cutting collaborations. Leadership of creative people should also be based on listening: media employees are also sensitive to the feedback and attention they receive from their superiors (Killebrew, 2003).

4.3 Convergence as Editorial Strategy

Editorial convergence

Considering the importance and peculiarity of the editorial convergence within media merger processes, we need to dedicate specific attention to the establishment of collaboration and cooperation between editors and journalists who are accustomed to work completely independently and for different media. In short, we will discuss here the reorganization of journalistic and editorial work (the newsrooms).

Research has shown that among media managers, many depict multimedia convergence as a way to "produce more with less", following downsizing policies. Even most of the journalists seem to believe that convergence is motivated primarily by economic reasons (Devyatkin, 2001). However, as we have already mentioned before, the convergence of media goes beyond the strategic consolidation of two companies in terms of organizational structure and economic efficiency. In fact this includes the redefinition of work for editors and journalists and therefore it directly impacts on quality, form and variety of products and services.

An important concept to understand editorial convergence is cross-media production. According to Erdal (2007), cross media production can be defined as producing journalistic content for more than one medium within an organization. This is supported by different stages of editorial convergence which can be identified within a linear process at the end of which full convergence is reached (Dailey, Demo, and Spillman 2005b): Cross Promotion, Cloning, Coopetition, Content Sharing and Convergence. With Cross Promotion media partners promote on their platforms the media content produced by the other partners. Through Cloning, the content of one media partner is reproduced, for instance when a television publishes on its web site the content of the newspaper partner. Coopetition refers to a more advanced point of collaboration: in fact, the two partners cooperate by sharing information about some subjects, while remaining competitors. With Content Sharing the two partners meet regularly to exchange ideas and develop special projects together. The last stage is the real Convergence and it implies that both partners have a common newsroom and a unique chief editor; they are constantly working to "upload" information in a consistent manner on all their platforms.

This attractive model has the disadvantage of designing convergence as a linear and sequential process. However, this is not always the case. Convergence operations can lead to failure. Others may also modify some parts of the editorial organization without disrupting the whole. In short, convergence can take multiple forms and several paths.

It is the opinion of Garcia Aviles that convergence must be viewed in three dimensions: searching for information, information production and distribution of information. "Convergence" can be found on all these different levels (Avilés et Carvajal 2008).

Need for Multimedia journalism

No matter how we describe editorial convergence, we know that this is a concern for many journalists as it directly affects their work. The need for versatility and multiskilling has become one of the major issues characterizing the managerial discourse within information media firms. From a management point of view, implementing editorial convergence requires to invest in the training of journalists but also to establish a recruitment policy focused on multimedia versatility (Avilés and Carvajal 2008).

A further consequence of multimedia journalism is the question about the quality of information produced by this new journalism. The problem of the quality of the information produced by converged media has become a source of major concern among media professionals. According to them, cross-promotion or journalistic content sharing could endanger the diversity of information and lead to a general uniformity of media space (Huang et al. 2006). Further the increase of workload by having to produce content for different platforms in a reduced time, can limit opportunities to verify the information and control possible errors. Finally, some professionals do not believe that one person can excel in all media. Convergence would only produce poor journalists on each platform, but without any particular talent.

If the BBC convergence experience was rather negative, a case study shows that convergence has not affected the coverage of quality information with respect to the Tampa tribune, a newspaper where TV and Web journalists share the same newsroom (Huang et al. 2004). Thus, for some editorial convergence can even allow better coverage of information insofar as it better meets the new expectations of the public and the new multimedia consumer habits.

The integrated model of editorial convergence

Editorial convergence can be reached also by bringing together print, TV, Radio and Web journalists under the direction of a single editor, in the most extreme cases. This can lead to cultural clashes as print, TV or radio journalists do not share the same identity and values (Huang et al. 2006). Silcock and Keith (2006) describe a merger case where differences between the "paper culture" of one company and the "culture of image" of the other company undermined the process of convergence: numerous practical problems aroused and their resolution proved to be difficult and painful for the two companies.

Compared to the cross media production model of editorial convergence, this integrated model aims at creating a converged culture and gradually erasing previous existing cultural differences. The goal is to strengthen the identity of the new merged company, by forcing journalists to think and work in terms of content instead of in terms of separate platforms or programs. Therefore this model challenges the attachment of journalists to a particular medium. In short, it is the information that dictates on which media it should be placed and distributed (what is the best medium to disseminate this information?) and not the reverse. In this model, journalists are very versatile, flexible and can cover events for any media platform. Of course, such an integrated newsroom requires the implementation of ambitious training policies and the cooperation of all journalists within the merged company. According to Garcia, both convergence models are valid and their implementation depends on the overall strategy of the company and the specific context of the media that converge (Avilés and Carvajal 2008).

5. Case Studies

5.1 RTS

From January 1, 2010, the TSR and the RSR became a single business unit: the “Radio Television Suisse” (RTS). This reorganization is the result of the "Convergence and efficiency" project decided at national level by the “Société Suisse de Radiodiffusion et Télévision” (SSR) in March 2009. Indeed, it is based on the "Convergence and efficiency" report that launched the convergence process in the different linguistic regions of Switzerland. This report provides the national framework within which each region-specific development for public radio and television are possible. Approved by the board of SSR in March 2009, it is the founding document which will guide regional convergence projects. In this report, the SSR distinguished the "Convergence" and the "Efficiency" project. The Convergence project refers to the regional level and aims at strengthening collaboration between the Radio Unit and the TV unit within each linguistic region and therefore promoting financial but also programmatic synergies. The “Efficiency” project is purely economic: it adds an extra dimension to the regional convergence project insofar as it seeks to take advantage of synergies at the national level, in the administrative and support areas (finance, HR, logistics).

According to media managers, the main reason that pushed the TSR and the ISR to converge is a disruption of the global media landscape through the digitalization which caused structural budget problems at SSR.

The majority of interviewed managers agree however on one issue: there is no single definition of convergence. This is the difficulty of the concept of convergence where all do not share the same vision of the concept. When talking about convergence at the RTS, managers evoke the administrative or organizational dimensions of convergence. However, this cold economic dimension of convergence is accompanied by the editorial dimension, and all managers agree on that. They agree also on the fact that convergence is before all a content project. The savings coming from the merger of the two companies, RTS and TSR, should be reinvested to improve the programs, and therefore the content. Besides these economic and editorial aspects of convergence, all interviewed managers engaged in the implementation of the convergence process stated that non existence of a unique definition of convergence can create understanding problems, as not all parties involved share the same vision of the concept.

Most managers do agree that the main implementation problem within the convergence process lies in the creation of a positive dynamic among the employees, mainly journalists, and in accompanying/supporting change. Resistance to change and fear of the unknown is in fact a major challenge for managers involved in convergence processes in general. The media industry represents here no exception. According to the media managers interviewed, tensions are primarily explained by individual psychology aspects and by creativity management issues. This results in the critical importance of supporting convergence processes through appropriate human resource management measures.

To conclude the RTS case, from the point of view of managers, convergence is first of all a strategic instrument which finds its justification in the need to anticipate changes and take advantage of the opportunities offered by the digital revolution to best satisfy the expectations of the public. This strategic approach is supposed to ensure the merged companies to keep their position on the market. By studying the problems that arise within the implementation process of convergence we can say that convergence can prove to be a successful and legitimate strategy only if it takes into account the aspirations of those who "make" convergence in terms of information: journalists. The unanimity of managers regarding the difficulty "to board" all employees within a convergence/merger project reveal the importance of human resources management in the implementation of convergence. This consideration means that convergence should not only be considered as an economic opportunity, but it should become a real editorial strategy.

5.2 Finland and Convergence in Media Industries

The Finnish cases shall demonstrate the challenges that managers are confronted with in a converging environment. The problem is rather two-folded: first, convergence means the adoption of new technologies and ways of working to be adapted in daily routines, production processes, and media distribution; second, in terms of mergers or acquisitions harmonizing technologies and processes or content models.

Despite print industries and music industries are completely different media market segments, the digitalization of the distribution model allows some insights what convergence means on the digital distribution side. Editorial convergence has to consider new distribution models and their characteristics, and these directly have impact on the way how content is edited or aggregated, as well as how consumers find content, and professionals contribute with content. From the technical point of view, it's a matter of content aggregation. Convergence on distribution side shall be illustrated on the example of digital music distribution in Finland. This case is built on top of the research work performed by [4], representing an excellent study of digital distribution of music on the Finnish market.

In general, due to mergers and acquisitions market concentration of music industry increased, especially on global as also on national level. However, the lack of convergence and adaptation of new distribution models provide a new opportunity for new companies. This is especially the case in the world of globalization, and a global customer base.

EqualDreams Oy founded in 2007 is a Finnish company, bringing artists and consumers under social media platform together. The aim is to let both anticipate in the music business. EqualDream Oy represents a new way of distributing music online. The business model is fair, and lets the artist himself set the price for his digital content, and only 15% remain with the distribution company. The company offers as well other service, such as setting up virtual shops, shops on Facebook, sell mail-order products, or customization of own webshops [2].

EqualDreams Oy shows convergence as a re-shaping of the value-chain through different ways of cooperation and interaction between the content creator and the content consumer. The business model also allows the integration of existing labels into the new form of digital distribution and shows how new technical developments allow the development of new business opportunities. Thus, it's a good example for convergence as a new way of cooperation, to foster new business models and new ways for content distribution. As discussed in (Avilés et Carvajal 2008), convergence is a matter of search, production, and distribution of information. Editorial convergence becomes a matter of content aggregation based on cooperation between the consumer and the content creator. The editor as such provides solely the platform where the editing process is taking place, but is not the active content aggregator.

7. Conclusions

Convergence has many facets, and all its dimensions are purely understood. This paper clearly underlines one of the main results of the questioner of the RTS study: convergence is many times misinterpreted, has various characteristics, and the phenomenon is slowly to be understood. Successful convergence has to take several involved viewpoints into account – especially also the content creator (journalistic or artistic) side, the consumer, technological changes, and the specific market side. Successful managers have to consider latest trends of the empowered consumer, as well as content creators, regardless if we are in the newspaper business or in the music business.Preliminary results let us conclude that convergence is a strategy primarily applied to take advantage of the opportunities offered by digitalization, better satisfy media users' expectations and therefore try to maintain the market position. The implementation of convergence strategies can though only succeed if it takes into account expectations and aspirations of all actors involved, that is also the content producers. Managers unanimously reveal the importance of human resources management within the implementation process. This consideration implies that convergence, more than an economic opportunity, needs to become a true editorial strategy.

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