

The Development of Transversal Media Corporations

Borja Mora-Figueroa

University of Navarra

ABSTRACT This article analyzes the emergence, within the context of the global communications market, of a corporative set-up that has appeared over the last twenty years: transversal media corporations (TVMCs). The geographical and product expansion of corporations has paved the way for the strengthening of this new type of contender, and is the result of the evolution of transnational media corporations. At present, this title can be used for three companies: Time Warner, News Corporation and Bertelsmann.

KEY WORDS: transnational media corporations, globalization, strategic positioning

In the last few years the information, entertainment and culture markets have undergone enormous change and this has brought about a redefinition of their character and area of development. The liberalization of many sectors and countries, economic and information globalization, the constant development of technology and its application in the media, and the spread of popular culture have opened up a new competitive field: the global communications market (GCM).

This coming together of factors has resulted, among other consequences, in convergence of industries and a generalized consolidation of markets, and has meant that certain large corporations have strengthened their positions as leaders. Market growth and its resulting consolidation have promoted the appearance of a new type of competitor in all fields of media market competition, but particularly in the GCM: transversal media corporations (TVMCs), which, at present, refer to Time Warner, News Corporation and Bertelsmann.

Figure 1: Main Properties of TVMCs in 2007 by Industries

	Time Warner	News Corporation	Bertelsmann
Newspaper		New York Post, Wall Street Journal and Barron's (USA). The Times and The Sun (UK) and 110 newspapers in Australasia.	74.9% Gruener + Jahr : 50% <i>Financial Times Deutschland</i> , <i>The Sächsische Zeitung</i> (GER).
Magazines	Time Inc. (145 mags): <i>Time</i> , <i>Sports Illustrated</i> , <i>Fortune</i> , <i>Money</i> , <i>People</i> , <i>Entertainment Weekly</i> (USA); IPC Media (UK).	41% TV Guide and <i>The Weekly Standard</i> (USA).	74.9% Gruener + Jahr (280 mags): <i>Brigitte</i> , <i>Gala</i> , <i>P.M.</i> , <i>GEO</i> , <i>Neon</i> , <i>Stern</i> (GER); <i>Focus/Xinzhike</i> (CHI); <i>Prisma Presse</i> (FRA).
Book Publishing	Oxmoor House, Leisure Arts and Sunset Books.	HarperCollins Publishers.	Random House : <i>Doubleday</i> (USA); <i>Ebury</i> (UK); <i>Plaza & Janés</i> (SPA); <i>Goldmann</i> (GER).
Television	50% The CW Network . Turner Broadcasting System : TBS, TNT, Cartoon Network, CNN, Turner Classic Movies, Court TV, Boomerang. HBO , <i>Cinemax</i> . 84% Time Warner Cable ; <i>RoadRunner</i> .	FOX and MyNetwork TV (USA). 38% DirectTV (USA), <i>Sky Italia</i> (ITA), 38% BSkyB (UK), STAR (ASIA), 20% <i>Tata Sky</i> (IND), 25% FOXTEL (AUS). Fox News Channel ; <i>Fox Movie Channel</i> ; <i>Fox Sports Net</i> ; <i>FX</i> . <i>Twentieth Century Fox TV</i> ; 50% <i>Regency Television</i> .	89.8% RTL Group (38 TV channels in Europe): <i>RTL Television</i> , 35.9% <i>RTL II</i> , 99.7% <i>VOX</i> (GER); 48.6% <i>M6</i> (5.1% <i>CanalSat</i>) (FRA); <i>Five</i> (UK); 19% <i>Antena 3</i> (SPA); <i>RTL 4</i> (NETH); 30% <i>REN TV</i> (RUS). Fremantle Media .
Radio	<i>CNN Radio</i> .	<i>FOX News Radio</i> .	89.8% RTL Group : 29 radio channels in Europe.
Motion Picture	Warner Bros Entertainment Group : <i>Warner Bros Pictures</i> , <i>New Line Cinema</i> , <i>Fine Line Cinema</i> ; <i>Castle Rock</i> ; <i>WIP</i> .	Fox Filmed Entertainment : <i>Twentieth Century Fox Film</i> ; <i>Fox Searchlight Pictures</i> ; <i>Fox 2000</i> ; <i>Fox Animation Studios</i> .	<i>UFA Film & TV Produktion</i> , <i>UFA Filmproduktion</i> (GER).
Recording	<i>AOL Music Now</i> .	<i>News Corp Music Group</i> . <i>Channel V</i> .	50% Sony BMG (<i>RCA</i> , <i>Arista</i> , <i>Columbia</i> , <i>Jive</i> , <i>Epic</i> , <i>Ariola</i>). <i>Click2Music</i> .
Internet	AOL : <i>Advertising.com</i> ; <i>ICQ</i> ; <i>Netscape</i> ; <i>CompuServe</i> . <i>CNN News Group</i> , <i>WB Online</i> .	Fox Interactive Media : MySpace ; <i>IGN Entertainment</i> ; <i>Scout</i> ; <i>Intermix</i> ; <i>Fox.com</i> . WSJ.com ; <i>MarketWatch</i> .	20% Lycos Europe (<i>Tripod</i>). <u>Online clubs</u> : <i>Zooba.com</i> and <i>Yourmusic.com</i> .
Others	50% <i>Time Warner Telecom</i> ; <i>Warner Bros. Interactive Ent.</i> ; <i>Warner Bros. Consumer Products</i> ; <i>Warner Bros. Recreational Enterprises</i> .	News Outdoor Group . <i>News America Marketing</i> . 74% <i>NDS</i> .	Arvato . DirectGroup (clubs with 35 million members around the world): <i>Bookspan</i> (USA), <i>Der Club</i> (GER), <i>Círculo de Lectores</i> (SPA).

SOURCE: Author's own, from corporative information of the companies.

The designation of the most important media companies has, from the beginning, been a problem of terminology. The multimedia companies that began in the USA in the mid-20th century were originally called “conglomerates”, partly because their structure was similar to industrial conglomerates, and also because they shared company-matrices with different properties from the area of communications. This was the title given at the end of the 60’s to firms such as CBS, the proprietor of a radio and a TV channel with the same name, a record company—CBS Records, a music component equipment factory, an editorial firm—Holt, Rinehart and Winston, a film company, and other properties that had nothing to do with the world of communications such as the New York Yankees baseball team. The use of this term has continued, and in the early 90’s Turow (1992) studied the structure and characteristics of what he understood as “media conglomerates”, a title habitually used in the general information and in the media economics literature.

On the other hand, Gershon (1993) has spent 15 years studying the “communication transnational corporations”, that is those companies that operate in two or more countries and offer information and entertainment goods and services. This title is the one that has prevailed in academic literature.

The conceptual demarcation of the TVMCs fits in with the evolution of the major media groups, as an advanced stage within these management organizations, that have a significant distinguishing feature: transversality.

THE EMERGENCE OF TVMCs

The TVMCs, a further step in the evolution of communications companies, have helped to shape the GCM—a worldwide area of competition which includes national, regional and local media markets, and, at the same time, has taken on ever-growing distinguishing characteristics and to a great extent, is driven by their combined offer of information, entertainment, education and cultural products. Many different factors have contributed to the founding of these great management empires, the most important of which are: the expansion of GCM, the existence of an unprecedented period of economic growth, and the search for convergence as an evolution of the synergy theory.

The last 25 years of the 20th century were an appropriate juncture for the emergence of TVMCs. The important economic behavior of the media markets, new strategies and technical advances allowed some groups in the 90’s to make a qualitative leap and consolidate this new type of business. Although some TVMCs have century-old roots, and News Corporation and Bertelsmann began to use this management style some years before, the composition of TVMCs as we know them began in 1989. The logical merger of Time Inc. and Warner Communications, two powerful multimedia groups working in different areas with a global

mission, has been the example followed ever since, and a further step in the ambition to grow in size, to find synergies and to internationalize as operative bases.

The Synergy Theory

If from the 60's management practice stated that size was the main competitive advantage of companies, in the 80's the idea of "integrated corporation" was introduced, where each business line of a company would assist in the correct operation of the others. Many mergers and take-overs, and even total conversions of firms were based on this idea, generally called "synergy theory", which has been much used in the media markets.

Although the term is applicable to other scientific disciplines, in media economics the concept of synergy has a different nuance. Specifically, it includes at least four different processes: exploiting content by re-using it within the different areas of a company; the use of several areas to jointly foster a service offered by the company; multi-tasking by the staff in different operations or activities, and saving in management costs.

The merger of Time Inc. and Warner Communications was the culmination of a period when the most important communications companies decided to use the same strategy to profit from, co-operate and share the available resources. This was the main line of reasoning behind horizontal, vertical and transversal mergers and acquisitions.

The Search for Convergence

Two factors which appeared in the mid-90 have paved the way for the search for convergence: the difficulty of creating synergies and the boom of the New Economy.

On the one hand, creating synergies is not an easy task, as the passage of time has shown that as a goal it is more theoretical than practical. So many hopes were frustrated, as the final results were nowhere close to what was expected, and the lack of organic growth conducted the companies to external growth, which, thanks to the greater availability of money, was based on important mergers and take-overs among and between sectors of technology, media and telecommunications, with the aim of convergence.

On the other, the systematic improvement and the opportunities offered by the new technologies led the companies to try to produce value through convergence. The large groups, due to the abundance of capital available, played a leading role, particularly the telecommunications operators and TVMCs.

Thus, the strengthening of the TVMC model is due, to a certain extent, to the grouping of the main telecommunications operators, in the same way as the multimedia groups emerged in answer to the consolidation of the advertising agencies. So, before the great wave of

mergers and take-overs which gave their final shape to the TVMCs between 1999 and 2000, there had been important moves in the telecommunications market which caused great anxiety among the media groups due to a possible challenge from the telephone operators for control of content-distribution rights.

At the same time, some telecom firms were attempting to take control of the cable operators. The search for convergence drew the two complementary industries together, as the former were everywhere and had the networks which allowed bi-directionality and the latter had broadband: the idea was to join their telecommunications, computer and television services into a single company and a single offer. Encouraged by the prospects of great economic profits, some companies that were not part of the world of communications joined the sector and some industrial corporations—such as Westinghouse—decided to focus on this market alone.

The intense competition created in the media markets hastened the consolidation process in those businesses which were traditionally involved, as they were forced to grow in order to compete with the powerful telecommunications operators and to offer the same joint services they promised. Therefore, the foremost media groups grew ruthlessly in an attempt to protect their area of activity (Compaine & Gomery, 2000); the method chosen for this expansion was that of important mergers and take-overs, the best way to grow as quickly as possible.

The year 2000 marked a turning-point, together with the beginning of a crisis that was to shake the media market to its foundations: the two greatest empires the market had ever seen were founded. On January 10th, America Online (AOL), the most important Internet provider, and Time Warner, the biggest media company in the world, announced their merger, to the value of \$166 billion, forming AOL Time Warner. In June of the same year, the French companies Vivendi and Canal+ and the Canadian Seagram—owner of Universal film studios and record company—responded by forming the second biggest global communications corporation and the biggest in Europe: Vivendi Universal. This company became the paradigm for what was happening: a company from outside the sector which entered the GCM because of its participation in an integrated telecommunications operator, encouraged by the idea of convergence, created an empire with a colossal merger, and its value on the stock markets shot up due to an interminable list of take-overs and alliances, at the same time as it rid itself of its traditional spheres of activity—environment, water processing, building, among others.

On the information and entertainment markets, convergence paved the way for the formation of a new value chain, the result of the reshaping of the different sectors which made up this new integrated communications market. This included telecommunications, information technology and communications. The main strategy of companies that

target convergence was to unite the value added sections of the product chain and those of the multimedia services in an integrated corporation. The prototype is the TVMCs (Hagel & Singer, 1997).

The Crisis in the TVMC Model and Its Gradual Recovery

The outlook at the beginning of the 21st century was extraordinarily encouraging; however, the state of play became radically worse. The media market crisis was very like that of the telecommunications sector, applauded until the year 2000 and later castigated much more than other industries. The weak foundations of the New Economy, the uncontrolled search for convergence, and excessive ambition to enter into the buoyant Internet market were the main reasons: the value of investments in companies in this sector, grew until March 2000, then began to drop.

The crisis began in March 2000, and the stock market recession was but one more sign that the system wasn't working and the new way of doing business had serious structural defects (Sisón et al., 2002). The financial scandals that shook the big corporations were another relevant factor in this turn-of-century crisis. The shareholders' lack of confidence in important executives reached its lowest ebb in May 2002, when, in just one month, 80 general managers of important American corporations were dismissed. The Enron and Worldcom cases were followed by others that affected the main TVMCs. Investigation by the SEC, the European Commission, and the press found that (AOL) Time Warner and Vivendi Universal had used creative bookkeeping, hidden decisive figures, and rewarded criteria (such as EBITDA) rather than the use of traditional measures, in line with the paradigm of the New Economy.

These events weakened the investors' confidence and the bottom fell out of the market, with the resulting dismissal of important executives and major re-structuring. The affected companies were forced to use good corporate practices and to correct their bookkeeping methods which were largely indecipherable. The crisis brought about a major reshuffle between 2000 and 2003 which forced the organizations to go back on some of their main strategies, amongst which was the intended industry convergence.

The big operations had to abandon significant ideas, which meant the sales of non-strategic assets, more decentralization, fewer synergies and less convergence. Nevertheless, the new executive teams could not avoid the greatest business losses in the history of the US, Europe and Australasia: (AOL) Time Warner, Vivendi Universal and News Corporation broke their respective records with billion dollar losses. The use of unsuccessful business models was accompanied by an inability to put them into practice because of the lack of strategic vision. The lack of confidence in the organizational and growth model of the TVMCs spread rapidly; so, if in 2003 there were six TVMCs, at present there are only three—Time Warner, News Corporation and Bertelsmann—as the others

—Vivendi, Walt Disney and Viacom—have turned to other models closer to audiovisual conglomerates like NBC Universal or Sony Entertainment.

Peculiar Restructuring: Split In the depressed context of the TVMCs, split has become a strategic option particularly relevant due to its drastic character and its possible extension.

Viacom, in 2005, was the first of the TVMCs to split. Tired of attempting to make profits from the generation of synergy and dissatisfied with the irregular stock market results, Sumner Redstone made a complete turnaround from what he had been doing in his twenty years as leader of the company and decided to divide it into two “independent” businesses. One focused on theme channels and film production, aimed at high-growth company ventures and is still called Viacom Inc. The other—CBS Corp.—is mainly interested in broadcasting, but also has editorial interests, with a solid basis in cash production in order to offer dividends to his shareholders and buy back shares.

There were two main reasons for this movement. Firstly, Redstone hoped the division would bring about a stock exchange improvement in a calmer environment; on this point, Viacom claimed the ten main splits caused a significant rise in stock market price between 2000 and 2005. Secondly, using this strategy Viacom wanted focalization rather than the diversification of the previous years, because in Redstone’s words: “In the 21st century, large is no longer in charge.”

The possibility that the divisions and separations may spread to the other TVMCs is, in any case, uncertain. The potential advantages may also be achieved without resorting to nominal changes or changes in the capital structure, and a decentralized model—like that Bertelsmann has used for decades—may achieve the same goals. Moreover, these practices do not seem to be the solution to the problems that have plagued the TVMCs, as they are not movements that attempt to adapt to the new market that is taking shape, and may only be a short-term remedy which in the long term may mean a backward step, not only in strategic, operative and growth terms, but also in the financial area.

Therefore, it seems likely that the Viacom strategy will be unique among the TVMCs, who have no desire to give up their main competitive advantages: size and transversality. Little by little, the new practices of the TVMCs have borne fruit: in spite of the grave crisis they have faced, these companies have maintained their positions in the media market. Indeed, the fact that the outside firms have abandoned the sector—telecommunications operators and companies from other industries, both in the US and in Europe—has left the field more open to the main media groups which will try to regain control of the markets.

DEFINING CHARACTERISTICS AND CONCEPT OF TVMCs

TVMCs are the end-result of a generalized idea in the media market. Business practice throughout most of the 20th century believed that size was the main competitive advantage for companies, but the 80's added the idea of the "integrated corporation", where each branch of a company would collaborate in the proper performance of the others.

TVMCs are a new type of industrial organization which has taken shape in the last twenty years. There are three criteria that differentiate TVMCs from the other rivals of the GCM.

Communications Companies

In the first place, TVMCs are, above all, communications companies, and their activity is to produce and distribute information, entertainment and cultural goods and services; however, they are different from other communications companies:

Figure 2: Typology of Communications Companies by Structure

	Media Company	Media Group	TVMC
Ownership	Public, Private or Mixed		Private
Shareholder Reasons	Profit, public service or ideological		Profit
Organizational structure	Very cohesive	Cohesive	Incohesive
Growth process	Horizontal or Vertical Integration	Horizontal and/ or Vertical Integration	Horizontal and Vertical Integration
Geographical area	Local, national or international		International

SOURCE: Author's own, from Sánchez-Tabernero et al. 1993 (p. 55).

Then again, TVMCs are different from other companies that also participate in the GCM and in the national media markets which, however, basically deal with other activities. Their interest in the communications industry is merely complementary, when not anecdotal. Thus, it is clear that a TVMC is a communications company whose activities in these markets make a serious contribution to the business figures of the overall *holding*, at least 50% of the total.

For this reason, neither the Sony Corporation nor General Electric can be considered, in advance, TVMCs. For Sony, its invoicing on the GCM is barely one third of the company total; its important participation in the GCM and its search for convergence, however, place it very close to the TVMCs; this opinion is shared by many market analysts (Inoue, 2003).

Size

The second point is that it is theoretically believed that size is fundamental for TVMCs to be successful.

Size is, in the first place, an identifying factor in business, as we compare small, medium and large corporations based on the number of employees, the net assets and the sales figures, among other criteria. There are many advantages to being large: firstly, it is an important factor in competitiveness because it permits accepting new challenges, projects and opportunities, and its strength means market pressures affect it less; moreover, it allows the balance of relations with customers and suppliers to be skewed in favor of the company, which means greater bargaining power, more strategic freedom, and, generally, better conditions. The largest companies, also, are in a better position to reach agreements with privileged partners as they can offer more resources and possibilities (Sánchez-Taberner, 2000).

Size benefits economies of scale, economies of scope and economies of experience. This last process is particularly profitable for TVMCs because of their special characteristics and the product they manipulate: information and entertainment. The importance of size can be seen in the multiple elements present in the activity of the company: it affects technical factors, as it allows improvement in production systems and raises productivity levels; technological factors by reducing costs; financial factors because it is easier to deal with money sources, as large groups offer greater guarantees of repayment; commercial factors, because they have better organization for distribution, promotion campaigns and advertising policies; and finally, management factors because size affects the proper use of the available resources.

Size also plays an important role as a defensive and dissuasive element for rivals and possible hostile takeover bids; in this way, large corporations find it easier to maintain their market share and check the progress of rival companies. The major media groups coped with the prior concentration of the advertising industry and the threat of the telecommunications operators by increasing their assets and growing enormously. The largest companies diversify risks, are better prepared for crisis situations and have a greater capacity to overcome them as they have alternative financial sources and sections that offset negative results in other areas of the company.

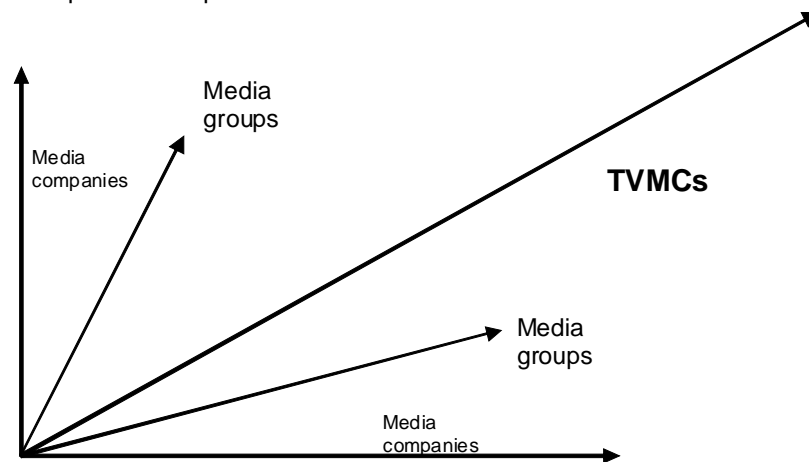
Transversality

The third essential characteristic of TVMCs is their transversality. Together with their large size, they usually create horizontally and vertically integrated companies, similar to the old-fashioned industrial firms of the mid-20th century, and can successfully confront established internationalization strategies.

Unlike media companies and groups, whose activities are more limited, TVMCs are present in a growing number of geographical

markets, where they have become the major agents of the GCM, and carry out their activities in the majority of media markets. This two-fold quality is what is meant by transversality and includes two complementary characteristics: transnationality and transectorality (Chan-Olmsted & Chang 2003).

Figure 3: Transversality of TVMCs in Contrast to the Activity of Media Groups and Companies



Transnationality If the only companies that are really strong in one or two industries can internationalize successfully, large groups have the advantage for geographical expansion. This premise has been the basis for the foundation of TVMC international strategy, which traditionally and until recently was mostly unplanned, and more the result of a gradual evolution on the ground than a well-formulated option.

The international approach of TVMCs is different from that of other media companies that work outside their own countries. According to Arlet and Bozal (1992) international, global, multinational and transnational companies are different. International companies are those that develop their products for a certain geographical market and then export with adapting them much to other markets. Global companies, on the other hand, use a network of subsidiary companies to produce goods and services for the global market, but with little adapting to local needs. Multinationals also have branches in different countries, which manufacture their products according to local demand, but are not interested in the possibilities involved in global production. Transnationals, finally, market their products in different countries without ignoring local needs and tastes, using the parameters and efficiency of global production.

The progressive liberalization of national markets allows for the global expansion of TVMCs, although it is still somewhat limited:

Figure 4: TVMC Revenues in 2006, Total and Geographically

	Time Warner	News Corporation	Bertelsmann
Total	\$44,224 billion	\$25,327 billion	\$24,249 billion ^a
USA	80.5%	53.7%	19.7%
Europe	10.4% ^b	29.8%	74.7% ^c
Others	9.1%	16.5%	5.6%

^a Bertelsmann earned €19,297 billion in 2006, which using the average yearly dollar/Euro exchange rate equals the above figure.

^b The data for Time Warner in Europe only includes the revenue in the UK, Germany and France.

^c 30.6% of Bertelsmann's earnings are from Germany, its home country.

SOURCE: Author's own.

Transectorality The TVMCs made the most of their size not only to extend their position in the same industry in different countries, but also to attempt to cover all industries included in the media markets; moreover, those groups which had already gone beyond their traditional fields of interest made the most of their success to go international. Thus, transectorality implies the reverse of transnationality.

TVMCs are firms with important activity on all or almost all information, entertainment, leisure and cultural markets; their variety has led them to profit from eventual synergies between the different properties that make up the companies and, later, to attempt to lead the media markets by commercial exploitation of convergence. The multiplication of content-offer in all segments and sectors and the ever-growing ease of their consumption forced the companies to expand in order to protect their markets.

The TVMCs have demonstrated their lead in the search for and exploitation of size in order to increase their asset value in all industries on the media market. In the last ten years some TVMCs have endeavored to bring content and distribution together under one roof. If for many years the media companies were basically well-known for production of content, the need for convergence and the growing bargaining power of the distribution platforms has gradually led them to work in both areas.

The TVMC concept

On this point, it is proposed the following definition: "Transversal media corporations (TVMCs) are those companies that operate on the global communications market, offering information, entertainment and

cultural goods and services, and are characterized by their transnational and transectoral aptitude”.

THE THREE TVMC MODELS

Among the features that TVMCs have in common we also find different managerial formats and activity depending on the logic of the market, business evolution, and the personalities of the managers who shape the three different TVMC models (Picard, 1996).

The type of shareholding, management and leadership, the growth model, and the economic results have marked the creation of the three TVMC versions: the conglomerate, the agglomerate and the mixed model. Now again we face the aforesaid problem of terminology because TVMCs, as suggested in this article, are occasionally called media conglomerates. Here we understand a conglomerate to be simply one more type of TVMC, and indeed, its use is close to the etymological meaning of the word—in antithesis to academic tradition—as here it refers to the most cohesive TVMC model and not to a mere accumulation of unrelated assets.

Figure 5: TVMC Models and Characteristics

	Shareholding and Leadership	Competitive Strategy	Economic Situation
Conglomerate	Main directive shareholder: company leader free to do as s/he pleases	Priority is vertical integration in audiovisual sector	Solvent
Agglomerate	Incohesive shareholding and erratic management	Unfortunate projects to develop convergence	Serious debt
Mixed	Personalized administration	Restrained growth	Successful

Shareholding and Leadership Characteristics

The importance of executives in the creation and running of TVMCs must be taken into account. In this area, the TVMCs have had visible, stable leadership which has inspired and driven their growth; for many years their founders, owners and executives were considered visionaries. Rupert Murdoch (News Corporation), Michael Eisner (Walt Disney), Sumner Redstone (Viacom) and Reinhard Mohn (Bertelsmann) are historical figures in the GCM due to the size of the corporations they created. Other executives, also, have contributed to the crisis and reformation of the TVMCs: Steve Case and Gerald Levin (AOL and Time

Warner), Jean-Marie Messier (Vivendi Universal) and Thomas Middelhoff (Bertelsmann) have been the target of much criticism because of their erratic management.

Whatever the case, the different leadership models swing between a method based on intuition, independence, rapid implementation and other visionary methods, and a more pragmatic intermediate option; they have all, in any case, been fundamental elements in the characterization of TVMCs (Morley & Shockley-Zabalak, 1991).

In the case of the conglomerate TVMCs there has been no division between ownership and management, which has had important consequences. This management model allowed them to create simpler organizational structures, and to swiftly find and develop new market opportunities. The success of this hierarchical type of management has been seen in two key situations for the companies, even more so in the TVMCs: in complicated circumstances when decisive action is needed and when a decision must be taken quickly to get ahead of their rivals (Eisenmann & Bower, 2000).

Together with the potential advantages of this type of management, there are, however, great drawbacks that have marked the development of these corporations. Their occasionally despotic management model has been known to be dangerous, as the future of a billion-dollar company depends on the decisions of just one person. Another major problem has to do with family links and eventual succession and inheritance issues (Kesner & Sebora, 1994).

Competitive Strategy

Secondly, the differences between TVMCs lie in the competitive strategy they use and how it is used. On the subject of the main growth process, the difference between the three models lies in the level of diversification, both regarding product market and geographical levels. While some TVMCs gambled decisively and determinedly on convergence, others backed the audiovisual sector and increased their influence in the value chain.

The companies directed by their main shareholders tend to lower diversification (Denis et al., 1997), and this is the strategy of the conglomerate-TVMCs, more focused on the audiovisual sector, with constant vertical integration throughout the value chain.

The fragmentation of shareholding in media companies, which is characteristic of the agglomerate TVMCs, has grown in recent years, and although there are still some family firms competing on the market, more and more organizations have discarded the family component in their shareholding structure. The main reasons are: the decease of the original founders and the subsequent power-sharing; growth of the organizations that has forced them to obtain funding from several sources (thus dividing the capital of each shareholder), the ever-growing complexity of market competition that forces the owners to delegate in

directors, specialists and managers, and the increase in pension, insurance and *trust* funds that invest in the major corporations (Demers, 1999).

Economic Situation

Finally, the economic situation is the third factor to be taken into account when defining the typology of TVMCs. So, the conglomerate model features the presence of a majority shareholder who decides freely; priority for vertical integration in the audiovisual sector and a solvent economic situation.

If the economic-financial behavior between 1999 and 2003 is studied, and this is a particularly significant period, as it includes the end of a rising cycle, confrontation with an economic, stock market and advertising crisis, and later recovery, we find that the evolution of the conglomerate-TVMCs was better than the agglomerate-TVMCs. Time Warner, the most important TVMC is the paradigmatic example in this sense. For years, Time Inc. was a money-making company whose profit margin was close to 20%. Its merger with Warner Communications meant the creation of a hugely in-debt company; while still directing the operation, the company took over Turner Broadcasting and later merged with AOL. The result of a decade of unstable growth was a misshapen, paralyzed company which was forced to sell off important assets, such as the editorial section and the record company.

The reasons for this failure were overly expensive mergers and take-overs, the ups-and-downs of convergence at the highest point of the stock-exchange bubble and the rise of the New Economy, and overestimation of the potential synergy profits. Once these major operations were completed there was hesitation when the time came to integrate activities, which disappointed shareholders, employees and consumers, and finally an obsessive reduction in costs instead of growth.

CONCLUSIONS: THE POSITIONING STRATEGY OF TVMCS

The GCM is the fundamental area for TVMCs. Its competitive profile shows it to be an attractive mid-high area, with many imponderable factors due to the intangibility of the product, which is totally dependent on public likes and dislikes and their ease in changing and shifting to other options. But there is still much to explore in many corners of the world.

The eruption of the TVMCs as a business model, as an evolution of the TNMCs, was traumatic at the start, but may spread due to the uncontrollable trend towards market concentration, globalization, convergence and deregulation. In fact, the TVMCs, as competitors on the global communication market, hold a pre-eminent position, although there are always risks to their dominance. The factors that are involved

in their strategic positioning can be summarized in the following variables which affect the TVMCs as a whole.

Figure 6: Strategic Positioning of TVMCs on the Global Communication Market

Strengths	Weaknesses	Opportunities	Threats
Appropriate structure to deal with new communication models	Disadvantages corresponding to large size	Convergence and new business opportunities	Lack of confidence in the model
More resources to take on major, uncertain investment	The drawbacks of personalized management	Entry into new emerging markets	Unfavorable public image
Privileged position on the GCM	Debt and low profitability	Transversal alliance system	New distribution methods and piracy

A second wave of convergence will be established on the GCM of which the TVMCs may be leaders if and when they manage to re-size and de-centralize certain activities. They must take advantage of their individuality to offer users better services, and optimize their resources. Thus digitalization and the search for convergence will be favorable to the position of the TVMCs, in spite of the increases in services offered. A rational hunt for synergies, well planned and not forced with specific good criteria that will not hinder collaboration with other companies although they do not belong to the same group, implies major advantages for the consumer and should not undermine the economy of the organizations (Rolland, 2003).

For convergence to yield economic profit, there will have to be structural changes in the corporations' management and directive processes, which will affect internal processes and mean getting closer to the customers' interests and demands and better relations with them which will allow for greater fidelity. On this issue, the TVMCs will have to make distribution management more flexible in order to be intensive and diverse in its offer, and will have to create innovative exhibition windows for the new media—Internet, mobile phones, Pads, MP3 players, etc. The final goal would be to become suppliers of on-demand content.

Approaching the new communication models with caution should not be a reason for the TVMCs to gamble on the production of content for the new applications, because of the spread of their products to new geographical and product markets, the creation of exclusive original content for certain exhibition windows, the offer of integral products for individual or corporate customers, and the offer of multi-national, multi-media, multi-brand campaigns to advertisers. In this second round of convergence, alliances will be more viable than million-dollar

expenditure and brands will become the most important weapons to fight off rivals. A more generalized presence through expansion to new and different media, and the creation of communities around them, will be an incalculable force for the TVMCs to exploit.

The TVMCs must not believe that size is an end in itself, rather a starting point to take advantage of their valuable position and make profit from their investments, equipment and material. If truth be told, size is only an advantage if good use is made of it, if it does not paralyze the company, and does not distract from the main management goal: proper asset management. A company can be too big and its size can exceed its potential advantages; the greater complexity of management can paralyze it, making it less innovative and losing the desire for experimentation that is essential in the business of entertainment. The TVMCs run the risk, on this point, of becoming behemoths, incapable of coming up with the proper answers in a 21st century industry which demands persistent innovation, flexibility and constant change. Indeed, size will give way to organization as the distinguishing factor in TVMCs. Consequently, these corporations must reflect on their structure and change the course of their organizations as soon as possible, so that, while cooperation between the different areas of the business is maintained, each division should be more and more independent and decentralization should be used where profitable; for example, where creativity has a fundamental role to play.

Although fundamental mistakes have been made in attempting to exploit convergence commercially, the irrepressible drive of new technologies, consumer acceptance and their desire for personalization, and the potential advantages for producers and distributors make convergence the perfect setting in the mid- and long-term on the media markets. Digitalization, the root for convergence, carries on showing its stirring advantages and its transforming effect, as it is revolutionizing the markets, connecting them with the telecommunications and computer industries, and leading them towards a model based on five interrelated segments: content creation, packaging, distribution, infrastructure management and the development of terminals (Collis, 1997).

Facing the inevitable arrival of convergence, an approach unlike that of the turn-of-century is needed. This gamble was flawed as it was a short-term, very untimely idea, and did not take the needs or preparation of the user into account. The TVMCs, because of their size and transversal character—transectoral and transnational—should become the leaders in the process of transition to a model marked by the convergence of markets, industries and services.

Whatever the case, the TVMCs must have long-term strategic plans, based on financial stability. Following the lesson learned at the beginning of the century they must vary the origin of their revenue. They cannot be influenced by market inertia when investments recover the growth of the last few years. They must avoid unwarranted borrowing

because this is the main cause of the deterioration of their valuable position on the GCM. So the great mergers will give way to alliances as the main system of external growth for TVMCs in their search for multimedia and international diversification. One way or another, operations must be more rational, less aggressive and visionaries, and must always be combined with a key determination for internal growth, particularly in times of prosperity.

REFERENCES

- Albarran, A. B. & Moellinger, T. (2002). The Top Six Communication Industry Firms: Structure, Performance and Strategy. In Picard, R. G. (Ed.), *Media Firms: Structures, Operations, and Performance* (pp. 103-122). Mahwah et al.: Lawrence Erlbaum Associates.
- Barlett, C. A. & Ghoshal, S. (1992). *Transnational management: Text, cases, and readings in cross-border management*. Homewood: Richard D. Irwin.
- Collis, D. J., et al. (1997). Winners and losers: Industry structure in the converging world of telecommunications, computing and entertainment. In Yoffie, D. B. (Ed.), *Competing in the age of digital convergence*. Boston: Harvard Business School Press.
- Compaine, B. M. & Gomery, D. (2000). *Who owns the media?: competition and concentration in the mass media industry* (3rd ed.). Mahwah et al.: Lawrence Erlbaum Associates.
- Chan-Olmsted, S. M. & Chang, B.-H. (2003). Diversification Strategy of Global Media Conglomerates: Examining Its Patterns and Determinants. *The Journal of Media Economics*, 16(4): 213-233.
- Demers, D. P. (1999). *Global media: menace or messiah?* Cresskill: Hampton Press.
- Denis, D. J. et al. (1997). Agency Problems, Equity Ownership and Corporate Diversifications. *Journal of Finance*, 52(1): 135-160.
- Eisenmann, T. R. & Bower, J. L. (2000). The Entrepreneurial M-Form: Strategic Integration in Global Media Firms. *Organization Science*, 11(3): pp. 348-355.
- Gershon, R. A. (1993). International deregulation and the rise of transnational media corporations. *The Journal of Media Economics*, 6(2): 3-22.
- Gershon, R. A. & Suri, V. R. (2004). Viacom Inc.: A Case Study in Transnational Media Management. *The Journal of Media Business Studies*, 1(1): 47-70.
- Hagel III, J. & Singer, M. (1997). Unbundling the corporation. *Harvard Business Review*, 78: 71-103.
- Herman, E. S. & McChesney, R. W. (1997). *The global media: the new missionaries of corporate capitalism*. London et al.: Cassell.
- Inoue, Y. (2003). Hard and Soft Mega-Media Conglomeration: Has Sony's Strategy Created Synergies? *Keio Communication Review*, 25: 39-56.
- Kesner, I. F. & Sebor, T. C. (1994). Executive succession: Past, present and future. *Journal of Management*, 20(2): 327-372.

- Morley, D. & Shockley-Zalabak, P. (1991). Setting the rules: An examination of the influence of organizational founders values. *Management Communication Quarterly*, 4(4): 422-449.
- Picard, R. G. (1996). The Rise and Fall of Communication Empires. *The Journal of Media Economics*, 9(4): 23-40.
- Picard, R. G. (1998). Delusions of Grandeur: The Real Problems of Concentration in Media. In Picard, R. G. (Ed.), *Evolving Media Markets: Effects of Economic and Policy Changes* (pp. 25-43). Turku: Turku School of Economics and Business Administration.
- Rolland, A. (2003). Convergence as Strategy for value creation. *The International Journal on Media Management*, 5(1): 14-24.
- Sánchez-Tabernerero, A. et al. (1993). *Concentración de la comunicación en Europa. Empresa comercial e interés público*. Barcelona: Generalitat de Catalunya, Centre d' Investigació de la Comunicació.
- Sánchez-Tabernerero, A. (2000). *Dirección estratégica de empresas de comunicación*. Madrid: Cátedra.
- Sisón, A. J. G. et al. (2002). *Tras la euforia. Guía ética para directivos en la nueva economía*. Madrid et al.: Pearson Educación.
- Turow, J. (1992). The Organizational Underpinnings of Contemporary Media Conglomerates. *Communication Research*, 19(6): 682-704.