ALAN B. ALBARRAN

Management of Electronic and Digital Media

SIXTH EDITION

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Sixth Edition

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Management of Electronic and Digital Media, Sixth Edition
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This book is dedicated to the memory of
my teacher, mentor, and friend,
Dr. C. A. "Ace" Kellner

Contents

Preface

The electronic and digital media industries are in the midst of continuing change and evolution due to a combination of technological, economic, regulatory, global, and social forces. Contemporary media managers face a unique and constantly changing competitive environment. The goal of *Management of Electronic and Digital Media*, sixth edition, is to give the reader insight into this challenging profession along with the necessary skills to prepare for entry into a managerial position.

The media industries continue to evolve, with electronic and digital media companies offering a combination of traditional and digital platforms that offer information and entertainment to attract audiences and advertisers. Mergers and acquisitions continue to alter the key players who operate networks, station groups, and multichannel providers like cable, satellite, and telecommunication providers. Social media has added new opportunities and challenges to the business of communications media. The elimination of regulatory barriers, the growth of alliances and partnerships among media companies, and a global marketplace for content have all contributed to the changing managerial environment.

Managers no longer oversee a single operation. Today's media managers may be responsible for multiple stations, regional hubs, and numerous platforms. Versatility and multitasking have become common characteristics of media managers. Social and economic changes have affected the makeup of employees. The workforce is leaner, more diverse, and more gender-balanced and relies more heavily on part-time employees than ever before.

Further, managers are expected to do more than just manage a unit or an enterprise. They must also lead their employees with integrity, passion, and a sense of vision. Today's managers are also expected to think and act like entrepreneurs, to be innovative, and help develop new products and services to reach untapped markets. Hence, this edition focuses on developing the twenty-first-century manager/leader/entrepreneur, a new focus that differs from earlier editions.

This book is designed to help you understand the complex contemporary world of electronic and digital media management. Targeted primarily toward undergraduate and graduate students, *Management of Electronic and Digital Media* will also be useful to media managers and practitioners. The focus is on domestic (U.S.) managerial topics, but the majority of these topics are also applicable to other nations. Every effort has been made to make the information relevant, timely, and understandable.

New to This Edition

Management of Electronic and Digital Media has been thoroughly updated to include the most cutting-edge information on the issues and challenges found in managing electronic media enterprises and digital platforms. There are six major changes in this edition. First, this edition addresses management, leadership, and an entrepreneurial mind-set throughout the book. Second, all of the chapters in this new edition have been updated to reflect the latest industry standards and practices, including extensive and expanded revisions to Chapter 2 (The Media Business Environment), Chapter 8 (Content), and Chapter 12 (Technology Influence on Media Management). Third, there is also a brand new chapter (Chapter 13) to this edition devoted to the topic of Media Management: The Manager/Leader/Entrepreneur. Fourth, the role of social media and its influence on management is now presented throughout the text rather than a stand-alone chapter. Fifth, there are many new and revised case studies found at the conclusion of every chapter. For students and professors, *Management of Electronic and Digital Media* continues to offer the most case studies of any text devoted to media management. These case studies are easily adaptable to classroom discussions, group projects, or homework assignments. Sixth, the glossary and terminology have been updated and expanded to reflect changes since the previous edition.

Here is a breakdown of the major changes you will find in each chapter:

Chapter 1

- Revised for greater emphasis on entrepreneurship and leadership in media management
- New section on social media's function in media management
- New case study: "The Manager's First Review"

Chapter 2

- New section on business models
- New section on SWOT analysis
- Revised section on the development of mobile TV
- Revised section on the development of social and interactive TV
- Revised section on mergers and acquisitions
- Revised section on implications for management
- New case study: "Conducting a SWOT Analysis"

Chapter 3
- Updated examples of ethical controversies in media
- New section on ethical issues of social media
- New case study: "Severe Weather Decisions"

Chapter 6
- New section on using social media to recruit new hires
- Revised section on orientation, including tips for welcoming a new employee
- New section on probationary work periods

Chapter 7
- New sections on geolocation research and "big data"
- Information on new sources of audience research data: comScore and Edison Research
- New section on social media analytics

Chapter 8
- New section on localism
- New information on audio programming available via the Internet and digital platforms
- New section on original programs on the Web and digital platforms
- New case study: "Pitching a New Program for Online Distribution"

Chapter 9
- New information regarding online advertising
- New section on outsourcing advertising sales
- New section on digital marketing, including a list of basic terms

Chapter 10
- Updated to emphasize digital news

Chapter 11
- Updated organizational chart of Federal Communications Commission

Chapter 12
- Much of Chapter 13 in the previous edition has been moved to Chapter 12
- Updated research and statistics on technology trends
- New sections on audience use of social media, advertising on social media, and social media strategy
- New section on mobile technology, including information on smartphones, tablet devices, and wearable technology
- New section on cloud technology and cloud-based services

Chapter 13

- Completely new chapter covering the multifaceted role of media manager
- Information on the following aspects:
  - Personal and professional development
  - How to develop employees for management and leadership roles
  - The basic role of the mentor
  - Prominent leadership research and theories
  - How to become an entrepreneurial leader
  - Use of social media as a manager
- New case studies: "Planning Your Professional Development"; "Going Mobile"

Chapter Review

Management of Electronic and Digital Media begins with an overview of electronic and digital media in society. Chapter 1 introduces you to the main industries that make up the electronic and digital media and presents the various functions, skills, and roles of electronic media managers. The chapter also provides an introduction to the expanded roles of leader and entrepreneur.

Chapter 2 examines the contemporary media marketplace with a discussion of the different types of markets, alliances, and partnerships found across the media industries and factors influencing the media industries.

Chapter 3 centers on ethics in media management. This chapter examines different types of ethics, ethical norms, and situations in which ethics are challenged in the management of different types of media organizations.

Chapter 4 provides a discussion of management theory by examining the three schools of management thought. Contemporary managerial theories and their application to the media industries are presented in this chapter, as are differences between management and leadership, the latter of which is expanded in this edition.

Chapter 5 details the importance of financial management in a media organization. The chapter includes sections on budgeting, financial statements, financial ratios, and financial analysis.

In Chapter 6, you will learn about managing personnel by looking at recruitment, selection, orientation, and termination of employees. This chapter also covers the use of performance reviews and the legal aspects of managing people.

Audience and market-based audience research is the focus of Chapter 7. Readers will gain an understanding of the different types of audience research and other methods used to evaluate and measure audiences, critical information desired by advertisers and marketers. New material includes a discussion of “big data” and the Nielsen acquisition of Arbitron.

Content development and distribution are discussed in Chapter 8 in the context of the traditional broadcasting and multichannel and digital industries, at both the national and local levels. Part of this chapter examines Web and alternative platforms to distribute content.

Marketing, an essential business skill in all industries, is presented in Chapter 9. There is an introduction to basic marketing principles and strategies, along with information on marketing to advertisers and the role of promotion in marketing campaigns. New material on digital advertising is presented in this chapter.

Chapter 10 is devoted to the topic of news and newsroom management. News plays an important role in the media industries in its ability to attract audiences and advertisers. The chapter examines the importance of news and topics related to managing the news department.

Chapter 11 reviews the role of government regulation on the media industries. The Federal Communications Commission remains the single greatest influence on telecommunications policy in the United States, as well as all three branches of government and a host of other federal agencies that impact the regulatory process.

Chapter 12 examines the influence of technology on management. The chapter begins with a look at technology trends, followed by an expanded discussion of three major trends impacting the media industries: social, mobile, and cloud.

The sixth edition concludes with Chapter 13, a capstone to the book taking a deeper look at the role of the manager/leader/entrepreneur in the twenty-first century. Each area is explored, along with new material on how to grow as a manager and how every manager needs to develop his or her own social media strategy.

Each chapter begins with a list of learning objectives and an overview summarizing its contents. Case studies are found at the end of each chapter to stimulate thought and discussion on various management topics and issues. This edition offers a number of new and revised cases. Each of the cases is designed to put the reader in the role of a manager or other leader in a decision-making environment. A glossary of key terms used in the text is also included for easy reference.

Resources for Instructors

This text is accompanied by an instructor's manual that offers teaching suggestions, assignment ideas, exam questions, and other resources that will help instructors integrate *Management of Electronic and Digital Media,* sixth edition, into their classes. The instructor's manual is available for download at login.cengage.com.

Acknowledgments

The sixth edition of this book, like previous editions, is a product of many years of experience and interactions with a variety of media practitioners—first as an employee, then as a manager, and, finally, as a media educator and consultant. Throughout my own professional career, I have been fortunate to work with a number of good manager/leaders, first in the radio industry and later in television. Each of them in some way influenced my ideas about media management.

In addition to the professionals who contributed to the earlier editions, this edition drew insight from a number of professional media managers who shared their ideas and perspectives. For the sixth edition, my thanks go to Pat Stacy and Brad Streit (Raycom Media), Brian Hocker (Comcast/NBCUniversal), Dan Bennett (Cumulus Media), Ronda Joines (Pandora), Dan Halyburton, Becky Munoz-Diaz, and Lee Salzberger.

A number of reviewers examined various chapters and made valuable suggestions that improved this book. My sincere thanks to Glenda Alvarado, University of South Carolina; Lesley Bowers, Howard University; Rockell Brown Burton, Texas Southern University; John Cooper, Eastern Michigan University; Geoffrey Graybeal, Texas Tech University; Krishna Jayakar, Pennsylvania State University; Jong Kang, Illinois State University; Karen Kearns, California State University, Northridge; Hongmei Li, Georgia State University; Lance Liguez, The University of Texas at Arlington; Carolyn Lewis, Ohio University; John McGuire, Oklahoma State University; AJ Miceli, Gannon University; Joe Staniunas, Radford University; Elanie Steyn, University of Oklahoma; and Dale Van Cantfort, Piedmont College. I'm grateful to UNT colleague Phyllis Slocum, along with Catherine Salzman and Desiree Hill, who reviewed specific chapters for this edition. Thanks as well to UNT colleague Xiaoqun Zhang for his work on the instructor's manual.

I thank my wife and best friend, Beverly, for her love and constant support. I'm also grateful for the support of the faculty and

staff in the Department of Media Arts at the University of North Texas and the undergraduate and graduate students who challenge me in the classes I teach to do the best job I can as a professor.

As in previous editions, this book is dedicated with respect and admiration to the memory of the man who taught me the most about media management—my former professor and mentor at Marshall University, Dr. C. A. “Ace” Kellner. Ace died in November 1996, followed by his beloved wife, Toni, who passed just after Christmas that same year. Beverly and I cherish their memory. We grew to be close friends after their retirement and we visited the Kellners several times in their Florida home during the 1980s and 1990s. One of the greatest joys in my life was having him receive the first edition of this book. He was so proud and honored to have the book dedicated to him. My continuing hope is that the sixth edition of this book will continue to be helpful to students and inspire them to reach their full potential in life just as Ace Kellner inspired his students to do.

Alan B. Albarran
University of North Texas

Abbreviations and Acronyms

ABC—American Broadcasting Company
ACT—Action for Children's Television
AE—Account Executive
AM—Amplitude modulation
AQH—Average quarter hour
AR&D—Audience research and development
AT&T—American Telephone & Telegraph
AWM—American Women in Media
CAB—Cable Advertising Bureau
CBS—Columbia Broadcasting System (former name)
CEO—Chief Executive Officer
CHR—Contemporary hit radio
CNN—Cable News Network
CPM—Cost per thousand
CPP—Cost per point
CW—CW Network (formerly WB/UPN)
DAB—Digital audio broadcasting
DARS—Digital audio radio services
DBS—Direct broadcast satellite
DMA—Designated market area
DOJ—Department of Justice
DSL—Digital subscriber line
DTV—Digital television
DVD—Digital video disc
EAS—Emergency Activation System
EBS—Emergency Broadcast System
EEO—Equal employment opportunity
EEOC—Equal Employment Opportunity Commission
ESPN—Entertainment and Sports Programming Network
FAA—Federal Aviation Administration
FBC—Fox Broadcasting Company
FCC—Federal Communications Commission
Fin-Syn—Financial interest–syndication rules
FM—Frequency modulation
FRC—Federal Radio Commission
FTC—Federal Trade Commission
GI—Gross impressions
GM—General Manager
GRP—Gross rating points
GSM—General Sales Manager
HBO—Home Box Office
HDTV—High definition television
HD Radio—Hybrid digital radio
HH—Households
HR—Human Resources
HUT—Households using television
IAB—Interactive Advertising Bureau
ISP—Internet Service Provider
JSA—Joint services agreement
LAPS(test)—Of literary, artistic, political, or scientific value
LMA—Local marketing agreement
LSM—Local Sales Manager
LUR—Lowest-unit-rate
MBO—Management by Objectives
MFJ—Modified final judgment
MMDS—Multipoint multichannel distribution services
MP3—Audio compression technology (MPEG-1 or MPEG-2 audio layer III)
MRC—Media Ratings Council
MSO—Multiple system operator
MSTV—Maximum Service Television
MTV—Music Television
NAB—National Association of Broadcasters
NATPE—National Association of Television Program Executives
NBC—National Broadcasting Company
NCTA—National Cable & Telecommunications Association
NMMS—Nielsen Metered Market Service
NSM—National Sales Manager
NTIA—National Telecommunications and Information Administration
P&L—Profit and loss
PD—Program Director
PDA—Personal digital assistant
PEG—Public, educational, and government channels
PICON—Public interest, convenience, or necessity
P-O-M-C—Planning, organizing, motivating, controlling
PPM—Portable people meter
PPV—Pay-per-view
PSC—Public service commission

PTAR—Prime-time access rule
PUC—Public utility commission
PUR—Persons using radio
RAB—Radio Advertising Bureau
RADAR—Radio's All Dimensional Audience Research
RBDS—Radio broadcast data system
RBOC—Regional Bell operating company
ROR—Rate of return
RTDNA—Radio-Television Digital News Association
SBC—Southwestern Bell Corporation
SDTV—Standard digital television
SMATV—Satellite Master Antenna Television
SMSA—Standard metropolitan statistical area
SPJ—Society for Professional Journalists
SRDS—Standard Rate and Data Service
TQM—Total quality management
TSA—Total Survey Area
TSL—Time spent listening
TVB—Television Bureau of Advertising
TVHH—Television households
UHF—Ultra high frequency
UPN—United Paramount Network (now CW)
USTA—United States Telecommunications Association
VALS—Values, attitudes, and lifestyles
VHF—Very high frequency
VIP—Viewers in profile
VNR—Video news release
WB—Warner Brothers network (now CW)
WWW—World Wide Web

CHAPTER 1

Managing Electronic and Digital Media

In this chapter you will learn

- An overview of the contemporary electronic and digital media industries
- The levels of management found across the media industries
- The skills, functions, and roles of electronic and digital media managers
- The demands placed on managers by audiences, advertisers, and owners

Managing an electronic or digital media enterprise in the twenty-first century is a constantly evolving challenge. The interplay of economic, technological, and regulatory forces, along with globalization and changing audience tastes and preferences, means constant change and adaptation to new ideas and new ways of doing business. For much of the twentieth century, a media manager focused on one product—a television or radio station, a newspaper, or a cable system. Today's managers operate in a multiple platform 24/7/365 environment where consumers control what they access and when they access entertainment and information content.

Contemporary media managers have adapted to this new landscape by learning new processes, refining their skills, and constantly evaluating the entities they manage. Today's best managers—regardless of the industry in which they work—are now expected to do more than just manage. Managers are also expected to be leaders and provide a vision for those they lead. They are also expected to think like entrepreneurs—to recognize new approaches and trends and to encourage innovation and new ways of doing business.

The sixth edition of this book thus presents a major change from previous editions. This version considers the expanded roles that contemporary media managers in the twenty-first century now play as managers-leaders-entrepreneurs. Management and leadership have always been intertwined; entrepreneurship has typically been treated separately as an occupation or a field of study. The reason is that entrepreneurs in the literal sense are adept at starting new businesses, taking risks, and often selling their new business—ideally for a profit. However, today's media managers need to *think* like entrepreneurs and *function* with an entrepreneurial spirit to remain relevant in a rapidly evolving landscape. So in this new edition, entrepreneurial ideas are intertwined throughout the text, along with leadership and managerial concepts.

Let's consider some working definitions for each of these areas. In this text, **management** is continued to be defined as a process by which individuals work with and through other people to accomplish organizational objectives. The **electronic and digital media** refers to the traditional radio, television, cable/satellite, and telecommunications (telephone) industries—and "new media" like Internet sites and other **digital platforms**, including **social media**. Management is not a static concept but a dynamic process involving many different skills such as decision making, problem solving, creativity, negotiation, and interpersonal relations.

Leadership is traditionally defined as leading a group of people or an organization. But leadership is a much broader and more complicated concept. Leaders cast a vision for their unit and organization; they are good at motivating individuals and helping each person grow and develop. Leaders are also expected to provide a "moral compass" and exhibit strong ethical principles and integrity. Leadership is multifaceted and complex.

Entrepreneurship is classically defined as someone who starts a new business. But a broader definition of entrepreneurship has evolved that is more suitable to our needs. Dictionary.com defines entrepreneurship as "a person who organizes and manages *any* enterprise, especially a business, usually with considerable initiative and risk" (http://dictionary.reference.com/browse/entrepreneurship?s=t, n.d.). Here entrepreneurship refers to any business and not just a new start-up. Robinson (2014) offers one view by listing seven traits of an entrepreneur: tenacity, passion, tolerance of ambiguity, vision, self-belief, flexibility, and rule-breaking. Clearly, one can see how many of these traits should also be embodied in what anyone might call a good contemporary manager/leader.

By integrating management-leadership-entrepreneurship throughout this edition, it is hoped that this approach will better reflect the twenty-first-century realities in the electronic and digital media industries. Further, expanding the scope of this text will hopefully better educate students and other readers interested in careers in media management.

An Overview of Electronic and Digital Media in Society

Despite the proliferation of many different media-related technologies, the electronic and digital media occupy an important place in American society. The electronic and digital media industries provide a variety of entertainment and information platforms, influence culture, and help make sense of our social reality (McQuail, 2010). The electronic and digital media are also a critical component of the economic system. In the United States and other developed nations, most firms engaged in the electronic media operate in the private sector and thus deliver their content and services for profit (Albarran, 2010). As in any other business, managers in the electronic media must maintain efficient, profitable operations to meet the expectations of owners and stockholders.

The electronic and digital media pervade society, and levels of media usage reflect this trend. Digital media, consisting of using the Internet, mobile devices, and other platforms, were expected to top other media usage in 2013 (Kleinman, 2013). Television viewing, radio listening, and reading print are also daily leisure activities in U.S. households (see Figure 1-1). Audiences can access information and entertainment content via many different distribution platforms (e.g., broadband, wireless, and terrestrial) and consumer technologies (e.g., TV and radio receivers, computers, mobile devices, video game consoles, and DVRs). Media managers must respond to the needs of their customers, recognizing that their audience has numerous options for entertainment and information content.

Several demands—for information and entertainment by the audience, for profits by stockholders, and for access by advertisers—place managers of electronic media facilities in a challenging position as they try to serve the needs of the market along with the needs of the marketplace. This balancing act is made all the more difficult by constant changes in competition, technology, regulatory issues, social issues, and consumer tastes and preferences.

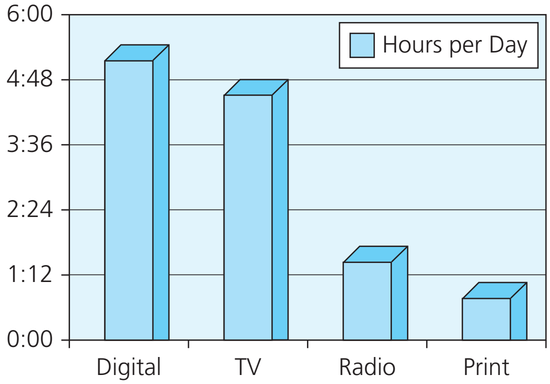


FIGURE 1-1

Daily Media Use in the United States (Estimates for 2013)

Source: Kleinman (2013).

Traditional electronic media companies like broadcasters and cable and satellite systems engage in similar activities. Sherman (1995) identifies four separate but interrelated activities: development, production, distribution, and exhibition. **Development** is concerned with new technological innovations. Technology stimulates the growth of the electronic and digital media and improves the quality of media consumption. Advances in mobile delivery and the adoption of multiple platforms are but two examples of changing innovation in the media industries. Technology will continue to change the nature of the media business and the way society uses the media.

Production consists of the manufacture of both **hardware** and **software** for the electronic media. Hardware includes television and radio receivers, satellite dishes, DVRs, video game consoles, set-top boxes, and mobile devices like smartphones and tablet devices. Software includes such products as television and radio programs, sound recordings, and advertising messages.

Distribution, the focus of Chapter 8, is concerned with getting content products to consumers. Today many forms of distribution platforms are available, ranging from the traditional broadcast networks to satellite-delivered services, the Internet, broadband, cloud-based services, and applications for mobile devices.

The fourth activity, **exhibition**, is where the consumer uses and engages the product. The pervasiveness and portability of technology means that exhibition can occur at any time and place. This flexibility has added to the challenge of reaching targeted audiences, since consumption of media content can take place in the home, in the car, at work, or during a workout.

Though the media share similar activities, each industry experienced considerable change as a result of media **convergence**, which is now considered to be complete. Media convergence is usually thought of as the integration of video, audio, the Internet, and computing systems, as well as distribution technologies (Steinfield, Baldwin, & McVoy, 1996). Because corporations dominate the media industries with multiple holdings in many cities, companies have been engaged in converging operations to save resources. For example, in the radio industry, a company can own a maximum of eight stations in the same market. Leading radio companies such as iHeart Media (formerly Clear Channel), CBS, and Cumulus have merged operations and eliminated staff overlap. In television, many markets feature *duopolies*, or two stations owned by the same company. As these operations are merged, financial efficiencies can be realized, primarily in a reduction in the number of employees and the need for a single physical plant.

Companies with multiple media holdings may involve combinations of traditional and new media platforms, such as 21st Century Fox, Gannett, and Raycom Media. Virtually every media company considers ways to integrate newsgathering operations, as well as sharing office support functions, marketing, and engineering.

The twenty-first-century media landscape is filled with converged media operations, but the industries had distinct, separate beginnings. The following sections provide a brief overview of the development of the electronic and digital media industries in the United States.

Radio

Radio formally began in the United States during the 1920s. The radio industry established many practices for other industries to follow by introducing the sale of hardware (receivers), the marketing of commercial time (advertising), the practice of networking, and the distribution of programming to audiences. Radio broadcasting consists of two primary types of services: AM and FM. HD (hybrid digital) radio is an extension of terrestrial radio. Internet radio and satellite radio (available via paid subscription) represent other extensions of radio.

AM Radio

AM radio consists of 107 channels operating between 535 and 1,705 kilohertz (kHz). AM channels are restricted to 10 kHz of channel space, which reduces signal quality. Because the signals are transmitted via amplitude modulation, that is, by varying the amplitude of the radio wave, the transmissions became known as *AM radio*. In 1982 the Federal Communications Commission (FCC) authorized AM stereo service but refused to set a technical standard for receivers and transmitters (Klopfenstein & Sedman, 1990). As a result, AM stereo never really developed.

The FCC established four classes of AM service (Classes A, B, C, and D) to ensure that everyone would have access to radio broadcasting. Class A stations are the most powerful, operating as **clear channels** during evening hours, which means they have exclusive rights to their assigned frequency beginning at sunset. From a management perspective, the clear channel stations represent the best class of AM stations in the country. Class B, or secondary channels, are also strong stations but must defer to the power and direction of the more dominant Class A stations. Class C stations are best thought of as regional operations, while Class D—or local—stations are usually restricted to a local geographical area and operate at levels of transmitter power even lower than that of the Class C stations.

Approximately 38 percent of all the radio stations in the United States are commercial AM radio stations. Research indicates that AM listeners are, for the most part, older than FM listeners and that AM listening accounts for a smaller share of radio listening. The most popular formats on AM radio include news and talk, sports, and niche music and ethnic formats.

FM Radio

FM radio operates at a much higher frequency than AM, between 88 and 108 megahertz (MHz). Each channel is allocated 200 kHz for broadcasting, 20 times the capacity of an AM channel, giving FM the potential for outstanding quality.

FM channel assignments begin at 88.1 MHz and continue through 107.9 MHz. **FM** stands for *frequency modulation*, meaning the frequency of the radio wave is varied while transmitted. FM broadcasting also differs from AM in that the signals follow the curvature of the earth. The height of the station's antenna and the power of the transmitter affect the range of coverage.

The FCC also uses a classification system (Classes A, B, C, and D) for FM stations based on the height of the antenna and the transmitter's power. Class A stations are limited to a power of 3 kilowatts (kW) and a range of 15 miles. Class B stations can operate up to a power of 50 kW and a 30- to 40-mile range. Class C, clearly the most attractive from an ownership perspective, can broadcast up to 100 kW with a range of 60 or more miles. Class D stations were originally classified as low-power (less than 10 watts) radio stations usually assigned to universities or religious organizations. In 1980 the FCC began eliminating Class D stations by forcing them to raise power or share frequencies with others.

One other interesting aspect of the FM band is the portion of the service reserved for educational and noncommercial use. All stations assigned a frequency between 88.1 and 91.9 MHz operate as noncommercial stations. These stations are typically licensed to a college, university, religious organization, or, in some cases, a high school. Though these stations are not permitted to accept advertising, they may engage in underwriting for programming and on-air fund drives. Here you will find programming from National Public Radio (NPR), as well as the alternative music formats found on most college radio stations.

FM came of age during the 1970s and surpassed AM in total listeners. Today's FM band is dominated by music formats (adult contemporary, country, urban, hip-hop, and contemporary hits), although sports and talk programming have an increasing presence on FM channels.

The major radio group owners for radio include iHeart Media, CBS, Cumulus, Entercom, Emmis, and Cox. Annual listings of the top radio groups can be found in *Broadcasting and Cable* and *Radio Ink*, two industry trade publications.

HD Radio

HD radio debuted in 2006 to enable terrestrial stations to extend their programming options in a digital environment. Existing radio stations can offer additional channels on the HD band, but the new service is not compatible with existing radio receivers—requiring consumers to purchase new radios. HD radio has not yet been fully embraced by the automobile industry as either a standard or an optional feature on new cars nor embraced by consumers who lack awareness of the service and confuse it with HD television. Approximately 2,100 HD stations are on the air, according to the HD Radio Alliance, but the technology faces an uncertain future.

Satellite Radio

In 1994 the FCC authorized **satellite-distributed digital audio licenses** to provide programming to consumers on a national basis. These services became known as satellite radio, with two original providers, XM Radio and Sirius, offering a subscription service for a monthly fee. Both services initially offered 100 channels of music and information, most commercial-free. XM and Sirius spent millions of dollars signing key talent like Oprah Winfrey (XM) and Howard Stern (Sirius) to attract listeners, but the total number of satellite subscribers only reached about 14 million in 2007. With soaring costs, XM and Sirius agreed to merge in 2007 and, in the summer of 2008, received approval by the FCC to proceed with the merger. The combined entity was renamed Sirius XM Radio. By the end of 2013, Sirius XM had over 27 million subscribers.

Internet Radio

Internet radio has become extremely popular in the twenty-first century, fueled by computer and smartphone applications for services like Pandora, Spotify, iHeartRadio, and iTunes Radio. Internet radio allows the user to create their own "stations" reflecting artists and genres of interest. The services are available for streaming via the Internet. Internet radio competes with other forms of radio for listeners and is very popular with younger (18–34) audiences. Internet radio is now a standard feature in most new automobiles and is also available on most Internet-enabled television receivers.

Television

Although the television industry began in the postwar years of the 1940s, it did not grow significantly in the United States until the 1950s. In 1952, the FCC ended a four-year moratorium on television licensing known as the "TV freeze." The freeze allowed the nascent industry to solve technical problems and create new geographical station assignments. An important outcome of the freeze was the addition of 70 channels (from 14 to 83) in the **UHF** (ultrahigh frequency) band to complement the existing **VHF** (very high frequency) band of 12 channels (from 2 to 13). Unfortunately, the UHF signals required higher power and were more subject to interference problems than their VHF counterparts.

The UHF stations languished for several years because the FCC failed to require manufacturers of television receivers to include the UHF reception technology until 1964. For that reason VHF stations dominated TV for many years in much the same way FM dominates AM radio today. As cable television emerged in the 1970s, UHF stations found parity with VHF signals in cable households. Both types of service (VHF and UHF) could be received with ease by cable with no differences observed in the quality of the signal.

Networks developed quickly in television after years of refinement in the radio industry. The three big networks—ABC, CBS, and NBC—each acquired TV stations to form the basis for their network TV operations. The *network owned and operated stations* (O&Os) are the most profitable TV stations in the world. Other stations that carry network programs are **affiliates**. ABC, CBS, NBC, and Fox serve approximately 200 affiliates each. The other networks (CW and MyTV) have a smaller affiliate base. There are also several Spanish-language networks that operate similarly to their English-language competitors: market leaders Univision, Telemundo, and Telefutura, followed by smaller networks Estrella TV and Azteca America. Affiliates play an important role in the network through the **clearance** or acceptance of network programming and advertising. Initially, the networks provided **compensation** (cash payments) to affiliates to carry programs, but over the years the evolving economics led to compensation being eliminated for most stations.

Consolidation in the television industry escalated with the passage of the 1996 Telecommunications Act, which increased the percentage of national audience reach from 25 to 35 percent. This allowed TV groups to acquire more stations. The networks were particularly aggressive buyers, adding several new stations to their existing portfolios. Another increase occurred in 2004 when the cap increased to 39 percent of the national audience. With NBC's acquisition of the media assets of Vivendi Universal to become NBC Universal in 2004, all the major broadcast networks were aligned with the major Hollywood studios, enabling synergies and economies of scope between film and television program/film production. In addition to the networks, major television groups operating in the United States include Sinclair, Gannett, Raycom Media, Tribune, and Hearst.

Multichannel Video Services: Cable, Satellite, and Telcos

Multichannel services are available through monthly subscription to cable, satellite, and telecommunications (*telco*) providers. In the United States, over 90 percent of all television households subscribe to one of these services. In heavily populated markets, there is fierce marketing and pricing competition, as the cable operators and telcos offer "triple-play" packages of telephone, Internet, and video services. Most services provide a menu of local broadcast channels and popular networks, HD channels, premium services, *pay-per-view* (PPV) services, and **video-on-demand** (VOD) services. Cable systems usually designate a few channels for public, educational, and governmental use as part of their community franchise requirements. These are called **PEG channels**.

The cable industry produces a variety of revenue streams: monthly subscriber fees offering different tiers of service, the selling of local insertion advertising, high-speed Internet services, equipment rental (set-top boxes, HD and regular digital video recorders), and premium/PPV programming. The largest cable operators also offer telephone services. Cable consolidation escalated during the 1990s. Larger companies began clustering systems together as companies sought to group large numbers of subscribers and potential subscribers together geographically.

Satellite service is available through two national operators, DirecTV and Dish Network. Satellite offers a digital environment with its channel lineup but lacks the multiple revenue streams that cable generates. Satellite pricing is very competitive, enabling the services to acquire new subscribers, often at the expense of cable operators.

The primary telco competitors are Verizon and AT&T. Verizon's service is FiOS, built on a fiber-optic backbone. AT&T's service is called U-Verse and features a similar structure. Both companies also offer mobile phone services in addition to a triple-play package.

Telecommunications Industry

Over the years telecommunications became a blanket term for enterprises engaged in communication-related activities involving the telephone, telegraph, data services, switching equipment, and terminal equipment. The telecommunications industry, like the media industries, has undergone considerable consolidation and change.

For decades, little competition existed in the telecommunications industry. In 1982 American Telephone & Telegraph (AT&T) settled a long-standing antitrust suit with the Department of Justice, resulting in the breakup of the regional Bell operating companies (RBOCs) in 1984. Since then, mergers and acquisitions have reduced the number of operators each year, to where there are now two major operators, Verizon and AT&T. CenturyLink, which serves primarily the northwest, is a third operator.

Digital Video Platforms

In addition to delivery of video via terrestrial, cable, satellite, and telecommunication distribution systems, consumers can now access content via a number of digital platforms, either in their home or with mobile devices. These include services like YouTube, iTunes, Netflix, Hulu, Amazon Prime, Vudu, HBO, and many other competitors that offer content free, via subscriptions, or by single purchase (as in the case of iTunes). More companies will be offering streaming services. New competitors expected in 2015 include Showtime, Sony, and Vox.

The proliferation of video platforms has encouraged some consumers to cancel their existing cable/satellite/telco subscriptions, a practice labeled as "cord cutting" to lower household expenses. Much like consumers dropping fixed wired telephone service to their homes in favor of mobile phones, it is easy to see that cord cutting may become a wider practice, especially as costs continue to rise for cable/satellite/telco subscriptions.

Social Media

Social media sites have mushroomed in popularity in the twenty-first century, and electronic and digital media companies have now fully embraced social media as another platform to engage audiences and advertisers. Research has found that consumers access social media while consuming live television events (Stefanone, Lackaff, & Rosen, 2010; Wohn & Na, 2011). There are three key considerations for management revolving around social media: (1) the major social media platforms to utilize (e.g., Facebook, Twitter, Instagram, YouTube) in helping promote your media enterprises; (2) developing an internal social media presence for content and services connected with your enterprise; and (3) managerial uses of social media, such as marketing, promotion, and monitoring, to name a few. These considerations and other aspects of social media will be discussed throughout the text.

Management in the Electronic and Digital Media

The remainder of this chapter examines management in closer detail at the micro level—at the level of the actual manager. This section begins with a discussion of the levels of management found in the media industries, followed by an analysis of the skills, functions, and roles managers play in their daily activities.

Levels of Management

A common misconception many individuals have regarding management is that there is one person—*the Manager*—who leads an organization. Overused clichés such as "the buck stops here" suggest a single leader makes all the decisions in an organization. In reality, managers are found at many levels within organizations, and this is true for the electronic and digital media industries. Different managers serve to complete a variety of tasks within an organization.

Consider a single radio station cluster in a local market with five management positions. The Program Director is responsible for the on-air sound of the stations. The General Sales Manager is charged with the responsibility of advertising sales. A Traffic Manager coordinates the scheduling of commercial advertisements and other program material. The Chief Engineer makes sure everything functions from a technical standpoint. The General Manager (or Market Manager, if overseeing multiple stations) monitors and continually evaluates the entire operation and reports to the station owners. Each individual manager has specific areas of responsibility, supervises coworkers, and contributes to the overall performance of the organization.

While titles vary, there is wide agreement that most organizations support three levels of management. A study involving over 1,400 managers found that the responsibilities of first- or lower-level managers, middle managers, and executives at equivalent levels were similar, regardless of the type of organization (Kraut, Pedigo, McKenna, & Dunnette, 1989). For example, **lower-level managers** center on supervising others and monitoring individual performance. Such would be the case with a Program Director, who evaluates the on-air staff of a radio station, or a Local Sales Manager, who monitors advertising sold by local account executives. **Middle managers** typically plan and allocate resources and manage groups of people. An example of a middle manager in the electronic media would be a General Sales Manager, who coordinates the activities of the sales department at both the local and national levels. Top-level or **executive managers** monitor the entire organizational environment, identifying internal and external factors that impact their operation. General Managers for TV, radio, cable, digital, and telecommunications facilities must keep pace with such diverse factors as local business economics, social trends, the regulatory climate in Washington, and the internal activities of their respective operations.

As these examples illustrate, one encounters different responsibilities at different management levels. Although tasks and duties vary through these levels, all managers share certain skills, functions, and roles. *Management skills* refer to the basic competencies needed by electronic media managers. *Management functions* refer to the tasks that managers perform. *Management roles* refer to the different roles managers adopt as they interact with different constituencies, such as

FIGURE 1-2

Management Skills, Functions, and Roles
Source: © Cengage Learning.

Skills	Functions	Roles
Technical Human Conceptual Financial Marketing Entrepreneurial	Planning Organizing Motivating Controlling Facilitating Communicating Negotiating	Leader Representative Liaison

employees, owners, consumers, and peers. Figure 1-2 charts the various skills, functions, and roles of managers in the electronic media.

Management Skills

Management theorists (e.g., Hersey, Blanchard, & Johnson, 2012) identify three broad areas of skills needed in the management process: technical, human, and conceptual. To this list three other skills crucial to successful electronic and digital media management are added: financial, marketing, and entrepreneurial skills.

Technical Skills Electronic and digital media managers need to understand the technical aspects of their operations, for technology and innovation constantly impact the communication industries. While technological advancements make it impossible to keep up with all the changes taking place, managers still need basic competencies in such areas as equipment operation, signal transmission, content distribution, and digital applications. The ability to provide hands-on training is an important managerial skill, because employees usually have greater respect for managers with technical expertise.

Human, or People, Skills Most managers identify this area as the single most important skill in the process of management (Hersey, Blanchard, & Johnson, 2012). Successful managers exhibit strong interpersonal skills and are particularly adept at leading and motivating employees. Electronic and digital media managers need to be dynamic, visionary, and motivated in order to lead their operations effectively and create a spirit of cooperation and participation among all employees. In this sense, managers are also perceived as good leaders.

Conceptual, or Problem-Solving, Skills Managers must understand the complexities of the internal and external environment and make decisions based on sound judgment. Because change is constant in the media, managers must be able to respond quickly to the environment—whether the changes concern audience tastes and preferences, technology, or employee relations. Electronic and digital media managers must deal with a variety of issues and solve problems in an efficient and timely manner.

Financial Skills A heavily competitive environment and constantly evolving economic systems place incredible demands on media managers to be conscious of the bottom line and constantly trying to increase the value of the enterprise. Managers need strong financial skills in order to meet financial goals, manage budgets, and deal with unexpected contingencies. Understanding how to read financial statements, construct a budget, and forecast break-even analysis is critical (see Chapter 5).

Marketing Skills With many options available for entertainment and information content, managers need a strong understanding of marketing. They must know how to position their product(s) effectively and know what vehicles and platforms are needed to build audiences. Understanding how to use the four Ps of marketing—price, product, promotion, and place—in interactions with consumers as well as advertisers remains an invaluable management skill (see Chapter 9).

Entrepreneurial Skills As mentioned in the introduction, managers in the twenty-first century need to have basic entrepreneurial skills applied to the enterprise they are managing. Whether it is the organization as a whole or a department or unit, today's managers must think and work as an entrepreneur. Today's managers need to be innovative, tenacious, and not afraid to take risks, as well as exhibit a sense of passion.

Though these skills are common across the electronic media, the degree of skill required at different managerial levels varies. For example, at the supervisory level technical skills are needed daily, while executives are likely to use conceptual and financial skills more regularly. Human skills are crucial at every management level. Figure 1-3 illustrates how these skills vary across levels.

Managers can develop their skills via continuing education, years of experience, membership in professional associations, networking, and attendance at managerial seminars and workshops (Bigelow, 1991). Regardless of how they learn, managers in the electronic and digital media need *some* knowledge in all the skill areas. Conducting a

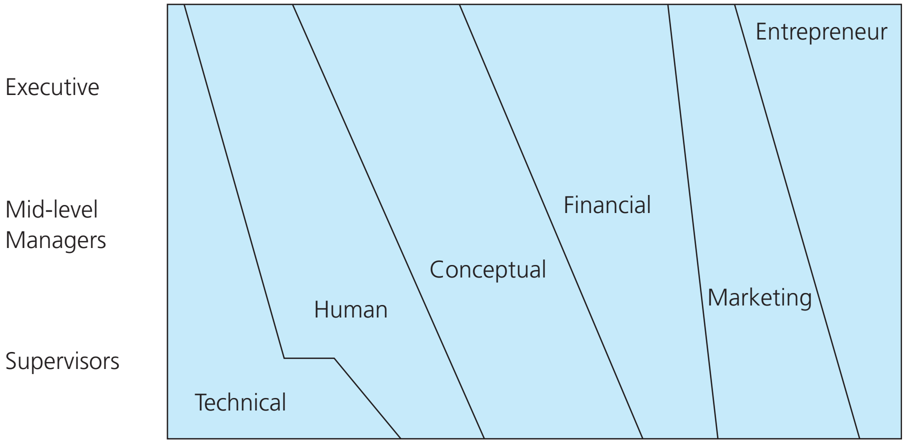


FIGURE 1-3

Skills across Managerial Levels
Source: © Cengage Learning.

self-assessment can help you identify what skills you need to develop. Finding individuals with this range of expertise is a continuing challenge, as well as identifying managers who understand other media industries in a time of consolidation, innovation, and heavy competition.

Management Functions

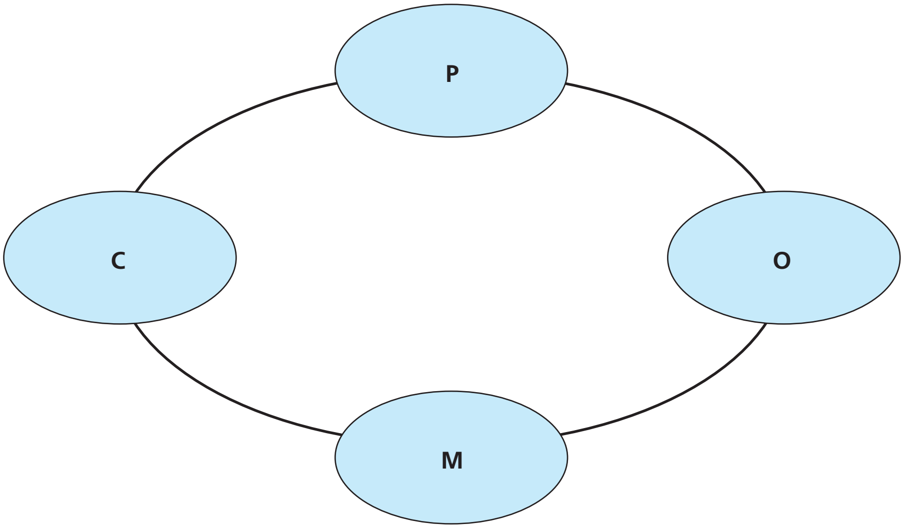
A frequently asked question in the study of management concerns management functions: What exactly do managers do? One of the earliest investigations into management functions came in 1938 with Chester Barnard's (1968) book, *The Functions of the Executive*. Barnard identifies three managerial functions: (1) providing a system of organizational communication, (2) procuring proper personnel, and (3) formulating and defining the purposes and objectives of the organization.

Henri Fayol was another major influence in the study of management functions. Fayol (1949) was a French theorist who specified the functions of planning, organizing, commanding, coordinating, and controlling referred to as the *POC3 model*. Later management scholars replaced commanding and coordinating with motivation, thus forming the *P-O-M-C model* of management (see Figure 1-4). Many management books show a heavy bias toward the Fayol model (Carroll & Gillen, 1987). But do managers spend most of their time planning, organizing, motivating, and controlling? Many studies have examined management functions to determine if the classical functions theorized by Fayol still exist.

Mintzberg (1975) found that most of the P-O-M-C functions form part of the folklore that inaccurately describes management; the author identified 10 distinct managerial functions. Other studies (Hales, 1986; Kotter, 1982) question the validity of the classical

FIGURE 1-4

The P-O-M-C Managerial Model
Source: © Cengage Learning.



management functions. Kanter (1989) claims acquisitions and divestitures, reductions in personnel and levels of hierarchy, and an increased use of performance-based rewards result in a new managerial work environment with different management functions.

These studies present conflicting views of management functions. Which functions actually occur in the daily activities of electronic and digital media managers? An integrated approach, combining both classical and modern perspectives, is the most reasonable way to describe management functions in the twenty-first-century media industries.

Media managers are involved in planning, organizing, motivating, and controlling, but they also exhibit three other important functions in managing their organizations: facilitating, communicating, and negotiating.

Planning Planning involves establishing organizational objectives and providing others with the resources needed to accomplish their tasks. Both short- and long-term objectives need to be established in the planning process. Ideally, managers and employees should share in the creation of objectives. The contemporary electronic and digital media management environment leans heavily on strategic planning as an important management tool (Gershon, 2000).

Strategic planning has been complicated given the transition of traditional electronic media to new forms of digital media. For example, companies involved in broadcasting recognize that terrestrial broadcasting, their "traditional" media, still has incredible value and

FIGURE 1-5

Strategy Considerations
Source: © Cengage Learning.

Strategy		
Traditional Media (EM)	**New Media** Digital Platforms	**Social Media** FB, Twitter, Instagram, YouTube

the ability to attract audiences and advertisers. At the same time, "new" media in the form of digital platforms have emerged, forcing companies to move in to these areas to reach audiences who are migrating and using other forms of digital media. The growing importance of social media and its potential impact in terms of reaching audiences must also be considered (see Figure 1-5).

Organizing The organizing function determines who or what unit is responsible for specific company objectives. Most electronic and digital media operations maintain departments (such as operations, sales, engineering, and news) to handle individual responsibilities. Each department needs its own planning objectives, budget, and staff to meet necessary goals, which then allows upper-level managers to concentrate on other activities. Managers of individual departments are linked to the overall structure of the organization to create a holistic environment. Tensions may arise between individual departments over the best way to address problems. When this occurs, top-level managers must mediate and resolve conflicts.

Motivating Motivating employees to a high level of performance helps any organization accomplish its goals. On the other hand, if motivation is low, productivity suffers. Certain positions in the electronic and digital media need less oversight than others in this regard because the incentives are built in. For example, audience feedback, ratings, and public recognition drive talent positions, while commissions motivate account executives. For other areas such as production, research, and engineering, motivation can be an important managerial function. Numerous theories on motivation exist (see Chapter 4), but many studies yield similar findings: Employees want managers to recognize them for their individual achievements and contribution to the organization, and they want opportunities for continued growth and advancement (Buckingham & Coffman, 1999; Herzberg, 1987).

Controlling As a management function, control involves several areas of responsibility: (1) giving feedback to other managers and employees, (2) monitoring the progress toward completion of organizational objectives and financial goals, and (3) making changes as situations demand. Feedback can be written, verbal (telephone), face to face, and electronic (e.g., text messaging, e-mail). A common criticism of managers is that they do not offer enough feedback to employees to let them know how they are performing. Positive feedback helps motivate employees. Feedback should not be limited to annual performance reviews (see Chapter 6).

Monitoring is another essential control function. Managers must keep tabs on the progress of organizational objectives and help solve related problems. Finally, the ability (and at times courage) to make changes is an important control mechanism. Ultimately, such changes impact other personnel and perhaps even lead to their termination. While managers must be sensitive to the needs of their employees, they must also keep the goals and objectives of their operations in mind.

Facilitating As facilitators, managers must empower their employees with the needed resources to complete organizational tasks. These resources may include personnel, money, or equipment. The facilitator function is most prominent at the executive and middle levels of management. For individual units to function, managers must provide more than just moral support. They must articulate the needs of their unit when they develop a budget (see Chapter 5) and seek additional resources as needed on an ongoing basis.

Communicating A function that permeates all areas of management is communication. Media managers have many ways to communicate with employees, who need and expect managers to keep them abreast of information important to their jobs. Formal lines of communication include newsletters, memos, and performance reviews. Informal lines of communication, however, are also important. As in any field, managers should not stay isolated in an office on the phone or in front of a computer during working hours. Managers who regularly visit employees in studios, offices, and workstations establish a participatory climate beneficial to the organization (see Chapter 4). Managers encourage communication from employees by granting access in many ways—through e-mail and messaging, regular meetings in which ideas and concerns are shared, and an open-door office policy as opposed to visiting with employees only by appointment.

Negotiating All electronic and digital media managers serve as negotiators in a variety of situations. For instance, negotiation with employees may involve salary and benefit packages, contracts for talent, bargaining with guilds or unions, dealing with vendors, and requests from low- and mid-level managers for new personnel positions. In program acquisition, the fees for copyrighted material, license fees, news services, and local productions are all negotiable. Equipment needs often constitute a third area of negotiation. Managers often bargain for the price of expensive items such as production equipment. Similarly, advertising prices are determined by the available supply of commercial inventory and the demand by advertisers. Other forms of negotiation may involve owners, regulators, community leaders, business organizations, and audience members. In all types of negotiation, managers attempt to seek the best possible solution for their operations.

Management Roles

Management roles are those behaviors associated with or expected of managers. In the electronic and digital media, managers perform a variety of tasks and wear many hats in completing these tasks. One classic study identified three types of roles managers adopt in their daily environment: interpersonal, informational, and decisional (Mintzberg, 1975). Interpersonal roles are concerned with leadership, while informational roles address communication. Decisional roles, as expected, involve decision making. Three roles best exemplify contemporary electronic media managers: leader, representative, and liaison. Each role is discussed further.

Leader Managers are expected to provide effective leadership for their individual department and organization. Being a good leader involves accepting responsibility for the organization as well as for its employees. Adapting to change, making decisions, maintaining open lines of communication, and leading others to the completion of goals are essential qualities of strong leaders, along with setting a vision and exhibiting passion.

Representative Managers in the electronic and digital media serve as representatives in many settings. To the public and local community, media managers for broadcast stations serve as figureheads in a variety of contexts. The General Manager may serve on community boards. The News Director may be asked to speak to a high school or college class. The Sales Manager represents the station to a number of clients. Managers also represent various trade and professional organizations, such as the National Association of Broadcasters (NAB), the National Cable & Telecommunications Association (NCTA), and the Radio Television Digital News Association (RTDNA), as well as organizations at the state and local levels. Tasks in these organizations may involve serving on committees, consulting with regulators, and working with lobbyists at the national and state levels.

Liaison The majority of the media companies in the United States are owned by corporations, some of which are privately held. Executive-level managers serve as important liaisons to the parent company. Accountable to the parent corporation, managers regularly report on progress and problems in their operations. In turn, managers filter information from the corporate level back to their individual staffs. As expected, this role demands strong communication and negotiating skills.

This discussion of management levels, skills, functions, and roles indicates that electronic media managers are unique and talented individuals who work with and through other professionals to accomplish organizational objectives.

Summary

This chapter began by introducing two terms used throughout the book: (1) *management*, defined as a process through which individuals work with and through other people to accomplish organizational objectives, and (2) *electronic and digital media*, used in this text to represent the radio, television, cable/satellite, telecommunications industries, and Internet-based digital platforms such as social media. Media management functions in an era marked by rapid change, emerging philosophies, and a competitive environment. In the twenty-first century, media managers need to be equipped with a combination of managerial, leadership, and entrepreneurial skills.

The electronic and digital media occupy an important place in society through the dissemination of information and entertainment, despite the growth of new technologies. Electronic and digital media managers attempt to balance the needs of the marketplace with the public's insatiable appetite for media content amid changes in technology, regulatory issues, and social trends.

Though electronic and media companies all engage in development, production, distribution, and exhibition, each industry has unique characteristics. The radio industry consists of AM and FM broadcasting as well as HD, satellite, and Internet radio. Television continues to be dominated by the broadcast networks, which provide programming to their affiliates. Cable, satellite, and telecommunications operators offer multichannel programming consisting of broadcast signals, satellite-delivered networks, premium services, and PPV services, as well as ancillary services like DVRs and telephone service. The telecommunications industry offers a range of communication services ranging from traditional telephone to Internet access in addition to video distribution. Digital video platforms and social media provide a host of new ways to consume information and entertainment.

Consolidation has brought about a more clustered ownership environment in many local markets in hopes of gaining better economic efficiencies and increased revenues. In radio, many management positions oversee several different stations and formats, while in television duopolies prevail.

In the electronic and digital media, management occurs on different levels and involves a variety of skills, functions, and roles. Management requires unique and talented individuals who can work with and through other people to accomplish organizational goals.

CASE STUDY The Manager's First Review

You started work for a social media marketing company three years ago, and over the last six months you have been in your first management position as Head of Content Development for your company's clients. Your company conducts biannual reviews of each manager through an online system where employees complete a scale (survey) and offer open-ended comments anonymously to give feedback to the manager.

You have a team of six employees, and you have just received your first review. On the scale you ranked in the middle on the majority of the items—meaning you are meeting basic expectations with room for improvement. The open-ended comments present a different picture. Your employees wrote the following:

"You tend to micromanage me by constantly checking on my progress at very short intervals. Please let me do my job."

"I don't feel like you are giving me responsibilities that match my capabilities. I'm doing mundane work that is not engaging and I find myself bored with my job."

"Sometimes you give us tasks to do without enough direction, then you seem to get frustrated if we ask questions. We don't know what corporate has told you so how are we supposed to execute?"

"I like the way you hold shorter meetings, but sometimes you take so long sharing information we don't have time to offer input. Please allow more time for us to share our ideas with each other."

"You have been my boss for six months and I have no idea if I am meeting your expectations. Can you offer us some feedback more often?"

At first your reaction is surprise, but then you realize that your employees are giving you some good feedback that will help you grow as a manager. How would you respond to this feedback as an entry-level manager? What steps would you take over the next six months to improve on the comments offered by your employees?

CASE STUDY

Assessing Your Potential as a Manager

What type of manager do you think you would be if given the opportunity to move into a managerial position? How could you find out? One way is to consider taking a diagnostic test to profile your potential as a manager. A tool available on many university campuses is the Myers-Briggs Type Indicator (MBTI), which consists of a battery of items to help determine how we form perceptions and make decisions. Widely used in business and industry, the MBTI is a good starting point to understand who you are and what types of occupations may appeal to you. Check with your career or testing center to see if the MBTI is available on your campus.

You can also do your own self-assessment after reading this chapter to answer some basic questions about your potential as a manager. Here are a few ideas:

What management skills do you currently have?

Which skills need improvement?

What management functions are you ideally suited for?

Which functions are you least suited for?

What managerial roles are you the most and least comfortable with?

Do you have leadership capabilities?

Do you have capabilities to be an entrepreneur?

Diagnostic tools like the MBTI and honest self-assessment and appraisal will help you determine your potential as a manager. But recognize that everyone who has ever been in a managerial role started with no experience as a manager. Experience helps you define yourself as a manager. There is no substitute for actual managerial experience to determine if you can be successful as a manager. It is not uncommon for many managers to fail in their initial efforts. What is important is to learn from your mistakes and to use these trials as opportunities for growth and development.

On the other hand, diagnostic tools and self-assessment may reveal that you are not suited for a management role. You don't have to be a manager, a leader, or an entrepreneur to be successful, so if you don't feel a career in management is for you, no problem. This book can help you understand and appreciate what electronic and digital media managers do on a daily basis and the many challenges they face.

CASE STUDY Management versus Leadership

A great quote from the late Rear Admiral Grace Hopper is that "managers manage things, while leaders lead people." CNN and TBS founder Ted Turner is known for saying "lead, follow or get out of the way." Management and leadership are interwoven in most business enterprises, yet this raises some interesting questions. For example, if you are a good manager, won't you be a good leader? And if you are a good leader, doesn't that mean you will be a good manager? Assess your own skills, as a manager and as a leader. Be prepared to share these in a small group with other members of your course.

CASE STUDY Growing as a Manager

A manager should have a good blend of education and practical experience, as well as leadership and entrepreneurial skills. The electronic and digital media are rapidly changing and evolving, making it a challenge to keep up. What tools would you use to help you further develop your managerial skills? Scan a bookstore, online catalog, or library and identify at least three titles of books related to management that interest you. Next, do the same with magazines or journals devoted to management and managerial topics such as leadership and entrepreneurship. Develop a plan to improve your knowledge as a manager, recognizing this is a lifelong venture, not simply a class assignment.

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CHAPTER 2

The Media Business Environment: Markets, Business Models, Mergers, Alliances, and Partnerships

In this chapter you will learn

- The product and geographic dimensions that form electronic and digital media markets
- Different types of market structure and their characteristics
- How economic, technological, regulatory, global, and social forces are driving change across the electronic media industries
- What a strategic alliance is and the types of strategic alliances found in the electronic and digital media industries
- How strategic alliances and partnerships impact management

The first chapter—drawn from a micro perspective—introduced you to various functions, skills, and roles required from contemporary media managers/leaders/entrepreneurs. This chapter examines the media business environment from a macro perspective, a complex system impacted by various market forces, mergers, alliances, and partnerships. Such a perspective is critical to your understanding of electronic and digital media management because the media industries are in a constant state of transition.

Media managers must understand basic market economics and business models in the markets in which they compete for audiences and advertisers. Understanding the characteristics of the market helps management develop strategies regarding content, advertising, branding, and emerging digital platforms. Mergers, acquisitions, and a variety of strategic partnerships and ventures are common to companies participating in the media industries. A competitor in one market may well be a partner in another market. This chapter considers these changes and how they are affecting the electronic and digital media industries, and begins with a discussion of how to define a market, with a particular emphasis on media markets and their unique characteristics, or market structures.

Electronic and Digital Media Markets

In the media industries, the terms *target market* and *target audiences* are sometimes used interchangeably. Though not exactly synonymous, both terms reflect the goal of reaching a type of audience. Specifically, media outlets try to attract enough of an audience to obtain a dominant share of a particular market. But what exactly is a market?

Defining the Market

The term *market* is often associated with the study of economics. Economists define a **market** as a place where consumers and sellers interact with one another to determine the price and quantity of the goods produced. A market consists of sellers, buyers, and products. Among the sellers in the media industries are the actual radio and television stations, cable and satellite operators, telecommunication providers, and digital platforms that offer similar products or services to the same groups of buyers, typically consumers or advertisers. The products consist of content and other services offered by the sellers.

Dual-Product Markets

Many media firms function in a **dual-product market** (Picard, 1989). That is, while media companies produce one product, they participate in separate good and service markets. In the first market, the good may be a radio format, a television program, a cable channel, or a Web site. The content is targeted to consumers, and consumption is measured in different ways. Some types of media content, such as a streaming video subscription, movie rentals, or an application, require the consumer to make a purchase.

The second market, in which many media companies operate, involves the selling of advertising. Advertisers, both local and national, seek access to audiences by purchasing time and space in various forms of media content such as radio and television programs, print products, and digital platforms. As the demand for advertising rises, companies charge higher prices to increase revenues and profits. On the other hand, a drop in audience ratings or other media usage often causes a decline in advertising expenditures and a reduction in revenues. For example, TV network rating periods, or *sweeps*, as the industry refers to them, are vital in determining advertising revenues. At the national level, each rating point represents millions of dollars of advertising. The network that wins a sweeps period (held in February, May, July, and November) can charge more for future advertising than the network that finishes in third or fourth place. Local affiliate stations also benefit from a strong performance during the sweeps by providing strong lead-in programs for evening news broadcasts.

Geographic Markets

In addition to operating in a dual-product market, traditional electronic media companies operate in specific geographic markets. Some firms, such as radio, television, and satellite networks, operate in a national market; other companies, such as local radio and television stations, compete within a regional area. Internet and digital platforms are not bound by geography; one must simply have access to the online network to be engaged. Digital platforms have the ability to operate in a global market.

For terrestrial radio and television stations, the FCC mandates the geographical market by granting licenses to specific areas where markets are ranked according to the size of the population served (1–New York, 2–Los Angeles, 3–Chicago, etc.). Though labels for media markets are somewhat arbitrary, major markets are usually ranked 1 to 50; medium markets are 51 to 100; and small markets are above 100. In the cable industry, local municipalities award franchises that define areas of operation. In both cases, the potential audience is limited to the geographic boundaries of the market.

Many electronic media firms operate in a range of product and geographic markets. For example, the Walt Disney Company owns the ABC network and several television stations. Disney also has interests in cable programming (the ESPN family of channels, ABC Family, the Disney Channel), motion pictures (e.g., Disney, Buena Vista, Marvel, Lucasfilm), and numerous digital platforms. As a major player in several media markets, Disney encounters different competitors in each market, as well as different consumers.

Defining a traditional media market involves combining the product and geographic aspects of the market (see Figure 2-1). This process identifies a specific market in which a media firm offers some or all of its products to advertisers or consumers. The number of sellers in a particular market—as well as the extent of the competition among