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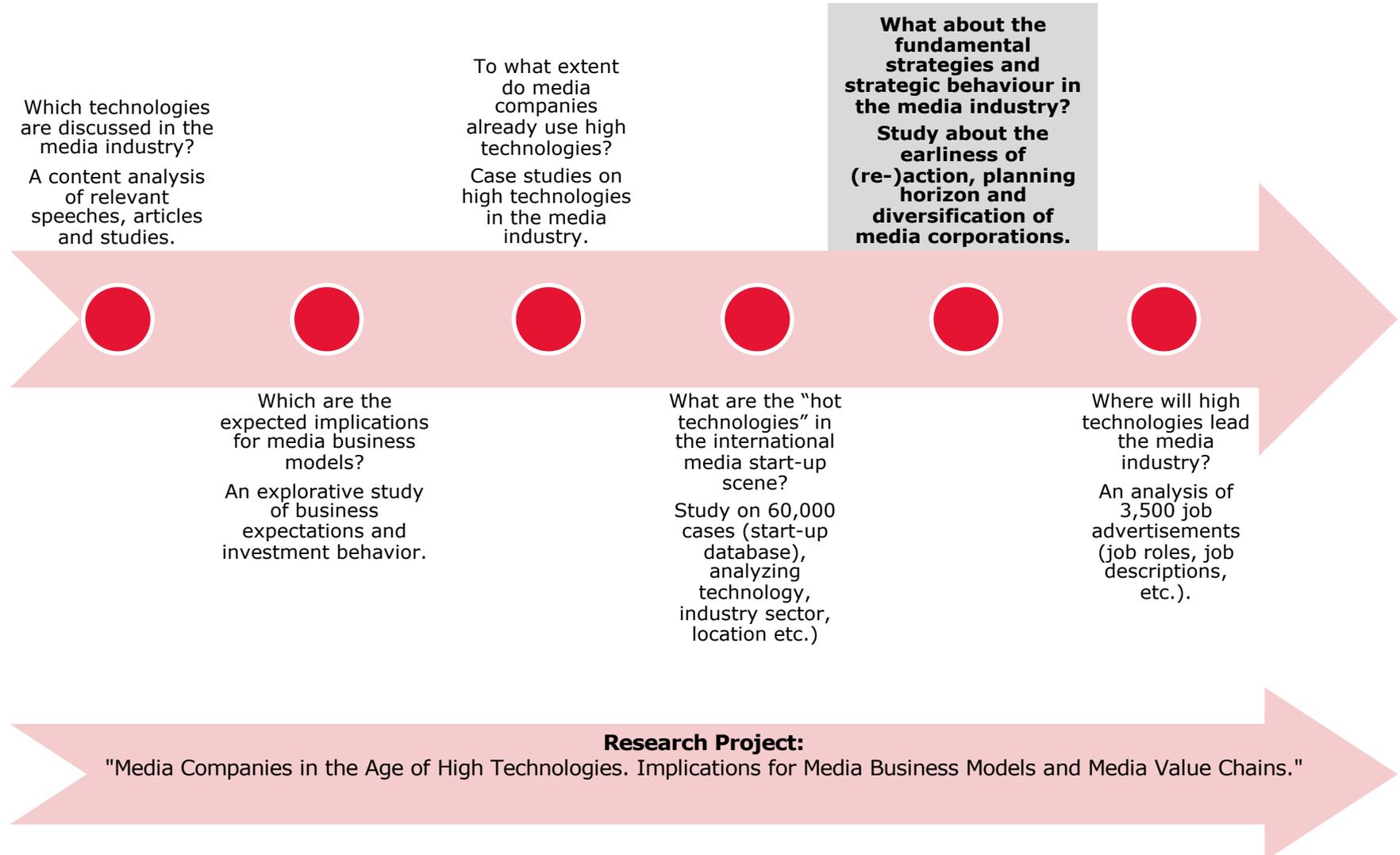
**IT'S ABOUT TECHNOLOGY! IS IT?
STRATEGIES AND STRATEGIC BEHAVIOUR IN
THE MEDIA INDUSTRY**

Innovation Day, 27.11.19

The Initial Idea: Technological Innovations have always Shaped the Media ...

Main question: How do media companies deal with technological innovations and how do they adapt emerging technologies?

The Research Focus: Media Companies in the Age of "High Technologies" ...



The Research Questions ...

- › With regard to strategies and strategic behaviour of an organisation and the strategy formulation of media corporation, the question arises as to
 - › the earliness of corresponding (re-)action
 - › the time span of planning horizons
 - › the degree of diversification

How can technological investments of media companies be classified in terms of the three major strategic behaviour dimensions earliness, planning horizon and diversification strategy?

The Hypothesis ...

- › H1: Media companies invest in emerging technology at an early stage
 - › High level of responsiveness towards technological potentials (adoption capabilities) may provide strategic advantages in an industry driven by dynamic change in disruption

- › H2: Media companies invest in emerging technologies which have a short-term planning horizon
 - › In terms of risk avoidance it is important in an industry with dynamic technology cycles to have a quick feed-back whether the adoption of an evolving technology is capable and economically valuable or not

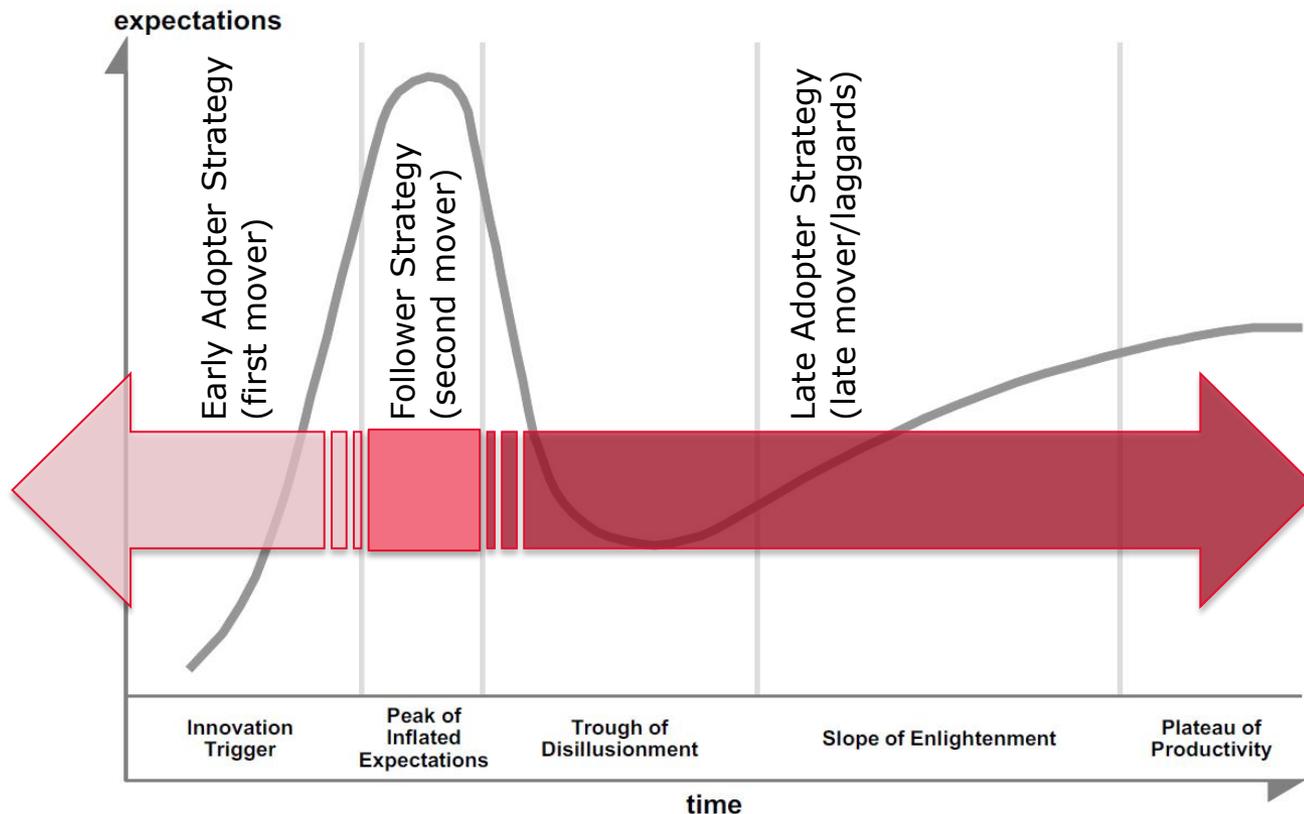
- › H3: Media companies invest in industries which are similar (low level of diversification) or related (medium level of diversification)
 - › They want to limit risk levels given by the investment in emerging technologies

The Research Design (1/2) ...

- › In order to approach the media companies' behaviour and actions, the largest German media corporations as well as the large funds with investments of media companies has been considered here:
 - › Criteria 1: TIME sector
 - › Criteria 2: transaction partner headquartered in Germany
 - › Criteria 3: technology in the business model of the company in which the investment was made is evident
- › The following sources were relevant for our research:
 - › BVKAP ("Bundesverband der Kapitalbeteiligungsgesellschaften")
 - › Bundesverband deutscher Startups e.V.
 - › Crunchbase Database
 - › as well as the annual reports and websites of German media companies
- › In total, we researched 432 investments from the TIME industry. The investments identified are made from 2005 to 2017
 - › Of these 432 investments, 202 were made by media companies

The Research Design (2/2) ...

Earliness of adoption



Planning horizon

- Short-term planning horizon: maximum of 1–5 years to reach productivity
- Mid-term planning horizon: maximum of 5–10 years to reach productivity
- Long-term planning horizon: maximum of more than 10 years to reach productivity

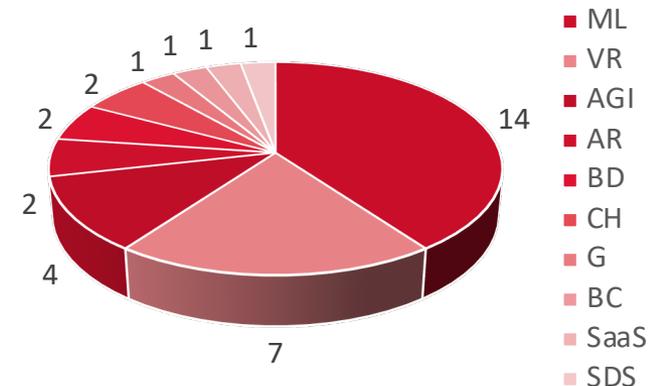
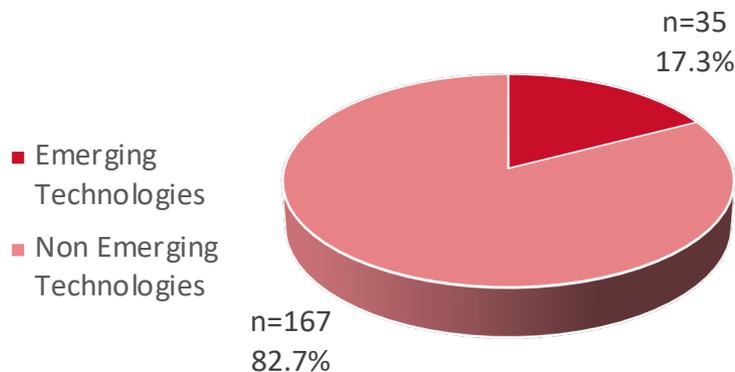
Diversification

- Similar industry (Media)
- Related industry (Telecommunication, IT, Entertainment)
- Other industry

Results (1/4): Technology investments of German media conglomerates ...

Technology	Number of Investments
Machine Learning (ML)	14
Virtual Reality (VR)	7
Artificial General Intelligence (AGI)	4
Augmented Reality (AR)	2
Big Data (BD)	2
Connected Home (CH)	2
Geolocations (GL)	1
Blockchain (BC)	1
Software as a Service (SaaS)	1
Software-Defined Security (SDS)	1
Sum Emerging Technologies	35
Sum Technologies other than Emerging Technologies	167
Sum	202

Technology investments of German media conglomerates from 2005 to 2017, n=202

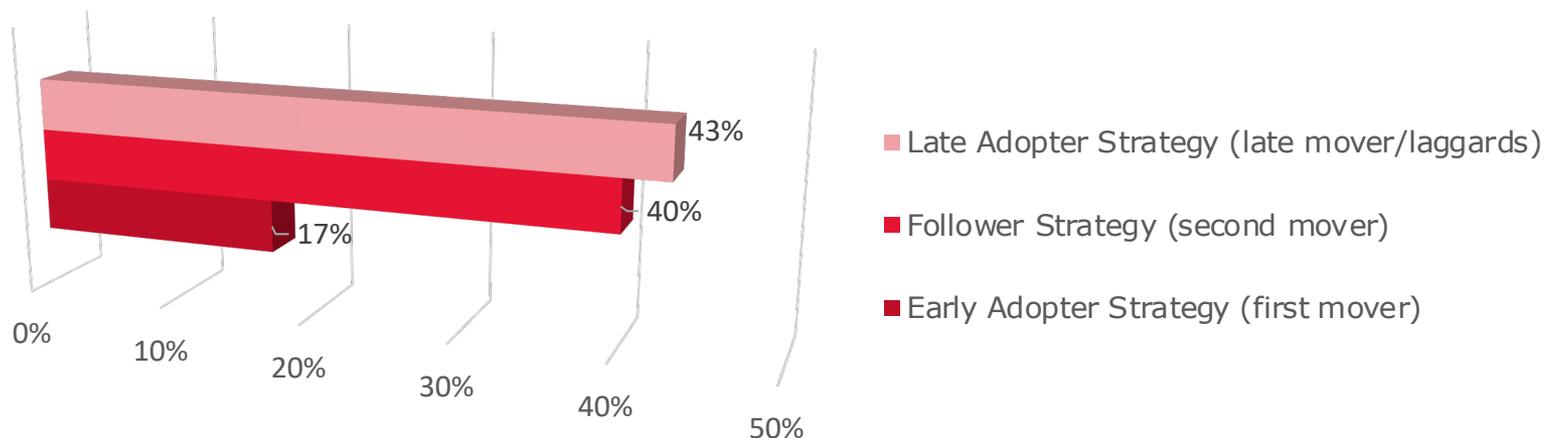


Results (2/4): H1 – Speed and earliness of action in terms of technology adoption ...

Type of Strategic Behaviour (Earliness of Adoption)	Number of Investments
Early Adopter Strategy (first mover)	6 (17%)
Follower Strategy (second mover)	14 (40%)
Late Adopter Strategy (late mover/laggards)	15 (43%)
Sum	35 (100%)

Speed and earliness of action of German media conglomerates in terms of technology adoption (time of investment in emerging technologies), n=35

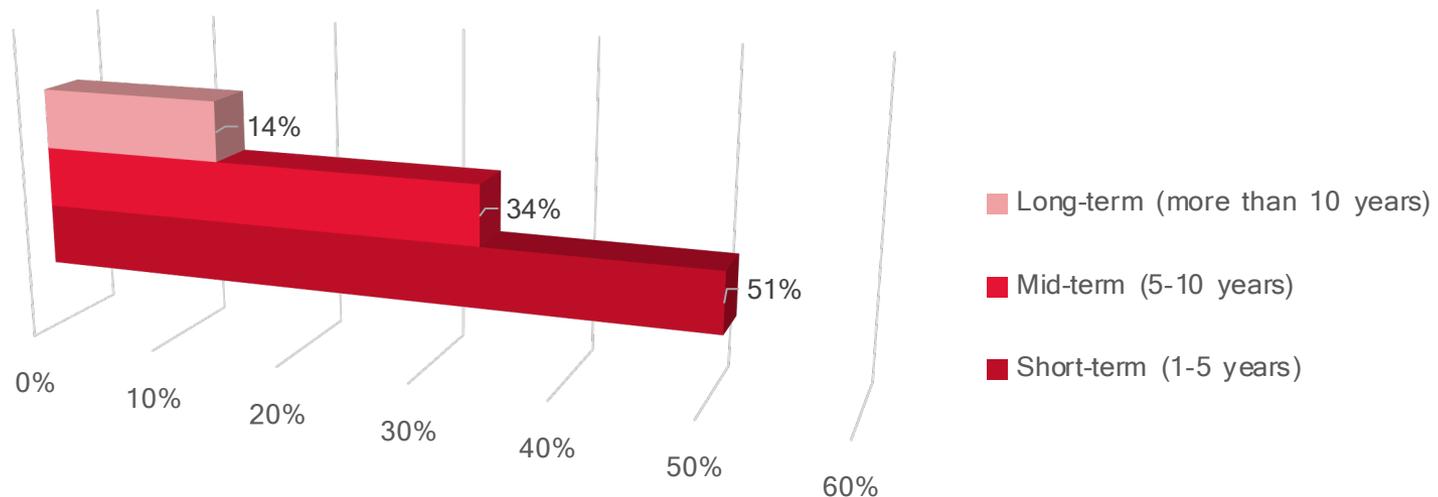
Type of Strategic Behaviour (Earliness of Adoption)



Results (3/4): H2 – Planning horizon of technology investments ...

Type of Strategic Behaviour (Planning Horizon)	Number of Investments
Short-term (1–5 years)	18 (51%)
Mid-term (5–10 years)	12 (34%)
Long-term (more than 10 years)	5 (14%)
Sum	35 (100%)

Planning horizon of German media conglomerates in terms of technology investments (expected time to productivity of technology investment at investment time), n=35



Results (4/4): H3 – Diversification strategies by technology investments ...

Relatedness	Industry Sector	Diversification Type	Number of Investments
Similar industry sector	Media	Related diversification (horizontal and/or vertical diversification)	36 (17,8%)
Related industry sector		Related diversification (vertical diversification)	59 (29,2%)
... out of which	Telecommunications	Related diversification (vertical diversification)	1
	Information Technology	Related diversification (vertical diversification)	36
	Entertainment	Related diversification (vertical diversification)	22
Other industry sectors	diverse	Unrelated diversification (lateral/conglomerate diversification)	107 (53,0%)
Sum			202 (100,0%)

Diversification strategies of German media conglomerates by technology investments, n=202

Discussion

- › In conclusion, it can be said: Media companies invest at a relatively late stage in new technologies and then only in technologies with a manageable and reasonable timescale. In terms of reaction speed and time horizon, media companies are therefore rather conservative and cautious.
- › H1: Companies avoid risks. More than 40% follow a late adopter strategy which means they invest in high technologies on a very late stage.
 - › May be, they see the threat of investing in a wrong technology, that doesn't contribute economic value, bigger than the opportunity of having an early mover advantage.
- › H2: Media companies still follow the path of risk avoidance.
 - › They prefer investments in emerging technologies which show expected performance results within a short-term planning horizon of 1-5 years.
- › H3: More than half of the investments (53%) examined were of a lateral type, which means addressing new markets and industries.
 - › We would have expected that media companies prefer investments in markets and industries they are already know.
 - › At first sight this may be seen as a high level of risk acceptance in media industry.
 - › We interpret this result in an opposite way: not as a symptom of courage, but as a proof for hedging. In time of economic problems, media companies try to develop new business models in other industries. Diversification could therefore be seen as risk-avoidance and a lack of confidence and trust in the own market (the media market).

THANK YOU.

