

Digital Transformation. The Organisational Challenge – Creating a Roadmap for Change

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Legacy media in a difficult world

We are now at the end of the digital beginning. Two decades after the emergence of the internet and world wide web convergence is well-underway, and the structure of a new strategic environment, of a new media system, is beginning to take shape.

Changing consumption habits have eroded revenues from traditional products while equivalent replacement income from digital products has not yet materialized. From a strategic perspective, a handful of very large technology organisations are playing an increasingly powerful role in the media sector, reducing legacy players' strategic sovereignty and constraining access to audiences.

Organisationally, the on-going addition of new 'layers' to media systems (recent ones being digital/online in in the late 1990s and social/mobile from around 2008 onwards) have increased operational and strategic complexity inside legacy media and led to resource overstretch.

The core challenge is organisational

This chapter presents some very early findings from a major research project focusing on the digital transformation taking place inside media organisations in response to the new environment they find themselves in. The core premise is that the core challenge facing legacy media is organizational. And while there is little doubt that they have the ability and commitment to master the content transformation, the organisational transformation is equally critical but has so far been less of a priority. Organizations *are* being transformed, but piecemeal rather than systematically and strategically, and perhaps sub-optimally as a result. My new research builds directly on the findings from *Innovators in Digital News*. Its goal is to create a roadmap for legacy transformation that identifies best practice in five inter-related fields. This chapter provides some very early findings from the research so far.

The big shift

The big shift in the media industry over the past two decades has been the gradual ascendancy of technology. Convergence theories predicted that media, tech and telecoms would gradually move closer together forming a mammoth new sector. In fact, the media industry seems to be slowly being ingested by the tech sector. Technology has long since lost the epithets 'new' and 'high'. Technology is now just technology (or increasingly just 'tech') and it's everywhere – determining outcomes in strategy and in leadership, central to industry core competencies, and helping shape the structure of organisations.

The ascendancy of technology in the media industry means that tech is no longer simply the 'plumbing' that allows news organisations to get their content out to audiences, it is now absolutely intrinsic to the creation of content, to the distribution of that content, to the quality of that content, to building a relationship with audiences, and to scale and therefore

competitive sustainability. Many successful new players, like BuzzFeed or Netflix, are essentially tech companies with a media layer on top. This isn't just happening in the media, the Tesla S has been described as a computer on wheels.

Platforms are eating the environment

Technology is critical inside media organisations, and technology organisations are now critical actors in the media industry. The impact of the media conglomerates, the media monoliths - was a prime concern for scholars a decade ago. Now this issue has faded from view, eclipsed by the implications of a new set of monoliths, the tech giants such as Apple, Google, Amazon and Facebook, which are now some of the best resourced organisations on the planet, which are playing an increasingly powerful role in the media, controlling increasing portions of media content distribution and consumption, reducing legacy players' strategic sovereignty, constraining access to audiences, and reducing income.

The platforms have been a slow-to-ignite bomb under legacy media's digital strategies, although the ignition process has accelerated as social media and classic media content have converged. Social is a bridge to the next generation of audiences, and social means platforms. For many publishers, the majority of digital traffic is not on their own sites, but on platforms, over 70% of that traffic is now mobile, with half on Facebook.

Legacy strategy now needs to be inflected through the prism of platforms. Despite the current emphasis on (and in some cases welcome growth in) subscription revenue, legacy media's growth is dependent on the platforms, not least because the platforms will continue to grow and improve. The search engines, the social networks, and the messaging apps are the new distribution vectors for media content.

This is driven by two underlying feedback mechanisms. First, as platforms grow their value increases, so they attract more investment, which allows them to improve their products and services. Second, as Evan Williams, founder of Medium explains, the search engines, messaging apps and social networks 'link the web and host often data-heavy content for free. And because each of the nodes is more interesting than any one individual's or publisher's personal site, people who used to go to those sites wind up at the nodes instead, thus they seize more and more users.'ⁱ

And as the platform economy grows in scope and sophistication, traditional publishers are weakened. They have less power over Facebook than they do over Google's natural search, more control over Facebook than they do over Snapchat and Instagram.

The effects of these developments are serious:

- Lower revenues. While publishers get 100% of every dollar that is invested on their platform own platforms, they will get only a percentage of income generated by it on Facebook.
- Reduced control over the context in which content is consumed. This undermines the journalistic principles many media organizations were built to serve.
- Less scale. The platforms have redefined 'mass'. The media used to be the mass media. They were the scale players. Today that is less and less the case. Newspapers were designed to be habitual products. Social media are designed to be addictive, as this boosts both scale and lock in. And scale and lock-in bring longevity in tech markets, since they protect against the rapid cycle of creation and destruction.

The need for organizational transformation

The new strategic environment poses organisational challenges for legacy media over the entire scope of their activities. And this is an industry that has always prioritized content creation - being excellent organizationally has never been a high priority in the media. This is dangerous because the organizational transformation piece is probably more critical than the content transformation one. My current research focuses explicitly on a number of inter-related organizational elements essential to successful transformation, and below I explore some early findings in these dimensions.

Dimension One. Strategy

The pace, scale and scope of change in the sector has undermined strategic processes in many media organisations. In the face of rapid and far-reaching change, many have abandoned classic strategic planning in favour of a series of opportunistic, tactical moves, often focused around innovation projects. Indeed, in many firms the energy and investments that once went into strategy have shifted into the field of innovation, into reinventing products, services and business models.

But there is a central distinction between strategy and innovation: innovation decisions are exploratory, quicker and reversible. Strategies may pivot, but the perspective is longer term. And while the media industry appears to have put classic strategy work into abeyance, the digital majors have an almost old-school strategies for building scale and scope and investing long term in competence building (particularly in technologies that will create barriers to entry).

Reading environmental signals correctly

The platforms are a central development in publishers' strategic environments. The environmental context drives all strategic activities – from environmental analysis, through the development of options, to implementation. The industry grew up in a 'steady state' environment, where change was gradual and well-signposted. Firm strategies could be developed using extrapolations from the past. Companies would gather all possible data on the environment, look for opportunities to pursue or threats to avoid, study the experiences of companies that have gone before, and then develop options.

But the new environment is 'disrupted'. A range of macro and micro developments with unclear interdependencies are at work and moving at different speeds. And there is always counterfactual data that undermines strategic clarity and inhibits planning. For example, recent research by Neil Thurman found that despite the collapse in print advertising UK audiences spent 88.5 percent of their newspaper brand time with print and only 11.5 percent online. Similarly, a report by the Video Advertising Bureau into Twitter behaviour over one month in Autumn 2016 found that TV programmes accounted for 87 per cent of trending topics on any given night and that 77 per cent of TV is watched liveⁱⁱ.

Strategy development

Strategy is highly context-dependent. All media organizations are different and their strategic options reflect their resource base, ownership and the characteristics of the home market. But all media organizations are also the same in that they are crafting digital

strategies in disrupted, technology driven environments. Here are some early findings concerning strategy development in legacy media organisations:

- **Know your endgame.** The velocity and sheer toughness of recent years meant that for many organisations, deep strategy work was hi-jacked by shorter term innovation projects. The new disruptive competitors started out with an end-game in mind. They may pivot frequently and change their goal, but the long term considerations guide current actions, and this is especially the case for digital pure plays backed by venture capital.
- **When making big strategic bets, know what you don't know.** This means try to pinpoint the critical assumptions you are basing these decisions on and double check their validity before you move. Once resources have been invested it will become hard to reverse the decision. Be especially careful if assuming the new will automatically replace the old.
- **Master the pivot,** or, “if it isn't working, call it quits and move on quickly”. The pivot is part of Silicon Valley jargon, but under the hype lurks an important point. The pivot is a systematized way of capitalizing on shifts in the market or reacting to strategies that don't work, and examples of pivots are legion, and often forgotten: Twitter was originally a podcasting business, YouTube a video dating site and BuzzFeed, serial pivoter, has moved from tech provider to content play, from full-stack vertical integration to intelligent multi-platform network. s.
- **Release strategy in beta too.** The principles of agile product design have long been applied to news products, but they apply to strategy also. The digital media sector is a ‘non-steady state’ environment – in strategic terms things can change very fundamentally and very fast. This means strategy processes need to have an inbuilt expectation that of iteration, testing, revision, testing and change.

Dimension Two: Active culture management

The impact of culture on strategic outcomes is widely acknowledged. Cultural rigidity has been widely blamed for legacy media's inability to seize the potential of digital markets, and the industry often reflexively assumes culture will pose a barrier to change.

Culture is highly strategic and an extraordinarily powerful force inside organizations. A strong culture is the heart of a sustainable future. So, start transformation efforts with a recognition of how powerful a force culture is.

A strong set of shared cultural values is the bedrock to any transformation. Conflicts between existing cultural values and new organizational goals will undermine change efforts. As Geoffrey A. Moore notedⁱⁱⁱ ‘One of the most important lessons about crossing the chasm is that the task ultimately requires achieving an unusual degree of company unity during the crossing period’.

Legacy organizations – “culture is a problem”

Legacy organizations need to be both smart and systematic about shaping their cultures, and how they manage the cultural dimensions of key change initiatives. But culture change is difficult. Culture is especially tricky in news organizations because journalism has a strong moral core. A deep commitment to the civic importance of quality journalism has powered

many legacy players through a very difficult decade. But this also creates a sensitivity to anything that smacks of manipulation.

Pure plays – “culture is performance driver and needs to be managed

A ‘pro-digital culture’ has been identified as a success factor in successful digital news organisations. In my book, *Innovators in Digital News*, I described this as a culture that views the digital news arena as an opportunity (albeit a highly competitive field), that is not particularly nostalgic about the old legacy days, and which is open minded about using the functionalities of digital technology to reinvent quality news.

Digital pure plays view culture proactively and much more optimistically. Culture is, first, something that isn’t just ‘there’, but something that needs to be curated, and, second, a key element in superior performance. Indeed, overt cultural management is a key feature of new organisations’ self-promotion, as in, for example Netflix’s much-shared slide deck on building a performance culture, and Google’s detailed culture documents.

Dimension Three: Inserting technology, digital and data, deep into the organisational DNA

Inside companies we see this playing out in the gradual blurring of technology, editorial and commercial activities. We can see this shift in many areas – new C-level roles in product development, the integration of data analytics into content creation, a focus on UX, and the development of smart metrics. There are leaders and laggards in this respect – not least because it’s a difficult integration to pull off. Workspaces, team structures, products, formats and tech systems all need to be changed, but more fundamentally a shift in culture is required, which is in turn a very significant leadership issue. It requires an approach that is on the one hand nuanced and respects the smarts of the individuals that create news, but on the other is relentless about increasing agility and the imperative of pushing forward towards a sustainable future.

This change is nowhere more evident than in storytelling. The pure plays like BuzzFeed, Quartz, Vox are 100% digital. From inception, they have been exploring how to use the evolving panoply of digital storytelling tools to create content with impact. Legacy media are retrofitting this capability, but part of their culture and systems are still focused on traditional journalistic processes and forms, so they have an inbuilt disadvantage right there. Similarly, the pure plays have data analytics engines at the heart of their businesses, which means their content creation is permanently informed by insights on user behaviour and preferences. Again, legacy media are acquiring this capability as a priority, but it needs to be fitted into existing systems and processes, and into their journalistic culture. And lastly, and possibly most critically, it’s important to remember that these new players are often magnificently funded. While legacy media are, essentially, all trying to do more with less, and effectively running two businesses, the old and the new, the digital pure plays benefit from very generous private backing, often venture capital. This not only allows them to move fast and hard into new areas in search of scale, but the VC sector is in general much friendlier towards risk. The entire sector is predicated on making intelligent bets, and recognizing that not all of them will pay off. This in turn ‘de-sensitises’ experimentation and failure, both of which are much more charged issues for cash-strapped established businesses.

Dimension Four: Building an agile organization

All the organizational elements this book concentrates on - strategy, the integration of technology into the organizational DNA, managing culture, and agility, flow into one common issue, structuring an organisation for agility and innovation.

Reorganise rather than restructure

'Organization design is hard. What works when you're small and in one location does not work when you get bigger and have people all over the world. This is why there are so many reorgs' (Google CEO Eric Schmidt^{iv})

In practice, this is not a one-off decision. Digital media content, delivery and consumption are permanently evolving, and so too are the shapes of the organizations engaged in these processes. Legacy media firms have been reorganising in the face of digitalization for two decades. At the beginning of digital, new units were launched to address new areas. Overtime, as content was created for multiple platforms, these were often integrated into existing elements, and digital teams gradually moved to the heart of publishers. The resulting integration between the two areas improved the quality of digital content and of digital storytelling. However, the emergence of digital pure plays changed the game. Legacy's unified teams were slow and unwieldy in comparison, which created competitive disadvantage. Complexity increased as the social/mobile media layer strengthened and competition intensified. New dedicated units were needed to handle on-platform consumption, data analytics, product development, data visualization and more. These new activities needed to be integrated into newsroom and content creation. At the same time, falling revenues mandated cost cutting and streamlining. So, more restructuring took place. Legacy structures and roles often bore the brunt. Content hubs were introduced to improve content sharing across ten content areas) and reorganization. Today, most media companies are integrated bundles of digital and analogue activities. Large-scale restructuring based on binary thinking (integrated or separate) has been supplanted by frequent reorganisations that are (1) hybrid (combining old and new, tech and journalism), and (2) evolutionary.

Teams as basic building block

Semi-autonomous and semi-permanent cross-functional teams focused on a specific milestone project or goal have long been recognized as the a key tool in increasing agility and innovation, and play a prominent role both in agile methodologies as well and in theories of organizational creativity. This is a huge literature, but a handful of practical ground principles are common to all:

- Split teams if they grow too large (which should mean by extension that the project is becoming larger or a permanent unit of the organization).
- Dissolve teams once a project ends.
- Composition is important. Teams need to have diversity - in expertise, background, problem-solving style, experience. Google believes that teams should be functionally integrated, combining for example product managers, designers and developers^v.
- Keep checking that the chemistry works and shift members around if necessary. Build an expectation that team composition may liable to change with circumstances
- A team infrastructure depends on support from the top.

- Teams need adequate (but not over generous resources), autonomy and a sense of ownership over the outcome
- Teams needs to interact with other teams. Google design its office space for interactions, and keeps them crowded (the rule is if you can tap someone on the shoulder there is nothing to get in the way of communications and the flow of ideas^{vi}).

Conclusions

This chapter has presented some early findings from a major research project in a field that is moving fast, that seeks to sift out best practice from a set of complex organizations facing significant challenges, against the backdrop of a somewhat tech-obsessed industry discourse. The overarching goal is to provide a useful, workable, helpful roadmap for legacy organisations facing disruption, one that enables them to respond successfully to digital disruption and ensure a sustainable future for the quality content they produce. One benefit of producing results mid research is that things are still flexible. So, please do give your feedback. All observations, comments and ideas for cases are welcome.

ⁱ Alex Fine, 'The Forrest Gump of the Internet', [www.theatlantic.com](http://www.theatlantic.com/technology/archive/2016/06/ev-williams-is-the-forrest-gump-of-the-internet/486899), 16 June 2016; <http://www.theatlantic.com/technology/archive/2016/06/ev-williams-is-the-forrest-gump-of-the-internet/486899> accessed 20 June 2016.

ⁱⁱ <http://advanced-television.com/2017/02/03/tv-dominates-trending-topics-on-twitter/> Accessed 3 February 2017.

ⁱⁱⁱ Moore, Geoffrey A. 2014. *Crossing the Chasm*. London: Collins (Moore 2014: 8).

^{iv} Schmidt, E. and Rosenberg, J. 2015. *How Google Works*. London: John Murray. (Schmidt and Roseberg, 2015: 43)

^v Schmidt, E. and Rosenberg, J. *ibid*.

^{vi} Schmidt, E. and Rosenberg, J. *ibid*.

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