Diversification and refocusing in the media industry: perspectives from the resource-based view and the management fashion theory.

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Table of Contents

Index of Figures

Index of Tables

Table of abbreviations and acronyms

BSD – Broad Spectrum Diversity

BSID – Broad Spectrum International Diversity

EBIDTA – Earnings Before Interest, Taxes, Depreciation and Amortization

EBSCO – EBSCO Business Source Primer

EPS – Earnings per Share

Eurostat – Statistical Office of the European Communities

JME – Journal of Media Economics

LB – Line of Business

MNSID – Mean Narrow Spectrum International Diversity

MNSD – Mean Narrow Spectrum Diversity

NSD – Narrow Spectrum Diversity

PMI – Print Media Indicators

RBV – Resource-based view

ROA – Return on Assets

ROS – Return on Sales

SIC – Standard Industrial Classification

SSCI – Social Sciences Citation Index

VRIN – acronym for valuable, rare, inimitable and non-substitutable

INTRODUCTION

The widespread adoption of the internet as a medium for communication has led to a fundamental transformation of the media landscape. Through the internet, business sectors such as telecommunications, information technology, media and entertainment, previously only loosely interconnected, have merged to form a new, convergent media industry (Hass, 2002: 31; Winter, 2006: 13).

Referring to the economic opportunities represented by a media company's ability to own and control different delivery channels and thus being able to move its content in different formats across multiple channels the realization of synergies has been one of the most popular topics for both industry insiders and media scholars (Jenkins 2006; Sjurts 2002; Hass, 2002).

Multibillion-dollar deals, many of them in the media industry – have been inked in the name of synergies and digital convergence (Yoffie, 1997; Ozanich/ Wirth, 1998).

Despite a large number of failures, activities to bring about convergence continue to be a strategy in the media industry. In this respect mergers have become one of the most important strategies for media companies (Peltier 2002: 1). In the past, media companies have repeatedly employed diversification techniques to avoid being displaced by new media and to capitalize on these new fields as a means of compensating for a decline in their traditional markets (Sjurts 2002: 15). Van Lengen (2003: 9) notes that, from the merger-market development standpoint, there is doubt about the actual value enhancement of media mergers. Yet, many researchers believe that further consolidation of the media industry is the most easily predictable factor shaping future global media economics (Hollifield et al., 2003: 163).

In light of said developments, this analysis provides a multi-perspective view of different motives for diversification and refocusing measures in the media industry. In order to answer the question "what drives the decisions for diversification and refocusing actions in media organizations?" the first theoretical field examined will be media-economic diversification research

(Part I). In the second part a deep look into the resource-based view of the firm will clarify if applicable guidance for media mangers can actually be derived from such theory. In Part III another explanation for the alternating popularity of diversification and refocusing strategies is discussed. Based on the more recent debate of so called management fashions the question addressed will be "how can the adoption of a fashion play a role in the choice and implementation of diversification and refocusing strategies in media companies?"

It is no surprise that in the media branch, which has more to gain from synergies between old and new media companies than almost any other sector, that diversification, refocusing and reconfiguration measures are of key importance. Van Lengen (2003: 28) notes that, for media companies, the idea of convergence can be seen as a synonym for the strategic challenges that arise from new competitors entering their traditional markets, thereby fundamentally altering traditional value chains. The recent phenomenon of online social networks and market places have made them targets of takeovers by media corporations such as telecommunication, entertainment and internet companies. An overview is provided in Table 1:

Table 1: Social network and online market place deals

Acquirer	Target	Description	Implied Equity Value	Currency
Google	Youtube	Video sharing website	1.6b	US$
NBC	iVillage	Women oriented website	600m	US$
NewsCorp	Myspace	Social network	580m	US$
Deutsche Telekom	Immobilienscout24	Real estate online market place	360m	€
CBS	lastfm	Online music platform	280m	US$
Viacom	Neopets	Youth oriented website	160m	US$
Holtzbrink Ventures	studiVZ	Social network	85m	€

Source: based on Dresdner Kleinwort Equity Research

As the Holtzbrinck deal or the Deutsche Telekom AG acquisition of the online market place Immobilienscout24 show in Table 1, German companies are also actively pursuing merger and acquisition deals. Among those investing in new media startups are classic publishing houses such as Axel Springer, Burda and Holtzbrinck. Similarly, telecommunications companies are also actively taking part in this new wave of takeovers. For example, scout24 Holding, which

operates leading online market platforms such as Immobilienscout24 or Autoscout24, is a direct subsidiary of the Deutsche Telekom AG. Given the sharp decline of traditional core markets such as print, competition for new online markets is intense. Telecommunications companies such as the Deutsche Telekom operate online portals and sell advertising via their own marketing subsidiary, Interactive Media. Markets are also changing at a regional level. Online market places such as Immobilienscout24 now compete directly with regional newspapers. Even big players are showing interest in regional online advertising. To boost its share of local ad streams, Yahoo recently opened a regional advertising service after taking over numerous smaller regional advertising agencies.

Such activities show clearly that the media industry is still in a state of ongoing transformation where the takeover of new players by old players (and vice versa) continues to bring forth new market constellations and business models.

To understand the motivation for diversification and refocusing measures, it is important to examine classical diversification research. Motives for diversification strategies can be identified from a variety of theoretical stands, such as finance management, agency theory or the resource-based view. Based on a two-stage database research, examining state-of-the-art, media-related diversification research and the different motives and respective methodological approaches to measuring diversification in Part I, the analysis clearly shows that the RBV is the most important theoretical trend within current media economic diversification research. This is no surprise given that the RBV focuses on an input-oriented perspective. For the media industry this is especially relevant, as its primary activity is the communication of an information-based input in the form of content.

Part II of the analysis examines how the resource-based view can contribute towards the strategic management of media companies and answers another key question: to what extent can the underlying theoretical considerations of RBV concepts actually become relevant in managerial practice?

Therefore the different schools of interpretation within the RBV are analyzed together with explanations for the motivation behind diversification and refocusing measures. RBV is often cited in media management research, and several media scholars point out that there has been an over-reliance on industrial organization studies in the media economics sector in the past.

Both Picard (2002) and Chan-Olmsted note that resource-based research is advancing to a central area of media economic research:

> *"As we move toward the study of media firms, the RBV investigative approach might provide more insight into explaining the differential performance between individual media firms or various clusters of media firms" (Chan-Olmsted, 2006: 165).*

Maier (2000) goes further, arguing that an examination of the existing resource basis of a media company is essential for successfully analyzing a company's strengths and weaknesses. Accordingly, for content-based media companies, the source of competitive advantage lies in its specific resources and competencies.

An analysis of existing resource-oriented literature in the field of media economics shows that the question of how the RBV can help to achieve this produces quite different answers. When it comes to concrete recommendations for the management of media companies, however, it is shown that the RBV has surprisingly little to offer.

Considering these first results, the "applied science story" appears not to be true when it comes to the question whether the RBV theory is of practical relevance for diversification and refocusing measures in media organizations. This criticism is not new. The question whether strategic management research can fulfill its claim to produce relevant guidance for the managerial practice – i.e. to be an "applied science" – has been the source for spirited debate.

For instance, Rumelt, Schendel and Teece note that the works of Chandler, Ansoff and Andrews – often referred to be the very cornerstones of strategic management research – did not have a direct influence in the managerial practice of organizations:

> *"It should be acknowledged, though, that their audience was primarily students and professors. None of these three authors directly and immediately influenced practice. Many of the changes that occurred by the late 1960s can instead be traced to the influence of consulting firms" (Rumelt et al., 1994: 18).*

Porter and McKibbin, in a study of management fashion in the US, bluntly stated:

> *"[T]he business world is, generally speaking (and omitting a few very specific exceptions such as certain areas of corporate finance), ignoring the research coming from business schools. […] The total perceived impact is, judged by what we learned in some 200 interviews in the business sector, virtually nil" (cited in Astley/ Zammuto, 1992: 443).*

However, the general discussion whether or not strategic management research can or should be of practical relevance is not subject of the work at hand. Instead a different and more recent stream of research will be employed in Part III: the management fashion theory. The goal here is to answer the question, how the adoption of a fashion can play a role in the choice and implementation of diversification and refocusing strategies in media companies.

Since the pioneering work by Penrose (1959) on the resource-based view of the firm, derivates like the concept of core competencies have gained a central position in strategic management practice. Prahalad and Hamels (1990) article, "The Core Competence of the Corporation" has generated a substantial interest in the notion of core competencies and has helped popularize the resource-based view of the firm. The authors suggested that companies need to more fully understand their core competencies and capabilities in order to successfully exploit their resources. This suggestion is consistent with

proponents' arguments of the RBV. Freiling (2002) points out that core competences, in the sense of the core competence concept, relate directly to the intentions of the RBV. Similarly, Starkey and Madan (2001: 13f.) refer to the core competences approach from Prahalad and Hamel (1990) as being a successful example of the popularization of Wernerfelt's (1984) resource-based view.

Nicolai (2004: 953) stresses in this context that a lot of the measures for leveling the differences between science and practice can be subsumed under the term 'popularization'. Mintzberg et al. (1998) concur with this, suggesting that the resource-based view is attractive to academics while the core competency approach appeals to consultants and managers. Since the topic of relevance does not belong to the explicit research issues of strategic management – as can be seen most clearly in the results of the second part of this work – it is interesting to examine to what extent such derivatives of theoretical approaches are able to supply concrete recommendations for management practice. Accordingly, the core competence approach by Prahalad and Hamel (1990) is generally regarded as being a classic management fashion (Carson et al. 2000).

The third part therefore examines the dissemination and application of the core competence approach in a media company from the perspective of management fashion theory.

In the discussion about organizational change in socio-organizational contexts a repeated reference is made to the connection between reorganization processes and the role of organizational models (Faust et al. 1994; Lohr; 2001; Minssen 2001; Kühl 2001; Kühl 2002; Kieser 2002; Hasse/ Krücken 2005; Bosch et al. 2007).

Management concepts and the principles propagated by them prove useful in restructuring projects within organizations. From the perspective of neo-institutional theory, organizations are bound within a social framework of norms and values that determine what appropriate economic behavior is. DiMaggio and Powell (1983) state that, as a response to uncertainty,

organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. By taking the cue from established firms with legitimated procedures, covetous ones hope to enhance their own organizational authority and survival methods.

Neo-institutionalistic theory is primarily shaped by the work of Berger and Luckmann (1967). Central to their concept on institutionalization is the idea that shared cognitive systems come to be viewed as both objective and external structures defining social reality. Meyer and Rowan take up Berger's and Luckmann's definition as followed:

> *"Institutionalization involves the processes by which social processes, obligations or actualities come to take on a rule-like status in social thought and action" (Meyer/ Rowan, 1977: 341).*

Organizational practices are institutionalized when managers adopt them as status quo, not through a process of rational choice that found them to be suited for a particular requirement.

Röbken notes:

> *"Whether a specific practice or organizational form is regarded as appropriate is thus not solely based on individual cognitions, but follow[s] from cognitive structures that are more or less shared across societies" (Röbken, 2004: 14).*

Against this background, guiding principles or concepts can be seen as theorization of organizational models (Berger/ Luckmann 1980). The theorization is an important vehicle for the diffusion of such principles and innovative practices and thus can accelerate their dissemination in populations (Strang/ Meyer 1993). That is why guiding principles and management concepts are consistently the topic of discourses that center on management fashions (Abrahamson 1996; Kieser 1997; Abrahamson/ Fairchild 1999; Benders/ van Bijsterveld 2000)

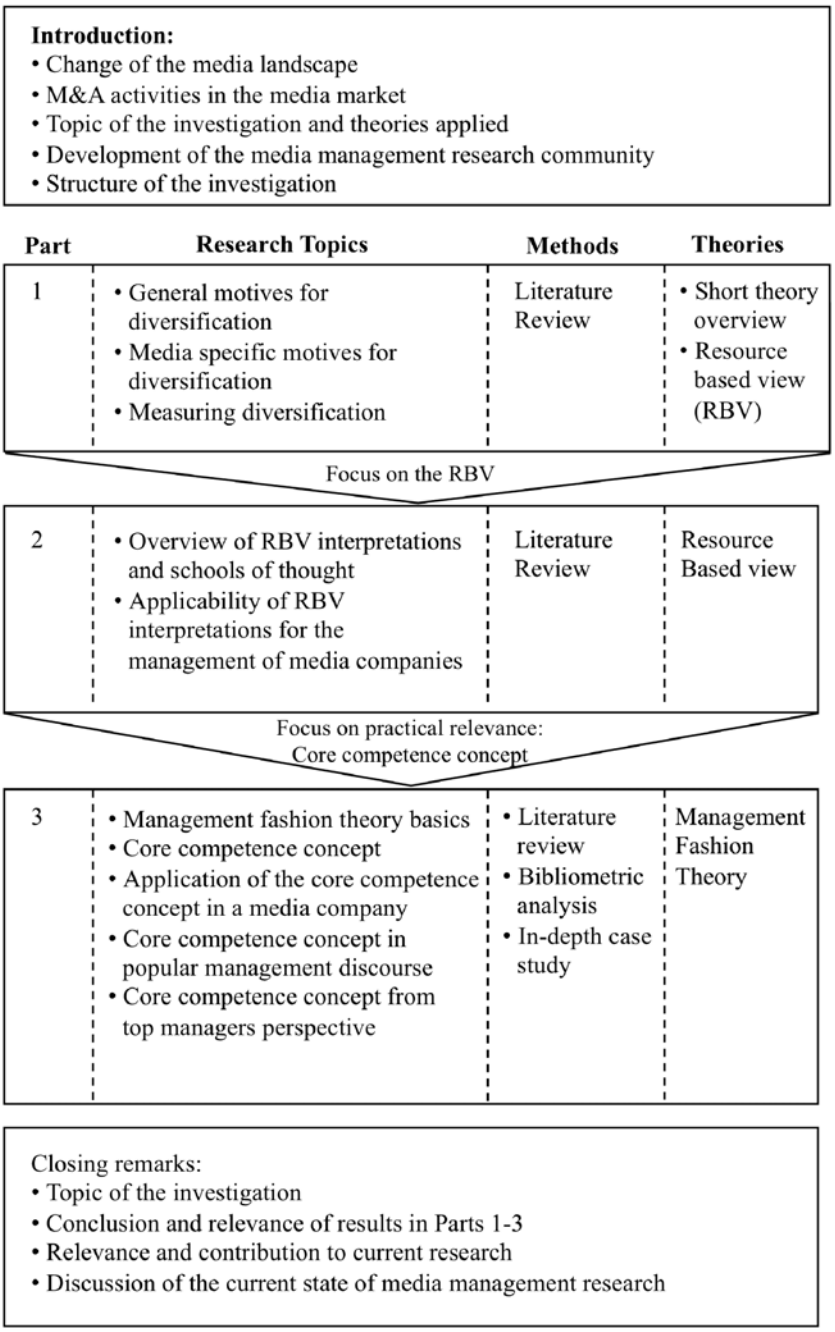
Hence, given that few concrete management strategies are to be derived from the RBV, the third part of this discussion examines whether management fashions can themselves be a reason for diversification and refocusing trends in the media industry.

Management fashion theory is a more recent area of research that has not as yet gained wider recognition. This theoretical approach focuses on the dissemination of management techniques and argues that strategic concepts, and, as a direct result, organizational structures commonly follow fashion-like cyclic patterns (Kieser, 1996: 22). Nicolai and Thomas (2006) stress that one characteristic of a management fashion is a pendulum effect: one fashion induces a reciprocal counter-fashion. So is that also the case for diversification and refocusing?

Using the example of the core competences concept, the last part of this analysis employs a bibliometric study and an in depth single case study to examine the degree to which managers within a case study company draw on management fashions in their strategic decision making, e.g. refocusing strategies, and how this differs from popular management discourse. The case study company in question is one of the largest media companies in Germany and operates worldwide. To date it has undergone different phases of diversification and refocusing.

This analysis is accordingly divided into three main sections as summarized in Figure 1:

Figure 1: Structure of the investigation



Part I examines the field of media economic diversification research. Based on an overview of diversification motives in different economic research schools, Chapter 1 presents the central issues in media economic diversification research (section 1.1), issues and relevance (Chapter 1.2) as well as the approach taken and definition of focus (section 1.3). Chapter 2 discusses relevant literature and

delineates the conceptual approach. Chapter 3.1 addresses the question of why media companies diversify and examines transaction cost theory, agency theory and resource-based view approaches with particular regard to media specific motivations. Chapter 3.2 goes on to examine the relationship between diversification and the economic success of media companies. The dominant success factor based approach is discussed critically in this context. Chapter 3.3 examines approaches to measuring the degree of diversification, a further aspect of current media economic research. Both geographic (section 3.2.1) as well as product related measuring approaches (section 3.2.2) are analyzed and their appropriateness is discussed with regard to diversification research into input-oriented industries such as the media industry. Building upon this, section 3.2.3 posits the potential relevance of a new empirical approach to measuring the relatedness of business segments. Finally, Chapter 4 summarizes the first part of the thesis, concluding that given the information-based character of media products, current predominantly output-oriented-based approaches to diversification research fall short when examining the strategic orientation of media companies and that in future media economic research should focus more strongly on resource-based approaches. These findings provide the basis for the second part of this discussion.

Initially, Part II of the discussion identifies four key approaches in which the RBV is seen as a) a means of identifying and acquiring the strategic resources of media companies (Chapter 1.1), b) as an approach for maximizing the utilization of existing strategic resources of media companies (Chapter 1.2), c) as a contribution to the internal development of critical resources and skills (Chapter 1.3), and, more recently, d) as a stimulus for creative strategic processes (Chapter 1.4). In Chapter 1.1 to 1.4 the cogency of these interpretations of the RBV are examined and questions how these can contribute to the management of media companies. In Chapter 2 the prescriptive potential of the individual RBV interpretations for media management is discussed and illustrated in case studies. Chapter 2.1 discusses the external identification and acquisition of strategic resources for media companies, Chapter 2.2 the exploitation of the existing resources of media companies and Chapter 2.3 the

internal development of critical resources and skills of media companies. Chapter 2.4 examines a comparatively new approach in media economic discourse: the paradoxes of the RBV as a stimulus for creative strategic processes in media companies. Chapter 3 concludes Part II, summarizing the findings of the analysis and identifying areas for potential future research.

Part II shows that the RBV provides both a system of determinants and vernacular for analyzing the long neglected internal structures of media companies. The value of the RBV's contribution to the management of media companies is more apparent here than in Part I, however, it still does not amount to directly applicable guidance to achieving greater profits. A central aspect here appears to be the diffuse definition of key terminology in media economics research. For some authors it is precisely this diffuse nature that enables it be put to practical use. Diffuse concepts can be attractive as rhetoric devices for managers (Astley/ Zammuto, 1992). For example, managers can exploit a diffuse definition of the core competence concept to communicate an impression of focused activities to the capital market, although the company may actually be quite diversified. Here it is a question of how broadly the core competence concept can be defined.

The above problems and the observed lack of managerial applicability of the RBV raise the question of how diffusely defined concepts can actually influence decision-making in media companies and other industries. Using the example of the core competences concept, this question is examined using a case study analysis in the third and final part of this work, which in addition also offers a discussion of a management fashion that reflects and contributes to current debates at the forefront of academic analysis in this field.

Part III begins with an overview of the basic principles of management fashion theory and its roots in neo-institutional theory (Chapter 1). Chapter 2 provides an overview of the linguistic ambiguity of management fashions and the role managers adopt in this regard.

Management fashion theory analyzes the influence of popular management concepts on the actual performance of companies. The question is difficult to

answer empirically (March/ Sutton, 1997) and the studies that are available lead to differing conclusions. Most authors discuss this aspect from a conceptual basis, but here, too, opinions differ. Chapter 3 examines the historical development of the core competence concept and provides an introduction to the methodological approaches employed (Chapter 4). To analyze how managers apply the core competence approach in practice and how this differs from popular management discourse, a two-stage approach was chosen. In the first stage, a bibliometric analysis is undertaken. Not only the quantitative development but also the qualitative change in linguistic ambiguity is discussed. In a second stage the results are compared with an analysis of the concept's application using a comprehensive case study of a German corporation.

Chapter 5 summarizes the investigations findings and examines the results of the literature analysis (Chapter 5.1) as well as the in-practice case study (Chapter 5.2). A comparison of the bibliometric study with the case study is undertaken, the results of which are discussed in Chapter 5.3.

Whereas in management discourse the popularity of the concept is waning, the core competence fashion is still very much "en vogue" in the case company. Only weak support is found for the hypothesis that the ambiguity of a management fashion increases with time. A further finding of Part III is that, despite a high level of ambiguity within a management concept, it still may have a large impact on decision-making.

The image of managers as passive victims, naively adopting the 'gospels' proclaimed by consultants and management gurus is not confirmed. Instead, many indications can be found for the strategic use of the core competence concept.

Chapter 6 summarizes the third and final part of this analysis, noting the possible limitations of the investigation as well as highlighting and discussing individual aspects of the findings.

Before closing, a short comment will define the positioning of this analysis in the scientific discourse.

Finally, the closing remarks of the discussion return to the question posited at the outset. Taking this as its cue, the results of the three parts of this discussion are summarized and discussed with regard to their relevance and the contribution of the findings for current research. The closing remarks end with a short discussion of the current state of media management research.

PART I: REVIEW OF CURRENT MEDIA ECONOMIC DIVERSIFICATION RESEARCH[1]

1. Central issues in media economic diversification research

The diversification of businesses is a long-standing and much-discussed subject of economic research. Numerous contributions from the fields of industrial economics, finance and organizational sciences or strategic management have analyzed the phenomenon of diversification from a wide variety of viewpoints. Whilst in many economic disciplines the age of digitalization has led to an increased focus on international media companies, very few contributions have directly addressed the diversification of media companies themselves (for exceptions see e.g. Chan-Olmsted, 2005; Stephan, 2005). Given the increased level of mergers and acquisitions among media companies in the 1990s, companies' diversification strategies as well as the possible effects of the much-discussed special characteristics of media products on the strategic behavior of companies have gained increasing importance in economic discourse. In most cases, studies concentrate on how the digital age has affected issues such as the repeat exploitation of the same content or the strategic alignment of classic entertainment segments. Starting with a review of existing literature, the first part of this work provides an overview of the most important issues in media economic diversification research in preparation for a discussion of the contribution of the resource-based view to the strategic management of media companies in part two. The first section also identifies further as yet unresolved or little-discussed issues in the field of diversification research and provides pointers for potential future research topics.

[1] In parts prior published in Dautwiz (2006)

1.1 Issues and relevance

The degree of diversification and consequently the direction and breadth of a media company's activities is a strategic issue that has followed different trends over the course of its development. Where in the 1960s product diversification and geographic diversification were central issues around the world, by the beginning of the 1990s focus had shifted to the individual core competencies of companies (Nicolai/ Thomas, 2006).

The work of Gort and Chandler is regarded as the starting point for numerous contributions on the topic of diversification (Chandler, 1962; Gort, 1962). Since then, representatives of a wide variety of fields such as economic historians, finance researchers and marketing and strategic management researchers have addressed this topic in detail (Ramanujam/ Varadarajan, 1989). Bergh underlines the importance:

> *"Diversification strategy is one of the most popular and central topics within the field of strategic management" (Bergh, 2001: 362).*

Against the background of the internationalization discourse, the related and unrelated diversification of companies at a product level remain central issues of strategic management research. At the core of this consideration lie the exploitation of synergies and the relationship between the strategic resources and generic strategies of companies. While the available literature concentrates almost exclusively on manufacturing and service-related aspects, very little attention has been given to the diversification strategies of international media companies, despite the fact that the strategic alignment and continual adaptation of international media companies has contributed significantly to the development, break-up and reformation of worldwide conglomerates. Luther and Broich (2003) illustrate this phenomenon from a German perspective in their description of the development of the Bertelsmann AG "from a book club to an international media concern" and highlight the role of diversification and focusing decisions as central elements in the company's development. The need to specifically consider strategic issues in the media industry has been

highlighted in the past by media economists (Albarran/ Dimmick, 1996; Picard, 1996; Doyle, 2002), addressing in particular the difference between media products and non-media products. In this context, Hollifield (2001) emphasizes the significant role media corporations play in the production of culture and the delivery of important information. On account of the fact that corporate structure, strategy, management and behavior ultimately impact on the nature and supply of content, a better understanding of the patterns and determinants of media diversification strategies would contribute to the body of knowledge on the potential effects of media globalization.

The aim of this first section is to provide an overview of the current state of research in the comparatively recent field of media economic diversification research.

1.2 Approach and definition of focus

With the help of a two stage database research, the relevant literature was examined and boundaries identified. In the second stage, the most important issues were then extracted. A summary and discussion of the central issues is contained in the third stage. The last section summarizes the findings and offers suggestions for areas of potential future research.

In the interests of a more lucid examination, the aspect of media diversity has been excluded. In particular the effect of concentration in the marketplace on the diversity of content from the viewpoint of different segments in the entertainment industry has been researched extensively, in particular for the music industry (Peterson/ Berger, 1971; Burnett, 1992; Lopes, 1992; Alexander, 1996), the film industry (Moreau/ Peltier, 2004), television (Litman, 1979; De Jong/ Bates, 1991; Li/ Chiang, 2001; McDonald/ Lin, 2004), the book market (Greco, 1999) and the radio sector (Rogers/ Woodbury, 1996; Berry/ Waldfogel, 2001).

2. Definition of relevant literature

In order to obtain an overview of the field of research, it was first necessary to identify a set of relevant studies. To this end, relevant publications in professional journals were researched using the aggregator databases EBSCO Business Source Premier (EBSCO) and ABI-inform. These two English-language databases provide up-to-date full texts from the most important economic journals (Katzmayr et al., 2005). Monographs, conference papers or other publications were not included in the analysis. Relevance is assured as publications in scientific journals are widely accorded a critical role in current economic research (Macharzina/ Oesterle, 1994; Fabel/ Hesse, 1999; Hennig-Thurau et al., 2004). One reason for this lies in the fact that contributed papers are reviewed by leading experts in the relevant fields. The acceptance of a paper for publication in a journal implies that it has been positively received by experts from the field (Franke et al., 1990; Podsakoff et al., 2005). For other kinds of publications, such as monographs, comparable quality indicators do not exist and the quality can only be assessed on an individual basis (Hennig-Thurau et al., 2004: 521f.). That said, it is worth mentioning contributions of selected monographs, such as the works from Urech (2001) or Stephan (2003).

Two-stage database research

In the first stage, a full-text search for the terms “diversification”, “diversify” and “diversified” was undertaken for all publications of the Journal of Media Economics (JME). The JME is the only journal listed in the Social Sciences Citation Index (SSCI) that publishes contributions that concentrate solely on research issues in the information and communication industries. It is also ranked highly in the overall ranking of scientific economic journals (Kodrzycji/ Pingkang, 2005: 22). The search identified a set of 30 articles. An assessment of the literature obtained in the first dataset was undertaken using the SSCI and a combined search for the terms “diversification” and “media industry” in the subject headings and abstracts of all further scientific journals in the EBSCO and ABI-inform, resulting in a second set of 24 articles. A closer examination of both sets with regard to the subject of media economic diversification

research resulted in a shortlist of 15 directly relevant articles, 10 from SET 1, (the Journal of Media Economics) and 5 from SET 2 (1 article each from Organization Science, Financial Management, MediaCulture&Society, Social Forces and International Studies of Management and Organization). The remaining articles either mentioned strategic aspects of media companies' diversification only cursorily or concentrated on the aforementioned topic of diversity of media content. The selection therefore does not represent the entirety of all existing contributions to the topic of diversification of media companies. Nevertheless, the method used provides a reasonable assurance that the short listed literature represents the core research in the field and is suitable for deriving an overview of the current state of research (Grunig et al., 1995: 166f.; Hollifield, 2001: 137). Table 2 summarizes the results of the literature research and divides them into three categories. The table illustrates that the contributions concentrate primarily on the question of general motives for diversification strategies in media companies, on the relationship between the degree of diversification and the success of a company and on approaches for measuring the degree of diversification. Issues such as the diversification mode (Kaiser/ Stouraitis, 2001; Dowd, 2004) and the structural effects of diversification as well as the management of synergies resulting from media diversification (Eisenmann/ Bower, 2000; Gershon, 2000; Andrews, 2003) are accorded little attention and have therefore not been included in the later analysis.

Table 2: A comparative analysis of the identified studies

Category	Subject	Studies	
		Conceptual	Empirical
1	Why do media companies diversify?	Chan-Olmsted, Sylvia M. (Chan-Olmsted, 2005) Stephan, Michael (Stephan, 2005) Chan-Olmsted, Sylvia M./ Byeng-Hee, Chang (Chan-Olmsted/ Chang, 2003) Born, Georgina (Born, 2003) Kaiser, Kevin M. J./ Stouraitis, Aris (Kaiser/Stouraitis, 2001) Picard, Robert G./ Rimmer, Tony (Picard/Rimmer, 1999) Picard, Robert G. (Picard, 1996)	
2	How can the degree of diversification of media companies be measured?		Chan-Olmsted, Sylvia M. Byeng-Hee, Chang (Chan-Olmsted/Chang, 2003) van Kranenburg, Hans/ Hagedoorn, John/ Pennings, Jacqueline (van Kranenburg et al., 2004) van Kranenburg, Hans/ Cloodt, Myriam/ Hagedoorn, John (van Kranenburg et al., 2001)
3	What is the relationship between degree of diversification and the success of a media company?		Jung, Jaemin/ Chan-Olmsted, Sylvia M. (Jung/Chan-Olmsted, 2005) Chan-Olmsted, Sylvia M./ Byeng-Hee, Chang (Chan-Olmsted/Chang, 2003) Picard, Robert G./ Rimmer, Tony (Picard/Rimmer, 1999)

The central issues compare only in part with the Ramanujam and Varadarajan's (1989: 534) findings in their overview of the general literature on diversification. They identified the question of the relationship between degree of diversification and economic success and the choice of diversification mode as core areas of existing research literature.

The following section summarizes and discusses the content of the researched articles for each of the three central subject areas. To provide a theoretical background to the question of why media companies diversify, Section 3.1 presents an overview of the most important theoretical explanations for the

reasons behind the diversification of companies. In the process and referring to current literature, areas of relevance from general diversification research will be highlighted and areas for possible future research identified.

3. Central issues in media economic diversification research

3.1 Why do media companies diversify?

In the late 1990s, an increased wave of merger and acquisition activities in the media industry could be observed (van Lengen, 2003), triggering increased discussion of the factors influencing the diversification behavior of media companies. Although this issue has been the subject of empirical studies in fields such as the manufacturing industry (Chenhall, 1984; McDonald/ Lin, 2004), literature on the media sector has focused on this phenomena only from a conceptual point of view. The author identifies a wide variety of motives for economic diversification strategies, which are then divided into general and media specific factors. For a better theoretical background to the question of why media companies diversify, an overview is given of the primary theoretical explanations for the diversification of companies. From this, areas that correspond with results of the literature analysis are identified and further media-specific motives are added to the discussion.

In this case, central aspects draw on industry economics, agency theory and resource oriented perspectives. Overall motives, such as easier access to markets or risk minimization through diversification, are only mentioned cursorily in the contributions. Among the media specific motivations for economic diversification behavior discussed in the literature are privatization and technological advances and the problem of sinking advertising revenue.

3.1.1 An overview of common motives for diversification decisions

Figure 2 builds on a previous table by Trautwein (1990) and summarizes the most common motives for economic diversification decisions, allocating them to different areas of theory.

Figure 2: An overview of diversification motives

Merger as a rational strategic decision	Financial economic motives	Risk minimization
	Industry economic motives	Access to markets
		Entry barriers
	Resource-oriented motives	Economies of scale
		Synergies/Resource leverage
	Agency theory motives	Intransparency
		Income stimulation
		Empire building
	Transaction cost theory motives	Internal capital market
		Vertical integration

Source: based on Trautwein (1990)

Financial management motives: risk minimization

Financial management incentives for diversification and risk minimization are based on ideas derived from research into portfolio theory (Markowitz, 1952). In the same way that a capital market investor distributes his investments across different forms of investment in order to minimize his risk, a company can reduce the risks associated with its business activities by diversifying across several markets. The primary aim of diversification and risk minimization is to improve the value of the company (Hill et al., 1992; Markides, 1995). A further aim detailed in the literature is the reduction of outside capital costs. Here, a company attempts to stabilize its cash flow in order to reduce the risk of defaulting as perceived by the lenders and creditors and as a result to reduce capital costs (Madura/ Whyte, 1990).

Approaches to explaining the relationship between risk minimization and diversification are based first and foremost on unrelated diversification. Diversification into unrelated markets, i.e. those with fewer similarities to the main market, minimizes the susceptibility to branch specific cycles and

structural fluctuations. In related diversification, by contrast, i.e. the expansion into areas in which comparable boundary conditions exist, there is little to no minimization of unsystematic risks. In related diversification, therefore, fluctuations in company turnover or profit are not decreased (Amit/ Livnat, 1988, 1989). In such situations, diversification has little positive effect for the value of the company.

Financial management motives for diversification are disputed in the literature. A central criticism is the relationship between risk minimization and increase in the value of a company. Advocates of modern capital market theory, in particular, are critical of the underlying portfolio theory (Teece, 1982; Chatterjee et al., 1999). Primarily, they criticize that the reduction of risk for shareholders does not necessarily have to be achieved through the merger of individual companies. According to modern capital market theory, shareholders are themselves also able to distribute their finances in such a way as to minimize unsystematic risks (Teece, 1982: 39f.; Ramanujam/ Varadarajan, 1989: 537f.; Chatterjee et al., 1999: 556f.). In addition, company diversification can incur costs through inefficiencies. And, in the case of an efficient capital market, the diversification of a company would offer no advantage for investors.

Industry economic motives: Access to markets & market entry barriers

In both industry economics and strategic management, one can find approaches that attempt to describe the influence of product diversification on the profitability of a company. From the perspective of industry economics, the acquisition of market power and the creation of market entry barriers are central motives for the diversification of business activities (Ramanujam/ Varadarajan, 1989; Markides, 1995). Industry economic arguments for increasing market power refer to the bargaining power vis-à-vis customers and suppliers. Diversification increases their bargaining power and leads to higher sales prices and lower supply costs and therefore to an increase in profit. In principle, the causal effect of the argument of market power is less related to programmatic diversity than to the size of a company. The greater the number of sales and the amount

of supplies, the greater the bargaining scope with suppliers and customers. The advantage is, therefore, one of scale.

The industry economic argumentation concerning market entry barriers refers, in its original form, to vertical diversification in preceding or succeeding stages of value creation (Caves, 1971). Diversification makes it possible for diversified companies to force non-integrated companies out of the market through aggressive pricing tactics and at the same time to deter potential competitors from entering the market. Such entry barriers guarantee the established company a greater profit margin. If one adds to this the possibility of cross-subsidization between business areas with regard to the creation of market barriers, then this can be used to achieve horizontal diversification. In this way a broad portfolio of business sectors with different income streams makes it possible to cross-subsidize between the different areas. From an industry economic point of view, cross-subsidization, for example in the form of a redistribution of cash flow between good business areas to areas with negative cash flow, leads to the creation of market entry barriers, in particular when through price fixing agreements potential competitors are deterred from entering the market (Amit/ Livnat, 1988). Markides (1995) argues that over and above taxation advantages, diversified companies are also able to deter competitors from entering a market through internal transfer pricing. Diversified companies can transfer financial resources internally to reduce the tax load of a company and improve its position in comparison to non-diversified companies.

The industry economic approaches to explaining product diversification are valid particularly in the context of oligopolistic structured markets, as is the case in most of the international media sectors. The market entry barrier and price-fixing arguments presuppose cooperative behavior among established competitors. As oligopolistic parallel behavior is essentially an exogenous factor, i.e. not directly controllable through strategic management, this approach does not offer a strategically useful explanation for the diversification of content-based industries. Instead strategic management approaches that focus primarily on endogenous factors for assessing diversification strategies offer more promising potential.

Resource-oriented motives: Economies of scale, synergies/ resource leverage

A further argument for diversification can be derived from the resource-based view.

Strategic management research focuses on endogenous factors and their influence on the profitability of product diversification strategies. In this context, profitability is discussed in conjunction with related diversification and the resulting economies of scale. Through the exploitation of economies of scales, related diversification leads to an increase in profit. This is achieved on the one hand through the earning power of the respective new business ventures and on the other through synergy effects between the old and new business areas (Teece, 1982). Through, for example, their ability to save costs in service productions, connected diversified companies have an advantage over both non-diversified as well as unrelated diversified companies. This is because the lower the related content of the existing and new business areas, the lower the synergy effects that can be exploited and correspondingly the decrease in competitive advantage. According to this argumentation, related diversification is preferable to unrelated diversification (Montgomery/ Wernerfelt, 1988; Markides, 1995; Hitt et al., 1997). In diversified companies, synergy effects are the product of a special constellation of input factors.

The aspect of exploitation of synergy potential is one that is discussed across the board and therefore cannot be regarded as a specifically media-related factor. Nevertheless the form that exploitable strategic resources take in the media industry does exhibit several special characteristics. In the context of the increasing digitalization of media content, aspects such as media convergence or the repeated exploitation of content are the subjects of much discussion. As such the resource-based argumentation of corporate diversification might be considered in more detail as part of the discussion of media specific motives for diversification.

Agency theory motives: Intransparency, income stimulation, empire building

The explanations regarding management motives do not view a company as a single, unified, decision making entity. All argumentation with regard to diversification driven by managerial interest motives is based on the separation of ownership and control in the corporation (Berle/ Means, 1933). If, in an ideal situation, managers were the agents of the shareholders, both these groups follow different interests when it comes to diversification strategies due to managerial interest motives. Managers tend to rate the personal value of diversification higher than shareholders do. This can lead to diversification that exceeds what is sensible for the success of the company, and can be potentially damaging. An exception in this context is the case where management decides against the wishes of the shareholders, though not for personal motives but out of an honest conviction that this is in the best interests of the company. Roll (1986) argues that, particularly in the case of mergers, top managers often commit errors of being over-optimistic about the synergies that would result from mergers.

The lack of control mechanisms for shareholders makes it easier for individual managers to follow their interests. Intransparency and information asymmetries, whether consciously manipulated or due to the complexity of the matter, mean that the shareholder is not able to make an objective judgment regarding the reasons behind a planned diversification measure.

Among the motives for diversification measures driven by management interests, the literature denotes monetary as well as non-monetary motives. Besides monetary motives, aims associated with growth-oriented diversification include among other things, aspects such as power and prestige as well as 'Empire Building'. In such cases, mergers are planned and executed by managers who thereby maximize their own utility instead of their shareholders' value. Put simply,

> *"[Empire building] means that the insiders use the profits of the firm to benefit themselves rather than return the money to the outside investors" (La Porta et al., 2000).*

Further management motives include a general aversion to taking risks (Aron, 1988) or a general desire for greater independence.

Transaction cost theory motives: establishment of internal capital markets

The desire for greater independence is also a motivation for transaction cost theory discourse on the creation of internal capital markets (Stein, 1997). From a transaction cost theory point of view, the central organ of a diversified company can act as an internal capital market and can, in particular circumstances, be more efficient than the external capital market. An argument for the economic advantageousness can be the assumption of low information asymmetries when company transactions are undertaken by a management that operates in the relevant markets. The creation of an internal capital market reduces dependency on external capital markets and in turn accords the management greater independence. Amihud and Lev (1981: 606f.) show in this context, that risk reduction can be a managerial motive for conglomerate mergers. On the other hand, other authors argue that there is no evidence for a superior internal capital market (Montgomery/ Singh, 1984; Rumelt, 1986).

3.1.2 Results of the literature database analysis

An analysis of the filtered articles shows that the media economic discourse, in particular the diversification arguments presented by the transaction cost theory, the agency theory and the resource-based view approaches, are central aspects of this study:

Media economic transaction cost theory argumentation:
Establishment of internal capital markets

The fact that increased management control in the selection of projects to be financed can have a positive effect on the value of the company is confirmed by Stein (1997) or by Campa and Kedia (2002). Kaiser and Stouraitis (2001) analyze the development of internal capital markets using the example of the music conglomerate Thorn EMI, but come to the conclusion that in their particular case study this is better described by an agency theory argument.

Media economic agency-theory argumentation: Interests of the management

The agency theory argumentation posits that the diversification of companies can take place even if it leads to a reduction in the economic value of a company. The reason given is that top managers, when deciding on diversification strategies, follow their own interests at the cost of shareholders. Empire building is a common argument put forward in this context. The managers' prestige and power increases when they head a large portfolio of different companies.

The false allocation of internal cash flow and the consequent destructive effect on internal capital markets is the main argument put forward by representatives of finance management for their repeated assertions that diversification strategies destroy the value of companies (Brealey/ Myers, 2000: 946). The reasons discussed in the numerous empirical studies from finance theory can be summarized under the general heading "capital misallocation hypothesis" (Martin/ Sayrak, 2003: 43). The cross financing of projects is usually achieved using surplus capital (or "free cash") earned by the company in more successful industries. In his Free-Cash-Flow hypothesis Jensen (1986: 326ff.) demonstrates the fact that such resources are often knowingly invested in economically pointless projects, He points out that in the absence of cost-effective investment opportunities, managers often used free cash for acquisitions with uncertain prospects of success rather than passing surplus revenues back to the shareholders. Reasons for this, such as the free disposition of free capital or the prestige and power of top management, or as in the case of Thorn EMI, the own interests of management, can be found in numerous agency-theory contributions (Jensen/ Murphy, 1990). Kaiser and Stouraitis (2001: 68f.) demonstrate that the false allocation of internal cash flow in the case of Thorn EMI led to the splitting off of the diversified areas and eventually forced the company to refocus on its core activities in the music industry. The management up to the end of the 1970s invested the high income generated in the 1960s, primarily in conjunction with the huge success of the Beatles, almost entirely in the field of electronic goods, film productions and defense technology. The increasing diversification of the company came to a halt in

1984 as the company attempted to enter into the aircraft industry. The then CEO stepped down and as revenues in the music industry sank, a phase of refocusing began. The false allocation of cash in areas of the company unrelated to music, the core business activity, led to a drastic decrease in the economic value of the company opening them up to the danger of a hostile takeover.

Ever since Wernerfeld und Montgomery's seminal paper which attempted to prove, by means of measuring the 'Tobin's q', that the diversification of companies has a negative effect on their economic value, the aspect of a "diversification discount", i.e. the relationship between diversification and a drop in economic value, has been the subject of much discussion in the financial management discourse (Wernerfelt/ Montgomery, 1988; Berger/ Ofek, 1995; Villalonga, 2004). This also supports the agency theory argument. Nevertheless, the relationship between the economic value of a company and its diversification is no longer regarded as clear, in particular in the case of media companies as will be discussed in the following section.

Resource based argumentation in media economic research: exploitation of synergy potentials

A further argument for diversification can be derived from the resource-based view. The aspect of synergy potential exploitation is one that is discussed across the board and therefore cannot be regarded as a specifically media-related factor. However, the form that exploitable strategic resources take in the media industry does exhibit several special characteristics. Against the background of the increasing digitalization of media content, aspects such as media convergence or the multiple exploitation of content are the subject of much discussion. As such the resource-based view is considered in more detail as part of the discussion of media-specific motives for diversification.

Figure 3 highlights the results of the literature analysis in the previous table and extends them with an examination of the "media specific diversification motives". These include a) characteristics of media products, b) sinking advertising revenues, and c) privatization and technological advances. In the next stage, these are analyzed in greater detail.

Figure 3: Identification of media-specific diversification motives

Merger as a rational strategic decision	Financial economic motives	Risk minimization
	Industry economic motives	Access to markets
		Entry barriers
	Resource-oriented motives	Economies of scale
		Synergies/ Resource leverage
	Agency theory motives	Intransparency
		Income stimulation
		Empire building
	Transaction cost theory motives	Internal capital market
		Vertical integration
	Media-specific perspectives	Characteristics of media products
		Sinking advertising revenues
		Privatization and technological advances

Source: based on Trautwein (1990)

3.1.3 Media-specific diversification motives

Chan-Olmsted and Chang (2003: 217) emphasize the four main characteristics of media products that distinguish the special economic situation of the media industry:

1. The dual, usually complementary character of media products.
2. The economic reliance on different revenue sources such as consumers and advertisers.
3. The non-exclusive and non-depletable character of media content goods.
4. The marketing of media goods via multiple outlets and the resulting dependency on the different price structures, technical developments and infrastructure of the respective consumer areas.

The articles examined provide indications that media products' characteristics do have an influence on the diversification behavior of media companies. A number of different arguments are offered.

The non-exclusiveness and non-depletability of media products together with technological developments can lead to a reduction in revenue from former core business areas. An example for this is the saturation tendencies now evident in physical recording media (e.g. MCs, CDs). The increasing availability of products in digital form and the related and currently unresolved problem of illegal file sharing have led to a decrease in revenues in the music industry. Media companies attempt to compensate by exploiting their intangible assets (e.g. brand/ trademark rights) or their know-how in the entertainment industry through diversification into other markets. The dual and often complementary character of media products facilitates this. In the recent past, revenues could be increased through the use of cross-selling strategies for products. A commonly cited example in the German context is the marketing of "Deutschland sucht den Superstar", the German pendant to "American Idol", across the different industries of the Bertelsmann AG (Köhler/ Hess, 2004). Such cross-media strategies represent a motive for product-led diversification in the media industry.

Sjurts (2002; 350 ff.) stresses that current discourse on media economic strategies is dominated by precisely such convergence-induced cross-media strategies by media companies. As such the diversification strategies of classic media companies concentrate primarily on the internet in order to safeguard against envisaged substitution competition in internet-based sub-markets.

A similar argument is also valid for geographic diversification. The increasing cultural alignment of consumer preferences for media products is the basis for such considerations. In the literature it is repeatedly cited that internationalization and globalization have led to a decrease in the national specificity of media. This in turn contributes to a development that leads to an ongoing concentration within the media sector (Kiefer, 2001: 24). It is possible, through the close connections between individual business areas in the form of project

networks, to repurpose content beyond national boundaries. This argument is however not sufficient to explain the observed diversification of media companies as media companies could equally repurpose content internationally through license co-operations with third parties.

A further media-specific motive for diversification depends upon the relationship between different sources of revenue such as consumers or advertisers. Picard and Rimmer (1999: 2f.) argue that sinking advertising revenues are a decisive contributing factor for diversification initiatives of companies in the newspaper industry. Here it is the aspect of risk minimization that plays an important role. In the case of newspapers, their income is largely dependent on advertising revenues and these are in turn coupled with the development of the gross national product. In times of recession this can quickly lead to a significant drop in income. Nevertheless, under critical consideration, risk minimization seems a questionable motive for diversification. Brealey, Myers and Allen argue that risk management of this kind is better achieved by investors and their securities portfolios than by companies:

> *"[...] diversification across industries was supposed to stabilize earnings and reduce risk. That's hardly compelling, because shareholders can diversify much more efficiently on their own" (Brealey et al., 2005: 915).*

This does not necessarily mean that from the point of view of strategic decision makers, risk diversification does not play an important role. In a case study of the British TV broadcaster Channel 4, Born (2003: 779) describes how fluctuating advertising revenues and the consequent effect on income were a decisive factor for the strategic refocusing of the channel.

A further reason for the necessity of diversification-led growth is an improved bargaining position with respect to the important internet platform operators, an argument that is not dissimilar from the industry economic discussion concerning market power.

Another motive for diversification initiatives among media companies put forward by Chan-Olmsted and Chang (2003: 214) is the deregulation of the media sector in many European and Asian markets. In the wake of the deregulation, a broad spectrum of potential acquisition targets for media companies became available. This resulted for a while in good investment opportunities, as Luther and Broich describe in the takeover of Random House by the Bertelsmann AG:

> *"Even though all the portfolio developments [...] match Bertelmann's strategic direction and portfolio strategy, the individual decisions, e.g. to acquire another company, are often the result of opportunism." (Luther/ Broich, 2003: 118).*

Despite the media-specific reasons for the product-led and geographic diversification of activities, the literature is undecided about whether one can actually regard media economic diversification research as a special theoretical case. For example, in a series of articles, Picard analyzes the rise and fall of international media conglomerates and comes to the conclusion that media companies are subject to the same external influences as any other kind of company when making diversification decisions:

> *"Communication empires are without doubt business enterprises, and nothing in their nature or the way they are treated by societies suggests that they are exempt from the normal pressures that lead to the rise and fall of business enterprises"(Picard, 1996: 37f.).*

Similarly, Stephan (2005) points out that the characteristics of media products are not of decisive importance for the analysis of diversification strategies. In his opinion, media companies are no different to companies in other industries, such as innovative manufacturing, where intangible assets in the form of technical know-how are of particular importance. If this were not so, all knowledge-based companies would have to continually renew their value basis because competitive advantages that are based solely on the exploitation and exchange of existing value factors can rapidly become worthless, for instance through technical innovations. This view strongly reflects an understanding of

the economic relationships in knowledge-based industries which Arthur (1996) has detailed conclusively in his often referenced article on rising incomes in the "new world of business". He describes that the high initial investment costs for research and development as well as network effects with related areas, e.g. processor performance for software, play an important role for the development of technological products.

However the direct equation of media companies with other kinds of companies from knowledge-based sectors disregards other important aspects, for instance the cultural perspective and subjective factors such as consumer tastes and trend development. Chan-Olmsted (2005) highlights the role of economic companies in cultural production. The high investment costs involved in the production of content are often subject to considerable risks. The subjective assessment of consumer tastes, trends and creativity is often a decisive aspect for the success or failure of a particular production. Accordingly this should be taken into account when the strategic direction of a company is discussed with regard to the degree of corporate diversification.

3.2 What is the relationship between degree of diversification and the success of media companies?

The question of whether diversified companies are more successful than strongly focused companies has been the subject of much discussion in previous industrial economic articles. An unequivocal answer remains as elusive as ever. For example both Gort (1962) and Arnould (1969) do not find a significant relationship between diversification and economic performance, whereas other proponents established a positive relationship for diversified companies early on (Carter, 1977). As mentioned above, financial economics researchers have often voiced the opinion that diversification destroys the values of a company (Brealey/ Myers, 2000: 946). The focus of the relevant literature lies first and foremost on a consideration of already diversified companies and as such questions the advantageousness of diversification from the outset. The measuring of the "diversification discount" has until now mostly been conducted using very simple models: a direct comparison of the estimated

value of the individual companies with the usually lower value of the diversified company lead to the conclusion that “diversification = loss of value”. Martin and Sayrak (2003: 53) criticize this approach and point to a number of more recent financial economic papers that contradict the earlier findings, positing the possibility of a “diversification premium”, i.e. an increase in economic value as a result of diversification.

In media economic research the relationship between the degree of diversification and the financial performance of companies is also the focus of consideration. For the greater part, the papers analyzed adopt a strategic management literature perspective directing their methodological analyses towards an assessment of the difference in performance between related and unrelated diversified companies. The comparative examination of the performance of related and unrelated diversifications goes back to Rumelt (1974), who, basing his studies on Wrigley’s (1970) earlier work, was the first to take into account the specific relationships between business activities when assessing the success of diversification strategies. According to Rumelt, a company has the opportunity to expand its activities into business areas or regions that are related to its core activities or country of origin or are unrelated. The formulation of his hypotheses already reveals the assumption, which dominates all strategic management research, that related diversified companies are more successful than unrelated diversified companies due to the ability to exploit economies of scale (Markides/ Williamson, 1994).

Picard and Rimmer (1999) investigate the diversification behavior of American newspaper companies and determine a relationship between the extent of diversification and the return on sales. According to their study, profitability increases with the degree of diversification. However a weakness of their study is the method employed to determine diversification. Picard and Rimmer consider only the proportional percentage of income generated through newspaper sales, or the income generated within the newspaper company's the home region. According to their logic, if the proportion is “high”, they assume it is a focused company, whereas a diversified company makes income from several sources of revenue or revenue from several regions.

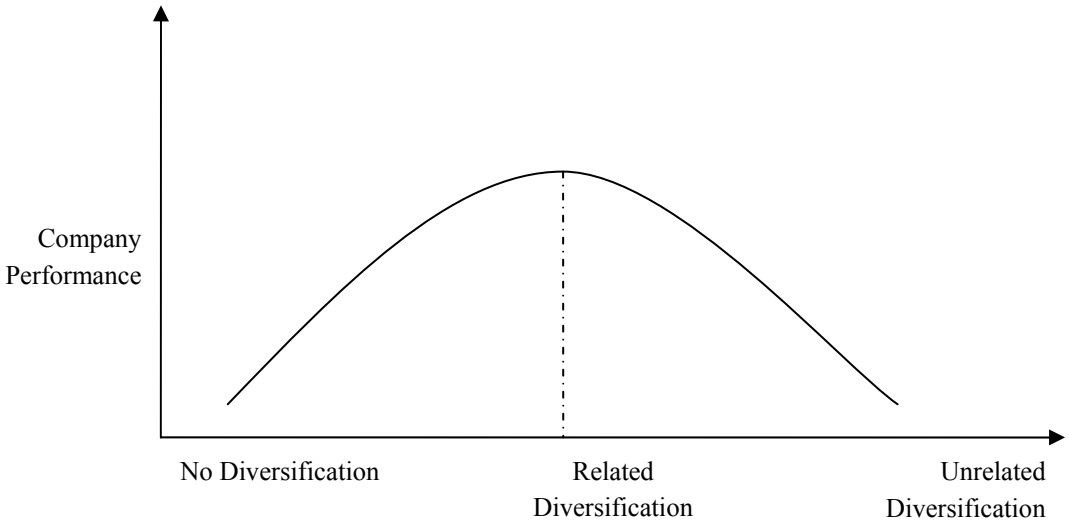
Using a very simple "comparison method", Chan-Olmsted and Chang (2003: 225f.) compare the results of an assessment of the product-related and international diversification of the seven largest media conglomerates with their financial performance measures. From this comparison, two patterns are derived. Firstly, a high degree of product-related diversification appears to be related to a greater overall performance. Secondly, a low degree of international relations does not necessarily result in a lower performance, which to a certain degree indicates the possible superior performance of regional companies as opposed to international concerns. Given the simple nature of their methodical approach these results can be understood as a tendency at best.

Jung and Chan-Olmsted (2005) progress from the previous criticisms. In a current longitudinal study they examine the diversification activities and the development of performance indicators for 26 leading media companies. In this regard Jung and Chan-Olmsted are among the first media economic diversification researchers to use regression analyses for the determination of statistical relationships. When considering the general relationship between diversification and performance they show that the product-related diversification determined with the help of the Herfindahl-Index corresponds positively with the liquidity indicator EBIDTA (Earnings Before Interest, Taxes, Depreciation and Amortization), but insignificantly positively or even negatively with both the profitability- and efficiency indicators ROS (return on sales) and ROA (return on assets) and the capital market related indicator EPS (earnings per share). With regard to international diversification, Jung and Chan-Olmsted (2005: 196) determine a negative relationship with all the aforementioned indicators and confirm the tendency previously put forward by Chan-Olmsted and Chang in 2003 which suggested that regional media companies performed better than their geographically diversified international competitors.

In their assessment of the relationship between diversification direction and financial performance, Jung and Chan-Olmsted draw on Palich and Cardinal's (2000) findings as a comparative measure. In an overview article, they analyze 55 previously published contributions and come to the conclusion that the relationship between diversification and performance corresponds to that of an

inverted U-form. Figure 4 summarizes the findings: performance rises with the increase in (related) diversification, which Palich and Cardinal attribute primarily to the exploitation of compound effects. As diversification increases and increasingly more unrelated sectors are added to the portfolio, the performance begins to sink, presumably because of the increased control costs and reduced efficiency of the management of heavily diversified companies.

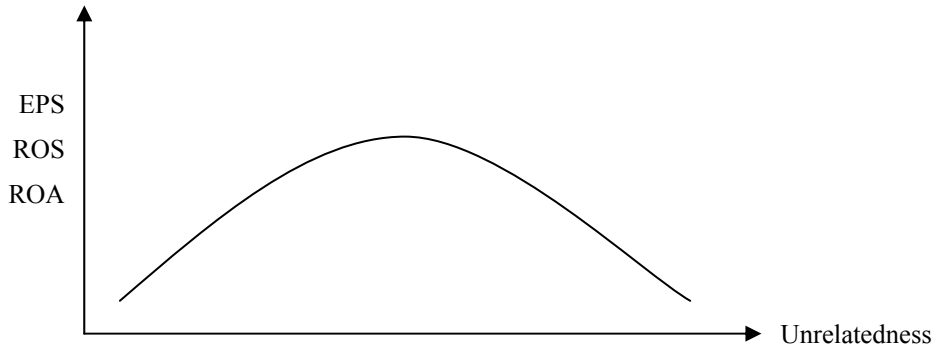
Figure 4: Relationship between the degree of diversification and performance



Source: based on Palich/ Cardinal (2000)

Jung and Chan-Olmsted's (2005: 196) results coincide in part with this pattern. Both for product-led as well as geographic diversification they determine a positive relationship between the coefficient of diversification direction with the efficiency indicators ROS and ROA as well as for the capital market indicator EPS. Accordingly, the performance of a media company rises with increasing product or geographic diversification. However, as the unrelated nature of the product portfolio increases or the cultural connection to the company's location becomes looser, the performance begins to wane. Figure 5 summarizes these findings.

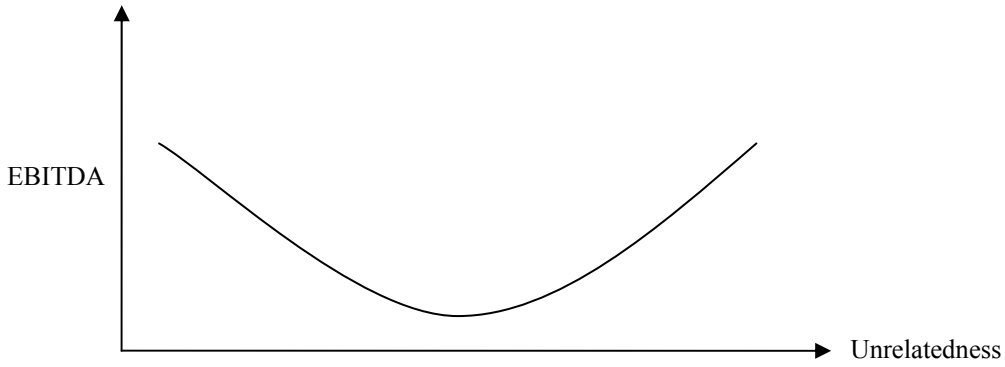
Figure 5: Inverted-U shape model: Relation between direction of diversification and profitability/stock.



Source: Jung/ Chan-Omlsted, (2005:196)

Figure 6 shows that after regression analysis, the relationship between relatedness and the liquidity indicator EBIDTA corresponds somewhat surprisingly to a U-form.

Figure 6: U-Shaped model: Relation between direction of diversification and cash flow.



Source: Jung/ Chan-Omlsted, (2005:197)

Accordingly, product-related as well as geographically focused or strongly diversified companies achieve a higher cash flow than their only moderately diversified competitors.

Jung and Chan-Olmsted suggest that a possible reason for these results lies on the one hand in the high initial investment costs for diversification and on the other in the synergy potential that results from increasing diversification:

> *"[...] because most media businesses are in technology-driven sectors, an initial move to diversify creates a substantial drain on*

their cash reserves. More diversified media conglomerates, on the other hand, might be able to cross-subsidize their cash-strained business units with cash-rich units and enjoy the benefits of scope economies through better distribution and marketing efficiency, thus improving their cash flow standing"(Jung/ Chan-Olmsted, 2005: 197).

To conclude, what is the practical use of the findings discussed up to now? The awareness that low and related diversification is more successful than both too rigid focusing or excessive and unrelated diversification is not sufficient for deriving concrete strategic recommendations.

Excursus: critical evaluation of success factor research-based approaches

The reasons for the low applicability of findings from success factor research has repeatedly been critically discussed in the past (Kieser/ Nicolai, 2005). For example, Lampel and Shapira (1995: 127f.) note that concrete questions formulated as a result of business practice can acquire a life of their own once they enter the realm of academic discourse and are difficult to answer conclusively. New aspects are sometimes added to the original problem or they are analyzed from ever further new and specific perspectives. For example with regard to the question of the contribution of strategic planning to business success, strategic planning can function as an independent variable in an empirical study, with economic success as a dependent variable. It very soon becomes clear that one needs to differentiate between different kinds of strategic planning and different industries, different business sectors or business sizes. More and more variables are added to the original question and the simple relationship posed at the outset becomes gradually sidelined.

The articles examined were not able to confirm an empirically reliable relationship between the degree of diversification and the performance of media companies. If the current considerations were to be expanded to include further factors such as the general economic climate, as has been undertaken in general diversification research, it is likely that media economic diversification research would follow the cycle observed by Lampel and Shapira. It therefore seems

doubtful that the question of whether the diversification of media companies contributes to business success can be answered clearly in the foreseeable future.

3.3 How can one measure the degree of diversification of media companies?

A question that arises when discussing the effect of diversification on performance is how one can measure the degree of diversification in different business areas. Ramanujam and Varadarajan (1989: 526) differentiate between five dimensions which can be used to describe the direction of diversification. A business can diversify in terms of technologies, of products or services, of customer segments, of distribution channels and finally geographic markets. According to the constituent or geographic relationship of the diversified sector to the core business activity one speaks of related or unrelated diversification. Although most of the media economic research papers as well as the general diversification research papers concentrate on product relationships, some papers do also examine geographic relationships within diversified companies.

3.3.1 Measuring geographic diversification

To measure the level of international diversification Chan-Olmsted and Chang (2003) refer to a measure drawn up by Varadarajan und Ramanujam for use with product-led diversification relationships. They analyze the number of distinct foreign markets (countries) that a specific company has actively entered through mergers or acquisitions within a particular period. The relatedness of these individual locations is a factor of the quotient of the total number of countries and the number of regions that a company has entered by acquiring a presence in different countries. In connection with this, Van Kranenburg, Hagedoorn and Pennings (2004: 92) speak of Broad Spectrum International Diversity (BSID) as a term for the total number of countries in which a company is represented and the Mean Narrow Spectrum International Diversity (MNSID) as an indicator for the number of regions in which a company operates. Figure 7 summarizes the above considerations in a matrix. A geographically related diversified company therefore has a high MNISD value and a low BSID value.

In contrast to Chan-Olmsted and Chang who choose a clustering approach to define the world according to a framework of Economic Growth Centers from 2002, van Kranenburg et al. use the more recent classification scheme of the Statistical Office of the European Communities (Eurostat) in their investigation of the relatedness of international diversification strategies which divides the world into seven super-regions (and is used as a measure for determining BSID).

Figure 7: Two-dimensional conceptualization of geographic relatedness

<table>
<tr><td rowspan="2">Broad Spectrum International Diversity</td><td>high</td><td>Cell C
Geographically unrelated diversified company</td><td>Cell D
Company with very high geographic diversification</td></tr>
<tr><td>low</td><td>Cell A
Company with low geographic diversification</td><td>Cell B
Geographically related diversified company</td></tr>
<tr><td colspan="2" rowspan="2"></td><td>low</td><td>high</td></tr>
<tr><td colspan="2">Narrow Spectrum International Diversity</td></tr>
</table>

Source: based on van Kranenburg et al. (2004)

Kim et al. (1989) have presented a method for defining regions in which the world is not divided according to regional criteria but according to economic and political factors. However, in a climate of increasing internationalization of media content and the ongoing international alignment of consumer tastes, the degree to which such schemes provide a true representation of relatedness remains doubtful. The classification of groups of countries is therefore a problem when it comes to measuring international diversification. Two important factors that none of the methods mentioned take into account are the cultural distance and linguistic homogeneity within regional clusters. In their most recent study, Jung and Chan-Olmsted (2005) opt to use a scheme developed by Ronen and Shenkar (1985), itself based on Hofstede (1980), that employs findings from cultural humanities in the determination of international relatedness.

3.3.2 Measuring product diversification

Economic research has investigated appropriate methods for measuring product-led diversification for some time. The subject is central to many of the media economic research papers short-listed. For example in their investigation of international and product-led diversification of the publishing sector, van Kranenburg et al. (2004: 91) have used the agnominal Business Count Method. This is a simple sum of the different business units of companies. As this method is very coarse and ignores the relative size of the individual units it has been successively refined in subsequent stages, for instance by the consideration of the relative proportion of turnover of the individual units. Different methods have been devised for representing the relative importance of the individual business areas more precisely and allow the weighting of the individual business units when measuring their relatedness. In this context of most relevance are the Herfindahl-Index, the Berry-Index and the entropy measures according to Jacquemin and Berry (1979). Table 3 summarizes the most important measuring approaches.

Table 3: The development of continuous approaches to measuring the diversification of companies

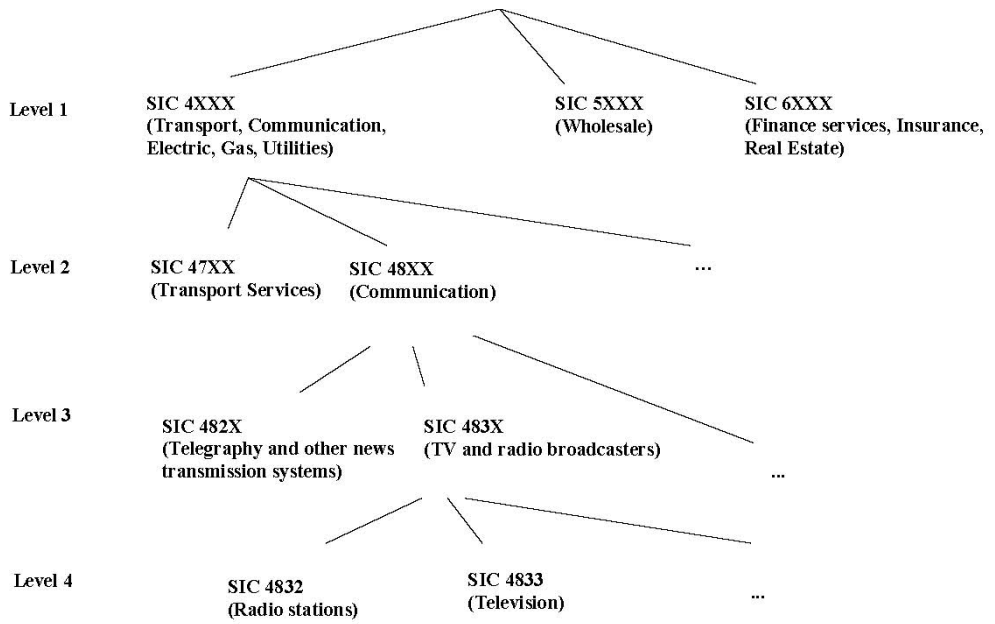
Index	***Formula***	***Definition***
Weighted Index	$\mathrm{I} = \sum_{i=1}^{n} P_i * W_i$	Weighting of the individual business units ***P*** for assessing their relative importance. Disadvantage: arbitrary choice of the weighting factor ***W***.
Herfindahl-Index	$\mathrm{H} = \sum_{i=1}^{n} P_i * P_i$	Weighting of the relative proportion of overall turnover for the business unit $\mathbf{P}_i$. The value for ***H*** measures the degree of concentration and becomes smaller as diversification increases.
Berry-Index	$\mathrm{D} = 1 - \sum_{i=1}^{n} P_i * P_i$	A transferral of the Herfindahl-Index from a measure of concentration to one of diversification by subtracting it from the value ***1***.
Jacquemin-Berry-Index/ Entropy Measure	$\mathrm{E} = \sum_{i=1}^{n} P_i * \ln \frac{1}{P_i}$	Determination of diversification growth taking a refined matrix for structuring economic activity as its basis. $\mathbf{P}_i$ as a business unit's proportion of the overall turnover after predefinition of a level of structural depth in the classification matrix (e.g. a 4-stage SIC matrix)

Using the Berry-Index and the entropy measure from Jacquemin and Berry it is possible to assess the relative importance (in terms of size, generally measured

as number of staff or size of turnover) of individual business units. A disadvantage of this method is that it neglects to consider the distance from the core business activities.

By using the Standard Industrial Classification (SIC) system published by the American Office of Management and Budgets an attempt was made to introduce a means of assessing the relatedness of the activities of business areas, which is not available in the numeric summations above. A four-digit SIC-code describes the industry of a company. The first digit denotes the overall industry a company is active in. Three subsequent levels narrow down the area of a business's activities. Figure 8 shows a breakdown of the SIC system for the television media sector (SIC 4833).

Figure 8: The TV sector in the SIC hierarchy



The concentric diversification index by Caves, Porter and Spence shows for example how the SIC-system can be incorporated into a methodical assessment of the relatedness of fields (Caves et al., 1980; Wernerfelt/Montgomery, 1988):

$$DKO = \sum_{j=1}^{n} s_j \sum_{\substack{i=1 \\ i \neq j}}^{n} s_i \cdot d_{ij}$$

With n as the number of segments; s_j, s_i as the segment's proportion of turnover i, j;

d_{ij} = 0, when segments i and j belong to the same 3-digit SIC group

d_{ij} = 1, when segments i and j belong to the same 2-digit SIC group

d_{ij} = 2, when segments i and j belong to different 2-digit SIC group

The fact that, as shown in Figure 8, the music or print sectors are allocated to other levels than the TV sector illustrates the problems associated with the application of such measuring methods. In this case a SIC-based orientation results in the separation of business areas that are in reality closely related. For instance, where in the past communication services (SIC group 48) and financial services (group 60) were separate areas, in the age of the telephone and online-banking, this no longer makes sense resulting in misleading findings when measuring the related diversification of companies. In the context of the contemporary digitalization of media and fusion of old and new media, the separation into SIC-categories no longer reflects reality and cannot provide satisfactory results when assessing the related diversification of media companies.

Categorical measurement approach according to Rumelt

The categorical or strategic measuring approach developed by Rumelt (1974) departs from these considerations and concentrates on the core activities of companies. Based on the results of an unpublished article by Wrigley (1970), Rumelt developed a classification scheme of nine categories with which the relatedness of business units can be categorized. For example, companies that earn 95% of their turnover in a particular business area are allocated to the group "single business", whereas companies whose largest subsidiary contributes less than 70% of the overall turnover but whose largest related areas contributes more than 70% of the turnover are classified as "related linked". However, critics regard the very plea for a categorization that is independent of a reference system and the departure from the SIC classification scheme as its weakness. Rumelt's approach requires a large amount of information about a

company and is dependent upon a subjective assessment on the part of the researcher, e.g. when deciding the percentages to use in the allocation into subcategories. The applicability of Rumelt's methods for empirical studies is therefore limited (Wolf, 1994: 443).

Varadarajan-Ramanujam method

The disadvantages in the SIC-based Business Count Method and Rumelt's categorical measurement mentioned above cause both Chan-Olmsted and Chang (2003: 219) and van Kranenburg et al. (2004: 92) to choose the method developed by Varadarajan and Ramanujam (1987: 382f.) for measuring diversification. This combines a categorization of the kind offered by Rumelt with a return to the SIC-based classification. The SIC-system is used to differentiate between related and unrelated business areas, related business areas being termed "Narrow Spectrum Diversity (NSD)" and unrelated business areas "Broad Spectrum Diversity (BSD)". Figure 9 clarifies this in the form of a matrix.

Figure 9: Two-dimensional conceptualization of product diversification

<table>
<tr><td rowspan="2">Broad Spectrum Diversity</td><td>high</td><td>Cell C
Unrelated diversified company</td><td>Cell D
Company with very high product diversification</td></tr>
<tr><td>low</td><td>Cell A
Company with low product diversification</td><td>Cell B
Related diversified company</td></tr>
<tr><td colspan="2" rowspan="2"></td><td>low</td><td>high</td></tr>
<tr><td colspan="2">Narrow Spectrum Diversity</td></tr>
</table>

Source: based on Varadarajan/ Ramanujam (1987)

On the axis "Broad Spectrum Diversity" the number of business areas of a media company are recorded, based on a two-digit code. General areas such as music, film and video production, TV and radio or print and publishing can be recorded as categories 39, 96, 48 or 27. The axis "Mean Narrow Spectrum Diversity (MNSD) represents the variety of activity areas within the BSD classes, for example subdividing print and publishing (27) into the sub-

categories newspapers (2711), book publishing (2731), greetings cards (2771) or commercial lithography (2752). The MNSD is a quotient of the number of 4-digit categories of a company's business units and the number of 2-digit categories. A related diversified company exhibits low diversification among the 2-digit area but a high diversity in the subcategories. Varadarajan and Ramanujam's method has been repeatedly criticized in the past for not clarifying where the separation between high and low levels of the basic BSD and NSD axes should lie. However, compared with the aforementioned approaches, Varadarajan and Ramanujam's method seems to be most well suited, and corresponds to the current state of diversification research.

Varadarajan und Ramanujam's approach compensates for some of the shortcomings of the Business Count and categorical method. A critical aspect that has as yet not been discussed further in any of the relevant publications is the question of the general suitability of SIC-based methods in measuring the diversification of media companies. A fundamental problem of existing diversification research is the low ability to operationalize resources. Most relevant publications, including those from media economic studies, demonstrate the advantageousness of related diversification over unrelated diversification using SIC-based measuring approaches (Montgomery/ Wernerfelt, 1988). However, as SIC-codes are only able to demonstrate relatedness within different industries on the basis of products, i.e. the outputs, this approach entirely neglects the resource-based view, i.e. the underlying input factors and as such the decisive factors for the creation of media content. Furthermore, classical diversification measurement approaches are unable to indicate where strategic assets are common across the company's business units and where these offer potential for profitable diversification. Markides and Williamson note that:

> *"[...] existing measures of diversification, such as the entropy index and Rumelt´s (1974) strategic categories, are likely to fail in systematically identifying opportunities for profitable diversification because they are unable to pinpoint instances in*

which the strategic assets […] are common across two businesses [!]" (Markides/ Williamson, 1996: 341).

An important question in connection with the leverage of strategically important resources arises from their characteristics, which Barney (1986b) has described in his widely known "VRIN-scheme". Such resources are valuable, rare, and should be inimitable or non-substitutable by the competition. When these conditions are fulfilled, the resources can be regarded as "strategic assets" which offer potential for above-average revenues in the future. Companies will wish to exploit their strategic assets in other market sectors through diversification strategies but because these are by definition difficult to imitate or to substitute with other assets, this questions the fundamental value of resource leverage. Silverman remarks:

"The same characteristics that enable a firm to extract a sustainable rent stream from these assets often make it nearly impossible to "transplant" them or utilize them effectively in a new context" (Silverman, 1999: 1110).

An approach for overcoming the measurement problem is offered by Stephan (2005: 101f.). As the classic SIC-based measurement methods disregard the question of whether shared resources within related diversified companies can be acquired by non-diversified companies at the same price or less expensively on the market, he proposes the development of indicators for operationalizing strategic relatedness, with which the advantageousness of diversification beyond pure asset sharing can be determined. Three concrete areas should be included in the analysis of media economic diversification: the dissemination and the value of the brand portfolios of media companies, the portfolio of copyrights and licenses and the breadth of product portfolios. In addition, by comparing diversification of resources with the diversification of products, it has been possible to clarify the degree to which media companies leverage their resources for diversification. The demand for a detailed examination of the concept of relatedness has been formulated repeatedly in more recent strategic research articles. For example, D'Aveni et al. investigate how similar forms of resource allocation among individual business areas can influence the

performance of the whole company and highlight the disadvantages of the previously used output-oriented methods:

> *"The SIC classification system has been used as a measure of 'output' relatedness based on similarity of product and customer market characteristics. The lack of results for this measure of the 'output' relatedness between the focal LB [line of business] and the markets of its parent's other LBs suggests that resource congruence (and resource-based views of the firm) is a better predictor [!] of synergies and competitive advantage at the business level than is output relatedness"(D'Aveni et al., 2004: 366).*

3.3.3 Excursus: The empirical determination of convergence

From a media economics point of view it is not only problematic that neighboring SIC-codes do not necessarily exhibit formal relatedness and that the focus on output neglects the resource-based view. More serious is the fact that the SIC-codes do not take account of technological advances, one of the decisive drivers for the entire media sector. A solution to this problem could lie in an empirical determination of relatedness. In the context of technological transformations, van Kranenburg et al. (2001: 77f.) investigated the investment strategy of the Dutch publishers Reed Elsevier, VNU and Wolters Kluwer using a multinomial statistical model. In the process, they wanted to examine the probability of investments in existing or new business areas, or in a combination of these. The attempt to determine relatedness empirically represents an often-overlooked potential in the field of media economic diversification research. Teece et al. (1994) have developed a coherence measure that unlike previous methods is not based on the SIC-code classification but on empirically observed frequencies, or the empirically determined formal relatedness of different industries and so places the aforementioned resource-based view in the foreground. Based on this approach David Bryce and Sidney Winter (2004: 12ff.) have developed the Bryce-Winter-Index for measuring the inter-industrial relatedness of companies. Figure 10 visualizes the basic principle of this approach graphically.

Figure 10: An approach for the empirical determination of relatedness

Industry i J	1	2	3	…	…	…	
1		$J_{1,2}$	$J_{1,3}$	$J_{1,4}$	…	…	
2			$J_{2,3}$	$J_{2,4}$	…	…	
3				$J_{3,4}$	…	…	
…					…	…	
…						…	$\sum = n_i$
						$\sum = n_j$	

i and j denote the different industries according to the four-digit SIC-code, $J_{i,j}$ the number of multi-product businesses that are active in i and j, and n_i, n_j the number of activities of a company in the industries i, j.

The number of multi-product companies that are active in segments i and j can be determined as follows

$$J_{ij} = \sum_k C_{ik} C_{jk}$$

(where $C_{ik} = 1$ when business k is active in i and $C_{ik} = 0$, else).

The expected value for a random distribution is $\mu_{ij} = \frac{n_i n_j}{K}$.

Accordingly, the unrelated diversification can be determined as follows

$$KDU = \sum_{j=1}^{m} s_j \sum_{\substack{i=1 \\ i \neq j}}^{m} \cdot s_i \frac{\mu_{ij}}{J_{ij}} \quad \textit{(for all } J_{ij} > 0\textit{) and}$$

with K as parent population of the multi-product company, J_{ij} as the number of multi-product-companies that are active in i and j, n_i, n_j as the number of activities in industries i, j, s_i, s_j as the turnover proportion of segments i, j of business k and m as the number of segments in business k (Bryce/ Winter, 2004: 12ff.).

The fundamental problem when using the Bryce-Winter relatedness analysis in the field of media economic research lies in obtaining a suitable dataset. One possible source is Standard & Poor's database Compustat. However, at present the density of data has been insufficient to achieve useful results. For this reason Bryce and Winter use data from the US Census Office, and this only for the SIC-code classes 2000-3999. This section does cover all possible pairs of four-digit combinations; however it covers only the manufacturing industries. To achieve similar results for other industries requires a great deal of time and, additionally, the researcher must possess a special sworn status in order to obtain access to the US Census data. As such the relatedness of media companies using the coherence measure cannot, as yet, be determined using this method.

4. Interim conclusion

The first section provides an overview of the current state of media economic diversification research. As part of a two-stage database search, a set of relevant papers was identified and categorized according to their main areas of focus. From an analysis of these, three central questions were identified.

The question as to why media companies diversify was discussed from a general as well as a media-specific point of view. Whereas from a general point of view the transaction cost theory and agency theory argumentations dominate, in the media-specific discourse the characteristics of media products and their effect on the strategic behavior of companies were discussed. Some critics disagree that the characteristics of media products are decisive for analyzing diversification strategies of media companies. As a counter-argument the special role of media companies as units of cultural production is emphasized and therefore also the need to specifically examine the diversification behavior of the media industry.

A further focal area of the reviewed papers is the question of the relationship between the degree of diversification and the success of media companies. An analysis shows that, as yet, studies have not been able to demonstrate an

empirically reliable relationship between diversification and the performance of media companies. In the context of more general criticism, the appropriateness of success factor research for media economic diversification research appears doubtful.

The question of a suitable means of measuring the diversification of media companies is the third focal area examined in the relevant literature. In the first instance this concerns primarily the measurement of product diversification. In general literature this kind of research has been undertaken for a long time, however for media economics this is comparatively new. Measuring methods for media economic research have not yet reached the level of that for more general economic research. A number of different approaches has been presented and discussed with regard to their suitability for media economic research. However, neither more general financial research methods nor approaches such as categorical or (SIC-based) Business Count Methods are suitable for measuring the relatedness of media companies. One reason for this is the output-oriented approach these measuring methods adopt, which neglects the resource-based view that is particularly relevant for the information-processing media industries. A further reason is that the methods discussed do not take into account technological progress, a driver that is particularly important for media industry. Given the above problems, the empirical determination of the relatedness of media companies could present a possible solution.

For this reason the final section of this chapter discusses a coherence-based approach to measuring the relatedness of companies and its appropriateness for media economic diversification research. This method may prove to be of particular relevance for analyzing diversification in the media industry due to the high importance of convergence to the media industry. Embarking from the overview provided in this chapter, the search for and the application of alternative means of measuring diversification along the lines of Bryce-Winter's coherence index could prove an area of interesting future research.

In the search for possible sources of competitive advantage, resource-oriented approaches focus on internal factors within a company. Wernerfelt defines resources as:

> *"[...] anything that could be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984:172).*

Because media products have a pronounced information-based character, the resource-based view represents a promising perspective for the strategic management and diversification of media companies. It is therefore no surprise that the resource-based view is advancing to a central area of media economic research (Picard, 2002, Chan-Olmsted 2006).

This thesis takes a multi-perspective view of different motives for diversification and refocusing in the media industry. Is the resource-based view able to equip managers with tools for making strategic decisions that, among other things, also influence the organisational form of the company?

The degree to which different schools of the RBV influence diversification and refocusing decisions among media companies, and exactly how the RBV can contribute to the management of media companies and whether concrete recommendations can be derived from it for their management will be discussed in the second part of this thesis.

PART II: HOW CAN THE RESOURCE-BASED VIEW CONTRIBUTE TO THE MANAGEMENT OF MEDIA COMPANIES

Over the last ten years, the resource-based view has developed into one of the most influential approaches to strategic management. Not only does the RBV enjoy widespread recognition in the academic community, it also claims to have a high degree of practical relevance.

Barney and Arikan (2001) give an overview of the theoretical history of the RBV. In this regard they show that the RBV's prescriptions are especially rooted in the theoretical streams of:

- Traditional work in distinctive competencies;
- Ricardian economics;
- Penrosian economics;
- The study of antitrust implications of economics.[2]

Teece (1980) was amongst the first to begin to apply resource-based logic to the problem of corporate diversification. As Barney and Arikan (2001) summarize, Teece argues that the kinds of relations among companies that are most likely to be sources of economic profits for firms that are pursuing a strategy of corporate diversification are also the kinds of relations that will be difficult to manage through non-hierarchical forms of governance.

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[2] For a detailed overview of the theoretical origins and the development of the resource-based view see Barney/ Arikan (2001)

Teece puts it this way:

> *"[...] if economies of scope are based upon the common and recurrent use of proprietary know-how or the common and recurrent use of a specialized and indivisible physical asset, then multiproduct enterprise (diversification) is an efficient way of organizing economic activity" (Teece, 1980: 223).*

The practical relevance of the resource-based view (RBV) is, however, a matter of ongoing debate. There is little consensus concerning the RBV's potential to guide managerial practice. Some authors regard the RBV as a showpiece of relevant research. Acedo et al. (2006: 621) highlight the "usefulness" of the RBV and state that there is general agreement on the RBV's "widespread dissemination in […] management practice" (p. 621). Other authors express their doubts as to the applicability of the resource-based view (e.g. Levitas/ Ndofor, 2006) or stress that the approach has to be developed further before it can be of practical use (e.g. Brush/ Artz, 1999). Priem and Butler's (2001) article entitled "Is the 'resource-based view' a useful perspective for strategic management research?" has received much attention. In it the authors hold that the presence of paradox within the RBV undermines its ability to generate managerial implications. Porter (1991) and other authors (e.g. Collis, 1994, Foss 1996) have made similar claims in the past. These papers triggered an intensive debate on the relevance of the RBV, dominated by economic and methodological arguments (Barney, 2001).

While this debate led to new insights it focused solely on the theoretical structure of the RBV and its perspective as a research program. Thus, the general discussion of the RBV's tenets, assertions and relevance had little direct contact with the managerial perspective.

The field of media management seems to be well suited as a case study example for two reasons. Firstly, there is consensus that media management research is a very applied field, or as Doyle and Frith (2004) put it, there is a "tendency towards applied and practical work". Secondly, the RBV is one of the most important theoretical approaches, all the more so because the RBV research

discusses aspects central to media economics such as related diversification, property rights or the importance of intangible assets. As such the RBV is viewed by many as offering a theoretical underpinning for media economics research. For example Chan-Olmsted and Chang hope that the RBV can help

> *"[to] devise a system of determinants that might affect the extent, direction, and mode of diversification for global media conglomerates" (Chan-Olmsted/ Chang, 2003).*

Likewise, it is expected that implications can be derived from the RBV for different functional areas of media companies. This applies not only for the strategic management of media companies but also for their organizational structures. For example, a core competence-orientation can lead to a different organizational structure than the traditional segmentation in strategic business units (Prahalad/ Hamel, 1990).

Today, the RBV is one of the most important approaches for media management. A large number of publications already exist which attempt to derive practical implications for the management of media companies from the RBV. The following section of analysis is not simply a further publication in this vein. The aim of this chapter is (a) to provide an overview of the existing literature on the practical implications of the RBV for media management, (b) to discuss what kind of practical relevance can be expected from the RBV and where it is of less relevance and (c) to systematize and differentiate between the different interpretations of the RBV and to assess their respective practical relevance.

It should be noted that the RBV cannot be regarded as a single clearly defined theory but encompasses a number of approaches. The literature on media economics contains different normative interpretations of the RBV. Four key approaches can be identified, in which the RBV is seen (a) as a means of identifying and acquiring strategic resources of media companies, (b) as an approach for maximizing the utilization of existing strategic resources of media companies, (c) as a contribution to the internal development of critical

resources and skills, and more recently (d) as a stimulus for creative strategic processes.

This section begins by examining and differentiating between the theoretical approaches of the different interpretations of the RBV. Since the RBV cannot be regarded as a single clearly defined theory, it is first necessary to categorize the aforementioned different normative interpretations of the RBV.

In the second part, the prescriptive potential of the individual RBV-interpretations for media management will be discussed and illustrated in case studies. A literature review was therefore undertaken in the field of media management in order to analyze what managerial implications were drawn from the RBV. The review was based on different sources. Journals specializing on media management were screened (e.g. Journal of Media Economics, The International Journal on Media Management) as well as German and international monographs and contributions in general management journals.

Finally, the conclusion summarizes the findings of the analysis and identifies areas for potential future research. It also discusses which conclusions can be drawn from the example of media management for the prescriptive potential of the RBV in general. The findings of the analysis form the basis for the final part of this work, which undertakes an empirical examination of how diffusely defined concepts can actually influence decision-making in media companies.

1. Four interpretations of the RBV

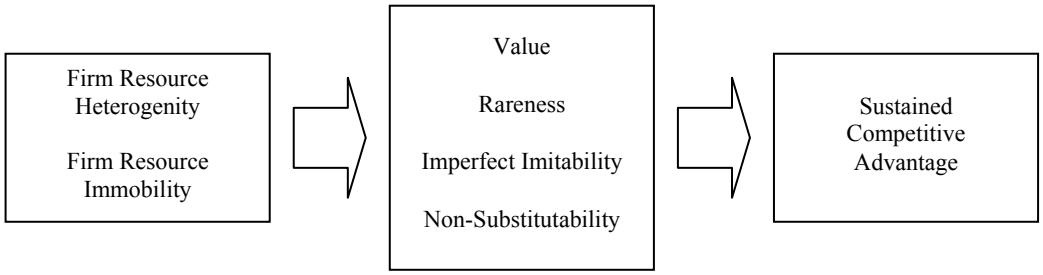
1.1 External identification and acquisition of strategic resources

An important difference to the work of Porter, which is strongly characterised by industrial economics, is the notion of the heterogeneity of resources in the RBV. From the viewpoint of proponents of the RBV, factors relevant for the success of companies are not determined by the market structure. The assumption is therefore that there are not homogenous success factors within the individual branches (for an overview see zu Knyphausen, 1993). The key

question is therefore what properties and characteristics do resources need to have in order to bring a business sustained competitive advantage.

Barney (1986b; 1991) introduced the so-called "VRIN attributes" for classifying the necessary properties of strategically important resources (strategic assets). According to this, such resources must not only be valuable (V) and rare (R) but should also be inimitable (I) and non-substitutable (N) by the competition. Resources which exhibit these attributes can represent a significant competitive advantage for companies (Barney, 1991). Figure 11 summarizes this graphically:

Figure 11: Schematic representation of the VRIN attribute scheme



Source: based on Barney, (1991: 112)

Several authors see the VRIN attributes as a suitable means of identifying desirable resources that companies should acquire. The acquisition of such resources can be the result of internal development or of external acquisition. In this interpretation the RBV is used principally as means of pre-selecting so-called success factors. Some authors have attempted to test this in empirical studies using performance as a dependent variable.

Barney and Wright provide an example for the pre-selection of possible success factors using the RBV. In their study they show that the resources managed by the human resource department (human resources, staff commitment, teamwork, culture etc.) typically exhibit VRIN attributes.

Accordingly, investment in the HR function as a strategically important area should lead to improved performance:

> *"The ultimate quest should be for the HR function to provide the firm with resources that provide value, are rare, and cannot be*

easily imitated by other organizations. This quest entails developing employees who are skilled and motivated to deliver high quality products and services, and managing the culture of the organization to encourage teamwork and trust" (Barney/ Wright, 1998: 44).

The message is that companies should invest in resources, such as HR, that exhibit VRIN attributes.

Bhatt and Grover (2005) take a different approach: They apply the VRIN attributes to IT-capabilities and conclude that these resources are not critical for the success of companies as increasing standardization has made them easy to imitate. In their empirical study, they confirm the hypothesis that there is no causal relationship between the IT-infrastructure of a company and its competitive advantage.

Further studies, including those by Lei and Slocum (1992), Henderson and Cockburn (1994), Mata et al. (1995) or McGrath et al. (1995), support the identification of strategic resources with empirical evidence.

A success factor oriented interpretation of the RBV is, however, comparatively uncommon in the literature, probably because the core idea of the RBV is difficult to reconcile with the success factor approach. While the RBV highlights the importance of company-specific and unique resources, success factor research emphasizes variables that are generally applicable and relevant across different industries. This emphasizes the imitation of methods that have proven to be successful in the past. The RBV by contrast stresses the value of inimitability and therefore a choice of strategy that draws upon the company's internal resources rather than the practices of its competitors.

1.2 Exploitation of existing strategic resources

Although Barney (1986a) is willing to attribute a limited success factor oriented interpretation of the RBV, elsewhere he also argues against this interpretation, ascribing more to the context of organizational culture. In order to be a strategically valuable resource, the organizational culture should exhibit VRIN

attributes. Accordingly it should first be valuable, an attribute which can be measured through aspects which contribute to the value of the company, such as high margins and low costs. Secondly, the business culture of the organization should be unique in order to differentiate it from other businesses. Finally, it should not be possible to emulate the organization's business culture (inimitable) or substitute it with something similar (not-substitutable).

In many cases an organizational culture may exhibit such attributes. However, in the latter aspect in particular, Barney notes that this last attribute can only really be valid when the organizational culture has become independent of control through the management:

> *"For if one firm is able to modify its culture then it is likely that others can as well. In this case, the advantages associated with this culture are imitable, and thus only a source of normal economic performance. Only if it is not possible to manage a culture in a planned way does that culture have the potential of generating expected sustained superior performance" (Barney, 1986a: 664).*

The problem here is that precisely those qualities that make the organizational culture a profit-generating resource for the company are ones that cannot be controlled by the management. Put another way: if the organizational culture can be managed, then it can also be imitated and would therefore no longer represent a critical strategic resource according to the RBV. For this reason Barney, and other authors who belong to the structural school of the RBV, focus not on the development and acquisition but rather the exploitation of the existing resource base (Schulze, 1994).

In this perspective the RBV serves to assist in the internal analysis of the firm's resource endowment and to leverage those resources that exhibit VRIN attributes.

As Barney puts it:

> *"Resource-based logic can help managers more completely understand the kinds of resources that can generate sustained*

strategic advantages, help them use this understanding to evaluate the full range of resources their firm may possess, and then exploit those resources that have the potential to generate sustained strategic advantage" (Barney, 2001: 49).

For example, this method can be used to develop and identify strategies for related diversification, i.e. to identify where profit-generating resources can also be used in other lines of business. Coff et al. show, using the example of tacit knowledge, that companies do not have any significant competitive advantage through simply being able to control strategic resources. Rather, the management needs to find means and ways of using these resources, however limited they may be, to the maximum and throughout all areas of the business:

"Thus to leverage tacit knowledge into a significant advantage, the firm must be able to scale up to meet demand for the resource" (Coff et al., 2006: 453).

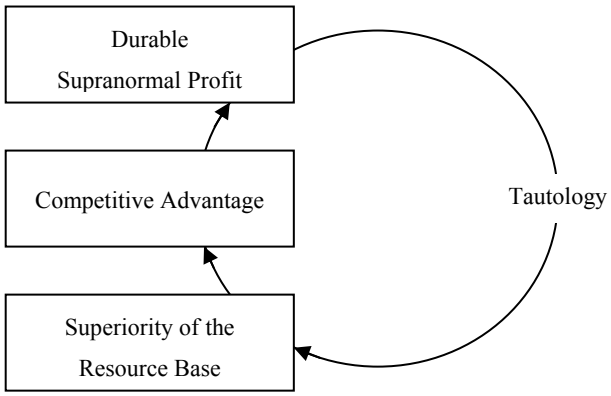
The same authors also note the limitations of this interpretation of the RBV. If a company wants to exploit tacit knowledge through replication, there is a danger that this may lose its strategic value. In order to make use of tacit knowledge in new contexts it has to be transferred to new areas within the company. The authors call this the "knowledge-scaling paradox" (Coff et al., 2006: 453). To reproduce and transfer tacit knowledge it is necessary to codify it to a certain degree, and as the degree of codification increases, the more it becomes imitable (Lippman/ Rumelt, 1982; Nelson/ Winter, 1982: 182). As a result there is a trade-off between the company's desire to expand the application areas of its strategic resource and the danger of eroding its strategic value by making it replicable.

Silverman elucidates the same argument in another form:

"[...] A firm that has developed an advantageous resource position is protected to the extent that its resources are specific to certain applications; at the same time, this specificity constrains the firm's ability to transfer these resources to new applications" (also see Szulanski, 1996: 27; Silverman, 1999: 1110).

A further problem arises with the internal identification of profit-generating resources using the RBV. Figure 12 illustrates schematically the structural school interpretation:

Figure 12: Schematic representation of the structural school interpretation



Source: Fischer/ Nicolai, (1998: 10)

Critics point to the fact that it is difficult to determine *ex ante* exactly which resources contribute to success (Nicolai, 2000). This can be described by a tautology: the RBV ascribes supranormal profits to a better resource basis. However, what constitutes such a resource basis can only be defined *ex post* through the supranormal profits. This is one of the reasons why there is as yet no convincing litmus test for determining strategic resources.

1.3 The internal development of critical resources and skills

Given that the factor markets function, one cannot expect to build up a basis of critical resources by purchasing input factors. The principles of market equilibrium dictate that the costs for a factor should exactly compensate its value. For this reason, the followers of the process school of the RBV direct their attention towards the internal development of resources, i.e. those which cannot be traded on the open markets (Schulze, 1994). According to this perspective a competitive advantage results not directly from the resources themselves, but from the ability to combine, coordinate and re-develop them. This perspective subordinates the resources themselves to the so-called organizational capabilities of the business.

The process school interpretation of the RBV is more dynamic than that of the structural school, which is not able explain changes occurring in the resource base. The notion that competitive advantage cannot simply be derived from the mere availability of resources but from a company's ability to use such resources productively goes back to Penrose:

> *"It is never resources themselves that are 'inputs' in the production process, but only the services that the resources can render. […] The important distinction between resources and services is not their relative durability; rather it lies in the fact that the resources consist of a bundle of potential services and can, for the most part, be defined independently of their use, while services cannot be so defined" (Penrose, 1959: 25).*

Teece, Pisano and Shuen have made a fundamental contribution to the development of the process school with their concept of dynamic capabilities. According to this concept, the dynamic capabilities of a company lie in their ability

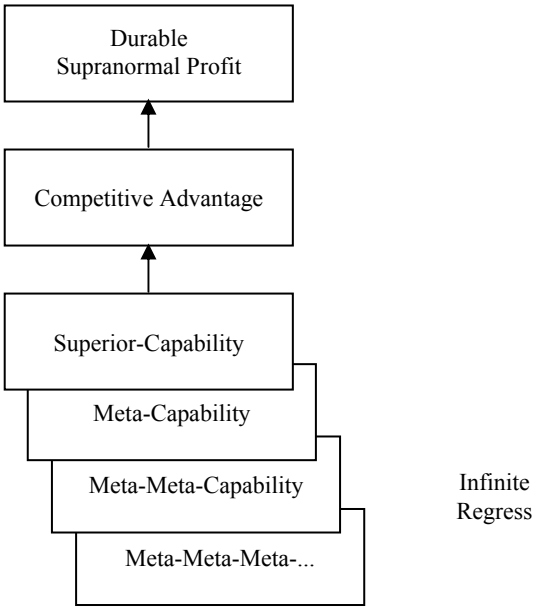
> *"to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997: 516).*

Eisenhardt and Martin (2000) define dynamic capabilities similarly as organizational and strategic routines. They enable companies to react to changes in their environment by reconfiguring their available resources. Danneels (2002) argues that such dynamic capabilities are especially necessary for rapidly changing market sectors, in order to enable companies to adapt their organizational structures to fit changing conditions. With this in mind, he developed a conceptual framework that shows how product innovations can help companies achieve organizational renewal. A typology of new products is presented which can be used as a tool for portfolio analysis. According to the concept, the improved understanding of the renewal potential of products provided by the analysis is a prerequisite for product innovation, which in turn is beneficial for organizational renewal.

The process school describes a series of different levels of resources. The lowest level, the basic resources themselves, is not viewed as being critical for success, rather it is the levels above, the capabilities and meta-capabilities, that are more decisive. For example, it is less the resource "reputation" in itself that contributes to the success of a company, but the processes that have enabled the company to build its reputation. The process school views the resources of a firm as interdependent and focuses on their orchestration and consistency.

A weakness of this interpretation of the RBV is that there is no natural cut-off point in the search for higher meta and meta-meta levels of resources and capabilities. Some authors have argued that the process school of the RBV is in danger of slipping into an "infinite regress" (Collis, 1994). Figure 13 illustrates the pattern that arises through the process school interpretation.

Figure 13: Schematic representation of the process school interpretation



Source: Fischer/ Nicolai (1998: 13)

For example, the search to improve organizational learning ability could continue ad infinitum – learning about learning how to learn, etc. Or similarly, the management's ability to manage as the management of the managing of management etc. Nicolai writes,

> *"As an alternative to limiting oneself to one's existing abilities, one is recommended to develop higher level abilities. [...] The problem is that it is unclear why the existing abilities need to be controlled.*

[…] Furthermore, with each step up into higher levels, the actions become ever more abstract, culminating in the recommendation to acquire those elusive 'universal abilities' with which you can do everything better" (Nicolai, 2000: 124).

As a result it remains unclear as to how the RBV can be instructive in the development of capabilities.

1.4 The paradoxes of the RBV as a stimulus for creative strategic processes

The preceding discussion illustrates that with each of the different interpretations of the RBV there are some inconsistencies and internal contradictions to contend with. More recently the RBV discourse has taken a new direction. Although sometimes sharply criticized, the usefulness of the RBV is seldom refuted or discarded. Instead the emphasis is shifting away from the RBV as an instrument with which to more or less directly determine strategies, to the use of the RBV as a creative stimulus for strategic processes. For example, Lado et al. argue that it is precisely the paradoxes of the RBV, i.e. its lack of consistency, which can be a stimulus for the development of strategies:

"[…] the RBV can continue to grow in an ocean of anomalies, paradoxes, and tautologies" (Lado et al., 2006).

The RBV can help ascertain a new perspective on the internal condition of the organization and its dilemmas and internal contradictions. And it is precisely these contradictions that offer potential for new approaches. Lado et al. criticize the critics of the RBV and put forward the idea of "sophisticated falsification" when dealing with the paradoxes of the RBV:

"[…] Rather than energizing the field of strategic management, this debate might generate more heat than light and close further the minds of the already converted without opening the minds of others" (Lado et al., 2006: 125).

Instead of demanding theoretical "purity", scientific research should work within the different paradoxes and make use of the inconsistencies, tensions and contradictions for developing new perspectives.

This can be explained using the aforementioned tautology problem. The reason for the sustained success of a company lies in its superior resource basis. What the superior resource base actually is can only be defined *ex post* through the supranormal profits of the company. The tautology of the RBV leads to a rather ambiguous definition of resources. However, some authors regard this ambiguity as being of practical use. Astley and Zammuto (1992) point out that ambiguous concepts can be attractive for managerial rhetoric. For example, an ambiguous conception of the core competences of a company can help managers convey a sense of focus for a strongly diversified business. In this case, the core competence definition needs only to be sufficiently broad. Additionally, a tautologically defined description of resources provides room for so-called "enactment" (Weick, 1979a, 1979b; Eisenberg/ September, 1984). The idea here is that when people act on the basis of certain management concepts they bring structures and events into existence. For example, the assertion by the management of a media company that "our culture is our core competence" can actually lead to it becoming a core competence. In this respect, the RBV provides "rhetoric devices", which can be employed by managers to shape organizational realities.

Another example of the interpretation of the RBV, according to the paradox school, is the problem of availability of critical resources. The characteristics that contribute to the success potential of a resource also liberate themselves from managerial control. A possibility for this paradox lies in the counter-intuitive idea that it can be advantageous when a company cannot fully explain how its existing resource basis functions. This throws a new light on the question of managerial control and planning of strategies.

A related paradox is the well-known "no rules for riches" law. A company's competitive advantage derives from those activities that a company pursues differently to its competitors. The aim is to be unique. This cannot be achieved

using generally applicable strategies. This paradox remains a decisive argument against the resource-oriented approach (Rumelt et al., 1991: 11).

Some authors see particular potential in this paradox (Rouse/ Daellenbach, 1999, 2002). The identification and discussion of such paradoxes reveals new insights, in particular when researchers and organizational actors work together more closely. If there are no rules for riches, practitioners should not expect to receive directly applicable knowledge from researchers. Barry and Elmes (1997) call instead for a "polyphonic approach" in which both parties communicate in open and equal dialogue with one another.

A similar approach is posited by Lado (2006), who notes that theoretical systems which are built upon tautologies can be broken down with the help of auxiliary hypotheses. An example is the inclusion of the temporal or spatial contexts in which the different kinds of resources or capabilities have contributed most to the company's performance.

Other authors, however, voice their concern that the paradoxes of the RBV impair the value and usefulness of the RBV as a whole (Porter, 1991; Collis, 1994; Foss, 1996; Priem/ Butler, 2001). As a result of the paradoxes it is difficult to derive consistent strategic recommendations. According to Gibbert (2006a), the RBV's emphasis on the uniqueness of resources contradicts the scientific need for generally applicable findings. Leaving aside the contradictory positions in the ongoing debate on the RBV, it can be noted that the RBV discourse has shifted considerably from the economic theory, which originally lay at the core of the RBV.

Table 4 provides an overview of the aforementioned interpretations of the RBV. The following section describes how the variants of the RBV have influenced the media economics discourse.

Table 4: The different interpretations of the resource-based view

Usefulness of RBV	Motto	School of RBV	Key proponents
RBV helps to identify resources critical for business success, and to invest in them	Discover externally and invest	Success factor oriented interpretation	(Barney/Wright, 1998); (Bhatt/Grover, 2005) (Michalisin et al., 1997) (Hatch/Dyer, 2004)
RBV helps to identify the specific internal resources with potential for exploitation	Discover internally, exploit & protect	Structural school	(Wernerfelt, 1984); (Barney, 1986a); (Schulze, 1994); (Dierickx/Cool, 1989)
RBV helps to develop higher level (meta) resources	Create, upgrade, orchestrate, replace	Process school	(Schulze, 1994); (Prahalad/Hamel, 1990); (Grant, 1991); (Amit/Schoemaker, 1993); (Mahoney, 1995) (Teece/Pisano, 94); (Teece et al., 1997)
The inconsistencies within the RBV provide a creative stimulus for developing strategies	Accept paradoxes and tautologies and use creatively	"Paradox school"	(Priem/Butler, 2001); (Lado et al., 2006)

2. The RBV in the media economics discourse

2.1 External identification and acquisition of strategic resources for media companies

All work that attempts to identify general factors critical to the success of media companies, and/or to externally acquire or build on these resources can be attributed to the success-factor-oriented interpretation of the RBV (for an illustration see Case example 1, Figure 14). This can also include papers that attempt to determine particular trends or contextual developments that will influence the resource needs of media companies.

Figure 14: Case example 1

Case Example 1: J. Cardoso's (1996) study:

Cardoso's (1996) study is an example of the success factor oriented interpretation of the RBV within the media economic discourse. The author describes the aims of the paper as follows:

> *"This paper focuses on the content industry sector and is an attempt to identify the 'core competencies' that firms producing multimedia products should develop in order to be competitive. (Cardoso, 1996: 253)"*

In the course of the paper Cardoso names the principal critical success factor resources, which he calls core competencies, as follows:

- The creative use of content
- Exclusive access to content (i.e., content ownership or exclusive licensing),
- Experience with marketing and publicity
- Access to distribution channels

According to Caroso these are the competencies that are *"necessary [...] to be successful" (Cardoso, 1996: 253).*

Dettki (2003), for example, attempts to name generally applicable critical resources. According to Dettki, strong brands, trademark rights, content and widespread sales and distribution networks represent the key assets of media companies. Among the key skills of media companies, Dettki cites the generation, utilization and management of content as well as general marketing skills and experience in handling internet-based digital content. Using the example of media production companies in the TV sector, Picard (2005) identifies two key resources that are critical to success: facilities and equipment with which to produce additional content and trained personnel able to create content that makes the new channels attractive and effective.

Besides Picard's study, the literature contains further discussions of numerous resources that could be regarded as relevant success factors. These include trademark rights, knowledge-based resources, alliances with other media companies, content, the capability to transfer or repurpose content products for different media outlets, the availability of a multi-stream revenue system, the generation, editing, administration and marketing of contents, experience of

digital content provision on the internet, sales and distribution networks, quality management of TV programs, media usage rights, TV communicators, strategic early recognition, business and product reputation, organizational culture, advertising customers and a detailed understanding of audiences (Habann, 1999, 2000, 2001; Chan-Olmsted/ Chang, 2003; Dettki, 2003; Döbler/ Rittner, 2004; Hollifield et al., 2004; Küng, 2004; Peltier, 2004). In many cases their relevance as success factors is corroborated using the VRIN-attributes. Something that could be described as a holistic set of resources for media companies is not to be found in the available literature.

Nevertheless, a success factor oriented interpretation of the RBV is seldom found in its pure form. This could be due to the aforementioned internal contradictions between the success factor approach and the RBV. However, many different papers contain passages that point to exactly this success-factor-oriented usage of the RBV, despite the fact they are normally attributed to a different interpretation of the RBV. For instance, Habann (1999; 2000) identifies resources that are in principle success factors for all media companies (e.g. trademark rights, business and product reputation, organizational culture), although he later goes on to undertake company-specific analyses. Similarly, Chan-Olmsted (2003) initially discusses generally valid resources such as a functioning marketing or rights to contents, or more general still, good management, as being critical to the strategic success of media conglomerates before recognizing later, that for an analysis of the resource basis, a company-specific analysis should be undertaken (Chan-Olmsted/ Chang, 2003; Chan-Olmsted, 2004; Landers/ Chan-Olmsted, 2004).

One cause for the mixed argumentation employed could be the industry focus within media economic literature. For this reason Gibbert (2006a; 2006b) mentions the problem of "generalizing about uniqueness" in the RBV. Typically the aspect of uniqueness applies to a single company. Some authors, however, have sought to identify those resources that can be regarded as success factors for the entire industry. This does not make a plausible strategic approach; companies seek to attain a competitive advantage over their competitors and not over other industries. As such, identifying industry-wide

critical factors for the success of media companies on the basis of the RBV would not seem to be a promising approach.

2.2 Exploitation of the existing resources of media companies

The structural school of the RBV is the most widespread of all the RBV interpretations to be found in the literature on media economics (for illustration see Case example 2, Figure 15). A possible reason for this is that the media industry is dominated by international diversified conglomerates such as Bertelsmann, Time Warner, News Corp, Vivendi Universal and so on, and that their focus lies primarily on leveraging their available resources. As such the RBV contributes to the management of media companies on the corporate level.

Figure 15: Case example 2

Case Example 2: Grant's (1999) study:

Grant (1999) uses the example of the Walt Disney Company to illustrate the implications of exploitation of existing assets. In his case study, he comes to the following conclusions:

> *"The remarkable turnaround in the performance of the Walt Disney Company between 1985 and 1987 owed much to the vigorous exploitation of Disney's considerable and unique assets: accelerated development of Disney's vast landholdings (for residential development as well as entertainment purposes), exploitation of Disney's huge film library through cable TV, videos, and syndication; fuller utilization of Disney's studios through the formation of Touchstone Films; increased marketing to improve capacity utilization at Disney theme parks" (Grant, 1999: 9).*

Grant then draws implications for more general managerial practice:

> *"The critical task is to assess capabilities relative to those of competitors. [...] For the firm, a successful strategy is one which exploits relative strengths. [...] Failure is often due to strategies which extend the firm's activities beyond the scope of its capabilities" (Grant, 1999: 10).*

The increasing digitalization of media content supports the trend towards the utilization of media resources across different segments (Jung/ Chan-Olmsted, 2005; Lampel/ Shamsie, 2005). Weber and Rager (2006) describe the exploitation of synergies as a continuing economic trend in the media industry. In this context they note the growing trend among media companies to develop ways in which to repurpose their existing content using cross-media strategies,

for instance through the creation of own brands such as Bertelsmann's "Starsearch" format (Köhler/ Hess, 2004).

Sjurts (2002) makes a similar argument using the example of the diversification strategies of a German print media company. From a resource-based viewpoint, such diversification makes sense as pre-existing information and entertainment can be made available in another media. In addition, content producers with brand qualities have an advantageous competitive position in the program production market and as such cross-media multiplication strategies of this kind will strengthen this still further.

Stephan (2005) reminds us that the strategic resource basis for media companies is primarily "content-related" and Habann (1999) notes in this respect the growing importance of media rights. These regulate the media-supported reproduction of original works and so form a precondition for the creation of media content. Intellectual property rights and the rights of media or trademark use are a further important component of the resource basis of media companies (Chan-Olmsted/ Chang, 2003; Dettki, 2003). Accordingly, the diversification strategies observed in media companies can often be explained by the desire to leverage such resources.

A limitation to this argument is the fact that those qualities that make a resource strategically important inhibit the leverage-potential of a resource. This applies particularly to resources that are based largely upon tacit knowledge. For example, it is questionable to what degree resources such as the capability to produce information and entertainment programs (Sjurts, 2002), the creative potential of a media company's staff (Thielmann, 2000; Sjurts, 2002) or the early recognition of business opportunities in media markets (Schulze et al., 2005) can be leveraged. This could be a possible reason why acquisitions in the media industry that have taken place with the aim of realizing potential synergies, have often failed. Kolo und Vogt show that the growth-motivated M&A activities of media companies do not necessarily have a positive effect and point in this respect to Roll's (1986) hubris-argumentation:

> *"This theory states that top managers commit errors of excessive self-confidence, being over-optimistic about the synergies that would result from mergers" (Kolo/ Vogt, 2004).*

There are, nevertheless, many examples of successful leverage of resources. For instance trademarks are not based upon tacit knowledge and can be used in cross-media sectors. In this case the inimitability does not limit its leverage possibilities. The structural school of the RBV does not, however, give any indication of how such trademarks can be acquired at a cost that lies beneath the expected leverage-effect. Although the approach can help to exploit existing resources, it gives little indication of how new potential for success can be developed. For media companies too, there is a danger that such an interpretation of the RBV can lead to over conservative strategies or so-called core-rigidity (Leonard-Barton, 1992).

2.3 The internal development of critical resources and skills of media companies

Rather than emphasizing the contribution of the resource basis itself to the success of a business, the process school focuses on the capabilities or meta-capabilities with which the resources are combined and orchestrated (for an illustration see Case example 3). According to Stephan the meta-capabilities are of special importance for media companies as they have to manage a resource basis that is difficult to control directly: "[…] In contrast to most other manufacturing and service firms, the critical skills and capabilities of media companies consist of, for the most part, knowledge of creative staff, such as musicians, editors, writers, actors, directors, and journalists" (Stephan, 2005).

Lampel et al. determine that traditional HR techniques are of limited use in establishing such resources:

> *"Managerial practices such as professional training and apprenticeship that are useful in other industries are largely ineffective in cultural industries" (Lampel et al., 2005: 293).*

As such it is the meta-capabilities with which the creative resources can be developed which are critical success factors for media companies (See Figure 16).

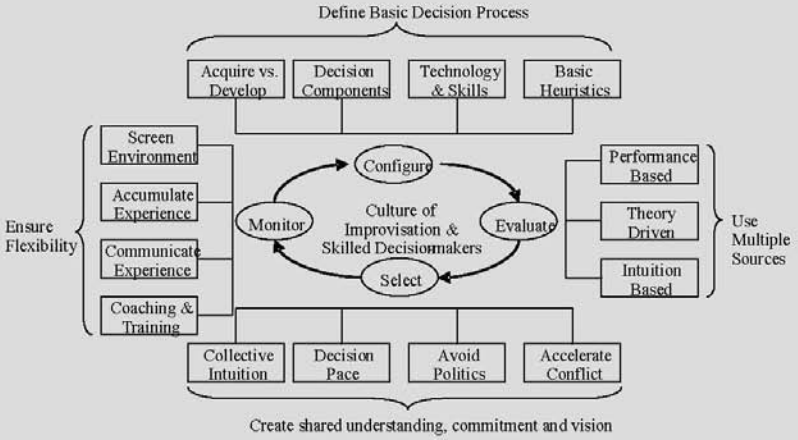
Figure 16: Case example 3

Case Example 3: Seifert's & Hadida's (2006) study

Like other authors who subscribe to the success factor oriented interpretation of the RBV, Seifert and Hadida (2006) view the artist roster as a particular strategic resource. The authors concentrate less on the resource "artist", emphasising instead the dynamic capability of "artist selection". In other words, a competitive advantage for media companies arises out of a processural competence which enables media companies to develop critical success factors internally. According to the authors, the development of a specific competence of "artist selection" is dependent following four 'imperatives':

- Define basic decision process
- Use multiple sources
- Create shared understanding, commitment and vision
- Ensure flexibility

These 'imperatives' are broken down into sub-aspects and applied to the individual phases of "artist selection" as illustrated in the following model (Seifert/ Hadida, 2006: 801):



According to Seifert and Hadida this model provides *"a holistic picture of how the development of dynamic artist selection capabilities may be successfully achieved in the music industry" (Seifert/ Hadida, 2006: 802).*

A characteristic of the media economics discourse in the process school is the introduction of different levels of resources and skills of media companies. Lampel and Shamsie explain why the proponents of the process school place

greater emphasis on high-level skills than on the resource basis. They also view the creative input of artists etc. as a critical resource for media companies.

Nevertheless, they argue that management should concentrate on improving the network of relationships:

> *"This gives rise to an opposing view that argues that any analysis of competitive advantage in the cultural industries should not begin with an assessment of which firms control the most resources, but with which have differential access to the most valuable creative resources. This perspective points to a focus on networks and relationships" (Lampel/ Shamsie, 2005).*

Other authors offer similar arguments and so the resources and skills of media companies are sorted in higher and lower levels. By way of example, Table 5 shows how this might be organized:

Table 5: Levels of hierarchy in RBV

Level of resources	Example
Meta meta capabilities	Good management (Habann, 1999; Chan-Olmsted/Chang, 2003)
Meta capabilities	Organizational learning ability (Habann, 1999) Strategic early recognition (Habann, 1999) Innovation capacity (Habann, 1999) Linkage facilitation (Habann, 1999, 2000)
Capabilities	Networks and relationships (Chan-Olmsted/Chang, 2003; Dettki, 2003; Lampel/Shamsie, 2005) Quality management (Habann, 2000, 2001) Organizational business culture (Habann, 1999)
Tangible/ Intangible assets	Reputation, Trademarks, Artist roster (Habann, 1999, 2000, 2001; Chan-Olmsted/Chang, 2003; Dettki, 2003; Döbler/Rittner, 2004; Hollifield et al., 2004; Küng, 2004; Peltier, 2004).

Taking Bertelsmann as an example, Habann (1999; 2000) shows which resources can be orchestrated and integrated within a consistent corporate strategy. In an attempt to define consistency more precisely, Habann refers to the typologies put forward by Miles and Snow (1978). According to these typologies, companies can be categorized as defenders, analyzers

and prospectors. Habann proposes that the management of resources should also follow this pattern of archetypes. For example, Habann ascribes Bertelsmann AG to the "Analyzer" archetype. The resource "linkage facilitation" is of central importance for this kind of company and should be developed further as a capability:

> *"[Linkage facilitation], the ability to recognize interdependencies between different strategic areas of business and to take advantage of resource transfer, is a central capability of this kind of business archetype. For the Analyzer this is of strategic importance in order to solve the problem of a 'dual' technology basis which has to serve two completely different areas of business" (Habann, 1999: 244).*

An example of how the capability of "linkage facilitation" can be used and developed is the Bertelsmann Corporate Network (Thielmann et al., 2003; Schulze et al., 2005). Thielmann et al. (2003: 141ff.) document the introduction of the Bertelsmann Content Network in the year 2000. The aim of the cross-divisional organization was primarily to improve the coordination of different content strategies and cross-divisional cooperation.

A problem with the process school of the RBV is that those skills that are regarded as critical capabilities are typically of a more general nature. In addition to "linkage facilitation", Habann (1999) cites, for instance, rather abstract capabilities such as organizational learning ability or capacity for innovation. Tschoertner and Sandhu (2004) point to the value of the resource "knowledge" during crisis periods in the publishing business. Here, it is necessary that not only the management but also the staff fully understand the value of knowledge as a central resource. In their resource-based analysis of the VIVA Media AG, Döbler and Rinner (2004) come to the conclusion that of central importance for the company is their ability to recognize and exploit relevant contextual developments early-on. Such capabilities are generally applicable and are difficult to operationalize. Likewise, the media economic discourse within the process school of the RBV exhibits a tendency to drift into ever-higher levels of meta-capabilities and meta-meta-capabilities (the aforementioned "infinite regress"). The final product of such strategic analyses

culminates in rather vague recommendations such as foresight, innovation or simply "good management".

2.4 The paradoxes of the RBV as a stimulus for creative strategic processes in media companies

The most recent and still rare interpretation of the RBV can be termed the "paradox school". Proponents of the paradox school include Miller and Shamsie (1996) and Landers and Chan-Olmsted (2004) (for an illustration see Case example 4). This interpretation does not constitute a well-established school of thought in the RBV-literature. However, all authors subscribing to this approach unanimously view the above-mentioned paradoxes as an opportunity rather than an obstacle. The paradox school views the use of the RBV as a rhetorical tool:

> *"Competitive advantages, especially resource-based advantages, do not exist as sensible entities, and researchers will not discover them sunken deep within organizations, Titanic-like, creating sustained superior performance" (Powell, 2001).*

Rather, resources critical to the success of a company, such as organizational culture or company reputation, first come about through their identification (according to the RBV) and their subsequent "enactment" by the management. This kind of interpretation could have special relevance for the media industry, as terms such as core competencies and capabilities are part of common rhetoric in this industry. However, the literature on media economics contains few such interpretations of the RBV (see Figure 17).

Figure 17: Case example 4

Case Example 4: Miller & Shamsie's (1996) study:

Miller and Shamsie (1996) recognize that strategic resources are tautologically defined. However, instead of discarding the RBV, they utilize it as a framework for their analysis. Using auxiliary hypotheses, they 'interrupt' the original tautology. Miller and Shamsie achieve this by introducing a temporal component to their analysis: a resource generates value only at a particular period in time and within particular boundary conditions. They illustrate this using an analysis of seven large Hollywood film studios over a time span of 30 years that includes periods of stability and periods of rapid transformation. Their findings show that the film studio's respective knowledge-based resources represented a competitive advantage in times of transformation rather than during periods of stability.

By comparison, the literature repeatedly cites another notion, also posited by the paradox school, that internal contradictions within the strategic debate on media companies can be instructive. The paradox "Innovation versus Imitation" is an example of such a contradiction (Lado et al., 2006: 121f.). The digital age has posed particular problems for the media industry and the protection of content has been a critical factor. The problem of illegal file sharing and the question of necessary protection measures is no longer limited to the music industry and has now also caught up with the film industry. According to the RBV, the protection against imitation is an important characteristic of a strategic resource. However, McEvily et al. (2000: 294) criticize that the establishment of measures to protect against imitation has not minimized but instead increased the danger of substitution. The erection of barriers for imitation can lead the competition to develop substitute competencies. So, on the one hand the inimitability represents an importance aspect of competitive advantage, but on the other it forces the competition to develop new products that may eventually destroy their competitive advantage. The degree to which media products are susceptible to competence substitution depends upon the respective input factors. Habann (1999: 141f.) notes that media content with input factors that are difficult to reproduce, for instance a star-cast, are less easy to substitute than media content with interchangeable input factors.

Conner (1995: 209f.) also points out that viewing imitation and innovation as complementary aspects can lead to a broader understanding of added value. In some markets with positive network externality, it can be profitable to foster imitation by pursuing a strategy of low imitation barriers. High network externality is a particular quality of products whose value increases with the number of users. Indirect network effects appear to play a particular role in the media industry. In this way the number of users of a basis product influences the number of users of a complementary product which in turn increases the value of the basis product (Sheremata, 2004: 362). An example for this is the continuing success of Apple's iPod. The widespread adoption of MP3-players, and in the meantime also digital video players, has created an increased demand for legal digital content. By consistently expanding and improving its iTunes online music store, as well as through the ongoing illegal file sharing trend and the concomitant establishment of MP3 standards, Apple has been able to continually increase its sales of iPod products.

Although studies like this have introduced a new perspective on the RBV, it is presently difficult to evaluate the role of the paradox school of the RBV due to its comparatively minor role within the media economics discourse.

3. Interim conclusion

This chapter has discussed the practical relevance of the RBV for the management of media companies, taking into consideration that it is over twenty years since Wernerfelt coined the term "resource-based view". Since then, the RBV has developed into one of the most influential approaches to strategic management. Many authors accord the success of the RBV to its practical relevance. Nevertheless, the debate as to whether the RBV is actually useful in practice continues. Up to now, discussions concerning the relevance of RBV have been pursued primarily at a fundamental theoretical level. In this section of the discussion, the debate is taken a step further along the "academic value chain" and analyzed with regard to the usefulness of the RBV in an

applied area, that of media management. The review of literature from this area has led to the following conclusions.

Firstly, it is clear that the theoretical objections raised concerning the RBV are not purely of an academic nature. The objections manifested themselves in the form of operationalization problems in the field of media management and as such limited the direct applicability of the approach. The tautological definition of critical resources in the original RBV in the media management literature therefore led to a lack of terminological clarity. No "local" consensus emerged among media researchers regarding the use of the term "resource" as well as related terminology. The problem of an infinite regress as raised by Collis (1994) likewise leads to problems of operationalization. This is reflected in the media management literature by a tendency to ever more abstract resource concepts.

It has been shown that the RBV is interpreted heterogeneously in the media management literature. The various theoretical interpretations of the RBV have led media management researchers to follow different, sometimes even contradictory strategies in order to establish recommendations.

The success factor oriented interpretation of the RBV seems not to be a promising approach for deriving managerial implications. The RBV emphasizes the inimitability of critical resources whereas success factor research seeks to identify generally applicable factors. If the argument of "generalizing about uniqueness" is valid, one cannot expect the same management recommendations to be appropriate for all media companies. As such the practical relevance of RBV is not of a directly applicable, instrumental kind. Practical relevance in this context means that the RBV can provide indirect impulses from which the respective company can develop their own unique solution. This kind of relevance fits better with the process school approach than that of the structural school. Narrowing the focus to identifying those critical resources specific to the media industry does not help to resolve this contradiction. Thus, it is not surprising that a success-factor-oriented interpretation of the RBV is less common in media economics research.

The structural school of the RBV avoids this problem by focusing on idiosyncratic resources. This perspective of the RBV helps to identify, nurture and exploit the strategic resources already existent in a media company. Additionally, when combined with leverage strategies for these resources, this interpretation of the RBV contributes to the debate on related diversification and cross-media strategies. In this context, it is important to realize that those VRIN attributes that make a resource a potential source of competitive advantage are also those that make its transfer to other areas within the company more difficult. As such the RBV offers an explanation for the over-optimism observed regarding synergies in the media industry. However, the overall contribution of this interpretation of the RBV as a means of creating competitive advantage is limited. Instead it aims to exploit advantages already present within the company. In addition, through its focus on company-specific resources that are not evident throughout the industry, it is unclear how the structural school of the RBV can contribute to a media-specific debate. By focusing on the idiosyncratic resource endowments of media companies, those aspects that are of relevance to the industry at large are disregarded.

The process school of the RBV addresses the development and coordination of critical resources in the media industry. This school analyzes not only the resource base of a company, but also the dynamic capabilities with which it can create such a resource base. As such the process school approach overcomes the "resource-determinism" of the structural school. The focus on capabilities and meta-capabilities appears to be of particular interest for media companies. Their handling of resources such as their artist roster or trademark licenses necessitates capabilities that differ markedly from those of other industries. However, the successive analyses of the process school become less and less focused on the specifics of the media industry, concluding in recommendations for meta-capabilities such as "innovation", "strategic foresight" or "organizational learning ability", capabilities which are desirable in any business, not just the media industry. Moreover, such abstract recommendations are difficult to translate into concrete strategies of action. Finally, aside from

this, this school has few other connections with economic theory, which originally constituted the central basis of the RBV.

The paradox school attempts to turn the weaknesses of the aforementioned schools of the RBV into strengths. Here the internal contradictions of the RBV are discussed more openly than in the previous interpretations, for example, the problem of the tautological definition of critical resources, or the difficulty of developing inimitable resources. At present it is difficult to evaluate the role of the paradox school of the RBV and which managerial implications it could produce for media companies. In general, it can be noted that the paradox school's consideration of the RBV is further removed from the origins of the RBV as established by Wernerfelt (1984) and Barney (1986b), and it is not yet clear what theory can replace the economic tradition of the RBV. In the media economics discourse, the paradox school plays a comparatively minor role and it is still open to debate whether this somewhat unorthodox approach will gain importance in the ongoing discourse on media economics.

In the media sector in particular, the terminological definition of assets, resources and skills is still unclear. It appears not to be sufficient to simply order such resources in a hierarchy of meta and meta-meta resources. Further differentiating criteria could help to better determine the implications for the management of media companies. For example, this could help clarify how context-specific resources and non-context-specific resources differ in their influence on the performance of companies (where the context could be at an environmental level, industry level, firm level, etc.). Miller and Shamsie (1996) have made a first step in this direction. Using the example of Hollywood film studios, they have shown that property-based resources, in the form of exclusive long-term contracts with stars and theatres, are good for financial performance in a stable environment but that in unstable environments, knowledge-based resources in the form of production and coordinative talent can be more useful.

Potentially useful criteria for differentiating between resources could be the different properties of the resources themselves. In this respect, it could be

instructive to clarify the life cycles of different resources, e.g. whether they diminish over time, whether they first develop through active use, or whether they are subject to lock-in effects. Such questions have not as yet been discussed for media companies.

If one were to assess how many directly applicable implications for the management of media companies the different schools of the RBV are able to offer, the conclusion at present has to be: very few. However, it is questionable whether simple "recipes for success" should be the expected result of the RBV-debate in media economics. The economic dictum that there are "no rules for riches" supports this doubt. Rather, practical relevance can be observed at a more indirect level. A better understanding of resources and their interdependencies can help media companies develop better strategies. According to this concept of relevance, it is possible to see some practical use of the RBV for the management of media companies.

The resource-based view provided theoretical substantiation for why intangible assets, previously disregarded in classic financial reporting, are strategically so important. This has contributed to increased attention being given to the intangible dimension in the strategic planning and management systems of media companies. The accompanying inside-out perspective has proved to be an important counterargument against the prevailing dominant focus within the media industry on external factors of the industry structure. In Part I, a similar shift in focus could be observed in media economic diversification research, where the input-oriented perspective of resource leverage is now complementing the relatedness of media segments, traditionally characterized by predominantly output-oriented approaches, such as SIC-classification according to product classes. As such the RBV has provided both a system of determinants and the terminology for analyzing the long-neglected internal structures of media companies. This has led to new practically relevant insights, for example the importance of cross-media strategies, the complex relationship between innovation and imitation and the consequences of increasing digitalization. This represents a valuable contribution to the management of

media companies, even if it does not amount to directly applicable guidance on achieving super profits.

Part II shows that the RBV provides both a system of determinants and the terminology for analyzing the internal structures of media companies. The value of the RBV's contribution to the management of media companies is more apparent here than in Part I, however, it still does not amount to directly applicable guidance on achieving greater profits. A key aspect here appears to be the diffuse definition of key terminology in media economics research. However, for some authors it is precisely this diffuse nature that enables it be put to practical use. Moldaschl (2006) refers to the widespread criticism of Wernerfelts (1984) "catch-all-definition", which argues that, theoretically speaking, everything is a resource of some kind.

By way of example, this diffuse nature can be seen in management practice in the apparently ambiguous use of the core competence concept (Prahalad/ Hamel, 1990). Diffuse concepts can be attractive as rhetoric devices for managers (Astley/ Zammuto, 1992). For example, a diffuse definition of the core competence concept could be used by managers to communicate an impression of focused activities to the capital market, although the company may actually be quite diversified. Here it is a question of how broadly the core competence concept can be defined. A tautological definition of resources also enables enactment (Weick, 1979a, 1979b; Eisenberg/ September, 1984). Here the notion is that realities can 'transpire' through their very assertion. Lampel et al. note that managers of companies in cultural industries in particular often rely heavily on their insight into the subjective experience of consumers when attempting to explain why consumers of cultural products make the choices they do:

> *"What results is more a process of interpretative enactment rather than systematic or rational analysis" (Lampel et al., 2005: 291f.).*

The above problems and the observed lack of managerial applicability of the RBV raise the question of how diffusely defined concepts can actually influence decision making in media companies.

A more recent theoretical approach posits that the way managers employ such diffusely defined concepts follows a kind of fashion cycle. This argument seems at first somewhat brazen, especially in view of the focus of the work at hand – a multi-perspective view of the different motives for diversification and refocusing measures by media companies. After the introduction of the core competence concept by Prahalad and Hamel in 1990, which is generally regarded as a practice-oriented "variant" of the RBV, it has become increasingly evident that the adoption and implementation of such strategic concepts closely follows the pattern of its dissemination in relevant management literature. For example, in a bibliometric study, Nicolai and Thomas (2006) demonstrate a clear relationship between the core competence discourse in the economic press and a real refocusing trend in German business practice.

In the meantime, the key question of how managers use management fashions has since become the subject of intense debate in the literature: Prahalad and Hamel's article, 'The Core Competence of the Corporation' has generated a substantial interest in the notion of core competencies (Javidan, 1998). The authors suggested that companies need to more fully understand their core competencies and capabilities in order to successfully exploit their resources. This suggestion is consistent with the arguments by the proponents of the RBV. Freiling (2002) points out that core competences, in the sense of the core competence concept, relate directly to the intentions of the RBV. Similarly, Starkey and Madan (2001: 13f.) refer to the core competences approach from Prahalad and Hamel (1990) as being a successful example of the popularization of Wernerfelt's (1984) resource-based view. Following Whitley (1985), Nicolai (2004: 953) stresses in this context that a lot of the measures for leveling the differences between science and practice can be subsumed under the term 'popularization'. Mintzberg et al. (1998) concur with this, suggesting that the resource-based view is attractive to academics while the core competency approach appeals to consultants and managers. Since the topic of relevance does not belong to the explicit research issues of strategic management – as can be seen most clearly in the results of the second part of this thesis – it is

interesting to examine to what extent such derivatives of theoretical approaches are able to supply concrete recommendations for management practice.

Using the example of the core competences concept, the last part of this work employs a bibliometric study and a case study to examine on the one hand the degree to which managers within a media company draw on management fashions in their strategic decision making, e.g. refocusing strategies, and on the other hand how this differs from popular management discourse. The case study company in question is one of the largest media companies in Germany and operates worldwide. To date it has undergone different phases of diversification and refocusing.

PART III: THE RISE OF A SEMANTIC ANARCHY: THE CORE COMPETENCE CONCEPT IN POPULAR MANAGEMENT DISCOURSE AND FROM TOP MANAGERS' PERSPECTIVE[3]

1. Background – The neo-institutionalistic roots of management fashion theory

Researchers have been investigating the phenomenon of management fashions for a number of years. Abrahamson (1991), for example, examined contributions from innovation diffusion literature and found, among other things, early indications that fads or fashions fulfill symbolic functions such as signaling innovativeness, but do little to enhance an organization's economic performance. Mintzberg, for instance, states:

> *"[...] the swings between centralization and decentralization at the top of large American corporations have resembled the movement of women's hem lines" (1979: 294).*

Others argue that diffuse concepts can be attractive as rhetoric devices for managers (Astley/ Zammuto, 1992). But what are these fashions anyway, why would management be inclined to follow them and what influence do they have, if any, on the management of companies?

In the discussion on organizational change in socio-organizational contexts a repeated reference is made to the connection between reorganization processes and the role of organizational models. Management concepts and the principles propagated by them prove useful in restructuring projects within organizations (Faust et al. 1994; Lohr; 2001; Minssen 2001; Kühl 2001; Kühl 2002; Kieser 2002; Hasse/ Krücken 2005; Bosch et al. 2007).

From a neo-institutionalistic perspective, organizations are embedded within a societal framework. This framework determines what constitutes acceptable

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[3] In parts prior published in Nicolai/ Dautwiz (2009)

economic behavior, also for managers. DiMaggio and Powell state that as a response to uncertainty organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. They call that phenomenon “mimetic isomorphism” (DiMaggio/ Powell, 1983: 151). Kimberly (1980) notes that much homogeneity in organizational structures stems from the fact that despite considerable search for diversity there is relatively little variation to be selected from. Accordingly, new organizations are modeled upon old ones throughout the economy, and managers actively seek models upon which to build.

In fact, for much of the twentieth century, large organizations used to choose from a relatively small set of major consulting firms (Fincham/ Clark, 2002: 3). Early strategy consultancies like McKinsey spread a few organizational models throughout the land. Since then a distinct growth has taken place in the consulting industry. However, as Wood (2002) notes, market developments are, for the most part, still driven by large and internationally oriented consulting firms like McKinsey or the Boston Consulting Group (as a matter of fact this will be shown during the course of the case study).

Modeling an organization is a powerful tool because structural changes are observable, whereas changes in policy and strategy are less easily noticed. In this respect DiMaggio and Powell make a reference to the implementation of a multidivisional structure in a public media company:

> *“With the advice of a major consulting firm, a large metropolitan public television station switched from a functional design to a multidivisional structure. The stations' executives were sceptical that the new structure was more efficient; in fact, some services were now duplicated across divisions. But they were convinced that the new design would carry a powerful message to the for-profit firms with whom the station regularly dealt: […] "the sleepy non-profit station was becoming more business-minded" (DiMaggio/ Powell, 1983: 152).*

Unlike the efficient choice perspective commonly found in strategic management in which optimization criteria alone determine the choice of concept, the institutionalistic view sees managers are striving for legitimacy in their actions. This view assumes that it is primarily the stakeholders within a company, such as suppliers, customers or investors, who control the flow of resources and that the management must abide by these. To create conformity and to satisfy established – institutionalized – demands with regard to solidity, rationality and modernity, managers employ techniques that are generally recognized and are accordingly well regarded by the aforementioned stakeholders.

Röbken notes that from a neo-institutionalistic point of view institutionalization is defined as both pattern and constraint:

> *"[...] institutionalization denotes the process of how a certain social order or pattern has become taken for granted. This means that a specific pattern has become part of a situation, which is considered to be given external. On the other hand, institutionalization refers to an environment in which shared cognitions define what has meaning and what actions are possible" (Röbken, 2004: 13).*

"Neo"-institutionalistic theory is primarily shaped by the work of Berger and Luckmann (1967). Central to their concept on institutionalization is the idea that shared cognitive systems come to be viewed as both objective and external structures defining social reality. Berger and Luckmann define institutionalization as a

> *"[...] reciprocal typification of habitualized actions by types of actors. [...] What must be stressed is the reciprocity of institutional typifications and the typicality of not only the actions but also the actors in institutions. The typifications that constitute institutions are always shared ones" (Berger/ Luckmann, 1967: 54).*

Put differently, Meyer and Rowan take up Berger and Luckmanns definition as followed:

> *"Institutionalization involves the processes by which social processes, obligations or actualities come to take on a rule-like status in social thought and action" (Meyer/ Rowan, 1977: 341).*

Röbken states that organizations may bee seen as institutionalized because their behavior is determined by culturally constrained rules. Following an explanation put forward by Brunsson and Olson (1993) these rules can be manifested in certain routines for actions and give meaning to those actions. Insofar organizational practices are institutionalized when they are adopted because managers take them for granted and not because a process of rational choice found them to be suited for a particular requirement. Röbken sums this thought up:

> *"Whether a specific practice or organizational form is regarded as appropriate is thus not solely based on individual cognitions, but follow[s] from cognitive structures that are more or less shared across societies" (Röbken, 2004: 14).*

Perkman and Spicer confirm this view show in a recent study. In their definition a management fad becomes institutionalized, when it continues to be practiced even after the publicity boom that surrounded it has ebbed:

> *"In each of these cases the practice [!] persisted when the discourse began to disappear, indicating they became institutionalized. In other words, they became taken for granted by members of a social group as efficacious and necessary" (Perkman/ Spicer, 2008: 813).*

Nicolai (2000) emphasizes that the different proponents of the institutionalistic organizational theory disagree on which individual aspects can be regarded as being institutionalistic. In this context, Walgenbach (1995) notes that strategic plans or concepts, which inform one of what shape these plans might take, can without doubt be regarded as instititutionalistic elements.

Nicolai also notes that the practice of making use of management consulting firms has likewise taken on institutionalized dimensions. Again, this aspect will become more clearly evident in the later examination of the case study company.

It turns out there are arguments that explain why management adopts and follows concepts. Where the institutionalistic perspective falls down is that it does not explain the formation and disappearance of institutionalized elements. This is where management fashion theory takes over.

Abrahamson's definition is regarded as particularly characteristic for the current theoretical discourse. He defines a management fashion as

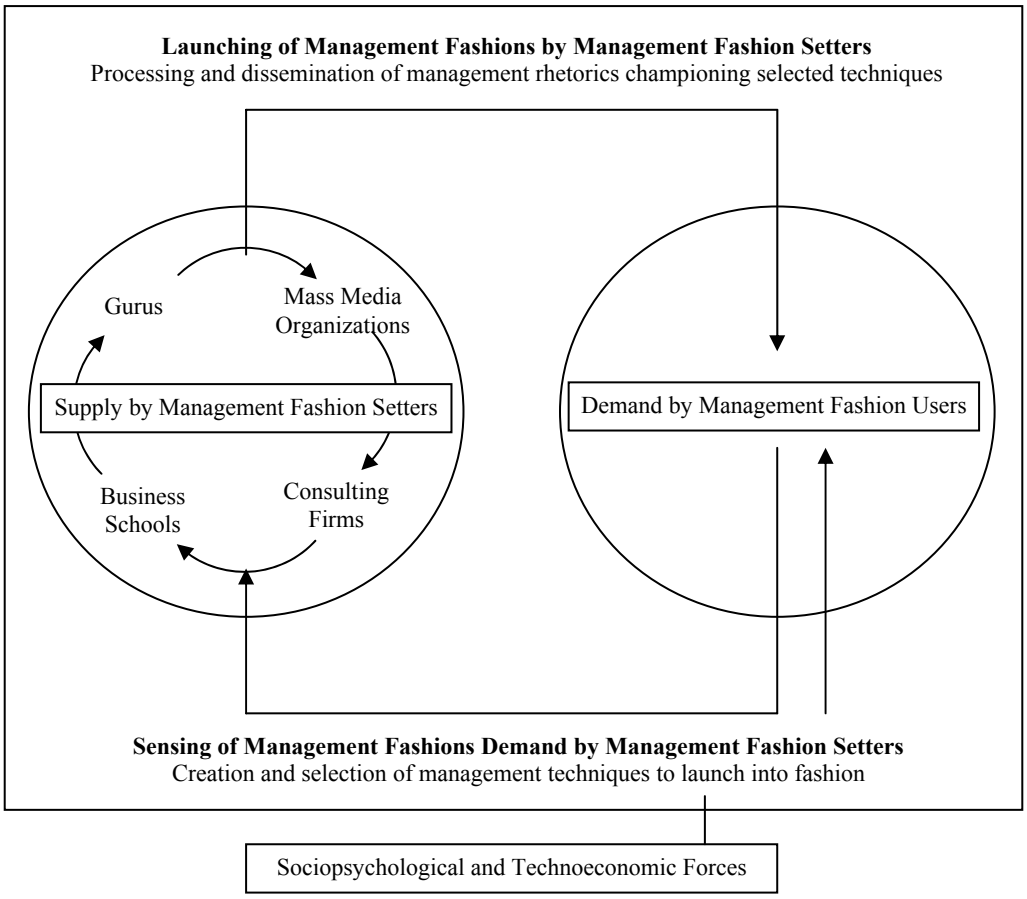
> *„[...] a relatively transitory collective belief, disseminated by management fashion setters, that a management technique leads rational management progress" (Abrahamson, 1996: 257).*

According to Abrahamson a management fashion is the product of management-fashion-setting processes:

> *"I define management fashion setting as the process by which management fashion setters continuously redefine both theirs and fashion followers' collective beliefs about which management techniques lead rational management progress" (Abrahamson, 1996: 257).*

Figure 18 shows the management fashion setting process:

Figure 18: Schematic diagram of the management fashion setting process



Source: Abrahamson (1996: 265)

As the diagram shows, the interplay between the different participants – the management fashion setters and management fashion users – is reciprocal. The management-fashion-setting community consists both of actors such as management consultants, business schools and business-press organizations as well as academic gurus, consultant gurus and 'hero managers' (Abrahamson, 1996:264). In the fashion creation phases – illustrated by the interplay of the right and left bubbles in the lower part of the diagram – the various actors develop numerous management techniques based on the perceived demands of the market. In the selection phase, those techniques that are most able to satisfy the demands of the management fashion users are selected. For the processing and dissemination phase, rhetoric is employed to extol the virtues of the respective fashions. For example, references to successful competitors who already employ certain techniques are likely to engender a following. As stated

above, DiMaggio and Powell point to the concept of isomorphism in which organizations become increasingly similar because, out of uncertainty, they imitate the strategic business concepts and practices of their competitors in the same branch.

> *"The more uncertain the relationship between means and ends the greater the extent to which an organization will model itself after organizations it perceives to be successful" (DiMaggio/ Powell, 1983:154).*

In this context, Meyer and Rowan's (1977) observation that institutional elements (i.e. in this case popular management concepts) are often only ritually followed also seems plausible.

The dissemination can follow very different patterns. If managers are to be addressed, then book publishing or mass media can be appropriate. Prahalad and Hamel's (1990) core competence approach, for example, was presented in the Harvard Business Review.

Nicolai summarizes the reciprocal nature of the management-fashion-setting process:

> *"The group of fashion followers is simultaneously the source of new fashions. Just as clothing fashions are born on the street, in strategic management, it is often high-profile corporations that first apply a management innovation." (Nicolai, 2000: 280f.)*

Accordingly, much of what we see in organizations is not the way it is because that is the most efficient way, but because organizations seek to acquire and secure legitimacy. Managers are influenced by this rationality norm, as evidenced by the employment of pretexted institutionalised techniques – for example the application of popular management techniques – and often in ceremonial, symbolic forms such as the declaration of staff qualifications, certificates, diplomas and examination grades as a means of "proving", of legitimising, a company's competence.

Carson et al (2000: 1143f.) set out to clear a path through the management fashion jungle. To this end they elaborated a detailed definition of the properties of a management fashion. Accordingly, management fashions are

- subject to social contagion because they are novel and perceived to be progressive, or preferable to pre-existing fashions
- perceived to be innovative, rational, and functional
- aimed at encouraging better organizational performance either materially or symbolically, through image enhancement
- motivated by a desire either to remedy some existing operational deficiency or to prospectively capitalize on opportunities for improvement
- considered to be of transitory value because, despite a "post latency" period of acceptance (Rogers, 1995), no systematic and comprehensive research legitimizing their prolonged utility or generalizability emerges

Table 6, after Carson et al, shows sixteen management fashions, which have been the subject of academic examination in the past decade:

Table 6: Sixteen management fashions

1950s	1960s	1970s	1980s	1990s
Management by objectives (MBO)	Sensitivity training and T-groups	Quality-of-worklife programs	Corporate culture	Employee empowerment
Program evaluation and review technique (PERT)		Quality circles	Total quality management (TQM)	Horizontal corporations
Employee assistance programs (EAPs)			International Standards Organization 9000 (ISO 9000)	Vision
			Benchmarking	Reengineering Agile strategies
				Core competencies

Source: Carson et al. (2000: 1143)

As highlighted in the table, Part III is concerned with the management fashion of the core competence approach.

Part II of this analysis has shown that although the RBV has become almost the standard bearer within media management research, one can derive only few recommendations for the management of media companies from it. The core competence approach is generally regarded as the popularization of the resource-based view and is, as shown, also an example of a classic management fashion (Carson et al.). There is a general belief that the application of practice-oriented concepts such as the core competence approach will lead to an improvement in performance. The subject of the last part of this thesis is therefore the query what concrete purpose management fashions can serve for companies, and not just with regard to improving performance. Furthermore, the question of how management fashions actually influence decision-making in media companies will be examined. This will be tested empirically using a case study of a media corporation.

Over the past ten years, research has increasingly been undertaken into "management fashions", the analysis of popular management concepts (Abrahamson, 1996; Kieser, 1997; Abrahamson/ Fairchild, 1999). Originally, the term "management fashion" was tainted with negative connotations (Benders/ van Bijsterveld, 2000). However, more recent articles emphasize that the concept can be useful in practice precisely because of rather than despite its "non-scientific" nature (Nicolai/ Röbken, 2005). Here the assumption is that managers are not passive victims of consultant's concepts, but that they take a considered and pragmatic view of management fashions.

Most empirical studies on management fashions employ a bibliometric approach, a qualitative and quantitative analysis of literature databases, in order to examine the dissemination of popular management concepts. Critics of this approach argue that a textual analysis of the published media discourse does not necessarily reflect how concepts are implemented in practice (Benders/ van Bijsterveld, 2000).

Clark points out:

> *"This is rather like conducting an analysis of the clothing featured in advertisements in fashion magazines, such as Vogue or Harper's & Queen, in order to determine what the average person is wearing" (Clark, 2004: 299).*

In a similar vein, Benders et al. (Benders et al., 2006: 13) assert:

> *"We stress that PMI [Print Media Indicators] must not be conflated with the actual use of concepts by organizations."*

It is, in fact, likely that the interpretation of popular management concepts will differ between the media discourse and organizations that implement the concept. One reason for this is the linguistic ambiguity of management fashions (Astley/ Zammuto, 1992; Benders/ van Veen, 2001). Popular management concepts define key terms only vaguely, inconsistently or not at all. In addition, argumentation is often anecdotal or generalized, sometimes offering tautological recommendations. This leaves managers who implement a management concept with significant room for interpretation, and it is not clear how this is used.

As a result, the key question of how managers use management fashions is intensively debated in the literature. Some authors assume that managers are the naïve victims of the rhetoric of consultants (Sturdy, 1997). By contrast, other authors suggest that managers employ management concepts strategically, either as "rhetorical devices" or as instruments for legitimization (Astley/ Zammuto, 1992; Kieser, 1997). And a small fraction of management fashion scholars paints a picture of a rather cynical regard for management concepts (Watson, 1994). Depending on which role management is accorded, the opinions vary on whether management fashion should be regarded as dangerous charlatanism or as a useful instrument in the rhetoric arsenal of pragmatic managers.

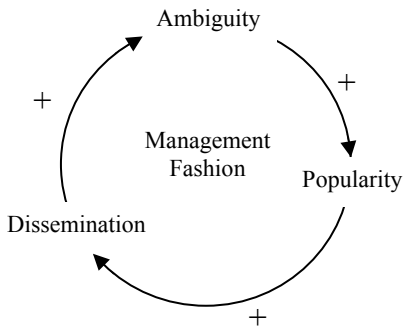
Using the example of one of the most popular management fashions in the 1990s, the core competence approach, the third part of this work analyzes how

management fashions are treated differently at the level of popular management discourse and at the level of organizational usage. In spite of the objections raised by Clark (2004), Benders et al. (2006) and others, management fashion researchers have not as yet pursued such a comparison. Most empirical studies rely on bibliometric data only. In addition, the role top managers adopt with regard to management concepts is examined. International and German bibliometric data was gathered in order to analyze the life cycle of the core competence approach. Drawing on a method put forward by Giroux (2006), not only the quantitative development but also the change in linguistic ambiguity will be discussed. For the analysis of the organizational usage of a management fashion, an in-depth case study of a German corporation was undertaken. This company is a multinational concern and a "heavy adopter" of the core competence approach.

2. The linguistic ambiguity of management fashions and the role of the manager

Linguistic ambiguity is one of the most prominent characteristics of popular management concepts. Management fashions are abstract, fuzzily defined, and also sometimes contradictory (Kieser, 1997; Benders/ van Veen, 2001; Giroux, 2006). Astley and Zammuto (1992) have argued that this ambiguity may foster the process of dissemination as it increases the 'fit' to different organizational situations and stimulates managerial imagination. Giroux (2006) develops this argument further, positing that there may be a positive feedback loop between ambiguity and the popularity of a management fashion. Management fashions become more ambiguous and encompassing as they gain momentum (Benders/ van Veen, 2001) which in turn increases their popularity. Figure 19 illustrates this pattern.

Figure 19: Positive feedback loop of a management fashion



There are also approaches that attempt to explain the dissemination of management fashions as a factor of their success in the market place. Nicolai (2000) examined fashion as a means of distribution for strategic concepts. The author notes that in strategic management, at least implicitly, an efficient-choice perspective commonly drives the selection of a concept, but that this presupposes that the concepts to choose from can be readily assessed and that managers also act efficiently. According to Nicolai, this theory corresponds to the "better mousetrap theory" known from the realm of social sciences, which is one of the most common explanations for dissemination processes.

According to this perspective, the positive contribution of a consultants' concept to business performance can be clearly seen from the fact that the concept has previously proven effective in a large number of businesses (Nicolai, 2000: 272).

Some strategic theorists do actually claim that this form of "market test" can legitimize a management concept. In this respect, Marcus et al. assert that

> *"in a free competition with free rules, the 'best' ideas will ultimately win out" (Marcus et al., 1995: 119).*

Different management fashion theorists do, however, agree in their rejection of this efficient-market hypothesis, in which the most efficient concept will prevail in the market for management innovations (O'Neill et al., 1998). Imitation dynamics and other mechanisms can propel the popularity of a management concept even if it does not improve organizational performance. Thus, efficiency is not a precondition for dissemination. However, this still leaves the

question open as to what outcomes should be expected. In this respect opinions differ. Some management fashion theorists argue that the application of management fashions in practice is useful; others suggest that it is neutral or damaging. The answer to this question very much depends on how managers implement popular approaches. As management fashions do not provide clear directions for application, this is difficult to assess. Actions undertaken in the name of a management fashion are only loosely coupled to the original concept (Benders/ van Bijsterveld, 2000). As such, most management fashion authors develop implicit assumptions about the role of managers. In the diverse literature on this topic, one can loosely identify at least three different roles.

Particularly in the earlier management fashion literature, there is a tendency to view managers as victims. Williams emphasizes that according to this perspective

> *"managers are somehow preyed upon, duped and tricked by gurus and consultants unleashing the latest designer mind management virus" (Williams, 2004: 769).*

Passive managers are blinded by buzzwords, rhetoric and "charlatanism" (Micklethwait/ Wooldridge, 1996). They believe the promises of consultants and buy their "snake oil" (Gill/ Whittle, 1993). If managers really are the "gullible victims of hype" (Sorge/ van Witteloostuijn, 2004), then it is reasonable to suggest that management fashions are damaging (Donaldson/ Hilmer, 1998). And indeed, this view is in line with the pejorative connotation of the term "management fashion" (Benders/ van Bijsterveld, 2000).

More recent management fashion literature emphasizes that managers are able to employ management fashions strategically and opportunistically (Eisenberg/ September, 1984; Benders/ van Veen, 2001; Nicolai/ Röbken, 2005). Management fashions serve the interests of their users when they are used, for example, to extend coverage, to acquire and secure resources, for cutting short discussions or for implementing decisions (Kieser, 1997). Other authors argue that management fashions offer the necessary "rhetoric material" with which to initiate fundamental organizational reforms. Others note that such concepts help

to erect facades of rationality (Meyer/ Rowan, 1977). Institutional elements are often assimilated only ritually. On the one hand they are not verified in any way – regardless of whether it is not possible, or simply not undertaken – and on the other they are also not doubted (Nicolai, 2000: 277). This way of employing management fashions to serve their own purposes suggests that managers maintain a critical distance to the concepts.

In this view, managers adopt a more active role. Generally speaking, the ambiguity increases the strategic applicability of a management concept, as shown by Benders and van Veen:

> *"The interpretative viability allows that different parties can each 'recognize' their own version of the concept. These parties may thus accept and even embrace a concept because they see it as being beneficial to their interests"(Benders/ van Veen, 2001: 38).*

Finally, the literature also provides indications that managers have a rather cynical regard of management fashions (Watson, 1994). In this view it is social pressures (e.g. pressure from shareholders or customers) that lead managers to utilize such concepts, although they may themselves regard them as more or less useless. Here the effect of fashions may be neutral, as they were only rhetorically adopted.

For the most part, the management literature presupposes, implicitly or explicitly, a particular managerial role. However, this is rarely empirically analyzed. As a result, it remains, for example, unclear as to whether organizations perceive management fashions homogeneously or heterogeneously or how rhetorical adoption compares to actual substantial adoption. In addition, little is known about how the managerial interpretation of management fashion differs from the media discourse.

In this chapter, the core competence concept, one of the most influential management fashions of the 1990s, is examined in order to discuss the aforementioned questions. The core competence approach is now some 17 years

old and can be viewed as in the mature phase of its life cycle. The following section describes the development of this management fashion.

3. The historical development of the core competence concept

G. Hamel and C.K Prahalad are regarded as the originators of the core competence concept. In 1990, their article "The Core Competence of the Corporation" was published in the Harvard Business Review, followed one year later by the book "Competing for the Future". The term "core competence" is central to both publications. The core competence concept is deemed to be a classic example of a management fashion (Carson et al., 2000). Indeed, the concept contains the typical rhetoric elements of a management fashion, such as the proclamation of a radical departure from existing management principles, linguistic ambiguity, threatening scenarios or the focus on a single key factor of success (Kieser, 1997).

Prahalad and Hamel's Harvard Business Review article contains several different, often only loosely connected ideas. The central message is that companies should develop the strategy and structure around their core competencies. Prahalad and Hamel (1990: 82) define a "core competence" as "the collective learning in the organization" and illustrate what they mean using examples from Canon, Honda, Casio and NEC. Not physical assets are central to the success, but mainly intangible assets, e.g. in the form of hard to imitate skills. According to the authors, companies should strive for "competence leadership" (p. 84) rather than "product leadership" and should abandon the "tyranny" (p. 86) of product-oriented Strategic Business Units.

As with other management fashions, not everything about the core competence concept is new: the strategic importance of synergies is a classic topic of strategic management (Ansoff, 1965); the importance of intangible assets had already been popularized by Itami and Roehl (1987); the outsourcing-trend was already prevalent in the late 1980s (Harrigan, 1985) and the importance accorded to strategic alliances by Prahalad and Hamel had also been postulated by management authors before them (e.g. Harrigan, 1985; Devlin/ Bleackley,

1988; Kobayashi, 1988; Borys/ Jemison, 1989). Nevertheless, over the 1990s, the core competence approach developed into one of the most influential management concepts (Rigby/ Bilodeau, 2007), and Prahalad and Hamel rapidly advanced to the status of "management gurus". Their book "Competing for the future" became a bestseller.

Management fashion theorists have pointed out that popular management discourses often arise as a "counter-bandwagon" to a previously predominant fashion (Abrahamson/ Rosenkopf, 1993). In the case of the core competence concept the "firm-as-portfolio-model" (Davis et al., 1994) can be regarded as such a precursor. Davis et al. (1994) analyzed the wave of conglomerate mergers that lasted from the 1960s to the early 1980s. During this period, companies in the USA and in Europe followed strategies of unrelated diversification resulting in heavily diverse conglomerates. There are a number of reasons for this development, in the USA for example the Celler-Kefauver Act, which prohibited horizontal and vertical acquisitions. This meant that external growth had to occur through acquisitions in unrelated industries. Davis et al. (1994) also show that as part of this development, the conglomerate became an institutionalized form (Meyer/ Rowan, 1977): It was taken for granted that the conglomerate, or the "firm-as-portfolio" model, was the most modern and efficient organizational structure.

The popular management discourse supported and maybe even initiated this institutionalization process. In particular, the management fashion of portfolio matrices, as propagated by The Boston Consulting Group, McKinsey or Arthur D. Little, was influential. In the USA, 45% of the Fortune 500 companies applied portfolio techniques by the end of the 1970s (Haspeslagh, 1982), and this instrument was also one of the most popular management techniques in Germany (Coenenberg/ Günther, 1990). These techniques build on the concept of Strategic Business Units and were developed for the management of unrelated diversified companies. It implied that conglomerates were an efficient organizational structure. This perception changed dramatically during the 1980s. During the so-called "raider wave", a large number of US companies were subject to hostile takeovers and broken up into individual business units

(Bhagat et al., 1990). The mean degree of diversification decreased and companies with a high degree of unrelated diversification went out of fashion – the conglomerate was "de-institutionalized" (Davis et al., 1994). This trend was accompanied with a transformation in business rhetoric that discredited the firm-as-portfolio model, in particular in the second half of the 1980s. Davis et al. write:

> *"No clear-cut alternative has arisen to replace the firm-as-portfolio-model, but broad outlines indicate that the logic defining what is appropriate to bring within a single organizational boundary has gone from being exceptionally broad (the conglomerate) to strikingly narrow" (Davis et al., 1994: 563).*

It is reasonable to suggest that Prahalad and Hamel's core competence concept is one of the alternatives to the firm-as-portfolio-model that Davis et al. were not yet able to make out at the beginning of the 1990s. Indeed, to "focus on the core competencies" is often just another expression for the selling of unrelated business segments. For example, companies such as Ford or DaimlerChrysler have used such arguments to legitimize their "portfolio streamlining" strategies (Greenberg, 2004; DaimlerChrysler, 2005). As such, the core competencies discourse can be regarded as the counter-bandwagon to the firm-as-portfolio discourse.

Today, the core competencies discourse has passed the zenith of its popularity. This has become apparent both quantitatively (see below) as well as qualitatively. Since 2000, leading consulting firms such as McKinsey or the Boston Consulting Group again see a trend towards diversification. As recently as 2002, the McKinsey consultants asked "Are you too focused?" (Harper/ Patrick, 2002) and likewise, Dieter Heuskel, the German director of the Boston Consulting Group, calls for "an end to the myth of focusing". The core competence-fashion is in its downswing.

4. Methods

4.1 Literature analysis

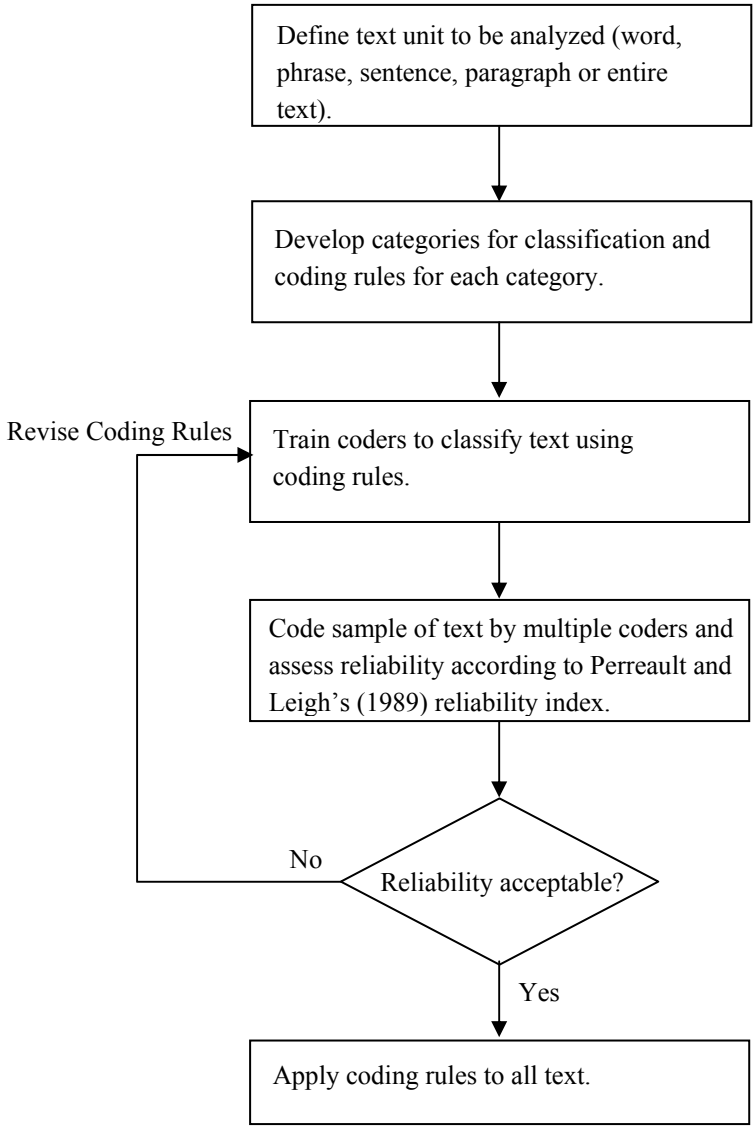
To analyze how managers apply the core competence approach in practice and how this differs from popular management discourse, a two-stage approach was taken. In the first stage, a literature analysis of the Anglo-Saxon and the German media discourse was undertaken; in a second stage the results then compared with an analysis of the concept's application using a case study.

For the literature analysis a classic bibliometric approach was chosen. The LexisNexis database was searched using the keywords "core competence", "core competency", "core competences" and "core competencies". To avoid distortions resulting from the overall growth of articles in the database (Abrahamson/ Fairchild, 1999), the search was limited to a defined set of newspapers and magazines from the international business press. The set constitutes the newspapers The Boston Globe, Financial Times, Industry Week, International Herald Tribune, The New York Times, The Washington Post as well as the magazines The Economist and Newsweek. The choice of press publications reflects a roughly comparable spectrum of publications to the German media set which is described below. To begin with, the LexisNexis database was searched for occurrences of the aforementioned keywords for the entire set for the period 1989 to 2006. This produced 1286 documents. In a second step the total number of articles was determined for each year.

The core competence approach is an umbrella construct that encompasses a variety of interpretations. As illustrated in figure 20, for the content analysis method, a human-scored approach was chosen (Weber, 1990). In order to analyze the media discourse more precisely, the core competence concept was categorized into different definitions. Drawing on the approach developed by Giroux (2006), predefined categories were employed for the analysis. The classifications of the coders were compared and revised coding rules were used (Morris, 1994).

In an iterative process, coders allocated texts to specific classification categories. In a study on a feedback loop between pragmatic ambiguity and popularity, Giroux (2006) falls back on an existing classification. In this particular case, however, there are insufficient prior publications to draw on. Instead classification categories as well as coding rules were developed according to the definition of the texts to be analyzed. The author and an independent coder used these as instructions. After several iterations of coding sample texts, in which the classification rules were discussed and where necessary revised, an acceptable level of reliability was attained. The entire data set was then analyzed according to the coding rules previously defined. Due to the importance of considering the context of language use, at least three surrounding sentences were considered during the analysis. As with Giroux's (2006) method, the reliability was assessed with the help of the Perreault and Leigh (1989) reliability index.

Figure 20: The process of human-scored content analysis



Source: based on Morris (1994: 906)

Seven main categories were identified, derived inductively from the available literature, under which most of the documents can be categorized:

(1) Core competence concept as a justification for outsourcing at the business level (OUT);

(2) Core competence concept as a justification for "portfolio streamlining", the sale of business segments, core competence = core business (CORE);

(3) Core competence as a success factor (with normative implications), i.e. core competence is not necessarily company specific, core competence should be strengthened or acquired (SUCC);

(4) Core competence as personnel-related key competencies, i.e. core competence as a human resource (HR);

Furthermore:

(5) A normative category whereby the core competence concept implies that a business should stick to what it can do best, and where core competence is described so generally that it cannot be allocated to one of the above categories. (BEST);

(6) General competence – what can the business do, i.e. all occurrences without normative implications in which the term core competence can be replaced simply by "competence" or where core competence is mentioned only in passing (COMP);

(7) This last category contains all occurrences of core competence which do not fit under another category, or where the meaning is difficult to ascertain or is obscure or contradictory (OBSC).

The aforementioned sources focus on the Anglo-Saxon-discourse. For the German discourse the same analysis was undertaken for the same period using the Gruner+Jahr press database of new German newspapers and magazines. In this case, the set constituted the newspapers "Süddeutsche Zeitung", "Frankfurter Allgemeine Zeitung", "Die Zeit", "Handelsblatt" as well as the magazines "Capital", "Der Spiegel", "Stern", "Managermagazin" and "Wirtschaftswoche".

4.2 Case Study

The core of the research methods employed in this examination relies on a case study analysis. Following Yin, a case study is

> *"[...] an empirical inquiry that investigates a contemporary phenomenon within a real life context when the boundaries between phenomenon within a real-life context when the boundaries between phenomenon and context are not clearly evident" (Yin, 1983: 13).*

According to Yin (1984), five basic strategies can be chosen in socio-economic research. The choice of the appropriate strategy depends on a) the type of the research question posed, b) the extent of control the investigator has over actual behavioral events and c) the degree of focus on contemporary as opposed to historical events. Table 7 displays the different conditions and shows why the case study research strategy is the right choice for the present work:

Table 7: Case study conditions

Strategy	Form of Research Question	Requires Control of Behavioral Events?	Focuses on Contemporary Events?
Experiment	Hoy, why?	Yes	Yes
Survey	How, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

Source: Yin (2003): 5

A case study design is preferred when a "how" or "why" question is being asked about a contemporary phenomenon within a real-life situation, over which the investigator has little or no control. In this regard, the case study design relies on similar techniques as a history, but adds two sources of repertoire that are not usually included in the historian's repertoire:

- Direct observations of the events being studied.
- Interviews of the persons involved in the events.

Part III of the present work investigates *how* managers apply the core competence approach in practice and how this differs from popular management discourse

The author has no control over the findings of the investigation. The current discussion on management fashion research gives timeliness to this topic. Based on those criteria, a case study approach was chosen.

Eisenhardts approach to case study research argues for the use of more than a single case:

> *"[...] between 4 and 10 cases usually works well. With fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini-cases within it" (Eisenhardt, 1989: 545).*

However, as Dyer and Wilkins (1991: 614) note, because Eisenhardt argues that the more cases a researcher studies, the better for generating theory, she loses the essence of case study research: the careful study of a single case that leads the researcher to see new theoretical relationships and question old ones. Thus, unlike Eisenhardt who primarily argues for comparisons across organizational contexts, the work at hand follows the classic case study approach and focuses on comparisons within the same organizational context. In this regard, Dalton makes an early plea for a single case-based case study research:

> *"The aim [of the researcher] is to get as close as possible to the world of managers and to interpret this world and its problems from the inside [...] we wish to describe both unique and typical experiences and events as bases for theory that is developed and related to other studies" (Dalton,1959: 1-2).*

Dyer and Gibb (1991: 615) summarize the ultimate goals of the in-depth study of a single case company:

- Providing a rich description of the social scene.
- Describing the contexts in which events occur.
- Revealing the deep structure of social behavior.

Like any other research method, a high-quality case study research has to meet certain demands regarding objectivity, validity, reliability, and utilitarity (Göthlich, 2003; Yin, 2003). In order to derive a broad validity Göthlich (2003) calls for the utilization of multiple sources of information within the same case study. Thus, for the case study at hand the triangulation methods described by Miles and Huberman (1984) were applied. Triangulation, or the use of multi-methods, reflects an attempt to secure an in-depth understanding of the phenomenon at hand. In this respect triangulation is not a tool or strategy of validation, but an alternative to validation (Flick, 2006).

The study involved different types of data collection methods to allow for data and methodological triangulation (Silverman, 2000; Yin 2003). Therefore a variety of information sources was used. For the secondary data the LexisNexis and Factiva databases were analyzed for the observation period, filtering out newspaper articles, statistics and published analysts' reports concerning the case company. In addition, numerous authors of academic publications have examined the case company, and these publications were also used (Academic Publications 1999a; 1999b; 2000a; 2000b; 2001; 2003a; 2003b; 2003c; 2003d; 2003e; 2004a; 2004b; 2005; 2006). Original documents from the company, such as annual or half-yearly reports, press releases, slide presentations and papers given by the top management were sourced from the company's archives and website. The main portion of the primary data results from 44 interviews undertaken over a period of four months (November 2006 to February 2007) with managers of the case company. 35 semi-structured interviews were undertaken by telephone in German and saved electronically using a software tool. Five interviews took place at the company and were recorded. All

interviewees were presented with the same questionnaire [4]. The full transcription of all interviews numbers more than 500 pages, all electronically searchable. In four cases where an appointment was not possible, these managers filled out a written questionnaire. Feedback discussion meetings based on the interview transcripts had initially been requested by most of the interviewees of the case company. When added at the end of the research process the feedback discussions provided a valuable platform to discuss the findings with the participants and an additional method to gather information and insights.

All the interviewees are top managers or work directly with top management. The German case company is an over 100 year old related diversified company, which operates in more than 50 countries worldwide. The company is a manager-run corporation with a dominant block holder. The case company was chosen as it can be seen as a 'heavy adopter' of the core competence concept.

Table 8 provides an overview of the positions of the managers interviewed:

Table 8: Positions of the interviewed managers

Position	No. of interviewees
Chief Executive Officer Subunit & Member of the Executive Board	4
Executive Assistant to a Chief Executive Officer Subunit & Member of the Executive Board	4
Regional Chief Executive Officer Subunit	1
Chief Financial Officer Subunit	4
Chief Operating Officer Subunit	1
Senior Vice President	4
Vice President	8
Senior Director	3
Director	4
Project Manager	6
Manager	5

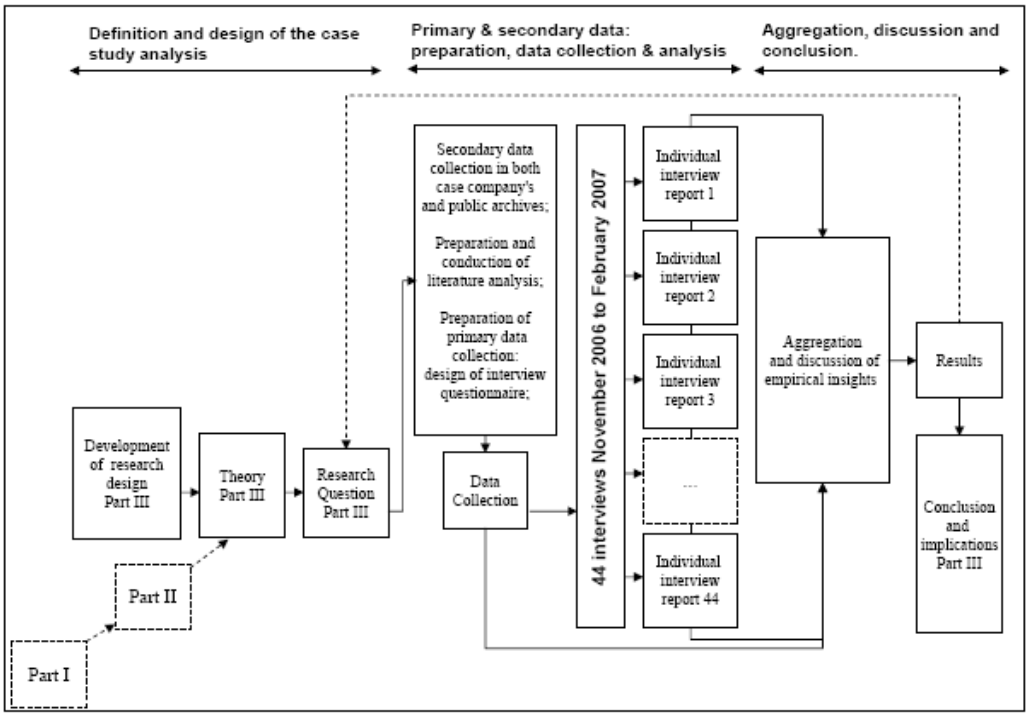
[4] A sample of this questionnaire is attached as appendix 1.

As Yin notes, the development of a research design is an important step in case study investigations:

> *"In the most elementary sense, the design is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions" (Yin 1984: 28).*

Figure 21 illustrates the chosen case study design on which Part III of this analysis is based:

Figure 21: Case study design

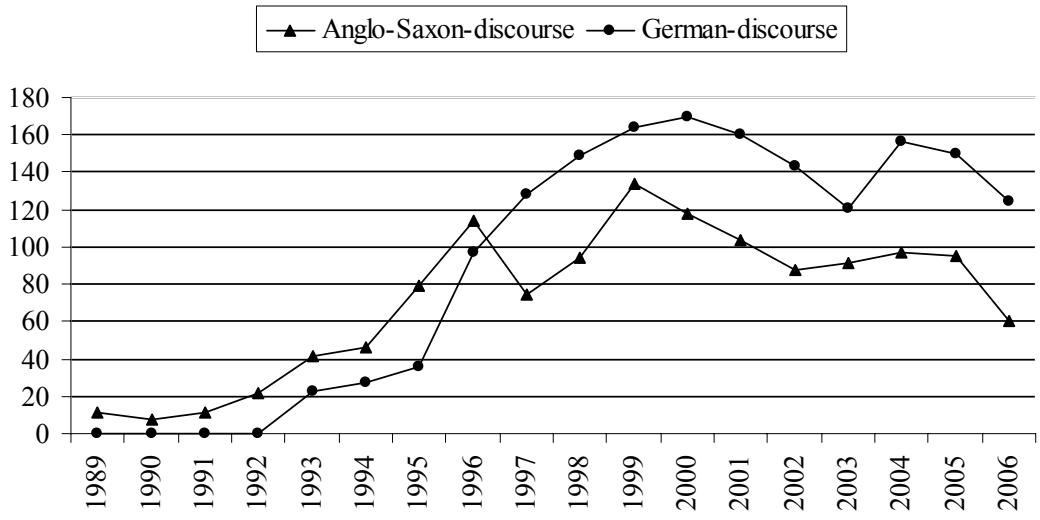


5. Results

5.1 Results of the bibliometric analysis

Figure 22 shows the quantitative development of the Anglo-Saxon and German core competence discourse.

Figure 22: Quantitative development of the Anglo-Saxon and German core competence discourse



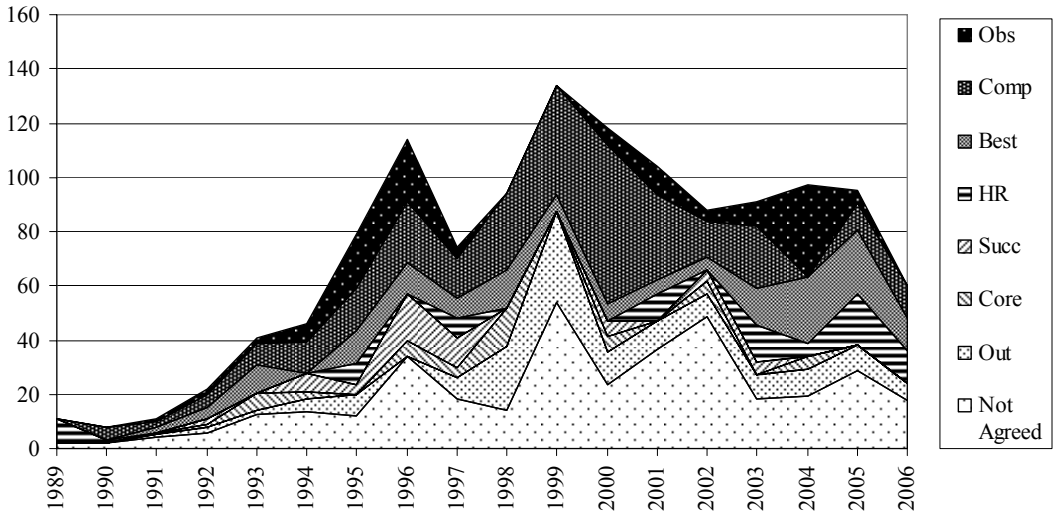
The curve of the Anglo-Saxon discourse reaches its zenith in 1999. Interestingly, the term "core competence" is mentioned occasionally before 1990, i.e. prior to the publication of Prahalad and Hamel's article. In these situations, it refers almost always to personnel-related competences, as described above for the "HR" category. By way of example: "[…] the National Academy of Sciences pointed out that all graduates needed the 'core competencies' - the abilities to reason effectively, interpret written materials, write clearly and solve practical mathematical problems" (Coopermann, 1985). The use of "core competences" to describe corporate competences only occurs after 1990, which supports the suggestions that Prahalad and Hamel coined the term. Many of the articles also specifically refer to the above authors.

The German discourse begins in 1992 and reaches its zenith with a slightly shorter time lag in the year 2000. Nicolai and Thomas (2006) have observed a similar development in the German language core competence discourse based on results from the Genios Database. As with the Anglo-Saxon core

competence discourse, the German core competence discourse also follows the bell-curve pattern already observed for other management fashions (Kieser, 1996).

To examine the development of linguistic ambiguity within the core competence concept, 20 articles were randomly selected for each year from the data sets; in the early years (1989-1991) and the last year (2006) all articles were selected. Each of these 331 articles was then categorized by one of the authors and an independent coder. The aforementioned categories, their descriptions and examples, were used as a basis by both coders. Like Giroux (2006), Perreault and Leigh's (1989) reliability index was used here also, to account for the impact of the high number of 7 categories. After completion, the degree of categorization agreement between both coders was 72%, with a reliability index of I_r = 0.82, which is relatively high. The remaining 92 definitions were attributed to the (NOT AGREED) category in the overall analysis. Figure 23 summarizes the results of the analysis.

Figure 23: Results of the analysis of linguistic ambiguity



As with other management fashions, the core competence approach is characterized by a high level of linguistic ambiguity. Most interpretations fall under the COMP-category in which the term competence can be replace by "competence". A typical example for this is: "For example, because the Fire Department's core competencies include search and rescue, it will oversee the work of the police at a building collapse, with direction being given to police

officers at the scene through their commander" (Rashbaum, 2004). The second most common usage is the similarly somewhat abstract but normative BEST category, for example: "Common sense in business dictates you should concentrate on what you are good at. In recent years, this has been elevated into a principle: that of core competency" (Jackson, 1998). The third largest category is OUT, for example: "It rests on the doctrine propounded by consultants and business school academics in the last few years that companies should concentrate on their 'core competencies', while leaving other functions to specialist contractors" (Jack, 1992). Those categories with the fewest allocated interpretations were COMP, SUCC, HR and OBS. In 28% of cases, the coders did not concur (NOT AGREED).

Only weak support was found for the hypothesis that the ambiguity of a management fashion increases with time. Prahalad and Hamel's concept was already characterized by ambiguity from the outset and all different interpretations of the concept surfaced early on in the life cycle of the management fashion. The categories used also contain differing degrees of ambiguity themselves, for example, the category "CORE" is more clearly delineated than the category "OBS". Taking this into consideration, one can observe a slight increase in ambiguity in 2006. 47.5% of all the articles can be allocated to the most diffusely defined categories OBS, COMP and BEST.

5.2 Results of the case study

5.2.1 The importance of the core competence approach for the case company

Since the end of the 1990s, the case company has undergone several phases of strategic change. The company became more international, has acquired and sold business units and gone through phases of centralization and decentralization. Since the end of the 1990s the different, sometimes contradicting, strategies have been repeatedly justified with the core competence concept.

The later CEO I of the case company already used the core competence terminology in 1996 to justify his internationalization strategy:

> *"Initially we built up the value chain of the domestic market's core competencies in the central segments. In a second stage, these competences will be used to enter foreign markets." (Business Press, 12-1996; the German quotes are translated into English).*

From 2000 onwards, an orientation around the core competencies features more strongly in the case company's communications. For example, in its annual report (Case Company Annual Report, 2001)[5] it promises an "increased focus on the core competencies" of the company. CEO II, the successor to CEO I, also subscribes to the core competence concept. In 2003, CEO II attributed the company's improved performance to a "return to the core competency" of the company (Business Press, 11-2003). The same CEO described the strategy as a "careful growth in the core competence areas" (Business Press, 02-2004). In 2007, the company's website proclaims: "It is important for us that our involvement is trustworthy. For us, this means that we primarily invest in areas that correspond to the business areas and core competencies of our own company".

Today, the term "core competencies" is part of the top managers' everyday language in the case company. All interviewees were familiar with the term and used it actively in their argumentation. The managers are confronted with the term core competence in different organizational contexts, for example in "strategy committees" (Senior Director Corporate Controlling and Strategy[6]), "vision development meetings" (Executive Assistant to the CEO Subunit 1), "projects with strategy consultants" (Strategy Manager; CEO Subunit 2),

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[5] Case company resources, case company related university resources, academic publications and business press are not further listed for anonymization reasons.

[6] All quotes from interviewees are taken from the transcript of interviews with managers from the case company which could not be attached to this publication for anonymization reasons.

“management training events” (Head of Corporate University), lectures (Vice President Corporate Controlling), “national conferences” (Vice President Corporate Human Resources), and “best-practice forums” (Regional CEO Subunit 3).

Most of the managers associate the term “core competence” with a management concept or idea. Only 15% regarded it as a buzzword. 30% viewed it as “something else”, for example as a “philosophy” (Senior Vice President Corporate Finance), a “centralization of services” (Executive Assistant to the CEO Subunit 4), the “result of years of work” (Vice President Strategy), an “ability to identify and describe oneself” (Senior Vice President Human Resources) or a “success factor” (Head of Corporate University).

In the case company, the core competence approach influences decision-making. Managers mentioned many examples of decision-making situations in which, in their view, the core competence approach made a difference. An important area, for example, is investment decision-making, as a Senior Director of Corporate Controlling and Strategy describes:

> *“Core competence always plays a central role in my area of work when we are assessing investment strategies. If the different business areas wish to make investments over a certain threshold value, they must submit an investment application. […] Core competence is naturally one item in the catalog of criteria we use in assessing investment decisions”.*

The importance of core competencies is also emphasized by a Project Manager Business Development, a Vice President Corporate Controlling, and a Vice President Strategy. All decision-making situations are a question of the market entry (“Entering new markets is easier when based on our core competencies”, Senior Corporate Controller), the portfolio management (“gives general direction”, Former Senior Director Corporate Business Development), or disinvestment decisions (“in recent years poor investments were quickly divested, we acted so to speak according to our competencies,” Senior Director Marketing).

The CEOs of subsidiaries emphasized the central role of the core competence approach on the corporate level, in particular for identifying possible synergies. The Senior Director of Corporate Controlling and Strategy confirms this:

> *"Core competence always plays a role when the question of company strategy is discussed in the committee. […] We try and assess how well the business portfolio fits and whether we perhaps have core competencies that can be extended to neighbouring business sectors".*

The core competence approach is also regarded as being useful for individual decision making:

> *"I think that the core competence approach gives me orientation in my role as a responsible manager in everyday business and gives me an indication of the direction I should be moving in" (Vice President Corporate Controlling).*

Only in some specific cases was the core competence approach seen as having a negative effect on decisions:

> *"A problem we are regularly confronted with at [case company] is ponderousness when dealing with innovations. Because we focus quite consistently on core competencies, on our existing areas of business, we are not particularly open to new technologies and approaches" (Vice President Corporate Controlling).*

The strong orientation of the case company around the core competence concept is echoed in the press. The case company is regarded as being "concentrated on core competencies" (Business Press, 02/2003; Business Press, 04/2003). A restructuring measure from 2002 whose aim was to "focus on the core competencies" resulted in "far reaching organization and staffing consequences" (Business Press, 03/2002). Elsewhere when speaking of the case company as well as the industry in general, the press notes:

> *"One no longer speaks of the advantages of the integrated concern in the [Case Study Industry] in the same way as we did in the boom*

times a few years ago. As with anywhere in business, in times of crisis, a return to core competencies is regarded as a managerial virtue" (Business Press, 02/2003).

To summarize, the case company can be described as a "heavy adopter" of the core competence approach: the current CEO II and his predecessor actively advocated this approach, the term core competence is part of top management's everyday language and it is used to justify fundamental decisions and strategic reforms. Accordingly, the business press regards the case company as a classic example of the "virtue" of core competence orientation.

5.2.2 Linguistic Ambiguity

Like other management fashions, the core competence approach is linguistically ambiguous. This causes problems in operationalizing the concept, as is occasionally noted in the literature. Turner, for instance, notes:

> *"After spending many hours in relentless pursuit of their company's core competencies, managers often concluded that the concept, whilst enormously appealing in the abstract, in practice merely gives rise to frustration and bewilderment" (Turner, 1997: 1).*

Using the case study it is possible to examine how linguistic ambiguity affects the usage in practice. Different consequences are conceivable. Ambiguous concepts could become more precise through local interpretations, which develop and stabilize in the specific organization. It is, however, likewise possible that the ambiguity increases even more in practical applications.

The answers given by the managers indicate that the ambiguity in Prahalad and Hamel's approach results in a very heterogeneous organizational usage of the term "core competence". Most of the respondents understood core competence as something that the company can do particularly well and that differentiates it from its competitors. Many used the term synonymously with "core business". There were also many more individual interpretations, for example, "something that has strategic priority" (Project Manager New Ventures), "our mission" (Project Manager Business Development), "a service offered by the Corporate

Centers" (Executive Assistant to the CEO Subunit 4), or "internalized business purpose" (Business Unit Manager). Only one manager referred directly to Prahalad and Hamel and remembered keywords such as customer value, inimitability and replicability before arriving at a similar answer to the other interviewees:

> *"Basically it comes down to what we are particularly good at" (Project Manager Business Development).*

If the interpretations of the definition of core competencies vary considerably, then the notion of what the company's core competencies actually are were even more disparate. The managers were asked to name what they thought were the company's three most important core competencies. Table 9 shows their answers at the corporate level:

Table 9: The core competencies of the case company according to the managers

General competencies			
"Retention of highly qualified personnel" "Develop management staff" "Ability to select talents" "Development of businesses in a decentralized structure" "Leadership competence" "Development of human resources" "Discover and build up management talent" "Management development" "Personnel/hr" "Staff recruitment" "Good people/ recruiting" "Special human resources development" "Business leadership of staff" "Partnership leadership" *"Business independence"* "Entrepreneurial business activity at every level" "Entrepreneurial thought" "Degree of independence" "Strong business approach" "Entrepreneurship" "Entrepreneurship" "Entrepreneurial mind set"	"Active portfolio management" "Portfolio management" "Portfolio management" "Portfolio steering" "Portfolio management" "Portfolio steering" "Business culture" "Business culture" "Business culture" "Decentralized structure" "Decentralization and subsidiarization" "Decentralization" "Decentralization" "Decentralization" "Entrepreneurial spirit due decentralization" "Decentralized structure" "Steering aspects: decentralized, incentive-driven" "Decentralization" "Decentralization" "Internationalism" "Internationalism" "Development of new business areas" "Development of new business areas" "Crystallization of new businesses and sources of income" "Access to new markets" "Target group orientation" "Target group orientation"	"Finance management" "Cooperation" "Professional ability" "Staff involvement" "Networking" "Business development" "Customer relations" "Acquisition and sale of business areas" "Infrastructure for finance processes" "Assessment skills" "M&A-competencies" "Management skills" "Independence" "Diversification" "Organic growth" "Transparency" "Distribution of products" "Overall strategic orientation" "Technology-scouting" "Key figures"	"Informal steering through networks" "Marketing competence" "Centralization" "Organic growth" "Management of organizations" "Restructuring" "Shareholder relations" "Analytic abilities" "Steering and controlling of investments" "Retention of economic value" "Development of business processes" "Partnership" "Business competence" "Intercultural competence and openness towards local partnerships internationally" "Adaptation and alignment of business areas" "Business structure" "Investment assessment" "Financing through own resources" "Strong controlling"

It is surprising how extensive linguistic ambiguity was: a total of 112 different core competencies were mentioned. The majority of the terms were mentioned only once by different managers. No two managers mentioned a set of three identical or even comparable core competencies. That suggests that most of the competencies mentioned were an expression of the manager's individual perspective. The descriptions of the core competencies of the case company were abstract. 77% of the core competencies mentioned gave no indication of the industry of the case company and most of them could potentially be applied to more or less any company. Where competencies were industry-specific, these could have been also applied to a competitor in the same industry. It is therefore able to publish the tables 9 and 10 almost unchanged without endangering the anonymity of the case company. Generally speaking, the opinions of the managers sharply contradict Prahalad and Hamel's (1990) assertion that the core competencies are the unique characteristics of a company. Table 10 summarizes the industry-specific definitions of the core competencies of the case study:

Table 10: Core competencies of the case company: industry-specific mentions

Specific competencies			
"Competence in CI" "Competence in CI" "Products in the CI" "Manufacturing of products in CI" "Development of products for CI" "Making of products in the CI" "Making of excellent products in the CI"	"Creation of products in the CI" "Making of products in the CI" "High quality products in the CI" "Making of products in the CI" "Distribution in the CI" "Development and worldwide distribution of products in the CI. Distribution channels in the CI"	"Distribution and marketing in the CI" "Distribution in CI" "Distribution of products in the CI" "Provision of services in the CI" "Service provider for the CI" "Catering for the mass market within the CI" "Good relations with experts in the field of the CI"	"Home for professionals in the CI" "Identification and assessment of developments and trends in the CI" "Monitoring the future of the CI" "Good contact to end consumer"

The managers were also asked how many core competencies they believed the case company had. The answers ranged from "2" (e.g. Senior Director

Marketing) to "50…100…5000" (CFO) to "unlimited" (Senior Director of Corporate Controlling and Strategy). Other answers were "we have not yet determined how many" (Vice President Corporate Development), or "it's impossible to estimate" (e.g. Vice President Corporate Human Resources; Executive Assistant to the CEO Subunit 6). Among those who gave a precise answer (n=23) the mean lay by 4.5 core competencies, with a standard deviation of 15.

To conclude, in the case company the complete top management commonly uses the term "core competencies" but that there is no shared meaning attached to it. The linguistic ambiguity in Prahalad and Hamel's original concept has increased markedly with its use in practice. The high level of linguistic ambiguity raises the question of what role managers adopt as users of this management fashion. This is discussed in the following section.

5.2.3 The role of the manager

The literature on management fashions contains several different assumptions of the role that managers adopt when dealing with management fashions. Of these, one can identify the role of the victim, of the strategist or pragmatist and of the cynic. Is it possible to determine whether the majority of the managers in the case company can be attributed to one or the other of these? Some management fashion theorists view managers as the victims of gurus or consultants. To begin with, in this case study, management consultants do not play a significant role. There was only one definite indication of a relevant consulting project:

> *"... recently there was a large project with McKinsey, erm no, I mean with one of the larger consultancies, on the topic of core competencies", Strategy Manager).*

Prahalad and Hamel were not viewed as gurus, in fact for the most part they were unknown. 79% of the managers interviewed were not aware of Prahalad and Hamel's (1990) core competencies article. There was also no indication that the core competence concept was an approach that had been "sold" to the

company. Rather, it was the managers themselves who sold this concept to others, e.g. to subordinates or to the press. In none of the questions was it evident that the interviewees were worried about whether they were using the concept properly or not. The many different definitions of core competencies indicate that the managers have an independent and active understanding of the concept. As such, there are no indications that the managers interviewed were victims of consultants or management gurus.

Strategists or pragmatists use management concepts to pursue their goals in the organization. In most cases the strategic use of the core competence concept is not explicitly given in official business documents and is likewise not necessarily openly discussed in case interviews. There are, however, indirect indications that a strategic or opportunistic use of the concept is a reason why the case company draws heavily on the core competence concept. In individual situations, it appears that the core competence approach has been used to legitimize difficult decisions, for example on cost cutting:

> *"The stronger focus on the core competencies is, of course, a result of the fact that we do not have unlimited financial resources and must therefore carefully budget with the available capital […]" (Senior Director of Corporate Controlling and Strategy).*

The managers remained unperturbed that their own definition could differ from that of other managers. That supports the notion of a pragmatic approach. The response was very different when asked about the company's strategy. Many managers felt 'caught out' and worried whether their own answers were consistent with those of others (see below).

At a more general level it should be noted that core competencies are seen as a strategic issue, and that strategy has the connotation of "importance" (Leontiades, 1982). A manager gives his activities weight when he relates them to the core competencies of the company. Thus, one reason for the different core competence definitions in the case company may be that managers define these around their own areas in such a way as to play up the importance of their respective position. To analyze this in more detail, the functions of the

managers interviewed were compared with their own definition of core competencies. In most cases the definition was so generalized that it was difficult to attribute it to a particular function. Some more sharply defined understandings of the company's core competencies did exhibit a clear relationship to the position and function of the respective managers. For example, the CEO Subunit 5 and for International Business cited "intercultural competence", a Vice President of Corporate Business Development mentioned "M&A-competence", a Head of Marketing stressed "building and managing customer relationships", a Director of Corporate Strategic Planning "technology-scouting", or a Former Senior Director of Corporate Business Development "informal steering through networks". Among the definitions of core competencies that were specific enough to be attributable to a function, in 36% of the cases an obvious connection to the function of the manager was observed. Of particular interest here were the Human Resources functions. All four HR managers interviewed mentioned core competencies with a clear relationship to their function. The Managing Director of the Corporate University mentioned "the ability to select entrepreneurial talent", the Vice President of Corporate Human Resources "leadership in partnership", a Manager of Corporate Management Development "leadership competence" and a Senior Vice President for Human Resources, "talent management". Indeed, the importance of the HR function is less undisputed than that, for example, of finance or of marketing. HR is a "soft function" (Roberts, 1995) and the success of an HR department is difficult to measure. Accordingly, HR departments are subject to a stronger degree of pressure to legitimize their activities (Hesketh/Fleetwood, 2006). This is also evident in the case company. As a result, HR managers might employ 'rhetoric devices' more readily in order to defend their position and strengthen their influence.

Finally, virtually no indications were found of a cynical view of management concepts. More than 80% of the interviewees regarded the focus on core competencies as "generally positive". None of the managers viewed the concept as a faddish phenomenon. Only one manager used the term "fashion", but did not regard it as applicable:

"I don't believe the [core competence concept] is a short-lived fashion" (Senior Director Corporate Development).

It seems unlikely that the managers could have suppressed their cynicism during the interviews, given that sometimes quite cynical responses were given for other questions, for instance about corporate strategy (see table 11). It should be noted, however, that middle or lower managers were not interviewed. Among these managers a cynical view of management fashions might be more widespread.

Table 11: "Please describe briefly what you believe the [case company's] corporate strategy to be."

"I think the strategy is … (laughs) … well, we are one of the few companies that does not make everyone recite the company mission … erm ... like 'ah, hold on, here it is tucked away on page 17, "Corporate Strategy" at the top in small print …' (laughs) […]" *(CFO).*
"I can't wait to hear what answers people give to that one. I'm sure there'll be some rich pickings in there." *(Vice President).*
"Oh no … you've got me there, no." *(Director Business & Strategy).*
"There isn't one. Is that an answer?" *(Director of Corporate Strategic Planning)*
"I hope all the others didn't answer this like a shot" *(Strategy Manager).*
"(laughs) … because we don't actually have a strategy. […]" *(Senior Vice President Human Resources).*
"I probably can't answer that one, because … well I did work in the headquarters for a while, but I don't have to deal with what they are up to on a daily basis, so no, I can't really give you a clear answer on that one […]" *(Project Leader).*
"… you'd have had my old boss there with that one" *(Vice President Corporate Controlling).*

5.2.4 Impact on the case company

The question of the company strategy points towards another function of management fashions that cannot directly be attributed to the role of a manager, but represents a general, 'emergent' phenomenon. There are many reasons why a company that has undergone a phase of rapid growth, internationalization and diversification will start to re-examine its own identity. Indeed, there is evidence of considerable activity within the case company aimed at maintaining its identity. These include a fundamental revision of mission statements, staff questionnaires, large investments in "identity building measures" in HR development etc. Compared with the rhetoric of radical change at the end of the 1990s, in the interviews the relationship to the tradition of the company was more apparent. 65% of the managers interviewed referred explicitly to the tradition of the company, its history or the company's founders, although no question specifically addressed this. In 65% of these cases, the reference had positive connotations, in 35% neutral; none of them were negative. As such the core competence concept could serve a model function (Kieser, 1997), lending the company a "patina of continuity (Astley/ Zammuto, 1992). Given the very varied understanding of what constitutes the core competencies of the case company, one cannot say that this model represents a "shared vision", but rather the 'illusion' of a shared vision.

Nevertheless the core competence concept has not been adopted purely rhetorically, but also substantively (for an understanding of this differentiation see Benders/ van Bijsterfeld, 2000): after all, it did influence decision making within the company. This raises the question as to how this took place and which functions the core competence concept fulfilled within the case company. It seems clear that the core competence concept did not serve as a rigorous formula for success. It should however be noted that despite the interpretative ambiguity there is a least common denominator. Almost all managers understood the core competence concept as a kind of practical or even quasi-scientific motto, which one might describe as "focus on what you can do best, and you will be successful". Even though this is rather vague, it can

nevertheless influence the strategic development of an entire company, and likewise have a strong impact on managerial actions.

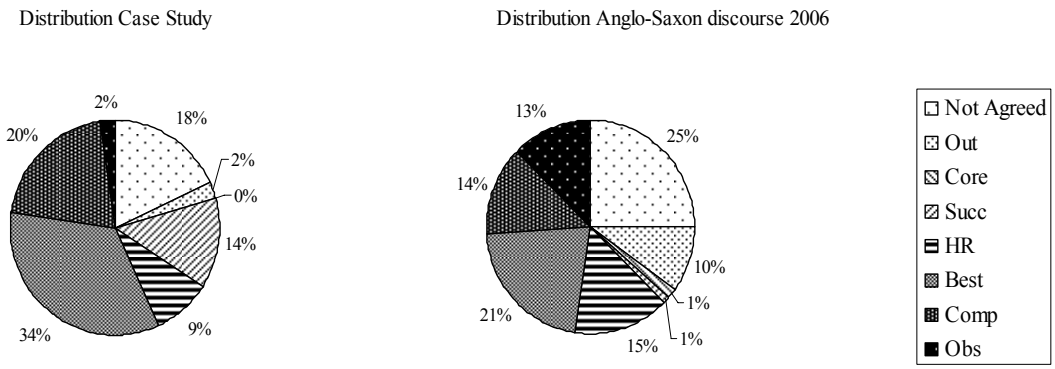
For example, the case company had applied portfolio techniques in the 1980s and followed an extensive diversification strategy (Academic Publications, 2003b). Even though the diversification was not unrelated, primarily following a pattern of vertical integration, the case company's product range expanded considerably. As such the talk of core competencies can have contributed to the pendulum swinging backwards and a reduction in the degree of diversification. In an attempt to verify this, several typical SIC-code based diversification measures (Jacquemin/ Berry, 1979) were applied to the case company in the period between 2001 and 2005. The simple business-count method indicates a reduction in the degree of diversification (14% decline between 2001 and 2005), whereas the Berry-index (2001 = 0,599; 2005 = 0,732) and the entropy measure (2001 = 1,476; 2005 = 1,722) indicate an increase (Berry-Index: 0 = minimal diversification, 1 - 1/(number of segments) = maximal diversification; entropy-measure: 0 = minimal total diversification, ln (number of segments) = maximal total diversification). On closer examination, it became clear that this was due to the case company's reporting methods and imprecision in the recording of the indices. Each segment of the case company was further subdivided into sub-segments and sub-sub-segments, a structure that is too fine to be reproduced by the indices. There are however qualitative indications that the case company has reduced its degree of diversification. CEO I formulated a series of criteria according to which the company's portfolio should be critically assessed (University Resource, 2003) in order to reduce the degree of diversification. Between 1995 and 2005 large business segments were sold which differed technologically from the traditional activities of the case company. Also very old business segments from the front of the company's value chain were sold (Academic Publications, 2003b). These disinvestments also took place even when the business unit was highly profitable. The aim was to create a company that is focused on its core business (University Resource, 2003).

It is, however, unclear whether the focusing measures actually led to an improvement in performance. For a long time this was regarded as "conventional wisdom", especially in the finance literature, but more recent empirical studies have questioned this (Martin/ Sayrak, 2003). The case company underwent a period of declining profits immediately after 2000, though without making losses. Over the last four years the average profit grew considerably (Case Company Annual Reports, 1999-2006). Whether this development is actually due to the core competence concept is difficult to discern, however some of the top managers attribute the positive developments to this concept.

5.3 Comparison between media discourse and the case company

The core competence concept exhibits a high degree of linguistic ambiguity in both the media discourse and the case company. Several different definitions of core competencies are used at the same time, and each of those is itself vaguely defined. At the level of the individual organization no indication was found for a commonly shared local interpretation of the concept. Instead the case company reflected almost the whole spectrum of interpretations evident in the media discourse. Figure 24 shows this distribution:

Figure 24: Comparison of the distribution of core competence definitions.



To a certain degree, the top managers employed a somewhat simplified version of the core competence concept, and the individual core competencies definitions are not distributed identically. Overall, the differences in the use of

the core competence concept between media discourse and organizational usage are not as large as originally envisaged.

In other aspects, more significant differences are apparent. Clark (2004) has pointed out that the life cycle of a fashion in media discourse can differ from the life cycle of organizational usage. Using the example of TQM, David and Strang (2006) have shown that a management concept can still enjoy widespread usage in organizations, even if the fashion is ebbing in media discourse. The bibliometric analyses, as well as several qualitative accounts, show that the core competence fashion is waning in media discourse. However, among the top managers in the case company, the core competence concept remained as popular as ever and is in no way "out-dated". 56% of the managers asserted that focusing on the core competencies of the company had increased in recent years, whereas only 19% were of the opinion that focusing had declined. This result is supported by surveys among top managers of other companies. In Bain & Company's worldwide executive survey (Rigby/ Bilodeau, 2007) the core competence concept is still rated one of the top five approaches, both in terms of widespread usage as well as satisfaction. Both values have remained constant over the last five years. Among German management consultants too, the core competence approach remains one of the most popular concepts, even though it has passed its peak (Matzler et al., 2004). As such, the core competence concept also exhibits a "considerable staying power" (David/ Strang 2006: 231). A possible reason for this staying power could be that the connotation of modernity and progressiveness, which is regarded as a typical characteristic of management fashions (Abrahamson, 1996), is not particularly evident in the core competence approach. On the contrary, in the case company most of the managers associated the core competence orientation with a timeless norm and a return to tradition. In this case, the typical self-destructive mechanism of a fashion whereby it loses its legitimacy once it becomes generally accepted (Kieser, 1996), seems not to have come to pass. In addition, the case company enjoyed increasing profits over the last few years. The satisfied top managers therefore have little reason to question or discard the core competence concept.

6. Discussion and conclusion

Some limitations to the investigative approach used in the chapter above should be noted. One limitation is a consequence of the aforementioned linguistic ambiguity. It is difficult to analyze ambiguity precisely and to a certain degree it is therefore paradoxical to employ intercoder reliability for testing it. In order to reach a shared understanding, both coders had to discuss the different core competence definitions intensively before beginning with the actual coding process. It is possible that the coders developed their own, local interpretations, which could differ from those of other coders. As such, the researchers were confronted with similar problems as the managers in the case company.

A second limitation applies to the core competence approach itself. The aim was to discuss the general characteristics of management fashions. One should therefore address the question as to whether the findings are transferable to other management fashions. In many respects, the core competence approach is a "typical" fashion. This applies, for example, to its origins in a Harvard Business Review article, the rhetoric it employs, the guru status of the authors as well as its pattern of dissemination. Other aspects of the core competence concept are less typical of management fashions. This applies for the comparatively low significance of norms of progressiveness or the wide breadth of approach, which is high even for management fashions (which Carson et al., 2000: 1151 have also noted). Further research is needed to ascertain whether the findings are transferable to other management fashions.

One finding of this analysis is that the dissemination of the core competence concept exhibits a similar pattern to that of other management fashions. The bibliometric analysis has shown that the concept reached its zenith nine years after Prahalad and Hamel published their influential Harvard Business Review article. A larger time lag between the English language and German language discourse was not evident. In the case company, the core competence concept is one of the most important management concepts employed in the last ten years. Although the core competencies fashion reached its zenith eight years ago, it is still popular among top managers and there is no evidence for a downswing of

the fashion in the case company. This supports the management fashion theorists who suggested that the life cycle of organizational usage might be different to the life cycle in the media.

Like other management fashions, a high level of linguistic ambiguity characterizes the core competence approach. Only weak support was found for the hypothesis that the ambiguity of a management fashion increases with time. Prahalad and Hamel's concept was already characterized by ambiguity from the outset and the different interpretations of the concept surfaced early on in the life cycle of the management fashion.

Another finding of this analysis is that a high level of ambiguity of a management concept does not contradict it having a large impact on decision-making. The managers of the case company referred extensively to the core competence concept, and the focus on core competences influenced fundamental decisions within the organization. At the same time 'semantic anarchy' ruled within the company: each manager defined his or her own set of competencies. This suggests that local interpretations do not reduce the ambiguity of a management fashion on the level of a single organization but increase it still further.

In particular, the early management fashion literature draws a picture of managers as passive victims, naively adopting the 'gospels' proclaimed by consultants and management gurus. This image is not confirmed. The managers actively used the core competence concept, modifying it without hesitation as required. Most of them viewed the concept as rooted in theory, but generally showed little interest in the origins of the concept. They viewed the core competencies concept not as a formula for success to be followed exactly, but as a general orientation, open to interpretation on a case-by-case basis. As regards a common understanding, only the motto "concentrate on what you can do best, and you will be successful" was evident as a kind of least common denominator. Various managers did exhibit some cynicism in different situations (most notably regarding the question of corporate strategy), however this cynicism was not evident in the context of the core competence concept.

Instead, there were many indications of its strategic use: different CEOs used the concept in their external communications, sometimes to justify centralization strategies and sometimes decentralization strategies. Managers cited core competencies in order to emphasize the importance of their own function, to justify cost cutting measures, etc. The managers did not worry about using the concept "incorrectly" or inconsistently – they used it in a pragmatic and ad-hoc manner.

Strategic use does, however, not necessarily equate to reflected use. In the interviews, managers did not reflect generally on the core competence concept and there were few critical comments with regard to the approach. None of the managers viewed the core competence approach as a fashion. This is surprising given that the critical debate on management fashions in the business press continues unabated, particularly in Germany. In general, managers did not question its origins or applicability. The use of the core competence approach was viewed unquestioningly as desirable. In this regard, core competences resemble less a management concept and more a social norm. Given the managers' relaxed attitude it seems unlikely that the core competence concept has had a damaging effect on the case company. However, contrary to what Astley and Zammuto (1992) suggest, it has not stimulated managerial imagination. It is reasonable to suggest that the idea "concentrate on what you can do best, and you will be successful" was prevalent in the case company independent of Prahalad and Hamel's (1990) work (Barley et al., 1988). To sum up, the last part of this thesis reconstructed the diffusion of a symbolic label but not of an idea. Accordingly, one direction of future research might be that scholars should analyze how organizational practices foster the spread of symbolic labels and not vice versa.

POSITIONING OF THE RESEARCH

This analysis means to canvass the motives behind diversification and refocusing actions within the media industry. A multi-perspective view provides insight to the different motives for diversification and refocusing measures. Rational arguments for diversification can be derived from a broad range of management research into different theory fields as for example (also see Part I):

- Industry economic motives such as access to markets;
- Resource-oriented motives, such as achieving synergies or resource leverage;
- Agency theory motives such as empire building;
- Transaction cost theory motives such as building an internal capital market.

While tremendous research has been undertaken in each of the above mentioned fields so far it has been a problem for scholars to clearly distinguish the different levels of forces that influence the practical management decision process. It can be argued that management science alone should give rational guidance while simultaneously pushing back social-psychological (irrational) forces. However, in practice, different streams that influence strategic decision making can be observed.

Management fashion research proposes an analytical framework that views influential streams as separate and manipulable. Therefore Abrahamson (1996) distinguishes sociopsychological from technoeconomical forces.

As examples for sociopsychological forces Abrahamson names

- Frustration and despair across individuals in a collective
- The striving for novelty
- The desire for status differentiation.

Frustration and despair across individuals within a collective can loosen normal institutional constraints and can render managers vulnerable to unrealistic hopes

that quasi-magical solutions will relieve their sources of frustration (Gill/ Whittle, 1992; Klapp, 1969; Smelser, 1962).

In order to distinguish their company from other competitors in the market they perceive to be somewhat "out of fashion", managers might have a demand to appear individualistic and novel. Hence, they might have a demand for new management concepts that help to create an individualistic and progressive picture of the company.

Following an argument put forward by Simmel (1957), Abrahamson notes that management fashions might also help managers to differentiate their organizations from other organizations in the market which they perceive to be of lower status and reputation. Abrahamson notes that in order to maintain some measure of conformity and traditionalism managers may at the same time copy techniques used by other managers who are in fashion:

> *"Despite striving for differentiation managers may also want to maintain some measure of conformity and traditionalism. This can be achieved by copying techniques used by other managers who are in fashion" (Abrahamson, 1996: 272).*

Following Abrahamson (1996), technoeconomical forces that might create a demand for management fashions are objective performance gaps opened up by

- Technical and economic environment changes
- Macroeconomic fluctuations
- Political forces such as regulation and antitrust legislation

These forces can create incipient preferences among fashion followers for certain types of management techniques that they find useful in narrowing performance gaps opened up by these environmental changes.

Neoinstitutionalists as well as management fashion scholars do not consider this separation a problem. This thesis shows that, although such influencing variables can be distinguished analytically, a clear separation can not be made for three reasons:

1) commingling/ intermixture of different streams:

A company's decisions are not solely based on technoeconomic necessities. They are also determined by socially constructed boundaries. From the perspective of neoinstitutionalistic theory, being a fashion follower can be a rational strategic choice. It can be profitable to follow socioypsychological pressures.

For example, some conformist behavior helps to raise legitimacy and an increase of legitimacy can have technoeconomic effects. This is where it comes to an intermixture of the socio- and technoeconomic spheres. The fact that case company managers adopted the core competence concept implies that this is not necessarily disadvantageous for the company. Ultimately, the results of the case study show that the core competence concept did have a large impact on decision making. The managers of the case company referred extensively to the core competence concept, and the focus on core competences influenced fundamental decisions within the organization. For example, CEOs and managers used the concept to legitimize their decisions to shareholders, or to strengthen their own position in the company. The study indicates that much of what could be observed is the way it is because the managers actively sought to acquire and secure legitimacy. The study showed that the core competence concept has been adopted by managers, not because it has been found to be most suited for certain tasks through a rational decision making process, but because managers unquestioningly considered it rational.

A second example that could be shown during the course of the analysis is that the adoption of the core competence concept can also influence how managers assess their individual position. The high appreciation of one's own position when asked what the most important core competences for the company are indicates that with a conform adoption of a concept, technoeconomic profits can be realized, e.g. when internal importance is connected to higher compensation. The strategic usage of management fashions could also be observed in recent studies (Giroux, 2006)

2) It is unclear what the criterion is for defining a strategic measure's efficiency:

Davis et al. show that, during the 1980s, along with omitting antitrust regulations and legal impediments that had previously protected large corporations from hostile takeovers, the stock market undervalued conglomerates relative to sets of "focused" firms operating in the same industries (LeBaron and Speidell 1987) and punished firms acquiring unrelated businesses with drops in share price (Morck, Shleifer, and Vishny 1990).

> *"[...] all these factors indicate that in 1980 the field of the largest American industrial corporations was fundamentally flawed and that an enormous "collective error" had been made" (Davis et al., 1994: 548).*

From this neoinstitutionalistic point of view, the capital market is regarded as an efficiency regulating mechanism. The analysts, who base their valuations on purely "rational" criteria, are "immune" to the rhetoric and sociopsychological forces of management fashions. Following the Davis et al. argumentation, analysts served as a "corrective" that led to the de-institutionalization of corporate conglomeration. Hence efficiency is determined by rational, technoeconomic aspects.

However, as Schulz and Nicolai show, the professional observers of the capital market, such as analysts, play an important role in the management-fashion community:

> *"The core competence case suggests that analysts indeed play an important role in the upturns and downturns of management fashions and are even facilitators or originators of such trends".*

If the efficiency of capital market actors is also subject to socio-psychological forces it is questionable whether capital markets can serve as a corrective mechanism that limits the dissemination of strategy fashions.

3) The key terminology is diffusely defined in theory and practice

During the course of the study, the diffuse definition of key terminology in media economics research has been repeatedly observed. Media scholars have no consistent understanding of what is subject to diversification strategy. This observation was supported in the case study. Even within a single company there were different prevailing perspectives. The 44 interviewees came up with more than 100 different definitions for core competencies. A technical definition of related or unrelated diversification could not be found. Also there was no shared view whether certain decisions on diversification or refocusing in the company had been made due to strategic considerations or due to general necessities for adaptation that arise from technoeconomic structural changes in the industry.

This work shows that theoretical background, everyday practice and theory all play a role. One of the points made in the thesis is that, due to the general difficulty of measuring diversification properly, strategic evaluation of convergence strategies can't be based on concrete measures. This can be a reason why media managers are often said to rely on gut feelings when faced with vague options. Albaran and Chan-Olmsted put it this way:

> *"Successful media executives are less likely than their equivalents in other industries to have had a business school education [...]. This again means that whatever the corporate reality, rational qualities (instinct, gut feeling) are more likely to be cited in explaining decisions than the adoption of management science models" (Albarran, A./ Chan-Olmsted, S.M., 2005: 571).*

The thesis shows that a clear separation of motives for diversification and restructuring cannot be based on the classification of socio- and technoeconomical influences. This becomes particularly evident in the examination of the RBV. It should be expected that the RBV as a potential theory of competitive advantage can produce concrete guidance for managers.

Barney answers the question whether the resource-based view is a useful perspective for strategic management research with yes:

> *"In fact, resource-based logic has several very important practical implications for managers" (Barney, 2001: 49).*

Hence the RBV should fit into the technoeconomical sphere.

The discussion of the 4 schools of thought in this thesis clearly shows that the RBV, beyond Barney's claim, can't meet those expectations, but instead drifts into constructed sociopsychological spheres:

1) In success factor oriented RBV research, different papers contain passages that point to success factor oriented usage of the RBV and actually identify resources that are, in principle, success factors for all media companies (e.g. trademark rights, business and product reputation, organizational culture). As analysed in the thesis, the main problem in success factor oriented RBV research can be attributed to the problem of generalizing about uniqueness. Typically the aspect of uniqueness applies to a single company. Some authors, however, have sought to identify those resources that can be regarded as success factors for the entire industry. This does not make a plausible strategic approach; companies seek to attain a competitive advantage only over those within their industry. As such, identifying industry-wide critical factors for the success of media companies on the basis of the RBV would not seem to be a promising approach.

2) While the structural school points to the exploitation of synergies as a continuing economic trend in the media industry, the question how that can be a guideline for managers remains unanswered. As shown in the thesis, it is still difficult to determine *ex ante* exactly which resources contribute to success. From the resource-based view, this can be described by a tautology: the RBV ascribes supranormal profits to a better resource basis. However, what constitutes such a resource basis can only be defined *ex post* through the supranormal profits. This is one of the reasons that there is no litmus test for determining strategic resources.

3) The process school of the RBV highlights meta-capabilities as being of special importance for media companies. As Stephan notes, media companies have to manage a resource basis that is difficult to control directly: "[…] In contrast to most other manufacturing and service firms, the critical skills and capabilities of media companies consist of, for the most part, knowledge of creative staff, such as musicians, editors, writers, actors, directors, and journalists" (Stephan, 2005)b). Similarly, the media economic discourse within the process school of the RBV exhibits a tendency to drift into elevating levels of meta-capabilities and meta-meta-capabilities. The final product of such strategic analyses culminates in an "infinite regress": rather vague recommendations such as foresight, innovation or simply "good management"

4) The lack of managerial applicability within the RBV becomes most evident from the perspective of the new paradox school. This approach carries the problem to extremes by showing constructive components: Even though the tautologies of the RBV lead to a rather ambiguous definition of resources, some authors regard this ambiguity as being of practical use. Astley and Zammuto (1992) point out that ambiguous concepts can be attractive for managerial rhetoric. Additionally, a tautologically defined description of resources provides room for so-called "enactment" (Weick, 1979a, 1979b; Eisenberg/ September, 1984). The idea here is that, when people act on the basis of certain management concepts, they bring structures and events into existence.

In a nutshell, it can be stated that drawing a clear line on motives for diversification and refocusing strategies is problematic on an individual basis in particular cases. Results do not provide practically applicable guidance for managers on how to act when strategic decisions on diversification and refocusing are to be made.

However, this thesis was able to draw a comprehensive picture of possible decision options through the discussion of multiple motives and influences for diversification and refocusing measures. Following Weicks (1979; 261) advice for managers to "complicate themselves", Barunek et al. explain why the

integration of multiple perspectives on one organizational event can enhance their understanding:

> *"Yet many situations are sufficiently complex to be amenable to a wide variety of interpretations and understandings: no single and complete definition of the situation exists. Thus, having a narrow framework for understanding often results in ineffective managerial behaviour. To be effective, managers should develop the ability to generate several interpretations and understandings of organizational events so that the "variety" in their understanding is equivalent to the variety in the situation" (Bartunek et al., 1983: 273).*

Based on the assumption that most people perceive and interpret events from narrow frames of reference, Weicks suggestion is just the right notion for interpreting the results at hand. As such, an in-depth study of RBV has the potential to give a descriptive account of practices that are actually occurring and one in which future guidance is provided for practitioners. The exploration of the variety of factors influencing media managers' decisions regarding diversification and refocusing strategies can help managers to get a deeper understanding of the complex nature of the underlying motives. Accordingly, by taking into consideration dissenting viewpoints, managers in the future might be better equipped to choose appropriate actions when dealing with such strategic decisions.

Abrahamson and Eisenman (2001) claim that also management scholars should develop a deeper understanding how to develop constructs and techniques that can be manipulated by managers, thus facilitating managers' comprehension of how abstract generalizations apply to specific situations. A deeper understanding of consumers of management knowledge may help management scholars to have an impact outside academia in times of an evolving management knowledge industry.

> *"Our plea, therefore, is for scholars to learn how to better influence the management knowledge market and how to compete in it more effectively" (Abrahamson and Eisenman, 2001: 68f.).*

A last point to address is the question whether the author himself might be subject to similar sociopsychological forces as other followers of management fashions. While management fashion discussion has concentrated on the cyclical occurrence of managerial fads, or the question whether following a fashion is good or bad, the differentiated argumentation in this thesis has developed a more complex picture. Insofar as a thesis can make a contribution towards the "un-fashionizing" of the management fashion discussion, it provides a more accurate separation of the various influenctial spheres and reveals how management fashion theory can be applied to media management on an organizational level.

A detailed summary of the analysis and further implication for future research will be provided in the following conclusion.

CLOSING REMARKS

Based on the assertion that media companies in particular have in the past been subject to waves of mergers and refocusing measures, the goal of this analysis was to provide a multi-perspective view of different motives for diversification and refocusing actions in the media industry. Over the course of the discussion, different trends and movements have been examined. An overview of the current state of media economic diversification research was followed by an examination of the managerial applicability of the resource-based view. The third part examined from the viewpoint of management fashion theory, which is a comparatively recent area of research, the dissemination of management fashions in the economic press as well as its adoption in practice by the top-management of a media corporation.

The analysis, undertaken in Part I, of the motives for corporate diversification as discussed in media management discourse already points to a dominance of resource-oriented theoretical arguments. This becomes particularly apparent in the second half of Part I, where the shortcomings of means of measuring classic output-oriented diversification are discussed. By this time it becomes clear that from a media economics perspective, an analysis of diversification and refocusing measures should be input-oriented and accordingly based on the RBV.

The media branch has more to gain from synergies between old and new media companies than almost any other sector and it is no surprise that diversification strategies are the subject of intensive research in media economic research. It is, however, interesting to note that despite a large number of publications on the means of measuring media economic diversification, conclusive findings do not exist. This is because, as this analysis shows, neither general financial research methods nor approaches such as categorical or SIC-based Business Count Methods are suitable for measuring the relatedness of media companies. One explanation for this is that the output-oriented approaches these measuring methods adopt neglect the resource-based view, which is so relevant for information-processing media industries. A further reason is that the methods

discussed do not take into account technological progress, a driver that is particularly important for the media industry. One solution to this problem, as argued in this thesis, could be to adopt an empirical approach to determining the relatedness of media companies. David Bryce and Sidney Winter's (2004: 12ff.) Bryce-Winter Index for measuring the inter-industrial relatedness of companies offers a suitable starting point. In this regard, one can only hope that the media management research community will emancipate itself from mainstream diversification research and develop its own media-specific data basis to make the kind of empirical studies possible that certain fields in classic diversification research, such as the manufacturing industry, are already undertaking (Chenhall, 1984; McDonald/ Lin, 2004).

Similarly due to the lack of findings, it is the resource-based view which has advanced to become the central focus of research activities in media economics. An overview of four interpretations of the RBV and their use within the media economics discourse confirms this and shows that the RBV seems to have become the "standard bearer" for media-related diversification research. Only the applicability and practical relevance of the RBV for the management of media companies remains unanswered by current research. Part II of the analysis shows that the RBV provides both a system of determinants and the terminology for analyzing the internal structures of media companies. The value of the RBV's contribution to media economic research becomes clearly apparent. However, particularly given this background, it is interesting to note that the managers of media companies are able to make little practical use of the RBV. Despite its role as the "standard bearer" of current media economics research, it would appear that its findings are practically superfluous given its limited actual practical applicability for the management of media companies.

The observed lack of sufficient managerial applicability of the resource-based view gave rise to an investigation at a different, more practical level – the level of management fashions. Using the example of the core competence concept, which is generally regarded as a popularization of Wernerfelt's (1984) resource-based view, Part III makes an empirical contribution to the ongoing

debate on management fashions. To this end a bibliometric analysis was combined with a case study approach.

Drawing on a variety of empirical material in order to ascertain a view of how one specific organizational concept is varyingly interpreted in popular media discourse and a large case organization, the results illustrate just how extensive a concept's linguistic ambiguity can be, while still perceived as the guiding action.

The assertion, on which the third part of this analysis is founded, that fashions could play a role in the choice and implementation of diversification and refocusing strategies is particularly interesting. Using the example of the core competence approach, it appears that even a high level of ambiguity of a management concept does not contradict with it having a large impact on decision-making. As Giroux notes, if management is, at least in part, a language game (Astley and Zammuto, 1992), then language in all its manifestations and its complexities should be taken as seriously as any other organizational practice. Building on the results obtained in this contribution, further empirical studies could therefore be undertaken to investigate the development and success of other management concepts at an organizational level.

While media discourse and organizational usage may diverge over time (Nijholt/ Benders, 2007) and do not necessarily "co-evolve" as authors like Abrahamson and Fairchild (1999: 731) originally suggested, bibliometric data offer a very imperfect approximation of organizational usage. In combination with the case study, however, the findings show that the linguistic ambiguity of a management concept can result in "semantic anarchy" at an organizational level. This sheds new light on how managers use management fashions and on the diffusion of management ideas, and offers explanations for the longevity of previously fashionable, and ostensibly ambiguous, concepts in user organizations. Indeed, the longevity of (once popular) concepts is rarely studied (see however Brunsson/ Olsen, 1993). So the empirical finding that a concept can remain viable over an extended period and also long after its popularity has waned may serve as a starting point for future research in this field.

It has been shown that a focus on core competences influenced fundamental decisions within the media organization. The discovery that managers in the case company referred extensively to the core competence concept in their external communications, sometimes to justify centralization strategies and sometimes decentralization strategies as well as the finding that managers use such concepts in a pragmatic and ad-hoc manner, e.g. to justify cost cutting measures, likewise form a promising basis for further research. The question of whether decision-makers in businesses swing with the fashion cycles can be applied to numerous industries and the results of this study could offer interesting impulses for such research.

The study shows that the way in which the core competence concept has been applied in the case company is completely decoupled from the original arguments of the RBV, which have dominated media economics discourse. Furthermore, from a practical point of view with regard to the management of the company, one cannot identify any particular allegiance to any specific "media management discipline".

To conclude, one can ask if there is really no business quite like show business? Lampel et al. put it this way:

> *"Many industries believe that they are unique, yet few express this belief with such lyrical conviction. The business of culture may be different, but ultimately it's a business. This side of the cultural industries may be unpalatable for some entrepreneurs and creative individuals for whom the old motto of MGM 'Ars Gratia Artis' (Art for Art's Sake) may supersede all other considerations. But economic success is usually vital, if not as an end itself, then as a precondition for obtaining the resources needed to sustain creative activity"(Lampel et al., 2005: 289).*

Without doubt, media managers are wont to highlight the importance and special nature of their own industry. The rapid growth of media management research throughout international universities indicates that the same tendency is also evident in the academic realm.

Although the results of this analysis show that the fields of diversification research and the resource-based theory presently have a high profile in media management research, they have as yet not exceeded the level of general research within the discipline of strategic management as a whole, posing the question of whether strategic media management should be regarded as an independent entity. The assertion that the specific characteristics of media products are such that there should be an independent media economics discourse separate from the general discourse has been the subject of considerable contention within the media research community (Picard, 1996; Stephan 2005).

The growing economic importance has triggered increased academic interest in the media industry. Consequently, in recent years research has concentrated not only on the traditional societal and cultural values of the media but accorded increasing importance to economic perspectives. In the US-American context, the research community established itself in the early 1990s, examining the economics of mediated communication, focusing on firms, markets and institutions and publishing its findings in publications such as the Journal of Media Economics. This renewed wave of interest in the media quickly reached Europe. In Germany a large research community has developed; many universities and business schools offer specialist courses or entire degree or doctorate programs in media management and media schools and research centers dedicated to researching the media industry continue to spring up unabated. Wirtz (2006) notes that the focus of media studies has shifted from a humanities subject focusing on social and cultural aspects to an economics discipline in which business and economic aspects dominate. In this context Lampel et al. (2005) call for a better understanding of the "business of culture". Wirtz (2006) too emphasizes the need to extend the functional definition of media management to include business management. As such, media management acquires an instrumental character: business management for the media industry, both on an operative as well as a strategic level. Maier (2000) emphasizes the importance of strategic management for the management of media companies. The analysis and development of success factors and an

entrepreneurial awareness thereof can represent a significant contribution to tackling the continually shifting playing fields in media economics. Media management research is still a comparatively young discipline, which has arisen within, undoubtedly, one of the most dynamic market environments. Issues such as the convergence of the media and telecommunications sectors are as relevant as ever. Some ten years ago, Vogel (1998: 319) noted that the entertainment industries will continue to grow at faster than average rates and that they will continue in the process of integrating vertically and globally. In 2009, this applies more than ever. The growing importance of private equity companies within the media industry – for example Terrafirma, a corporation that in addition to aircraft leasing companies, luxury hotels and residential housing portfolios also controls the major music company EMI –underlines the special nature of the media environment, a branch in which the interplay of old and ever more new players ensures that the media industry remains an interesting field for academic research and will continue to attract the attention of different research communities. In this respect, this analysis can be understood as a plea for greater empirical research within the media industry and offers a number of new findings, not only through its approach but also through the results of the case study, which could form the basis of future research undertakings.

After all, as Vogel notes, the media, and entertainment

> *„[…] has proven to be one of life's essentials – perhaps just behind food, shelter and clothing in its importance to many people" (Vogel, 1998: 319).*

…and in its importance to researchers, too!

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APPENDIX 1 – CASE STUDY QUESTIONNAIRE

I. Core Competences on the Corporate Level of Case Company (CaseComp)

(1) How do you define a core competence?

(2) When are you confronted with the topic of „core competences“ in the case company?

(3) What are in your opinion the 3 most important core competences on the corporate level of the case company? (a-b-c)

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(4) What do you think: how many core competences has the CaseComp?

(5) How, in your opinion, those core competences came into being?

(6) What are, in your opinion, the most important means for the development of core competences?

(7) How strongly is the CaseComp focused on core competences?

1 = completely / 5 = not at all

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(8) In the last 5 years the CaseComp was

1 = not at all focused on core competences / 5 = strongly focused on core competences

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(9) Which measures / circumstances have led to a change in the handling of core competences?

(10) Would you say that focusing on core competences is good for a company? What, in your opinion, are the pros and cons?

(11) Did, in your opinion, the increasing digitalization influence the importance of the topic of core competences in the case company? If yes, how?

II. Structure of the Organization

(1) How is the case company organized?

1 = very centralized / 5 = very decentralized

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(2) Are the subunits autonomous concerning…

(2a) financial decisions

1 = highly autonomous / 5 = not autonomous

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(2b) management decisions

1 = highly autonomous / 5 = not autonomous

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(3) Has, in your opinion, the case company become more centralized in the last years?

1 = much more centralized / 5 = no change

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(4) Has, in your opinion, the case company become more decentralized in the last years?

1 = much more decentralized / 5 = no change

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

(5) Has, in your opinion, the role of the headquarters changed in the last years? If yes, how?

(6) What are, in your opinion, the most important means for the development of core competences?

(7) Which circumstances have, in your opinion, led to a changed role of the case company headquarters?

(8) Do you think that there are interdependencies between the subunits of the case company? If yes, where and how strong are they?

III. Core competences on the level of the subunits of the Case Company

Please do only answer the following questions for those subunits you have an insight into.

(1) Do the core competences on the corporate level differ from the ones on the level of the subunits? If yes, what are, in your opinion, the most important core competences of …

(1.1) Subunit 1

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(1.2) Subunit 2

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(1.3) Subunit 3

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(1.4) Subunit 4

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(1.5) Subunit 5

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(1.6) Subunit 6

(a) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(b) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(c) Is the core competence …….. in your opinion

1 = valuable / 5 = not valuable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = rare / 5 = not rare

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = imitable / 5 = unimitable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

1 = substitutable / 5 = non-substitutable

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

How can this core competence be used / shaped?

(2) Could, in your opinion, the core competences of subunit [……..] be useful for other subunits of the case company? If yes, how?

(3) What are, in your opinion, problems of an inter-divisional utilization of strategic resources?

(4) Please briefly describe the strategy of the case company

V. Additional questions

a) What do you associate with the term core competences?

- ☐ **Management concept**
- ☐ **Idea**
- ☐ **Buzzword**
- ☐ **Something else**

b) Do you know the article "The Core Competence of the Corporation" by K. Prahalad and Gary Hamel?

- ☐ **yes**
- ☐ **no**

Erklärung

Ich erkläre hiermit gemäß § 9 Satz 2 b der Promotionsordnung, dass ich die Dissertation selbständig verfasst habe und der Inhalt nicht schon für eine Diplom- oder ähnliche Prüfungsarbeit verwendet wurde und dass die benutzten Hilfsmittel nachfolgend vollständig angegeben sind.

Erlangen, 23. Oktober 2009 Jörg Michael Dautwiz

Hilfsmittel

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