

HOW TO ORGANIZE FOR A MULTIMEDIA WORLD

It is now widely accepted that the arrival of the Internet has forever changed the long established ways of organizing a newsroom.

Carlo Campos

Second Vice President, INNOVATION International Media Consulting Group (Spain)
campos@innovation-mediaconsulting.com

At INNOVATION, we recognized the need for new newsroom models early on, and have been developing proposals and recommendations ever since. Our most updated model can be found in this report in the article by Chris O'Brien and Juan Senor.

We have now extended our perspective beyond the newsroom and try to provide some ideas on how news media companies should organize themselves for the current environment and the rapidly changing near future. As always, we have looked around the world for real examples of what news media companies have done or will implement soon and attempt here to synthesize what we have learned.

STRATEGY AND ORGANIZATION

Standard management theory dictates that organization must follow strategy. And as strategy depends on factors as diverse as the vision of the company, its capabilities and resources, the markets and the competition, so will the organizational model each company adopts differ from others.

Nonetheless, a traditional media organizational model has evolved, and is still in use by most companies, from international media conglomerates to small local publishers (see Fig. 1). In this model, each “media” or “channel” (newspapers, magazines, books, TV, radio, etc) is neatly placed in its own box and all general “support functions” (administration, accounting, human resources, IT, legal, etc) in a separate area. Channel boxes include all production areas associated with each channel as well as its marketing and sales functions. In most cases, the separation of the different channels and support staff was not limited to the organizational chart. They were commonly separated physically, scattered throughout a building, or even in

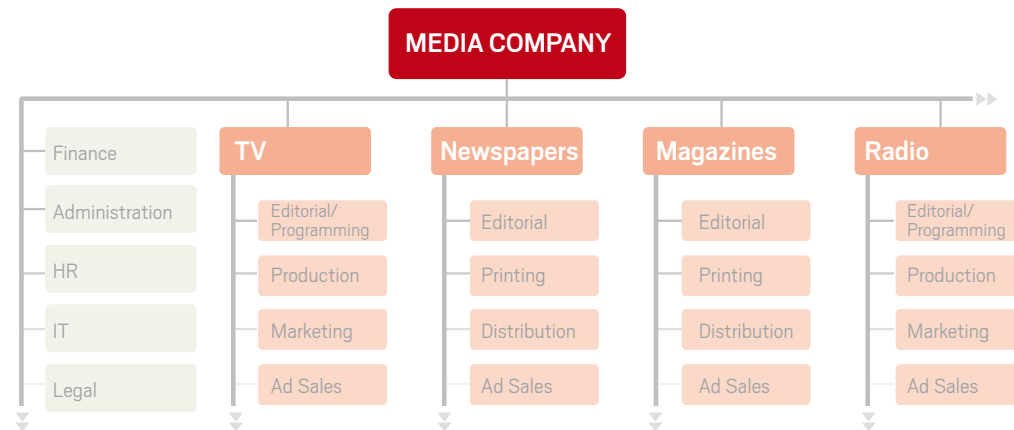


FIGURE 1: THE TRADITIONAL ORGANIZATION

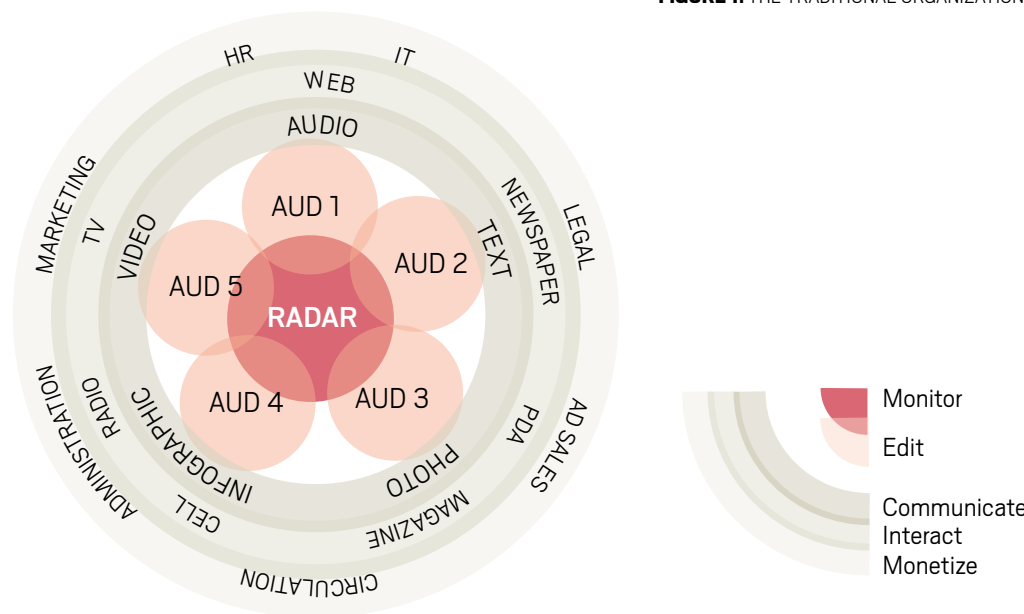


FIGURE 2: 'MULTIMEDIA INTEGRATED STRATEGY' (MIS)

separate, distant buildings. This model reflected how media used to be produced and consumed by audiences and advertisers: in airtight compartments.

This is no longer the case. It is not enough for newspapers to simply print news; they also need to be “broadcasted” in video and audio as well as online. Audiences do not consume news in airtight compartments anymore; they interact through several channels simultaneously.

To respond to the present changes, and whatever the near future may hold, news media companies must shift their organizations from focusing on production needs to focusing on the needs of their audiences.

The generic strategy that is most appropriate to the present environment is a “Multimedia Integrated Strategy” (MIS) that can be described schematically as a series of concentric circles, one for each key function of

the new news media business (Fig. 2). It all begins in the center at the radar desk where we monitor all events, all the news. Then, it is critical to edit the news according to the needs of each audience segment we work for and communicate with them in the most ap-

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appropriate language. Next, we interact with our audiences through whatever channel they are using at the moment. And finally, in order to have a business, we need to monetize the interactions.

A MIS has definite implications on how news media companies ought to organize. First of all, editorial functions have to be organized for specific audience segments independently of the channels used. Then, they need to work together with operational teams to “publish” in all required channels and with business teams to market and sell the interactions. This leads to a matrix type of organization based on 3 axes (Fig. 3): editorial, organized by audience segments; operational, organized by channels; and business, organized by support areas.

Styria Medien, originally a publisher of regional newspapers in Austria that now operates at a national level in its home country as well as in Slovenia and Croatia, is well along its way to implement its own version of MIS, what it calls MMM, a Multimedia Multichannel Multiplatform strategy. Horst Pirker, Styria Medien’s CEO, says “channels are commodities and developing platforms (the gadgets that audiences use to interact) is other people’s business. What we need to do is solve these 3 key questions: Who is my target audience? What benefits do I need to offer them? How will I provide those benefits?” To better answer these questions they are organizing the company into brands focused on specific target audiences and working as a Content Engine (Fig. 4), with the rest of the Group providing support for them.

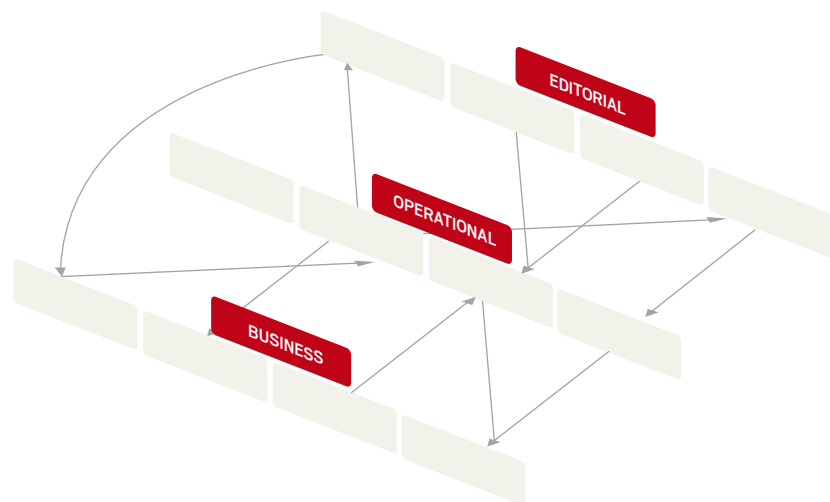


FIGURE 3: MATRIX TYPE OF ORGANIZATION, BASED ON 3 AXES

RBS, the leading news media company in southern Brazil, has just reorganized the whole Group with its clients’ needs in mind. Pedro Fagherazzi, RBS H.R. and Organization Director, explains the reasons behind the changes: “To accept change, the culture of most companies needs to change. In RBS we needed to change our vision. We needed to look for inspiration outside the company, not inside. Until now we have focused on products and production. From now on we will focus on audiences and advertisers”.

The Group changed its organization from the traditional vertical “channel in a box” model to a horizontal model based on three Vice-Presidencies, each focused on a specific client function. Products and Operations, is in charge of editorial content and production of all RBS media – TV, newspapers, radio, online, events, etc – focusing on audiences. Product marketing is part of its functions. Market and Business Development, in charge of ad sales and new businesses ventures focuses on advertisers. Marketing to advertisers is here. The last, Finance and Administration, is in charge of all support functions whose clients are all the areas of the Group.

Although there are still P&L statements for each media, in order to control its sales and cost performance, the focus is on the overall Group results. The three VPs, together with the President and an Executive VP, are primarily responsible for Group results, independently of the performance of each media. Several committees meet on a regular basis to insure cooperation and coordination between all the areas, arbitrate potential con-

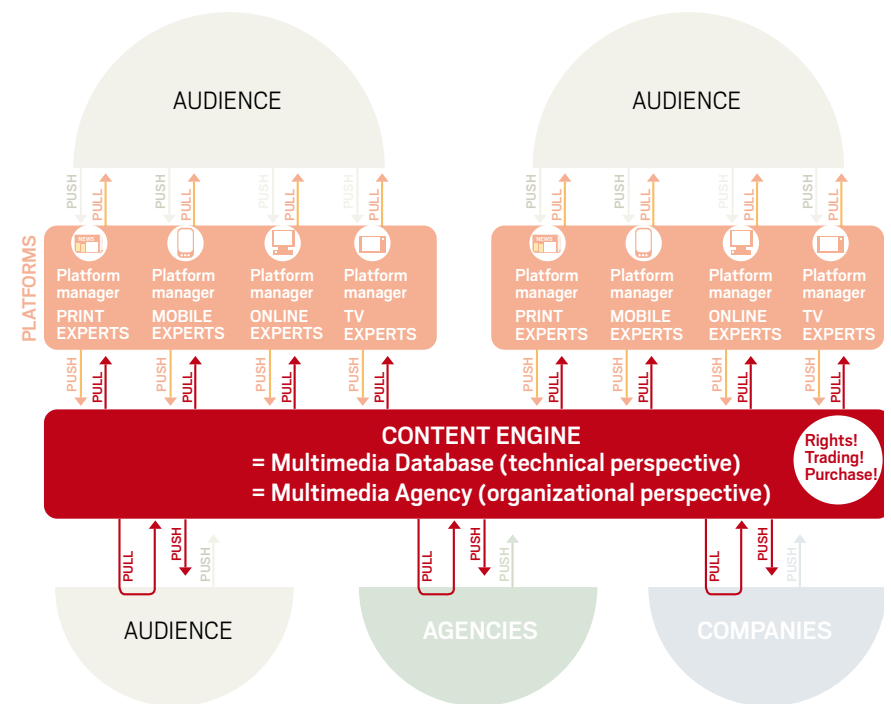


FIGURE 4: STYRIA MEDIEN'S CONTENT ENGINE

flicts, and make decisions with the Group’s interests in mind.

The need for cooperation in this type of matrix organization should not be underestimated. In the old days of well defined borders for responsibilities and businesses, different brands or channels of the same media group were set up as independent concerns, often with fully duplicated organizational structures. Competition between them was then highly encouraged. Although this policy created inefficiencies and had other obvious disadvantages, its upside in terms of encouraging individual performance more than compensated.

In today’s uncertain environment cooperation is more relevant than competition. Different areas within a company or different businesses in a group need to join forces by pooling resources, learning quickly from each other and not repeating mistakes. This is especially true for technological aspects but, as we will see later in this article, applies to other areas as well.

Bonnier, the Swedish media conglomerate whose operations in newspapers, magazines, books, TV, music, and other media are spread over 20 countries in 3 continents, is beginning to take steps to promote cooperation in a group where heavy competition between all its businesses and “individual entrepreneurship” were previously the norm. The Group’s corporate headquarters did not provide any relevant business functions to the individual companies until the creation of the Research and Development area one year

ago, in charge of multi-area, multi-company, and multi-brand cooperation on new media (i.e. digital) ventures. They organize monthly meetings with new media leaders of all the Group’s businesses where market information and internal developments are reviewed, and launch Group-wide initiatives to develop new projects. With its need for constant and rapid innovation, new media is seen as the appropriate first step to a more integrated Group.

BUILDINGS AND FACILITIES

The need to cooperate across all channels and areas of a news media company inevitably leads to the need to drop all physical barriers between them. With the number of people that work in an average news media company

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running in the hundreds, it would be ideal, but perhaps unrealistic, to propose that all staff should work in an open space with as few separations as are needed to perform regular daily activities.

Nonetheless, it is wise to try to bring everyone together in one building, with open work spaces for each axis of the matrix organization or at least each functional area. Common access zones should be designed to encourage casual meetings between personnel in different areas and meeting rooms and common leisure areas should be shared by everyone.

Rede Bahia, a mid-size news media company that operates newspapers, TV and radio in the state of Bahia, in northeastern Brazil, has applied to its management team the same recipe it used for its journalists: moved them all to an open space. The CEO and all the VPs (sales, marketing, finance, controller, IT, TV operations and newspaper publisher) now have their desks facing each other in an open room that mimics a newsroom and share small glass-walled meeting rooms. This simple set up has greatly increased transparency and cooperation across the whole organization (see the inset box for details).

SUPPORT FUNCTIONS

In the new news media organization several support functions need to come out of the back-office and take on a more strategic role.

■ The explosion of media choices and the revolution in how audiences consume them has raised the complexity of planning a marketing campaign by several orders of magnitude.

1. INFORMATION TECHNOLOGY. If technology is not part of the DNA of everyone in your organization, as is the case for most Internet startups, you need to recruit and incorporate into your top management team a Chief Technology Officer (CTO) immediately. This is not the person directly responsible for running the intranet or installing the computers and printers, but someone who has a strategic understanding of technology to help you navigate in today's turbulent business environment.

During the summer of 2008, Styria Medien created a strategic IT area that reports directly to the Group's management board and is staffed by a very senior person and a small team of 2-3 people. Bonnier's corporate Research and Development area fulfills a similar role.

2. HUMAN RESOURCES. Human Resources has to move beyond payroll activities and record-keeping and become proactively engaged in recruiting people with the skills needed for a modern news media operation, training all the staff on topics ranging from industry trends to the specific knowledge required for each function, and developing all kinds of incentives to raise employees' drive and motivation.

Schibsted, a Norwegian media group that operates in over 20 countries and whose public ambition is to become "Europe's most attractive media group" lists Capability Building as one of the three pillars in its strategy. For this pillar there are three priorities: leadership development, disciplined collaboration and continuous improvement. To achieve these goals Schibsted has implemented a wide variety of initiatives. Among others, it set up a transparent labor market inside the group with leadership reviews and 360-degree employee feedback; created periodic group-wide forums that bring together specialists within a specific business area or across several areas from all companies in all countries; endowed an international ad sales award and is starting a journalism award; and regularly conducts employee satisfaction surveys, and acts on the findings.

3. LEGAL. Knowledge of copyrights and syndication management will become more complex as content can be published across many channels. News media companies need

to extend these skills beyond TV or, for those with no active TV operations, acquire them urgently to manage the use of third party content and fully exploit their own content.

AD SALES

The explosion of media choices and the revolution in how audiences consume them has raised the complexity of planning a marketing campaign by several orders of magnitude. There is still much debate not just on how me-

dia companies ought to "sell their audiences" but also how advertisers and agencies will buy them. But what is already becoming clear is that the usual separation by channel is not the best solution. If you are a newspaper trying to sell a video spot on your website, which department of the agency do you contact: print, TV or Internet?

Also, there is no standardized method to measure advertising effectiveness across all channels. Even for the web, the channel with



CORREIO DA BAHIA

In August 2008, *Correio da Bahia*, Rede Bahia's daily newspaper was relaunched with a novel editorial formula and graphic model. Journalists, who used to work in a cubicle farm type newsroom, were moved to a modern, open-space newsroom purposely built to accommodate the new work flows and processes.

Guilherme Laager, Rede Bahia's newly hired CEO, took the opportunity to also move all his VPs, until then scattered in individual private offices throughout the company's buildings, to a new, open-space "management room". He has worked in such an environment since 1989 when he was in Brahma, a Brazilian brewer that is now part of AmBev - "All companies and businesses in the world are interdependent. Functional areas are not silos. This open work environment encourages quick and constant communication between areas, fostering wider apprenticeship and exchange of ideas. Less formal meetings, faster decisions, higher discipline, more productivity."

The whole team agrees with Guilherme's assessment. Luiz Albuquerque, Correio's publisher, mentions that the new management room "... promotes integration between the areas' directors and, consequently, the areas themselves. It facilitates communication and leads to a more favorable work environment. And it accelerated the spread of the company's new culture of integration and cooperation."

In the management room the CEO and all seven VPs (ad sales, marketing, finance and IT, control and HR, projects and new businesses, TV and radio operations, and newspaper publisher) sit on closely arranged desks that face each other and share a "coffee-room" and 2 small glass-walled rooms to meet with their teams, visitors or for the occasional personal call. On the back wall there are several flat screen panel TVs with the company's and the competitors TV broadcasts and websites. One panel displays in succession each area KPIs (key performance indicators) in an exercise of transparency and orientation to results.

Oh, and by the way, as a byproduct of the integration there were cost savings. The new management room occupies less than half the square footage of all the old offices put together and all the work done by eight personal assistants to the managers is now dealt with by only three working in shifts for everyone on the management team.

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“Product development on the web is natural because it is a new media. But no one worries about paper product development. That is what is really needed”

TORRY PEDERSON, VG's CEO

the most potential for measurement, there is no established consensus. So, negotiations for multimedia campaigns tend to concentrate on “package discount” rather than effectiveness.

Once again, the best approach to these problems is to focus on your client's needs. News media companies' ad sales teams will have to organize themselves not by channel but by “client segments” that share advertising needs and goals. They will have to provide solutions to match these needs with the audiences they interact with across all channels.

In the meantime, the appropriate organization for your ad sales area is bound to depend on how buyers are currently organized and how they will evolve in each market. But there are already several actions that can be taken to advance towards this new model:

- **Deepen your expertise on audiences.** Understanding what audiences really need and how they interact with your channels is at the heart of a MIS. It is as crucial for developing your audiences as it is for selling them to advertisers.

- **Develop knowledge on single and multi-channel ad effectiveness.** Being up to date on all models used to measure advertising effectiveness will just get you a “pass” grade. Honors are reserved for those that provide information beyond what is normally requested and participate actively in defining and disseminating future measurement techniques.

- **Raise the profile and skills of individual sales reps.** Every salesperson in your organization needs to know more than just the basic facts of the brand or media channel they sell. They need to understand how each channel can help meet the advertisers' goals and be able

to make comprehensive recommendations that may even go beyond what your company can provide. Sales reps need to evolve to become as close as possible to being marketing consultants.

- **Be able to sell ads in any package demanded by buyers.** Be ready to negotiate deals in every combination possible: by channel, brand, audience segment, company or even at the group level.

- **Experiment with revenue models.** These are good times to try out new ways to monetize your audiences. Any models that are not profitable or do not generate enough revenue can always be discarded.

- **Create new sales channels.** Look for new ways to extend the relationship with advertisers beyond direct contact with sales reps.

In the past 15 years Schibsted's VG has transformed itself from Norway's most read newspaper to the country's most popular news media brand. Together with its websites it has the country's highest reach for young audiences, higher than TV. Online already contributes over 35% of total revenues and it will become the largest contributor in the next year or two. VG sells ads on the web by all possible revenue models - by impressions, by day, by week, by click-throughs, etc - and creates a new online business every year - a paid weight loss website, a personal finance web page, an online social community and now is about to become a banking agent as well.

Although there are separate ad sales teams for online and print, as there are two separate legal entities for the online and print operations, VG has recently established cross-media teams that are starting to work on specific industries. These joint teams have a steering committee in charge of coordinating each channel and assimilating lessons learned. There are also specialist sales reps in web TV and social media in charge of developing knowledge about these channels for the whole organization.

We believe that ad sales is another area where the need for cooperation across channels is increasingly necessary. Companies should pool administrative resources such as traffic, invoicing or ad production and, more importantly, create a potent “Marketing to Advertisers” team that can develop the expertise required to support sales across all platforms.

INNOVATION

In the current environment news media companies need to reinvent themselves rapidly and often. Innovation efforts are usually con-



FIGURE 5: SCHIBSTED'S NEXT GENERATION NEWSPAPER (NGN)

centrated on digital media, and new business models are being tried out at all levels. But, as Torry Pedersen, VG's CEO, puts it “*Product development on the web is natural because it is a new media. But no one worries about paper product development. That is what is really needed.*”

Several companies are now taking paper product development to the highest level. Edipresse, the leading newspaper publisher in French-speaking Switzerland, and a worldwide magazine and electronic publisher, has just created a position of Editorial Director for all three of its newspapers in Switzerland. His main responsibilities will be the overall editorial strategy, quality control and, most important, change. Current Editors in Chief of each product will remain in charge of daily operations, but change will outrank continuity. Two more people, a magazine specialist and a former web entrepreneur with multimedia experience, will help the new Editorial Director rally the organization to innovate its products. There are already two ongoing projects. Cross-functional teams from all areas of the company are working together with the Editorial Director's team to develop a popular cultural weekly agenda for all three newspapers and imagining from scratch the regional daily of the future.

Schibsted has also launched a Group-wide initiative - Next Generation Newspaper (NGN) - to imagine what the newspaper of

the future should be like. The objectives are to create relevant content for tomorrow's consumers and increase spending both in paper and online. To reach specific answers, the initiative has been split into several areas and there will be cross-functional teams from all companies in the Group in charge of analyzing individual topics (Fig. 5).

Inspiration for innovation may also be found beyond your organization and even beyond what other companies in the media industry are doing. Schibsted has one person in the corporate headquarters dedicated full-time to scouting what is being done elsewhere, learning as much from others' successes as from their mistakes. Three years ago, Schibsted's executives visited the world's most innovative companies and learned on site how they did it. Much of what is being done today comes from the lessons learned then and they are now repeating the project, this time focusing on sales excellence.

The changes to a news media company organization proposed here are deep and may go against long accepted archetypes. But just as it is in times of great unrest that radical political changes can be accepted, it may well be that it is at the worst of times ever for our industry that we may have the opportunity to make the changes in our organizations that are needed to guarantee their prosperity in the future.