The concept of strategy has been developed first in a military and political context. Military strategy books, such as *The Art of War* by Sun Tzu and *On War* by von Clausewitz, are famous and have become business classics. Sun Tzu developed the tactical side of military strategy and Von Clausewitz highlighted the dynamic and unpredictable nature of military strategy.

The growth of firms and industries during the second half of the 20th century led to the importance of strategic management. Strategic management is concerned with developing the concepts, tools, and techniques to analyze industries and competitors and developing strategies to gain competitive advantage. As it is mentioned by Furrer, Thomas, and Goussevskaia (2008):

…the “prehistory” of strategic management as an academic field lies in studies of economic organization and bureaucracy (Rumelt et al.1994). Among the numerous writers who started to investigate the role of management and possibilities for strategic choice, the most famous are Taylor (1947), who initiated a “science of work,” Barnard (1938), who studied the roles of managers, Simon (1947), who developed a framework to analyse administration, and Selznick (1957), who introduced the idea of “distinctive competence.” An important contribution of these authors is their linkage of the study of organization with economic ideas.” (p. 3)

The most significant scholar in the area of strategic management is Michael Porter, whose seminal works *Competitive Strategy* (1980) and *Competitive Advantage* (1985) form the primary literature in studying strategy.

At a general level, strategy refers to actions that have been taken and decisions that are to be made by an organization in achieving its objectives. Porter (1996) states, “Strategy is the creation of a unique and valuable position, involving a different set of activities” (p. 68). The word “creation” implies choice of the particular way in which the firm competes to achieve a sustainable competitive advantage. In a competitive setting, the firm’s primary objective is to find a competitive advantage that could lead their companies to a superior performance, or at least to some sort of benefits that satisfy shareholders, customers, or any stakeholder.

Beyond the macro-meso framework of explaining changes in industry structures, strategic management proposes a comprehensive approach to address company behavior based on three levels. Corporate level is about the overall scope of an organization (its portfolio of businesses), the nature of competitive
advantage, the decision to enter a new market or to exit from an activity, etc. Business strategy refers to the ways a firm competes and achieves its objectives within a particular market (or a strategic business unit). Operational strategy is related to the resources and competencies of an organization and how they are used efficiently in doing business.

Particular emphasis is given to industry analysis, competitive rivalry, sustainable competitive advantage, organizational structure, company growth, and corporate strategy. Firms operate in a more and more complex, dynamic, less predictable environment. This situation requires following different approaches of strategic positioning and strategic planning and developing new patterns of strategic thinking. There are several strategic models and tools. Most of them have advantages and disadvantages. As is mentioned by Stähler (2002), a model is always a simplification of the complex reality. It helps to understand the fundamentals of a business or to plan how a future business should look. However, in spite of these limitations, these models must be examined.

This book is devoted to an application of strategic management to the media (and entertainment) industries and organizations. Media management research became an area interest and study during the 20th century as media conglomerates began to emerge. Media management is a global phenomenon and research in the field of media management that crosses interdisciplinary and theoretical domains (Chan-Olmsted, 1998; Chan-Olmsted & Chang, 2003).

Today’s media (and entertainment) business landscape is characterized by the intense use of ICT, fierce global competition, rapid change, and results in increasing complexity, high risk, and greater uncertainty than ever before. “Only by integrating the Internet into overall strategy will this powerful new technology become an equally powerful force for competitive advantage” (Porter, 2001, p. 78).

The topic of convergence (the integration of data, media, and telecommunications systems) is often identified with the media industries. Convergence can also involve the emergence of new companies and/or technologies in order to develop new business models and standard digital delivery forms. The major media companies in charge of creating, manufacturing, and distributing content (music, movies, video, video games, newspapers, and magazines) have to understand how to utilize new technology in the most efficient manner.

It has been a long established cliché of the dot-com era that “content is king.” More recently, analysts consider that “device is king.” The Internet is driving change through “network effects” and pervasive smartphones, tablets, and other new devices with Internet access. Growth in electronic distribution platforms will remain strong as consumers continue to demand access to content. There is a large array of delivery channels for media. The most crucial shift is that both channels and devices are shifting to the mobile, rapidly enabling anywhere/anytime consumption of media.

The strategic management of media companies is likely to continue to be a key area of study in the future. The media industries are but a handful of the industries whose incumbent firms include important, identifiable players. Lavine and Wackman (1988) and Albarran (2003) have introduced and developed factors that give media organizations their unique characteristics and distinguish them from other organizations:

1. Nature of the product: the perishable commodity of the media product;
2. Types of employees: the highly creative employees;
3. Special organizational factors in media organizations;
4. The role of media in society (e.g., awareness, influence);
5. Blurring of lines between traditional media.
Among the most pressing research questions facing those working in the area of strategic management will be the effectiveness of media groups’ strategies and their effects on the structures of media markets and industries impacted by disruptive technologies. As the industry becomes more competitive and convergent, the profit the incumbent firms earn declines. Newcomers compete directly with the “traditional” media players. The analysis of new media requires taking into account many different actors: telecom equipment manufacturers (Cisco, Alcatel), network operators (telcos), terminal manufacturers (Samsung, Apple), consumer electronics manufacturers (Sony), Internet giants (Google), and “traditional” media groups (Comcast, Time Warner, Vivendi, Viacom, NewsCorp, Disney).

One of the most relevant approaches to understanding media and entertainment industries and how they are evolving is to examine them as a network of relationships. Networks are viewed as structured and articulated contract-governed entities comprising at least two partners engaged in more or less long-term exchange relationships. They are created as the result of specific organisational and regulatory action, based on somewhat formalised and elaborated control modes, as well as on trust. Inter-company networks can be described as cooperation between at least two legally distinct companies. The major players try to achieve better performances by creating multi-stakeholder partnership and entering different types of networks and in particular Business Ecosystems (BE). But within these same networks, coopetition occurs and poses challenges to the participating firms. Moore (1993) emphasises the phenomenon of coopetition, which is inherent in ecosystems. In BE, firms turn to greater openness in innovation (some platforms are free and open) and at the same time develop “coopetitive” strategies.

Media groups have also to develop new Business Models (BM). Many media companies applied traditional business models such as advertising subscription services until the beginning of the 2000s. The reorganization of the value chain in the telecom and media sectors assigns new roles to players contributing to the chain of telecom-media convergence services and new revenue models.

The industry is still evolving and is in a very turbulent stage at the moment: unexpected new players are likely to emerge, new business models to develop, and demand patterns to change. The media industry has shifted from scarcity to an era of abundance where the supply of content is concerned. Television content, radio programs, music, and games are widely available thanks to the Internet and through Internet. In addition, expectations of the new “Gen Y” or “digital native” consumers mean that companies must keep up with the pace of change or will not survive.

This book examines and evaluates some of the fundamental analysis tools required by managers of their organization in its external environment and internal conditions. In order to understand the future of strategy of media groups, it is important to provide a historical perspective on the origins of the observed changes and evolutions in the development of the field strategic management. Therefore, the first seven chapters deliberately focus on strategic formulation and analysis while the remaining five chapters are devoted to strategy implementation in ICT industries and to media issues. This is complemented by a wide range of business examples that illustrate the core concepts.

The organization of the book is as follows.

Chapter 1 describes the evolution of thinking about strategy and outlines the main perspectives from economics that contribute to an understanding of the roots of strategic management. The field of strategic management is relatively young compared to other academic disciplines. The chapter considers the role of strategic management on the basis of a number of economic theories: transaction-cost economics (market versus hierarchy), agency theory (relations between principals and agents), game theory (one’s decision has an impact on the other decision maker), Industrial Organization (IO), and international economics.
Strategy management has very close links with industrial organization theory, which focuses on the whole industry and market conditions of a company. It is reflected in the Structure-Conduct-Performance (SCP) model, which claims that there is a causal link between the structure of a market in which a company operates, the organization’s conduct, and in turn the organization’s performance in terms of profitability. More generally, the OI framework aims to identify strategic choices, which firms have in their respectively industry. Porter’s five forces model is based on the SCP model.

Chapter 2 addresses major theoretical models and tools of strategic management. Strategic thinking is about understanding the relationships among the firm’s internal and external contexts. Understanding a firm’s position in its context is a crucial part of developing a competitive strategy. We discuss how a firm’s external environment affects its performance and how the external factors need to be matched by a firm’s internal resources and competences. We present the Resource-Based View (RBV) framework, a relatively recent approach to firm-level strategy. The RBV highlights the role of resources and competencies in the strategic choices a firm makes in competing in its external environment.

An organization can conduct its strategy and develop a sustainable competitive advantage (cost and/or differentiation) by making links between the general context, the competitive environment, and its own capabilities. An in-depth strategic analysis requires specific tools: PEST, the Five Forces (+1) framework, value chain, and the resources approach. We extend the analysis of the value chain of a company to the value chain in which the industry is embedded. We focus on the characteristics of segments in the value chain and the links among them. We describe key success factors that drive performance by asking two questions: What do customers demand? and What does the firm need to do to survive competition and to achieve sustainable competitive advantage?

The value chain approach encompasses external and internal data and information, exploits linkages throughout the value chain, and provides continuous monitoring of a firm’s strategic competitive advantage. Competitive advantage defines how the firm intends to achieve its long-term goals with its chosen scope. A strategy should have a clear statement of what competitive advantage will achieve and sustain.

Chapter 3 presents the insights into corporate strategy and modes of development. Developing strategy involves deciding how to compete in different market segments. Organizations require an effective competitive strategy to operate successfully in a market where there is established and potential competition. This chapter focuses mainly on corporate growth strategies and growth modes. The main question is how to create and develop a sustainable competitive advantage for the whole company.

We define corporate strategy and discuss the role of diversification, specialization (focus), and vertical strategies in order for a firm to compete in its chosen markets. We address diversification and vertical integration in detail. In addition, we look at the different ways in which these growth strategies can be achieved. This includes internal (organic) development, external growth, and cooperation. Two of the rationales for conducting external growth are synergies between the combining firms and the creation market power. On the other hand, internal growth allows more corporate control, encourages internal entrepreneurship, and protects organizational culture. The conjunction of certain conditions in the structure and nature of the external environment makes one of these methods more likely at some periods of economic history than at others. Indeed, the business risk associated with each type of growth and each kind of corporate strategy varies and depends on various determinants such as the industry or the economical environment. External and internal drivers can explain the choice of one of them.
After identifying the risks and advantages of various strategies and modes of development, we analyze the evolution of strategic alignment and organizational planning. The fierce competitive business environment in which companies operate today in the digital economy requires using strategic planning to manage more efficiently and adopting more “agile” strategic planning process.

Chapter 4 examines international strategy issues. It examines the challenges and opportunities associated with completing a particular stage of the strategic management process in an international context. The intensification of internationalization is explained as much by external factors (political-regular, socio-economic and technological context, sectoral competing dynamics) than by specific companies factors (positioning, competencies distinctive resources, innovation, etc.).

The growing globalization in the 2000s of a large number of industries, markets, and of technology since the mid-1980s has led to a dramatic growth of Foreign Direct Investments (FDI) taking the form of cross-border alliances and Mergers and Acquisitions (M&As). Most firms make strategic choices within a global competitive context. Indeed, there are currently relatively few firms that do not have to consider some aspects of global competition. Globalization issues must be incorporated into the strategic management process.

Companies choose to internationalize for several reasons. Excessive competition, thinning margins, and overcapacity within many industries have spurred companies to invest abroad. Seeking new markets for growth, diversifying risks, improving productivity, and strengthening global competitiveness are the main drivers of overseas investments.

We give a review of theories and conceptual frameworks. Several theories and conceptual frameworks exist to explain the influences of different factors that affect the choice of entry and location. The influence of country conditions on firm performance has long been recognized in international business research.

Chapter 5 introduces the idea of cooperation (strategic alliances), interorganizational networks, and business ecosystems. At a general level, firms are embedded in different networks of cooperative relationships. Networks can be considered as structured contract-governed entities comprising at least two partners engaged in collaborative relationships. The notion of network, alliances, and ties between different bodies is important. This is particularly true for media industries, which are among the top sectors for seeking out network relationships with other firms, both horizontally and vertically.

The chapter discusses the principal motives behind a cooperative and a network strategy. It considers the most commons reasons for setting up a collaborative activity with a rival firm.

If the 1990s have seen significant growth in international strategic alliances, paralleling the increase in cross-border M&As, the 2000s are characterized by the emergence of a network called Business Ecosystem (BE) based on the ecological metaphor. In addition, as complex relationships between firms are an increasingly prevalent and important trend in business practice, many works place an emphasis on coopetition and the ability of the organization to compete and to cooperate simultaneously with other firms. Convergence encourages coopetitive practices with the emergence of one or several leaders whose position may change according to the evolution of resources and competencies of the firms involved. Coopetitive logic may take several forms. It puts into perspective the complex ties that develop between different players from sectors whose “traditional” barriers have gradually collapsed.

Chapter 6 investigates the origins, the term, and the concept of Business Models (BM). The BM concept has attracted attention both from practitioners and academics. The concept has received wide recognition; yet in practice, it is a new and evolving concept. BMs have been adopted by “traditional” companies, new entrants, small- and medium-sized enterprise, and large groups.
Developments proliferated in the 2000s on the topic of BM, especially with respect to digital revolution, technological changes, and an increasing complexity and uncertainty. Innovative ICT industry coupled with ever-growing products, services, and applications have placed BMs at the heart of the new digital revolution. In this chapter, we will examine how the concept has been applied in the field of ICT and is used in contemporary debate. These new BMs are based on new forms of organization and/or on new products and services offerings. We will show how BMs can be considered as the conceptual framework and implementation of a business strategy.

Chapter 7 highlights the idea of innovation and disruptive technology. Technologies that matter have the potential to dramatically change markets and industries and transform comparative advantage for countries and competitive advantage for firms. The link between innovation and economic change is of central interest. The pace of change is likely to get faster and the changes more significant.

Digital technology remains the key enabling technology of the current era of globalization. It has removed market barriers and radically transformed cost structures. In many cases, a disruptive technology can be seen as a technology that replaces the incumbent technology. It is the case with digital technology.

Innovation in various sectors is driven by standards and/or patents and other intellectual property rights. Standards and patents are helpful for tracking globalization patterns. The current digital economy is characterized by fierce patents and standards battles at the international level, especially between firms in complex sectors such as ICT.

Chapter 8 deals with entertainment industry issues and convergence (industrial and technological). It applies strategic management concepts studied previously to the digital economy in a context of convergence. Convergence raises several important issues. In this chapter, we explore key trends and developments in the ICT industry and summarize the main aspects of the literature on convergence.

Convergence transcends national boundaries. Convergence is a reality most visible at the technological level but existing at the level of organizations and markets. Indeed, the convergence of information and communication technologies has affected different industries (telecommunications, media, Internet) and has led to multiple links between different market sectors: broadcast, production, IT, telecom, Web, consumer electronics, video games, media and advertising, and to several partnerships between companies belonging to various industries leading to the emergence of new actors (Web giants, telecommunications operators, Internet services providers, etc.). This chapter examines the strategies’ evolution of traditional media groups and of new entrants such as Internet giants. How do media firms and the market structure of media industries change over time? It describes both new entrants and incumbent firms and the effect of their behavior on the existing market structure.

Chapter 9 addresses the issue of convergence in the movies and broadcasting industry. As the frontiers between media and telecommunications sectors become more flexible, leading to the emergence of new actors, new sources of value creation, new BMs, and a greater transferability of strategic capabilities (resources and competencies) in the film sector. Movie production is increasingly digitalized and Internet becomes a viable distribution channel.

The TV industry is undergoing similar structural changes due both to endogenous and to extraneous factors. The development of new and complementary audiovisual supports and delivery systems (smartphones, tablets, laptop computers, video game consoles, etc.) and the blurring of the boundaries between TV and video are just a few of these factors. Connected TV is a good example of the technological convergence between computers and these television sets/set-top boxes.

As the movies and broadcasting industry is seriously impacted, this chapter looks at the causes of change and the main consequences on value chains and BMs.
Chapter 10 is concerned with the video game industry and analyzes its mutations. Video game sector is characterized by very high network externalities, a lock-in phenomenon, and the increasing technological complexity of consoles, which are also subject to cycles, a structural increase in game development costs, and the predominance of strategic marketing.

Since the beginning of the century, this industry has witnessed major developments: the arrival of Microsoft in 2001 onto the game console segment, a growing interest of game publishers in other platforms, the dramatic growth of new platforms (mobile terminals), and the rapid development of online and downloadable games. In addition, this chapter addresses some of the most important issues in the field of strategic management: value chains and business models. These concepts are applied to the video game industry in the context of competitive intensity and modification of market structures.

Chapter 11 presents some reflections on music. The recorded music market is a complex one that has been affected by several different factors including the new practices of many consumers, the technological advances, the intensely competitive players, and the supplier oligopoly of record labels. The recorded music industry has been affected since the end of the 1990s by the important technological evolutions following the digital revolution.

The digital revolution raises several challenges to the regulatory framework of the sector, especially in the field of intellectual property rights protection. The development of new technologies that allowed for a change in the traditional way of obtaining music and those technologies were responsible for the worst crisis the industry has faced since it was established. This development of these new technologies reinforces the risk of piracy and needs new standards of protection as illustrated by the illegal digital downloading music.

The figures, reported by the International Federation of the Phonographic Industry at the end of 2013 provide significant encouragement. For the first time in years, the sales of music products have increased, thanks to the online sales. This performance last year was encouraging, but the music industry is still refining its BMs. In the music industry, it is widely believed now that advertisers, search engines, and ISPs could play a critical role in developing a legal digital music activity.

Chapter 12 looks more specifically at the evolution of the publishing industry. The general aim of this chapter is to show digitalization is one of the main threats that is shaping the publishing industry value chain and company business models. The analysis of the publishing industry structure is conducted from the perspective of international features. The value chain system of printed media publishing business is explored with more in-depth analysis of its elements.

The primary objective of this research is to establish practical outcomes of Internet influence on the structure and business model of publishing companies. As rapid development in the IT sector and the Internet can be considered a crucial risk factor for contemporary publishing business, it creates new business models and changes the industry structure.

Each chapter ends with a study. It is important to note that the selected case studies cannot be used for generalization but present an understanding of the context of convergence and describe the various strategies of the main players involved in the current digital media landscape. The current environment has high requirements in terms of resources and competences for operators (telecommunications, broadcasters, technology enablers, etc.) to develop new services, products, and/or applications.

To present these case studies, we collected mainly secondary data. Information about companies was derived from a variety of sources, such as company press releases and presentations, company annual reports, and research reports on industry and company developments.
The case studies are:

**Chapter 1:** KODAK.
**Chapter 2:** Bouygues.
**Chapter 3:** Vivendi and Time Warner.
**Chapter 4:** Canal+ (France).
**Chapter 5:** The French broadcast landscape and TV rights in the 2000s and the 2010s.
**Chapter 6:** BM in the mobile video games market. The case of King (Candy Crush Saga).
**Chapter 7:** Patent battle: Apple - Google - Microsoft – Samsung.
**Chapter 8:** Google.
**Chapter 9:** Netflix.
**Chapter 10:** SONY.
**Chapter 11:** EMI.
**Chapter 12:** Amazon (Kindle) and Axel Springer.

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