Media Entrepreneurs and Market Dynamics: Case of Russian Media Markets

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ABSTRACT

The post-Soviet space has seen a large-scale transformation of media markets that is marked with an unprecedented rise of entrepreneurial initiatives across business sectors, including media businesses. This paper analysed the dynamics of Russian media markets and the challenges of Russian media entrepreneurs. The media markets of Russia shifted toward more concentration and fragmentation, and media holdings are continuously gaining more power. This paper also looked at the regional media markets of Russia. According to research, there are less than 20 self-sustainable regional media holdings in Russia due to the low capacity of regional advertising markets. National media holdings have a diversified portfolio consisting of different types of media with a growing fraction of digital media companies, and the regional media lag behind in terms of its digital component. Most regional media holdings operate traditional media. Their digital channels are yet to be developed, despite the chief executives’ acknowledgement that the future of revenue streams comes from digital channels.

KEYWORDS

media business, media entrepreneurship, media holding, media market, Russia

INTRODUCTION

Russian media have been studied by scholars of various fields, however the economic aspects of Russian media firms, and especially the Russian media markets are under researched. This paper analysed the dynamics of Russian media market transformation with an emphasis on media holdings. This paper also looked at regional media holdings of Russia, that serve the needs of large proportion of population outside the capital, that are often the product of entrepreneurial innovation. By retracing chronological development of Russian media market from 1991 - when the Soviet Union dissolved - till 2017, this paper aims to address what challenges are now faced by aspiring media entrepreneurs that are new to this already concentrated market, as well as established businessmen who run small-, middle- and large-sized media ventures. This paper offers food of thought for researchers of media management and entrepreneurship as it provides an institutional economics perspective on media businesses in one of the largest European countries.

The Specificity of Media Firms

These three features shape how media firms operate and are managed and how they situate themselves in the broader external environment, which includes the state, the competitors and the public. According to Dal Zotto and van Kranenburg (2008), the main forces affecting media companies depending on the market and geographic setting they operate in, are:

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1. The environment outside of the firm, which includes political, economic and social environment;
2. Contextual factors such as organisational culture and leadership;
3. Personal factors such as individual behaviour of the employees of a firm;
4. Process-related factors such as a clear vision and resources and tools available for strategy implementation.

One more significant difference among media firms is the size of a firm. Academics distinguish between innovation processes in large media firms (Küng, 2008; Napoli, 2011) and small firms (King and Tucci, 2002; McKelvie and Wiklund, 2008), in traditional media (Achtenhagen, 2008) and start-ups (Khajeheian, 2017). For instance, young media firms follow different risk reduction and growth strategies simultaneously to increase their chances of survival (dal Zotto, 2005). Regardless of company size - big or small - organisational culture and innovative performance are interrelated (Küng, 2008; Habann, 2008; van der Wurff and Leenders, 2008). Picard (2011) also specified that productivity of personnel, employee turnover, personnel skills and knowledge and the degree to which a company pursues innovation are closely connected.

An Overview of Russian Media Market

The downfall of the Soviet Union with planned economy and the consequent establishment of the market economy opened opportunities for private enterprises in Russia. Poser (1999, p. 103) argued that whenever there is an ongoing economic transformation, intra- and inter-enterprise relations are subject to constant changes. Doing business in such environments has certain features. First, the rules of behaviour and the factors of success and failure of businesses are not clear to market players – they rarely know what to expect even in the short-run. Second, while enterprise heads have to rely on weak legal protection of their businesses, the status of these enterprises is at permanent risk. Third, the constant changes in the ownership structure owing to corporatisation, privatisation and trading of shares on the secondary market threaten the enterprise directors with a loss of control over the enterprise. As Poser (1999) argued, this makes firm owners reluctant to invest in their own enterprises – the only thing they’re concerned about is to stay afloat (Ibid).

One more local specificity to look at is the risk of business take-over by the outsiders or power circles:

*The most important concern that unites insiders is the threat of a take-over from outsiders. [...] For workers a take-over would almost always relate to speedy layoffs and a scaling-down of non-core activity. For directors, it would probably constitute the very end of their careers (Poser, 1999, p. 111).*

For example, as it was widely reported in the local media, that throughout the 1990s successful businesses were under a threat of illegal takeover by people and economic groups associated with power circles. In case of the illegal takeover, the businessmen would receive an oral consent that they should pass their venture towards new owners unless they wanted to face severe problems - tax and fiscal body checks or even legal penalties. In the 1990s, the legal frameworks were obscure and the power relations between the state and the citizens were still being formed. So, it could have been impossible to build a big or medium-scale business (a restaurant, a casino, a furniture factory) without breaking the law to some extent. Therefore, the businessmen knew that if they did not let their venture to be taken over, they would face legal penalties for a reason.

In such environments, economic policy changes can not automatically bring changes to how individual firms operate since there are in-depth problems in the way companies operate based on what their incentives and fears are (Poser, 1999).