Abstract

Dynamic Capabilities and Adaptive Advantage in UK Media

The past decade has seen a transformation in the way media organizations have managed their businesses. The emergence of new media has paved the way for new technologies, digitalization, a proliferation of media outlets and multiple platforms to distribute mediated content. Picard (2002, p.46) argued that these structural market changes compel media executives to address the issue of sustainability since “a firm that is competitive today can lose that competitiveness in future years”. The work of Kung (2008) and Oliver (2012) demonstrated the nature of high velocity market conditions that characterize many media industries, whilst Doyle (2013, p.35) commented that “media firms have naturally adapted their business and corporate strategies” in response to the dynamic nature of media environment.

This paper examines the concept of media firm sustainability by investigating the dynamics of the current UK media environment and the efficacy of media firm strategy and resource management. As such, issues of media firm sustainability will be examined through the lens of Dynamic Capabilities Theory (Teece and Pisano, 1994) which is well placed to consider how media organizations have adapted (Ambrosini, Bowman & Collier 2009) to a transformational context heavily influenced by technological innovation. This paper argues that it is the ability of a media organization to adapt and refresh their resource base, capabilities and competencies that can provide them with an advantage in the market place. As such, this paper argues that *Adaptive Advantage* should be a prime consideration for media firms operating in the type of high velocity market conditions that can threaten the sustainability of their business.

This paper will present the findings from a survey of UK media executives and argue that Dynamic Capabilities Theory can be extended to consider not only the adaptation of organizational strategy and resources, but the notion that a media firm can gain an *Adaptive Advantage* over their competition, and therefore, provide the basis for the long-terms sustainability of their business.

Key Words: Dynamic Capabilities, Competitive Advantage, Adaptive Advantage, Business Sustainability, Organizational Strategy, Media Management.

Introduction

At the core of all media strategy is the word *'advantage'*. Numerous scholars have described this advantage as being competitive, differential, comparative and sustainable to name but a few discourses in literature. The sustainability of many media firms across Europe is called into question as they respond to the challenges of new media technologies, digitalization, audience fragmentation, regulation and the resulting demands placed on their business models and revenue streams. These environmental drivers have created an unfamiliar and unpredictable competitive environment which has encouraged non-traditional media entrants, often with new business models, that has made the traditional boundaries of many media industries indistinct.

This paper examines the concept of sustainability by investigating the dynamics of the current UK media environment and the efficacy of media firm strategy and resource management. As such, issues of business sustainability will be examined through the lens of Dynamic Capabilities Theory (Teece and Pisano, 1994) which is well placed to consider how media firms have adapted to a transformational context heavily influenced by technological innovation. The premise of this paper argues that it is the ability of a media firm to adapt and refresh their resource base, capabilities and competencies that can provide them with an advantage. As such, this paper argues that Adaptive Advantage should be a prime consideration for media firms operating in dynamic market conditions. This paper will present the findings from a survey of UK media executives and argue that Dynamic Capabilities Theory can be extended to consider not only the adaptation of organizational strategy and resources, but the notion that a media firm can gain an Adaptive Advantage over their competition, and therefore, provide the basis for the long-term sustainability of their business.

Literature Review

Dynamic capabilities and sustaining superior media firm performance

The advent of new media technologies, digitalization and de-regulation has created a media environment characterized by change and uncertainty. In response to this environmental context, academics have developed and embraced Dynamic Capabilities Theory and concluded that media firms have been able to sustain their businesses through a process of managed learning in a way that adapts and changes their resource based in order to produce a series of 'temporary' competitive advantages in what are often considered to be high velocity market conditions (Kung, 2008; Oliver, 2012).

However, adapting firm resources and capabilities is an expensive process and one that carries a higher risk of failure due to the level of uncertainty that characterizes many media markets (North and Oliver, 2014).

The seminal work on Dynamic Capabilities Theory, by Teece, Pisano and Shuen (1997, p.516) argued that firms needed to adapt resources, capabilities and competencies in line with changing competitive conditions and that it was “the firms ability to integrate, build, and reconfigure internal and external competencies to address changing environments” that explained variations in inter-firm performance. Indeed, the research presented by Post, Berger and Eunni (2005) found significant differences in firm performance between the most and least adaptive firms, and that those firms that had internally aligned their strategy and resources to the external environment produced superior performance measures than those that did not.

Given the level of uncertainty involved in reconfiguring firm resources and capabilities at a time of complex change, Dynamic Capabilities Theory stipulates that a media firm should benefit from superior performance as a result. However, this theory does not provide a definition, nor taxonomy of what superior performance entails and studies that have addressed this question in any subject domain, let alone in the field of media management are scare. In the media context, Miller and Shamise (1996) concluded that resource reconfiguration in major U.S. film studios resulted in superior performance outcomes in the form of return on sales, market share, and firm profits. A more recent study by Oliver (2014) in the UK Media Industry concluded that superior firm performance outcomes could be assessed using corporate financial analysis using the resource based ratios of Return on Capital Employed, Net Profit Margin and Asset Turnover. In addition, Naldi, Wikström and von Rimscha (2014, p.77) found dynamic capabilities performance effects in terms of taking creative ideas and developing them into a “new value proposition” (innovation) for small and medium-size audio-visual firms in Europe.

The argument for sustaining media businesses through the strategic adaptation of firm resources is presented by Hensman, Johnson and Yip (2013, p.10) who proposed that corporate strategies have historically had competitive advantage at their core. However, due to the dynamic nature of the media environment the “only advantage is the ability to change more quickly than one’s rivals” to the extent that media strategies now needed place an increased importance on organizational adaptation, or as they put it, “dynamic capabilities on steroids”.

Several scholars (Mintzberg, 1987; Senge, 1990; Leavy, 1998; Zollo and Winter, 2002) concluded that a media firm’s ability to adapt and change their resource base is the most important way to deliver competitive advantage and superior firm performance. It follows then, that this *adaptive ability* could be considered a competitive advantage in itself, and therefore, in high velocity market conditions an ability to adapt firm resources to create new and dynamic capabilities, could in itself be the most effective way for media firms to sustain their business in the long-term.

How media firms sustain themselves through adaptive media strategies

Teece and Pisano (1994), Zollo and Winter (2002) and Lal and Strachan (2007) pointed out that a changing external environment required firms to adapt and reconfigure resources, assets, operating routines and competencies in order to improve their effectiveness and competitiveness in the pursuit of superior performance. The ability for a media firm to adapt their operations is often articulated in their strategic responses to changes in the environment. Our understanding of how these strategies are developed within media firms is well established in literature, albeit, with bi-polar views. For example, Kung (2008) articulated the advantages of the prescriptive approach where strategy is developed through a rational analysis of the competitive environment in order to establish an understanding the media firm's strategic fit. Indeed, this view of strategy making has support from an extensive body of literature (Chandler 1962; Steiner 1979; Andrews, 1981; Porter, 1985; Bowman, Singh and Thomas, 2007; Oliver 2013) that advocates the use of numerous diagnostic management tools to derive media strategies.

However, the opposite view argues that the process of developing media strategies is one of emergent learning over time, where media executives critically reflect on past experience, and current events, and intuitively adapt their strategies incrementally to a changing media environment. Once again, we see a significant body of literature (Quinn, 1980; Mintzberg 1987; Leavy, 1998; Mintzberg, Ahlstrand and Lampel, 1998, Argyris, 2004;) advocating this view, arguing that the competitive media environment is so dynamic and uncertain that the process of strategy making needs to be reactive and experimental. As such, media executives should aim to identify the recurrent patterns in their markets and react to the opportunities and threats presented by making incremental adjustments to their strategies and operations. In essence, the advocates of the emergent view of strategy making argue that media 'strategy' only becomes apparent when numerous individual and collective decisions accumulate to produce a significant change in organizational direction (Mintzberg et al, 1998). De Geus (1988, p.71) also noted this interaction between people provides the basis for collective learning to emerge, as "individual mental models" change to a "joint model" of organizational consensus on how to adapt to the changing competitive environment.

In many ways these bi-polar views of the strategy making process have been superseded by a narrative that argues for a strategy making process that is 'appropriate' to the dynamics in the competitive environment. For example, Mintzberg et al, (1998), Perrott (2008) and Lynch (2015) support the view that fast changing and uncertain environments should dictate the use of emergent strategy making due to its ability to produce experimental and flexible responses to opportunistic conditions. However, in more stable competitive environments, it is more advantageous to employ prescriptive strategies as a means to position the media firm in relation to the opportunities and threats presented to them.

How media firms sustain themselves through adaptation

There is an emerging view that the ability of an organization to adapt to changing market dynamics can be considered a dynamic capability in itself. For example, Wei and Lau (2010) argued that the continuous evolution and adaptation of high performance work systems could be considered to be an 'adaptive capability' that resulted in improved firm performance. More recently, the paper by Dixon, Meyer and Day (2014, p.198) argued that a firm can create dynamic capabilities in 'organizational adaptation' by acquiring existing knowledge from outside of the firm and exploiting and deploying it to create new operational capabilities. They go on to say that the organization that "best leverages these adaptive dynamic capabilities will secure a temporary competitive advantage, outperforming its immediate peer group".

The theory on the adaptation of media firms is principally based on two contrasting theories in management literature. On the one hand, Evolutionary Theory argues that media firm adaptation is considered to be a continuous cycle of adjustment and variation that creates new forms of the organization that emerge by random chance. The sustainability of the media firm, is therefore, aligned to the Darwinian view of *natural selection* where the competitive survival and sustainability of the firm is determined by trial and error and how successful they are at incrementally adapting their strategies and resource base to the prevailing environmental conditions. The alternate view is derived from Teleological Theory which argues that adaptation and sustainability is not achieved arbitrarily by 'chance' but by a purposeful desire to achieve an organizational goal (Van de Ven and Poole, 1995). This theory considers the adaptation and sustainability of the media firm to be a goal orientated and rational management process of "goal formulation, implementation, evaluation and modification of goals" that is again dictated by changes in the competitive environment (Pettigrew, Thomas and Whittington, 2007, p.208).

The concept of Adaptive Advantage is not new. However, it has received surprisingly little attention by way of theoretical development and empirical testing. Literature to date has concentrated on the need for organizational adaptation, rather than the advantage it can deliver to media firms who embrace the principle. For example, Post, Berger and Eunni (2005, p.84) found a number of internal and external 'alignment' characteristics in US telecom firms that resulted in significant differences in firm performance. Simply put, they argued "firms that adapt to changes in the environment succeed, whilst those that don't, fail". They went on to present a classification of traits that led to success or failure based on various strands in strategic management literature, and from this, developed and empirically tested their conceptual framework on 'strategic adaptation'. Whilst this work examined the '*process of how'* firms adapted they did not develop the idea that this adaptive ability provided firms with a competitive advantage.

The work of Reeves and Deimler (2011) 'Adaptability: The New Competitive Advantage' however, presents the notion that sustainable competitive advantage is too difficult to achieve in the type of fast moving competitive environment that characterizes media industries. As such, they argue that media firms need to develop new adaptive learning capabilities that will deliver a new form of advantage the market place, that is, *adaptive advantage*. They defined this as "the ability to achieve superior outcomes in a turbulent environment by continuously reshaping the enterprise through a process of managed evolution" and that this ability was defined by four organizational capabilities:

- The ability to *detect* and *act* on signals in the external environment;
- The ability to *experiment* and develop ideas fast, at low cost and with less risk than competitors;
- The ability to *manage* complex and dynamic multi-stakeholder eco-systems;
- The ability to *mobilize* resources by empowering people to proactively respond to changes in the environment.

Positioning this research

This paper examines the idea of media firm sustainability through the lens of dynamic capabilities since the focal theory is concerned with a media firm's ability to adapt and renew their resources, capabilities and competencies, through deliberate resource investment. The aim of this reconfiguration of firm resources is to deliver superior performance in the firms strategic and operational activities during high levels of environmental turbulence. The application of this theory is also highly appropriate since many media firms are now competing in high velocity market conditions that are characterized by a blurring of industry boundaries, new industry entrants and changing business models. As such, the argument for the strategic adaptation of media firm resources and capabilities to sustain their businesses seems well founded.

As previously discussed, there have been a limited number of studies that have examined the notion of superior firm performance effects in relation to the return on investment in new and dynamics capabilities. As such, the premise of this paper argues that it is the *ability* of a media firm to adapt and refresh their resource base that can provide them with an 'adaptive advantage' in the market place, and that this type of advantage can be considered to be an aspect of superior firm performance.

Whilst Dynamic Capabilities Theory and adaptive advantage have not previously been linked in literature, there are clear parallels with the Teleological Theory of adaptation and the sustainability of media firms. This is demonstrated by: firstly, dynamic capabilities being considered as the link between firm resources and the competitive media environment (Lampel and Shamsie, 2003; Owers and Alexander, 2011; Lawton and Rajwani, 2011; Oliver 2012; Doyle, 2013); secondly, that dynamic capabilities refer to the drive and enthusiasm of a media firm to renew resources in order to generate value and economic rents (Eisenhardt and Martin, 2000; Ambrosini and Bowman, 2009); and thirdly, dynamic capabilities refer to the management of firm resources that creates and sustains competitive advantages that cannot easily be imitated by competitors, and as such, this provides the basis for superior inter-firm performance (Teece and Pisano, 1994; Zollo and Winter, 2002; Post et al(2005; Oliver, 2014).

In positioning the theoretical contribution that this paper makes to understanding the sustainability of media firms, this research sought to understand media executive views on the nature of the UK media environment and how this was impacting on media firm revenues, capabilities, dynamic capabilities and their ability to gain an advantage in the market place through adaptive organizational processes.

Method

This research used a quantitative methodology in the form of an online survey. The sampling design was non-probability and purposive, with a sampling frame generated from the online professional network Linkedin using the keyword 'Broadcast Media (UK)' to identify potential respondents. This purposeful approach to sampling, by its nature, tends to focus on a limited number of important respondents. As such, these respondents were selected because of their in-depth knowledge and expertise of the strategic issues facing the UK Media Industry and their own media firms. Indeed, the UK Media Industry provided an ideal context to examine this topic, due to its fast changing and dynamic environment.

A sample size of 112 media executives from 'blue chip' media firms included: the BBC, ITV, NBC Universal, PBS America, Sky, Turner Broadcasting, Virgin Media and Viacom to name but a few. These executives had responsibility for developing media strategy and held positions such as: Head of Strategic Planning, Director of Strategy, Head of Commercial Policy, Head of Business Development, Vice President Marketing, Director of Programming, Chief Technologist, Senior Vice President, Director of Operations.

The primary advantage of using this type of purposive sample is that the respondents are judged to have expert knowledge in the subject matter and as Green and Erickson (2014, p.7) pointed out, they have a "strategic importance within the business" in terms of shaping corporate direction, media strategy and resource allocation. This approach has previously been successful in terms of gaining high quality data and yielding good response levels (Oliver, 2013) and on this occasion, the response rate was 27% (30 respondents).

The questionnaire consisted of 22 questions (see Appendix 1), using a standard 4 point Likert Scale (Strongly Disagree, Disagree, Agree, Strongly Agree) and was sent to potential respondents via Survey Monkey.com in February 2015. The questionnaire was divided into three sections:

1. An assessment of the competitive media environment and outlook for 2015.
2. An assessment of media firm capabilities and dynamic capabilities.
3. An assessment of media firm ability to adapt to new industry dynamics.

Data Analysis

Descriptive statistics were used to describe and summarize the data, and to present meaningful information. Whilst the objective of descriptive statistics is to collect and quantify data into discernible information for the purpose of description, it also allows the researcher to make basic judgments on the data in the study. As such, the findings of this research are presented in a rather straightforward set of percentages in relation to the questions asked of respondents. The disadvantage of using descriptive statistics is that they can only be used to describe the sample being studied, and as a consequence, the information gleaned from this survey are 'illustrative' as the results cannot be generalised to any other group of media firms. Having said that, the findings will be used by the author of this paper to design a research study of greater scale and complexity, where the aim would be to reach conclusions on the concept of adaptive advantage that could be generalized to a wider population of media firms.

Having said that every attempt was been made to ensure that the data collected, analyzed and presented in this paper is both credible and trustworthy. As such, a number of validation methods (searching for disconfirmation, identifying outliers, researcher reflexivity) have been used to ensure that the data is trustworthy (Saunders et al, 2009).

Results and Discussion

An assessment of the competitive environment and outlook for the UK Media Industry in 2015

Overall, the outlook for the UK Media Industry in 2015 was extremely favourable with 89% of media executives agreeing that the year ahead would be positive for their firm. This optimism is likely to be the result of improved macro-economic conditions that have fed down to industry level since the majority of media executives (63%) said that their ability to develop media strategies was 'not' being hampered by uncertain market conditions. They also commented that their corporate advertising revenues were likely to increase in the next 12 months (68%). However, there was some doubt amongst media executives with regard to some aspects of their competitive environment. For example, 82% stated that the industry was experiencing a high rate of turbulence and change and that only 54% of respondents agreed that their business planning assumed economic growth in the year ahead. The majority (62%) of media executives also commented that it was difficult to protect their core business whilst building new revenue streams.

An assessment of media firm capabilities and dynamic capabilities

Corporate capabilities are derived from the ability of a media organization to manage and develop their resources in such a way that differentiates them from the competition. These capabilities provide customers with value and a competitive advantage for the firm in the market place. Capabilities are the minimum threshold of resources that are required to satisfy market requirements, but in high velocity markets, these resources need to be regularly renewed and refreshed in order to meet the dynamics of new market conditions and sustain the corporate objectives of the firm.

The survey data provided some interesting observations on how media organizations were adapting their resource base to changing market conditions. In response to the question *'Our core business is running out of steam and needs new capabilities'* the majority (68%) of respondents felt that their core business was robust, which suggests that media firm sustainability is being achieved through the adaptation of their resources and capabilities in line with fast changing market conditions. In terms of how these capabilities translate into financial returns for the firm, 64% of media executives believed that their firm's current capabilities were sufficient to achieve their financial objectives in the year ahead.

The key driver for media organizations to develop dynamic capabilities is the fast changing and turbulent competitive conditions. The literature on dynamic capabilities identifies a number variables that contribute to a firm's ability to renew and refresh their resource base. Essentially, these relate to an aspirational corporate strategy, gaining new capabilities through corporate acquisition/merger/strategic alliance, and investments in people, process and infrastructure for the purpose of developing new products and services.

The survey asked respondents to comment on their firm's corporate strategy and 92% of media executives stated that their strategy was aspirational, whilst only 8% said that it wasn't. When asked whether their corporate strategy would include strategic alliances and other forms of collaborative activity to access new capabilities and boost innovation, 88% of media executives strongly agreed or agreed with this statement. Indeed, innovation was central to most media executive responses, with 64% of respondents saying that their company would focus more on innovation than cost reduction in order to remain competitive in the market place.

Dynamic Capabilities Theory argues that refreshing a media firm's resource base in order to create new capabilities, requires significant and long-term strategic investments in Research & Development, infrastructure, people and organizational processes. The survey data indicated that 56% of media firms would make significant investments in Research & Development in 2015. In addition, 52% of media firms would make significant investments in infrastructure, people and processes, although 48% of respondents were unsure whether this would be the case for their media firm. With most media executives' outlook for the UK Media Industry being positive in 2015 and their corporate strategy being aspirational in terms of collaborative activity and investment in their resource base, it is no surprise to find that the majority (96%) of media firms expected to launch new products and services in the year ahead. Indeed, product development is widely regarded by one of the key characteristics when assessing the presence of dynamic capabilities in a media firm.

An assessment of media firm ability to adapt to new industry dynamics

Whilst the majority of media executives believed that their current capabilities were sufficient to meet their firm's financial objectives in 2015, the increasingly dynamic nature of the UK Media Industry suggests that these capabilities will need to be reconfigured and renewed in order to adapt to structural changes in the competitive environment. As such, existing capabilities need to become 'dynamic' over time. The survey considered media firm sustainability in terms of market sensing capabilities and adaptive processes relating to strategy making and organizational adaptation.

In terms of market sensing capabilities, media executives were asked to comment on their awareness of fundamental changes in the industry.

Interestingly, 87% of them confirmed that their firm was aware of the rapid changes in the industry and 70% stated that they tracked the fundamental basis of competitive advantage in the market place.

A changing and dynamic industry encourages media firms to experiment in order to sustain their business and remain competitive. This experimentation is often seen in adaptive processes relating to strategy making, business models and wider issues of organizational adaptation. The survey data on these the matters indicated that the majority of media firms (74%) placed an emphasis on experimentation in order to keep pace with structural market changes. However, the process of making media strategy reflected the opposing views articulated in literature, in so far as, just over half (52%) of media executives developed emergent and experimental strategies, whilst the remaining executives (48%) confirmed that their strategies were derived from the more traditional 'analysis and design' approach. Media executive views diverged more substantially when considering business model adaptation and broader views on media firm adaptation since most firms were adapting their business models (70%) in line with changes in the industry and yet when asked if their firms were adapting too slowly to change, around half (57%) of them thought that they were and 48% thought that they weren't.

Conclusions

In positioning the theoretical contribution that this paper makes to understanding the sustainability of media firms, this study carried out exploratory research examining the theory and practice of dynamic capabilities and superior firm performance. Essentially, the sustainability of media firms will be achieved if corporate revenue streams are secured, however, dynamic market conditions make achieving this objective difficult to say the least. Business sustainability, therefore, will be achieved through the development of new and dynamic capabilities, however, gaining an advantage in the market place can be achieved through development of these capabilities at a faster rate than the competition. This paper has established the basis for a robust theoretical debate that makes a case for the long-term sustainability of media firms to be achieved by adapting faster than their competition, and in doing so, gaining an *adaptive advantage*, that in itself, can be considered to be a measure of superior firm performance.

In order to make exploratory propositions about the idea of a media firms having an adaptive advantage this study undertook research into three areas, from which the following conclusions are made. Firstly, Dynamic Capabilities Theory, with its emphasis on adapting corporate strategies, resources, capabilities and revenues in fast changing and uncertain competitive environments, is well placed to consider an assessment of the competitive environment.

The findings of this study, however, present some interesting ambiguities in the data. For example, the majority of media executives were optimistic about the prospects of the industry in the year ahead, and yet, they stated that the industry was experiencing a high rate of turbulence and change which had in turn made it difficult to protect their core business whilst building new revenue streams. Are we to conclude that no matter what, the personality of the UK media executive will remain positive and confident?

Secondly, this research undertook an assessment of existing media firm capabilities and dynamic capabilities. Once again the data presented in this paper is conflicting. Whilst the majority of media executives believed that their core business was robust and that their firm’s current capabilities were sufficient to achieve their financial objectives in the year ahead, only around half of media firms expected to make significant investments in Research & Development, infrastructure, people and processes. It could reasonably be concluded that given the high levels of strategic alliances, that some media firms would not make investments in resources themselves, but rely on the investment made by collaborative partners to access new capabilities.

Thirdly, this study undertook an assessment of media firm adaptation and sustainability processes in order to understand whether media firms operating in a turbulent environment were adapting to new industry dynamics. These adaptive processes were considered in terms of market sensing abilities, strategy making, and organizational adaptation. The survey asked media executives to comment on their awareness of fundamental changes in the industry, and how this affected the strategic development of their firm and its business model. Interestingly, the majority confirmed that their firm was aware of the rapid changes in the industry, and that they tracked the fundamental basis of competitive advantage in the market place. A changing and dynamic industry encourages media firms to experiment in order to sustain their business and remain competitive. The survey data indicated that the majority of media executives placed an emphasis on experimentation in order to keep pace with change. However, just over half of firms were developing emergent and experimental strategies, whilst the remaining executives confirmed that their strategies were derived from the more traditional ‘analysis and design’ approach. Perhaps the most compelling finding to support the idea of adaptive advantage relates to the views that some media firms are adapting to the pace of change, whilst others are not. This finding is interesting and supports the notion that media firms can gain an *“adaptive advantage’* over their competition simply by adapting their business faster than their rivals, which in turn, could provide the basis for the long-term superior performance and the sustainability of their business.

Limitations and suggestions for further research

There is no doubt that further research into adaptive advantage would prove beneficial in terms of advancing our theoretical understanding of how media firms sustain their business in the long-term, and more particularly during times of structural market change and resultant turbulence. Whilst the results from this research provide some interesting insights into the UK Media Industry, the non-probability sample of media executives, and the small sample size, make it impossible to present definitive conclusions and generalizations to the wider population of UK media firms. However, the units of analysis used in this study have been derived from a fragmented, but highly cited, knowledge base that has been generated over more than a decade of research into dynamic capabilities. It follows then, that the methodological approach used in the study could be used by other media management researchers to develop a statistically robust model to develop and test theory on a media firm's ability to create superior performance and sustainability through the lens of 'adaptive advantage'.

One future direction in research could take the form of establishing a causal link between the *rate of resource renewal* and *superior firm performance.* This could be considered by examining the financial investment in firm resources over time (rate of resource renewal) and the resultant firm performance using a number of measures to evaluate firm performance including the Return on Capital Employed and Asset Turnover (asset based), or, sales, market share, profits (market based measures). In doing so, this research could identify significant differences in media firm performance in terms of the most and least adaptive firms and thus start to develop the concept and develop theory on Adaptive Advantage as a measure of dynamic capabilities and superior firm performance.

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Appendix One: Survey questions

AN ASSESSMENT OF THE COMPETITIVE ENVIRONMENT

Our industry is experiencing a high rate of turbulence and change

Our ability to develop strategy is being hampered by uncertain market conditions

Our planning assumes economic growth

It is difficult to protect our core business whilst building new revenue streams

Our advertising revenues are likely to increase

Our outlook for the UK Media Industry is positive

AN ASSESSMENT OF CORPORATE CAPABILITITES

Our current capabilities are sufficient to achieve our financial objectives

Our core business is running out of steam and needs new capabilities

Our corporate strategy is aspirational

We expect to make significant investments in Research & Development

We expect to make significant investments in infrastructure/people/processes

We will boost innovation through strategic alliances/collaborative partnerships

We will focus more on innovation than cost reduction for competitiveness

We expect to launch new products/services

Acquisitions/Merger will be critical to achieving our growth objectives

AN ASSESSMENT OF THE ABIITY TO ADAPT TO NEW INDUSTRY DYNAMICS

Our company places an emphasis on experimentation to keep pace with change

Our company manages a changing environment through a process of 'managed evolution'

Our strategies emerge from practice and experimentation rather than from analysis and design

Our company is aware of rapid and fundamental changes in the industry

Our company tracks the fundamental basis of competitive advantage in the industry

Our business model is adapted to changes in the industry

Our company is adapting to change too slowly