Managing Media Firms: the only advantage is Adaptive Advantage

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Abstract

The past decade has seen a transformation in the way media organizations have managed their businesses. The emergence of digitalization has paved the way for new media technologies, a proliferation of media outlets and multiple platforms to distribute mediated content. The work of Picard (2002), Kung (2008) and Oliver (2013) demonstrated the nature of high velocity media market conditions, whilst Doyle (2013, p.35) noted that "media firms have naturally adapted" their businesses, in response to the dynamic nature of the media environment, as a means to protect and sustain their company.

This paper proposes that media firms manage their business and strategies through a process of adaptation. As such, adaptation 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 also argues that it is the 'ability' of a media organization to adapt their strategies, business model and resources that can provide them with an advantage in the market place.

This paper will present the findings from a survey of UK media executives and argue that *Adaptive Advantage* 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.

Keywords: Adaptive Advantage, Dynamic Capabilities, Competitive Advantage, Adaptation, Business Strategy, Business Model, Media Management, Media Strategy.

Introduction

At the core of all good media strategy should be the word *'advantage'*. Numerous scholars have described this advantage as being competitive, differential, comparative and sustainable to name but a few discourses in literature. This paper examines the emerging concept of *adaptive advantage* by investigating the dynamics of the current UK media environment and the ability of media firms to adapt their strategy and resources for competitive advantage. As such, adaptive advantage 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 digitalization, new media technologies, audience fragmentation, regulation and the resulting demands placed on their business models and revenue streams.

The premise of this paper argues that it is the ability of a media firm to adapt their strategies, business models, resource base and capabilities 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 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 superior media firm performance

The advent of digitalization, new media technologies 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) and Reeves, Haanes and Sinha (2015) 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 scarce. 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) 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 the strategic adaptation of the firm 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 to emphasize 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 remain competitive in the long-term.

Adaptive strategy making processes

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 do media firms adapt to a new competitive environment?

There is an emerging view that the ability of an organization to adapt to changing market dynamics can be considered to be 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. How media firms adapt to new competitive conditions, 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 alternative view is derived from Teleological Theory which argues that the strategic adaptation of the firm is not achieved arbitrarily by 'chance' but by a purposeful desire to realize an organizational goal (Van de Ven and Poole, 1995). This theory considers the adaptation of a 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 only advantage is Adaptive Advantage

The premise of this paper argues that paper argues that it is the ability of a media firm to adapt to changing environmental conditions that can provide them with a competitive advantage in the market place. This ability and its effects are known in literature as *Adaptive Advantage*. However, it has received surprisingly little attention by way of theoretical development and empirical testing. Much of the 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 Boston Consulting Group, and in particular their Senior Vice President Martin Reeves, have produced a number of influential papers on organizational adaptability and corporate performance. For example, the paper 'Adaptability: The New Competitive Advantage' (Reeves and Deimler, 2011) presents a powerful argument for firms to develop new adaptive learning capabilities which will create value in the market place, adaptive advantage for the firm and superior corporate performance in both the short and long term. Their arguments are well founded and supported by their 'BCG Adaptive Advantage Index' (Reeves, Love and Nishant, 2012) which examined the volatility in the operating environment and the weighted-average performance of a company's market capitalization growth rates versus the weighted-average market capitalization growth rates in its industry during periods of turbulence in demand, competition and profit margins. A total of 2,500 companies, in 59 U.S. industries, were analyzed between October 2005 and September 2011. Of particular relevance to this paper is their examination of the US Media Industry, which concluded that DirecTV, Time Warner Cable and Disney had all outperformed their industry rivals (including Omnicom Group, The Washington Post, Viacom, Cablevision Systems and Thomson-Reuters) with increases in market capitalization during times of turbulence. Put simply, an ability to adapt to volatile operating conditions, lead to an advantage that delivered superior corporate performance.

Our previous discussion on adapting the firm and their strategic response to turbulence (Quinn, 1980; Mintzberg 1987; Leavy, 1998; Mintzberg, Ahlstrand and Lampel, 1998, Argyris, 2004) through incremental and experimental adjustments in organizational strategy, processes and resources is supported by Reeves and Deimler (2011) who argued that firms needed to be continually adapted "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 argues that in an increasingly turbulent media environment, the idea of competitive advantage and superior corporate performance needs to be considered in terms of the ability of a firm to adapt. For it is this adaptive ability that can provide media firms with a competitive advantage in the market place. This paper aims to extend our knowledge on 'adaptive advantage' by examining it through the lens of dynamic capabilities since it's focal theory is concerned with the ability to adapt and renew their resources and capabilities in the pursuit of superior corporate performance 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 their firm 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 been previously linked in literature, there are clear parallels with Teleological Theory and the adaptation 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; Doyle, 2013; Oliver 2016); 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 the understanding of media firm adaptation, this research examined media executive views on the nature of the UK media environment and how this was affecting revenues and capabilities, and their ability to gain an advantage in the market place through adaptive organizational attitudes, behaviours and processes.

TESTED A MODEL (see appendix 2)

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 205 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 26% (53 respondents). However, 6 respondents provided incomplete data and they were not included in this analysis, leaving a total of 47 observations.

The questionnaire consisted of 23 questions (see Appendix 1) which have been informed by a number of research papers into Dynamic Capabilities, and in particular, the questions in section three relate to the propositions posed by Reeves & Deimler (2011) in their paper on Adaptive Advantage. The survey used a standard 4 point Likert Scale (Strongly Disagree, Disagree, Agree, Strongly Agree) which was sent to potential respondents via Survey Monkey.com in December 2015. The questionnaire was divided into three sections:

1. An assessment of the competitive media environment and outlook for 2016.
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 (Appendix 3) were used to describe and summarize the data and to present meaningful information. These statistics enabled the researcher to make basic judgments on the sample and data in the study. This level of analysis was further supported by inferential statistics in the form of Pearson Product-moment Correlation Coefficient (Appendix 4) in order to make judgements about the strength of the relationship between a turbulent media environment (independent variable) and the use of adaptive behaviours (dependent variable) to produce an adaptive advantage (dependent variable) for a media firm. Dancey and Reidy (2004) argued that an r-value of ±1 is interpreted as a perfect correlation, r-values between ±0.7 to ±0.9 are interpreted as strong correlations, r-values in the range ±0.4 to ±0.6 are categorized as moderate correlations, r-values between ±0.1 to ±0.3 are weak correlations and an r-value of 0 is zero correlation, implies that there is no correlation.

It should also be noted that the small sample size, in essence, means that the data is biased and not robust enough to assume the generalisability of the findings. 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, independent audit) 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 2016

Overall, the outlook for the UK Media Industry in 2016 was extremely favorable with 81% of media executives agreeing that the year ahead would be positive for their firm. This optimism is, however, at odds with media executive views on the strategic development of their firm, since 58% of them stated that uncertain market conditions had affected their ability to develop media strategies. In addition, the majority of media executives, 89% (Mean 3.29, Std Deviation 0.65) stated that the industry was experiencing a high rate of turbulence and change and that it was difficult to protect their core business whilst building new revenue streams (69%).

UK media firms are operating in a dynamic environment and one that is becoming increasingly harsh, which in turn, is placing added pressure on resources and capabilities. Overall, 55% of media executives stated that their firm's current capabilities were sufficient to achieve their financial objectives. In such a fast changing market, developing new capabilities presents a dilemma for media firms. On the one hand, they have to invest in and exploit their existing capabilities and competencies, whilst at the same time, they need to be mindful of the necessity to refresh and adapt their resource base in line with strategic environmental changes.

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'* 45% agreed with this statement 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, 55% 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 new and dynamic capabilities is the fast changing and turbulent competitive conditions. The literature on dynamic capabilities identifies a number of 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 majority of media executives (68%) reported that their firm's corporate strategy was aspirational for the year ahead. They also reported that Merger and Acquisition (M&A) would play a significant part in media firm activities in 2016, since 50% of media executives believed this to be a necessary route for their firm to achieve their growth objectives. M&As also provide an expedient route to access other companies capabilities, which is most likely given that a significant number of media executives reported that their firm's core business was running out of steam and needed new capabilities. When asked whether their corporate strategy would include strategic alliances and other forms of collaborative activity to access new capabilities and boost innovation, 77% of media executives strongly agreed or agreed with this statement. However, the extent of this innovative activity is compromised by the fact that 50% of media executives reported that their firm would seek competiveness more though cost reduction actions than through innovation based activities.

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 41% of media firms would make significant investments in Research & Development in 2016. In addition, 59% of media firms would make significant investments in infrastructure, people and processes.

With most media executives' outlook for the UK Media Industry being positive in 2016 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 (86%) 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 2016, 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 adaptability in terms of market sensing capabilities, the use of adaptive or experimental 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, 95% (Mean 3.30, Std Deviation 0.69, r +0.424) of them confirmed that their firm was aware of the rapid changes in the industry and 82% (Mean 2.90, Std Deviation 0.67) 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, 64% (Mean 2.80, Std Deviation 0.68) 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, half of media executives (Mean 2.53, Std Deviation 0.62) developed emergent and experimental strategies, whilst the remaining executives 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, 64% (Mean 2.72, Std, Deviation 0.61) were adapting their business models in line with changes in the industry, and yet, when asked if their firms were adapting too slowly to change, 42% thought that they were and 48% thought that they weren't.

Many of these findings will lead us to the question our current understanding of highly changeable media markets, dynamic capabilities and superior corporate performance which suggests that the ability of a firm to adapt to changeable conditions can provide them with a competitive ‘adaptive advantage’ in the market place. The descriptive data provides evidence to support this view, since 55% of media executives (Mean of 2.70; Standard Deviation of 0.72) believed that their ability to adapt their firm provided them with an advantage in the market place. The inferential statistics also provide positive support for this proposition, albeit, in the form of a weak relationship (r= +0.284) in terms of adaptive advantage being gained in a turbulent media environment.

Conclusions

In positioning the theoretical contribution that this paper makes to understanding the management of media firms, this study carried out exploratory research examining the theory and practice of dynamic capabilities and superior firm performance.

Overall, the findings presented in this paper suggest that *Adaptive Advantage* should be a prime consideration for media firms operating in highly changeable markets, since it is their ability to adapt to changing conditions that can provide them with a competitive advantage in the market place. Gaining this type of advantage in the market place can be achieved through the incremental adaptation of existing capabilities and the development new capabilities at a faster rate than the competition.

More specifically, this paper makes three additional conclusions about the nature and scope of Adaptive Advantage. Firstly, Dynamic Capabilities Theory, with its emphasis on adapting corporate resources and capabilities in fast changing and uncertain competitive environments is well placed to consider how media firms achieve superior firm performance. However, we can extend this aspect of theory by arguing that the *ability to adapt* a media firm should now be considered as a measure of superior performance.

Secondly, the findings of this study 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 that 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?

Thirdly, 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, under 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 acquisitions and mergers occurring in the industry, that some media firms would not make organic investments in resources themselves, but rely on the investment made by collaborative partners to access new capabilities.

Fourthly, this study undertook an assessment of media firm adaptive 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 of respondents 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 half 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, who in turn, could provide the basis for the long-term superior performance 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. Whilst the model used in this research has produced a number of weak and moderate relationships between a number of variables being studied, other media management researchers may choose to develop a statistically robust model to develop and test theory on a media firm's ability to create superior performance in the form 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 1: 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 corporate revenues are likely to increase

Our company is adapting to change too slowly

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 ABILITY 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

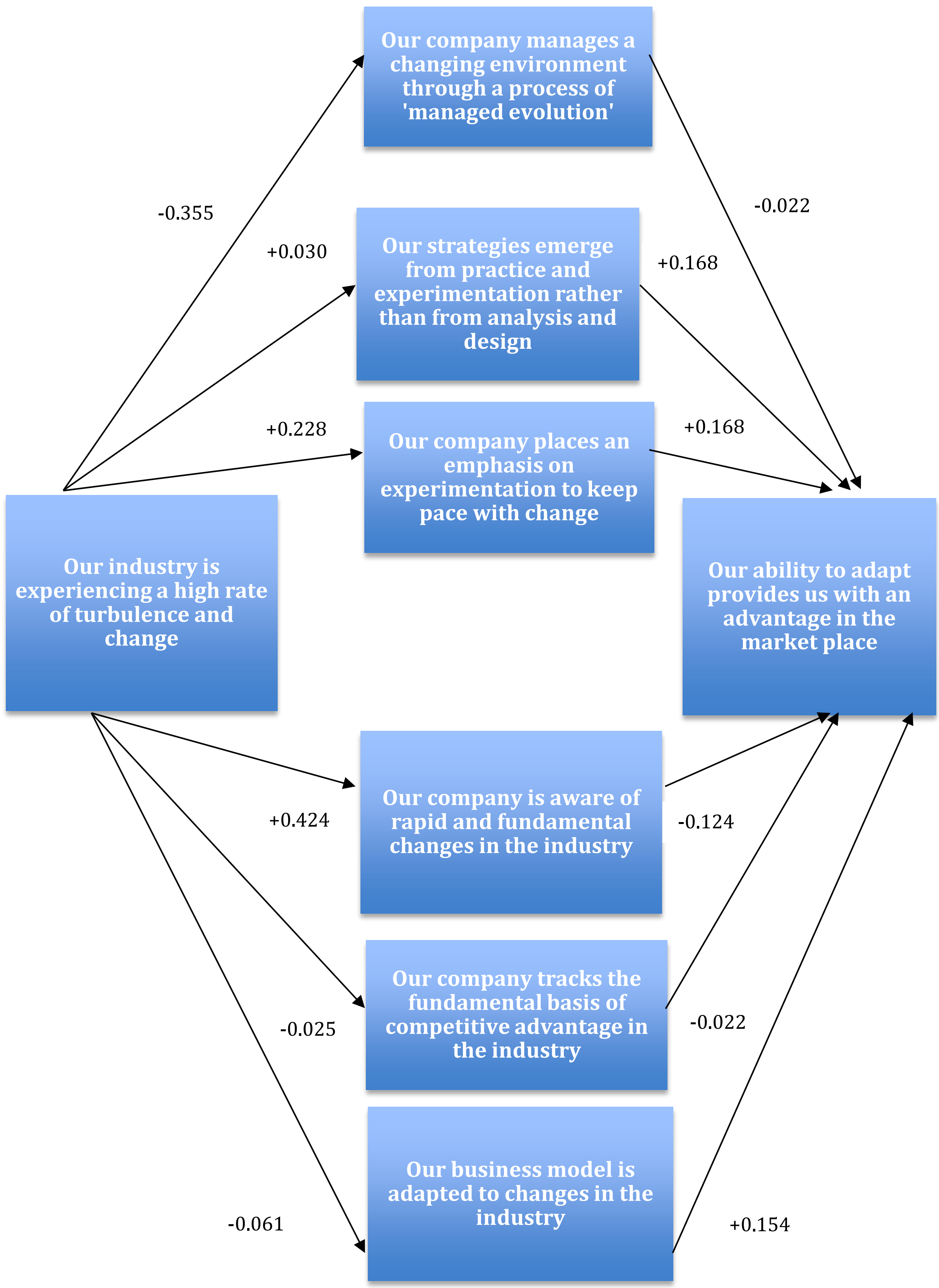
Our company is aware of rapid and fundamental changes in the industry

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

Our business model is adapted to changes in the industry

Our ability to adapt provides us with an advantage in the market place

Appendix 2: Adaptive Advantage - a theoretical framework



Appendix 3 : Pearson Product-moment Correlation Coefficient

		Our industry is experiencing a high rate of turbulence and change	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 ability to continuously adapt provides us with an advantage in the market place
Our industry is experienc a high rate of turbulence and change	Pearson Correlation	1	.228	-.355**	.030	.424**	-.025	-.061	.284*
	Sig. (1-tailed)		.062	.007	.422	.001	.433	.343	.027
	N	47	47	47	47	47	47	47	47
Our company places an emphasis on experimentation to keep pace with change	Pearson Correlation	.228	1	.272*	-.114	.356**	.194	.286*	-.075
	Sig. (1-tailed)	.062		.032	.223	.007	.096	.026	.309
	N	47	47	47	47	47	47	47	47
Our company manages a changing environment through a process of 'managed evolution'	Pearson Correlation	-.355**	.272*	1	.017	.023	.320*	.053	-.022
	Sig. (1-tailed)	.007	.032		.455	.439	.014	.362	.441
	N	47	47	47	47	47	47	47	47
Our strategies emerge from practice and experimentation rather than from analysis and design	Pearson Correlation	.030	-.114	.017	1	-.175	-.175	.052	.168
	Sig. (1-tailed)	.422	.223	.455		.119	.119	.364	.130
	N	47	47	47	47	47	47	47	47
Our company is aware of rapid and fundamental changes in the industry	Pearson Correlation	.424**	.356**	.023	-.175	1	.212	.096	-.124
	Sig. (1-tailed)	.001	.007	.439	.119		.076	.260	.203
	N	47	47	47	47	47	47	47	47
Our company tracks the fundamental basis of competitive advantage in the industry	Pearson Correlation	-.025	.194	.320*	-.175	.212	1	.245*	-.022
	Sig. (1-tailed)	.433	.096	.014	.119	.076		.049	.441
	N	47	47	47	47	47	47	47	47
Our business model is adapted to changes in the industry	Pearson Correlation	-.061	.286*	.053	.052	.096	.245*	1	.154
	Sig. (1-tailed)	.343	.026	.362	.364	.260	.049		.151
	N	47	47	47	47	47	47	47	47
Our ability to continuously adapt provides us with an advantage in the market place	Pearson Correlation	.284*	-.075	-.022	.168	-.124	-.022	.154	1
	Sig. (1-tailed)	.027	.309	.441	.130	.203	.441	.151	
	N	47	47	47	47	47	47	47	47

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

Appendix 4: Descriptive Statistics

An Ability to Adapt to New Industry Dynamics	Mean	Std. Deviation	N
*Our industry is experiencing a high rate of turbulence and change	3.2979	.65657	47
*Our company places an emphasis on experimentation to keep pace with change	2.8085	.68010	47
*Our company manages a changing environment through a process of 'managed evolution'	2.8298	.52416	47
*Our strategies emerge from practice and experimentation rather than from analysis and design	2.5319	.62035	47
*Our company is aware of rapid and fundamental changes in the industry	3.2979	.68888	47
*Our company tracks the fundamental basis of competitive advantage in the industry	2.8936	.66705	47
*Our business model is adapted to changes in the industry	2.7234	.61510	47
*Our ability to continuously adapt provides us with an advantage in the market place	2.7021	.71975	47