Almost all of segments of the media industry, e.g.: newspapers, magazines, television, film, music – or alternatively: news, entertainment, sports, and games, are experiencing increasingly frequent and significant discontinuities. Collectively these discontinuities are disrupting the competitive dynamics, business models and the key factors for success that have defined these industry segments and on which major players have built and maintained leadership positions. In addition to disrupting current approaches to growth and value creation, these discontinuities are creating significant uncertainty about the future shape of each of these segments and the approaches that will be needed to succeed.

These changes pose unique problems because while massively disruptive, they are also slow moving in that they take relatively long times to manifest – until there is a tipping point. And few organizations are well suited to deal with this type of slow, uncertain and disruptive change. And the investor community – with its focus on quarterly earnings and premiums on certainty – does not typically reward the types of actions that are required to manage a successful transformation journey.

This sets up several challenges that executive teams and their boards need to address in order to successfully transition with their disrupting markets:

- How do I define a new strategic direction?
- What actions do I need to take to transform?
- How do I balance requirements for near-term performance with the investments needed to grow?
- How do I manage the organization changes – culture, skills and capabilities – required for success?
- How do I engage with the financial community – investors and advisors during this process?

**COURSE OBJECTIVES**

The goal of this course will be to explore these challenges and their potential solutions. This will be accomplished by approaching the topic in several ways:

- Examining the dynamics and nature of disruption in several key media segments:
music; news; television entertainment; and video sports
• Exploring a range of management and analytic tools and methodologies available to help companies address these challenges. They will include new approaches to strategy/strategic planning; management of transformation journeys – from both an organization and technology perspective; total shareholder return – including investor strategy and financial policies; and the application of “big data” analytics
• Reviewing the actions – successful and unsuccessful – taken by some of leading players in each of these segments
• An individual project that outlines the disruptive forces facing an industry player and which utilizes the tools presented in the first three sessions to identify potential avenues of action to explore – this is a preparatory exercise for the team project
• Participating in a team project aimed at charting the future course of an industry player

INSTRUCTOR BIO

John Rose is a senior partner and managing director at BCG. He is the former global leader of the media sector for the Technology, Media & Telecommunications practice at The Boston Consulting Group. Prior to joining BCG in 2004, John was executive vice president at EMI Group, responsible for strategy and corporate development, new media, industry and government affairs, and global asset management. At EMI, John developed and oversaw the company’s digital business, crafting its antipiracy efforts, leading its cost restructuring, and heading up board-level initiatives to identify and evaluate strategic options for the group. Before EMI, John spent almost 20 years with McKinsey, where he was a Senior Partner and co-leader of the global media and entertainment practice.

COURSE REQUIREMENTS

Key assignments:
There will be two key assignments during the course: an individual written assessment of the trends facing one key player and a group project that proposes a course of action for a specific player in the industry. Groups will be formed and will select the industry players that will be the focus of the two assignments by the second session

Each group team will focus on a different industry player from a pre-defined list. The list will be structured so that each player will represent a coherent set of businesses that face a common set of strategic issues. For instance, potential industry players could include Disney/ABC networks – not Disney Corp. NBC networks – not Comcast Corp, Viacom Networks – not Viacom Corp, Fox Studios – not 21st Century Fox Corp.

The individual, written assignment will be due by the fourth session of the course. It will consist of a 3 to 5 page memo with no more than 10 exhibits that describes the key disruptions that the specific company the individual’s group will be developing a strategy for will likely face over the next 5 years. In addition to identifying key trends, it should also include forecasts of their anticipated revenue and earnings performance based on these trends but before taking specific new strategic actions. Finally, it should identify the range of strategic actions that the company might consider, but without evaluating them. This individual project will also be an input to the group project.

The group project will be presented in class during the final session of the course. The goal
of the project will be for the team to develop an integrated strategic approach to the disruptive trends facing their selected company. Each presentation should be no more than 15 power point pages in length with whatever back-up, appendix materials the team feels would support their proposed direction for the company and be relevant for the in-class discussion.

Each group will get 15 minutes to present their proposed strategy and be prepared to answer questions about the approach that will come from the class as a whole.

**Outside speakers:**

Several of the sessions will have outside speakers. And it is important to note that specific speakers will be subject to change. In general, speakers will fill several different roles during the course:

- To provide detailed perspectives on key tools and how they are used
- To share the experience of leading a company through a major strategic transformation
- To look forward and discuss the nature of disruption and the strategic challenges that these disruptions pose within a specific segment of the industry from different industry vantage points

**Grading**

Grades will be determined on the following basis:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation</td>
<td>30%</td>
</tr>
<tr>
<td>Individual project</td>
<td>30%</td>
</tr>
<tr>
<td>Group project</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**INSTRUCTOR POLICIES**

**Attendance/Lateness:**

- Students are expected to attend each class and actively participate in discussion of key issues. Absences/Tardiness will lower your class participation grade. Missing class, being late, or leaving early will adversely affect your grade. Class starts promptly at 6:00pm and late students disrupt the learning environment for those who arrive on time.
- Late assignments will be downgraded.

**Notebook Computer Policy**

- Increasingly at Stern, notebook computers used during class are a distraction. Please do not open your notebook computer, unless you are using it to take notes on the lecture or case discussion.
- Class focus is important. While email, Facebook, Twitter, and World of Warcraft are all enticing – resist the urge. Turn off and put away all phones.
Cheating/Plagiarism:

- The Stern School of Business Honor Code governs conduct in the course.

“I will not lie, cheat, or steal to gain an academic advantage, or tolerate those who do.”

Class Participation:

- It is essential that everyone contributes to class discussion. You are expected to have read all the assignments for the day's class.
- Class participation will be graded on the quality of the interaction and will be measured against these criteria:
  - Are you prepared
  - Extent of knowledge
  - Ability to get to the heart of the matter
  - New insights
  - Building on statements of others

SESSION DETAILS:

Session 1: Introduction to sources of disruption and strategic frameworks

Module 1: Introduction to management tools (I):

- Why classic strategy isn’t enough: the world beyond Porter
  - Potential guest speaker: Martin Reeves

Module 2: Sources of disruption:

- Essential technology trends:
  - Bandwidth penetration and pathways in US
    - Wireless and wireline
    - Evolution to date and future outlook
  - Device proliferation
  - Enabling platform developments

- Consumer behavior:
  - New use cases versus replacement use cases
  - Tipping points

- Industry examples:
  - Music – Napster versus iTunes and Spotify
  - Television – Early days of NetFlix and Hulu versus today
DRAFT SYLLABUS – SUBJECT TO CHANGE

Sample advance reading:
• *Your Strategy Needs a Strategy* – Martin Reeves: Harvard Business Review
• *Die Another Day: What leaders can do about the shrinking life expectancy of corporations* – Martin Reeves: Article

Session 2: Deep dive – Advertising and introduction to management tools (III)

**Module 1: Advertising and how it is changing**
- Overall trends in advertising markets
  - The decline of print
  - The shift to digital
  - The different value chains of traditional and digital advertising
  - The importance of measurement
- Potential future trends
  - How will advertising demand evolve?
  - Is consumer pay and answer to advertising erosion?
  - What advertising bets, if any, should traditional media players be making?
- Potential guest speaker – David Verklin: founder of Carat; founder and co-CEO Aegis; CEO Canoe; currently ad-tech venture investor and BCG Senior Advisor on advertising topics

**Module 2: Introduction to management tools (III)**
- Structuring a robust diagnostic
  - Elements of a situation diagnostic
  - Case examples, e.g.:
    - Gannett
    - Time Inc.
  - Implications for individual assignments

Session 3: Implications of disruption and introduction to management tools (II)

**Module 1: Implications of disruption:**
- Business model disruption
  - The changing role of distribution as a re-shaper of competitive dynamics
  - The changing nature of advertising
  - The rise of consumer pay
- Implications for existing and new business models
  - Is there an attractive future for ad supported media
  - How far will consumer pay and subscription models be able to extend
- Industry examples:
  - Music: Napster, Pandora and Spotify
  - Newspapers and Magazines: Time Inc., Washington Post, and Tribune vs. Politico, Huffington Post, BuzzFeed, Facebook and Snap
Module 2: Introduction to management tools (II)
- Introduction to transformation
  - The nature of transformation challenges – and why they are different
  - Key elements of a transformation
- Identifying and pursuing value creating growth:
  - Potential Speaker: Kermit King

Sample advance reading:
- *An Integrated Approach to Transformation* – BCG
- *Growth For the Rest of Us*: Kermit King – BCG Perspectives
- *When the Growing Gets Tough, the Tough Get Growing*: Kermit King – BCG Perspectives

Session 4: Deep dive – Television and Music

Module: Disruption cycle and pattern in Music industry
- Historic trends in music
- Impact on different segments of the industry
- Current “growth” cycle of the industry
- Potential lessons for other media segments

Module 2: Challenges facing different segments of the TV industry
- Key trends affecting the industry
- Scenarios of future industry evolution – potential lessons from the music industry
- Implications for different segments of the industry
  - Studios
  - Networks
  - MVPDs
  - OTT providers
  - vMVPDs

Session 5: Successfully leading a transformation:

Module 1: Introduction to management tools (IV)
- Managing transformation:
  - Overview of transformation challenges
  - Introduction to a transformation management framework
  - Selected successful and less successful industry examples
- Total Shareholder Return as an integrated approach to strategy

Module 2: Executing a major strategic pivot – the inside story
- Potential Guest speaker – Gracia Martore: Gannett/TEGNA CEO from 2011 to 2017
  - Determining the strategy
DRAFT SYLLABUS – SUBJECT TO CHANGE

- Developing the execution approach
- Managing the cultural change
- Revising everything

Sample advance reading:

- *Transforming Gannett – A TSR Turnaround in the Making* – BCG Corporate Development Practice
- *An Integrated approach to TSR* – Jeff Kotzen, Tim Nolan, Gerry Hansell

**Session 6: Group project presentations**

**Group project presentations:** Each group will present the proposed strategy for their selected company and respond to questions posed by the class.