SPECIFIC CHARACTER OF THE MEDIA AS BUSINESS ORGANIZATIONS AND MODELS FOR ANALYSING THE VALUES CREATED BY THEM

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Abstract: The article focuses on current issues related to strategic analysis of value creation in the media. At the beginning, the characteristic features of a media organization as such are presented and the specific aspects of its business management are assessed. Methodological issues of the analysis of value creation in the network form of partnership are clarified. The concluding part visualizes a generalized model of the value chain after the example of the audiovisual media in the Republic of North Macedonia.

Keywords: media, media organization, strategic analysis, value chain, value network.

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Introduction[3]

Generally speaking, the media convey values, attitudes, feelings and ideas about the world. The analysis of the *current state* of the media shows that this is both a sensitive and dynamic industry that needs to adapt to economic and political conditions. The functions of the media in a democratic

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society are of particular interest. Another important point is that the media are, to some extent, economic organizations oriented towards the production and distribution of user-friendly content. Media business management is the management of media companies offering media products as a major source of revenue.

The *research problem* is the media organizations and the challenges facing their management, while the *research area* is the conditions for creating value in their work.

The *aim* is to present the potential of value creation analysis models applicable to media organizations – with a focus on private media business organizations.

The *research methodology* is distinguished for the use of primary and secondary sources of information. Research methods used are as follows: observation, analysis and synthesis.

Restrictive conditions result from the focus of the study, which is placed on the leading analytical business models for creating value in private audio-visual media organizations in the Republic of North Macedonia.

1. Media organizations as an object of management

A media organization is created to meet the needs of society for a mass distribution of media products and the needs of people for information, education, entertainment and identity.

In media organizations as objects of management, production resources are invested while results are obtained, as well as added value for consumers, profit for entrepreneurs, and wealth for the community, people and the state. In principle, the economic and social environment of a society is created by a large number of organizations. By definition, organizations are social formations where goals are achieved through joint efforts, while the reason for operating is the set of human needs associated with the allocation and reallocation of resources. Of course, it is important to point out the four main features characterizing each organization, namely: division of labour; common objectives; coordination of joint efforts and the hierarchy of authority. It is also important to make a clear distinction between an *organization* and an *institution*: "Organizations refer to specific systems of resources aimed at achieving certain goals. Institutions are organizations that have the need and competence to perform certain tasks for the benefit of the society as a whole" (Castells, 2004).

"The media are carriers and intermediaries of information or entertainment, or the so-called content. This is an auxiliary means of communication" (Schumann, 2002). At the same time, from a legal and organizational point of view, the media can be business organizations or non-profit organizations. As such, they have a specific target system, incl. a mission, strategic goals and tasks. It is important to distinguish between specific social functions (such as contributing to the well-being or culture of society, etc.) and financial goals. We should now point out that further in the study, the focus is on private audio-visual media business organizations.

A media organization differs from many other organizations in that it usually works for two different types of markets - the audience[4] and the advertisers, while the result of its activities depends a lot on the 'selling' of content, i.e. the joint work with its suppliers and contractors, on the market success of the authors and producers of media content. This affects planning, organization and all other management activities. The two interdependent products are created for two interrelated markets. A need exists for two marketing plans, different types of personnel management, coordinated transfer activities between the sales department and other departments of the programme or the editorial office.

The variety of media organizations is growing and differs according to the scope of activities, i.e. production, creation and/or distribution of content. A growing diversity exists in terms of the platform used for content transfer – a newspaper, magazine, radio, television, and the Internet. Intertwined chains of content and value creation are emerging, participating in multiple markets, in order to make the most of the existing opportunities and increase the effect of the return on investment.

[4] "Practice shows that media organizations that actively apply the business model of audience relationships will be more and more successful", which is largely realized through Internet distribution channels and through social networks, their algorithms and forms of interactive content in particular. (Tsvetkova, 2021)

2. Specific aspects of a media organization business management

The work of media organizations is supported by the management science, by proactive leadership, which consciously sets goals in the mid-and long term, stimulates staff and supports the management process through control.

Media management, the application of scientific principles in the management of media organizations as an area of influence respectively, lies between communication and economics. Not only because of the public response to the functions of the media, but also because of the interdisciplinary intertwining between strict economic principles and fundamental knowledge in communication science. Management in this case should be seen as effective resource management in a media organization, which, in turn, should be analyzed as an enterprise, a company or as part of a value chain.

Audiovisual media in particular are “subject to copyright-related rights, while programmes are subject to those rights. The legal framework of copyright and related rights aims to stimulate information, educational and cultural exchange in society, enabling one of the most important participants in it – television organizations, to derive economic benefits from assigning the rights to broadcast and distribute television programmes. This legal possibility is objectified by concluding contracts.” (Tsolova-Borisova, 2018).

The main reason for a company’s existence is the ability to generate revenues from joint activities of people. In a business organization, social processes take place and investment is made in new technologies, which leads to profit or higher quality of public performance. Improving communication between people and technology development indicates development, growth and competitiveness. From an economic point of view, for a company itself, this means business activity carried out by an entrepreneur. From a legal point of view, especially under the Commerce Act, this is an organizational form, in which business is done. This is the activity of traders as the main object of economic activity. An enterprise is an organizational and economic entity that independently carries out economic activity and is characterized by economic, organizational and legal independence.

The above mentioned is an attempt to introduce a conceptual apparatus for reasoning outside the institutional economy, which includes the theory of property rights, the theory of transaction costs, the theory of the optimal contract, etc. They clarify the relationship between property rights and the way a business organization operates. It is recognized that companies have different forms of ownership, as well as different degrees of vertical and horizontal integration.

The theory of the relationship with the so-called key agent complements the thought given to the best way to organize the activities in a company. There is some talk of the ‘optimal contract’, which regulates, among other things, the cost of managing the capital to agent ratio within an organization, i.e. the costs of establishing and protecting property rights (Oleynik, 1/1999).

Data in our study, after the example of audiovisual media in the Republic of North Macedonia, confirm this specific point in a media organization business management – the need for additional costs to control the activities of managers on how much they work in the interests of owners. The control problem is a typical problem with the main agent. This problem arises in situations where one party, the CEO, negotiates with the other party, the agent, taking certain actions in favour of the principal.

The larger a company is and the more diverse the activities are, the more monitoring will be required and the costs will increase. The practice of overcoming this allows for the application of a mechanism binding salaries, bonuses and other forms of payment to managers with the results from activities. In this way, payment will reflect the owners’ expectations for future productivity, as well as the understanding of alternative market opportunities. In many cases, a large part of the remuneration of managers is in the form of stocks/shares and options for stocks/shares. Thus, the interests of managers are closer to those of owners and as a result, managers in a sense actually work as owners and the value of their shares/stocks or options for stocks/shares will increase with the proper functioning of business organizations. If the actions of managers do not increase the value of a company, this will reduce the price of shares/stocks. Thus, the management will have a direct interest and motivation to work to preserve and increase the value of the shares/stocks of a company. The theory of the main agent assumes that the economic relationship between the contracting authority and the agent/contractor is considered in case of suspicion of uncertainty, information asymmetry and opportunism. Similar relationships exist mainly in various forms of the ‘owner-manager-publisher-editor-in-chief-seller-buyer’ relation, especially for complex products such as media products.

In a media company, the influence of the main agent is manifested in a number of ways at different levels of production. The owner of the media, the editor-in-chief, the editor, the roles of journalists and readers and the relationships between them are definitely extremely dynamic. Managing these complicated relationships is becoming increasingly difficult.

More and more often, in response to these challenges for managing audiovisual media in the Republic of North Macedonia, strategic thinking raises the question ‘to make or to buy?’. The answer may be in line with the conclusions of the institutional economy – the amount of investment, the frequency of transactions and uncertainty in demand (Wildman, 2006). Entertainment programmes are usually already outsourced. Conditions of uncertainty arise depending on the quality of the purchased product. A simple commercial transaction is agreed and orders are the only form of coordination. They go through the market and obey its rules. In the above case, buyers have no guarantee of overcoming the risk if they do not know their partner well. As a result, a hybrid form of *online content production* is becoming more common in audiovisual media. A common practice in this type of media in the Republic of North Macedonia, for example, is for television operators and producers to jointly form a coordination center in a project network (Windeler, 2004).

The network structure is becoming more and more popular in the media industry. Building favourable relationships and maintaining them in interconnected groups is a function of the good management (Pavlova, 2020). With a vision to maximize the benefits for consumers and a company itself, expressed in higher levels of product value and profit.

“Thinking in the logic of value networks, and value chains, rearrangement of information and news flow respectively – these are some of the necessary changes in the media management due to the work in the so-called network society.” (Fileva, 2013).

3. Applicability of the main models for creating value in media organizations

In this part of the study we will present the potential of two models for strategic analysis of value creation in the media – the value chain and the value network. The specifics provided and the assessments made are based on our fragmentary study of audiovisual media in the Republic of North Macedonia.

The value chain model has been popular since the 1990s through Michael Porter's work on the competitiveness of companies and nations. (Porter, 1985) (Porter, Competitive Advantage of Nations, 1990) (Porter, Competitive Advantage of Nations, 2004). It is based on the fact that a company is more than just a combination of machines, money and people. It really exists and is successful only when these things are arranged in processes, systems and activities for which customers are willing to pay a certain price. The author sets two important conditions necessary for the expansion of competition. The *first condition* is to work best in the so-called value chain, i.e. to accumulate as much added value as possible at each stage of production, i.e. from the raw material to the end product and consumer. This situation is realized more fully thanks to the complementary activities related to strategic planning, personnel management, development of new technologies and the likes. The *second condition* refers to optimizing intersectoral relations, i.e. a system for creating and increasing value. By increasing or adding value to the tightly fused links in the chain. By this, he means, above all, the discovery of competitive advantage at every step of horizontally or vertically related economic activities.

The development and management of an effective value chain[5] in the media industry has the same goal - to deal with competitors by effectively managing each stage of the movement of products and services to the end user or audience. The idea is to prepare for "a successful relay race at the Olympics. Only excellence in every part of the race leads to crowning success. And as you know, the driving force behind reaching the top of a sport is spectators, the audience, consumers of a performance and success". (Fileva, 2007).

[5] For the methodological aspects of using the value chain in strategic analysis, see another study: (Chipriyanov, 2009).

The value chain model in business media is focused on seeking the participation of customers and users in all stages of preparation, delivery and consumption of services. This can be achieved through discounts, prizes, being attracted to clubs and communities by friends of a media company. Customers and users can become participants in the development of added value through consumer loyalty. An even better effect would be achieved if these relationships were used by clearly profiling their desires, then sorting out the appropriate content packages, distributed in the most appropriate way to a well-known, clear, and separate target group. Consumers are an integral part of the value chain.

The value chain model is important for assessing the market and the behaviour of media companies. It is useful for identifying activities that are particularly important for business success. For a similar analysis in the audiovisual media we can use various identified roles, grouped into three broad categories of economic activity (Andersen, 2002):

- The *first* includes rights holders, rights traders and content producers.
- The *second* is the preparation of the media service for distribution, i.e. content creation.
- The *third* relates to content distribution techniques that include access providers, networks and facilities to engage users in a distribution channel.

The advantages and, at the same time, the arguments for the use of the value chain are related to the fact that there are several degrees of creating value of the final product used to achieve a unique product. More can be done at every step of value creation to create more value, more benefits and competitiveness.[6]

The practical results of our study of the audiovisual media in the Republic of North Macedonia with the value chain model revealed the following potential: see Table 1.

[6] From the point of view of the analytical model, the value is identified with the amount buyers are willing to pay for what a business organization provides. The model shows the total value and covers in a single plan the activities that create value and profit. Carrying out various activities leads to the creation of value for buyers in the form of a particular product. Profit is the difference between the total value and the costs incurred for value-creating activities.

Table 1
A summarized model of the value chain after the example of the audiovisual media in the Republic of North Macedonia

Supporting activities	(1) high score					➢ ***Profit***
	(2) high	(3) medium	(4) low	(5) medium	(6) medium	
	(7) high	(8) high	(9) medium	(10) medium	(11) low	➢ ***Profit***
	(12) high	(13) high	(14) high	(15) high	(16) high	
	Incoming logistics	*Production operations*	*Outcoming logistics*	*Sales*	*After-sales service*	➢ ***Profit***
	Primary activities					

General management	(1) Management information system
Human Resource Management	(2) Training specialists in relations and coordination with key agents (3) Work environment improvement programmes (4) (5) Improving qualifications of the sales staff (6) Training public relations specialists (PR)
Technological development	(7) Experience and capacity in processing and synchronizing external productions (8) Quality control (9) Organizing the own productions realization (10) Using advertising channels and tools (11) Applying modern methods for developing consumer loyalty
Organization of supply flows	(12) External productions provision (13) Quality of media products (14) Organizing interrelations with contractors (15) Realizing own media content and products (16) Quality of service

The *value network* is a relatively newer model for business analysis, which further reflects the network connections in the new economy, built with the participation of modern information and communication technologies. This is a model of interorganizational exchange and an attempt to deal with the growing complexity of relationships between companies, due to an increasingly interconnected economy (Pil, 2006).

We believe that this model of analysis and strategic planning explains very well the relationships between the participants in the media industry and the markets. Value networks consist of complementary nodes and connections. Nodes are people or roles. They are interrelated and can yield both tangible and intangible assets. These assets can be knowledge or other value. Companies have both internal and external value networks (Alee, 2003) (Caswell, 2008).

At the heart of this more avant-garde analytical model is the idea of creating unique qualities. Adding value is not seen as a linear process, as there are a lot more participants who may have different or complementary roles at different stages or in different aspects of value creation. It can be included in many relationships in different sources of income and expenditure. Our study of the audiovisual media in the Republic of North Macedonia shows that, compared to the traditional value chain, this model better captures how journalists work with new technologies to gain access to more and more different sources, such as news published on various platforms. The model also shows more effectively the ‘location’ of users, who may have different roles in the value network.

Conclusion

The specifics of the two value creation models studied in the article can be successfully applied in private media organizations taking into account their unique profile. The value chain model is particularly useful for identifying the activities that are most important to business success. It linearly reveals the stages of the reproduction process, during which more can be done to create more value, more benefits and higher competitiveness. The value network model focuses on networking in the new increasingly interconnected economy, characterized by the growing complexity of the relationships between economic agents, built with the participation of modern information and communication technologies. Adding value is not considered as a linear process, as it allows the possibility of attracting more participants, with different or complementary roles at different stages, or in different aspects of value creation in the reproduction process.

The fragmentary application of the value chain model in the private audiovisual media in the Republic of North Macedonia revealed some important directions for future investment and development, which practically express the potential to increase value creation in media business organizations, hence to increase their competitiveness. In a more specific context, they are related to implementing programmes and projects in order to improve the internal working environment; improving qualifications of the sales and PR staff as well as improving the organization of the sales of their own media products, combined with the use of more modern and diverse advertising channels and advertising tools and more effective methods for stimulating and developing consumer loyalty.

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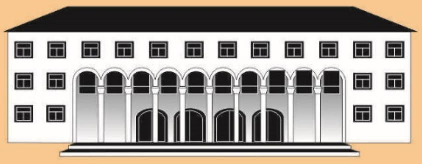

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