



Building a better  
working world

How are media  
and entertainment  
businesses  
reinventing  
in an age of  
transformation?



The better the question. The better the answer.  
The better the world works.

## Media and entertainment executives understand the need to reinvent their businesses. What they should prioritize is less clear.

The burning platform

# 34%

of media and entertainment companies will cease to exist without reinvention.

“  
We are often asked questions about what to prioritize and what others are doing. This research provides answers to how the industry is confronting change.”

**John Harrison**  
EY Americas Media & Entertainment Leader

If they don't reinvent their businesses, over a third of media and entertainment executives say their companies will no longer exist in five years. That's the conclusion of the latest EY survey of senior media and entertainment leaders.

The media and entertainment industry is made up of a broad range of distinct subsectors. Despite the variety, executives across the board understand the need for change. Half of them state that they can no longer rely on traditional business models (50%), and they place the restructuring of operations as the top priority for transformation in the years ahead.

The top three drivers of change will sound familiar to industry watchers:

1. Dynamic competitive landscape. We see this in the increasing fluidity of companies across sectors, with content producers moving into direct-to-consumer distribution, multichannel video programming distributors (MVPDs) acquiring content producers and cable networks, publishers moving into information services and ad agencies stepping into content creation.
2. Pace of technology change. This must feel like a treadmill of continuous reinvention that already includes virtual and augmented reality, voice, blockchain, artificial intelligence, and now 5G and the Internet of Things. How will these technologies enable new offerings, and what is their role in the evolution of the operations of the enterprise itself?
3. Shifting customer expectations and trends. This reflects the varying demands of consumers in how, when, where and how much they choose to consume and purchase.

If they are to capitalize on the opportunity of change, executives must decide where to begin. They should look for opportunities within their own business but also ask what others are doing. More than one in four (28%) of executives identify the need to reinvent their business but admit they don't know what to prioritize. With so many levers to pull, all of which carry uncertainty, it is little wonder that the starting point is often unclear.

Our analysis identified three areas, consistent across subsectors, where executives are focused:

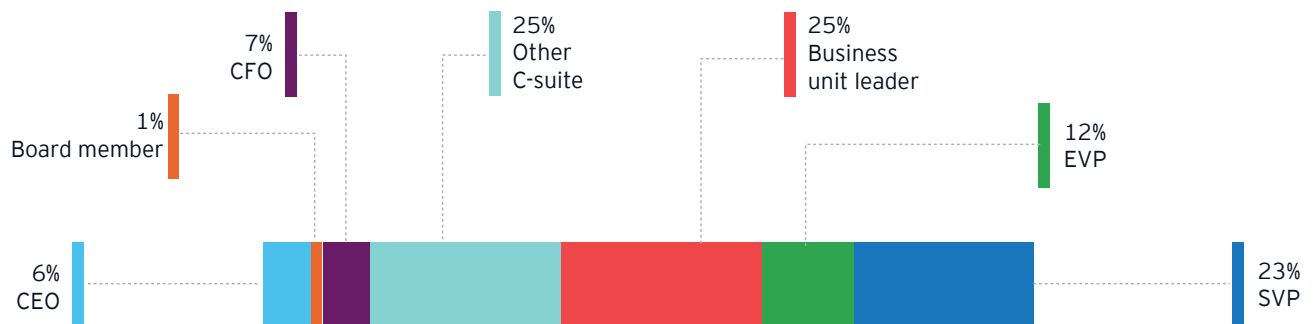
- ▶ Pursue operational excellence and agility
- ▶ Reboot innovation strategy and approach
- ▶ Accelerate talent and skills development

## Our survey methodology

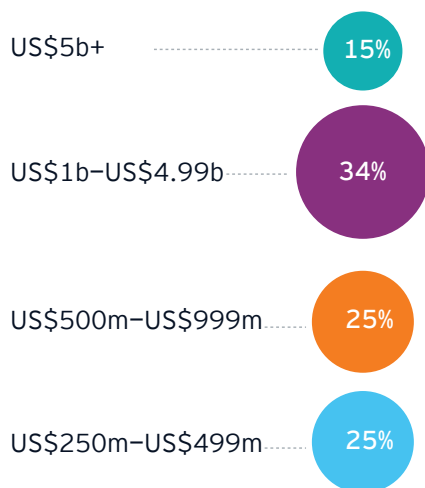
- ▶ Survey of 358 media and entertainment executives (C-suite, directors and above)
- ▶ Conducted: August through October 2019
- ▶ Geographies: worldwide-weighted toward North America, Asia and Europe
- ▶ Companies: various segments based on revenue size (US\$250 million to more than US\$5 billion)
- ▶ Methodological note: For each survey question and unless otherwise stated, executives were asked to select their top three preferences from a predefined list of options. For example, a result of 50% means it was selected as a top three preference by half of respondents.

## Survey and study overview

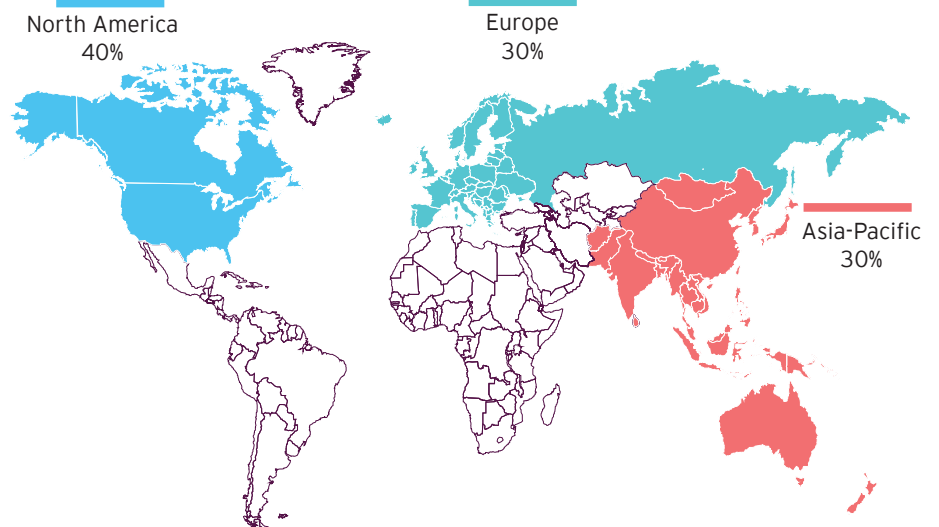
### Seniority of role\*



### Company size\*



### Geography



\* Percentages may not add to 100 due to rounding.

## Chapter 1

# Priority 1: Pursue operational excellence and agility

Media and entertainment executives are evaluating their enterprises to stay relevant and sustainable.

In nearly all industry subsectors, the evolving nature of revenue generation – in terms of its mix, model and the contribution margin it generates – combined with the pressing need to release trapped capital to fund growth,

is leading companies to proactively break through organizational inertia and spur transformation.

Across the industry, executives identified operating model change, and operational

delivery and execution as two major priorities. Getting the operating model right is seen as truly transformational by almost two-thirds (63%) of those who are embarking on it.

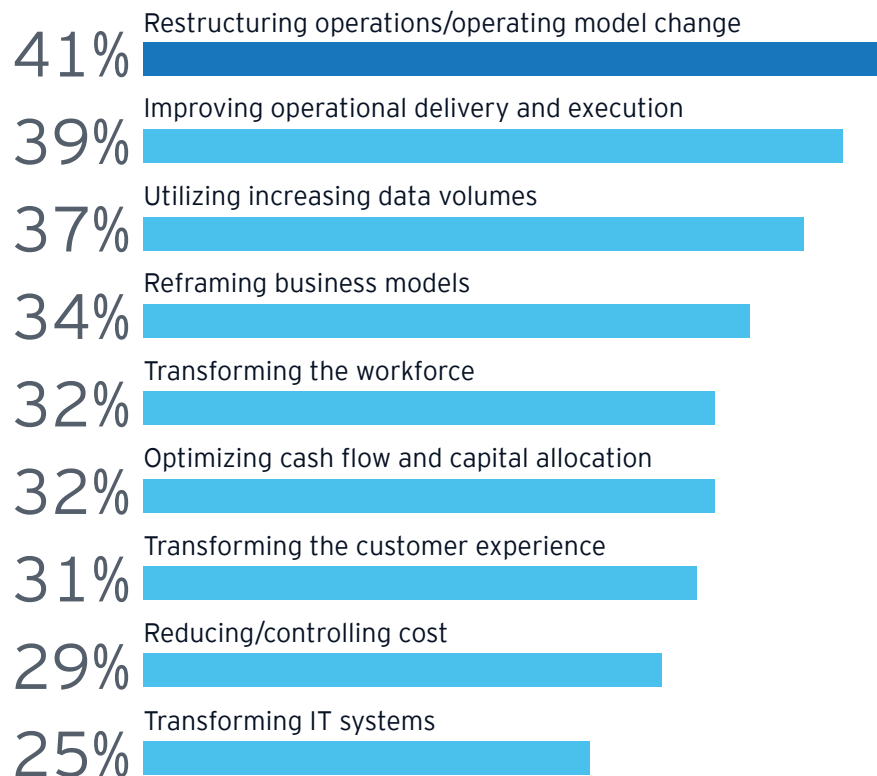
### Driving the next-generation media and entertainment operating model is key to achieving companies' strategic goals.

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Thinking about the transformation initiatives that you are focusing on over the next 12 months, which ones are most critical to achieving your strategic goals?

(Rank top three priorities)

#### Top transformation initiatives



## What is the rationale driving operational excellence?

First is the emphasis on efficiency and the need to free up capital to compete in other areas, such as content and technology spending, or, as one executive stated, “cost savings in day-to-day operations that will enable capital investments.”

The second rationale is effectiveness, such as the ability to execute at speed, or, as one executive summed it up, “operational innovations to improve the way we perform.”

Rarely are efficiency and effectiveness exclusive. For example, automation improves execution by enabling processes that were otherwise manual or were impractical under legacy operating models. At the same time, automation, according to 46% of industry executives, is the single most important tactic for cost savings.

## How are executives trying to make their enterprises more efficient and effective?

Simplification emerges as a major theme, and the number one initiative for simplifying the enterprise is consolidating internal segments to streamline the business (55%), integrating overlapping, duplicative corporate and business-level functions or merging stand-alone divisions and operating segments. Closely linked is the delayering of management and creating a broader purview for managers who remain (52%).

This approach to simplification is more pronounced in certain media industry subsectors such as advertising and marketing, where agency businesses frequently operate more fragmented operating models, often the outcome of multiyear acquisition programs. In addition, at advertising and marketing enterprises, the standardization of processes to simplify operational delivery and execution is also seen as a more significant opportunity than in other subsectors (63% vs. 38%).

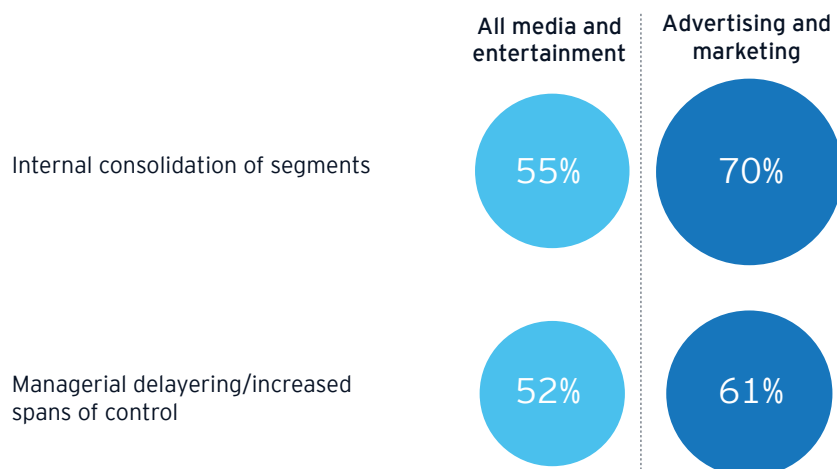
Keep it simple

# 55%

of executives want to streamline their businesses by consolidating internal segments.

## Driving the next-generation media and entertainment operating model is key to achieving companies' strategic goals.

### Top initiatives to restructure operations and for operating model change



What initiatives are you focusing on to restructure operations and for operating model change? (Rank top three priorities)

For several years, the utilization of data has also been a hot topic in many media enterprises both for improving operations and driving growth. Almost two-thirds of media and entertainment executives see the increasing availability of data as an opportunity (62%). In some subsectors, such as information services – where data underpins the entire business model – the development of data products and service offerings logically is the top priority (44%). Yet, for many enterprises, the ability to effectively utilize data remains elusive.

Major efforts by media and entertainment companies on the data agenda include:

- ▶ Consolidating existing customer data (44%), thereby better understanding what they have today
- ▶ Enhancing the analytics and data skills of the organization (42%), thereby doing more with what they have
- ▶ Developing proprietary sources of data (40%) to better leverage what is available but untapped, to stimulate incremental commercial opportunities

The modern media enterprise is far more digital, data-driven, process-heavy and complex than ever before. As these trends intensify, media and entertainment executives are looking for ways to free up

resources and unburden the enterprise, allowing it to focus on what is important and strategic.

To optimize corporate activities that are subject to regulatory and compliance scrutiny, many media and entertainment companies are centralizing functions into shared services frameworks, either insourced or outsourced.

For example, companies are increasingly working with third parties to run key areas, such as tax, internal audit, legal, third-party risk management and cybersecurity, as a managed service where the external partner delivers expertise and up-to-the-minute capability and technology.

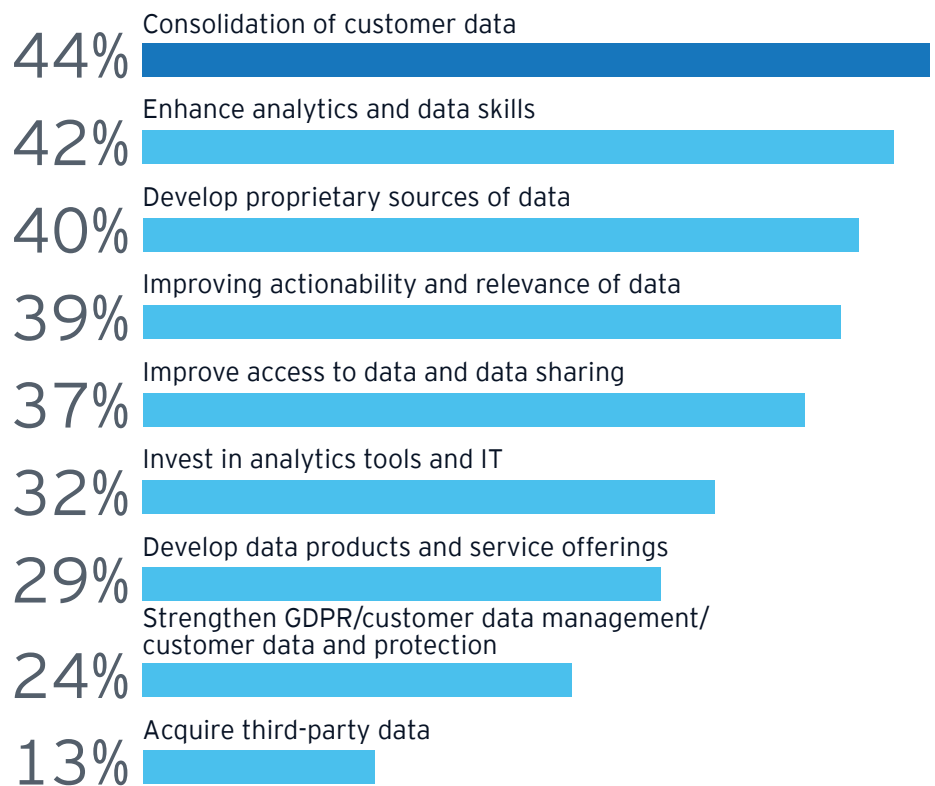
## Getting to grips with data is about improving current capabilities.



What initiatives are you focusing on for the utilization of increasing data volumes?

(Rank top three priorities)

### Top priorities for utilizing increasing data volumes



## Chapter 2

# Priority 2: Reboot innovation strategy and approach

Many successful companies have had strong, charismatic leaders who seemingly shape and guide their organizations in their own image.

Media and entertainment leaders will always be integral to innovation in their enterprises. Across the industry, just 18% of executives see leadership buy-in as a barrier to innovation. It is the lowest ranked barrier, and yet, there is scope to do more. Only 20% of media and entertainment executives consider their corporate strategy and the vision of the CEO as a leading driver of innovation in their enterprises.

Why are CEOs struggling to impose their innovation strategy and vision, and what more can they do?

The standout challenge, of which executives are acutely aware, is the pressure to deliver today and plan for tomorrow: the balance of sustained performance with long-term innovation. It was the biggest barrier to innovation, identified among their top three by almost half of executives (44%).

By necessity, it leads to a strategy with multiple horizons, not all of which knit seamlessly together. As one executive noted, "The general idea here is to define steps for the next three, five, seven years and so on, and then make investment decisions accordingly."

How are media and entertainment companies seeking to innovate? By pursuing several different strategies and initiatives, ranging from appointing chief innovation officers to foster ideation from within the company, to establishing in-house incubators, funding external venture capital investments or sourcing disruptive capabilities through acquisitions.

Developing a network of external advisors to showcase new opportunities is also a key ingredient for a robust innovation program.

Innovation originating from within the organization was only important in certain sectors and types of organizations. For example, this more organic route to innovation was important for advertising and marketing businesses (47%) and for smaller companies. Bottom-up innovation was relevant for 48% of those in the US\$250 million to US\$499 million revenue range compared with just 28% for those generating more than US\$5 billion.

Coordinating innovation and allowing bottom-up ideas to flow is inherently more challenging if organizations are more mature, siloed and disparate, indicating why larger enterprises will find structured approaches to be more effective.

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Balance sustained performance with long-term vision

44%

of executives see the pressure of short-term performance as a barrier to innovation.

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“  
There’s no one path to innovation, but it’s clear that it doesn’t happen by accident; it needs structure, leadership and, above all, recognition.”

**Martyn Whistler**  
EY Global Technology Sector  
Lead Analyst

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# Larger enterprises need to encourage everyone to play a greater role in innovation.

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Thinking about how innovation in your organization is inspired and driven today, what are the most important tactics or sources of inspiration?

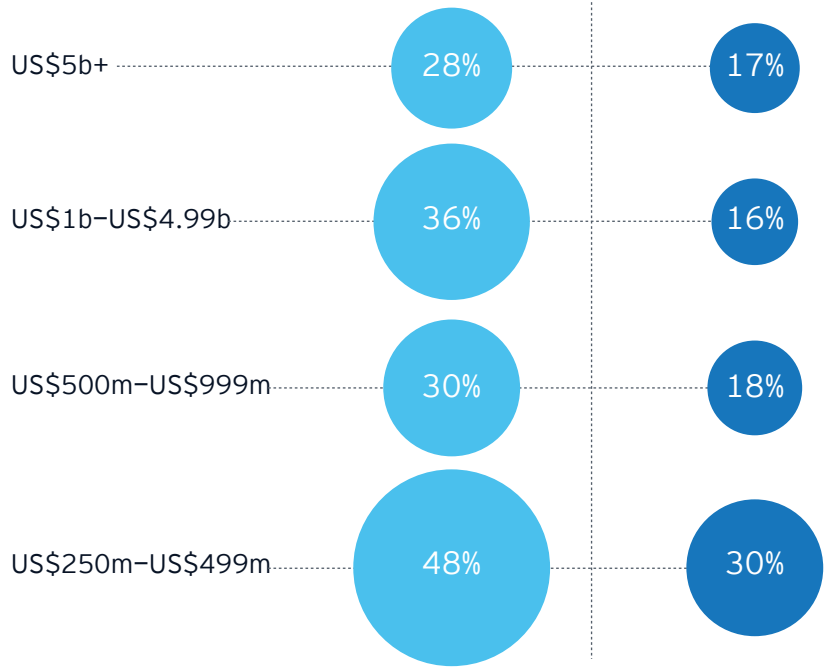
(Rank top three priorities)

## Inspiration for innovation

Size of companies by revenue

Bottom-up ideas and creativity

Corporate strategy and the vision of our CEO





## Chapter 3

# Priority 3: Accelerate talent and skills development

People are the foundation of the enterprise, and media and entertainment executives acknowledge the need to meaningfully nurture and develop their talent.

Like every industry, managing today's workforce presents complexities for media and entertainment companies. We can expect tomorrow's workforce – with its demographic spread and range of backgrounds, habits, demands and expectations – to be very different.

Employee attitudes about the workplace are changing quickly. For many, work is more than “checking into” a job; rather, work is a vehicle for making a difference. Purpose-driven, socially responsible organizations have become magnets for young talent.

In this context, the need to close the talent gap and build skills is rising in importance. Across the board, 33% of executives identify talent management as one of the greatest drivers of change in their businesses, ranking higher than competition, technology disruption or even changing customer expectations.

A failure to bridge the talent gap continues to hold companies back.

Among the biggest barriers to innovation in media and entertainment companies is inadequate skills and training (30%), but there are broader issues.

To remain relevant, workers need to migrate up the value chain, reinventing themselves and constantly improving their capabilities. The relevance of expertise over experience tips in favor of the former.

How are media and entertainment companies transforming their workforce?

Among media and entertainment executives, the number one preferred option for accelerating the development of talent is to upskill the existing workforce (49%). As one executive stated, “people development, that will get us where we want to be.”

If upskilling is the preferred option, looking externally to recruit new skill sets also remains an important part of the mix and a tactic for 36% of media and entertainment executives. It is less favored than upskilling because the rapid treadmill of industry change means that whoever is brought into the enterprise today needs to be upskilled tomorrow.

Any emphasis on recruitment as a tactic creates a potentially costly cycle of short-term fixes.

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Closing the talent gap

# 33%

of executives identified the need to close the talent gap and build skills as a driver of change.

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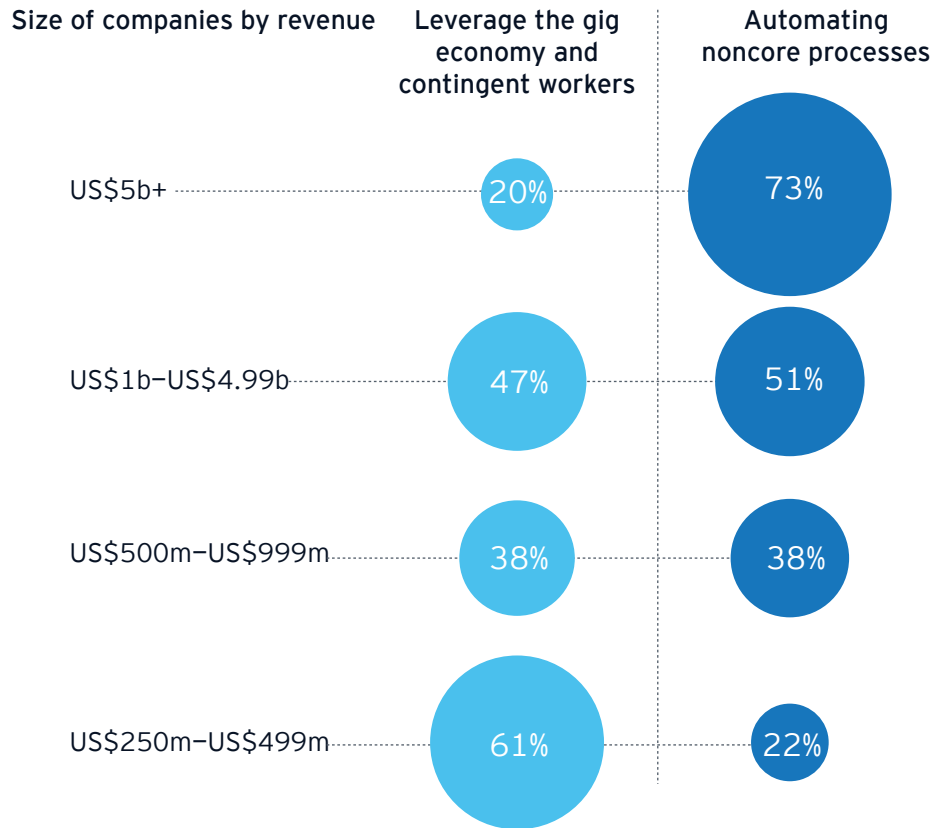
Among media and entertainment executives, the number one preferred option for accelerating the development of talent is to upskill the existing workforce.

# Scale correlates to a media and entertainment company's talent and people strategy.



What initiatives are you focusing on to transform the workforce?  
(Rank top three priorities)

## Priorities for transforming the workforce



One approach to this paradox is the gig economy, which provides easy access to relevant skills and talent without the long-term costs of training and upskilling. Freelancers have long been a mainstay in the media and entertainment industry, especially in subsectors such as advertising and TV and film production. Expectations are for their importance to grow.

This is already a tactic favored by smaller companies, and it should be embraced by larger ones. Of companies in the US\$250 million to US\$499 million range, 61% identify the gig economy as relevant to their talent strategy vs. just 20% for enterprises with revenue above US\$5 billion.



## Chapter 4

# The way forward

When industry change is inevitable, learning from their peers about the priorities that make a difference will help executives make more informed strategic choices.

By prioritizing three levers of action, media and entertainment companies can address their short-term challenges, while simultaneously preparing for long-term value creation.

### Operational change

The pursuit of operational excellence needs to balance efficiency and effectiveness if it is to create a media and entertainment enterprise that will compete in a rapidly changing ecosystem. Focusing only on one of these will deliver short-term but unsustainable results.

### Innovate by design

Innovation is a deliberate action, supported by clear structures, leadership and processes. At the same time, the approach to innovation must be multifaceted and not rely on isolated initiatives or narrowly defined approaches.

### Focus on core skills

Building an environment of continuous learning and development is about more than checking boxes; it is essential to sustain the evolution of the enterprise. The rapid pace of change in media and entertainment makes upskilling an effective way to confirm capabilities keep pace.

## Summary

As the next wave of media and entertainment enterprises take shape, EY research highlights the actions leaders are taking and their priorities for shaping change.

Industry leaders are reinventing their businesses by focusing on operational excellence and agility, including the simplification of the enterprise. They also highlight the need to reboot innovation and to evolve the talent model, particularly through upskilling.

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