Managing Digital Transformation: The Case of the Finnish Broadcasting Company

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Managing digital transformation: The case of the Finnish Broadcasting Company

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Abstract

This chapter analyses and evaluates the practical execution and value of a research project on change management at an incumbent media company. The research project is a longitudinal case study following the digital transformation process at the Finnish Broadcasting Company (Yle). It was carried out in close collaboration with Yle and the School of Business at Lappeenranta University of Technology (LUT). It is a comprehensive study of the change process, i.e., how the pursuits of change are challenged by organizational rigidities and how the drivers and obstacles of change co-evolve and interrelate. The study combines and operationalizes two relevant theoretical concepts – dynamic capabilities and managerial and organizational cognition – providing a dynamic and, so far, unique approach in strategy research and even more so in the field of media management. Based on these concepts, the study shows how the way we think (cognition) and behave (capabilities) intertwine closely. In addition to the theoretical targets, the study aims to provide practical insights and tools for the case company and media managers in general to understand the challenges of organizational change and develop managerial practices.

¹LUT University became the new name for Lappeenranta University of Technology in 2019.
Introduction

In recent years, digital transformation has disrupted the media industry in an unpredictable way. Media companies have been undergoing profound strategic changes that embrace all dimensions of organizational life from strategic thinking to daily actions. This research project deals with digital transformation at the Finnish Broadcasting Company (Yle), a public broadcaster with a strong market dominance in the Finnish media. The purpose of this chapter is to present the main idea of the research project and evaluate its practical execution and value for the industry. At the end, the chapter will highlight some of the core lessons and provide guidelines for making the research matter.

The longitudinal research project at Yle is based on a research agreement between LUT School of Business and Yle. On the part of the university, I was the main initiator and a responsible researcher for the study. It was also my doctoral dissertation study (Maijanen-Kyläheiko, 2014). The personal interest and original idea came from my years of work experience at Yle as a journalist and manager. Especially during my years as a manager, I came to know the many challenges of managing change. This management requires the continuous pursuit, struggle, and balance of the past, present, and future. This stimulated my curiosity about the nature of this challenge: why is it so hard to manage change? In addition to my own experience, Yle was an excellent case to study change management and organizational renewal because, at the time of the research, Yle was undertaking a large-scale digital transformation process.

This study can be framed as a study of strategic media management. It applies concepts of strategic management to analyse the core question of strategy research: how a media company can sustain its competitive advantage in a volatile media environment. The main theoretical concepts applied are dynamic capabilities (Helfat et al., 2007; Teece, 2014; Teece, Pisano, & Shuen, 1997)
and managerial and organizational cognition (Kaplan, 2011; Tripsas & Gavetti, 2000). Dynamic capabilities are capabilities that organizations build and use to implement strategic change. Studies of managerial and organizational cognition explore how strategic thinking – that is, how managers and organizations frame and define their businesses – affects organizational renewal processes. From managerial and organizational cognition research, this study applies the concept of dominant logic, which refers to how managers define their approach to the business (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986). In times of disruptive change, strategic renewal requires transformation from the old to the new dominant logic. In the case of Yle, it was a question of a shift from the traditional broadcasting towards the digital dominant logic.

Theoretically, this study contributes to media management by providing a fresh approach that combines the two key concepts. Although there are some studies on dynamic capabilities in the media context (Hasenpusch & Baumann, 2017; Maijanen & Virta, 2017; Naldi, Wikström, & von Rimscha, 2014; Oliver, 2018), it is still an emerging field within the domain of media management. Respectively, the use of the concept of managerial cognition is very much in its early stage in media management (see articles on cognition based on the research project with Yle, Maijanen, 2015a, 2015b). It seems that this combined approach provides a promising frame to explore the media industry in which rapid changes require the constant renewal of both strategic thinking and capabilities (see article based on the research project with Yle, Maijanen & Jantunen, 2014).

In addition to the theoretical contributions, one of the core targets of the research project was to provide practical insights and solutions for media managers to better cope with change. This is often undermined but is, in fact and inevitably, a highly relevant target when conducting a research project in collaboration with the industry. I think this is especially relevant for the media
managers because the ability to manage change is the fundamental question in today’s media industry, which is changing faster than most other industries. Therefore, the researcher is required to provide short-term solutions and practical tools for media managers in addition to the theoretical long-term contributions to the media management research. As explicated later in this chapter, this twofold target setting is a challenging – but not impossible – task to fulfil.

**Theoretical Background**

The theoretical frame is based on the dynamic capability view and managerial and organizational cognition. As for the latter, the special focus is on the concept of dominant logic. In the following, I will launch the key concepts and the general model of the study. In addition, I will reflect on some of the challenges of change management in public media in comparison to private media.

**Dynamic Capabilities**

According to the dynamic capability view, organizations build and use dynamic capabilities to implement strategic change and sustain a competitive advantage in times of change (Teece, 2014; Teece et al., 1997). Firms need dynamic capabilities to alter and transform their resource base – competences, assets, and processes – to address the new demands in the changing business environment. As stated by Helfat et al. (2007, p. 4), “A dynamic capability is the capacity of an organization to purposefully create, extend, or modify its resource base.” In the capability hierarchy, they are so-called higher order capabilities in contrast to the operational capabilities that firms use on an everyday basis to sustain the current business model (Helfat & Winter, 2011; Teece, 2014).

This study applies the widely used process view of dynamic capabilities (Schilke, Hu, & Helfat, 2018), which divides the capabilities into three categories of sensing, seizing, and
reconfiguring. According to the model introduced by Teece (2007), sensing refers to the sensing and interpreting of threats and new business opportunities; seizing means the ability to seize the opportunities by, for example, making investment or resource allocation decisions; and reconfiguring denotes the ability to continuously renew and orchestrate the resource base (competences, processes, routines etc.) in a way that the opportunities are addressed. The role of dynamic capabilities is to learn and integrate new ideas into organizational practices and processes. The process view of sensing, seizing, and reconfiguring brings the analysis onto the micro-foundational level, thus providing a more practical lens through which to look at change on the capability level.

The dynamic capability view emphasizes the role of managers and their entrepreneurial pursuits and strategic visions (Helfat et al., 2007; Teece, 2007) as well as their cognitive capabilities (Helfat & Peteraf, 2015). Dynamic capabilities cannot be acquired from the markets but have to be built up within the firm in order to change towards the specific strategic targets. Therefore, it is important that managers know their strategies. This is the necessary requirement for creating the right kind of dynamic capabilities (Teece, 2014).

**Dominant Logic**

The concept of dominant logic refers to the way managers define their business – that is, it is a shared mental model of managers regarding the core values and mission. The concept was launched by Prahalad and Bettis (1986), who define it as “the way in which managers conceptualize the business and make critical resource allocation decisions – be it in technologies, product development, distribution, advertising, or in human resource management” (ibid., p. 490). For managers, it serves as “an information filter” (Bettis & Prahalad, 1995) to detect the relevant
information and facilitate decision-making (Bettis, Wong, & Blettner, 2011; Oblój, Weinstein, & Zhang, 2013).

The concept of dominant logic is grounded in the research tradition of managerial and organizational cognition (Kaplan, 2011). In this tradition, cognition is defined as a “mental template that individuals impose on an information environment to give it form and meaning” (Walsh, 1995, p. 281). In the strategy research, managerial cognition has received more and more attention in recent decades (Kaplan, 2011). There is a growing body of research that shows how managerial cognition affects a company’s ability to address the changing business environment. In the worst case, the managers’ strategic framing or dominant logic may serve as a blinder (Bettis et al., 2011; Prahalad, 2004), keeping the managers – and the whole firm or industry – stuck in the old way of thinking (e.g. Jones, 2005; Porac, Thomas, & Baden-Fuller, 1989; Tripsas & Gavetti, 2000). On the other hand, there are examples that show how managers with proactive and clear strategic visions and shared mental models manage to promote a firm’s competitive advantage (e.g., Nadkarni & Barr, 2008; Raffaelli, Glynn, & Tushman, 2019).

The core idea of dominant logic is that the shared managerial-level understanding of the business becomes gradually embedded in the behaviour of the whole organization – in its mindsets, routines, capabilities, processes, etc. (Bettis et al., 2011; Oblój et al., 2013). Following the evolutionary view of organizations (Nelson & Winter, 1982), dominant design evolves path-dependently through experiences of success and failure and gradually becomes a constituent element of the organizational memory. Therefore, it is difficult to change the existing dominant design, which in turn becomes a severe challenge in times of disruptive changes (Bettis et al., 2011). The prevailing dominant logic may prevent managers from sensing the weak signals and changes in the environment. Even if the managers understand the need for change, it takes time
before the new dominant logic is implemented in the organizational routines and competences through organizational learning. Transformation from the old to the new dominant logic creates a challenging situation where the old and new logic coexist for some time. As studied in the ambidexterity literature (e.g., O’Reilly & Tushman, 2013), this requires constant balancing between the old and new logic, which may give rise to tensions, as in times of disruptive changes the logics may be based on very different – or even contradictory – demands (Andriopoulos & Lewis, 2009).

**The Role of Being a Public Institution**

The study with Yle also addresses the important question of the management of public service media (Lowe & Maijanen, 2019; Nissen, 2013, 2014). Based on the studies of public management, the role of a public institution tends to challenge change management in a special way in comparison to the private companies (Andrews, Boyne, & Walker, 2011; Bozeman 1987; Piening, 2013). Public service media are typical public organizations characterized by public (political) control, public ownership, and public funding (Maijanen, 2017). For accountability reasons, managers need to take into account the many expectations and interests of outside stakeholders, such as politicians and regulatory agencies (Picard, 2012). The need to constantly cope with these – sometimes contradictory and often short-term – expectations and target settings tends to reduce the managers’ own independence and opportunity to take radical actions (Andrews et al., 2011; Maijanen, 2017). Consequently, the pressures imposed externally may slow down or hamper the change and even enforce the already existing organizational rigidities, which are typically strong in incumbent organizations such as public service media.

**The General Model**
Figure 1 presents the general model applied in the study. It illustrates the core ideas according to which cognition and capabilities – the way managers and organizations think and behave – are closely interlinked with each other and that they both affect the organizational change and change management. Because dynamic capabilities are built and exploited to enhance change toward the desired strategic goals (Teece, 2014), it is important that managers define their companies’ new visions and targets. Only after knowing their new targets, based on the redefined dominant logic, can firms start changing themselves and creating the right kind of dynamic capabilities that support change and learning. According to the evolutionary view of organizational change (Nelson & Winter, 1982), the organizational context is relevant because every firm and organization creates its own visions and dynamic capabilities.

Figure 1. General model of the research project (Maijanen-Kyläheiko, 2014).
Research Project on Change Management with LUT and Yle

Nature and Origin of the Research Project

The research project was initiated by the LUT School of Business. Originally, the idea for the study came from my own interest and background based on my long work experience as a journalist and manager at Yle. Especially during my years as a manager, I became interested in change management. From the beginning of the research project, it was also meant to be my doctoral dissertation project. In practice, I took care of the concrete negotiations for the research agreement between the LUT School of Business and Yle. Based on the agreement, Yle did not pay for the research, but it guaranteed full access to all data that would be required for the study. In return, Yle expected to have the results of the data analysis for its use. Yle’s interest was to receive new knowledge and understanding about it as an organization and, specifically, such knowledge that it would not collect otherwise. For the School of Business and me personally, the study provided comprehensive data to analyse managerial and organizational behaviour during strategic change. Ultimately, our aim was to have interesting, impactful, and high-quality scientific publications. In addition, the study provided important experience and lessons about conducting a case study.

Yle was an excellent case for designing a case study (Yin, 2014) to explore change management and the strategic organizational renewal process because, at the time of the research project, Yle was implementing an extensive transformation reform from broadcasting to digital logic. This required profound changes in its strategies, processes, competences, and structures. More concretely, Yle aimed, for example, for a better reach among young people, more innovative digital content production, and organizational flexibility and efficiency. As for the structures, Yle launched changes whose target was to remove earlier boundaries between TV, radio, and internet.
As a result of the structural reform, Yle established six new units. Some of them, such as the News and Current Affairs unit, remained more or less the same as before, but it also pursued change to its processes with the focus on the content instead of the distribution channels. The other five units were the Media unit (strategic planning), the Creative Content unit (documents, series, entertainment), Swedish Yle (content in the Swedish language), the Operations unit (technological infrastructure), and the Joint Operations unit (a matrix unit for the coordination of internal resources).

The collaboration with Yle was based on openness and mutual trust. Table 1 shows the diverse data sources. I was responsible for the data collection, and I had no problem getting any data I wanted. During the research project, I conducted two surveys for the whole company, one at the beginning (2011) and the other at the end of the project (2014). The surveys covered issues related to feelings and attitudes about the change and the dynamic capabilities of sensing, seizing, and reconfiguring. The surveys also covered questions about dominant logic, such as the mission of Yle, customer relationships, etc. As for the respondents, we used demographic variables such as age, gender, organizational level, work experience, and unit. The items of the first survey were repeated in the second survey but, in addition, the second survey included items about the changes and achievements of the past years. Both surveys also included open questions. In addition to the quantitative surveys, I interviewed 21 top- and strategy-level managers from different units. I asked managers about their perceptions of the changes, such as challenges, successes, and emerging tensions. These semi-structured interviews were conducted in an open and relaxed atmosphere; they were recorded, and they lasted from one to one-and-a-half hours. I also collected archival and strategic material and spent a great deal of time talking with people informally. In
addition, I regularly met with the head of strategy, who provided me with more detailed information on current and upcoming strategic issues.

The surveys were analysed by means of multivariate analysis methods, such as comparison tests, cluster analysis, a chi-square test of independence, and linear regression models. Transcribed interviews were analysed by a thematic coding method (Patton, 2002).

Table 1. Data collection

<table>
<thead>
<tr>
<th>Data source</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey 2011 (response rate 39.4, N = 1379)</td>
<td>Questions about motivation, attitudes, strategic framing, dynamic capabilities, and performance</td>
</tr>
<tr>
<td>Survey 2014 (response rate 32.1, N = 1134)</td>
<td>Repetition of Survey 2011; in addition, questions about changes that had been carried out after 2011</td>
</tr>
<tr>
<td>Yle’s annual reports 1976–2012</td>
<td>Content analysis on the changes in Yle’s dominant logic 1976–2012</td>
</tr>
<tr>
<td>Interviews with managers 2013</td>
<td>Questions about challenges, managerial practices and accomplishments, and strategic targets</td>
</tr>
<tr>
<td>Informal discussions</td>
<td>Discussion about feelings and opinions about the changes, etc.</td>
</tr>
<tr>
<td>Strategic documents 2010–2014</td>
<td>Strategic documents such as company and unit-level strategies to analyse the changes in strategies</td>
</tr>
<tr>
<td>Intranet and other company material (audience and user figures, analyses of the media environment, etc.)</td>
<td>Company’s internal written material to track the events that took place during the change process, e.g., decisions on content, incentive systems, and channel profiles</td>
</tr>
</tbody>
</table>

Outcome of the Project: Results and Their Communication

As for the results, the study shows that an organization does not change as one coherent unit, but becomes dispersed into smaller groups with different mindsets of change (Maijanen, 2015a). Some parts of the organization were more for the old dominant logic (broadcasting) than others. There were clear differences between the units; for example, the News and Current Affairs unit was more change- and competition-oriented than the other units were. In addition, employees with over 20 years of work experience were less change-oriented than employees with less than
five years of work experience. Logically, managers were more change-oriented and less satisfied with the current situation than non-managers were.

Furthermore, the mindset seemed to correlate with the capabilities (Maijanen & Jantunen, 2014). The units with higher levels of change orientation received better scores in their dynamic capabilities. The differences between units can be explained at least partly by the different histories and functions of the units. For example, in the case of the News and Current Affairs unit, it had learned to operate in the competitive and rapidly changing news world.

Interestingly, the study shows that, during the transformation, managers as decision-makers had problems in coping with two logics simultaneously. Some of the managers found it difficult to change their decision-making rules and practices. On the other hand, some of the upper middle managers in particular seemed frustrated by the slow changes in decision-making among top managers. In general, managers felt challenged by the overall organizational rigidities, and some of the interviewees described it as a characteristic feature of Yle’s culture. The study additionally highlights how structural changes gave rise to power-related tensions. Some managers perceived that they had lost power in comparison to other managers or in comparison to the situation before the changes. There were also tensions between different units as the unit-level interests and sub-strategies collided.

The study also confirmed the managerial challenges related to managing change in a publicly controlled and funded institution. The interviewed Yle managers emphasized the challenges faced by the expectations of external stakeholders, especially politicians and tax-paying customers. Many of the managers felt constrained by the multiple and sometimes contradictory expectations. This became more evident as the new funding model based on the Yle tax was launched to replace the TV licence fee in 2013. In the new funding model, the Yle tax was collected
from individuals and companies in connection with other taxes. Managers perceived that the Yle tax especially made the older customers more demanding, and their demands were more in line with the old broadcasting logic.

Despite all the challenges related to inside rigidities or external demands, the study provides evidence that incumbent media organizations can also change. I was impressed that even if it sometimes – especially at the beginning of the change process – seemed chaotic, with feelings of frustration and uncertainty, the company managed to progress, gradually learn new competences, and implement, for example, new structures, managerial practices, and incentive systems.

**Communication of the Results**

I aimed to communicate about the research project and results regularly during the project. I delivered the results of both surveys through the company’s intranet. The summaries of the results covered all the issues of the surveys, including open answers. The results were presented in PowerPoint slides with figures and tables. The most interesting results were underlined and described in detail. I was also interviewed twice for Yle’s intranet: in the beginning of the project to activate and encourage people to answer the survey, and at the end of the project to summarize the results. I was also invited to present the results in two seminars for managers. The first presentation was for the steering group of the News and Current Affairs unit, and the second presentation was given in a yearly strategy day seminar for Yle’s managers (60 people). In addition, Yle published one of my conference papers to hand out to its stakeholders or other public media companies – for example, in the events of the EBU (European Broadcasting Union). The company also ordered my dissertation to give to its stakeholders, such as Yle’s board members. Beyond the official presentations and publications, I engaged in a large number of informal
discussions with employees from different units and organizational levels, and during these discussions we talked about the research project and its results.

I have been able to use the research material not only for the company and its stakeholders, but also in my teaching for business-school students at my home university and in lectures for my Erasmus teaching exchange visits. At my home university, I have used it as an illustrative example in my courses on strategy research. As for Erasmus visits, during which I mainly teach students of media or communication studies, my study on Yle has provided excellent material to inspire, for example, group discussions on digital transformation and change management.

**Evaluation of the Project**

Concerning my original expectations, I believe the research project with Yle provided valuable and rich data that is still useful for my current research in several ways. I am still going through the data and writing new articles. The data has not lost its value, since media companies are continuously experiencing enormous changes because of market turbulence and technological advancements. The insights gained from the Yle project can be applied to other comparable change processes.

My research addresses the many questions that I had when working at Yle, but the project also proved to be an important learning process on a personal level. I have used the many lessons in my later research in which I have used a similar theoretical frame as in the Yle case. I still have good contacts with Yle, and it is one of the company collaborators in my current research plans. Where this aspect is concerned, I am very pleased with the open and easy-going collaboration with Yle. My academic freedom was never questioned and controlled, and I received all the support I needed. My personal background at Yle was definitely an asset, which made the collaboration with Yle so easy. The fact that I had worked at Yle seemed to open doors. When visiting Yle during the
project, I was able to spontaneously initiate discussions with people, and they were eager and willing to share their thoughts and feelings. I could always find people when I needed help, for example, in pretesting my surveys, acquiring research material, or getting the contact information of the personnel.

There are some aspects that I would now do differently if I could conduct the project again. First, I would collect more qualitative data. I would, for example, conduct more semi-structured interviews right at the beginning of the process. This would deepen the process view of the changes. I also feel I should have tried to share my results more actively than I did. Sharing the results more often and more actively would have made the study more impactful and meaningful for the organization and would have provided important feedback in terms of the practical relevance of the study. The feedback could also have given me ideas for the further development of the study.

As for the expectations of Yle, I believe they were at least partly fulfilled. Naturally, it is hard to measure the concrete gains, but based on the feedback during the seminar presentations, discussions, and interviews, I feel assured that the project contributed at least on the mindset level. I also believe that I managed to provide Yle with some new understanding of itself through the research results and especially through the many discussions I was able to have with employees during the research project. Yle’s management seemed to find the study important from the stakeholder point of view. This type of research collaboration with universities could be seen as one way to practice public service. Yle’s willingness to deliver my publication and dissertation to its stakeholders indicates that the company’s management valued the study.

This study made me think of the challenge of providing both short-term practical impact and long-term theoretical knowledge. This is especially the case in studies conducted in
collaboration with the industry – like my case study with Yle. A “pure” researcher is expected to analyse the phenomenon objectively and to generate abstract knowledge that contributes to the academic discussion. It takes a long time between the data collection and the final research publication. The practical impact must be achieved almost right away, and in doing so, the researcher is often expected to take a more subjective stance, sometimes even the company perspective. Because of the short-term expectations, there is a risk that the results the researcher delivers will remain quite swallow and descriptive. This is a dilemma. I think it is easier to cope with this dilemma when the researcher knows and understands the context well, which makes it easier to provide such data and results that the company finds useful and interesting. I had this situation – and yet, even in my case, I believe that sharing the results at an earlier point would have helped in making the project matter in practice. There is no single solution to this problem. I think it is, to some extent, also caused by the academic demands and practices. It seems that in academia, the practical impact is valued in principle, but in reality, it is dependent on the researcher’s own approach and activity.

**Discussion**

In general, the research project with Yle was a rewarding process. I learned a lot about organizational change and change management, and my research addressed many of the questions that I had before starting the project. Importantly, I gained many insights about designing and conducting a longitudinal case study. In addition, the data collected during the project is still valuable for many new research papers to come and, importantly, the case of Yle can be used as an illustrative example of strategic change.

As for the practical impact, I realized that the theoretical concepts, such as dynamic capabilities, are in fact quite comprehensible for practitioners. In particular, the categories of
sensing, seizing, and reconfiguring seem to attract interest when I talk about the study and its results. It seems to be easy for managers to start analysing, for example, what kind of sensing or seizing capabilities they have and whether they are good, for example, in seizing the sensed opportunities.

Even though I was able to share and interpret my results, at least to a certain extent, I am aware of the limitations in this regard. I could have developed the results further in terms of practical usefulness, and I could have been more active and interactive in sharing the results within the company.

Based on my experience, I would like to share some of my learning and provide some simple and practical guidelines that I find important when conducting a research project in close collaboration with a company. These guidelines are to ensure that the project delivers a win-win situation: the researcher is not doing the research only for him- or herself but also so the company can profit from it. My guidelines are as follows:

1. Plan the project in close collaboration with the company and make sure you know your own expectations as well as the expectations of the company. Design the project so that the expectations will be addressed.
2. Have good personal contacts with key people in the company. This helps you to create trust and conduct your research in practice.
3. Meet people face-to-face. I am convinced that meeting and talking with people on a face-to-face basis builds trust and openness, and it provides more insights than can be obtained via the phone or online video chat applications, such as Skype.
4. Be active and share the results during the research project, not only at the end of it. Sharing the results during the project will provide useful feedback that helps the researcher(s) to evaluate the practical impact and contributions, as well as to make corrections to the research if necessary.

5. Look for other ways to share the results beyond just presentations and PowerPoint slides, such as facilitated workshops and group discussions. The more interactive situations you create, the more you and the company learn from the results.

In academic research projects, there often tends be a deep gap between theoretical and practical aspirations. I realized during this project that the gap is not that deep after all, at least in studies of (strategic) media management. This is perhaps because the media management research asks questions and uses concepts that are also relevant in the media business. The studies – as well as the study presented in this chapter – ask such questions as how to keep a company successful in times of change, how to beat the challenges, or how to sustain innovation and creativity. These are relevant managerial and organization-related questions for both academics and practitioners. I think the main challenge is in being able to interpret the concepts and results from the manager’s perspective. I am convinced that the interpretations are easier to make if the researcher collaborates actively and pursues a thorough understanding of the case and context under study.

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