

# World News Media Outlook 2017

## Executive Summary

\$264.58

\$244.34

\$216.11



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research  
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## **WORLD NEWS MEDIA OUTLOOK 2017: EXECUTIVE SUMMARY**

### **PUBLISHED BY:**

WAN-IFRA  
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60327 Frankfurt, Germany

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# Executive summary: About the study and report

Leaders of news media firms worldwide are pressured to innovate.

To keep on keeping on the same track, while technology platforms evolve, advertisers' options increase, and audience preferences change around you, is not a realistic option. But shifting focus carries significant risks, and the rewards are uncertain. Deciding what to change and how to go about changing it is certainly not straightforward. So, just how are news media managers tackling the challenge?

To find answers, the Innovation Research Group and WAN-IFRA again surveyed executives at member organisations in 10 languages. Responses to the 7th annual study conducted over the third quarter of 2016 came from nearly 250 decision makers in 65 countries across six continents. The majority (82 percent) are at organisations that are in private hands, while 6 percent worked in government-owned media firms and 4 percent were in public service organisations without direct political control.

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## Map of respondents

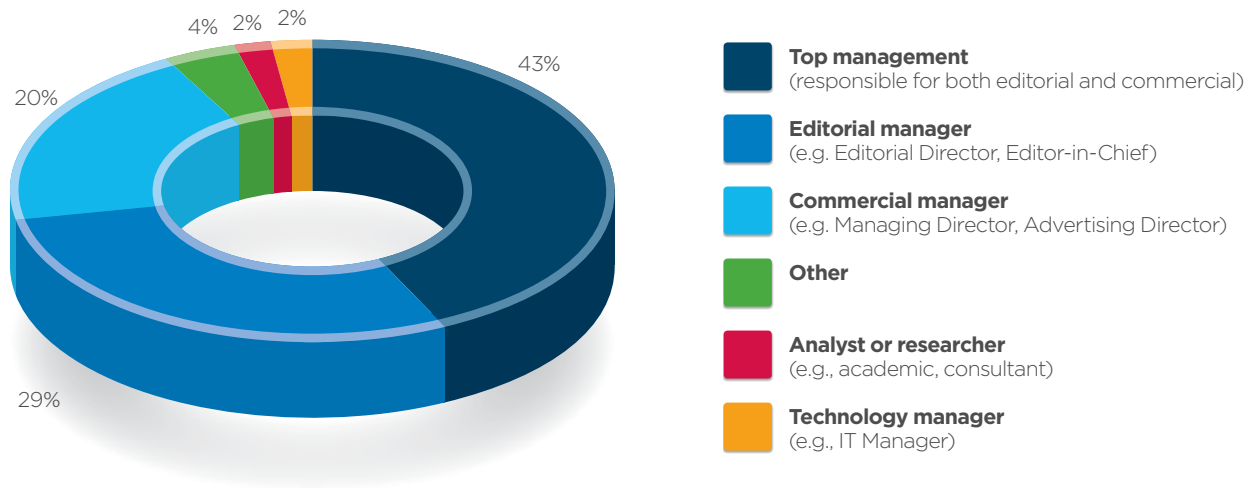


**Source:**

World News Media Outlook 2017 - Innovation Research Group, & WAN-IFRA

By far the largest group of respondents, 43 percent, sit in C-suites, serve on boards, or own their companies. Other responses came from editorial, commercial, and technology managers, as well as from a very small number (2 percent) of consultants and academics (the methodology is detailed below).

### Breakdown of respondents by job role



**Source:**

World News Media Outlook 2017 - Innovation Research Group, & WAN-IFRA

Whatever their company profile, however they are involved, and wherever they are based, most of those surveyed agree that the single biggest risk to their organisation’s success is not the loss of advertising revenues – though 65 percent report traditional advertising income declines and many fret about their financial futures. “Not diversifying our revenue sources from the traditional print advertising into TV and digital advertising models,” said an editorial manager from Kenya. “Business Model sustainability over the next years,” is the biggest concern of a senior executive from Brazil.

Technology platforms aren’t the respondents’ primarily worry either – though they are troubled by the power search and social media companies have on how content is discovered, as well as the roles of platforms and advertising exchanges in how income is delivered. “Where people consume news – social media other web,” was the top concern of an editorial manager from the United Kingdom. “Loss local advertising to Google & Co.,” said a top manager from Germany.

Political instability isn’t their No 1 concern either – though some fear the actions of elected and unelected politicians. “Political polarization,” said an editorial

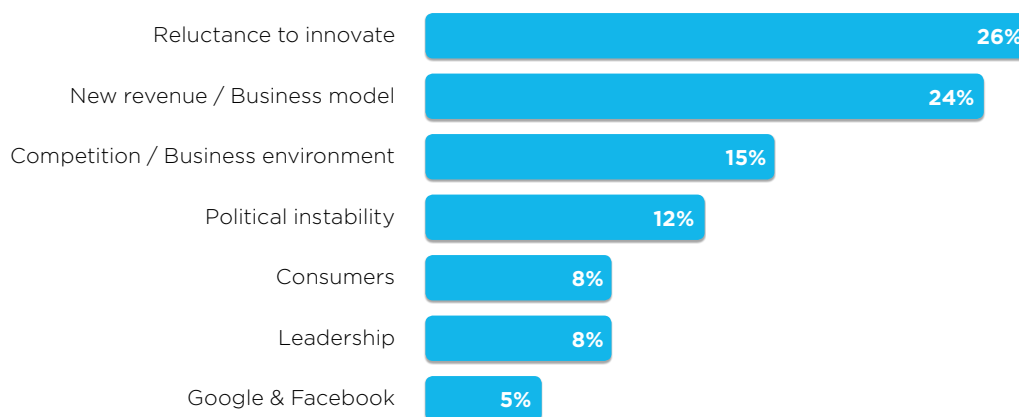
manager from Malta. “Prosecution for criticizing government,” said an editorial manager from Russia. “Brexit,” said a technology manager from the United Kingdom.

Indeed, the respondents to this year’s survey do not see any single external factor as posing the greatest threat to their businesses. Instead, they are most anxious about what was going on inside their organisations. News media executives worldwide say the single biggest risk to their future success is this: their organisation’s reluctance to innovate. “Habits [are] changing faster than we can innovate,” answered an editorial executive from the United States. “The biggest risk is that senior management does not make decisions quickly,” said an editorial manager from Bolivia.

They are right to be concerned.

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### Greatest risk



**Source:**

World News Media Outlook 2017 – Innovation Research Group, & WAN-IFRA

Our study participants expect that their firms will need to radically change their business models if they are to meet future expectations. And there is no time to waste. Seventy percent say that over the next 12 months up to 30 percent of their income should come from non-traditional media activities (i.e. other than content sales and advertising) if they are to reach their financial goals. Those figures flip exactly when we asked for their medium-term outlook. Seven out of 10 respondents expect that over the next five years more than 30 percent of their firm’s income will need to come from diverse revenue streams if they are to be successful.

To reach those ambitious targets will undoubtedly demand innovative leaders who keenly exploit current certainties while also eagerly exploring new opportunities. When we combed through nearly 500,000 data points collected from this and other studies<sup>1</sup> into the decision making of news executives working across all media categories, and in business environments from America to Zimbabwe, we found a statistically significant link between organisational cultures in which innovators flourish and their firms' performance and success – including their financial success<sup>2</sup>. Yes, that result is unequivocal, but to some it may not be surprising. Management researchers<sup>3</sup> have long pointed out that corporate culture was a much more important driver of radical innovation than capital, labour, government, or national culture.

For media executives that conclusion raises several additional questions: First, what is an innovative corporate culture? Second, do leaders at successful news media companies take a different approach to innovation than those at firms that are performing poorly? This report addresses both questions by exploring what is at the top of news executives To Do lists now, what they plan to prioritise next, and how company leaders are executing on their strategies.

## **The 7 building blocks of a culture of innovation**

Our findings not only describe what our respondents have said; we also consider what their priorities tell us about how news media leaders foster innovation. Our starting point is the building blocks of an innovation culture identified in earlier studies<sup>4</sup>: **resources, processes, values, behaviour, climate** and **success**.

We also draw out a seventh, distinct factor: **Innovation Role Models**. While organisational culture is a multifaceted construct and the building blocks are dynamically linked, the critical role leaders play in shaping every aspect of innovation in their firm is undisputed. That, we believe, deserves further attention. In fact, our analysis shows that firms where the leaders are positive Innovation Role Models are more than nine times more likely to be reporting overall revenue growth compared with those who do not<sup>5</sup>. Thus company leaders have it within their gift to cultivate a culture where innovation thrives – and, if they do, their companies' fortunes can too.

So, while about six out of 10 (60 percent) of our study respondents reported that overall company revenues had declined over the previous year, 15 percent said there had been no change – and a quarter (25 percent) reported that over-

all income was up. Some news media leaders are clearly getting things right. This report takes a closer look at just exactly what successful organisations are currently doing, what their leaders' investment priorities are, how they behave – and what they are planning next.

## What's driving change in 2017

In the final survey question, we asked: **What is the single most important change that should be implemented in your news organisation over the next year?** As was the case in previous years, the answers varied widely. “Find ways to distribute content to audiences who do not know us,” said a senior manager from Iran. “Get everyone on the same digital path,” the top executive of a firm in El Salvador responded. “Transform to a multimedia powerhouse,” came the answer from a C-suite in Malaysia. “Focus first on our clients' needs,” said a technology manager from France. While their responses may seem disparate, several distinct change themes did emerge: technology, social media, convergence, efficiency, monetisation, talent and culture.

More specifically, the news media executives in our study identified the following key priorities for change:

- **technology investments** for both editorial (CMS) and commercial (CRMs);
- **convergence of operations**, both across channels (print, online, broadcasting) and functions (technology, editorial, commercial);
- **efficiencies** to cut costs and to increase effectiveness;
- **monetisation** of both current endeavours and by identifying new business opportunities;
- **social media platforms** for content and commerce;
- **developing talent** from the board and across all departments, especially in regards to all things “digital.”

All these changes are justifiably important, but the one change that news media executives most wanted to make was to their company's way of doing things. More than one out of every five respondents (21 percent) mentioned this. “Getting all staff to embrace and share new ideas, techniques and strategies to keep the newspaper alive and exciting,” said an editorial manager from Kenya. “Less fear, more action,” a senior manager from Norway said. A chief executive from Portugal summed it up: “Innovation culture.”



### 3 crucial questions going forward

In conclusion, we offer an outlook for the way forward by reporting on three key questions:

1. What are news media executives focusing on over the next 12 months?
2. What opportunities do they see emerging over the next three to five years?
3. What should media firms be mindful of as they plan for growth?

Throughout, we also flag the significant differences between the priorities and innovation behaviours of news executives at firms that report financial losses and those who report growth.

### Guest analysts

To provide additional insights on the data and to suggest further practical action points for news media executives to consider, we invited five guest analysts to contribute to this report:

- **Anette Novak**, a former senior newspaper executive and now CEO of Rise Interactive, Sweden: “5 lessons learned from an innovative firm”
- **Dean Roper**, Director of Publications at the World Association of Newspapers and News Publishers (WAN-IFRA), Germany: “Why news companies appear to be focusing on the social newsroom instead of social revenue”
- **Helen Philpot**, Head of Transformation and Governance at DMG Media, United Kingdom: “Three important factors for successful behaviour change”
- **Kevin Anderson**, an international media and communications consultant and Founder of Ship’s Wheel Media, United States: “Combating the ‘accelerating avalanche’ of declining ad revenues”
- **Magdoom Mohamed**, Managing Director at WAN-IFRA – South Asia, India: “Innovation in India: South Asia’s largest growing market”

# Key Takeaways

- Although trading conditions are tough worldwide, **30 percent of nearly 250 decision makers surveyed report overall financial growth over the past financial year**, while about 35 percent said there had been no change. This is the highest proportion of positive responses since the study began in 2009/10 in the wake of the global economic recession.
- The biggest risk to future success is not seen to be challenges to business models, technology disruption, advertising declines, or political instability – **but firms' own reluctance to innovate.**
- An analysis of more than 1,800 responses received from 107 countries since the start of the study shows a statistically significant relationship between the innovation culture in firms and their financial performance. In fact, **companies that prioritise innovation are more likely to report organisational and financial success compared with companies that don't.**
- Leaders at successful firms **make distinctly different choices about the building blocks of an innovation culture** than those at firms that report losses.
- The outlook for the future success of media firms depends on the extent to which they can diversify their revenue streams. **In the short term (next 12 months), 70 percent of respondents say they will need up to a third of their income to come from non-traditional sources (i.e. traditional advertising and existing content sales) to meet company revenue expectations.** That figure flips when asked to project into the medium term (3-5 years) – and nearly a quarter (24 percent) of all respondents expect more than half their income will need to come from new revenue streams.
- **Meeting future revenue targets will require significant focus on innovation by news media leaders** – who will increase their firm's likelihood of success very significantly if they are effective Innovation Role Models themselves.

# ENDNOTES:

- <sup>1</sup> We draw on World Bank studies to define variables such as regional boundaries, Gross Domestic Product and internet penetration.
- <sup>2</sup>  $r=.21$ ;  $p<0.01$
- <sup>3</sup> Tellis, G., Prabhu, J. C., & Chandy, R. K. (2009). Radical innovation across nations: The pre-eminence of corporate culture. *Journal of Marketing*, 73(1), 3–23
- <sup>4</sup> Rao, J., & Weintraub, J. (2013). How innovative is your company's culture? *MIT Sloan Management Review*, 54(3), 29.
- <sup>5</sup> Odds Ratio: 9.4; Chi square (1) = 50.26;  $p < .001$ . The statistical significance of this analysis is such that there is less than 1 in 1,000 probability that this result could have been achieved by chance, based upon the data in our dataset.

# CREDITS

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## **FOR CITATIONS:**

Nel, François & Milburn-Curtis, Coral. (2017) *World News Media Outlook 2017*. Frankfurt: World Association of Newspapers and News Publishers (WAN-IFRA).

*Selections from The World News Media Outlook 2017 report by Dr François Nel and Dr Coral Milburn-Curtis of the Innovation Research Group will be presented at WAN-IFRA's Digital Media Europe conference in Copenhagen, Denmark, 24-26 April 2017. The report takes a closer look at just exactly what successful organisations are currently doing to foster innovation, what their leaders' investment priorities are, how they behave – and what they are planning next. Study respondents receive a free executive summary of the findings and the full report will be available for purchase from WAN-IFRA.*

