New Ways to Explore Australian Media Ownership Opportunities and Threats

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Media ownership has been an evolving "hot topic" in Australia as the government grapples with the problem of keeping its cross media ownership laws relevant, in an age where new technologies are blurring traditional media boundaries. Media ownership has been an agenda topic for the Howard government since it was first elected in 1996[1], but only recently has the major media players begun take tangible actions in preparing for a pending relaxation of the media ownership laws.

Changes to the existing media ownership laws will undoubtedly generate new opportunities for new players as well as present some significant threats to existing players. However, understanding the complex web of ownership interdependencies that currently exists, in order to develop a viable strategy for the future, is far from simple. This situation was highlighted in Paul Sheehan's review of media ownership in Australia in 2002[2], where he states:

"Ownership of a smaller media company may be complex, with a variety of larger bodies owning small percentages and associations with other organizations results in a complex web of relationships"

In this paper, a technique is illustrated for firstly visualizing media ownership relationship webs, and secondly, to then analyse them to look for new opportunities, or threats that may exist once the media ownership laws are relaxed. The technique is called Organisational Network Analysis (ONA),

which is an evolution of social network analysis techniques commonly used by sociologists to understand personal relationship networks. Our research has shown that many of the concepts and analytical techniques that have been applied to personal networks can also be relevant to company networks. Just like an individual developing her own social capital amongst her peer group, companies can also build their own corporate social capital amongst potential alliance partners in their chosen market.

ONA applied to Media Ownership in Australia

ONA visually maps relationships. Relationships can be deemed at a variety of levels, from say, a joint marketing relationship between two firms, through to joint ownership of an entity, which is generally the case with media companies. By visualizing complex relationship webs, analysts are able to quickly identify where relationships are concentrated and where opportunities exist for new relationships. The captured web of relationships can then be analysed more clinically, using algorithms developed by social network scientists to identify relative network attributes for the individuals or firms, such as their level of centrality in the network or whether an individual is well placed to broker new connections.

The example used to illustrate ONA of media ownership in Australia draws its data from the register of controllers of commercial radio and
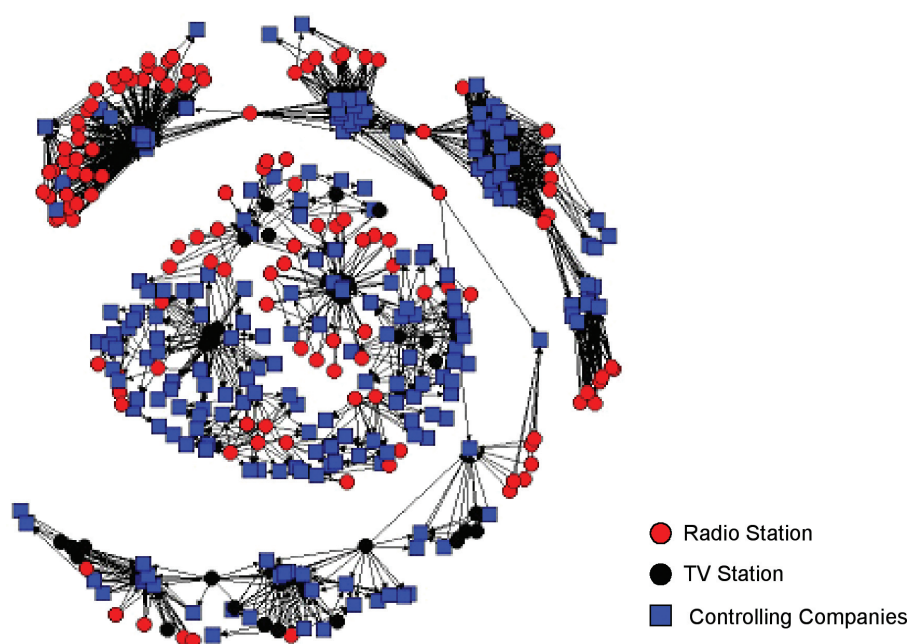
commercial television broadcasting licenses maintained by the Australian Communications and Media Authority (ACMA)[3]. ACMA is required by law to keep a public register of ownership of all commercial radio and television licenses. The ACMA register identifies the company operating the licenses, companies and/or individuals who participate in control of the license and the geographic coverage for the license. While this exercise is limited to radio and television licenses, it could easily be extended to include print and Internet media ownership using similar ownership data.

So How Inter-connected are Australian Media Owners?

The ACMA register identifies 205 unique license holders and 319 owning firms or individuals. As expected, owners will often be part owners in multiple licenses creating quite a complex web of cross ownership as shown below:

Figure 1 - Media Ownership Web

- ● Radio Station
- ● TV Station
- ■ Controlling Companies

[3] http://www.acma.gov.au/acmainterwr/_assets/main/lib100450/current_controllers.pdf

One can see from the graphic below that the ownership network is essentially split into two separate networks. The network in the centre shows three clusters of television licenses intermingled with a far larger number of radio licenses. The number of owners outnumber the number of licenses significantly in this cluster. The second network, which surrounds the central cluster, is more loosely connected. One can see that only two owners (Southern Cross Broadcasting and Tri-com Radio's part ownership of Consolidated Broadcasting (WA)) are responsible for the interconnection of the network at the top of the graph with the network at the bottom of the graph. The outer network also shows a stronger concentration of owners in parts. For example, in the top left the Macquarie group of companies' ownership of many regional radio licenses is evident. A number of similar, but larger ownership clusters can also be seen to right of the Macquarie cluster.

This visual representation of radio and television licenses may look a little confronting on first inspection, however, the power of such visualization is the questions it can prompt from the analyst, be they a media company owner or government regulator. The interdependencies shown in the graph above are largely invisible using traditional data base techniques. For the media company owner, the above graph may prompt questions relating to their competitive situation. Are they able to exercise sufficient control over their licenses compared to the competition? For the government regulator, some of the ownership clusters may be of interest. Are firms gaining unfair advantage through indirect ownership or influence?

The next section will now explore how network analysis techniques can be used to identify previously unseen intelligence held within the ownership network illustrated.

Uncovering the Hidden Opportunity
– Affinity Networks

What the media ownership map provides is a visualization of the formal ownership relationships that exist. One of the more interesting ONA techniques is to use this data to generate affinity network maps. Affinity maps basically look to infer potential affinities between individuals or firms based on their common activities. An early use of affinity maps was to study potential overlaps in board directorships. Affinities between individual board members could be inferred by the number of boards that the individuals sat on together. Likewise, two firms with management boards filled with common members would also infer a close affinity.

In the case of the media ownership, affinities between owners could be inferred from common ownership of multiple licenses. Likewise, licensees with high levels of common ownership would infer potentially collective control over multiple licenses. The affinity network map is therefore a representation of potential relationships inferred through ownership patterns. Once developed, ONA metrics can be applied to the affinity network to discover an individual or firm's preferential placing within the network.

What is meant by preferential positioning in a relationship network depends on which social network theory you subscribe to. The theory of centrality and closed networks suggests that being centrally located in the network is most preferential. Being centrally located means that you are likely to have the greatest number of connections, and also good connections to those that are also well connected. A competing theory relates to those best positioned to take advantage of gaps or holes in the network, potentially playing important bridging or brokering roles. While not as heavily connected as the central nodes, the connections they do have provide much more leverage, potentially spanning powerful cliques or clusters. In practice there is value

in both positions. However, while most of us could identify centrally located firms without the need for a network analysis, those firms that span structural holes in the network may not even be aware of the advantageous position that they occupy. ONA analysis can uncover firms best positioned to act as bridges or brokers.

Using the media ownership data the following affinity maps were produced. Firstly, in considering the affinity between license owners, the first map looks at the firms with the highest connectivity:
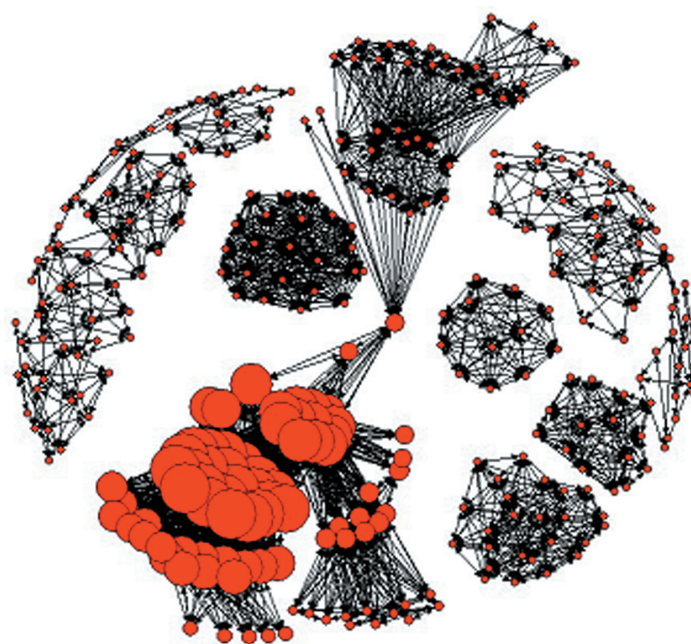

Figure 2 - Owners affinity map - centrally connected firms

The above affinity map shows that owners tend to belong to identifiable clusters. The size of the node reflects the relative connectedness of the firms. In this case a measure has been selected which identifies those firms who are most connected to other well connected firms. The clusters of large nodes reflect ownership syndicates, where multiple firms and/or individuals have formed informal buying syndicates. These syndicates are quite evident in the registration data. The map however clearly identifies the degree of co-operation within the syndicates.

From a competitive intelligence perspective, its perhaps the broker or bridging firms that could be of most interest. The ONA measure of "betweenness" identifies those firms who are preferentially placed on the intersections between network clusters. They could be seen as best placed to broker connections between ownership clusters or could in fact be the bridge between clusters, without whom there might be no connection. The following map is a repeat of Figure 2 but now with the node size reflecting the level of betweenness.

The stand-out feature of this map is the role that Southern Cross Broadcasting could play as a potential broker or bridge between the two largest ownership clusters. What the map indicates is that Southern Cross has joint ownership with a number of the largest ownership syndicates. As joint owners they are well positioned to at least influence new alliances or partnerships amongst the more powerful ownership syndicates, as the opportunities from reduced regulation arises. Co-operation between the other clusters would require new relationships to be developed, rather than relying on existing ones.
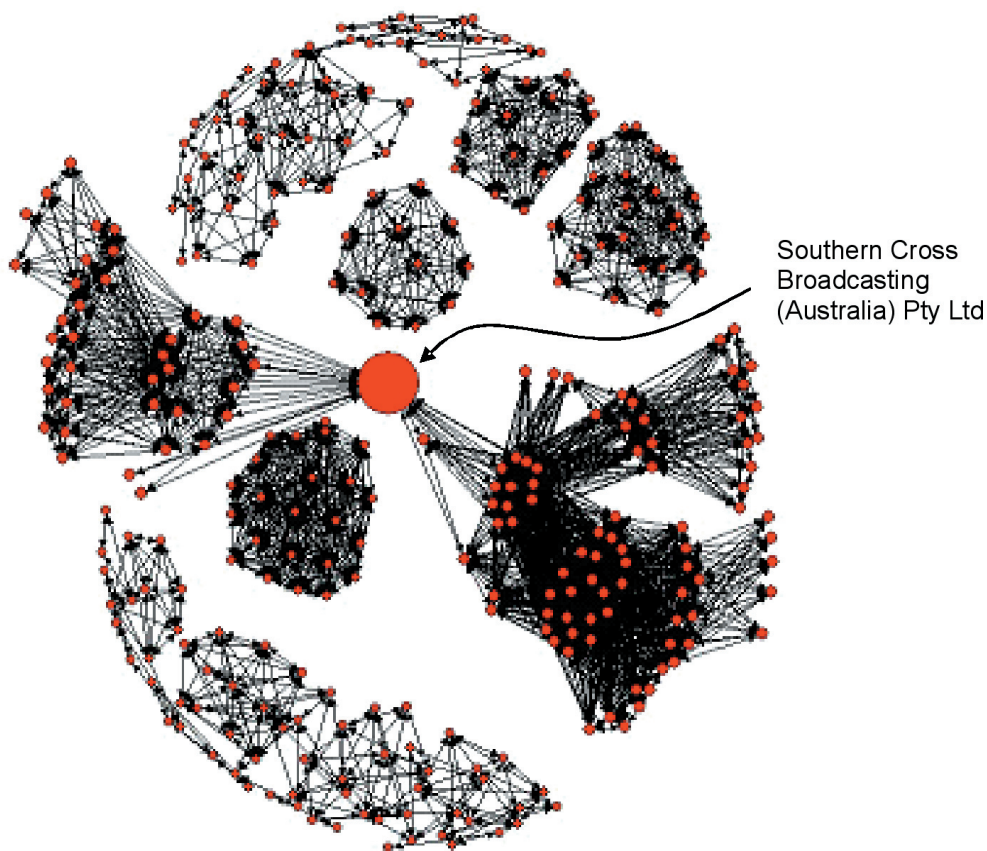

Southern Cross
Broadcasting
(Australia) Pty Ltd

Figure 3 Owners affinity map - Betweenness

An affinity map relating media licensee firms has also been developed. In this case, an affinity between licensees would be determined by the level of common joint ownership. Again the greatest insights can be obtained from those licensee firms who are in bridging or brokering positions in the network.

The larger nodes in the map below identify those licensee companies that have the greatest diversity in their ownership. One could infer that the market might consider these licenses strategically placed and perhaps forcing a greater diversity of ownership. Alternatively they may be seen as speculative investments by owners who may not be too concerned about competitive issues with the other joint owners. It would appear that Radio Newcastle could be of particular interest, being partially owned

by one of the strongest syndicates as well as a less connected network of other owners. The clustering of licenses might also be of interest to regulators. The ONA maps make clearly visible how licenses are clustered according to ownership. Overlaying broadcasting location permissions could uncover intended or unintended regulatory compliance issues arising from indirect influence, more so than direct ownership.
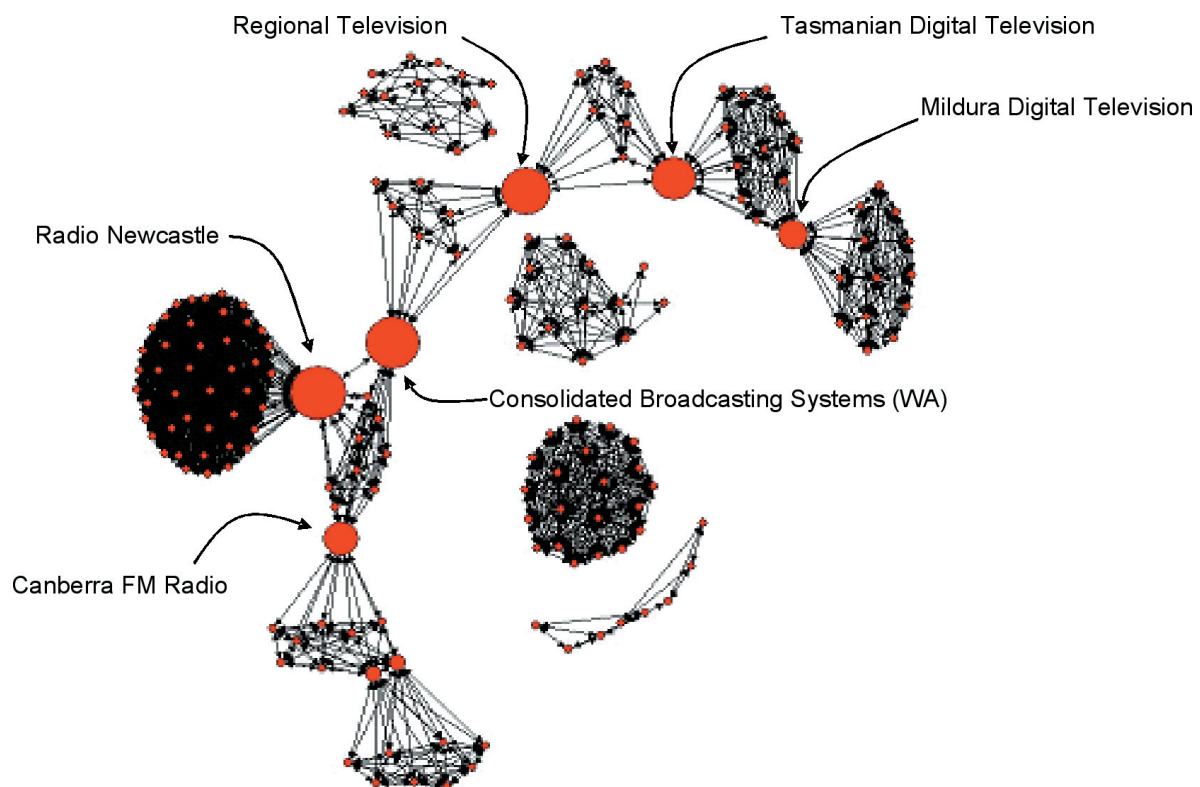

Figure 4 - Licensee affinity map – Betweenness

Summary

With a market confronted with regulatory ownership relaxation, identifying which licenses to own, and with whom, will occupy the minds of many a media executive. The ONA maps provided in this paper were developed from publicly available data and with no particular domain knowledge by the author. The purpose of this paper has been to introduce ONA as a technique for mining previously undiscovered intelligence from pre-existing data. As such, readers familiar with the Australian media industry may find the analyses presented either insightful or perhaps even a little confusing. Either way the intent was to demonstrate a level of analysis of media ownership data that goes beyond traditional approaches. Even if it only prompts new questions for media executives to address, then it will have served its purpose. From a regulatory perspective, understanding the diversity and concentration of license ownership can go a long way to facilitating a fair and equitable market place. While the ownership registers provide direct ownership influence, the ONA maps can provide a richer perspective on the indirect influences that could potentially impact the market place. This paper has dealt with only the commercial radio and television licenses. Once the print media and Internet are added along with a larger foreign ownership, the network relationship influences can only become more complex and pervasive, making an even stronger argument for more sophisticated business intelligence tools like ONA.

About the Author and Optimice

Laurence Lock Lee is a co-founder and principal of Optimice Pty Ltd, a company specializing in optimising business relationships. He has over 35 years of working experience as a researcher, manager and consultant across a breadth of public and private sector industries. His research and consulting has focused on the analysis and facilitation of relationship networks. He is currently completing a PhD on the links between a firm's corporate social capital and firm performance. He was published widely in the business and academic press on the above topics and presented and lectured on these topics in Australia, Asia, the USA and Europe.

Optimice is a niche consulting and intellectual capital company. It provides services to firms looking to improve and optimise their business relationships at the personal, intra-organisational or inter-organisational level. Optimice has developed ONA relationships maps for a number of industry sectors including media, information technology, health, finance and insurance sectors.

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