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Strategic Management and Economic Performance in Digital Media: The Role of AI and Innovation

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Abstract: Artificial intelligence (AI) is changing how digital media organisations create, distribute and monetise content and, consequently, how they formulate and implement strategy. This article examines the relationship between strategic management, AI-driven innovation and the economic performance of digital media firms. Drawing on a structured review of the strategic management and media economics literature, recent experimental evidence on the productivity effects of AI, industry reports and policy documents, the study proposes a framework that links the stages of the strategic management process with AI instruments and with the channels through which they influence performance: cost efficiency, revenue growth, business model innovation and risk. The analysis shows that the global entertainment and media market reached about US\$3.5 trillion in 2025, with advertising exceeding US\$1 trillion for the first time on the basis of AI-enabled personalisation, and that 88% of organisations already use AI in at least one business function. Yet adoption does not automatically translate into financial results: only 37% of firms attribute any EBIT impact to AI, and news publishers expect search referral traffic to fall by more than 40% within three years. The article argues that AI creates sustainable value in digital media only when it is embedded in a coherent strategy and supported by proprietary data, human capital and governance, and it formulates recommendations for media managers and for policy in Uzbekistan.

Keywords: strategic management, digital media, artificial intelligence, generative AI, innovation, economic performance, media economics, business models

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1. Introduction

Digital media is one of the industries most directly exposed to artificial intelligence. Its value chain — content creation, curation, distribution and the monetisation of audience attention — consists largely of information-processing tasks that AI systems can now perform, augment or reorganise. For media firms, digital transformation is therefore not limited to moving existing products online; it is a process in which digital technologies trigger changes in value creation, organisational structures and decision-making [1], and which requires a rethinking of business models, capabilities and performance metrics [2]. The arrival of generative AI has made this process faster and its strategic stakes higher.

The economic scale of the shift is considerable. According to PwC, global entertainment and media (E&M) revenue grew by 5.3% in 2025 to about US\$3.5 trillion and is projected to reach US\$4.2 trillion in 2030, a compound annual growth rate (CAGR) of 3.4%. Advertising surpassed US\$1 trillion for the first time in 2025 and is expected to reach US\$1.4 trillion by 2030, growing faster than consumer spending, with AI-powered

real-time personalisation identified as one of the main drivers of this growth [3]. At the same time, investment in AI itself has accelerated: global corporate AI investment reached US\$581.7 billion in 2025, an increase of 129.9% over the previous year [4].

However, the link between AI adoption and economic performance is far from automatic. Although nearly nine in ten organisations now use AI regularly in at least one business function, only 37% attribute any impact on earnings before interest and taxes (EBIT) to it [5]. In the news industry, only 13% of leaders describe their AI initiatives as transformational, while publishers expect referral traffic from search engines to decline by more than 40% over three years as AI-generated answers replace links [6]. AI thus acts simultaneously as a source of efficiency and as a threat to established business models. Whether it improves or erodes the economic position of a media firm depends largely on strategic choices: where AI is applied, which resources are combined with it, and how its results are measured and governed.

The question is also relevant for Uzbekistan. The Strategy for the development of artificial intelligence technologies until 2030 sets the goals of increasing the volume of AI-based software products and services to US\$1.5 billion and of placing the country among the top 50 in the Government AI Readiness Index [7], building on the “Digital Uzbekistan-2030” strategy [8]. Domestic media organisations, which compete for audiences and advertising with global platforms, need strategic approaches to AI that reflect both international experience and local conditions. Against this background, the article analyses how strategic management mediates the effect of AI and innovation on the economic performance of digital media firms.

The theoretical basis of the study is formed by two complementary strands of strategic management. The resource-based view holds that sustained competitive advantage arises from resources that are valuable, rare, imperfectly imitable and non-substitutable [9]. The dynamic capabilities approach adds that, in rapidly changing environments, performance depends on a firm’s ability to integrate, build and reconfigure internal and external competences [10], which can be decomposed into the capacities to sense opportunities and threats, to seize them and to transform the organisation accordingly [11]. Applied to AI, these perspectives suggest an important distinction: general-purpose AI tools are increasingly available to all competitors and therefore cannot by themselves be a source of lasting advantage, whereas proprietary data, audience relationships, brand trust and the organisational ability to redesign processes around AI can.

Media management research emphasises the specific features of the industry. Küng shows that strategy in media organisations is shaped by technological discontinuities, by the central role of creativity and by the cultural as well as economic nature of media products [12]. Media economics describes media firms as operating in dual-product markets, selling content to audiences and audience attention to advertisers [13], while the theory of two-sided markets explains why the platform that controls the interface with users is able to capture a disproportionate share of value [14]. These insights are essential for understanding how AI redistributes revenue between content producers, technology platforms and advertisers.

A growing body of work addresses AI in media directly. Chan-Olmsted identifies eight areas of AI adoption in the media industry: audience content recommendations, audience engagement, augmented audience experience, message optimisation, content management, content creation, audience insights and operational automation [15]. Simon argues that AI is retooling news work, rationalising editorial processes and increasing the dependence of publishers on the technology companies that control AI infrastructure [16]. More broadly, Iansiti and Lakhani describe how firms built around data, algorithms and

networks can grow without the traditional constraints of scale, scope and learning, reshaping competition in information industries [17].

Experimental studies provide evidence of the effect of AI on productivity in tasks typical of media work. In a controlled experiment with 453 professionals performing writing tasks, access to a generative AI tool reduced completion time by about 40% and increased output quality by about 18% [18]. A field experiment with 758 consultants found that, for tasks within the capability frontier of AI, users completed 12.2% more tasks, 25.1% faster and with more than 40% higher quality, but were 19 percentage points less likely to produce correct solutions on a task outside that frontier [19]. Among 5,172 customer-support agents, a generative AI assistant raised productivity by 15% on average, with the largest gains for less experienced workers [20]. In advertising creation, human–AI teams produced 50% more ads per worker than human–human teams, with higher text quality but lower image quality [21].

Despite this extensive literature, several gaps remain. Productivity evidence is gathered mostly at the level of individual tasks, whereas the conversion of these gains into firm-level economic performance is less understood. Strategic management studies often treat AI as a generic technology without considering the dual-market economics of media. Finally, evidence from emerging media markets, including Central Asia, is still scarce.

Purpose of the Article

The purpose of this article is to identify the mechanisms through which artificial intelligence and innovation, mediated by strategic management, influence the economic performance of digital media firms, and to substantiate practical recommendations for media managers and policymakers. To achieve this purpose, the study sets the following objectives: to clarify the role of AI at each stage of the strategic management process in digital media; to develop a framework linking these stages with AI instruments and performance indicators; to analyse market and adoption data that reveal the economic effects of AI; to determine the main barriers and risks; and to propose directions for development, including implications for Uzbekistan.

2. Materials and Methods

The study is based on a qualitative, mixed-source research design that combines three methods: a structured literature review, analysis of industry reports and secondary statistical data, and analysis of policy documents.

First, a structured review of scholarly literature was carried out on strategic management, dynamic capabilities, media management, media economics and the economic effects of AI. Searches were conducted in Scopus, Web of Science and Google Scholar using combinations of the terms “strategic management”, “media management”, “digital media”, “artificial intelligence”, “generative AI”, “productivity” and “economic performance”. The screening of sources followed the principles of the PRISMA 2020 statement regarding transparency of inclusion criteria [22]. Priority was given to peer-reviewed articles and controlled or field experiments published between 2019 and 2026, complemented by foundational works of strategic management theory.

Second, the most recent industry reports were analysed to characterise market dynamics and the state of AI adoption: PwC’s Global Entertainment & Media Outlook 2026–2030 [3], the Stanford AI Index 2026 the McKinsey Global Surveys on the state of AI and the Reuters Institute survey of 280 news executives from 51 countries and territories [23]. Third, strategic documents of the Republic of Uzbekistan on digitalisation and artificial intelligence, as well as official data on the country’s AI readiness, were examined [24]. Comparative, logical and structural-functional analysis were applied to synthesise the findings and to construct a framework of AI-enabled strategic management in digital media.

The study has limitations. It relies on secondary data; adoption figures in industry surveys are self-reported, and market forecasts are subject to revision. The conclusions about the link between AI and firm performance are therefore indicative and should be tested with firm-level data in further empirical research.

3. Results and Discussions

3.1. AI across the strategic management process in digital media. The analysis shows that AI affects not a single function of a media firm but every stage of the strategic management process, from environmental analysis to performance control. Its strategic significance lies in shortening the cycle between data, decision and action: strategy in digital media becomes less a periodic planning exercise and more a continuous process of experimentation and adjustment, which corresponds to the logic of dynamic capabilities [25].

Table 1 summarises how each stage of the strategic management process changes under the influence of AI and which economic indicators reflect the effect.

Table 1. AI-enabled transformation of the strategic management process in digital media

Strategic management stage	Traditional approach	AI- and innovation-enabled approach	Performance indicators
Environmental analysis	Periodic market research; editorial intuition about audience interests	Continuous audience analytics; automated trend detection; monitoring of traffic from search and AI platforms	Speed of response to market shifts; traffic structure by source
Strategy formulation and business model	Annual plans; reliance on one dominant revenue source	Scenario modelling; testing of pricing and paywall options; diversified revenue mix	Revenue growth and structure; ARPU
Resources and capabilities	Physical assets and editorial staff as core resources	First-party data, audience relationships, AI-skilled staff and technology partnerships	Share of registered users; data coverage; share of AI-skilled staff
Content production	Manual production in fixed formats	Generative AI for transcription, translation, drafting, versioning and video editing under editorial control	Cost per content unit; output per employee; time to publish
Distribution and monetisation	Uniform output; mass advertising; static paywalls	Personalised recommendations; dynamic paywalls; AI-optimised programmatic and contextual advertising	Engagement time; conversion and churn; CPM and ad yield
Performance control and governance	Retrospective financial reporting	Real-time dashboards; attribution models; AI governance, labelling and provenance tools	EBIT contribution of AI; ROI; audience trust

As the table shows, AI influences economic performance through four channels. The first is cost efficiency: automation and augmentation of content production and back-office processes lower the cost per unit of content. The second is revenue growth: personalisation increases engagement, conversion to subscriptions and the price advertisers are willing to pay for precisely targeted audiences. The third is business model innovation: AI enables new products, formats and revenue streams, including the licensing of content to AI developers. The fourth is risk: dependence on external platforms, errors of automated systems, copyright conflicts and erosion of audience trust can offset the gains. Economic performance is thus determined not by AI adoption as such but by the combination of AI instruments with complementary resources and a coherent strategy, which is consistent with the resource-based view [26].

3.2. Market shift and AI-driven monetisation. Market data confirm that AI is becoming a core driver of value creation in E&M. Advertising is the fastest-growing segment, with a projected CAGR of 5.6% to 2030 against 2.5% for consumer spending, and internet advertising reached US\$755.6 billion in 2025, an increase of 12.2% [27]. According to PwC, AI-powered hyper-personalisation enables more targeted advertising solutions that command a higher cost per thousand impressions (CPM). In contrast, traditional television revenue declined by 2.7% to US\$360.5 billion in 2025 and is forecast to fall to US\$341.2 billion by 2030, while the share of advertising in streaming revenue is expected to rise from 19.4% to 22.6%. In parallel, the organisational adoption of AI has spread rapidly: the share of organisations using AI in at least one business function rose from 55% in 2023 to 78% in 2024 and 88% in 2025 (Fig. 1).

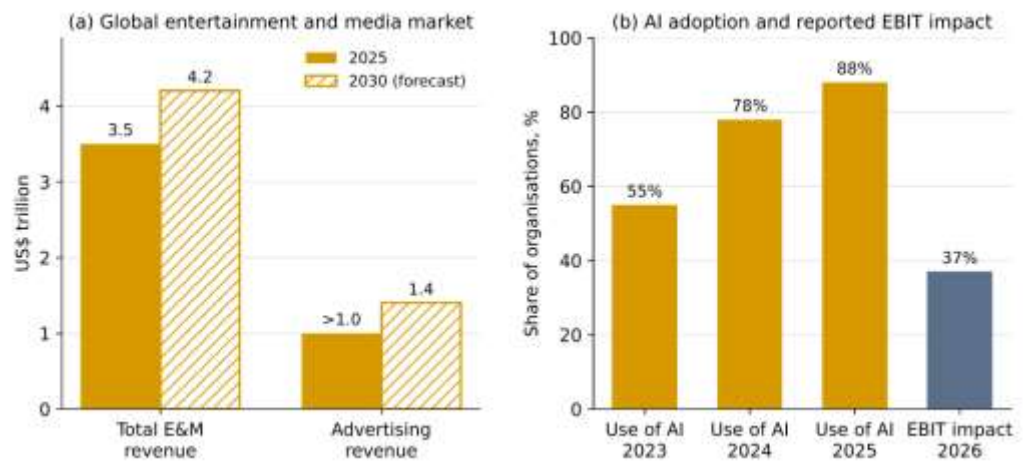


Fig. 1. Growth of the global entertainment and media market and diffusion of AI in organizations

The figure illustrates a central paradox. Market growth and AI adoption move in the same direction, yet the economic benefits are distributed unevenly. Under the logic of two-sided markets value accrues to whoever controls the interface with the audience and the data generated there. Large technology platforms, which own search, social and AI assistant interfaces as well as advertising technology, are best placed to capture the gains from AI-enabled targeting. Content producers, by contrast, face disintermediation: Google organic search traffic to more than 2,500 publisher websites fell by 33% globally between November 2024 and November 2025, and publishers expect a further decline of 43% on average over the next three years [28]. For digital media firms, the strategic task is therefore not only to adopt AI but to secure a position in the value chain where its benefits can be appropriated.

3.3. AI, productivity and the adoption–performance gap. The experimental evidence reviewed above shows that AI can raise productivity in content-related tasks by roughly 12% to 50%, depending on the task. Firm-level indicators, however, are more modest. Only 44% of organisations report that AI is scaling across the enterprise, and only 37% attribute any EBIT impact to it. The news industry shows a similar pattern: 97% of publishers consider back-end automation an important use of AI, yet only 13% describe their AI initiatives as transformational, while 44% see them as promising and 42% as limited.

Three factors explain this gap. First, task-level time savings do not become financial results unless they are deliberately reinvested in more distinctive content, new formats or cost reduction through the redesign of workflows. Second, the “jagged frontier” of AI capabilities means that quality gains in some tasks coexist with errors in others in media, where credibility is a core asset, uncontrolled use of AI can damage trust and therefore revenue. The mixed results in advertising creation, where AI improved text but not image quality illustrate the need for human oversight. Third, because general-purpose AI tools are available to all competitors, efficiency gains tend to be competed away and passed on to advertisers and consumers. AI therefore becomes a competitive necessity rather than a source of advantage unless it is combined with resources that rivals cannot easily replicate — proprietary data, distinctive content and a trusted brand [29].

3.4. Innovation, business models and barriers. AI-driven innovation is also reshaping the revenue models of digital media. Publishers increasingly prioritise direct relationships with audiences: 76% of news executives consider subscriptions and memberships an important source of revenue, compared with 68% for display advertising. Licensing of content to AI developers is emerging as a new revenue stream, but expectations remain moderate: 20% of publishers expect significant income from such deals, 49% a minor contribution and 20% none at all. Investment priorities are shifting towards formats that are harder for AI intermediaries to substitute, with 79% of executives considering greater investment in video important.

The analysis identified four groups of barriers to converting AI into economic performance. The first is technological and data-related: fragmented systems, a lack of structured first-party data and dependence on external platforms and models. The second concerns human capital: shortages of staff who combine editorial, commercial and technical competences, and resistance rooted in the creative culture of media organisations. The third is economic: the difficulty of measuring the return on AI investments and of attributing changes in revenue to specific AI applications. The fourth relates to governance and trust: risks of factual errors, copyright disputes, opaque algorithms and the misuse of personal data [30].

3.5. Directions for development and implications for Uzbekistan. Based on the results, several directions are proposed. (1) Media firms should treat AI as an element of corporate strategy rather than a set of isolated tools, formulating explicit value hypotheses for each application and tracking them with economic indicators such as cost per content unit, average revenue per user (ARPU), churn, CPM and EBIT contribution. (2) Priority should be given to building proprietary assets — first-party data, registered audiences and subscriptions — that reduce dependence on platform intermediaries and allow AI-generated gains to be appropriated. (3) Human-in-the-loop editorial governance, transparent labelling of AI-generated content and provenance tools should be established to protect credibility as the core asset of media. (4) Innovation should be managed as a portfolio that combines efficiency projects in the core business, adjacent innovations in new formats and experimental initiatives such as AI-based products and content licensing. (5) Systematic reskilling of journalists, editors and managers is required to build the dynamic capabilities needed for continuous strategic adjustment.

For Uzbekistan, these directions acquire additional significance. The country has risen 25 places in two years in the Government AI Readiness Index, reaching 62nd position in the 2025 edition and the national AI strategy sets ambitious targets for the market of AI-based products and services. Domestic digital media firms could both contribute to and benefit from this agenda through participation in the development of Uzbek-language datasets and models, AI literacy programmes for media professionals and partnerships with technology start-ups. Clear national rules on labelling AI-generated content, copyright in training data and the protection of personal data would reduce uncertainty and encourage responsible investment.

Overall, the discussion shows that the economic effect of AI in digital media is mediated by strategic management. Technology creates opportunities for efficiency and growth, but their realisation depends on strategic positioning, complementary resources, organisational capabilities and governance.

4. Conclusion

The study shows that artificial intelligence transforms every stage of the strategic management process in digital media — environmental analysis, strategy formulation, resource building, content production, distribution, monetisation and performance control — and influences economic performance through four channels: cost efficiency, revenue growth, business model innovation and risk. The global E&M market continues to grow, and advertising, increasingly driven by AI-enabled personalisation, has become its most dynamic segment.

At the same time, the gap between widespread AI adoption and limited financial impact demonstrates that AI is not a self-sufficient source of competitive advantage. Because AI tools are broadly accessible, sustainable economic benefits arise only when they are combined with proprietary data, trusted brands, distinctive content and dynamic capabilities, and when media firms secure a position in the value chain that allows them to appropriate the gains. For Uzbekistan, the national AI strategy creates favourable conditions for such development, provided that media organisations invest in data, skills and governance.

Future research should test the proposed framework empirically using firm-level financial and operational data of digital media companies, including those in Uzbekistan and other Central Asian countries, and assess the relationship between the maturity of AI-enabled strategic management and indicators of economic performance.

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