

**Owner Identity and Interdependent Markets:  
an examination of ownership filters of institutional complexity, coalitional change and  
value creation in disrupted two-sided market categories**

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**Owner Identity and Interdependent Markets**

an examination of ownership filters of institutional complexity, coalitional change and value creation in disrupted two-sided market categories

**Eigendomsidentiteit en onderling afhankelijke markten**

een onderzoek naar eigendomsfilters van institutionele complexiteit, veranderende coalities en waardecreatie in ontworpen tweezijdige marktcategoryën

**Thesis**

to obtain the degree of Doctor from the Erasmus Universiteit Rotterdam  
by command of the  
rector magnificus

Prof.dr. F.A. van der Duijn Schouten

and in accordance with the decision of the Doctorate Board.

The public defence shall be held on

Friday 9 April 2021 at 13:00 hrs

by

**Mathilde Sanders**

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## PREFACE

In the year 2000, when the dot.com bubble reached its peak, I graduated at the Erasmus University Rotterdam (EUR) as a professional newspaper journalist. In the years after that, technological disruption started to result in a structural decline of jobs in newsrooms. Only a handful of my very talented fellow journalist EUR-classmates have a regular job at a newspaper today. The majority was unable to make a proper living in this vanishing profession. To date, my drive as a researcher has been to solve the problem of the disrupted business model for quality journalism. I wanted to find out how to make journalism ‘great’ (and profitable) again in times of fake news and what type of organization would be optimal to achieve this. Over time, it became increasingly clear to me that some shareholders or ownership types are probably more suitable for solving this problem than others.

After the second World War, non-profit ownership was introduced in the Dutch news industry in order to protect the democratic mission of the press. After the collaboration of the newspaper *De Telegraaf* with the German occupiers, several newspapers that had been part of the resistance movement (*Het Parool* and *Trouw*) wanted to be owned by foundations that would guard their identity and ideal mission. It was argued that for-profit ownership would make publishers more vulnerable to right wing influence. It was this idea that inspired me to start with my research for this dissertation. Around the time of the Murdoch phone hacking scandal in the UK, I had already started investigating media ownership as a journalist. I invited Prof. dr. Hans van Oosterhout (now my first promotor) as a panelist for a debate at the launch of my crowdfunded book on this topic. He declined politely but gave me a wonderful reading suggestion; a book (Hansmann, 1996) that made me come back for more great reading. This is how I was drawn back into the academic literature and theory.

The Stimuleringsfonds voor de Journalistiek (SVDJ) granted me a subsidy to start with scientific research on my media ownership topic. I am immensely grateful for this startup funding that other foundations such as Fonds Bijzondere Journalistieke Projecten (FBJP), Lucas-Ooms Fonds (LOF) and the Nederlandse Vereniging van Journalisten (NVJ) contributed to as well. Without it, this dissertation would not exist. To my great pleasure, Hans and his colleague Prof. dr. Pursey Heugens were willing to provide me with guidance during this project. I am still immensely grateful for all your help, patience and unconditional support: not only as excellent scholars but also as backers in my attempts to get more funding to continue my research. The financing of this PhD was a truly challenging quest, and there have been many times that I paused my research or nearly gave up on it. It was the always unexpected, educational and inspiring feedback on my work by Hans that kept me going. Thank you for spending so much of your time on my dissertation and for not giving up on me, Hans. Then entered Prof. dr. ir. Vareska van de Vrande who became my co-promotor in 2015 when Hans worked at Wharton for some time. Her positive, practical and constructive attitude and new perspective on my research were a great motivation for me to carry on. I am extremely grateful and consider it a privilege to have worked with my two promotors and other RSM professors.

Another important motivator and savior of my PhD project was Piet Bakker, then professor at Utrecht’s Journalism School (HU). He invited me to join his group of researchers and this allowed me to continue my research in the perfect setting. I am truly grateful for this. He introduced me to the media scholars Yael de Haan and Klaske Tameling who gave me great feedback and did friendly reviews of my papers. Very valuable feedback I also received from fellow (PhD) researchers, such as Renee van der Nat, Els Diekerhof, Chris van der Heijden, Marco van Kerkhoven, Elvira van Noort, Carien Touwen, Laurens Vreekamp, Sebastiaan van der Lubben, Daniela van Geenen en Kiki de Bruin.

I am also grateful for all the inspiring academic conferences that I could attend and for the feedback from many media scholars I met there (such as Patricia Thornton, Elena Raviola, Leona Achtenhagen, Lucy Küng, Mathieu Lardeau, Erik Hitters, Sven Ove Horst, Hans van Kranenburg, Aske Kammer, Tom Evens and Joaquin Cestino). Also, Mark Deuze invited me to join his Dauphinerkreis, which was a great setting for debate with fellow PhD researchers and journalists, such as Devid Ilievski, Stijn Postema, Wiel Schmetz and Erwin van 't Hof. Similarly, at RSM many fellow PhD students and former colleagues (Carolien, Patricia, Ellen, Alina, Thijs, Ilaria, Omar, Taco, Jurriaan, Joris, Richard, Ingrid, Brian, Tom, Taco, Magdalena, Mallory, Jacomijn, Joost, Stefan, 'Z', Rene, Justin, Wenjie, Siyu, Radina, Jitse, Suzana and Michael): I am truly grateful for all your help in all forms and the pleasant chats we had on the 7<sup>th</sup> floor of the Mandeville building over the past years. In particular, I want to thank Frank Wijten, who gave me very valuable advice and is a top teacher of qualitative research methods. I am very honored that he was willing to join my doctoral committee. I would also like to express my sincerest gratitude to all my other doctoral committee members.

I am extremely much indebted to all the media experts that I interviewed for my PhD research. As I guaranteed them anonymity, I cannot mention their names here, but I hope they understand that our conversations were truly inspiring and valuable for my research. The same goes for the help and talks with many others who are passionate about journalism: Toon Schmeink, Joost Ramaer, Frederique de Jong, Dolf Rogmans, Thomas Bruning and Rosa García López in particular. Also, I want to thank the media measurement experts at GfK for their support during my final PhD sprint.

Of all my friends, Julie Ferguson, is the person who was there from the beginning until the end on my PhD journey. Her PhD defense inspired me to get started and she helped me to enter the scientific world. On many occasions Julie gave me helpful and honest advice for which I am grateful. Other friends and cousins may not have always understood why I was spending all my free time on this project but supported me in all sorts of ways, maybe even without knowing it. I count myself very lucky for our friendship, Marieke, Karijn, Eva, Femke B., Carla, Annigje, Marije, Celine, Femke D., Janine, Julie, Deedee, Chretienne, Karianne, Daniëlle, Dela, Mathilde, Madeleine, Anouk, Marjon, Manuella and Marona.

Finally, I want to thank my wonderful family. I am extremely grateful to be part of such a loving, loyal, cheerful, fun to be with, sweet, inspiring, adventurous family and family-in-law with the best sense of humor. Of all my academic family members, Oom Andy was also indispensable as a PhD coach. Thank you for being so kind, helpful and for reading my work, Andy. Manuela, Pieter, Mark, Jeroen, Anna B. and Ricus; I am blessed with you as part of my family - you are the best! Dear Suzette, Barbara and Thijs: I am so lucky to have you as my siblings. Lieve Doesjka en Jan; how can I ever begin to thank you for your gifts and for being my 'back-up' mother and father? Without your help this book would not have been written. Lieve Pappa, you never knew I started a PhD trajectory, but I think you were the source of my drive to complete this. I missed you on this part of my journey. Without your loving care, liefste Mamma, this accomplishment would not have been possible either. Your support is always unconditional and anything a daughter could wish for. And last but most important, my soulmates and sweethearts Jan, Christiaan and Anna: thank you for your patience all this time. I love you.

Mathilde Sanders  
28 June, 2020

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# CHAPTER 1

## GENERAL INTRODUCTION

### 1.1 Research topic: News media ownership and disrupted multiple markets

This dissertation is about how news media organizations with divergent owner identities respond to technological disruption in their two-sided and interdependent markets. For organization scientists, the news media sector is a truly rewarding empirical field to study, because it is one of the first industries that has had to deal with the negative effects of technological disruption and ‘platformization’ (Nieborg & Poell, 2018). It is also a relevant context because centuries before platforms existed, newspapers already served two-sided markets (Rochet & Tirole, 2003). They simultaneously serve an advertising market and a market of news consumers or subscribers. The service of these markets is linked to two distinct organizational goals, coalitions and owners with conflicting market and professional logics (Achtenhagen & Raviola, 2009; Thornton & Ocasio, 1999).

On the one hand, there is the social mission of a news media firm that employs the press which should serve as the Fourth Estate in a parliamentary democracy. Its journalists serve citizens and subscribers by offering information that should not be controlled by the government nor any other stakeholder, but which should be objective and unbiased. On the other hand, most news media firms also have a for-profit mission as do other publicly or privately owned firms in other sectors. This for-profit mission may, however, create a dependency on a revenue source additional to subscriptions: the market for advertising. Without any income from advertisers, news broadcasting and publishing is much less profitable.

Newspapers and other legacy media have always been intermediaries that facilitate transactions between two markets. As such, they do not only create value on the ‘supply-side’ as traditional pipe-line businesses by producing media content, but they also create value on the ‘demand-side’ by selling the audience for this content to advertisers (Massa, Tucci & Afuah, 2017; Zhao, Von Delft, Morgan-Thomas & Buck, 2019). The introduction of new technologies and the rise of online platforms have disrupted the news industry’s business model worldwide. The demand for both print advertising and subscriptions structurally declined from the late 1990s onwards. Newspapers lost their monopoly position in reader markets when news became available for free online. In addition, platforms such as Google and Facebook, have seized a considerable share of their advertising market over the past decades.

Yearly spending on media advertising in The Netherlands, for instance, doubled from 3 billion euro to 6 billion euro, but the total revenues coming from advertising at Dutch legacy news media organizations fell from 1,1 billion to 200 million euro in the period 2000 to 2018 (NDP, 2001; NDP, 2018). The number of paying newspaper readers in the Netherlands also declined over the same period: from 4,5 million in 2000 to 2,5 mln in 2016. Despite this near halving of the number of paying readers, total revenues coming from the reader market actually increased from approximately 800 mln to 900 mln euro between 2000 and 2017 (NDP, 2001; NDP, 2017).

\* These legacy media include fifteen press agencies, television and radio broadcasters, print and online news publishers that together own forty news brands. It needs to be noted that not all newspaper titles and websites in the Netherlands are included in these NDP-numbers.

This indicates that Dutch newspaper publishers increasingly used their revenues from the subscription side to subsidize the decline in revenues on the advertising side. Before 2003, the opposite was true as revenues from advertising exceeded those coming from the reader market. To counter this disruption of their business model legacy media organizations cut costs, partly via increased ownership concentration. Since 1945 the total number of Dutch newspaper publishers, for instance, declined from 41 to only two large newspaper publishing groups and only a few niche players today (Heijkant, Balder & Leunissen, 2017; Ramaer, 2020).

Due to technological change and declining revenues, the professional norms and values of the editorial staff in the newsroom have been under pressure for decades. This dissertation illustrates that particular types of ownership (employee cooperatives) and business models (advertising free membership model) are most suitable to counter this. Other types of owners, such as engaged strategic CEO-owners with a majority share and sector expertise, are better capable of accelerating change and innovation inside the organization.

Last but not least, this dissertation demonstrates that the interdependence between two-sided markets is not merely a financial matter of pricing strategies, but that it also affects the ‘content’ of value propositions made to customers. Freesheets such as Metro, were newspaper publishers’ answer to the entry of online platforms in their advertising market. These freesheets that relied mainly on revenues from advertisers, have not survived. Like Google and Facebook, freesheets focused merely on the exploitation of the demand-side of their business model. They create value for advertisers via large networks with weak ties and low trust. They neglect the supply-side of their business model, because they do not seriously invest in the production of professional content. Exploiting network effects on the demand-side may, however, repel a loyal audience that is willing to pay. It is the creation of high-quality content for subscribers on the supply-side, that has enabled many legacy media firms to survive technological disruption. In the context of the current debate on disinformation and social unrest, big tech firms may consider what this means for their subscription free business models.

## **1.2 Theoretical background & research questions**

This dissertation addresses three research gaps by answering three research questions which are about how media organizations with divergent owner identities respond to developments in their environment that result from changes in technology and in their two-sided markets. Three types of responses to these two factors were analyzed in this dissertation: 1) corporate governance practices to counter institutional complexity; 2) shifts over time in the dominant coalition and its attention structures, and 3) value creation on the supply- and demand-side. I shall now present the three research questions of my dissertation and the lacunas in the literature that they each address.

1) When organizations are confronted with incompatible prescriptions from multiple logics in their environment (pluralism) they may experience ‘institutional complexity’ (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury). This can lead to paralyzing conflicts among coalitions with diverging logics inside the organization (Pache & Santos, 2010). Logics are ‘overarching sets of principles that prescribe how to interpret organizational reality, what constitutes appropriate behavior and how to succeed’ (2011, Greenwood et al., 2011:318; Thornton, 2004; Friedland & Alford, 1991). It is known that a firm’s response to competing logics in its environment is partially determined or ‘filtered’ top-down by its type of ownership (Greenwood et al., 2011). How bottom-up prescriptions coming from the market categories that an organization serves, affect this response, has been explored less, however, because most research on institutional logics assumes that market audiences are more

homogeneous than they may be in reality (Durand & Thornton, 2018). There is a lack of logics studies with a focus on organizations that serve two-sided markets (Rochet & Tirole, 2003; Eisenmann, Parker & Van Alstyne, 2006) or interdependent market categories. I address this lacuna in the literature with the first question of this dissertation: *how does the owner identity of organizations affect their response to institutional pluralism in two-sided markets?*

2) The fragmented and interdisciplinary literature on coalitions describes how both internal (upper echelon) and external (market and ownership) sources of power affect organizational decision-making and responses to the environment (Jara-Bertin, López- Iturriaga & López-de Foronda, 2008; Fiss & Zajac, 2004; Pfeffer & Salancik, 1978). Few of these studies, however, consider both internal and external power sources simultaneously, as the interplay between the organization and market forces is still an underdeveloped part of the behavioral theory of the firm (Gavetti, Greve, Levinthal & Ocasio, 2012). Existing research on coalitions focuses mainly on characteristics of the upper echelon or top management team and organizational performance as an outcome (Wry, Cobb & Aldrich, 2013; Zhang & Greve, 2019). It explains insufficiently how the input of issues emerging from the external environment influences coalitional change (Gaba & Greve, 2019). Inside the organization opposing coalitions may form around competing issues and goals that are linked to the service of multiple and interdependent markets (Achtenhagen & Raviola, 2009; Battilana & Dorado, 2010; Thornton, Ocasio & Lounsbury, 2012; Trieschmann, Dennis, Northcraft & Niemi, 2000). More scholarly attention is needed to explore how organizations deal with such multiple goals of equal importance (Greve & Gaba, 2017; Gaba & Greve, 2019). To address this lacuna in the literature I formulate the second research question of this dissertation: *How does technological disruption in the environment drive change in the dominant coalition in a firm that serves two interdependent markets?*

3) While a traditional pipeline business creates value on the ‘supply’ or producer side via the linear buyer-supplier chain, a platform is an intermediary that creates value on the ‘demand’ side of the customer via the so-called ‘network effect’ (Caillaud & Jullien, 2003, Massa, Tucci & Afuah, 2017; Parker & Van Alstyne, 2006; Zhao et al., 2019). A product exhibits network effects “if its value to users depends not only on the benefits of the product itself, but also on access to the network of people using that product or a compatible one” (Afuah, 2013: 257). As a result of this network effect, the value of a platform will increase with its number of users and complementors. So, it is the customer base in itself (which was traditionally viewed as the demand-side) that is the value proposition offered to third parties. Organizations that exploit these network effects often serve two-sided or interdependent markets, where prices and strategies in one market-side are linked to those on the other side (Godes, Ofek & Sarvary, 2009; Hagiu, 2009). To date, few studies explore how value creation on the demand- and supply-side influence each other over time in two-sided markets. The main focus of business scholar research on platforms has been on contemporary intermediary or multi-sided platforms rather than on manufacturing platforms that also produce and (re)sell their own products or services. A more historical perspective of how platforms have evolved over time with technological transition is also lacking (Nieborg & Poell, 2018). In order to address this lacuna in the literature, I formulate the third research question of this dissertation: *How has the shift from old to new market categories on the demand-side affected the value proposition on the supply-side in manufacturing platforms?*

**Table 1.2**  
**Summary of three studies**

Study	Theoretical lense	Level / Unit of Analysis	Method	Data source	Sample
<b>1 - Owner-category fit and responses to pluralism in two-sided markets (Chapter 2)</b>	Institutional theory: logics and categories	Meso / newsroom	Cross sectional comparative case study	28 interviews; 35 annual reports; 17 editorial statutes	20 News media firms
<b>2 - Markets, lower echelons and owners as brokers of coalitional change (Chapter 3)</b>	Behavioral Theory of Firm; dominant coalitions	Macro and Meso / market and firm	Longitudinal process study	2855 articles sector media; 17 sector reports; 24 annual reports case; 17 interviews	1 Newspaper publisher - 2000-2016
<b>3 - Demand-side and supply-side value creation in analogue and digital categories (Chapter 4)</b>	Business model and Institutional market category literatures	Meso / value proposition platform	Qualitative content analysis / comparative case study	232 secondary documents; 703 newsletter articles; 17 interviews	4 Journalistic platforms

### 1.3 Dissertation overview

To address my research questions, I conducted three empirical studies (see Table 1.2) which I shall now briefly summarize. Over the past years, I spoke to 62 experts in the European media sector in the period from 2013 to 2019. These were mainly the owners, publishers and editors-in-chief of thirty news producing media organizations (see Table 1.1 in Appendix). Of these thirty organizations 17 are Dutch and 13 are not (Belgian, Swiss, English, German, Danish, Italian and Spanish cases). Approximately half of these firms were founded after 1999 and thus considered disruptors or entrants in the news media sector. Most of the others were founded before that year and considered incumbents. In addition, I analyzed thousands of secondary data documents over the same period (see Table 1.2). The theoretical contributions studies of this dissertation (see Table 1.3) are discussed more in-depth in Chapter 2, 3 and 4 respectively.

#### **Study One: The owner-category fit and responses to pluralism in two-sided markets**

This study investigates how the owner identity of organizations affects their response to institutional pluralism in two-sided markets. For this purpose, a qualitative comparative multiple case study with a focus on corporate governance practices was conducted in the European news media sector. Results indicate that divergent prescriptions coming from distinct market categories have different effects inside the organization depending on the combination of owner identities and market categories. The main contribution of this study is that it puts forward a category-based explanation of why responses to pluralism diverge among organizations in the same field. First, this study posits that the institutional fit between owner identities and market categories determines the variance in institutional complexity (tensions among coalitions) inside the organization. Second, this study posits that a decoupling response is least likely when there is a very high revenue dependence on a market category that belongs to the same institutional order as the majority owner.

#### **Study Two: Markets, lower echelons and owners as brokers of coalitional change**

This study investigates how technological disruption in a two-sided market environment changes the dominant coalition in a firm. For this purpose, a longitudinal process study of a Dutch newspaper publisher's response to internet disruption between 2000 and 2016 was conducted. Findings indicate that non-profit and non-dedicated financial investor owners delay the coalitional change process, while an engaged (CEO majority) strategic investor owner with industry expertise and complementary assets accelerates it. The main contribution

of this study is that divergent types of ownership lead to divergent outcomes in the process of coalitional change. This study posits that upper echelons can be sidelined by lower echelons that form a dominant coalition with non-profit owners and that dominant coalitions are not entirely broken until they lose both their financial (market) and political (ownership) power base. The managerial contribution is that this study illustrates how ownership may be a crucial element of an innovation strategy.

### **Study Three: demand- and supply-side value creation in analogue and digital categories**

This study investigates how the shift from old to new market categories on the demand-side affected the value proposition of manufacturing platforms on the supply-side. For this purpose, a comparative case-study with a content analysis was conducted with four Dutch media firms that operate in two-sided or interdependent market categories for print and online advertising and subscriptions. The first contribution of this study is that it demonstrates that the simultaneous exploitation of the demand-side (advertising) and supply-side (subscriptions) results in genre-spanning value propositions on the supply-side. The second contribution is that this study puts forward that some users may actually be attracted to the absence of particular complementors in a smaller network with strong ties. Firms that exploit large networks with weak ties on the demand-side only, have more trouble to survive technological disruption than genre-spanners that also exploit the supply-side.

**Table 1.3**  
**Summary key take-aways three studies**

<b>Study</b>	<b>Gaps literature</b>	<b>Contributions study</b>
<b>1) Owner-category fit and responses to pluralism in two-sided markets (Chapter 2)</b>	<p>A) How bottom-up prescriptions coming from the categories that an organization serves, affect responses to institutional complexity, has been illuminated insufficiently because most research on institutional logics assumes that market audiences are more homogeneous than they may be in reality (Durand &amp; Thornton, 2018).</p> <p>B) There is a lack of logics studies with a focus on organizations that serve two-sided markets (Rochet &amp; Tirole, 2003; Eisenmann, Parker &amp; Van Alstyne, 2006) or interdependent market categories.</p>	<p>A) Propose that the institutional fit between owner identities and market categories determines the variance in institutional complexity (tensions among coalitions) inside the organization.</p> <p>B) Put forward that a decoupling response is least likely when there is an extremely high revenue dependence on a market category that belongs to the same institutional order as the majority owner.</p>
<b>2) Markets, lower echelons and owners as brokers of coalitional change (Chapter 3)</b>	<p>A) Few studies focus on interplay between the organization and market forces in the behavioral theory of the firm (Gavetti et al., 2012).</p> <p>B) Existing research explains insufficiently how the input of issues emerging from the environment influences coalitional change (Gaba &amp; Greve, 2019).</p> <p>C) More research is needed to explore how organizations deal with multiple goals of equal importance (Greve &amp; Zhang, 2017) linked to interdependent markets.</p>	<p>A) Develop process model that explains how divergent ownership types lead to diverging outcomes in the process of coalitional change.</p> <p>B) Propose that non-profit and non-dedicated financial investor ownership delay the process of coalitional change, while an engaged (CEO majority) strategic investor owner with industry expertise and complementary assets accelerates it.</p> <p>C) Propose that the upper echelon can be sidelined by lower echelons that form a dominant coalition with non-profit owners and that dominant coalitions are not entirely broken until they lose both their financial (market) and political (ownership) power base.</p>
<b>3) Demand- and supply-side value creation in old and new market categories (Chapter 4)</b>	<p>Few studies explore how value creation on the supply- and demand-side influence each other over time in 'manufacturing' platforms that operate in two-sided markets (Nieborg &amp; Poell, 2018; Rietveld, 2018; Rochet &amp; Tirole, 2003; Zhao, Von Delft, Morgan-Thomas &amp; Buck, 2019).</p>	<p>A) Propose that the simultaneous exploitation of the demand-side and supply-side results in genre-spanning value propositions.</p> <p>B) Firms that exploit large networks on the demand-side only, have more trouble to survive technological disruption than those that also exploit the supply-side. Some users may actually be attracted to the absence of particular complementors in a smaller network with strong ties.</p>

#### **1.4 Declaration of contributions**

In this section, I (henceforth, ‘the author’) declare my contributions to the chapters of this dissertation and gratefully acknowledge the contribution of my supervisory team (first promotor: Prof. dr. Hans van Oosterhout; and second promotor: Prof. dr. ir. Vareska van de Vrande). Both promotors provided theoretical and methodological guidance for all three chapters of this dissertation. The introduction to this dissertation was written entirely by the author. Most of the work for study one, two and three (Chapters 2, 3 and 4) was completed by the author. This includes the identification of the research gap, research question, literature review, data collection, analysis, and the writing of the manuscript.

The first promotor was present at several interviews that were held for Chapter 2. Prof. dr. Pursey Heugens also gave feedback and advice during the first round of analysis of this study. The results of the first analysis round of Chapter 2 were published in a report sponsored by Stimuleringsfonds voor de Journalistiek (SVDJ). SVDJ also financed part of the data collection and analysis of this chapter, which has been submitted to a management journal. Other organizations that sponsored the report are Lucas-Ooms Fonds/LOF Stichting and Nederlandse Vereniging van Journalisten (NVJ). The author is the first author, the first promotor the second author, and the second promotor the third author.

Part of the data collection of Chapter 3 was financed by the Journalism School of the University of Applied Sciences in Utrecht. This chapter got a nomination for the Best Paper Award at the Emma 2020 conference. It is currently under review at a management journal and the author is the first author, the first promotor the second author, and the second promotor the third author.

In a preliminary version, part of the first round of analysis of Chapter 4 was published in Dutch in the journal *Tijdschrift voor Communicatiewetenschap*. Part of the data collection and analysis of Chapter 4 was financed by the Journalism School of the University of Applied Sciences in Utrecht and Fonds Bijzondere Journalistieke Projecten (FBJP). Four Master thesis students in Strategic Management and Entrepreneurship (Esra Akbaba, Nils Moleman, Jasper Heemskerk and Kevin van den Boogaard) were present at eight interviews for Chapter 4 and assisted with the data collection. This paper has been submitted to a management journal. The author is the first author, the second promotor the second author and the first promotor the third author.

## **CHAPTER 2**

### **THE OWNER-CATEGORY FIT AND RESPONSES TO INSTITUTIONAL PLURALISM IN TWO-SIDED MARKETS**

#### **ABSTRACT**

This study investigates how the owner identity of organizations affects their response to institutional pluralism in two-sided markets. For this purpose, a qualitative comparative multiple case study with a focus on corporate governance practices was conducted in the European news media sector. Findings indicate that diverging prescriptions coming from distinct market categories have different effects inside the organization depending on the combination of owner identities and market categories. The main contribution of this study is a category-based explanation of why responses to pluralism diverge among organizations in the same field. First, we propose that the institutional fit between owner identities and market categories determines the variance in institutional complexity (tensions among coalitions) inside the organization. Second, we propose that a decoupling response is least likely when there is a remarkably high revenue dependence on a single market category that belongs to the same institutional order as the majority owner.

## 2.1 INTRODUCTION

Hybrid organizations and social enterprises often incorporate incompatible multiple institutional logics, and this may lead to organizational paralysis or breakup when coalitions representing these logics fight each other (Pache & Santos, 2010). Logics are ‘overarching sets of principles that prescribe how to interpret organizational reality, what constitutes appropriate behavior and how to succeed’ (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011:318; Thornton, 2004; Friedland & Alford, 1991). Organizations that abide by the rules of one logic, may break the rules of another logic and thereby lose legitimacy with particular constituents (Kraatz & Block, 2008; Purdy & Gray, 2009).

When organizations are confronted with incompatible prescriptions from multiple logics they may experience ‘institutional complexity’ (Greenwood et al., 2011), which can lead to conflicts among coalitions with diverging logics inside the organization. News media firms, for instance, experience complexity because they combine a for-profit mission with the public mission of the press. Inside the organization this leads to tensions between the professional editorial logic of the newsroom and the market logic of the management staff (Achtenhagen & Raviola, 2009; Raviola, 2012; Raviola & Norbäck, 2013). In addition, the sales and editorial departments of a news media firm each serve their respective markets: advertisers and subscribers. As such, many news media firms are members of two distinct institutional market categories (Navis & Glynn, 2010; Durand & Khaire, 2017). In legacy media firms, the tensions between these two coalitions that each have their own market category and logic, have traditionally been resolved with corporate governance practices such as editorial statutes, codes of conduct, councils, advisory boards, board appointment procedures or non-profit ownership.

It is known that a firm’s response to competing logics is partially determined or ‘filtered’ top-down by its type of ownership (Greenwood et al., 2011). How the bottom-up prescriptions coming from market categories that an organization serves, affect this response, has been explored less, however, because most research on institutional logics assumes that market audiences are more homogeneous than they may be in reality (Durand & Thornton, 2018). There is a lack of logics studies with a focus on organizations that serve two-sided markets (Rochet & Tirole, 2003; Eisenmann, Parker & Van Alstyne, 2006) or interdependent market categories.

This paper addresses this lacuna, by exploring how the owner identity of organizations affects their response to institutional pluralism in two-sided markets. For this purpose, a qualitative comparative multiple case study with a most-different-systems sampling design (Przeworski & Teune, 1970) was conducted in twenty European news media organizations with employee, customer, non-profit, public and private investor owner identities. To analyze responses to institutional pluralism inside these organizations three elements of logics were compared: 1) organizational goals, 2) corporate governance practices and 3) market categories served.

A key finding of this study is that diverging prescriptions coming from distinct market categories have different effects inside the organization depending on the combination of owner identities and market categories. We explain how an organization’s market category choice is linked to the identity, mission and logic of its owner and its field position (Greenwood et al., 2011; Lounsbury, 2001; Hannan, 2010). Our findings indicate that among non-market orders (community, religion and profession) there is a better owner-category fit than among the market and non-market orders. When an organization with an owner from a market order is combined with a market category from a non-market order, a conflict between coalitions and decoupling response seem more likely. With this finding, we contribute to the call for the integration of research on institutional logics and categories (Durand & Thornton,



2018) as we shed more light on how market categories as elements of logics, are an integral part of the organizational identity. We put forward a category-based explanation of why responses to pluralism diverge among organizations in the same field. We propose that the institutional fit between owner identities and market categories determines the variance in tensions among coalitions (institutional complexity) inside the organization.

Our second contribution is that we show how tensions among coalitions inside the organization, are reduced when there is an extremely high revenue dependence on a single market category that belongs to the same institutional order as the majority owner. A decoupling response seems least likely in this situation. With this finding we shed new light on why the co-existence of multiple logics does not have the same consequences in all organizations (Besharov & Smith, 2014; Greenwood et al., 2011). In addition, we provide a market category explanation for why incumbent organizations are exposed more to tensions from multiple logics than entrants at the periphery (Ansari & Phillips, 2011; Hoffman, 1999; Phillips & Zuckerman, 2001; Leblebici, Salancik, Copay & King, 1991; Zuckerman, 1999).

## 2.2 THEORETICAL BACKGROUND

Institutional logics scholars claim that actors within organizations are guided by the logics that institutions install upon them, therefore limiting their freedom of action and decision-making. Institutional logics are ‘frames of reference that condition actors’ choices for sense making, the vocabulary used to motivate action, and their sense of self and identity’ (Thornton, Ocasio & Lounsbury, 2012: 2). Logics prescribe what goals and means are appropriate for organizations and what behavior is legitimate. Organizations comply with logics in order to gain legitimacy from other actors in the field that they operate in. The most common types of institutional logics or orders that scholars distinguish are those of the family, community, religion, state, market, profession and corporation (Thornton, Ocasio & Lounsbury, 2012). Most of these orders can be associated with particular types of owner identity, such as family, cooperative, state, public equity or private investor ownership (Battilana & Dorado, 2010; Chung & Luo, 2008; Miller, Breton-Miller & Lester, 2011; Pache & Santos, 2013; Teixeira, Roglio & Marcon, 2017; Thornton, 2002; Thornton, Ocasio & Lounsbury, 2012).

### 2.2.1 Institutional pluralism and complexity

Logics do not only exist at the micro (individual) and meso (organizational) level, but also at the macro (societal or field) level (Thornton, Ocasio & Lounsbury, 2012). At the field level, institutional ‘pluralism’ exists when organizations operate in more than one institutional sphere (Kraatz & Block, 2008). As organizations have multiple resource dependencies, this pluralism is present in all institutional fields to a certain degree. Institutional ‘complexity’ occurs when an organization *experiences* the incompatible or conflicting logics resulting from pluralism in a field. Complexity is thus latent but not always manifest in pluralistic fields (Ocasio & Radoynovska, 2016).

At the field or societal level, multiple logics may prescribe competing or even incompatible goals and means for legitimate organizational behavior (Greenwood et al., 2011). In universities, law and accounting firms, for instance, the two logics of the profession and market may conflict (Lander, Koene & Linssen, 2013; Lander, Heugens & van Oosterhout, 2017). Similarly, a professional editorial and market logic co-exist in the field of publishing (Thornton & Ocasio, 1999; Thornton, 2002 & 2004).

In the literature on logics, several responses to multiple logics (pluralism) and

institutional complexity are described such as a decoupling, compromising and selective coupling of logics. Additional mechanisms that may be employed to resolve competing or conflicting logics within organizations are geographic separation (Lounsbury, 2007), deferent behaviour and symbolic interaction (Jourdan et al., 2017). A decoupling of logics occurs when practices prescribed by one logic are only symbolically endorsed, while another logic - that is more aligned with organizational goals - is actually implemented (Pache & Santos, 2013). A ceremonial conformity to institutional rules can, for instance, be 'decoupled' from the organization's technical core, which may dictate efficiency (Greenwood, Díaz, Li & Lorente, 2009). This type of 'surface isomorphism' occurs when the prescriptions of the institutional context are contradictory (Zucker, 1987).

A compromising of logics occurs when a new common organizational identity is created that strikes a balance between conflicting logics or expectations of external constituents (Battilana & Dorado, 2010). A new identity can be created for example through socialization policies or by hiring new staff. This does, however, not work for fully competing goals or incompatible practices. The 'selective' coupling of logics is not a compromise of logics resulting in a new identity, but it is a combination of activities drawn from each logic in an attempt to secure endorsement from a wide range of field-level actors (Pache & Santos, 2013; Greenwood et al., 2011).

### **2.2.2 Owner identity and field position**

Not only the owner identity but also the field position (i.e. entrant or incumbent) of an organization is a 'filter' that affects the organizational response to incompatible prescriptions from multiple logics (Greenwood et al., 2011). The size and field position of an organization may intensify institutional demands, because large incumbent organizations, which are at the center of a field, are more visible than small entrants at the periphery (Phillips & Zuckerman, 2001; Leblebici et al., 1991). Previous research has also shown that responses to institutional complexity are aligned with the interests of third parties that fund those organizations (Lounsbury, 2001). Those with power, such as shareholders, will influence the appreciation and recognition of logics and the choice of which logic to prioritize, which in turn shapes the receptivity of organizations to multiple logics (Greenwood et al., 2011).

Previous research on ownership and institutional logics has focused mainly on publicly traded corporations (Hillman & Dalziel, 2003), partnerships (Greenwood & Empson, 2003), and non-profits (Hwang & Powell, 2009; Malhotra & Morris, 2009). There is, however, a lack of research on the effects of rare forms of ownership, such as customer and employee cooperatives. Generally, it is taken for granted that all enterprises are investor owned and most corporate governance research also concerns publicly listed firms (Van Oosterhout, 2008). Yet, non-investor ownership plays a prominent role in many important industries (Hansmann, 1996).

Research on the general effects of ownership, has indicated that diverging owner identities are associated with diverging objectives, market contracting costs, profit destinations and governance practices (Hansmann, 1996; Thomsen & Pedersen, 2000). Owner 'identities' (such as family, cooperative, state, public or private equity) determine the goals and capabilities of the owner. As such they are a potential source of variance in corporate values and practices as the owners select members of the board of directors and stakeholder representatives to whom they delegate decision rights concerning corporate values (Cannella, Jones & Whithers, 2015; Greve & Zhang, 2017; Thomsen, 2004). Financial investor ownership is, for example, associated with higher shareholder value and profitability, while other types of owners have other goals such as control (families), network relations (business groups) or lower credit risk (banks) (Duran, Kammerlander, Van Essen & Zellweger, 2016;

Thomsen & Pedersen, 2000).

It has been found that publicly traded firms find it harder to respond to institutional complexity than non-profits or private partnerships, which have more inclusive decision-making processes (Greenwood et al., 2011). Family owned and managed firms are influenced more by community norms and values than by market values alone (Chung & Luo, 2008; Miller, Breton-Miller & Lester, 2011). Organizations were also found to respond more to the 'unconventional' logics of minority resource suppliers, such as investment fund owners with minority shares, than to those of majority shareholders (Durand & Jourdan, 2012). This may indicate that not only funds coming from owners, but also those from market actors such as customers may affect the organizational response.

### **2.2.3 Institutional logics and categories**

At the organizational level, logics manifest themselves in the organizational goal (Thornton, 2002), corporate governance and managerial practices (Pache & Santos, 2013; Greenwood et al., 2009). A few studies also include the organization's target groups, such as clients or market categories (Battilana & Dorado, 2010) as an element of logics at the organizational level. Similar to logics, categories deal with collective and cognitive agreements about patterns of symbolic and material elements, attention structures and bounded rationality (Durand & Thornton, 2018). Actors, such as consumers and producers, use categories to communicate and represent themselves in markets. Categories are institutionalized agreements about the meaning of particular labels applied to entities (Negro, Hannan & Rao, 2011; Negro, Kocak & Hsu, 2010).

A market category is defined as 'an economic exchange structure among producers and consumers that is labeled with a meaning agreed upon by the actors and audiences who use it' (Navis & Glynn, 2010:441). Market categories have two basic elements, i.e. 1) member organizations that offer a common type of product or service, and: 2) a common concept, label or identity that connects these members (Mervis & Rosch, 1981; Navis & Glynn, 2010). For example: the 'advertising' category consists of member organizations that offer ads, while the 'subscription' category consists of member organizations that sell journalistic content.

The study of market categories from the institutional logic perspective was identified as an interesting unexplored direction for future research (Durand & Thornton, 2018). Few logics studies account for the bottom-up processes of (market) audiences because most pre-fix the properties of audiences as more homogeneous than they actually may be in reality (Durand & Thornton, 2018). Not many logics studies investigate two-sided market contexts where organizations serve more than one market category. Coalitions representing competing logics in two market sides may, however, fight each other leading to organizational paralysis or conflict (Pache & Santos, 2010). Research by non-logic scholars has also indicated that distinct sub-cultures emerge in organizations that have multiple goals because they serve more than one type of audience or constituency (Achtenhagen & Raviola, 2009; March & Sutton, 1997; Trieschmann, Dennis, Northcraft & Niemi, 2000).

The market categories served by organizations, deserve more attention in the study of logics, as they are social facts with real consequences for organizations (Zuckerman, 1999; Hannan, 2010). Products or organizations can be promoted as belonging to particular 'categories', and as such gain legitimacy with audiences. The 'categorical imperative' dictates that social processes, such as the reviews given by audiences of critics or analysts, produce penalties for illegitimate role performance by organizations (Zuckerman, 1999). Consumer or customer audiences may impose constraints on organizations and have the power to shape them through the threat of their devaluation (Hsu & Hannan, 2005).

Although it is clear that strategic change within organizations is strongly bounded by

the interests of external entities, such as customers (Christensen & Bower, 1996), the role played by market categories in this context remains somewhat under-investigated. Research in institutional theory concentrates mostly on how organized and ‘purposeful’ actors, such as professional associations or governments, cause change in institutional fields (Ansari & Phillips, 2011). A few studies have described how the changing practices of unorganized and un-purposeful actors, such as consumers, lead to institutional change or the rise of new logics (Ansari & Phillips, 2011; Dorado, 2005), but not how this affects complexity.

In sum, not only ownership filters of the organization, but also the market category that it belongs to, explains why some features of a logic are noticed more inside the organization (Durand & Thornton, 2018). This leads us to the following research question: How does the owner identity of organizations affect their response to institutional pluralism in two-sided markets?

## **2.3 METHODS**

To answer this research question, a comparative case study was conducted (Eisenhardt, 1989). Multiple case studies are a stronger base for yielding more generalizable and testable theory than single cases (Yin, 1994). Qualitative data enable explanations of complex social processes such as those studied here (Eisenhardt & Graebner, 2007: 26). Because the purpose of this paper is to develop theory and not to test it, theoretical sampling was most appropriate. Nonprobability or non-random sampling with a ‘most-different-systems’ sampling design was chosen in order to maximize the variation of theoretically relevant attributes (Prezowski & Teune, 1970). In this system, cases extend theory by filling conceptual categories (Eisenhardt, 1989). The cases of this study were selected because they provide unusually extreme or revelatory examples (Yin, 1994). They represented particular field positions and owner identities which allowed us to approach the data from diverging dimensions (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). In the comparative case-study method, unique patterns of each case separately are first investigated. Subsequently, in a second step patterns across cases are searched (Eisenhardt, 1989). Summary ‘construct’ tables that are closely tied to the data (Eisenhardt & Graebner, 2007) allow for comparison between cases, to draw inferences from the data, to find relationships and recognize patterns of relationships among constructs within and across cases.

### **2.3.1 Research setting**

The setting for this study is the European news media sector, which is appropriate for several reasons. First, the news media sector is an industry where digital technology has had highly disruptive effects (Picard, 2011; Nielsen, 2015) that as an ‘exogenous shock’ may have initiated institutional change. In addition, news media organizations traditionally serve two-sided markets that may be associated with conflicting institutional prescriptions or demands.

Moreover, the European news industry is suitable because, traditionally, it has a truly diverse ownership landscape, including governments, foundations, associations, reader and journalist cooperatives. Media ownership has been researched extensively not only by political economy scholars, but also by governmental policy makers and regulators, because a free press is a fundamental characteristic of a well-functioning democracy (Baker, 2007). In media and communication studies, many scholars explored the effects on journalism of a general shift in the late twentieth century from family ownership of newspapers to publicly listed investor ownership (Busterna, Hansen & Ward, 1991; Demers, 1991; Matthews, 1996; Picard, 1994). Media scholars have also published extensively on changing logics in media fields (Brants, 2015; Van Dijck & Poell, 2013).

### **2.3.2 Data Sources**

The sampling of cases was done in two subsequent cycles, to enable a selection of entrant and incumbent cases with the purest forms of owner identities. Cases were added and removed to probe new themes that came up during the data collection and analysis process. This ‘controlled’ opportunistic data collection method is a key feature of the multiple case study method (Eisenhardt, 1989). Out of a population of hundreds of European media organizations, the cases with the purest form of five owner identities, based on the categorization by Hansmann (1996), were selected. These categories are: 1) employee owners; 2) customer owners; 3) non-profit owners; 4) private equity investor owners; and 5) public equity investor owners.

Some of these cases have a central field position (incumbents), while others have a periphery field position (entrants). The field position of the cases was defined according to the age, size and activities of the organization. All news media organizations founded before 1999 were categorized as ‘incumbents’, as they all offer both paper and digital publications. The pure players, that mainly offer digital only publications and were founded after 1999, were categorized as ‘entrants’.

All twenty cases used for this study are European enterprises of different sizes ranging from less than ten to thousands of employees. Only the investor-owned incumbents and the public investor owned entrants have more than one hundred employees. What all cases share is that they each have an editorial team of professional journalists who produce unique content. At the twenty cases a total of 28 semi-structured interviews of 60 to 90 minutes were conducted (one minimum per case, three maximum). This resulted in a total of 2,146 minutes of recording or 896 pages of transcript. In the interviews, the editors-in-chief, publishers or owners were asked to describe possible conflicts between social and commercial goals of the organization they worked for. The mission of shareholders was discussed, as were the corporate governance practices and market categories served.

In addition, secondary data from approximately 17 editorial statute documents (241 pages), 35 financial annual reports and newspaper articles from LexisNexis and the case websites, were collected for triangulation with the primary interview data. These data were collected to map and compare the organizational goals, governance practices and market categories served for all cases.

Editorial codes of conduct, statutes and councils are examples of governance practices that are typical in the news media field. These are manifestations and indicators of responses to conflicting logics and incompatible prescriptions that these firms experience. The statute and council are traditional Dutch governance practices that incumbents have to protect the newsroom from commercial pressures exerted by advertisers and the sales departments of the same news media firm. Statutes describe the mission and identity of a publication and stipulate how the editorial council and the editor-in-chief should be appointed or sometimes even democratically elected by the newsroom.

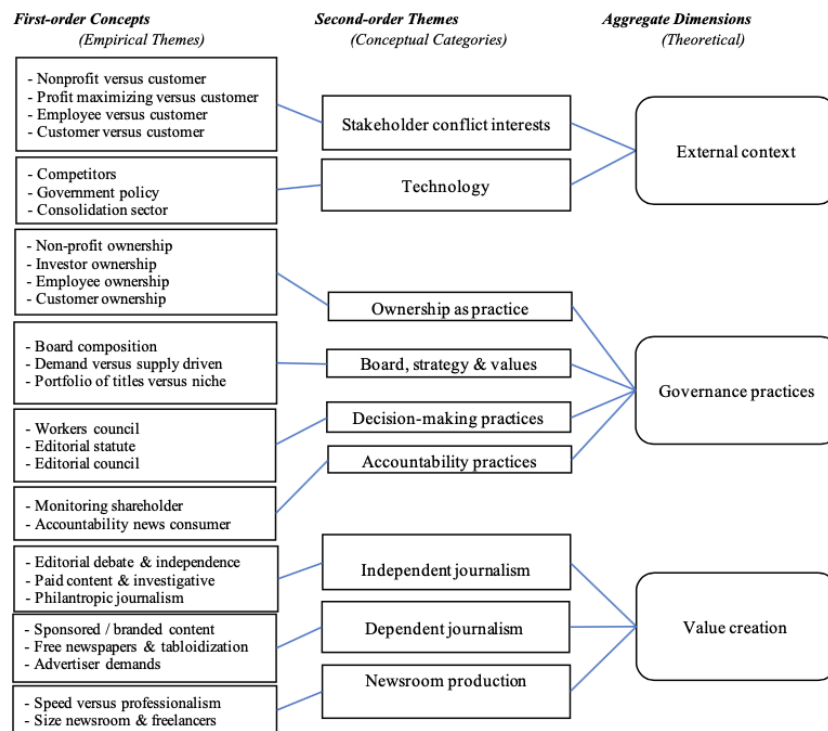
### **2.3.3 Data Analysis**

The data were analyzed in two consecutive rounds; the first in the period between 2012 and 2014 and the second between 2015 and 2016. During the first analysis round, part of the interview data (23 interviews) was coded, resulting in a total of 141 first order codes that were reduced to nine secondary order themes that belonged to three aggregate dimensions (see Figure 2.1): 1) governance practices affecting newsrooms, 2) newsrooms’ ability to create value for its audience, and 3) external context.

From the data coded as the ‘external context’ it became clear that technological and market changes are important factors that influence the ability of the newsroom to create value for news consumers or subscribers. Another pattern distinguished from the data

consisted of four conflicts of interests between the interest of primary stakeholders (owners and employees) and the interests of the customer audience of news consumers: 1) *non-profit owner* versus news consumer (ideal mission owner not in line with editorial mission and changing demand news consumers); 2) *profit maximizing owner* versus news consumer (cost reductions and sponsoring lower quality of content); 3) *journalist employee* versus customer (topics that the press needs to cover are not in line with content that mass audience or advertisers want); 4) *advertiser customer* versus news consumer (prescriptions from two market categories are not compatible). Depending on which of the four stakeholders is the owner, the strength of these conflicts seemed to vary. The strength of conflict number four seemed to vary depending on the relative share of revenues coming from either the reader or advertiser market.

**Figure 2.1**  
**Data structure analysis round 1**



For example; from the public investor owned case with full revenue dependency on advertising, delivered the following quote: “We have what we call ‘rich media statements’, which are large homepage takeover, big things... There we test the boundaries, because that’s where lots of money can be made.... There is a tension; if you advertise more, you earn more, but you might annoy [website] visitors...” We coded this quote with the first order label ‘customer versus customer’ (conflict number four) which falls in the conceptual category ‘stakeholder conflict of interests’, because this quote indicates that incompatible prescriptions come from two types of customers: advertisers and news consumer (See Figure 2.1).

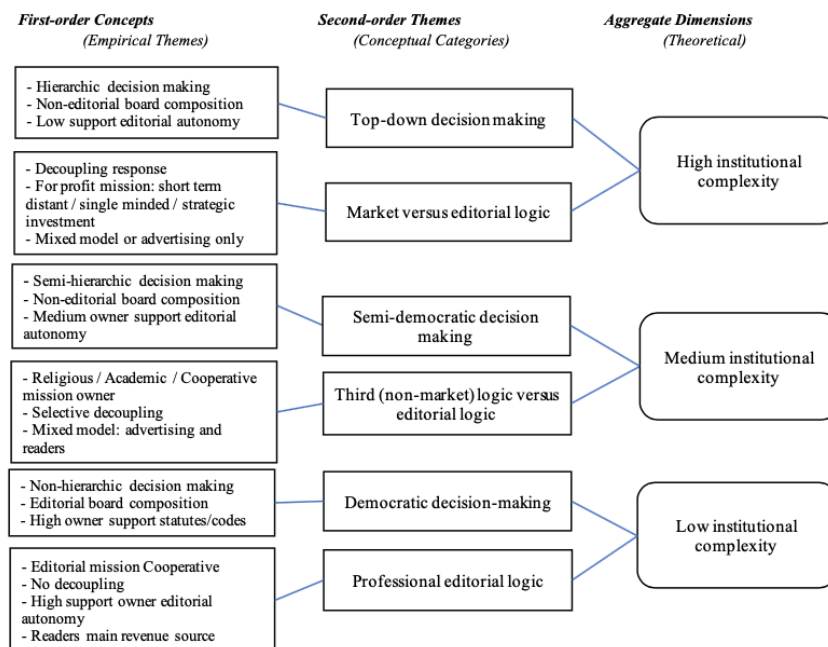
As a next step, the secondary data from the editorial statutes and financial annual reports, were placed in comparative tables in which for each case the governance practices that affect value creation for news consumers were listed (ombudsman, advisory council, editorial statute, editorial council, appointment procedure of editor-in-chief). The financial

details from the annual reports were also compared for each case (percentage of revenues coming from advertising and subscriptions, numbers of newsrooms and titles; number of full time employees (fte) newsroom staff and total staff; revenues per fte newsroom and total staff; solvability; liquidity, net results and dividends paid).

During the second round, five new cases with purer owner identities (majority shares) were added. As many of the cases in the first round had been incumbents with mixed owner identities (mainly a mix of non-profit and investor ownership), a new sampling round was needed. As in the first round, interviews held at these cases were also transcribed, coded and triangulated with secondary data from LexisNexis articles, case website information, financial reports and editorial statutes or codes if available (see Figure 2.2).

The interview data was used again to check if the support of owners for these practices varied with diverging owner identities and market category dependencies. The following quote from a public investor owned case, for example, was coded with the first order concept labels ‘low support editorial autonomy’ and ‘decoupling response’: “Editorial statutes, but also the employees or other participatory councils, can eventually never block the strategic policy and goal of the board. If they think that they can, it is an illusion.” These labels belonged to the second order theme ‘top-down decision making’, which falls under the aggregate dimension of ‘high institutional complexity’. The complexity is high because there is little informal support from the owner for practices upholding editorial autonomy, and this leads to internal tensions or conflicts inside the organization.

**Figure 2.2**  
**Data structure analysis round 2**



In the second analysis round, the emerging theory framework was tested deductively via the ‘replication logic’ (Yin, 1984). New comparative tables with interview and secondary data were made (See Appendix Table 2.1a to 2.1e). Two cases were selected and compared for each of the five categories of owner identity: 1) employee cooperatives; 2) customer

cooperatives; 3) non-profit owners; 4) private equity investor owners; and 5) public equity investor owners. We have given alphabet names to the cases, to avoid the identification of respondents who were guaranteed anonymity.

While in the first analysis round the focus had been on value creation for the news, we now also included value creation on the other market side of the advertisers. It became increasingly clear that the advertising market category that was served, seemed to have a better fit with particular owner identities (public and private investor owners). Based on the distribution of revenues coming from readers and advertisers we mapped the ten most pure owner identity cases in a scatterplot on the Y-axis (see Figure 2.3). Based on the primary and secondary data on governance practices we determined for each case if decision making was either ‘democratic’, ‘semi-democratic’ or ‘top-down’. On the X-axis, the cases are plotted according to the extent to which decision-making is democratic or hierarchical. The position for each case on this dimension was determined by analyzing the following three variables: 1) democratic or hierarchic decision-making practices; 2) the board composition, and; 3) editorial statutes and codes.

## 2.4 FINDINGS

We find that the five owner identities of the cases studied have diverging missions and logics that have a better fit with some market categories than others. This has consequences for the degree of institutional complexity that is experienced inside these organizations (see Table 2.1). As we shall now explain, the diverging prescriptions coming from distinct market categories have different effects inside the organization depending on which ownership filter is in place and on how dependent the organization is on these categories for its revenues. Institutional complexity is higher when there is about an even split among revenues coming from subscribers and advertisers. A decoupling response was found in investor owned cases, a selective decoupling response in the customer and non-profit owned cases, and no decoupling response in the employee-owned cases.

**Table 2.1 Summary of results**

Owner identity	Investor	Customer	Non-profit	Employee
<b>Competing logics</b>	Market & professional	Professional & community	Professional, religious & state	None: Professional only
<b>Primary market category</b>	Advertiser	Advertiser & Subscriber	Advertiser & Subscriber	Subscriber
<b>Complexity</b>	High	Medium	Medium	Low
<b>Response</b>	Decoupling	Selective decoupling	Selective decoupling	No decoupling

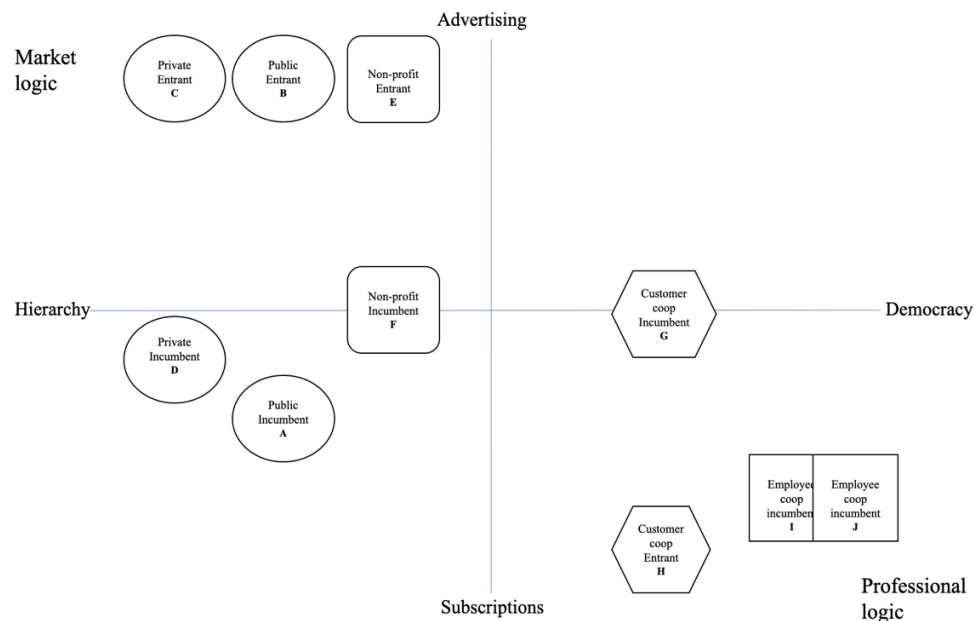
Our data confirm that the prescriptions coming from the two market categories that news media organizations belong to (subscribers and advertisers) are often incompatible. On the one hand, the advertiser typically pays a news media organization to reach an audience with a biased message in order to increase sales of the advertiser’s product or service. On the other hand, subscribers pay for objective, well researched editorial content produced by autonomous professional journalists and can be annoyed by advertising or sponsored content. It is the audience of subscribers that is the primary market that attracts the secondary market



of advertisers, not vice versa, as the following quote illustrates: “You can only sell ads when you have the reach [of an audience] that you can market. The basis is always content, the basis is always circulation. After that comes sales, because that is selling the reach. Another order is impossible” (R1, case name D). Some news consumers want to be informed about socially relevant topics that advertisers do not want to be associated with (see quote case H in Table 2.3). In addition, the prescriptions coming from the advertiser market category can also collide with the professional editorial logic of the newsroom (see quotes case B1 and B2 in Table 2.3).

In addition, we find that not only the owner identity, but also the field position of the organization is associated with belonging to particular market categories. On the one extreme end (lower right quadrant) of Figure 2.3, are the reader and employee-owned cooperative owned cases, which have the highest dependency on revenues coming from the market category of subscribers, and where the professional editorial logic is dominant. On the other extreme end (upper left quadrant) of Figure 2.3, are the entrant investor-owned cases, which have no revenues from subscribers but that focus entirely on online advertisers or sponsors. Here the market logic is dominant.

**Figure 2.3**  
**Ten most pure cases, their governance practices (X-axis)**  
**and market categories (Y-axis)**



Most incumbent cases, regardless of their owner identity, serve both the market category of subscribers and advertisers of both paper and digital publications. As can be seen in Figure 2.3, most of these incumbents – except for the employee cooperatives - are near the line of a 50-50 revenue mix of the two market categories. Unlike the incumbents, the entrants focus predominantly on one type of market category: either the online advertiser or the online subscriber or member. Whether a mix of market categories is served, thus seems to be correlated with the field position of the organization. We will now discuss the variance in the degree of complexity and responses to it in more detail for each owner identity.

### 2.4.1. Investor-owner: decoupling response

Institutional pluralism was experienced as most complex inside the investor-owned cases. Here the goal conflict between two opposing coalitions with a market and professional logic was found to be strongest. The governance practices and symbolic support for these practices by the owner indicate a decoupling response. All cases with public and private investor owners have a for-profit mission that varies in its degree. As can be deduced from Tables 2.1a through to 2.1e (see Appendix), the ‘profit extraction’ or percentage of residual earnings that is paid to shareholders is highest in the publicly listed cases. The for-profit mission of investor owners results in cost cuts, which reduce the quality of content that is sold to subscribers. By creating portfolios of titles that all share one central newsroom (instead of each title having its own newsroom) synergy effects are sought after, and this leads to the firing of newsroom staff. This not only reduces the quality of the content produced, but the threat of losing jobs may also put the autonomy of the newsroom under pressure. Quotes from case A and F2 in Table 2.3 illustrate how profit maximizing investor owners are perceived very negatively by professionals in the newsroom.

**Table 2.2 Detail coding scheme owner mission and logic**

Case name	Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
A	High complexity	Market versus editorial logic	<b>For-profit mission short-term / single minded (investor public)</b> The valuation of the firm is harsh because it is made public via the listing on the stock exchange... repeatedly the shareholder is reminded; dammit, my shares are not worth a dime, I need to take action towards the guys on the supervisory board. It is very short-term, not quarterly, but a few years maximum.
B	High complexity	Market versus editorial logic	<b>For-profit mission distant (investor public)</b> Well, in our case the owner is pretty much an abstract concept. I would not really know who the owner is, to be honest.
C	High complexity	Market versus editorial logic	<b>For-profit mission strategic investment (investor private)</b> So, their strategic interest might be more towards gaining know how in that and gaining access to technology. Things like that to help them evolve as a regional product.
D	High complexity	Market versus editorial logic	<b>For-profit mission short-term / single minded (investor private)</b> Just to summarize it briefly: all private equity owners are the same... When they come in, they make agreements about their exit. So, you know that if you have this owner for maximum 5 years, there's no real commitment.
E	Medium complexity	Third logic versus editorial	<b>Academic mission owner</b> We are just looking to – you know - work for the benefit of the public in terms of bringing them sort of high quality information that is written by real experts that actually - you know - don't have an agenda in terms of what they are saying. And also, ehm, for the benefit of sort of higher education in the country that's you know... we obviously have to keep the office running but we are not looking to make profit and... make money.
F	Medium complexity	Third logic versus editorial	<b>Religious mission owner</b> We have the mission and vision to publish Christian media. The paper is an idealistic product.
G	Medium complexity	Third logic versus editorial	<b>Cooperative mission owner</b> I guess we are an internal movement organization so... ehm, the people who are our members, are not members for any financial benefit, but for... I guess it's that social purpose... so they'll want to see us sustaining as a business... no dividend payments, no, no, it's just: try not to make a loss please.
H	Low complexity	Professional Editorial Ideological	<b>Editorial mission cooperative owner</b> That is also what we aim for: we do not want to make a profit, that is not our intention. We want to grow into a cost-effective enterprise that eventually makes a profit and reinvests that.
I	Low complexity	Professional Editorial Ideological	<b>Editorial mission cooperative owner</b> The editorial mission is that we are a newspaper of the left, so we work for change, we work for the improvement of people, of the life conditions of the people. We are activists in this sense.... In the cooperative, workers are also entrepreneurs. If they decide so, they can make it non-profit, leaving all the eventual profits in the cooperative. This is our case.
J	Low complexity	Professional Editorial Ideological	<b>Editorial mission cooperative owner</b> One part [of our mission] is we want to offer good jobs in the cooperative. It is very important that we are a cooperative and that everybody has a vote. Besides everybody earns the same.

The public investor owners (case A & B) are more distant, single-minded and their focus is more financial and short term than the private equity investors (see quote cases A, B and D in Table 2.2). The private investor owners of the entrant case C have a more strategic mission

and no profit is extracted yet because losses are made (see quote case C in Table 2.2). There is no ideological nor social mission in any of the investor-owned cases, and this distinguishes them from the other cases. This difference is well described in the following quote:

*“One part of journalism started as truth-finding within a particular socio-political group, and they were very rigid. Other orientations picked up the challenging task of filling the back of pages with advertising. That is something completely different, and you still notice the difference a lot. In the governance, but also in the whole culture there is an enormous difference between those backgrounds. So, that’s why ‘dual’ comes in different gradations. For [case name D] the commercial goal is very clear.” (R1, case name D)*

**Table 2.3 Detail coding scheme conflicting logics and complexity**

Case name	Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
<b>A</b>	<b>High complexity</b>	<b>Market versus editorial logic</b>	<b>For profit mission</b> We achieved profit margins of 10 percent and were perfectly happy with that, but it was not enough, so we had to economize... then we heard on the news that our CEO and his small team of managers had received XXX million euros as their yearly bonuses.... I know several people then decided to quit their job for idealistic motives. They no longer wanted to work there.
<b>B1</b>	<b>High complexity</b>	<b>Market versus editorial logic</b>	<b>Mixed model / advertising only</b> We have what we call ‘rich media statements’, which are large homepage takeover, big things... There we test the boundaries, because that’s where lots of money can be made.... There is a tension; if you advertise more, you earn more, but you might annoy [website] visitors... If you advertise less, your visitors may like that very much, but you will earn less money, and as a result you can do less and your visitors will not be happy about that either...
<b>B2</b>	<b>High complexity</b>	<b>Market versus editorial logic</b>	<b>Decoupling response</b> Reaching an audience occupies us, but it is not the only thing we steer on, because I feel that a journalistic organization has the duty to inform people about what happens in the world. Syria for example. We see very clearly that no one clicks on that news, nobody is really interested.
<b>E</b>	<b>Medium complexity</b>	<b>Third logic versus editorial</b>	<b>Academic mission owner</b> We work quite closely with press teams [of university members], for example, so it might come out of... maybe viewed as their research project or maybe viewed as a communications project – it’s useful for us to use the press teams to find the expertise, but I think mainly every research project it’s really research departments and heads of research that are really driving hard to expose the research, that is strength of research that is within their institutions...
<b>F1</b>	<b>Medium complexity</b>	<b>Third logic versus editorial</b>	<b>Religious mission owner</b> Out of responsibility for the look and feel of our product, the advertising department said – also to –the advertiser – ‘I think it is better that you do not advertise with us, because no one is to gain because our readers will not be fooled’.
<b>F2</b>	<b>High complexity</b>	<b>Market versus editorial logic</b>	<b>For profit mission</b> Newspaper publishers owned by public investors demand 20 percent ROI per year. And if that doesn’t happen, another 300 employees will be fired. Well, that is the scenario of demolition.
<b>H</b>	<b>High complexity</b>	<b>Market versus editorial logic</b>	<b>Mixed model</b> Well, no one will ever admit it entirely, but of course an advertiser wants an environment that is nice or positive for its advertisement.... If you – let’s say – sell trips to an exotic destination, then you do not want your ad to be next to horrible articles about torture in the countries which are the destinations of those tips you sell?
<b>J</b>	<b>Low complexity</b>	<b>Professional editorial logic only</b>	<b>Readers main revenue source</b> We lost advertising because of our articles. So, we lose advertising, because of our identity and work – and our mission. Not we are... it’s the opposite of being influenced... So, we influence them [the advertisers] to cut.

As a result of their for-profit mission, the investor-owned cases will tend to prefer serving market categories with high profit margins. In publishing, the highest profits can be made with ads in print publications. The profit margins for online advertising are much lower. “Out of every 10 euros that is lost from advertising revenue in print, only 1 euro maximum is regained in the digital domain” (R2, case name D). To make up for this loss in advertising revenue, investor-owned firms have started to offer branded or sponsored content. This new type of advertising, where ads are disguised as journalistic content, is very lucrative. “If approximately 1% of all content is branded, this generates a third of the total revenue” (R3, case name C).

In order to maximize profits branded content is very suitable, but it negatively affects editorial autonomy and the quality of the content that is offered to subscribers who pay for objective reporting. Concerning branded content, the market logic strongly conflicts with the professional editorial logic and interests of the audience market category. Publishing sponsored and branded content could be considered a decoupling response, as this practice only symbolically embraces the editorial logic, in order to realize a profit goal. One respondent indicates that this type of sponsored content, leads to hugely different interactions and checks-and-balances also concerning the governance. It is much more complex than traditional advertising.

When investor owners give priority to the advertising market category over the other market side, this also has consequences for editorial autonomy in another way. The editor-in-chief has a much weaker bargaining position to protect its newsroom from commercial pressures when most revenues come from advertising.

*“I remember that I felt it was more relaxed when the readers’ market gave us more revenue than the advertising market – while I of course thought, well... in that situation you are more in control.... When commercial success is the course that is sailed, this is not necessarily what is best for journalism.” (R8, case name B)*

The boards of the investor-owned cases have no or very few journalists on them compared to the cases with other owner identities whose boards have a much less commercial identity. As a result, the editors-in-chief feel they are torn between two opposing coalitions: the newsroom and management. The following quote accurately describes this:

*“In our statutory board of directors there is no journalistic blood and that’s difficult... It is nice to be part of a board of directors that understands what excites the newsroom or what upsets it... One cannot do without an editor-in-chief, who unites both the commercial and ideological function – in one type of media more so than in another. It has been a hybrid position for centuries. And this changes; in some periods the commercial pressure may be higher, but in essence it doesn’t change.” (R9, case name D)*

In the investor-owned cases, the governance practices that should protect the interests of the audience and the journalistic professionals, are only symbolically endorsed. Respondents indicate that the investor owners lack in support for editorial statutes. These statutes often date from a pre-internet era with non-profit owners, and are unpopular with managers of investor owners, who prefer hierarchic decision making (see quote case A Table 2.4). In the publicly listed investor-owned entrant (case B), the newsroom very much wants an editorial statute, but the publisher does not implement it (see quote case B in Table 2.4).

One editor-in-chief at a publicly listed investor-owned incumbent (Case A) describes what would happen if the editorial statute would disappear: “I would not plead for that, because the societal role will immediately be endangered. Many directors and power managers plead for it and say; it’s time to abandon this practice. I have also felt it’s difficult at times in the past, because it can lead to an excess of democratization surely. And it can very much slow things down” (R7, case name A).

**Table 2.4 Detail coding scheme governance practices**

Case name	Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
A	High complexity	Top-down decision-making	<b>Hierarchic decision-making</b> The reality is, however, that employees - and editors are also employees - are never able to block the strategic goals of the owners nor the boards of directors. Editorial statutes, but also the employees or other participatory councils, can ultimately never block the strategic policy and goal of the board. If they think that they can, it is an illusion.
B	High complexity	Top-down decision-making	<b>Low support editorial autonomy</b> I must say that, unlike my superiors, I am extremely enthusiastic about it [the statute]. We did make a compromise, but somehow every time something comes up which delays it. I am not sure if this is on purpose or that... Well, to me this statute is something to guarantee we have this agreement, and for now this is fine, but as soon as we get a new publisher, it is not certain if our agreement will still hold.
C	High complexity	Top-down decision-making	<b>Hierarchic decision making</b> I think we've got an editorial understanding. There is no written document...there is no formal document, you know, there's no ethics board or anything like that...
D	High complexity	Top-down decision-making	<b>Low support editorial autonomy</b> Well, yes, court cases - they threaten to stop or withdraw advertising; you do not have to count on advertisements for a year. It all happens. No, this does not work, but sometimes campaigns are stopped or not published. That happens and it causes tensions inside the organization, where they say: listen, should we continue that? How much do you want it - is it very important? Would the newspaper be worse if we did not cover this topic? Hey, so there's the checks-and-balances inside the organization.
E	Medium complexity	Semi-democratic decision-making	<b>Medium owner support editorial autonomy</b> That board much guarantees or seeks to guarantee the academic rigor aspect of that. We can talk about the journalistic flair as well, but the academic rigor - you know- they know what that is - these are senior academics ...
F	Medium complexity	Semi-democratic decision-making	<b>Semi-hierarchic decision-making</b> The supervisory board oversees the business side... and we have an advisory council that more so spars with the editors-in-chief about the content of the newspaper. So, there is also a certain duality in that... I think that is more a remainder from the episode of employee self-governance... the seventies, yes... not our thing... let me just be clear about that.
G	Medium complexity	Semi-democratic decision-making	<b>Non-editorial board composition</b> Basically, none of us are on the board... None of us are actually involved in any cooperatives apart from working for cooperative press - it doesn't stop us becoming members of any coops - even this cooperative itself... We are all trained journalists. We have a good checking procedure before anything is published... Also, it's very important to keep the actual organization and publication safe from outside interest as well, so if you are worried about outside interests coming inside your media organization then I certainly recommend looking at the cooperative business model.
H	Medium complexity	Semi-democratic decision-making	<b>Semi-hierarchic decision-making</b> There are A and B shares. The A shares are owned by the founder who have more voting rights than... they always have more voting rights than the B shareholders [owned by readers. Their influence] is good up to a certain degree, but it can also be paralyzing. Before you know it, you will be having discussions all day.
I	Low complexity	Democratic decision-making	<b>Non-hierarchic decision-making</b> We decide together almost everything - even buying computers. If you have to do a newspaper in black-white or in color. If you have to launch a different supplement, there is always an assembly going on [laughs] If we decide to vote in majority. On the people, we always vote with secret ballot - so it's a true vote...it's better to work here [laughs] because here you can work on what you like, on what you think and what you know - what you want other people to know. It's not so in every other Italian newspaper, where you have to convince, to persuade the editor or the publisher that your story is well-grounded. You are free here.
J	Low complexity	Democratic decision-making	<b>Non-hierarchic decision-making</b> It [voting] is for the... no, it's for the real important things - if we choose to make a new layout for example or how high our salaries are. That's something that everybody together we vote about it...We have... our wages are not so high as in other newspapers, but we are quite attractive because we have... we can offer a lot of freedom - that's because of how we are organized, our ownership... the newspaper...

In sum, investor-owned incumbent organizations that serve multiple market categories operate in high institutional complexity. This leads to a response where the editorial and market logic are decoupled. In other words: a symbolic conformity to the institutional prescriptions from the field to protect editorial autonomy, is 'decoupled' from the organization's technical core, which is geared towards the for-profit mission.

This decoupling response is, however, less visible in the investor owned entrants (in upper left quadrant Figure 2.3) where advertisers or sponsors are the only market category served. The traditional governance practices, such as statutes or voting to elect the editor-in-chief, are lacking here. The full dominance of the market logic in the entrants is well illustrated in the following quote from an editor-in-chief at the private investor-owned entrant case: "And that is something we are trying to do.... when a client has a content marketing need, we don't want the client to go to, say an ad or branding agency, and then to a creative

agency and then to a whatever agency and then to us. We want to do the whole process with the client directly” (R3, case name C).

#### **2.4.2. Non-profit & Customer owners: selective decoupling**

A medium level of institutional complexity is experienced in the non-profit and customer owned cases, where the owner and customer share a similar third logic. Here community, religion, state and academic professional logics are coupled selectively with the editorial logic. This third logic does, however, not conflict as strongly with the editorial logic as does the market logic in the investor-owned cases. As the market logic is not prominent in both the non-profit and customer owned cases, there is no profit maximization mission that may put the newsroom under pressure. Profits are not paid out as dividends, but rather reinvested in the organization (see Table 2.1c and 1D in Appendix). Some respondents even describe the owner identity of their organization as a protection against the influence of investor owners (see quote case E, F and G in Table 2.4).

The two customer cooperative cases (G & H) each have a different mission, which is strongly linked to the particular market categories they serve. The mission of the customer-owned cooperative entrant (case H) is ‘to provide quality journalism and to create an environment and publication in which journalism can flourish’. The majority owners of this cooperative are individual subscribers who represent the subscriber market category.

*“I think that the cooperative is an interesting [ownership] form, exactly because it is not geared towards profit maximization, but nevertheless it is indeed an enterprise model. That is also what we aim for: we do not want to make a profit, that is not our intention. We want to grow into a cost-effective enterprise that eventually makes a profit and reinvests that.” (R5, case name H)*

Case H’s revenue comes mainly from paid online subscriptions and some subsidies. It is a conscious choice not to serve any advertisers at all.

The incumbent customer cooperative (case G) is not owned by individuals, but by other cooperatives, political parties and labor unions. These shareholding organizations are also its customers in both market categories for print and online advertising and subscriptions. The mission of this old cooperative is to be ‘the glue’ that binds together the cooperative movement; there are no dividend payments as the owners are more interested in ensuring a sustainable survival of this social enterprise.

The non-profit cases’ mission is also strongly linked to the identity of their customers. Two incumbent cases (F & Q) are owned by foundations with a religious mission and serve subscribers and advertisers that are part of the religious community: “Well, the objective of the foundation, its vision and mission states very clearly that we are on earth to bring Christian journalism to the people in an appropriate style. We have no return-on-investment demands.” (R6, case name F). Another non-profit incumbent is a state-owned (case P) and its state logic dictates that it serves an audience that includes all Dutch citizens.

The owner of the non-profit entrant (case E) is a trust that ‘seeks to further the dissemination of academic knowledge to the general public’ and it does not want ‘to make money’. It has a new type of customer: universities that sponsor content about academic research via membership fees. No paid subscriptions are offered at case E, so most content is in effect sponsored or subsidized by universities, and some initial government subsidies to start-up.

Governance practices in all customer and non-profit cases are semi-democratic, as there are no elections of the editor-in-chief (see Table 2.1c and 2.1d). A respondent at case F describes it as follows: “I think that [the election of editor-in-chief and council] is more a remainder from the episode of employee self-governance... the seventies, yes... not our thing...

let me just be clear about that.” At the non-profits, special advisory boards give advice on editorial matters, which somewhat conflicts with the professional logic of editors who do not want any outside interference in editorial decision-making in the newsroom. These extra boards must ensure that the mission of the non-profit owner is lived up to by the newsroom, and because this lowers editorial autonomy it is considered a semi-hierarchic decision-making practice.

Like the investor-owned cases, many of the customer and non-profit incumbent cases (O, F, Q and G) also have a near 50-50 advertising and audience revenue composition. The community, religious or academic professional mission of the owner ensures that the market logic of advertiser market category does not get priority over the logic of the subscriber market category. At times, for instance, particular ads are banned because they do not suit the norms and values of the reader community. In some of the customer and non-profit owned cases sponsored or branded content is offered, but the owner’s mission ensures that only sponsors or advertisers that match the identity of the audience are served (quote F1 in Table 2.3).

### **2.4.3 Employee Cooperatives: no decoupling**

Institutional pluralism was experienced as the least complex inside the employee cooperative cases and entrants. The professional editorial logic was found to be most dominant in the employee-owned cases. The cases that have the purest form of employee ownership are T, I and J which have the ideological mission of their journalist owners. Their primary aim is to improve society or help citizens improve their lives, and to create editorial jobs with a high degree of professional autonomy. As a result of these missions, all residual earnings are reinvested in the organization, none or little dividend is paid to the journalist owners (see Table 2.1e in Appendix). This low ‘profit extraction’ makes the employee cooperatives less dependent on revenues from the advertising market category and this reduces complexity.

Cases T, I and J get most of their revenues from the audience market category and they explicitly do not offer branded nor sponsored content, because this would conflict with the editorial logic. For professional reasons, the employee cooperatives will never serve advertisers at the expense of the reader community. On the contrary: opportunities to sell ads are even lost because of the editorial mission of the organization (see quote J in Table 2.3).

The employee-owned cases use the argument of their exceptionally low dependency on advertising revenues to gain legitimacy in the field. This is also a crucial argument to ensure that the organization receives support in the form of donations or (equity) crowdfunding and subsidies, as this respondent describes:

*“There is no advertising on the website. The important part is that we just fund it with the subscriptions. That’s why when we crowdfund something, usually we get good results, because we have transparency with our objectives.... We used to say that [case name J] is made for readers, because without them we are nothing... We don’t have any political party or economic entity behind us. Just this fifty more or less workers doing a newspaper.” (R4, case name J)*

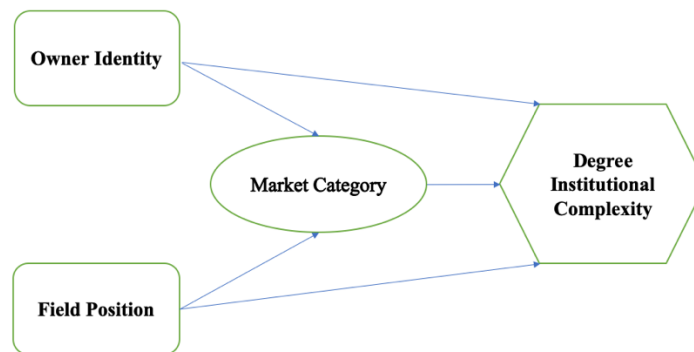
In the employee-owned cases, a relatively high number of board members has a journalistic background. Although this may seem counterintuitive, a lack of editorial codes or statutes indicates that a conflict between the market and professional editorial logic is absent. The owner identity itself is the governance practice that protects editorial autonomy and democracy (see quotes I and J in Table 2.4). The respondents at the employee-owned organizations indicate that this owner identity is the guarantee of editorial autonomy, making editorial statutes unnecessary: “No, we don’t have that [editorial statute] because I think we

do not need that, because there is nobody who could say; you now have to work together with commercial [departments].” (R11, case name I).

The protection of editorial autonomy, which is guaranteed by the owners’ mission, is much more than a symbolic ritual, so there is no decoupling response. The employee cooperatives have highly democratic governance practices, such as majority voting by all staff for the election of the editor-in-chief, and also voting on many other decisions. Wages are equal, and in one of the employee cooperatives there is not even a leader, director, or CEO.

In sum, institutional complexity is lowest in the employee cooperatives because these organizations predominantly serve a market category that is compatible with the professional editorial logic of the owners. The primary customers of these organizations are readers who want to pay for content that is produced by autonomous professional editors. The market logic of the advertisers can be ignored by the newsroom, as this is not aligned with the mission of the owners and customers (see quote case J in Table 2.3).

**Figure 2.4 Conceptual Model**



## 2.5 DISCUSSION

This paper discusses how the ownership of organizations affects their response to institutional pluralism in two-sided markets. Previous research has addressed the role of the ownership filter as a top-down filter of pluralism, but it clarifies insufficiently how this filter interacts with the bottom-up processing of prescriptions coming from the market categories that an organization belongs to. This paper addressed this gap by comparing the goals, corporate governance practices and market category prescriptions of European news media organizations with divergent owner identities.

The key finding of this study is that diverging prescriptions coming from distinct market categories have different effects inside the organization depending on the combination of owner identities and market categories. We find that not only the owner identity, but also the field position of the organization is associated with particular market category choices. This in turn has consequences for the degree of tensions among coalitions with competing logics (institutional complexity) as is reflected in corporate governance practices inside the organization. We find that complexity is highest in profit maximizing (public) investor-owned incumbents that serve both subscribers and advertisers equally, leading to a decoupling response. A medium level of institutional complexity was found in non-profit and customer owned organizations where a third logic (state, community or religious) is selectively



coupled. This third logic matches the institutional order of the market category that is served, and it conflicts less with the professional (editorial) logic than does the market logic. Finally, the lowest institutional complexity is found in employee-owned cooperatives and entrants because these organizations predominantly serve a market category that belongs to the same institutional order as the majority owner. As there are no tensions between opposing coalitions here, a decoupling response is not necessary.

The main contribution of this study is that we put forward a category-based explanation of why responses to pluralism diverge among organizations in the same field. Hereby, we contribute to the call for the integration of research on institutional logics and categories (Durand & Thornton, 2018) as we shed more light on how market categories as elements of logics, are an integral part of the organizational identity. We propose that the institutional fit between owner identities and market categories determines the variance in tensions among coalitions (institutional complexity) inside the organization.

We explain how an organization's market category choice is linked to the identity, mission and logic of its owner and its field position (Greenwood et al., 2011; Lounsbury, 2001; Hannan, 2010). In addition, our findings indicate that among non-market orders (community, religion and profession) there is a better owner-category fit than among the market and non-market orders. This may explain why in some organizations a compromise of logics via the creation of a new common organizational identity, is harder to achieve than in others (Battilana & Dorado, 2010).

In addition, our study also sheds new light on why public investor owners (that belong to the market order) may find responding to institutional pluralism more difficult than non-profits (Greenwood et al., 2011). The degree of institutional complexity experienced in public and private investors was found to differ less in our study than in other previous studies (Greenwood et al., 2011), especially when compared to owner identities from non-market orders. We find, however, that less inclusive decision-making processes (Chung & Luo, 2008; Miller, Breton, Miller & Lester, 2011) are not the only reason why (both public and private) investor owners have more trouble responding to competing logics. Our findings indicate that this also becomes more troublesome when the primary market category that the organization serves, does not belong to the same institutional order as the majority owner. For instance: a full revenue dependency on a market category that requires governance practices associated with the professional order, becomes more troublesome when there is a private equity fund owner that belongs to the market order. This situation is more likely to result in coalition clashes that require governance practices to resolve internal conflicts between competing logics.

Our last contribution is that we show that a decoupling response is least likely when there is an extremely high revenue dependence on a single market category that belongs to the same institutional order as the owner. With this finding we shed new light on why the co-existence of multiple logics in a field (pluralism) does not have the same consequences in all organizations (Besharov & Smith, 2014; Greenwood et al., 2011). In addition, we provide a market category explanation for why incumbent organizations are exposed more to tensions from multiple logics than entrants at the periphery (Ansari & Phillips, 2011; Hoffman, 1999; Phillips & Zuckerman, 2001; Leblebici et al., 1991; Zuckerman, 1999). We find that institutional complexity not only increases because incumbents become more 'visible' at the centre of an institutional field, but that this also occurs because there is a revenue dependence on multiple market categories that do not all belong to the same institutional order as the majority owner.

Our managerial contribution is that we show that an organization that serves multiple markets will be more likely to experience conflict inside the organization. The intensity of this conflict also depends on the mission and identity of shareholders and if this matches or

conflicts with the identities and goals of markets served. In a two-sided market context (Eisenmann, Parker & van Alstyne, 2006), the organizational goal and identity may match one market side more than another and this may increase internal conflict.

Moreover, our findings also have implications for organizations faced with technological disruptive innovation. The dependency on high profit margins of old technology markets is important explanation of why incumbents fail in new markets (Christensen, 1997). This paper provides an explanation for why entrants may be more successful at serving new technology markets (Christensen & Bower, 1996). We have shown that entrants operate in lower complexity because they can focus on a single market category instead of several. But there are also incumbents with particular owner identities, that do not have a single-minded focus on profit margins. These non-investor-owned incumbents have more organizational room to focus on low profit margin market categories and this may enhance their innovative capacity.

### **2.5.1 Limitations and Future Research**

A first limitation of our study is that our European cases are positioned in several national fields. By studying organizations in just one country, we could have controlled for any effects from national differences such as those that have been found among liberal market economies and coordinated market economies (Sauerwald, Van Oosterhout & Van Essen, 2016). Future research should also include cases that we could not find in the European news media sector: entrant employee cooperatives and fully independent investor-owned entrants that are not owned by incumbent media organizations. In future research, the sample studied should be more representative of the whole field and all owner identities in it. Cases with highly democratic governance practices and a full dependency on advertising revenues have not been found in the population that was used for this study. It is expected that these cases are very rare. So, exploring why a full dependency on revenues from advertising is rarely associated with highly democratic governance practices could be an interesting direction for future research.

Furthermore, this study now only maps two types of market categories of the audience and advertisers, but it does not subdivide these into the online and print categories. A next step could be to map the prescriptions coming from these four distinct market categories in more detail. Last but not least, this study focuses on the organizational level, excluding the individual and field level. Logics are, however, the result of the interplay between these three levels (Thornton et al., 2012). Most empirical studies of multiple logics are now at the field level, while only few studies focus on organizations (Kodeih & Greenwood, 2014). Combining both levels in one study may provide new insights. A focus on the daily activities of individuals and how they experience and deal with complexity (Smets et al., 2015) could also be considered for future research on the interplay between owner identities and market categories.

## **CHAPTER 3**

### **MARKETS, LOWER ECHELONS AND OWNERS AS BROKERS OF COALITIONAL ATTENTION**

#### **ABSTRACT**

This study investigates how technological disruption in a two-sided market environment changes the dominant coalition in a firm. For this purpose, a longitudinal process study of a Dutch newspaper publisher's response to internet disruption between 2000 and 2016 was conducted. Findings indicate that non-profit and non-dedicated financial investor owners delay coalitional change inside the organization, while an engaged (CEO majority) strategic investor owner with industry expertise and complementary assets accelerates it. Our main contribution is that we find that diverging types of ownership lead to diverging outcomes in the process of coalitional change. We propose that upper echelons can be sidelined by lower echelons that form a dominant coalition with non-profit owners and that dominant coalitions are not entirely broken until they lose both their financial (market) and political (ownership) power base. Our managerial contribution is that we illustrate how ownership may be a crucial element of an innovation strategy.

### 3.1 INTRODUCTION

Many incumbent organizations experienced the disruptive effect of the Internet and are still struggling to find the right strategy to respond to it. Resistance to change inside these organizations may cause rigidity or inertia that may hinder transitions that are necessary for survival in new online market settings. It is known that dominant coalitions inside organizations can resist or block particular decisions (Cyert & March, 1963; Hambrick & Mason, 1984; Shen & Canella, 2002; Eisenhardt & Bourgeois, 1988), but current research insufficiently explains the process of how dominant coalitions change over time and which factors shape this process (Stevenson, Pearce & Porter, 1985; Zhang & Greve, 2019).

The fragmented and interdisciplinary literature on coalitions describes how both internal (upper echelon) and external (market and ownership) sources of power affect organizational decision-making and responses to the environment (Jara-Bertin, López-Iturriaga & López-de Foronda, 2008; Fiss & Zajac, 2004; Pfeffer & Salancik, 1978). Few of these studies, however, consider both internal and external power sources simultaneously, as the interplay between the organization and market forces is still an underdeveloped part of the behavioral theory of the firm (Gavetti et al., 2012).

Existing research on coalitions focuses mainly on characteristics of the upper echelon or top management team (TMT) and organizational performance as an outcome (Wry, Cobb & Aldrich, 2013; Zhang & Greve, 2019). It clarifies insufficiently how the input of issues emerging from the external environment influences coalitional change (Gaba & Greve, 2019). Inside the organization opposing coalitions may form around competing issues and goals that are linked to the service of multiple and interdependent markets (Achtenhagen & Raviola, 2009; Battilana & Dorado, 2010; Thornton, Ocasio & Lounsbury, 2012; Trieschmann, Dennis, Northcraft & Niemi, 2000). More scholarly attention is needed to explore how organizations deal with such multiple goals of equal importance (Greve & Gaba, 2017; Gaba & Greve, 2019). To address this lacuna in the literature we formulate the following research question: *How does technological disruption in the environment drive change in the dominant coalition in a firm that serves two interdependent markets?*

We conducted a process study of a specific type of organization that is uniquely conducive to answer this question: a newspaper publisher that serves interdependent two-sided markets (Rochet & Tirole, 2003) that are in decline due to technological disruption (rise of the Internet). This context was deliberately chosen, because in news media firms competing coalitions are generally tied to interdependent markets and this results in organizational hybridity or duality (Achtenhagen & Raviola, 2009). In a news media firm, there is a financial goal on the advertising market-side and a social professional mission on the subscription market-side. These multiple market goals allow us to more easily identify competing coalitions and how their dominance may change over time within one organization.

We seek to develop a model of coalitional change with a longitudinal process study (Langley, 1999). More specifically, we analyze at the micro-level how a Dutch incumbent newspaper publisher PCM (De Persgroep after 2009) responded to changes at the macro-level in its two-sided market environment between 2000 and 2016. In this period the publisher had to react to the entry of new competitors in its two markets for advertising and subscriptions. This organization is extra vulnerable because changes in one of its markets, automatically affect the other market. Strategic change was hard to realize because the organization's dominant coalition was linked to a declining market for old technology (print) products.

From our data a process model of 'coalitional change' emerges. Our model features three distinct and subsequent phases demarcated by shifts from 1) non-profit ownership, to 2) non-dedicated financial investor ownership to 3) strategic investor ownership. In the *early phase* a

shrinking external power base (slow market decline) is not yet urgent enough to break the dominant editorial coalition supported by a non-profit owner. In the *intermediary* phase the financial power base of the dominant coalition is seriously corroded by the entry and exit of a non-dedicated financial investor owner, but the editorial coalition still remains in power despite an increasing market decline. In the *last phase*, the internal political power base of the dominant coalition is broken with the entry of a strategic investor owner.

This study makes three contributions. First, it adds to the literature on coalitions and ownership (Burkart, Gromb & Panunzi, 1997; La Porta et al., 1999; Jara-Bertin, López-Iturriaga & López-de Foronda, 2008) by explaining why in times of disruption, particular ownership types are more successful at breaking down a resistant dominant coalition than others. More specifically, we propose that non-dedicated financial investor and non-profit owners delay the process of coalitional change in a two-sided market context, while a strategic investor CEO-owner with a majority share, industry expertise and complementary assets accelerates it. As an immensely powerful upper echelon member, a strategic CEO majority owner has more political leverage as an ‘internal’ coalition member, than owners who are ‘external’ (non-TMT members) or hold minority shares.

Second, we contribute to the literature on the upper echelon and circulation of power (Barron, Chulkov & Waddell, 2011; Hambrick & Mason, 1984; Ocasio, 1994) by proposing that the upper echelon can be sidelined by a majority owner that forms a dominant coalition with lower echelons. This illustrates that the upper echelon perspective has blind spots, because internal and external stakeholders may also form dominant coalitions that exclude the TMT.

Third, we contribute to the literature on multiple goals and coalitions (Greve & Gaba, 2017; Gaba & Greve, 2019) by putting forward that dominant coalitions are not entirely broken until they lose both their financial (market) and political (ownership) power base. We show that financial ‘survival’ may not be enough to resolve which goal receives priority when there are multiple goals of equal importance. We find that a political change (new type of owner) can also help resolve a conflict between two competing goals linked to two-sided markets. When a non-profit owner is most powerful, it seems more likely that social and professional goals tied to one market side get priority. When financial investor owners are most powerful, it seems more likely that the for-profit mission tied to the other market side will be prioritized. A strategic investor owner with enough power, the right assets and management expertise, is expected to be more capable of balancing these two market goals.

### 3.2 THEORETICAL BACKGROUND

A coalition is defined as an interacting group of individuals, that is deliberately constructed, independent of formal structures, lacks its own formal structure, has mutually perceived membership, is issue oriented, focuses on external goal(s) and its members’ actions are coordinated (Stevenson, Pearce & Porter, 1985:261). The ‘dominant coalition’ in an organization has the ability to formulate constitutions, rules, procedures and information systems that limit the potential power of others (Cyert & March, 1963; Thompson, 1967). Members of a coalition can be a ‘class’ or group of ‘internal’ stakeholders, such as employees and managers or ‘external’ stakeholders such as customers and owners (Cyert & March, 1963).

Most studies of coalitions in strategic management tend to focus on internal stakeholders, such as the CEO’s and TMT (Barron, Chulkov & Waddell, 2011; Hambrick & Mason 1984; Shen & Canella, 2002). The so-called ‘upper echelon perspective’ on coalitions, argues that collective characteristics and actions of top managers affect organizational

outcomes, such as financial performance and strategic change (Barron, Chulkov & Waddell, 2011; Gaba & Greve, 2019).

It has been found, for instance, that CEO's engage in alliances that are not based on issues but on demographic characteristics (Eisenhardt & Bourgeois, 1988; Bourgeois & Eisenhardt, 1988). In addition, the circulation of power model explains that the obsolescence of solutions and contestation to CEO power by rivals, initiate coalitional change (Miller, 1991; Ocasio, 1994; Ocasio & Kim, 1999; Combs, Ketchen, Perryman & Donahue, 2007). As CEO's gain power, they enhance their ability to maintain a dominant coalition (Pearce, 1995) and the probability of a power contest is reduced (Berger, 2005).

As most studies of coalitions focus on the TMT or upper echelon as the dominant coalition, shareholders or owners are often categorized as 'external' coalition members. Only a few upper echelon studies examine how ownership is related to prioritizing goals and the formation of coalitions. The 'coalition effect' (Emerson, 1962), for instance, describes how ownership ties with powerful external actors allow a firm to enhance its power relative to other external actors with which it interacts. It was found, for instance, that the level of state ownership in organizations affects a firm's susceptibility to external pressures (Xia, Ma, Lu, & Yiu, 2014). State control and ownership cause rigidity and inflexibility for firms to react to the new institutional demands (Yiu, Wan, Ng, Chen & Su, 2014) and the power struggle among coalitions inside organizations with state and private ownership drive shifts in goals and logics as reflected in M&A decisions (Greve & Zhang, 2017).

It has also been found that ownership concentration with large outside shareholders facilitates the formation of a dominant coalition (Burkart, Gromb & Panunzi, 1997; La Porta et al., 1999). Ownership has also been considered in studies that compare effects on firm performance (not coalition formation) in family and investor-owned organizations (Jara-Bertin, López-Iturriaga & López-de Foronda, 2008). Furthermore, the presence of powerful owners and senior managers was found to reduce the likelihood that firms will 'decouple' by espousing but not implementing a shareholder value orientation (Fiss & Zajac, 2004).

### **3.2.1 Disruption two-sided market environment**

Technological change is an external factor, that like ownership, may alter the external power base of coalitions. Changes in technology and the environment empower different possible competing coalitions within the firm (Thompson, 1967). Inside organizations, technological disruption may pose coordination problems that require interdependence among units that will be more likely to interact and form coalitions (Stevenson et al., 1985).

An organization faces challenges when it operates in a complex environment where stakeholders hold power over it by controlling its vital monetary and immaterial resources (Wry, Cobb & Aldrich, 2013). These external actors, that may be particular individuals or stakeholders such as, suppliers, customers or regulators, may form sub-coalitions with actors inside the organization, such as managers, employees and shareholders (Liu, Dedehayir & Katzy, 2015:7). The primary focus of studies on the environment and power has been on strategic responses to the environment (M&A's, joint-ventures, alliances, political action and board nominations) rather than on exploring the underlying coalitional process that determines these responses (Wry, Cobb & Aldrich, 2013).

As most research on organizational responses to the environment was limited to contexts with only one dominant logic (Hillman, Withers & Collins, 2009), it did not specify how particular dependencies get priority over others when multiple goals and logics are involved (Durand & Jourdan, 2012). On the other hand, however, most studies that do explore how organizations deal with contesting goals and logics (Battilana & Dorado, 2010; Pache & Santos, 2010) fail to address the power sources of actors with diverging goals and logics (Wry, Cobb & Aldrich, 2013).

Scholars of coalitions have explored how organizations deal with multiple goals that are of equal importance (Greve & Gaba, 2017; Gaba & Greve, 2019) and it is known that inside the organization opposing coalitions can form around multiple (sometimes competing) goals and logics (Thornton, Ocasio & Lounsbury, 2012). Multiple goals may create incompatible demands and as such tend to complicate the search for solutions to cope with a changing environment (Simon & March, 1958). In the airline industry, for instance, it has been studied how goals of safety and profitability are prioritized, and it was found that the focus on survival helps to resolve this goal conflict (Gaba & Greve, 2019).

As most studies of coalitions tend to focus on the TMT as the dominant coalition, there have been fewer studies that simultaneously consider the effect of power sources in the environment of the organization (Hillman, Withers & Collins, 2009; Wry, Cobb & Aldrich, 2013). The interplay between a dominant coalition's internal power sources (upper echelon) and external power sources (markets and ownership) deserves more scholarly attention (Gavetti et al, 2012).

Another important shortcoming of the upper echelon perspective is that it focuses mostly on outcomes such as firm performance, while assuming a continuous inflow of similar decision-making opportunities (Zhang & Greve, 2019). Coalition formation is, however, not only based on performance, but also on problem solving or the pursuit of opportunities (Zhang & Greve, 2019). The upper echelon perspective clarifies insufficiently how the input of issues emerging from a changing external environment influences coalitional change (Gaba & Greve, 2019). Inside the organization opposing coalitions have been found to form around competing issues and goals tied to the service of multiple interdependent markets (Achtenhagen & Raviola, 2009; Trieschmann et al., 2000). More research is now needed to explore how organization deal with such competing goals of equal importance (Greve & Gaba, 2017; Gaba & Greve, 2019). This leads us to following research question: *How does technological disruption in the environment drive change in the dominant coalition in a firm that serves two interdependent markets?*

### 3.3 METHODS

To answer this research question, qualitative research is suitable as this provides a deeper insight into the process of coalitional change. Specifically, a qualitative study allows us to explain how the issues, attention and answers of coalitions change over time, also at the lower levels of the organization. We look at one news media organization that serves two markets because here competing coalitions are generally tied to a particular market resulting in organizational hybridity or 'duality' (Achtenhagen & Raviola, 2009). Strategy changes needed in times of disruption are more complicated to execute because dominant coalitions with power bases in interdependent declining markets may block this process.

Process descriptive case-studies are very suitable for analyzing coalitional change processes and for contributing to the behavioral theory of the firm (March, 1962; Argote & Greve, 2007). In this study, a process study of coalitional change was conducted with a temporal bracketing strategy (Langley, 1999). We choose this strategy because it allows for the identification of theoretical mechanisms that recur over time (Langley, Smallman, Tsoukas & Van de Ven, 2013). This method is not suitable for explaining relationships between variables but is used to explain how a sequence of events leads to a particular outcome. It allows for understanding patterns in events, which are the main unit of analysis for replicating emerging theory (Doz, 1996; Langley, 1999).

With the temporal bracketing method process data are chronologically mapped and ordered over the passage of time (Miles & Huberman, 1984). This results in visual maps (of data describing stories, events, activities, or choices) that show parallel processes in a flow

chart of the most important events (Gehman, Trevino & Garud, 2013). In the temporal bracketing strategy (Ansari, Wijen & Gray, 2013) the data for an episode is ‘decomposed’ into successive adjacent periods to examine how actions in one period lead to changes in the context that will affect subsequent periods (Langley, 1999).

### 3.3.1 Research setting

The sample size for a process study with temporal bracketing, is not the number of cases but the number of observations over time within one case (Langley et al., 2013). As process data are analyzed and compared across successive ‘periods’ as units of analysis, a longitudinal study of one case (with several phases used for replication) will be sufficient to yield useful insights with moderate generality (Langley, 1999). In this study, we selected one case: PCM/De Persgroep. The data on the history of De Persgroep Nederland, one of the largest incumbent newspaper publishers in The Netherlands was collected. Before 2009 this publisher was known as PCM Uitgevers.

This type of organization is conducive to answer our research question because a newspaper publisher combines professional social and financial goals as it operates in two interdependent markets for subscriptions and advertising respectively.

The most important changes in the two markets that PCM/De Persgroep serves and the responses to these changes by this newspaper publisher were mapped for the period between 2000 and 2016. The year 2000 is chosen as a starting point because in this year the effects were felt of the foundation of the first entrants that seriously disrupted the Dutch newspaper market (free newspapers Metro, Sp!ts and website Nu.nl) in 1999.

We mapped the changing ‘issues’ and ‘answers’ of this incumbent Dutch newspaper publisher over time. In addition, this study not only focuses on the upper echelon of board of directors and top management teams and its top-down schemes, but it also includes middle and lower management (such as title managers of editorial sub-units) that are closer to market and may process information bottom-up (Joseph & Wilson, 2018). As individual coalition members are to be found at all levels inside and outside the firm (Liu, Dedehayir & Katzy, 2015), we studied multiple management layers of the organization.

### 3.3.2 Data collection

Between 2017 and 2019, we collected and analyzed both secondary (internal and external archival) and primary (interview) data. Archival data from documents are suitable for analyzing facts and framing, while interviews allow for more targeted data collection and for obtaining more sensitive information that may be lacking in archival data. Combining both types of data, allows for triangulation or the integration of qualitative and quantitative data, in order to establish the external and construct validity of our measures (Edmondson & McManus, 2007).

Data were collected from five types of sources: magazines, books, sector reports, financial reports and interviews. First, we collected 2,855 articles from two Dutch sector specialist media magazines *Adformatie* (2,041 articles) and *Villamedia* (814 articles). As *Adformatie* covers the latest news in the advertising sector, it was suitable for mapping events, facts, and framing on this market side. *Villamedia*, is a magazine for journalist professionals, which was selected because it gives an overview of the main news events, facts, and framing on the reader market side.

Second, several books on the history of PCM and De Persgroep (Ramaer, 2010; Schaepman & Spinhof, 2008; Logger & de Vries, 2011; Mooij, 2011) were summarized and used to add any additional events to the excel tables with events. These historical books were used as an additional data source for the mapping of events inside our case (internal power sources) and for gaining a more in-depth understanding of the mechanisms behind these



changes. Third, we collected data from 24 annual financial reports over the period 2000-2016. Nine of these were PCM Uitgevers reports (2000-2008) and fifteen were De Persgroep reports (2002-2016). These reports provided more facts on changes of internal power sources (ownership and TMT composition), and the responses to the environment (M&As, joint ventures, introduction of new products and services). Fourth, we collected data from 17 reports by NDP Nieuwsmedia, the branch organization for news media publishers, over the period 2000-2016. These reports allowed us to map the fundamental changes in the external power sources; the advertising and subscription markets served by PCM/De Persgroep.

Fifth, primary data were collected via 17 interviews which were held between May and October 2018 with thirteen managers who were employed by PCM Uitgevers or De Persgroep between 2000 and 2016 and four sector specialists. These interviews allowed us to fill information gaps that remained after the analysis of all the archival data and were used to identify the key events and process drivers. We developed an interview protocol that reflects our initial research question and adapted it over the course of our research (Alvesson, 2003).

Interviewees were four subscription and advertising market experts and 13 interviewees employed at PCM/De Persgroep. The latter group included three former CEO's, one former executive TMT member, six former middle managers, and four former title managers or publishers of four newspaper titles.

Topics that were discussed during the interviews included changes in reader and advertiser markets, how PCM/De Persgroep reacted to these changes, changes in the value propositions in these two markets, ownership changes and their effects on strategy. The length of these interviews ranged between 45 minutes and 2 hours adding up to a total of approximately 1300 minutes. All 17 interviews were recorded and transcribed. This resulted in 498 pages (Calibri 10 font) of transcript.

### 3.3.3 Data analysis

For all the 17 years (2000-2016) we mapped changes in both the advertising and subscription markets and the actions (attention given and answers to issues) by PCM/De Persgroep. We categorized changes in four markets: print advertising, online advertising, print subscriptions and online subscriptions.

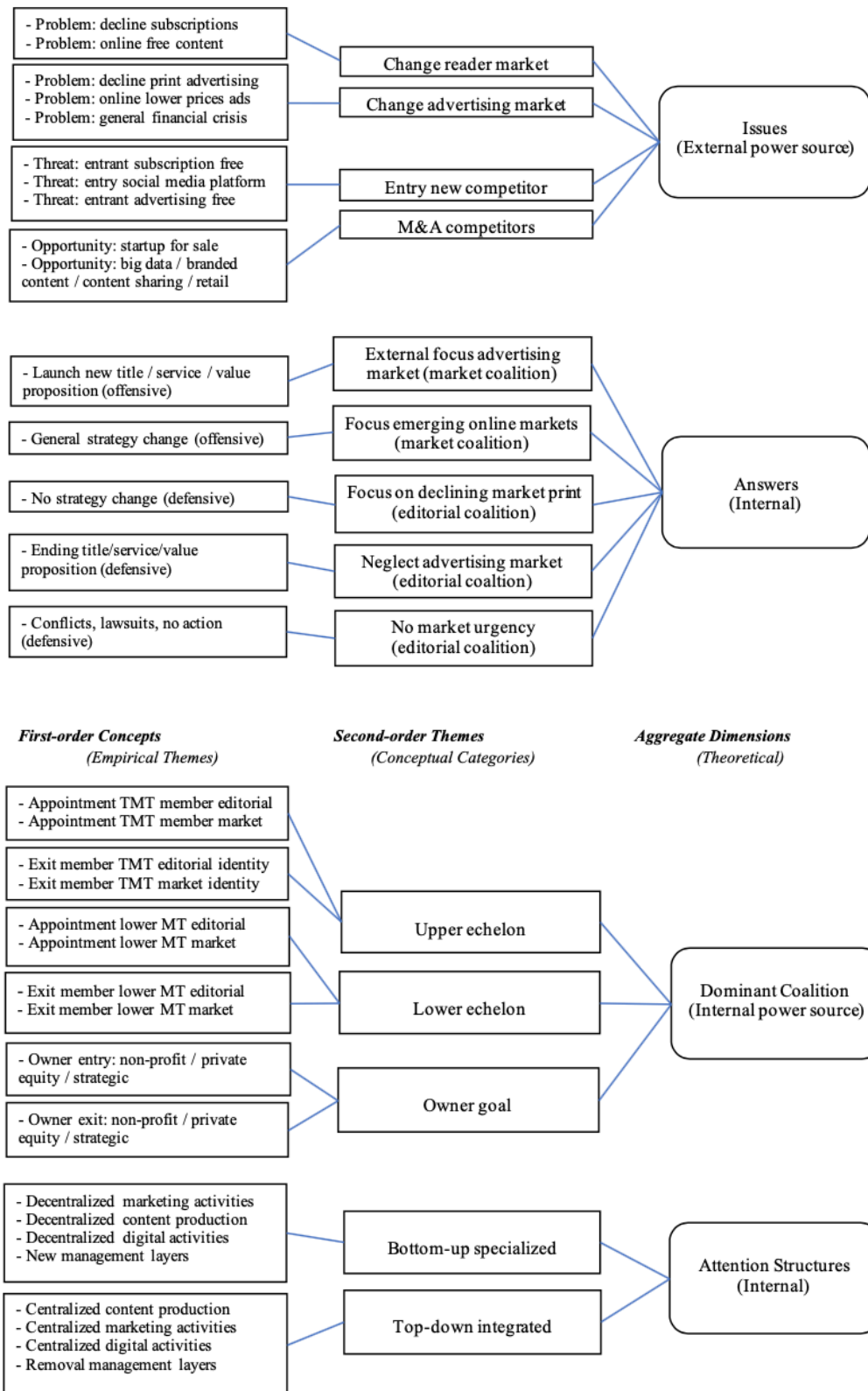
With Nvivo, we coded the 2,855 articles from Villamedia and Adformatie to obtain a total of 563 events listed in excel tables: one column for each of all the 17 years from 2000 to 2016. Subsequently, we chronologically mapped and coded the data from the annual reports of NDP Nieuwsmedia, PCM Uitgevers and De Persgroep. These data were further reduced resulting in a list of the 68 key critical events. We also listed the appointment and exit of all managers at three levels (top, middle and lower management) over the whole period.

We subdivided our data into two categories: 1) changes in the two-sided market environment of the news media sector and 2) changes in our case-study PCM / De Persgroep. Once all data had been chronologically arranged in four types of comparative tables, we conducted more within-year and cross-year comparisons for longitudinal replication of our findings. We tried to identify the critical events that initiated shifts or transformations of structures (Ansari, Wijen & Gray, 2013). We looked for 'discontinuities' or shifts that were breaches revealing boundaries of taken-for granted understanding. We tried to find which critical events or other types of events were the drivers of these shifts.

The interview data were also coded using Nvivo. From this 'open coding' emerged 62 nodes or themes and we reduced these to the following aggregate dimensions and their conceptual categories (see Figure 3.1): 1) *Issues* such as: change in reader market, change in advertising market, change in revenue, external events (entry new competitors or M&A's of competitors); 2) *Answers* such as: launches of new titles or services, sales or ending of titles/services, conflicts or lawsuits; 3) *Dominant coalition*: TMT nominations, executive

succession and ownership changes; and 4) *Attention structures*: either specialized attention bottom-up, specialized attention top-down, integrated attention bottom-up or integrated attention top-down.

**Figure 3.1 Data structure**



When each unit focuses on its own issues this was coded as *specialized attention*, and when several units gave joint attention to the same issue this was coded as *integrated attention*. This could be either driven bottom-up (*lower echelon driven*) or top-down (*upper echelon driven*) attentional processing.

'Issues' were the problems, opportunities or threats in the environment (markets) as perceived (or not) by organizational members. These *issues* represented changes in the 'external power sources' of the dominant coalition. For example, the following quote was partly coded with the theme 'change reader market' which falls in the aggregate dimension of an 'issue' in the environment of PCM/De Persgroep:

*"It [the decline in subscriptions] began in 1997. It was structural, no incident. You could not expect that these readers would come back, because it is the structural loss of the function of the print paper product. No measure was taken to counter that. The problem of losing this in the long run was not discussed then, but we should have discussed it prominently. The fact that you have a structural decline of paying readers, and that you could just calculate that there would be a major problem. Funny is that in 2009 de Volkskrant lost money. This paper had made profits of 20, 30 or 40 million in the past. Those profits just vanished, but until 2008 not a single change was made in the value proposition for the reader."*

Part of the same quote was also partly coded under the theme 'no market urgency' which falls under the aggregate dimension 'answers', which represented the responses to issues by PCM/De Persgroep. Particular types of *answers* could be linked to particular types of *dominant coalitions* with distinct owner goals and managers or TMT members with a market or editorial logic. For example: the following quote was coded under first-order concept of 'non-profit ownership', which falls under the aggregate dimension of 'dominant coalition'.

*"So, the [newspaper] titles were all separate social cultural entities that were guarded by a foundation shareholder... And because they were political cultural entities, they not only had no affinity with economic marketing reasoning, but they also had strong objections against it."*

Another example: the following quote describing this shift in the last period (2009-2016) was assigned the first order concepts 'centralized marketing activities' and 'removal management layers'. These belong to the second-order theme 'top-down integrated' which falls under the aggregate dimension of 'attention structures'.

*"In 2009, when this firm was bought by de Persgroep we had a very vertical structure, where all titles had their own publisher, their own management. That works well if you are autonomous, because then you can distinguish yourself. But if you are in one organization with several titles that compete in the same readers market and advertising market, that may not be such a good idea. So, we instantly changed that..."*

### 3.4 FINDINGS

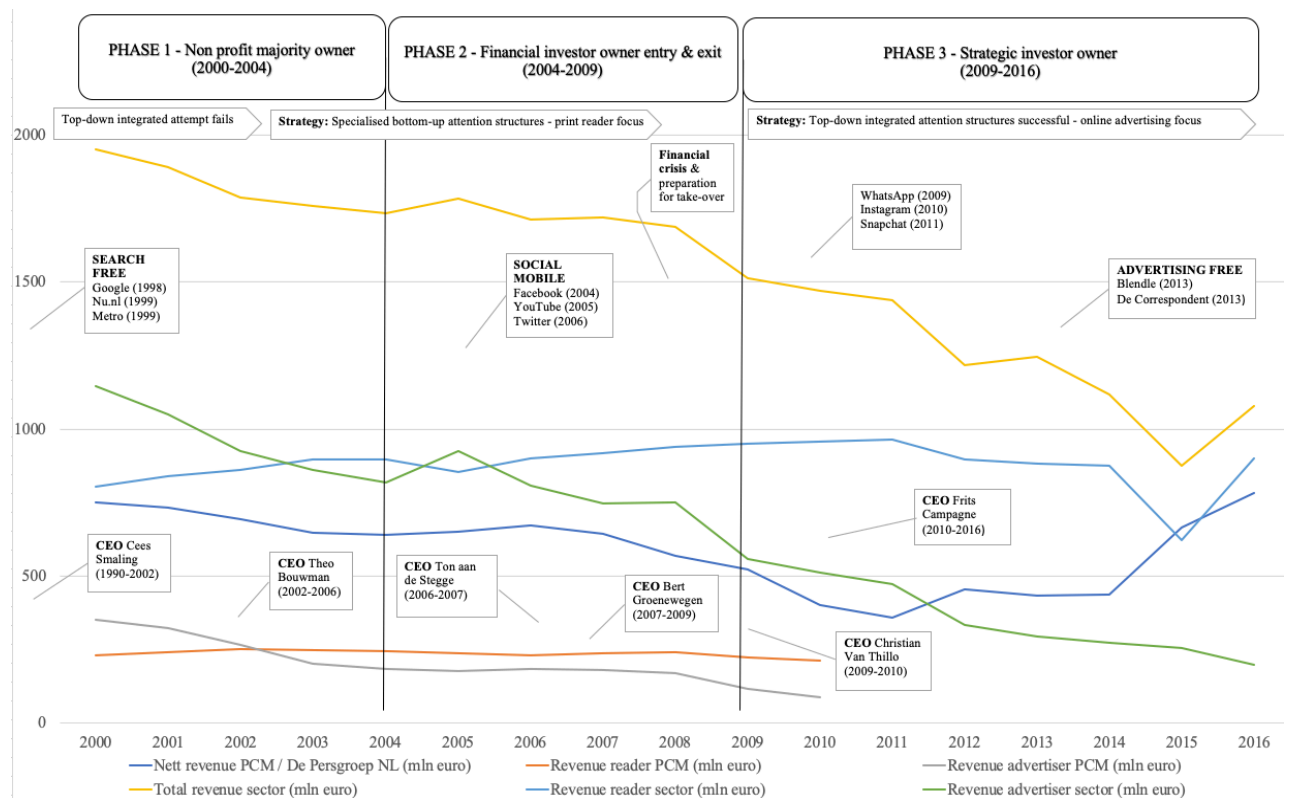
Our key finding is that in a technologically disrupted two-sided market context, diverging types of ownership lead to diverging outcomes in the process of coalitional change. Second, we find that upper echelons can be sidelined by lower echelons that form a dominant coalition with non-profit owners. Third, our results indicate that dominant coalitions are not entirely broken until they lose both their financial (market) and political (ownership) power base.

Our data-analysis reveals that as a result of technological disruption caused by the Internet PCM/De Persgroep lost revenues from both markets of print advertising and subscriptions between the years 2000-2016. Advertisers walked away more than readers however as can be seen in Figure 3.2. We found that pure players in online and print

advertising entered around 1998-1999 (Google, Nu.nl and Metro), social media platform entrants around 2004-2010 (Facebook, Twitter and Instagram) and pure player entrants in the online reader market around 2013 (Blendle and De Correspondent). However, these events were not ‘discontinuities’ that triggered immediate coalitional change inside PCM/De Persgroep.

We find that the response by the organization to market changes was terribly slow in comparison to its competitors. In the PCM Uitgevers era (2000-2009), especially, the entry of new online players, seemed to trigger mostly answers to issues in declining markets for print and subscriptions, while responses to the upcoming online advertising market were sabotaged. The entry of a non-dedicated financial investor owner in 2004, did not significantly alter this resistance and lack of answers by the organization to its disrupted market environment. This seems to indicate that financial weakening (via declining markets and the withdrawal of cash flows by the owner) is not enough to break a coalition if it still has a political resource base in ownership.

**Figure 3.2 Market changes and phases process\***



*\*In the annual reports of De Persgroep after 2010, no data are available on the advertising-reader-revenues*

The data revealed a turnaround point in 2009 with the entry of the strategic investor owner De Persgroep. Not only the type of issues that the organization focused on, but also in its attention structures were significantly altered. Before the year 2009 each (newspaper) unit had focused on its own issues (*specialized attention*) within its particular print reader and advertiser market segment. After 2009 joint attention was given to the same issue (e.g. online advertising and integrated content production) by more units (*integrated attention*). We also

witnessed a clear shift from bottom-up (*lower echelon driven*) to top-down (*upper echelon driven*) attentional processing after 2009.

Based on these findings we put forward a process model with three distinct phases that are demarcated by changes in ownership of the publisher PCM/De Persgroep (see Figure 3.2). We shall now present each phase separately by discussing changes in 1) the dominant coalition; 2) attention structures and; 3) answers given by the organization to issues in its environment. These three elements are all indicators of coalitional change inside the organization.

### 3.4.1 Phase one: Non-profit ownership

*Dominant Coalition* - Between the years 2000-2004 the dominant coalition in PCM Uitgevers was composed of non-profit foundations and the lower echelon management layers that shared a social mission and editorial ‘rules of the game’ and had a primary focus on the reader market for print. Three foundations owned PCM Uitgevers: Stichting het Parool (90.4%)\*, Stichting ter Bevordering van de Christelijke Pers (2.5%) and Stichting de Volkskrant (7.2%). These foundation owners of PCM were a remainder of the compartmentalization along ideological pillars in Dutch society. The missions of these foundations were traditionally in line with the professional, political, and religious mission of the reader audience of the newspapers and their editors (see quote 1, 2 & 17, Table 3.1).

\*With the sale of newspaper title *Het Parool* in 2003 to De Persgroep Belgium, the Parool foundation was detached from this newspaper (which got new owners) and it was renamed Stichting Democratie en Media (SDM). This new foundation owner of PCM Uitgevers had a more general democratic mission to protect press freedom.

**Table 3.1**  
**Phase one: detail coding structure - 2000-2004**

Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
Dominant coalition	Lower echelon ID	<b>MT editorial ID</b> So, the [newspaper] titles were all separate social cultural entities that were guarded by a foundation shareholder. So, de Volkskrant did not want a distinctive positioning from NRC Handelsblad. It just wanted to steal readers from NRC Handelsblad and vice versa. And because they were political cultural entities, they not only did they lack affinity with economic marketing reasoning, they also had strong objections against it.
Dominant coalition	Owner goal	<b>(1) Non-profit</b> Foundations are not shareholders. They are allowed to be shareholders, but it is not their expertise. Those people just sit in on meetings, but it is not about, how can I... Those people represent social groups. SDM totally went into that direction. Those people think about representing their own followers which were not necessarily the same ones as PCM's followers....
Dominant coalition	Owner goal	<b>(2) Non-profit</b> [ <i>The foundation</i> ] felt it was an absolute must to deliver three Het Parool newspapers in Dokkum [ <i>remote place</i> ], even if it were only three and this cost lots of money. And there was no Parool foundation that would say: should we actually be doing that? Het Parool had been making losses for years because of these type of things and it had a privileged position in the firm. It was allowed to be loss making, and it only started taking action when it left [PCM].... I never heard much from the Volkskrant and Trouw foundations.
Answer	Neglect advertising market	<b>(3) No Service</b> Yes, look, concerning the content, the newsroom was not interested in advertisers. And there was no coalition between the advertising side of the firm and the foundation, but there was one between the newsroom and the foundation, the guardian of the [newspaper] identity. So, you discovered that newsrooms and foundations agreed so much that they wanted nothing to do with integration. And the board of directors nor the Works Council - the ones who did agree on it [integration] - could never break through that. And this was profound.
Answer	Focus declining market print	<b>(5) No Strategy</b> [CEO] Bouwman used to say: all that is free will degenerate. A somewhat famous line. Once when I was travelling to my holiday destination in Italy, I received a phone call: 'Yes, Cees here, we are not going to launch that AD-website, ok?' Well, they knew it was necessary, but had no idea how they could ever exploit it.
Dominant coalition	Lower echelon	<b>(7) MT Editorial ID</b> And yes, let's say the combination of newsrooms, editors-in-chief and their shareholders were so.. That cooperation was so strong that.. They just said... considered themselves a public institution, I believe. Everyone there had enough power to block things, but no one had enough power to get things moving."

Attention structures	Bottom-up specialized	(6) <b>Decentralized marketing activities</b> But most remarkably, a firm like PCM was actually governed by the newsrooms. The editors had the primacy. I was hired for my experience at Unilever and Nestle because due to all sorts of market threats, it was necessary to increase the market awareness in the strategy of the newspaper division. That was the assignment.
Attention structures	Top-down integrated	(8) <b>Centralized digital activities</b> Well, yes, then it was decided to start an autonomous entity [PIM] outside the existing business. It had to report directly to Bouwman or Smaling then already, I believe. But the [newspaper] titles had nothing to say about it. So, try to imagine what incredible power battle started because of that.
Answer	Focus declining market print	(9) <b>Centralized digital activities</b> This was after the failure of PIM. Indeed, after PIM, I arrived in 2002. Then the internet was one big hangover in the firm. So big beautiful business plans with big investments online were not considered as value propositions for the future... In that Internet age, PIM was too little too late, I think. And then it is really hard to get a good market position.. They [customers] go to two market leaders and that's enough. Everyone expected that reading a full paper on a screen or a book on a screen was not going to be done. This is hard for us to imagine now.
Attention structures	Bottom-up specialized	(10) <b>Decentralized digital activities</b> It was already a battle in the beginning, yes, in the early years of the Internet: should you put Internet in a separate division or under the name of the title. Is it a division on its own? Well, if you separate it, it generally has a faster start. If you put the titles in charge [of online activities] - especially in the beginning when no one had any idea what to do - there was the unwieldiness of this reasonably large organization. Nothing will happen then, so that doesn't work either. But we switched a couple of times especially in the early internet years. But the theory also changed, because the Americans were truly good at saying: yes, it should be separated, and then later came back to this... That's why I felt it was best to decentralize it.
Attention structures	Bottom-up specialized	(11) <b>Decentralized content production</b> De Volkskrant's [newspaper] content belongs to Pieter Broertjes [former editor-in-chief de Volkskrant]. So, why would he give this content to the firm PIM over which he has no control and from which he will get no revenues either? Well, that gave some political conflict... Well, there was quite a battle about this, because at some point they would get all content of all PCM divisions. Maybe they even did at some point, but there was lots of conflict about this. Eventually PIM died a harsh death, I do not know when exactly.
Answer	Focus declining market print	(12) <b>No strategy changes</b> That [sharing data] was an immensely sensitive issue. It was extremely sad, actually, because, to give a banal example: based on data we could not even... We had a large number of titles, so if we combined their data, we could for example find out who was very interested in cookbooks. We had big publisher of cookbooks in our group, so we could match that perfectly, but... that was never accepted.
Answer	Focus declining market print	(13) <b>No strategy changes</b> Well, they [the newsrooms] did not sabotage it, but they did not embrace it either. No, and te KKC wanted to sell those data, but the titles felt that was too commercial, too pushy. So that created more tension again, but we did indeed see the opportunity. Yes, we saw that we reached 2 or 3 million people and that we had quite some information about them that we could exploit - so the KKC and the insight were present.
Answer	Neglect advertising market	(14) <b>No strategy change</b> So, yes, the focus on advertising - which was the sub-title [of report by McKinsey].. Not exactly sure, but that we needed to focus on this with a portfolio was indeed the message. So, they indicated that we had a truly valuable reach, because with all the titles combined, we had a very strong position, especially in the [segment of] Dutch people with a higher education. Well, that is an immensely interesting target group for advertisers. With one stop at the PCM-shop they could reach them... [another McKinsey advice was:] do not publish all the ads in the back of the newspaper. No, just put your ad on page 3, half a page. If an important advertiser wants this, you should just do it. Why not? You are not embarrassed that you offer advertising, are you?
Issue	Change reader & advertising market	(15) <b>Problem decline print ads and subscriptions</b> When I arrived in 2000 there was no problem for the newspapers yet. It was the best year ever. No one had any notion of digitization and there was no need for it because things were going well. So, again, the year 2000 was the best ever in our history.
Answer	Focus declining market print	(16) <b>Print value proposition</b> The idea behind the strategy of widening the revenue base was that the long term future of newspapers was uncertain. So, a more stable cash flow would come from educational publishing. That is why we wanted to acquire Malmberg [name publisher]: because we really needed some buffer for investments in the innovation of the newspapers. Meanwhile the newspapers thought we were neglecting them or that we wanted to get rid of them. But Malmberg would have given us revenues that would have made us less vulnerable, you see. Today, educational publishers are more of a combination of paper and digital subscriptions, often very longitudinal. As soon as you have 'need-to-know' you are more stable... So that is why we were interested in educational publishing, because need-to-know gives less windfall profits, but it also gives more stability.
Answer	Neglect advertising market	(17) <b>Owner goal</b> I think that they [the foundations] were not busy with it [developments in the advertising market]. I know they were not, because I had to report to the supervisory board. We had meetings about developments in the advertising market, but they did not pressure us at all and it was not as if I... Well, there was a need for it, there really was, the market was difficult, but...
Answer	No market urgency	(18) <b>Owner goal</b> But the negative side of it [non-profit ownership] is that apparently - at [name other non-profit owned publisher] it was exactly the same - it results in a social workplace culture and that gives a syrupiness and no sense of urgency to change anything, because: why would you? We are doing well, we can save up for our retirement, because we can pay our people well. We do not need to exert extreme pressure on people... And eventually that is killing...
Answer	Focus declining market print	(19) <b>No strategy change</b> Smaling was already involved in the strategy to widen the revenue base in print... Actually, there is proof of that, because the book division was already there - Meulenhoff had been acquired long before that time. The educational division also. The professional magazines, the job ads which were based in Rotterdam - forgot the name of that - and later Intermediar [name career magazine with job ads] joined.

On many issues, the lower echelon of newspaper title managers and newsroom managers (publishers and editors-in-chief) was politically backed by the foundation owners, making this what we label the dominant editorial coalition. As the following quote illustrates, top management initiatives were often blocked and strategies sabotaged when the lower echelon joined forces with the foundation owners (also see quote 3, Table 3.1).

*“As soon as there was a problem and [name national newspaper] felt deprived, [name CEO] could try everything, but in the end, there was a direct line to the foundation... The editor-in-chief was independent, so he always had the option to approach the owner directly... [the foundation] held two-thirds of the shares and was extremely concerned about press multiformity.”*

The editors-in-chief of the newspapers were exceptionally powerful lower echelon managers, who as public figures had great status (see quote 6 & 7, Table 3.1) all but a few of PCM's national newspapers had their direct links to the foundation owners.

Contacts between the members of the dominant editorial coalition were informal, deliberately constructed and member action was concerted, especially among the newspaper title managers, as the following quote indicates.

*“We still meet twice a year now... We were serious competitors but got along eminently. While the newsrooms did not interact, our relationships were incredibly good... Yes, forming a block together against the board or the strategy club or the advertising sales department.”*

*Attention structures* – The attention structures of the organization are an indicator of what coalition dominates. Integrated attention either top-down or bottom-up was hard to achieve at PCM because the title units (newsrooms) were competitors that were autonomous islands. This decentralization was in line with the editorial logic and the mission of the foundations that had protection of press pluralism as their mission. Formerly competing newspapers had been merged into one organization in 1995 and this complicated cooperation between the newspapers (also see quote 17, Table 3.1):

*“The big flaw of PCM is that its titles competed with each other in both the advertising and reader market... My ideal would have been one firm with de Telegraaf and de Volkskrant, and another with NRC and Het Financieele Dagblad. Why? Because they exclude each other on the reader market and complement each other fully on the advertising market.”*

TMT members always had to find a compromise that was acceptable to all newsroom units. This is an indication of how powerful the editorial coalition was. In order to counter this, CEO Cees Smaling tried to implement top-down integrated attention structures. He created a structure where the national newspapers no longer had their own managers at the level of the TMT, but they had to report to a new ‘circulation director’ (Mooij, 2010). Smaling's attempt to centralize decision-making was, however, abandoned by his successor Theo Bouwman, as he describes in the following quote (also see quote 10, Table 3.1):

*“We dismantled the division structure pretty soon because you cannot sell the uniqueness of a newspaper in the reader market from the top... A newspaper is of course a living product, so the marketing for those newspapers should - in my opinion - be as near to the newsrooms as possible.”*

The management layer of the central division was removed, and all title managers reported directly to the TMT again. In 2002 TMT member Cees Vis gave the title managers more power and financial responsibilities as delegated publishers. From 2003 onward the title manager publishers enjoyed more autonomy and started building their own decentralized advertising sales departments.

Inside PCM there was also editorial coalition resistance against the attempt by CEO Smaling to centralize and implement a ‘portfolio strategy’ to serve the advertising market (see quote 14, Table 3.1). These measures had been proposed by several consultants and other advisors such as McKinsey (2003) who signaled that PCM needed to pay more attention to the advertising market. Another example of a failed attempt by the TMT to implement top-down integrated attention structures to serve the advertising market online, was the failure of PCM Interactive Media (PIM) (see quote 8 & 11, Table 3.1). In the year 2000, PCM set up this central division separate from the newspaper newsrooms to serve the online advertising market. PIM developed online platforms for advertisers that were a disaster. The newsrooms refused to cooperate by not allowing usage of their content, so PIM was dismantled after a year because the dominant coalition basically sabotaged it:

*“Why did PIM fail? We, the titles, were pretty arrogant. Looking back, we were not the most cooperative types for those sort of things... But the board of directors should have told us that. And then the editors-in-chief [names] were real celebrities. They had a finger in the pie, you should not underestimate that. They put the brake on quite a number of initiatives.”*

The attempt to start a centralized storage and exploitation of the digital data on customers via het Klant Kennis Centrum (KKC) in the early 2000’s also failed because the lower echelon did not cooperate (see quote 12 & 13, Table 3.1). The top management realized that the combined reach of all news titles held many opportunities. But the newspapers did not want the KKC to commercially exploit their titles because they felt this was ‘too commercial and pushy’.

*Issues & answers* – The power of the dominant editorial coalition of the lower echelon and non-profit owners is also illustrated by the issues and answers that PCM focused on. The tipping point in newspaper circulation in 1998 and start of the gradual decline of paying readers was not responded to in this phase. Inside PCM a lack of urgency was felt regarding declines in both the advertising and reader markets in this phase (see quote 9 & 15, Table 3.1). PCM still managed to make good revenues and the year 2000, right before the dot-com crisis, was ‘one of the best ever’ for PCM (also see Figure 3.1). After 2003, however, revenues from the reader side were increasingly used to subsidize the decline in revenues on the advertising side, as is illustrated by this PCM-manager’s quote:

*“The reader community is very loyal, so if it didn’t work out on the advertising market or paper prices increased, we could simply raise the subscription prices with impunity... We could compensate for financial setbacks with prices for subscriptions, so we did that. That was hard with the advertising prices because there was lots of competition there. Advertisers first went to TV, then internet, so we had to be careful.”*

The opposite was true before 2003, when total sector revenues from advertising still exceeded those coming from the reader market. The market decline did however not yet significantly weaken the external power base of the editorial coalition.

The emerging online markets were not an ‘issue’ yet either, as these accounted for a negligible percentage of revenues. The dot-com crisis strengthened the conviction in PCM



that the focus of attention should be on the market for paper publications, not the Internet. Online PCM's response was not pro-active but rather defensive as it started lawsuits against other new platforms that used PCM-content without permission. The reaction by PCM against the launch of the free sheet newspaper *Metro* in 1999 in The Netherlands, was also terribly slow and defensive. While competitor TMG launched the free newspaper *Sp!ts* on the same day as *Metro*, a free newspaper *DAG*, was not launched by PCM until eight years later. Instead PCM's advertisers were offered glossy lifestyle print magazines with the newspapers. CEO Bouwman famous motto was: 'all free publications will eventually degenerate'.

Both CEO Cees Smaling (1990-2002) and his successor Theo Bouwman (2002-2006) had been appointments typical of the foundation's preference for traditional paper publishers with an understanding of the unconventional aspects of managing powerful editorial units that were supported by non-profit owners (see quote 5, Table 3.1). The advertising market, especially online, was 'secondary' to them and even neglected. Especially CEO Theo Bouwman had little affinity with the advertisers and made little effort to approach this market, as is illustrated by the following quote:

*"Theo had no affinity with advertisers. He felt they were coarse, and he was glad that I dealt with them, that I would go to the media bureaus and to the advertisers to embrace Unilever's [name manager]. So, he was happy somebody else could do that for him."*

The focus of both CEO's was mainly on the print reader market, and as such their focus was similar to that of the dominant editorial coalition. Bouwman and Smaling both continued the so-called '*basisverbreding*', a strategy aimed at broadening the revenue base of PCM, and which dated from the nineties (see quote 4 & 16, Table 3.1). This strategy primarily focused on the print reader market including the readers of books. Hereby, PCM aimed to protect itself against the declining and cyclically sensitive advertising market via the acquisition of book publishers that were a more stable revenue source.

However, the foundation owners lacked the expertise and means to finance the M&A's in the book sector that the TMT desired. The foundations preferred a focus on newspapers titles, as the newsrooms were afraid that the focus on books would be to their disadvantage. Also, concerning the *basisverbreding* strategy, once again, the top management felt it was being hindered by the coalition between the foundation owners and lower editorial echelons. It wanted to break this coalition via an ownership change and started to search for a new investor owner with the means for new acquisitions. In order to say farewell to the non-profit owners, an initial public offering for PCM was also considered (see quote 4 & 8, Table 3.2).

This first phase leads us to our first proposition: *the upper echelon can be sidelined by majority owners that form a dominant coalition with lower echelons.*

**Table 3.2**  
**Phase two: detail coding structure - 2004-2009**

Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
Dominant coalition	Upper echelon	(1) <b>TMT member market goal</b> Aan de Stegge was sort of the Trump of the publishing world: he didn't worry about conventions nor existing sentiments. He just used his gut-feeling and his phone. That was Aan de Stegge.
Dominant coalition	Upper echelon	(2) <b>TMT member market goal</b> You could not catch Ton aan de Stegge making any strategic steps... He is a very friendly, amicable and charming man, but he had no experience whatsoever with [publishing newspapers]
Dominant coalition	Upper echelon	(3) <b>TMT member market goal</b> Financially Bert is extremely clever, but I feel Groenewegen is also more interesting as an exponent of the new thinking. He was also immensely popular within the organization and he solved a lot of problems all by himself.
Dominant coalition	Owner goal	(4) <b>Non-profit</b> They [foundation board members] had no idea and there was no true conviction ... You can say many things about the foundation, but in the end it's a great shareholder for the independence of newsrooms and pluralism of the press. For that goal there is no better owner. In the long run, however, it becomes cancerous. You just get too little innovation. Everyone stays in their comfort zone. And 5, 10 or 20 years later you realize: we missed quite some opportunities. Call it market discipline if you like, but we all need some pressure at times to get out of our comfort zone.
Dominant coalition	Owner goal	(5) <b>Non-profit</b> Well, there was more of a paranoia atmosphere. Theo used to say at [shareholder and TMT] meetings: 'guys, please, in god's name keep this confidential'. That lasted for a bit, but then two or three weeks later somehow there was an article on it in the paper. I think that often information leaked via the foundation. An editor-in-chief would have been sparring with a member of the foundation's board. There were many backdoors to be taken.
Dominant coalition	Lower echelon	(6) <b>MT editorial goal</b> The newsrooms used the foundations as their secret weapon when they needed them. For example, when NRC wanted to become a morning paper. Then Pieter [former editor-in-chief Volkskrant] was warned: 'watch out, NRC wants to be a morning paper; we cannot let that happen'. Yes, there was definitely this alliance for political reasons, but this was not in the interest of the firm. [NRC] did not have its own foundation [yet] so that created tensions.
Dominant coalition	Lower echelon	(7) <b>MT editorial ID</b> [Concerning coalitions foundations and newsrooms] "That happened all the time. So, there were two shareholders who did not agree. Then in my management team there was disagreement and if the board wanted to change something there was always a secret passage for those who disagreed. That led them to the Stichting Democratie en Media (SDM), so that they would intervene top-down... Not that it was successful, but there was lots of communication. Everything we discussed with the owners was also known elsewhere.
Dominant coalition	Owner goal	(8) <b>Private equity</b> When you read the court of appeal's verdict, it says it all. They focus on poor management and a lack of it. Apax did not add anything. The reason to bring in Apax was to break the power of the foundations, because due to the foundations (especially Het Parool foundation) nothing was possible. So, whatever happened, if the foundations would not to go, the firm would die. Nobody understands that, but it was the reality. There was no way to manage it: we needed to get rid of them. We needed market discipline, financial discipline. We needed a party like Apax because we were not good enough for an IPO. The firm was not ready for it. So, venture capital was a very nice, pleasant alternative, because it is a reality check. They confront you with the discipline of the market. Harsh, but it cures everyone. But somehow Apax did not succeed. There was Grabiner, he talked and had his connections but there was no strategy.
Dominant coalition	Owner goal	(9) <b>Private equity</b> It's very simple. They [Apax] had seen that there was quite some flesh on the bones. Yes, you can also read in the annual reports that there was a lot of historical value. So they realized if we buy this and strip it, this will be a good deal. They immediately started stripping all sorts of things, a bad form of robbery capitalism. When the first opportunity to buy an educational publisher arose, Apax said: it's too expensive, which of course was rubbish. No, Apax just came to strip like an aggressive foreign venture capital fund. In the Netherlands no one knew them, so they could sell it all. At some point we even needed to get permission to buy a stapling machine for the printers which cost about 100,000. This applied to all expenditures that could not be regained within six months.
Dominant coalition	Lower echelon	(10) <b>MT editorial ID</b> De Volkskrant had its own publisher, AD had its own publisher, Trouw and NRC had one. The four of us had a meeting every Monday morning with the board in Amsterdam. Before that meeting, we, the four publishers, would also meet. I remember that Alberdink Thijm [executive board member] who was our boss then, really hated that, because we could form a 'block' against him and against the central departments, the sales and advertising departments if they told us what to do. If the four of us told them we wanted it this way and Alberdink Thijm did not agree, he did not have much leverage.
Attention structures	Bottom-up specialized	(11) <b>Decentralized marketing activities</b> For the newspapers, PCM was like 'foreign affairs'. It was external to them. Broertjes and Jensma [editors-in-chief newspapers] were competitors. Their personalities clashed, but the papers were also in each other's way of course.
Answers	No market urgency	(12) <b>No service</b> Even in 2005 there was a downturn, but profits were still good. So, I think that people do not start to move before it is really threatening or until the point is reached where they realize: there is no choice, now I have to. But the newspapers were not there yet.

		(13) <b>No strategy changes</b> It [the decline in subscriptions] began in 1997. It was structural, no incident. You could not expect that these readers would come back, because it is the structural loss of the function of the print paper product. No measure was taken to counter that. The problem of losing this in the long run was not discussed then, but we should have discussed it prominently. The fact that you have a structural decline of paying readers, and that you could just calculate that there would be a major problem. Funny is that in 2009 de Volkskrant lost money. This paper had made profits of 20, 30 or 40 million in the past. Those profits just vanished, but until 2008 not a single change was made in the value proposition for the reader.
Answer	No market urgency	
Issues	Change advertising market	(14) <b>Problem: decline print advertising</b> By that time - in 2002-2006 - things were going less well, but the money was still flowing in, so there was not a big financial problem
Issues	Change advertising market	(15) <b>Problem: general financial crisis</b> There was total panic [from 2007 onward]. The most prominent issue was that PCM was nearly going bankrupt.
Answers	Focus declining market print	(16) <b>No strategy changes</b> With the entry of new managers, Smaling and Bouwman, it was clear that things had to change and that another ownership structure was needed. The goal was: the newspaper market is shrinking, so we must spread our wings because we are on a sinking ship. We have to diversify, and we need new capital for that, because our reserves are too small to invest in education, internet, media for professionals. We needed those to survive. So, new capital was brought in via Apax. It took 16 years of preparation before Apax was chosen. But soon we found that the acquisitions were not possible. There were some preys but one after the other was bought by others. So, we gave up on M&A's within two years. Then there were austerity rounds and it was decided that the book division must be sold. Instead of growing we had to shrink.
Answers	Focus declining market print	(17) <b>No strategy changes</b> I had no specific assignment at all. No, I already told you that I want to work on that with the people in the firm. And if you want to know what plan there is for the next three years: don't ask me. It would be very strange if I, as an outsider, would just tell everyone what to do. So, I had no plan for what to do. There were no instructions from SDM nor Apax. No, there was nothing... Apax was fine, never bothered us.
Answers	Focus declining market print	(18) <b>No strategy changes</b> Apax was never visible in my perception. Apax did not play any role in the business. It was very simple: before the acquisition Apax had promised several things that had to be realized. They did not get involved in how we would realize that.

### 3.4.2. Phase two: Financial investor ownership

*Dominant coalition* - Between the years 2004-2009 the editorial coalition of the foundation owners and lower echelon still remained dominant, but its financial revenue base was critically weakened both internally (exit and financial harvesting owner) and externally (market decline). In 2004 a new foreign private equity owner, Apax, bought a 47,5% share in PCM and made the upper and lower echelon participate by buying 5% of the shares.

Although Apax had been brought in for new acquisitions in the book publishing sector, it never followed up on its promise to finance these. Apax concentrated merely on its own financial mission (see quote 9 & 16, Table 3.2). As a result, there were fewer means for change and innovation than in the past.

Apax did not break the deadlock that the top management was in, because as an external foreign private equity fund based in the UK it kept a distance. This new non-dedicated financial investor owner did not alter the organization's strategy, partly because it was not allowed to do so, as stipulated in the takeover agreement. Also, the owner did not give the new CEO any clear assignment and did not interact much with the upper and lower echelons (see quote 17 & 18, Table 3.2). Despite the entry of a majority private equity owner, the foundations still supported newsrooms via the 'backdoor' in the organization (see quote 5, 6, 7, 10 and 11, Table 3.2).

Apax and the largest foundation shareholder SDM had trouble to agree on the appointment of a new CEO and chose Ton aan de Stegge in 2006 (Ramaer, 2010). He came from the mobile phone provider Telfort and had no expertise nor experience in the newspaper publishing. Aan de Stegge did not get the support of the editorial coalition members who viewed him as a 'stranger' ignorant of professional editorial rules of the game (see quote 1 & 2, Table 3.2).

*Attention structures* - During this phase of financial investor ownership, bottom-up specialized attention structures remained intact at PCM. This implied a continued resistance against the sharing of editorial content and other data. The flaw or governance problem of competing newspapers in one firm was not undone by the private equity owner, that focused mainly on the withdrawal of cash flows.

The financial harvesting by Apax did, however, cause tensions mainly with PCM's editorial staff. This reached a climax in 2006 when the newsrooms went public with a letter of protest against the financial motives and actions of owner Apax. This clash between social and economic goals sped up the exit of this financial investor owner. In reaction to the public commotion about the withdrawal of cash flows by Apax, the SDM foundation became 'activist' in 2007 and bought back its shares from Apax at a price above market value. Aan de Stegge describes it as follows:

*"On one side there was Apax that wanted to move forward in the new world... and on the other side the foundation that was only being conservative and difficult... So, the 50%-shareholders were directly opposed to each other. That doesn't make a CEO happy... A month later, suddenly SDM wants to buy out Apax for a ridiculous price, so I said: well, yeah, fine, if you get an offer you can't refuse, which was indeed the case. So, Apax figured: after all this shit, we win the jackpot."*

Without consulting the TMT, supervisory and editorial boards, SDM then announced a plan to merge PCM with NDC, a newspaper publisher in the North of the Netherlands which also had a book publishing division and a non-profit foundation owner. This plan, however, never materialized. CEO Aan de Stegge did not want to cooperate and resigned in protest as did other TMT members. Only one TMT member, Bert Groenewegen, the CFO, stayed on to deal with the near bankruptcy situation that PCM was in after the Apax-exit (see quote 3, Table 3.2). In 2007, PCM had to recover from the high debts caused by this exit, which was followed by the financial crisis of 2008 and collapse of the advertising market.

*Issues & answers* - The main issue that the organization focused on during this period was the internal trouble caused by the entry and exit of Apax. After 2007, the near financial bankruptcy of PCM was the primary issue. In this period, external developments such the rise of social media such as Facebook (2004) and YouTube (2005), which by 2016 had conquered a significant share of the advertising market, were not experienced by PCM as pressing at all (quote 12, 13, 14 and 15, Table 3.2).

New initiatives in response to the entry of new online platform competitors in the advertising market, were not launched centrally anymore after the PIM 'hang over'. Most of the digital innovation in this episode was done bottom-up at the level of the title units, where newsrooms experimented with making audiovisual productions. No central divisions similar to PIM, were built again to this aim.

Owner Apax and CEO Aan de Stegge did, however, have more affinity with the advertising market than the foundation owners and former CEO's. This is illustrated by the launch of a free sheet newspaper which was a project that Smaling nor Bouwman and many lower echelon managers were against. In 2007 PCM introduced this free sheet, but it soon failed because the Dutch market was too crowded with four free newspapers right before the collapse of the market for advertising in 2008.

This second phase leads us to our second proposition: *dominant coalitions are not entirely broken when they lose only their financial power base, but not their political power base in ownership.*

### 3.4.3 Phase three: Strategic investor ownership

*Dominant coalition* – In 2009 PCM had no choice but to be bought by the Belgian family owned newspaper publisher De Persgroep. This publisher acquired 58,5% of the shares, while the SDM foundation kept 38,8%, de Volkskrant-foundation 2%, and Trouw-foundation 0,7%. The family of the new CEO, Christian van Thillo, was a majority shareholder of De Persgroep. As such, he entered the upper echelon as a much more powerful coalition member than his predecessors who had held only minority shares in PCM. The new CEO had extensive media management experience in a publishing group with a large portfolio of complementary Belgian (news) media titles.

Between 2009-2016 the editorial coalition was weakened politically, because for the first time the CEO now held a majority share in the firm. This gave the new strategic investor owner the political leverage needed to build a new dominant coalition in which the lower echelon had less power. The new owner demanded that the foundation owners would no longer interfere on behalf of the newsrooms, as this quote by a TMT member of De Persgroep illustrates (also see quote 3, Table 3.3):

*“Then De Persgroep struck a deal with the foundation, but immediately agreed that they would run the business. All important decisions concerning the shareholders would of course be arranged, but the foundation no longer gets involved in the business operations of this firm.”*

The new CEO owner ensured that decision-making became more centralized. He had the power and charisma that was necessary to restructure PCM. Unlike his predecessor Aan de Stegge, Van Thillo was a very experienced newspaper publisher and smart coalitional broker. He immediately got former members of the editorial coalition on his side by emphasizing that his main focus would be on the print product of the newspaper, as the following quote clearly illustrates.

*“What they did was to make the product central, and the product is the newspaper, the readers. Well, that makes the newsrooms come along... Then somebody [CEO-owner] with vision, persuasion and passion enters. So, that was indeed a turning point. We finally discussed the product again, instead of side effects like the internet and free newspapers.”*

De Persgroep made substantial cost reductions and fired hundreds of staff, which also weakened the editorial coalition and made the publisher profitable again (see quote 1, 2 & 5, Table 3.3). The lower echelon of title managers was replaced by one central publisher-director, and editors-in-chief got fewer commercial tasks. De Persgroep brought in many of its own managers and only very few of the former PCM-managers that ‘went along’ with the Belgians stayed (see quote 8, Table 3.3).

**Table 3.3**  
**Phase three: detail coding structure - 2009-2016**

Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
Dominant coalition	Owner goal	(1) <b>Strategic</b> [CEO] Van Thillo can get the whole firm on his side in one meeting... He wins the hearts and minds as a leader.. leadership that is.. But Van Thillo does this only after he wiped the slate clean. So, when Van Thillo buys Wegener [name newspaper publisher] - he fires people in crucial places and hires people he knows for those positions. He appoints those he knows and this removes the resistance. The people who stay, will have a we-feeling. That did not exist in PCM times at all. [name Belgian super-publisher] is deployed as a secret weapon. When Wegener was bought, he would fire a few editors-in-chief and employ those who understand what he wants. So, yeah, Van Thillo is a fast mover, and that is quite a relief.
Dominant coalition	Owner goal	(2) <b>Strategic</b> There was no resonance against Van Thillo. What Van Thillo wanted, [name other TMT member] did not change in any way. Van Thillo and his people in Belgium as well. They nearly all left now, but he had the family that also owned shares and options. They came from Belgium and took charge, accepted no objections.
Dominant coalition	Owner goal	(3) <b>Non-profit</b> Well, yes, they [foundations] are shareholders of course, and that still plays a role. But no, it is more about the position of the brand now. The Foundation De Christelijke Pers will still strive to ensure a wide support for Trouw, but it does not get involved in the commercial strategy.
Dominant coalition	Upper echelon	(4) <b>TMT Market ID</b> I think Van Thillo really tried to unite the firm. When he entered the firm, he found all these islands and wars going on.
Attention structures	Top-down integrated	(5) <b>Removal management layers</b> Then the Persgroep arrived. We do it.. We start.. All the decentralized hassle and trouble; let's get rid of those people. We are going to deal with this centrally from now on. We are going to tackle this with the right timing, with our own people. That was quite something, because in the past we got advice from everyone, IBM, McKinsey. Every half a year a new package. De Persgroep had a smarter approach, they did not go too fast, but did everything one by one. When all changes are implemented at once, this gives chaos. So, they managed it project by project, which I felt was very smart. And they had about 10 million for lump sum payments. So, there was no conflict in the top 60 of managers. At PCM the top 60 were the top officials: the directors of the operating companies, the heads of service, editors-in-chief. I think that only 5 out of those 60 still had there job one year after de Persgroep takeover.
Attention structures	Top-down integrated	(6) <b>Centralized marketing activities</b> In 2009 when this firm was bought by de Persgroep we had a very vertical structure, where all titles had their own publisher, their own management. That works well if you are autonomous, because then you can distinguish yourself. But if you are in one organization with several titles that compete in the same readers market and advertising market, that may not be such a good idea. So, we instantly changed that... In the past it was possible to be small like Het Parool [name newspaper title] as we proved in 2003-2003, but today you need more punching power. You have to consolidate to get along technically and to be able to make those investments. I mean that you need a portfolio. And that is what is so great about de Persgroep Nederland: it has many titles that do not compete but complement each other by each serving another audience.
Attention structures	Top-down integrated	(7) <b>Centralization marketing activities</b> Actually, from the moment that de Persgroep bought it [PCM], [the decentralization] was totally reversed. Yes, all was centralized. Trouw now has one marketeer, as there is one marketing department. So, I am happy I left, because [as a title publisher] you no longer have a say.
Attention structures	Top-down integrated	(8) <b>Removal management layer</b> The title managers were like mini publishers, but that job no longer existed [after Persgroep takeover]. Then all editors-in-chief had to report directly to [name Belgian super-publishing director], so the title managers were effectively removed. That is right. At some stage they were all in one department in Amsterdam, so they no longer worked at their title because that was another department. Yes, bam, at once they were brought together. That is one of the tasks we completed: copying the Belgian structure [in The Netherlands]. At some stage, the deals with the newsrooms had ended and the editor-in-chief were no longer in conflict. That was ended rapidly, I think.
Answer	Focus emerging online markets	(9) <b>General strategy changes</b> Yes, in the reader market [De Persgroep Nederland] quickly improved its position. It was easier to make a difference in the reader market [than advertising market], that was clear. I think we could rapidly give the reader market a new impulse with the drive that already existed in Belgium... As soon as numbers [reach newspaper] start to drop, the reaction is extremely fast. We also implemented several techniques that had proven to be very successful in Belgium. We also found those in Italy, the UK, etc. Because Belgium is a smaller newspaper country, de Persgroep had to cross the border to learn. That was the mentality: absorb the external, copy and learn a lot. I think, this was adopted quickly. The Dutch newspaper makers were no longer doing this.
Answer	External focus advertising market	(10) <b>Launch new service</b> Van Thillo became much more visible there [in advertising market] and was very clever. He still offers all his advertisers an expensive weekend in Hungary or Ibiza. He invites them, charters a flight so that 200 of the biggest of the Netherlands can be spoilt for a whole weekend and they get some lectures etc. So, Van Thillo is very clever there.
Attention structures	Top-down integrated	(11) <b>Centralized content production</b> [when content sharing started] "Well, that was introduced in phases. It took a while before the whole system and trust was built." [big data sharing] "I suppose there were still silo's that had been created, but that all was centralized. I think that at some point it was no longer an issue. At some point the deal between newsrooms and editors-in-chief was made and the fighting ended quickly.
Answer	External focus advertising market	(12) <b>Launch new service</b> My personal motto would be: transform the firm from introvert to extrovert. The past years we became much more extrovert. That's why our current CEO, Erik Roddenhof, hired me. He told me: we need more of your type of people because we are too introvert. We must be able to better explain the market what we stand for, what we are, where we are going. My first role as B2B-manager was to share our story in the advertising market.

Answer	External focus advertising market	(13) <b>Launch new value propositions</b> It's 24 hours, so in that sense de Persgroep changed its portfolio by offering new options for consumption. Yes, they became much more of a multimedia firm than the silos they were before 2000. If you take that into consideration you see that also in the contact with us as a partner. De Persgroep thinks more in terms of total concepts now, instead of in sales of millimeters of advertising space.
Answer	Focus emerging online markets	(14) <b>General strategy changes</b> [about big data] Online reach of course: what advertisers concretely want to know about who they reach. They want to know as much as possible about how their ads were received among potential customers. With Mediahuis and NDC we just started a joint project [NL Profiel] which is an incredibly important development because it allows us to bundle the data of our brands and customers or readers. In the past an advertising agency was the intermediary that attracted advertisers by saying that they knew exactly who they reached. Now we can do that ourselves because we also have these data. We know exactly who our users are and with our partners we can bundle that, and that is unbelievably valuable, I think.
Answer	External focus advertising market	(15) <b>Launch new value propositions</b> [about branded content] The real sales advertising started much later. Over the past few years, that really intensified with programmatic sales, which is much more than just putting an ad on a website. It also became branded content. The past two years we greatly expanded that.. Branded content used to be scary. The newsrooms wanted to stay far away from it. Online we saw that it can be incorporated independently without damage to the brand. Also, on paper, but that happens much less. Undoubtedly it started earlier, but from 2016 it started structurally. Meaning we have departments that sell it.
Answer	Focus emerging online markets	(16) <b>General strategy changes</b> With the takeover of Wegener we nearly doubled in size in the Netherlands; twice as many people, twice the revenues, twice the number of titles, twice as much reach and impact. De Persgroep was extremely strong with national brands and we had some regional ones with AD. Wegener was truly strong in local and regional, but not so good as a national player. The fact that we are complementary makes this combination so wonderful. They were strong in fields that de Persgroep was not, and de Persgroep was good at things that Wegener was not good at... with 'marketing' we mean working on the reader market. Our commercial staff sells to consumers. We mainly use a portfolio for that, while we use single titles much less than in the past.
Answer	External focus advertising market	(17) <b>Launch new value proposition</b> Our greatest strength is the mass reach. We use the newspapers and their website to guide as many people as possible to Tweakers [Persgroep tech website] to buy a new laptop [e.g. via ads in print]. We earn much more by directing people to Autotrack [Persgroep website for car sales] from Ad.nl [newspaper website] than when we just publish some information about cars on Ad.nl. If we direct traffic from Ad.nl to Autotrack, we earn five to six times more than if we publish something about cars on Ad.nl. So, we really use the satellite of the online service to generate higher revenues.
Answer	External focus advertising market	(18) <b>Launch new service</b> We have our commercial department, which does lots of sales: trips, tickets. We are one of the biggest sellers of tickets for classical music concerts. And the movie collections of de Volkskrant were more of an instrument for binding customers than for primary revenues. Nowadays, our sales are mainly primary revenues.
Dominant coalition	Lower echelon	(19) <b>MT Market ID</b> Today - more than twenty years later - the newspapers are much more modest. They know they have to be, in order to survive. So, Cees Smaling's idea [of centralization] became reality now, yes. But back then it was; a) maybe too early and b) the governance structure was not suitable for it at all... At first, I thought: well, this is so logical it will just come about, because people will understand that it needs to happen, but it didn't. It just didn't.
Answer	Focus emerging online markets	(20) <b>General strategy changes</b> The big transformation which Van Thillo and [name current CEO] now unroll is the so-called 'AND-AND-strategy'. This means we cherish the old business model, while making the new one grow rapidly. It sounds contradictory, because people think you must make choices. But that is not how we see it, because you need to keep the old business model profitable to invest in the new business model. The profits that we make, are re-invested in both the improvement of existing business models and the digital transformation. Firms often forget to reserve their profits for financing their digital transformation.
Answers	Focus emerging online markets	(21) <b>General strategy changes</b> Not so long ago, Van Thillo admitted at a meeting that he had made a big mistake himself. That mistake was that he invested roughly 90 percent in the print newsrooms and 10 percent in online. That really should have been the other way around because the consumer has different needs. So, from that point onwards, he invested heavily in digital. In our spending, we see that we nearly do more in digital than in print now.
Dominant coalition	Lower echelon	(22) <b>MT Market goal</b> I always felt we did quite well, but I acknowledge that de Persgroep now performs even better with its reader marketing. Yes, they have a splendid machine. But I have no idea, how they deal with the tension between commerce and the editorial.
Dominant coalition	Owner goal	(23) <b>Strategic</b> Personally, I think that a free sheet would have been a success at de Persgroep much sooner [than at PCM], because the firm is managed differently now. The culture of a family firm enables the fast, sober, no-nonsense approach that is needed to be profitable. But do realize that the situation was fundamentally different back then because good revenues and profits were guaranteed

*Attention structures* - De Persgroep, immediately started building a top-down integrated attention structure by exporting the structure of its Belgian organization. Van Thillo united all 'islands', ended all internal 'wars' and started building 'one firm' (see quote 4, Table 3.3). The centralized content production and sharing of data, that the editorial coalition had resisted in the past, became a reality under De Persgroep. This new family owner accomplished the centralization that the upper echelon had not been able to implement in the early 2000's. The former CEO Cees Smaling's plan now became reality. The newsrooms now were also 'much more modest and knew they had to work differently, because otherwise they would not survive' (see quote 6, 7 & 19, Table 3.3).

*Issues & answers* - Instead of a focus on internal politics and rivalry among the newspaper units, the organizational attention after the De Persgroep takeover became more externally focused (also see quote 12, Table 3.3).

*"Actually, the only lesson our Belgian owners taught us was to listen to our customers' wishes. And not to decide from your ivory tower what is best for mankind, but to truly and concretely listen."*

The reader market got attended to in new fashion as De Persgroep greatly improved the reader marketing of the newspapers. It brought along years of experience in publishing and implemented international best practices in publishing that had not yet been implemented by PCM (see quote 9, 18 & 22, Table 3.3). De Persgroep also significantly raised its tariffs for advertisers. Van Thillo personally and actively approached the Dutch advertising market, which was in stark contrast to PCM's neglect of this market. As such, Van Thillo greatly improved the reputation of the newspaper publishing group in the advertising market, as he had also done five years earlier in Belgium (see quote 10, Table 3.3).

*"He started an enormous charm offensive after the takeover. He visited all the media bureaus and advertisers personally, took all platforms available ... to show he was passionate about advertisers too."*

The focus in the first years after the take-over by De Persgroep, was mainly on the production process of newspapers, so many online activities were aborted and centralized. The internet newsrooms were separated from the newspapers, for instance, and all merged into one central internet newsroom in 2011. This centralization was similar to the PIM experiment in PCM times. Unlike TMG which bought Hyves in 2010, De Persgroep did no acquisitions of this sort in the year that Instagram was founded. A former PCM-title manager described the Belgian Persgroep as a 'conservative' newspaper publisher which in Europe lagged behind with online innovation.

Around 2012 the focus of De Persgroep changed, however, and many new propositions for online markets were launched (see quote 20, Table 3.3). Van Thillo admitted he had made a mistake in the past by not investing in digital developments (see quote 21, Table 3.3). In response to the entry of advertising free pure players such as *Blendle* (2014) and *De Correspondent* (2013), De Persgroep introduced a premium paywall at *de Volkskrant* (2014) and some of its other newspapers. It also started *Paper*, an app for subscribers, which failed and was sold to Blendle. Then *Topics* was launched in 2016 to cater to advertiser demands for big data and targeted advertising, and the KKC big data experiment that had failed in PCM times was revisited and this time successful (see quote 11 & 13, Table 3.3).



*“Yes, they became much more of a multimedia firm than the silo’s they were before... We as a partner [buyer of advertising] notice that at De Persgroep, they think more in total concepts than in selling millimeters or selling advertising space.”*

De Persgroep also offered branded content and partnerships for advertisers with its tabloid papers. The publisher’s strategy now focused both on old and new markets with investments in online markets paid for with profits from the declining markets. In 2015 De Persgroep bought the regional papers of Wegener to enlarge its newspaper portfolio and online reach for big data collection (see quote 14, 15, 16 & 17, Table 3.3).

This third phase leads us to our third proposition: *an engaged strategic investor CEO-owner with a majority share, industry expertise and complementary assets, has more political leverage to accelerate coalitional change than non-dedicated financial investor and non-profit owners that are not TMT-members.*

In sum, we find that in the first phase a shrinking financial power base (slowly declining market) is not yet urgent enough to break the dominant editorial coalition between lower echelons and non-profit ownership. In the second phase the financial power base of the dominant coalition is seriously corroded by the entry of a financial investor owner, but the editorial coalition still remains in power despite an increasingly declining market. In the third phase the internal political power base of the dominant coalition is broken via a strategic investor owner who is an enormously powerful ‘upper echelon member’ as a CEO with a majority share, industry expertise and complementary assets.

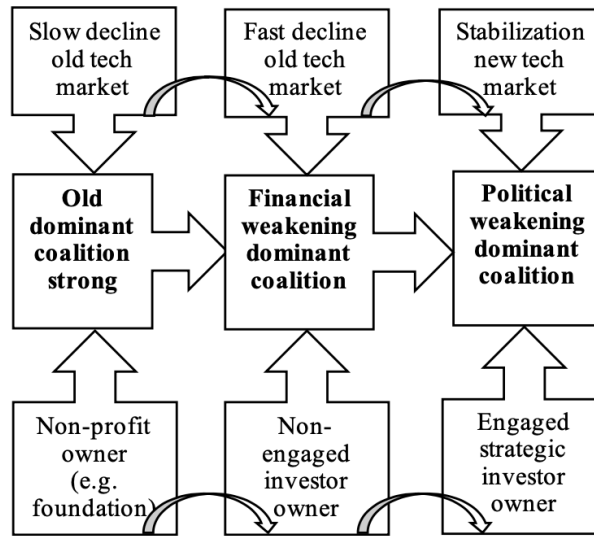
### 3.5 DISCUSSION

This study explores how technological disruption changes the dominant coalition in a newspaper publisher that serves two markets with multiple goals. We explored how the input of issues emerging from a two-sided market environment influence coalitional change inside the organization (Greve & Gaba, 2017; Gaba & Greve, 2019). To this aim, we conducted a longitudinal qualitative process study that allows us to analyze and compare how issues connected to the gradual corrosion of the external power base (declining disrupted markets) are related to changes the dominant coalition. We find that ownership is a mechanism that plays a crucial role in this process. From our data a process model of coalitional change emerges (see Figure 3.3). Our model features three distinct and subsequent phases demarcated by shifts in non-profit, financial, and strategic investor ownership.

In the first phase of non-profit ownership (2000-2004), we find that the pre-internet strategy with a primary focus on the print reader market was continued, and the revenues from print markets were still abundant. As a result, the dominant editorial coalition that had a financial power base in these markets, was strong and the firm could simply ignore emerging online markets and obsolescent solutions were not challenged by non-profit owners.

Bottom-up specialized attention was supported by an editorial coalition of non-profit owners and lower echelon managers and newsroom units who shared similar social and professional goals associated with the editorial mission on the subscription market side. This dominant coalition was able to hinder the TMT’s attempt to implement top-down integrated attention structures in order to focus on emerging online markets. Therefore, this first phase leads us to our first proposition: *the upper echelon can be sidelined by majority owners that form a dominant coalition with lower echelons.*

**Figure 3.3 Process model**



With this first proposition we contribute to the literature on the upper echelon and circulation of power (Barron, Chulkov & Waddell, 2011; Hambrick & Mason, 1984; Ocasio, 1994) by illustrating that the narrow focus on the TMT in the study of coalitions in the behavioral theory of the firm has blind spots, because internal and external stakeholders may also form dominant coalitions that exclude the upper echelon members. The obsolescence of a CEO’s solutions (Ocasio, 1984; Ocasio & Kim, 1999), lack of search and the pursuit of opportunities (Zhang & Greve, 2019) may actually be supported by lower echelons and non-profit owners via bottom-up attention structures (Joseph & Wilson, 2018).

In the second phase (2004-2009) we find that a non-dedicated financial investor owner was unable to break the dominant coalition between non-profit owners and the lower echelon. The focus of this owner was mainly on profit-maximization via cost cuts and the withdrawal of cash flows. As a result, the search and pursuit of new opportunities was extremely limited in this phase. In addition, the profit-maximization goal of this owner led to a clash with lower echelons and owners with social professional goals. The non-dedicated financial investor owner was thus unable to form a new dominant coalition and could not implement the top-down integrated structures needed for a focus on emerging online markets. This second phase thus leads us to our second proposition that *dominant coalitions are not entirely broken when they lose only their financial (market) power base, but not their political power base in ownership*.

With this second proposition, we contribute to the literature on multiple goals and coalitions (Greve & Gaba, 2017; Gaba & Greve, 2019) by showing that financial ‘survival’ may not be enough to resolve which goal receives priority in an interdependent market context. We find that political change (via a new type of owner) may also be needed to resolve this goal conflict. When a non-profit owner is the most powerful shareholder, it seems more likely that social and professional goals tied to one market side will receive priority. When financial investor owners are most powerful, however, it seems more likely that a for-profit mission tied to the other market side will be prioritized. A strategic investor owner with enough power, the right expertise, and assets, is expected to be more capable of balancing both market goals.

In the third phase (2009-2016) a strategic investor with industry expertise and complementary assets became owner of the publisher. This CEO-owner with a majority share, did have the political leverage, media management expertise and capabilities to break this

coalition and to build top-down integrated attention structures with a stronger external focus on emerging online (advertising) markets. This third phase leads us to our third proposition: *an engaged strategic investor CEO-owner with a majority share, industry expertise and complementary assets, has more political leverage to accelerate coalitional change than non-dedicated financial investor and non-profit owners that are not TMT-members.*

With this third proposition we contribute to the literature on coalitions in the behavioral theory of the firm (Burkart, Gromb & Panunzi, 1997; La Porta et al., 1999; Jara-Bertin, López-Iturriaga & López-de Foronda, 2008) by illustrating how diverging owner types result in diverging outcomes in the process of coalitional change. We propose that in a two-sided market context, non-profit ownership delays change, because it supports resistant lower echelons with social professional missions linked to declining markets. A non-dedicated financial investor owner delays change because due to its focus on cost cuts and profit maximization, it is unable to form a coalition with lower echelons that have social and professional goals. A strategic investor owner and CEO with a majority share, industry expertise and complementary assets is capable of changing the dominant coalition to allow for a focus on emerging online markets.

Our results confirm that CEO's enhance their ability to maintain or breakdown a dominant coalition when they gain more power (Berger, 2005; Pearce, 1995). We find that as soon as the overlap between ownership and control (Fama & Jensen, 1983) increases, this allows for a breakthrough in coalition formation. However, our findings do not fully support studies that claim that ownership concentration is what facilitates the formation of new dominant coalitions (Burkart, Gromb & Panunzi, 1997; La Porta et al., 1999). We find that in a situation with two shareholders that each own approximately half of the shares, new dominant coalitions can also be formed. The decline in power coming from external market sources, the expertise and assets of owners can be decisive here.

A limitation to this study is that the case studied here, is paradigmatic for changes in the newspaper industry and as such it may be less generalizable to organizations that only have a for-profit mission and that serve only one market. That being said, disruption often tends to create new markets. As a result, organizations that are faced with disruption in only one market will also encounter the complication of running dual business models simultaneously (Markides, 2013). As a result of this, they will have to deal with multiple goals linked to multiple (interdependent) markets and the resistance to a shift in attention towards new markets. Future research could quantitatively test the effects of having multiple owner goals in this type of disrupted market context.

Another limitation to this study is that our process model is developed for ownership and market conditions that are specific to the newspaper industry. The changes of ownership studied here are unlikely to occur in exactly the same sequence in most other organizations. The non-profit foundation majority owners that via their mission give power to the lower management echelons of the organization, are unique in a business environment. Even in the European news media which has a history in pluralism, this protection of the newsroom autonomy via ownership is uncommon. Future research could compare our results with the long-term effects of serving multiple markets with only one owner goal, in order to determine how important these external power bases are in the coalition formation process.

Results of this study seem most applicable and relevant for (hybrid) organizations that have to deal with conflicting social and economic goals, or a clash of cultures between investors with a financial mission and owners with and non-profit mission. Our managerial contribution is that we illustrate how ownership may be a crucial element of an innovation strategy in these types of hybrid organizations especially. A majority CEO owner may be able to break deadlocks in case of organizational inertia in times of technological disruption.



## **CHAPTER 4**

### **DEMAND- AND SUPPLY-SIDE VALUE CREATION IN OLD AND NEW MARKET CATEGORIES**

#### **ABSTRACT**

This study investigates how the shift from old to new market categories on the demand-side, affects the value proposition of manufacturing platforms on the supply-side. For this purpose, a comparative case-study with a content analysis was conducted with four Dutch media firms that operate in two-sided or interdependent market categories for print and online advertising and subscriptions. First, we find that the simultaneous exploitation of the demand-side (advertising) and supply-side (subscriptions) results in genre-spanning value propositions on the supply-side. Second, we find that the value proposition in the online supply-side market category is an explicit take-off on this genre-spanning. With the shift from print to online, the exploitation of the demand-side is ended in order to create more value on the supply-side. We propose that some users may actually be attracted to the absence of particular complementors in a smaller network with strong ties. Firms that exploit large networks with weak ties on the demand-side only, have more trouble to survive technological disruption than genre-spanners that also exploit the supply-side.

## 4.1 INTRODUCTION

A growing body of literature on business model research highlights how firms do not only create value on the supply-side, but also on the demand-side (Massa, Tucci & Afuah, 2017). On the one hand, traditional management theories (Barney, 1991; Peteraf, 1993; Porter, 1985) view value creation as a supply-side phenomenon where value is captured by producers whose resources are the single source of their competitive advantage. On the other hand, value creation is viewed as a demand-side phenomenon where a competitive advantage can be gained by creating value for customers, for instance by exploiting the customer base itself (Massa, Tucci & Afuah, 2017; McIntyre & Srinivasan, 2017; Priem, Wenzel & Koch, 2018). To date, few studies have explored how value creation on the supply- and demand-side influence each other over time in interdependent two-sided markets, where changes in one market side automatically affect the other market side (Hagiu, 2009; Nieborg & Poell, 2018; Eisenmann, Parker & Van Alstyne, 2009; Rietveld, 2018; Rochet & Tirole, 2003). This study explores how technological and categorial changes in the value proposition on the demand-side, affect the value proposition on the supply-side of firms that produce their own products and services in a two-sided market context (Zhao, Von Delft, Morgan-Thomas & Buck, 2019).

While a traditional pipeline business or ‘manufacturing’ platform creates value on the ‘supply’ or producer side via the linear buyer-supplier chain, a ‘multi-sided’ platform does not develop, manufacture or (re)sell products and services but it only connects different market sides (Hagiu & Yoffie, 2009; Zhao et al., 2019). A ‘multi-sided’ platform is different from a ‘manufacturing’ platform, because it is an intermediary that only creates value on the demand-side of the customer via the so-called ‘network effect’ (Massa, Tucci & Afuah, 2017; Parker & Van Alstyne, 2005; Zhao et al., 2019). A product exhibits network effects “if its value to users depends not only on the benefits of the product itself, but also on access to the network of people using that product or a compatible one” (Afuah, 2013: 257). For example: the value of a platform or newspaper to advertisers, would increase with the number of platform users or subscribers, and vice-versa. There is an interdependency between these two markets, as price or strategy changes on one market-side automatically affect the other side (Godes, Ofek & Sarvary, 2009; Hagiu, 2009).

Recent research, however, suggests that value creation in interdependent markets is not only about numbers and enlarging the network size, but that the ‘black box’ of the network needs to be opened (Cennamo & Santalo, 2013; Afuah & Tucci, 2012; Afuah, 2013; Brynjolfsson, Hu & Smith, 2010; Boudreau & Jeppesen, 2015). The nature and strength of network effects in old technology markets, may have changed with the rise of the internet. For example: newspapers that traditionally exploited network effects in markets for print advertising (Argentesi & Filistrucchi, 2007; Gabszewicz, Laussel & Sonnac, 2001 & 2005; Parker & Van Alstyne, 2005; Seamans & Zhu, 2010), now also exploit network effects on the demand-side online. In the online environment, newspapers no longer hold a monopoly, as they must compete with big tech platforms that exploit global user networks, where new fake news and privacy issues exist that were absent in print markets.

Moreover, a recent study in the media industry (Glaser, Krikorian Atkinson & Fiss, 2019), has found that with the shift from old (print) to new (online) market categories, advertising has changed from a prototypical to a goal-based category. A category is prototypical when it is based on shared characteristics of a prototype (e.g. chickens and robins belong to the ‘bird’ category because they all have feathers and beaks). A category is goal-based when it is defined in relation to a goal, such as ‘satisfying my appetite’, and it might include a diverse set of members (e.g. chickens and croissants belong to the ‘food’ category) (Durand & Paoella, 2013).

Despite these insights, prior studies have insufficiently illuminated how these technological and categorial changes on the demand-side affected value creation on the supply-side by manufacturing platforms. Existing research by business scholars focuses mainly on multi-sided intermediary platforms rather than on platforms that also manufacture and (re)sell products themselves, and a historical perspective that accounts for the evolving nature of platforms is also lacking (Nieborg & Poell, 2018; Zhao et al., 2019). In order to address this lacuna in the literature, we explore how the shift from old to new market categories on the demand-side has affected the value proposition on the supply-side in manufacturing platforms.

For this purpose, we conduct a comparative case study analysis (Eisenhardt, 1989) with an extensive content-analysis in which we compare the value propositions offered by manufacturing platforms in the media industry: i.e. journalistic firms that like traditional pipeline businesses create value on the supply-side by producing content. We compare the value propositions of four Dutch cases that get the main share of their revenues from one or more of the following market categories: 1) print advertising, 2) online advertising, 3) print subscriptions and 4) online subscriptions. This research design allows us to compare extreme cases with the purest archetype value propositions in the demand- and supply-side of old and new market categories.

First, we find that the simultaneous exploitation of the demand-side (advertising) and supply-side (subscriptions) results in a genre-spanning value proposition on the supply-side, as it combines value creation for a wide network with weak ties with value creation for a small network with strong ties. With this finding we contribute to the literature on market categories (Durand & Khaire, 2017; Hsu, 2006; Zuckerman, 1999) by showing that genre-spanning can occur across interdependent markets, but that this does not necessarily affect financial performance negatively. We propose that non-genre-spanners that exploit the demand-side only, will have more trouble to survive technological disruption than genre-spanners that exploit both market sides. Thus, in the long-run the competitive advantage created on the supply-side seems to be more sustainable than that on the demand-side (Massa, Tucci & Afuah, 2017).

Second, we find that the value proposition of entrants in the supply-side market category (online subscriptions) is an explicit take-off on the genre-spanning by incumbents. With the shift from print to online, the demand-side is no longer exploited in order to create more value on the supply-side. This indicates that in the online context, particular (paying) user groups may actually be attracted to the absence of particular complementors or users (Evans, 2003; Rochet & Tirole, 2003; Rysman, 2009) and prefer supply-side value creation in small networks with strong ties and trust. With this finding we contribute to the literature on platform strategies (Caillaud & Jullien, 2003; Katz & Shapiro, 1994), as our findings challenge the assumption that there is a universal mutual attraction between the two market sides of a platform and that both sides always benefit equally from their interdependence and a large network size (Cennamo & Santalo, 2013; Boudreau & Jeppesen, 2015; Evans, 2003; Elberse, 2008; Afuah, 2013). This study indicates that not all theoretical assumptions made on multi-sided platforms are applicable to manufacturing platforms as well.

## **4.2 THEORETICAL BACKGROUND**

### **4.2.1 Demand-and supply-side value creation**

A business model is ‘the design or architecture of value creation, delivery and capture mechanisms of a firm’ (Teece, 2010:172). It is a system or pattern of interdependent and interconnected activities that underlie value capture and creation, or even a logic on which

activities are based (Chesbrough & Rosenbloom, 2002; Frankenberger & Sauer, 2019; Priem, Wenzel & Koch, 2018). Components of a business model are market segments, the value proposition, a structure to create this value, mechanisms to capture value and how all these elements are linked together (Foss & Saebi, 2017: 202). Central in a business model is the value proposition which concerns ‘the value created for users by an offering’ (Chesbrough, 2010: 355). The business model literature emphasizes the strategic relevance of this value creation for customers, while mainstream strategy research mostly focuses on the value capture part of the business model (Chesbrough & Rosenbloom, 2002; Priem et al., 2018).

A traditional pipeline business creates value on the supply-side via a linear buyer-supplier relationship: manufacturing platforms do the same in a network of suppliers (Zhao et al., 2019). Both compete based on price and product development and they own the product that is sold to customers in exchange for money. Unlike manufacturing platforms, multi-sided platforms are intermediaries that facilitate or enable transactions among users. These users are ‘owner’ of the product (e.g. their own clicks or content posted on a platform). Often these users are not charged for services (e.g. they can use a platform for free), because other user groups or complementors pay for the platform (Zhao et al. 2019). Complementors are the providers of complementary services and products such as advertising or games.

A firm or platform creates value on the demand side via network effects by selling its customer or user base to third parties, such as complementors (Rochet & Tirole, 2003; Parker & Van Alstyne, 2005). So, it is the customer or user base in itself (which was traditionally viewed as the demand-side) that is the value proposition offered to third parties. Two types of network effects (direct and indirect) have been distinguished by scholars. *Direct* (or same-side) network effects arise when customers or users value large numbers of users for direct links with other customers (Cennamo & Santalo, 2013; Eisenmann, Parker & Van Alstyne, 2009; McIntyre & Srinivasan, 2017). *Indirect* (or cross-side) network effects are the result of the customer preference for platforms that offer a wider range of complementary products and services (Boudreau & Jeppesen, 2015; Rochet & Tirole, 2003). Here both ‘sides’ of users and complementors mutually benefit from the size and characteristics of the other side (Boudreau & Jeppesen, 2015; Evans, 2003).

Organizations that exploit network effects often serve two-sided markets. Two-sided markets are characterized by the ‘chicken and egg problem’ where the value of the platform to one customer group depends on the participation of another customer group and vice versa (Evans, 2003; Rochet & Tirole, 2003; Rysman, 2009). The network effects links prices in one market to prices in another market served. There is an interdependency of the organizational strategies in both of these markets, as changes on one side affect the other side (Godes, Ofek & Sarvary, 2009; Hagiu, 2009). For example: when the size of a user base grows, the price that can be charged for this user base to advertisers rises. Inversely, the price charged for content can be lowered when the price paid for advertising is higher.

Network economics theory on two-sided markets describes how the growth in the user base and the complementary goods offered by a platform are the main drivers of its value creation (Caillaud & Jullien, 2003; Rochet & Tirole 2003; Evans 2003). Several studies by economists analyze how platforms can rapidly expand their user base, to attract more users and complementors (Schilling 2002; Venkatraman & Lee, 2004; Corts & Lederman, 2009). With the ‘get-big-fast strategy’ platforms widen their user base and increase the number of application providers (or complementors) so that benefits on both market sides are mutually reinforcing (Cennamo & Santalo, 2013; Eocman, Jeho, and Jongseok, 2006). This strategy requires platforms to rapidly acquire and grow their user bases, lock users in and undermine the ability of rivals to do the same. This strategy should result in a ‘winner-take-all’ outcome where the platform with most users tips the market in its favor (Caillaud & Jullien, 2003; Katz and Shapiro, 1994: 94).



Some recent studies on network effects challenge the assumption that the winner-take-all approach will be universally successful and refute the unconditional prescription of a rapid expansion of both the user base and complementary applications (Cennamo & Santalo, 2013). The fundamental premise that users of platform-mediated networks always value larger numbers of users is also questioned. A large network without strong ties may be less valuable to users, than a small network that does have strong ties. The strength of network ties can be used to build the reputation and trust that is needed to make an actual exchange, while weak ties are valuable only for locating what needs to be exchanged (Afuah, 2013).

Furthermore, Brynjolfsson, Hu & Smith (2010) emphasize the need to consider the winner-take-all 'super star' (blockbuster) effects in conjunction with the so-called 'long tail' effect (Anderson, 2006). The theory of superstars predicts that lower distribution and transaction costs will homogenize consumption patterns (Rosen, 1981). The superstar effect describes how the internet and information technology will increase the number of 'winner-take-all' markets for blockbuster products. The theory of superstars is, however, countered by proponents of the 'long tail effect', who predict that online consumption will increase the heterogeneity of consumption patterns via a shift away from hits and towards niche products (Elberse & Oberholzer-Gee, 2007). The rise of long tail markets challenges the model of mass producers (Salvador, Piller & Aggarwal, 2019), as long tail firms offer highly personalized products for micro-niches or even individual customers, such as tailor-made Nike shoes or other unique products for one buyer (Wirtz, Oliver & Ulrich, 2010).

The unconditional winner-take-all outcome has also been questioned by other scholars, as it has been shown that several platforms may co-exist partly because of differentiated consumer preferences (Armstrong and Wright, 2007; Eisenmann, Parker & Van Alstyne, 2006). It has been found, for instance, that unpaid complementors or a 'crowd' of hobbyists or students are motivated by arguments other than sales and that they respond negatively to growing numbers of complementors or increasing platform scale (Afuah & Tucci, 2012; Bayus, 2013; Boudreau & Jeppesen, 2015). Also, users may experience the exploitation of their data for personalized recommendations as off-putting or even creepy, which reduces their attraction to a platform (Stevens & Boland, 2016; Goldfarb & Tucker, 2011). This seems to indicate that exploitation of the network effect may be more complicated in particular settings than in others.

#### **4.2.2 Old and new market categories**

Platforms or firms that exploit two-sided markets, belong to more than one market category. A market category is defined as "an economic exchange structure among producers and consumers that is labeled with a meaning agreed upon by the actors and audiences who use it" (Navis & Glynn, 2010: 441). Market categories have two properties: 1) member organizations that offer a common type of product or service and a concept, and 2) a label or identity that links these category members. For example: organizations such as Honda and Ford are members of the market category of 'minivans' that share similar features such as a minimum of four doors or six seats. New categories 'emerge' when extraneous elements from another industry are adopted (Durand & Khaire, 2017). In the phone industry, for example, the new 'smartphone' category emerged with the addition of alien features from the camera industry to telephones.

Market actors impose the so-called 'categorical imperative' on organizations (Zuckermann, 1999; Hannan, 2010). This implies that the performance of organizations is negatively affected when they offer products that span or blend several categories (Hsu, 2006). This blending is also called 'genre-spanning'. It has been found that genre-spanners are less rewarded and acknowledged compared to pure player rivals and perform worse (Negro, Hannan & Rao, 2010; Pontikes, 2012; Zuckermann, 1999). Audiences impose

constraints on organizations and have the power to shape them through the threat of their devaluation (Hsu & Hannan, 2005).

In the analogue film industry, for instance ‘genre-spanning’ films that target more than one category were found to attract larger audiences, but to be less appealing to audience members, while the opposite is true for films that belong to one genre or category (Hsu, 2006). There is a trade-off at play here that so far has mainly been studied in existing ‘non-malleable’ categories in stable classification systems such as wines and movies, but less so in empirical fields of more complex products (Durand & Khaire, 2017; Paoeella & Durand, 2016), such as those in interdependent market categories where network effects are exploited. It could be expected that platforms that deploy winner-take-all-strategies, may also encounter Hsu’s trade-off, as they span categories. It has also been found, however, that category-spanners get a better audience evaluation for products and services that belong to more complex goal-based categories (Paoeella & Durand, 2016).

Goal-based categories are highly relevant to understanding markets but have been researched far less extensively than prototypical categories (Durand & Khaire, 2017). Previous research on categories mainly focused on genre-spanning inside a one-sided market context, such as the market for wines or movies (Hsu, 2006; Negro, Hannan & Rao, 2010), where the product is less complex and more prototypical. We extend this research to a two-sided market setting that is in technological transition and where new online market categories have emerged (Durand & Khaire, 2017).

In the media industry, it has been found that advertising has shifted from a prototypical category in print to a goal-based category in the online setting with a shift from the offer of display banners to personalized targeting (Glaser, Krikorian Atkinson & Fiss, 2019). How this categorial change on the demand-side, has affected value creation on the supply-side (market category for subscriptions), remains insufficiently illuminated, because existing research by business scholars focuses mainly on multi-sided intermediary platforms that do not produce products in order to exploit the supply-side (Nieborg & Poell, 2018; Zhao et al., 2019). A more historical analysis of how the nature of network effect exploitation studied in ‘old’ technology two-sided markets, such as those for telephones, newspapers or credit cards (Kaiser & Wright, 2006; Rochet & Tirole, 2003) changed with technological disruption is also lacking. In order to explore this further, the following research question is formulated: *how has the change from old to new market categories on the demand-side affected the value proposition on the supply-side in manufacturing platforms?*

#### 4.3 METHODS

To answer our research question, we chose a comparative case study (Eisenhardt, 1989) including an extensive content-analysis as our research method. Multiple case studies are a stronger base for yielding more generalizable and testable theory than single cases (Yin, 1994). The comparative case study method is particularly useful to build on existing theory (Gehman, Glaser, Eisenhardt, Gioia, Langley & Corley, 2017). A case-study typically uses multiple data sources and is a rich empirical instance of a particular phenomenon (Yin, 1994). When cases are selected based on theoretical characteristics, this enables a comparison of data from divergent perspectives (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). In the following sections, we first describe our research setting and how we sampled cases in this setting. In the last sections, we explain our data collection and analysis.

### **4.3.1 Research setting**

The research for this paper was conducted in the news media sector, because print media are often referred to as typical examples of network effect exploitation in two-sided markets (Kaiser & Wright, 2006; Rochet & Tirole, 2003) where a loss making or break-even reader market-side is combined with a profit making advertising market-side. The newspaper industry has also been a fruitful empirical context to study business model innovation (Karimi & Walter, 2016; Koch, 2011).

Before the rise of the Internet, the news content for advertisers and readers could easily be separated in print products, but online big data-analysis and the co-creation of content is now possible via crowdsourcing (Afuah & Tucci, 2012; Kwark, Chen & Raghunathan, 2017). The internet differs greatly from other technological changes (such as the introduction of the printing press, radio and television) in that it fundamentally transformed mass media with industrialization logics, into personalized digital networks where the customer has gained power and journalist lost control (Deuze, 2007; Tameling, 2015). It also greatly increased information asymmetries due to imbalances in the access to commercial data sources (Napoli & Seaton, 2006) and an unprecedented concentration of data ownership in the hands of a few large technology firms: mainly Google, Apple, Facebook, Amazon and Microsoft (GAFAM) (Nieborg & Poell, 2018; Srnicek, 2016). Online audience metrics increasingly bring the influence of a market logic into the newsroom (Van Dijck & Poell, 2013; Welbers, Van Attevelde, Kleinnijenhuis, Ruigrok & Schaper, 2016) and consequently journalists are struggling to balance the use of online audience metrics with traditional professional norms (Usher, 2013).

### **4.3.2 Case sampling**

Our population consists of ‘manufacturing’ platforms (Zhao et al. 2019) that are a ‘center of a product family’ (Gawer & Cusumano, 2014; Thomas & Autio, 2015). These manufacturing platforms supply a product (e.g. professional journalistic content) and are not to be confused with the multi-sided GAFAM-platforms. Although journalistic platforms compete with these big tech firms directly in the advertising market, GAFAM-platforms are not content producers themselves, but rather provide the architecture of an ecosystem supporting a collection of complementary assets (Autio, Thomas & Gann, 2016). These types of multi-sided platforms do not exploit print either, so they do not enable us to compare how value propositions changed with a shift from print (analogue) to online (digital) market categories.

As we want to explore how value propositions differ among manufacturing platforms that exploit the demand- and supply-side in analogue and digital market categories, we decided to conduct theoretic sampling of our cases based on these characteristics. In order to map ‘archetypes’ in each market category we tried to select polar cases or pure players in supply-side (subscriptions), demand-side (advertising), analogue (print) and digital (online) market categories.

Concretely, we compared the value propositions of four manufacturing platforms that get most of their revenues from either 1) print advertising, 2) online advertising, 3) print subscriptions and 4) online subscriptions. We selected (near) pure players because this allowed us to map the archetype value proposition in these four market categories. All our four cases produce content for the supply-side, but only two of our cases exploit the supply-side via subscriptions. This type of case-sampling also allows us to distinguish which part of the value proposition is primarily for the demand-side and which part is primarily for the supply-side.

This implied that non-random sampling was done to select theoretically relevant cases that could extend theory by filling conceptual categories (Gehman et al., 2017). As such, our cases were chosen for theoretical reasons (Glaser & Strauss, 1967), as our goal was not to

obtain accurate statistical evidence of the distribution of variables in a population, but to find cases that provided examples of polar types (Eisenhardt, 1989). We did, however, ensure that each of our cases was representative of the type of member organizations that are found in these market categories in other Western countries.

Our first case, Metro, represents the archetypical member of the market category of print advertising. The primary customer segment for Metro in the Netherlands is the print advertiser that accounts for 99% of its revenues. Approximately 1% of revenues comes from online (programmatic) advertising. In 2006, the Guinness Book of Records proclaimed Metro as the largest newspaper in the world and around that year it was distributed in approximately 19 countries in Europe, Asia and the America's. For our study, we focus only on the Dutch version of Metro that first appeared in 1999 and disrupted the traditional newspaper industry. After reaching a peak in its expansion in 2007, Metro is now a loss maker and its print version ceased to exist from April 2020 onwards due to the coronavirus crisis. Metro is currently owned by the incumbent news media publisher Telegraaf Media Groep (TMG) which in turn is owned by the investor-owned incumbent Belgian publishing group Mediahuis. Although the exact revenue and profit numbers remain confidential, it is known that Metro's editorial staff decreased from approximately 40 full time employees in 2015 to 7 full time employees in 2019 (Paulissen, 2019), confirming a declining performance.

Our second case, Nu.nl, represents the archetypical content manufacturing platform member of the market category of online advertising. It was selected because in 2019 it generated approximately 85% of its revenues from online advertising. The remaining 15% of its revenues come from B2C online sales. Nu.nl was an entrant to the Dutch advertising market in the same year as Metro (1999). At the time of our data collection and analysis, Nu.nl was owned by Sanoma, a large incumbent print publishing group from Finland that has a listing on the stock exchange. In 2020, Nu.nl was bought by the Belgian incumbent newspaper publisher De Persgroep. Although profits made by Nu.nl are not specified in annual reports, the number of staff employed at the Nu.nl newsroom has been growing from approximately thirty in its early days to approximately 85 (including freelancers) in 2019, indicating a more positive financial performance after 2015 than at Metro.

Our third case, The Correspondent, which was founded in 2013, was selected to represent the online subscription category, as paying online readers are its primary revenue source. In 2017 about 78% of all revenues came from approximately 60.000 paying members and an additional 14% from book sales (Pfauth & Kersten, 26 September 2018). De Correspondent is a journalist-founded and reader crowd-funded entrant organization. The revenues of De Correspondent were approximately 3,8 million in 2017 and a profit of 240,000 euro was made in 2018. The number of newsroom staff has been increasing to 65 (including freelancers) in 2019 indicating an improvement in performance. The initial start-up capital of 1.3 million US dollar (NiemanLab, 2013) of De Correspondent was raised via crowdfunding in 2013. In 2018, De Correspondent raised an additional 2.6 million US dollar via crowdfunding to start an international version of its platform that publishes articles in English. The membership model of De Correspondent has been copied by many other journalist and reader owned start-ups world-wide (For examples see the data base of Membership Puzzle project: <https://membershippuzzle.org/tools/database>).

Our fourth case, the Dutch quality broadsheet newspaper NRC Handelsblad (NRC), is selected to represent the print subscriptions market category. As in many other countries, no pure player in print subscriptions exists in the Dutch news media landscape. We select NRC because it gets approximately 72% of its revenues from subscriptions, most of the rest comes from online and print advertising. The exact percentages of revenues coming from print and online and subscriptions is confidential, but at the time of our analysis we estimated it to be around fifty-fifty, as in May 2020 NRC announced that the number of online subscriptions

surpassed that of print subscriptions for the first time. It is clear that the share of its revenues coming from print ads and subscriptions steadily declines, while its share of revenues coming from online products steadily increases. The majority owner of NRC is the Belgian publishing group Mediahuis (same owner as Metro). A foundation, named Lux et Libertas, also owns a priority share in the newspaper NRC Handelsblad in order to protect the editorial autonomy of the newsroom staff. In 2017, its revenue was approximately 105 million euro and its profit 5,4 million euro. In 2019, the size of its newsroom was approximately 200 full time employees (fte) (excluding freelancers) of a total of 328 fte staff. In 2009, NRC Media had 313 fte employees in total of which approximately 230 were newsroom staff.

### **4.3.3 Data sources**

As we investigate both new and established constructs, interviews and a content analysis provide a good methodological fit (Edmondson & McManus, 2007:1160). This is why our data set consists of mainly secondary data in the form of written documents that were triangulated with data from additional interviews. Archival data from documents (both internal and external) are suitable for analyzing facts and framing, while interviews allow for more targeted data collection and for obtaining more sensitive information that may be lacking in archival data. Via triangulation, or the integration of divergent types of qualitative and quantitative data, we tried to establish the external and construct validity of our measures (Edmondson & McManus, 2007).

In total, we collected 1,026 internal and external documents, each ranging from 1 to more than one hundred pages (see Table 4.1). Approximately 323 of these files consisted of annual reports, articles and web pages with information about the cases that were collected via desk-research. This part of the data set was collected for the case selection, the within case and cross-case analysis of the value propositions in the four market categories.

Another part of the secondary data set (703 out of the 1,026 documents) was analyzed to get a more complete picture of the actual news content value proposition of the cases (Nu.nl, De Correspondent, NRC and Metro) on the supply-side. All these 703 files were news articles used for the content analysis. The 703 news articles were retrieved from free and paid-for digital newsletters and print newspaper frontpages of NRC, Metro, Nu.nl and De Correspondent. The daily e-mail newsletters and frontpages distributed in the three weeks of 10 October 2018, 2 February 2019 and 15 April 2019 were used. These weeks were randomly selected, but it was ensured that some breaking news event (Ajax soccer championship match or Notre Dame fire) occurred that all four cases would report on.

**Table 4.1**  
**Data sources per market category**

	<b>Subscription</b>	<b>Advertising</b>
<b>Print</b>	<ul style="list-style-type: none"> <li>• 58 documents such as annual reports, webpages</li> <li>• 88 front page articles print newspaper NRC</li> <li>• 180 digital newsletter articles NRC</li> <li>• 2 exploratory interviews</li> <li>• 3 case interviews</li> </ul>	<ul style="list-style-type: none"> <li>• 37 documents such as annual reports, articles, webpages</li> <li>• 65 frontpage articles print newspaper Metro</li> <li>• 1 exploratory interview</li> <li>• 1 case interview</li> </ul>
<b>Online</b>	<ul style="list-style-type: none"> <li>• 112 documents such as annual reports, articles, webpages, podcasts</li> <li>• 88 digital newsletters De Correspondent</li> <li>• 4 exploratory interviews</li> <li>• 2 case interviews</li> </ul>	<ul style="list-style-type: none"> <li>• 116 documents such as annual reports, articles, webpages</li> <li>• 282 digital newsletter articles Nu.nl</li> <li>• 2 exploratory interviews</li> <li>• 2 case interviews</li> </ul>

A total of 17 interviews were held between 2015 and 2019. These interview data were used for case sampling, to fill the gaps in our archival data set and to verify the patterns we found during the content-analysis of the secondary data. The interviews allowed us to further map the archetype value propositions in each of the four market categories studied. Each interview lasted approximately one hour on average and the total of 17 interviews encompassed of a total of approximately 875 minutes and 270 pages of transcript (font Times New Roman size 12). This interview data set includes nine semi-structured exploratory interviews for the case sampling plus eight additional interviews that were held with the publishers and editors of the four Dutch cases (De Correspondent, Nu.nl, NRC and Metro). The interviewees were employees of the cases with either a commercial title (e.g. commercial manager or director) or a journalistic title and background (e.g. editor-in-chief or audience developer). This was done so that the value propositions on both market sides (users and advertisers) could be mapped.

We developed an interview protocol that we adapted over the course of our research (Alvesson, 2003). The interviewees were asked to describe their customer segment without specifying which of the two-market sides we referred to. We then asked what ‘job’ or problem was solved for this customer to get a description of the value proposition. We also inquired about how this problem solving was translated to topic selection for the front pages and newsletters, and if commercial reasoning (reach or online audience metrics) or editorial reasoning were used to make this selection. These questions allowed us to map and compare the value propositions prototypes for each market category.

#### **4.3.4 Data analysis**

As is common in the comparative multiple case-study method, our analysis consisted of rounds of both inductive and deductive analysis (Eisenhardt, 1989; Gehman et al., 2017). In the comparative case-study, a conceptual framework that emerges from inductive analysis, is subsequently deductively tested by using the replication logic. Following this replication logic, each case is considered to be an experiment on its own that either confirms or disconfirms the hypotheses that underly the emerging conceptual framework (Yin, 1994).

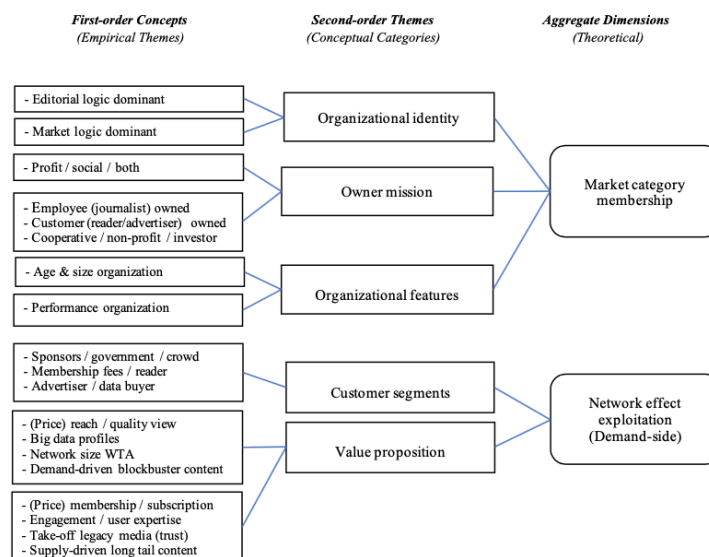
As a first step we compared the value propositions of four cases that were polar examples of four market categories of online and print advertising and subscriptions in one country. To map the value propositions, we conducted a content-analysis of the journalistic content of the four Dutch organizations we selected (Metro, De Correspondent, Nu.nl and

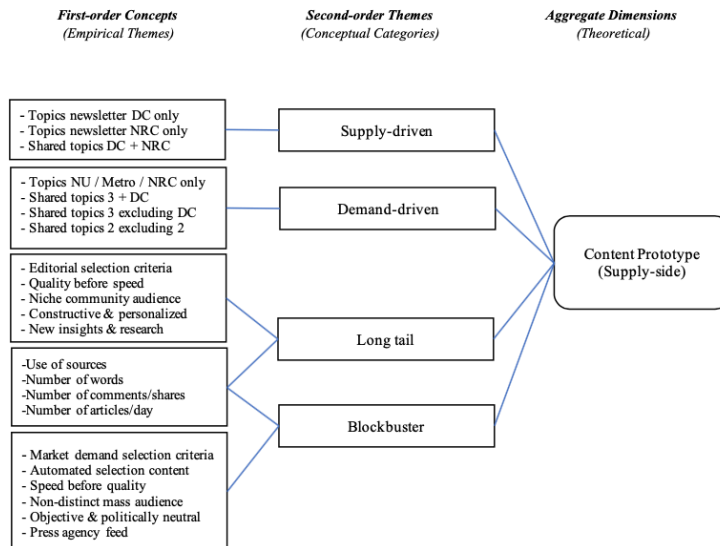
NRC). Other archival data (e.g. annual reports, webpages) and interview data were also analyzed to compare these cases.

All the secondary data were reduced and arranged in several comparative tables. To analyze the type of organization that was a member of each *market category*, we used data on the organizational mission, owner, age and size. Other characteristics (e.g. revenues, profits, number of staff) of each of the four organizations in each market category were also mapped and compared in these tables. In the next step, we used the comparative tables to analyze the value propositions on the demand-side, by analyzing financial data (e.g. prices charged) and non-financial performance of each case, such numbers on reach, circulation, number of views, reading minutes, subscribers per case. These gave an indication of the size of the network and how strong member ties are inside the user network of each case. Lastly, we also used a comparative table to explore basic aspects of the value proposition on the supply-side or the *content-prototype* (e.g. branded content, live blogs, personalized targeting, recycling of content, usage of press agency content, service content, framing, specialization and expertise of editors).

The secondary and interview data were coded using excel and Nvivo. This resulted in a total of 480 nodes that were divided into 28 second-order themes. This resulted in a data structure (see Figure 4.1) with the following three aggregate dimensions and conceptual categories: 1) *Market category membership* (organizational identity, mission, size, age and performance), 2) *Network effect exploitation* (customer segment, network size, engagement and value proposition), 3) *Content prototype* (supply-driven, demand-driven, blockbuster or long tail content). The data in the second aggregate dimension allowed us to analyze the value proposition on the demand-side, while the data in the third aggregate dimension allowed us to analyze the supply-side value propositions.

**Figure 4.1**  
**Data structure**





For example, we applied the code of the theme of ‘take-off on legacy media’ to the following quote that belongs to the conceptual category ‘value proposition’ and the higher aggregate dimension of ‘network effect exploitation’:

*“So, we excluded publishing any ads, because you know the main focus or the main argument for a lot of people to support us is just to fund independent journalism and in our case that also means independence from money that comes from advertisers.”*

The secondary data from the 703 news articles were triangulated with the interview data and get a more detailed picture of the content prototype that each case offered. The newsletters and frontpage articles were all coded with Nvivo into categories of topics (approximately five per case) addressing the same or related events (Welbers et al., 2016). This resulted in a total of 98 topics of which 29 were unique to one particular newsletter or front page. The rest of the 98 topics was covered by two or more of the cases. The most covered topics for each case were listed in a 4x4 table that summarizes overlapping topics (see Appendix II). This way we could detect patterns in which types of topics were typical for the supply-side value proposition in each market category.

When content topics for the newsletters and front pages were selected based on the ‘editorial logic’ of what journalist feels his niche audience should know, this content-prototype was categorized as ‘supply-driven’. If this content was more personalized for a niche audience, we coded it as ‘long tail’. Content was categorized as ‘demand-driven’ or ‘blockbuster’ when it was selected with a market logic; based primarily on the demand of both users and advertisers and with the aim to generate traffic for a wide audience (to exploit network effects on the demand-side).

For example: the following quote was coded under the theme of ‘content selection criteria free content’ in the conceptual category of ‘blockbuster content’ that is part of the aggregate dimension ‘content-prototype’.

*“First of all, we are here so people are content. That we at least make something that makes them happy or makes them feel it's urgent, so that they return often, so that we can create value for advertisers.”*



Another example: the following quote was coded under the theme ‘content selection criteria’ in the conceptual categories of ‘long tail’ and ‘supply-driven’ content in the aggregate dimension of ‘*content prototype*’:

*"The maxim rule [concerning selection criteria topics for editors] is: follow your own interests, with the footnote that those interests must have a social relevance and are thus interesting for a greater audience... Traffic does not play a role here, because it is a very limited measure of social relevance."*

Last, we compared the averages of the number of words and sources mentioned in the articles for each case (See Appendix III). Supply-driven content typically was the longer content with more sources and often also niche or long tail type of content, while demand-driven blockbuster type of content was identified as short copy with fewer sources, less-research and published more frequently. Comments and the sharing of articles were also mapped (See Appendix III).

#### **4.4 FINDINGS**

We find that the simultaneous exploitation of the demand-side (advertising) and supply-side (subscriptions) by our incumbent case in print subscriptions, NRC, results in a genre-spanning (content) value proposition on the supply-side. Our cases in the advertising market categories, Metro and Nu.nl, illustrate that with the technological transition from print to online the value proposition on the demand-side has changed fundamentally with the offer of big data profiles of users in a large network with weak ties that are used for market exchanges. The demise of free sheets print newspapers like Metro, seems to imply that a focus on the demand-side only (offering advertising without subscriptions) in old tech markets complicates the survival of technological transition.

The value proposition in the online subscription market category of our case De Correspondent, is an explicit take-off on the genre-spanning content offered by incumbent media firms. This entrant pure player in online subscriptions decides to exclude the advertiser from the business model. This leaves more room for the production of supply-driven, well researched and fact-checked content that answers ‘why’-questions with analysis, context, opinion. It also allows for the creation of stronger network ties, engagement and trust in the user community, because there is no more sponsored or branded content and no big data exploitation that may cause privacy issues. When the demand-side is no longer exploited there is no longer a need to create a large network (WTA-strategy) and tensions between market- and editorial departments disappear.

We shall now describe each of the value propositions in the four market categories where each category is represented by one case (also see Table 4.2).

**Table 4.2**  
**Summary of results**

Market category (case)	Online Subscription (De Correspondent)	Online Advertising (Nu.nl)	Print Subscription (NRC)	Print Advertising (Metro)
Type of member	Journalist owned PSF entrant	Incumbent investor owned entrant	Investor owned incumbent	Incumbent investor owned entrant
Network effects	None (only supply-side exploitation)	Entirely (only demand-side exploitation)	Partially (both demand- and supply- side exploitation)	Entirely (only demand-side exploitation)
Content prototype	Long tail supply-driven	Blockbuster demand-driven	Long tail, Blockbuster, demand- and supply-driven	Blockbuster demand-driven

#### 4.4.1 Print advertising category

*Demand-side value proposition* – Metro, our case in the market category of print advertising, offers its print advertisers the mass reach of a potential audience of all ‘travelers on Dutch public transport’. In 2007, approximately 516,000 issues of the free sheet Metro were printed every day and distributed. In 2019, this number fell to approximately 200,000 newspapers per day, that are expected to reach approximately 660,000 readers daily, because one newspaper is picked-up by several travelers (see Table 4.3). Over the whole year 2018, Metro was estimated to have reached approximately 4,3 million of 17,4 million Dutch people.

Metro started offering advertisers branded content as early as 1999. Because it was a free newspaper, it had more freedom to offer this type of content to advertisers than the legacy newspapers who did not offer this to their subscribers. An interviewee describes Metro’s value proposition as follows:

*“As free sheets we can ask money for advertiser-controlled content. We jumped into that gap in the market [in 1999]. We can comply to advertisers’ wishes. We now call that branded content, but back then they were called ‘advertorials’. There were all sorts of products, but they all mean the same: we pay lip service to the advertiser. We write about their products.”*

Online Metro has a smaller daily reach than the case that exploits the online advertising market category mainly (Nu.nl), but Metro has a greater reach than both cases in the subscriptions market categories (see Table 4.3).

Like Nu.nl, our case in the online advertising category, Metro is part of a larger portfolio with other titles offered to advertisers by the larger publishing house that is part of TMG. Metro is an important addition to the TMG-portfolio value proposition for advertisers because it can offer a type of branded content that De Telegraaf (the largest newspaper in the portfolio) cannot. Also, Metro can share in the costs of expensive press agency content it shares with De Telegraaf.

*Supply-side value proposition* – With its newsroom of seven journalists plus several freelancers, Metro produces its own unique content online and in print on the supply-side. At the start of 2019 Metro did not yet have a digital newsletter but was working on launching

one. Concerning the selection of content and topics for articles in the Metro newspaper, quickly seizing the attention of a wide non-distinct audience is central:

*“Don’t forget, people walk by, look and think: ooh, what is that [front page]? And quickly decide if they want the paper or not. We don’t get delivered, and we don’t end up in people’s mailboxes. We really have to focus the attention on us... [Metro is] a politically colorless, tad stubborn product. We don’t have the ambition to be complete [unlike paid-for newspapers].”*

**Table 4.3**  
**Elements demand-side value proposition**

	<b>Metro</b>	<b>NU</b>	<b>NRC</b>	<b>DC</b>
<b>Identity of customer demand-side</b>	Media bureaus and national advertisers	Media bureaus, local and national advertisers	Advertisers AB1 target group niche	This side is not served
<b>Problem solved for advertiser (demand-side)</b>	Content solutions and plain reach to improve image advertiser. Via open programmatic and branded content, pay lip service to advertiser by writing about their products and services	Buckets: provide data lake for programmatic, banners, branded, video pre-rolls, data, enterprising partnerships, SME tool self-service ads	Reach 76% of AB1 target group with trust to increase sales	Not applicable
<b>Data value proposition</b>	Data profiles not sold to third parties, advertising is personalized via portfolio data, programmatic sales is 1% of revenue	Data profiles not sold to third parties, advertising is personalized via portfolio data, automated bidding of personalized banners is main source of revenue	Data profiles not sold to third parties, no re-targeting, no open exchange, only private automated trading, limited personalization.	Delete user data if they do not serve editorial purpose, do not use Google analytics anymore to protect user privacy, do not push through ad-blocker
<b>Portfolio titles VP Ads</b>	Yes	Yes	No	No
<b>Prices print banner</b>	203,280 euro maximum	Not clear	248,000 maximum	Not applicable
<b>Advertising prices</b>	CPM = 9.45 – 12.60 euro Programmatic/automated buying ad space: 1.50-14 euro	CPM = 22.85 euro	CPM = 25 – 75 euro Programmatic/automated buying ad space: 2-7 euro	Not applicable
<b>Print circulation daily</b>	299,000 (2001) 516,000 (2007) 200,000 (2019)	X	257,000 (2000) 131,000 (2017)	X
<b>Reach print</b>	4.3 mln (2018)	X	3.3 mln (2018)	X
<b>Number of subscribers/member</b>	X	X	202,097 (2017) 265,000 (2018)	60,000 Netherlands (2019) 49,000 international (2019)
<b>Newsletter receivers</b>	Not yet launched	69,000 (general) 157,000 (soccer) 4,100 (Formula 1)	225,000.	40,000.
<b>Montly total unique visitors website</b>	1.8 mln (2018) 1.5 mln (2019)	6.8 mln (2018) 7.5 mln (2019)	2.1 mln (2018)	300,000 - 400,000 (2019)
<b>Unique visitors /day</b>	1 mln	2.5 mln (2019)	350,000 - 450,000	50,000.
<b>Active reading minutes/ user/day</b>	0,5	X	3	>7

Metro does not cover politics and financial news and approximately 10% of its content is branded. The rest is objective journalistic content, but Metro has no analysis, context nor opinion articles. Instead it offers typical blockbuster content to gain clicks of a mass audience: ‘hypes, trends, events, cheeky and bizarre news items’ (Paulissen, 2019). In our content analysis we find that the most typical topics covered by Metro are lifestyle, tourism and work. There is most overlap in topics with Nu.nl, as both cover typical blockbuster demand-driven advertising friendly topics such as entertainment events, Formula 1 and the weather (see Appendix II).

Similar to the case in the online advertising category Nu.nl, the reader service pages (including TV, weather and horoscope) are truly important elements of the content offer. The attention span of the online reader of Metro is the lowest of all cases. The average number of reading minutes online is 0.5, which is extremely low compared to the average of above 7 minutes at De Correspondent, our case in the online subscription category. With its small newsroom, Metro's daily production of articles is relatively low: about one tenth of that of Nu.nl.

**Table 4.4 Detail data structure**

Aggregate dimension	Second-order themes	First-order concepts & exemplary quotations
(No) network effect exploitation	Value proposition	<b>Advertising free online / Take-off legacy media</b> - If the member fees are not enough to make ends meet, we must either spend less, try harder to acquire more new members or stop. Traditionally ads are portrayed as indispensable for a profitable model for journalism, but I never understood that. You can also decide to spend less or find other ways to increase your budget. when you start advertisements are not necessary for journalism. It is however hard to get rid of them, when they have been part of your budget for years.
(No) network effect exploitation	Value proposition	<b>Advertising free online / Take-off legacy media</b> - So, when Rob [founder De Correspondent] left NRC [newspaper and his former employer], I think, he already saw what was later aggravated by geopolitical developments: that people just lose their trust in the media. And our approach ensures that the journalistic process is as transparent as possible. There are no ads, no target group thinking. Issues are not simplified in order to make you click, we do not make clickbait titles. This raises the bar, but also ensures that those who do follow you and who may even think it's worth paying for that, trust you more.
Network effect exploitation	Value proposition	<b>Subscription free online / big data</b> - We are of course part of [name publishing group], so we have all sorts of data that come not only from Nu.nl but also from [other publication titles]... We also have subscriber data, so we know hard facts and are pretty certain about people's birthdays and their gender. We have a data partnership with Zalando in which we know: someone is looking for sports shoes, so you can start targeting that person. So, we have that whole landscape of data, an extensive data lake, as it is called, in which we can show targeted ads to consumers."
Network effect exploitation	Value proposition	<b>Subscription free online / branded content</b> - We offer all sorts of 'buckets', as we call it, so we have programmatic advertising, which are all displays that you see around Nu.nl. Also, in the app and on all devices actually... Via programmatic advertising an offer is generated automatically by the system based on user data. That is our main source of income. Then we have video pre-rolls, which are video ads that you see before a video starts. Branded content are all the advertorials and all forms of distribution to boost it, via the podcast for instance. We now have brochures that we distribute for partners via the homepage: Nu-Shop offers. We do not sell data profiles, but data is a very important driver for us, or at least an important sales argument, which allows us to have a better and more relevant offer for our ads.
Network effect exploitation	Value proposition	<b>Subscription free print / branded content</b> - Most advertisers come to us for editorial services, others just want plain reach, not the news. We are not asked to pay lip service but to help them improve their image. We had a [front/homepage?] takeover by Bristol. Everyone knows Bristol as the cheapest shoe store where it smells musty. So, we had to spice this up with a photoshoot. So, they ask us: can you improve our image? If [name supermarket] wants plain reach for its special discount offers we offer the back page of our newspaper and hope this will trigger people to go after the special bonus offer.
Content prototype	Blockbuster	<b>Market demand selection criteria (print)</b> - I think the profile of the reader of Metro or a free newspaper in general, is such that for this reader it is pretty clear that there are commercial stories in the paper and the reader accepts that. He can take the paper for free. It would really be different if he paid for the paper. The reader who does, does not want to wonder: did somebody sponsor this article?
Content prototype	Blockbuster	<b>Market demand selection criteria (online)</b> - In fact, we see, hear, check all the news for you, so that you do not have to do it yourself. You come to us for the best overview of the most important news of the moment... For everyone here [at Nu.nl] the primary customers are the visitors of our website. First of all, we are here so people are content. That we at least make something that make them happy or makes them feel it's urgent, so that they return often, so that we can create value for advertisers.
Content prototype	Mix blockbuster long tail	<b>Editorial selection criteria</b> - Well, [we solve] the problem that they [readers] want to know more about a certain topic and with us they get the right interpretation and the right context concerning a particular topic. And we offer a profundity that other media, especially social media, are lacking. Sometimes the news goes too fast and people are not informed well enough. So, we do want to cover diverse topics in-depth. Sometimes we also give deepening that goes beyond current events.... We give critical, independent thinkers the means to form their own opinion about the world around them.
Content prototype	Long tail	<b>Editorial selection criteria [concerning selection criteria topics for editors:]</b> - The maxim rule is: follow your own interests, with the footnote that those interests must have a social relevance and are thus interesting for a greater audience. We do not keep diaries. So, if readers are not interested, that probably means something is wrong with the relevance of the topic. Traffic does not play a role here, because it is a very limited measure of social relevance.

#### 4.4.2 Online advertising category

*Demand-side value proposition* - Nu.nl, our case in the online advertising category, offers its customers the mass reach of users that generates big data profiles of these users that can be used for targeted advertising to increase sales (also see Table 4.4 & 4.5). More specifically,

the following ‘buckets’ are offered to advertisers by Nu.nl: a data lake for programmatic (automated bidding), personalized advertising via portfolio data (of larger firm) banners, branded content, video pre-rolls, enterprising partnerships, a web shop, and an online self-service tool for SME-advertisers. Nu.nl also exploits markets itself in cooperation with partners, as is explained in the following quote:

*“And then of course there is a clear KPI on leads or that we take a share of the revenues... yes, well it is just a performance business model in which we enterprise together. And yes, quite extensively.”*

The monthly reach of unique online visitors to the website Nu.nl, is approximately four or five times that of the cases NRC.nl and Metro.nl and approximately twenty times that of De Correspondent (see Table 4.3). The offer of free content allows for a higher reach.

*“We offer free content and that is a very important aspect, because we want to make the news accessible to the largest possible group of people and in our view, that is only possible if the content is free. This way, you can reach as many people as possible and this is very important to us... Long lingering [by user on website] is not a goal in itself. We find it more important that people return frequently.”*

Similar to Metro, Nu.nl also offers branded content. Requests by sponsors or advertisers to get some coverage on their events or products are often lived up to, under the condition that the editors get to decide how this is done. There is not a separate division that creates this branded content.

**Table 4.5 Elements Supply-side Value proposition**

	<b>Metro</b>	<b>NU</b>	<b>NRC</b>	<b>DC</b>
<b>Identity of customer on supply-side</b>	All travelers on Dutch public transport (millennial online)	All Dutch readers with internet	Highly educated, affluent Dutch readers	No target group defined: supporters press freedom, urban highly educated
<b>Problem solved for user / subscriber (supply-side)</b>	Something to read and leave behind while on the public transport	Accessibility, speed, applicability: fact-check news of today very quickly for news addicted user, entertainment, service (mix hard and soft news)	Separate fact from fiction, interpretation and explanation, independence, quality and expertise, digital first, reliability, opinion and debate	Ensure that user better understands the world focus by exposing underlying structures of hypes and find solutions together with other users
<b>Content monetization</b>	Free content	Free content	Paywall, some free	Paywall, some free
<b>VP product additional</b>	None	Web shop	Events and web shop	Books and events
<b>Total number of articles produced/day</b>	15-16 print + some online	200-250 online	120 (weekend + 20)	3-4 (except Sundays) - 1 minimum per day
<b>Product</b>	Paper 5 days per week print in public transport	Morning and lunch mail, themes newsletters and website/social	21 theme digital newsletters, online paper and print newspaper 1, 3 or 6 days per week	18 total newsletters of which: 2 daily and weekly, 15 personal newsletters, 1 test newsletter (for non-members)
<b>Frequency</b>	Daily print and online	24/7 online	Daily print and 24/7 online	Daily/weekly
<b>Price subscription</b>	Not applicable	Not applicable	27 euro per month print - 8 euro/month digital only	70 euro/year - 7 euro month

*Supply-side value proposition* - The platform Nu.nl has no paywall, so it does not exploit the supply-side by making readers pay, but it does produce its own unique content with a newsroom of approximately 65 journalists plus approximately 20 freelancers. The problem that is solved on for this user audience is its ‘addiction’ to fast and fact-checked news of today. To solve this problem the value proposition is ‘a 24/7 mix of breaking news (live blogs), entertainment and service’. Nu.nl’s content topic selection is aimed at generating traffic and ensuring as many returns as possible:

*“We are the biggest news platform in the Netherlands and we really want to keep it that way. So, naturally we continuously focus on: how do we ensure that as many people as possible visit Nu.nl, but also stay as long as possible and that we are the first? Speed is also important.”*

To accomplish this Nu.nl publishes the highest number of shorter copy articles (see Table 4.5) of all cases, although its newsroom is not the largest of all cases. In addition, the Nu.nl articles have relatively fewer sources than the articles of our cases in the subscription market categories (see Appendix III).

The content offered can be typified ‘advertising friendly’. Ad friendly topic themes mentioned in the interviews and found in the content analysis (see Appendix II) are for instance: popular sports events (Tour de France, Formula 1), small disasters and crime and justice. Unpopular topics for advertisers are specified at Nu.nl as: terrorist attacks and bad news about the advertisers. In contrast to the cases in the subscription market category, there is no subjective reporting, no context, opinion content and analysis by the columnist. The reporting is politically neutral for a mass audience, instead of for a distinct political niche. There is little research and investigative journalism because the focus of Nu.nl is on today’s news only, not on the wider long-term context and interpretation of current events.

Crowdsourcing and user generated content is limited because moderating it is costly, and like the newsletters it gives little advertising revenue. Both are done only because the readers want these services. Nu.nl had a section where readers could post their own content, called NUjij (*Now you*). It was closed down for some time because moderating it was too labor intensive. Now that technological developments have reduced moderation costs it has been opened again.

*“We got many complaints when we removed it [NUjij]. Yes, it was quite an eye-opener that made us realize that was sort of a hidden gem. That everyone was so active there we didn’t even know. So, that was one of the best launches – re-launches – of the past year.”*

#### **4.4.3 Online subscription category**

*Demand-side value proposition* – The Correspondent is the only case that does not exploit the demand-side by selling its reach or user base to advertisers. It excludes this market-side in its advertising free membership model (see quotes Table 4.4). De Correspondent, like other startups with a membership model, is an explicit departure from the focus on profit maximization via branded content and big data profile sales, which is common among GAFAM platforms and incumbent news media firms that ‘do not want a deep relationship with their readers’.

Business models based on branded or sponsored content that legacy media deploy, are seen as ‘suicidal or dead-end street strategies’ (Wijnberg, 2016), and *native advertising* as a threat to editorial autonomy that damages the relationship with readers (Pfauth, 2015).

*“One journalism site after another is killing the comments section, locking out readers’ voices instead of investing in building a community of contributing readers and journalists. Damaging the ties with your audience is the last thing one should do, yet it seems to be every publisher’s strategy at the moment.”* (Pfauth on Medium, De Correspondent, 2015).

The drive of the journalist founders is to rebuild trust in journalism that mainstream news media have lost. The reason not to exploit the demand-side, is that editors will experience more professional autonomy due to the lack of pressure from advertisers (see quotes Table 4.4). No big data is collected and stored for personalized targeting at De Correspondent. Data analytics is only used for targeting new potential members, but it is extremely limited and lots of user data are even deleted. The decision not to exploit data of the user audience via third parties also flows from the editorial mission and logic, as this quote illustrates:

*“You should practice what you preach... We do not have Google Analytics anymore, because we do not want to share the data of our users in that way with Google. So, we have Piwik, now called Motomo, which is a metric of lower quality, a statistics program in which we log our page views and which we host ourselves. We collect as little as possible of our users’ data. We also continuously delete lots. It really has to serve a journalistic purpose. If you do not want trackers on our site, you do not get trackers. So, we have no Facebook cookies on our website. We do not have any of that.”*

The focus of De Correspondent is more on member engagement than on mere reach, as it is financed via crowdfunding in its user community instead of advertising. Measuring engagement requires other indicators than reach, such as the number of members who subscribe to particular newsletters, the numbers of shares, recommendations, comments or member donations.

*“We have other types of metrics than media with an advertising model, because the contribution of our members to the journalistic production process is such an important element of our model. That’s why member engagement is very important and there is not one way to measure that.”*

*Supply-side value proposition* - In the online subscription category, the paying readers are not called ‘subscribers’ but rather ‘members’ who are offered advertising free content in exchange for the payment of fees and crowdfunding donations. Via yearly or monthly fees, approximately 60,000 members of the Dutch version of De Correspondent have access to content and the comment section under articles (see Table 4.3). In addition, other products and services for readers are offered, such as books and event tickets.

The focus in the online subscription market category is mainly on the creation of an online community with strong member ties. Not collecting and exploiting user data is also an explicit element of the value proposition on the supply-side. This builds more trust and should encourage users to share their expertise with the user community, as the editor-in-chief explains to his readers in the following quote:

*“And, because we don’t see you as a “target audience”, we don’t need to collect much data about you either. Being ad free enables us to be mindful of your privacy. We don’t need to know what paycheck you bring home or what breakfast cereal you like. We do care, however, about what you know. Because we believe: 100 readers collectively know more than one journalist. Instead of asking for personal data that is relevant to advertisers, like your age or the size of your wallet, we’ll ask you for things that are relevant to our journalism: your expertise.”* (R. Wijnberg, newsletter DC, 2 December 2018)

Individual members are offered publications supplied by journalists and enriched with member comments (see Table 4.3 and Table 4.4). As no advertisers are served, the content offered does not have to attract a mass user base that can be sold to third parties

that want to locate opportunities for market exchanges. Creating mass traffic via clickbait is actually even seen as counter-productive to improving the trust and engagement of the (potential) member of De Correspondent.

*“A characteristic of clickbait is that it doesn’t matter if it makes its promise come true, because you already clicked [before you could read it]. So, for a website the money is already earned through that click. We do not have that incentive, because if we serve you clickbait and do not live up to your expectations, you will not return. You will not click again next time... Everyone has experienced clicking on something and thinking: ‘oh, what is this? There is nothing here, just air.’ We do not have that. We do provide the content that lives up to expectations, I hope.”*

The incentive to improve member engagement and trust, is reflected in the content produced by De Correspondent’s newsroom of approximately 65 journalists (including freelancers). Content in this market category of online subscriptions is ‘supply-driven’ in the sense that the topic selection should not follow the agenda setting of mainstream media and their current events (‘waan van de dag’). So, no press agency content is ever used, and the content selection is instead based on the personal mission and choice of the journalist rather than on reader demand and on attracting users of a particular target group for advertisers:

*“We do not want to see target groups, as these have many disadvantages because this is very much sort of catering to what you think the target group may want, instead of taking them along in your own [the journalist’s] fascinations”*

Slow and investigative journalism is offered by De Correspondent. The content is not meant to be objective, but engaging and transparent, and more in-depth towards the scientific side (see Appendix II). For example: there is an emphasis on topics such as poverty, EU, the climate and statistics. The topics that are typically offered by our cases in the advertising market categories, such as small disasters, Formula 1, the weather and lifestyle (see Appendix II) are rarely covered. And if they are covered, the angle taken is different from that of the advertising financed cases.

The number of articles produced is relatively low at De Correspondent, but these are typically long texts with a high number of sources compared to the content of cases in the other three categories (see Appendix III). The editorial focus is on new insights and long-term interpretation rather than on mere reporting of breaking news of only today’s current events.

The membership model of De Correspondent is also characterized by the use of the wisdom of the crowd to inform journalists. This means that readers participate in the journalistic production process via crowd sourcing. For online journalists more interaction is possible with the reader audience than was possible in print journalism.

*“With members it is also stated a little more explicitly that we really want to build a kind of bond with them and enter into a kind of social contract. Some people think that we have member meetings, which we do not, but we really do not see our members as customers, but as people from whom we can benefit a lot and who can also give us a lot of information... Our mission is to give context to the news and to search together for solutions and ways to understand the world better, and mainly the ‘together’ part is very important. We want the members to see the journalist as some sort of moderator and go along with them to understand it and look for solutions together with them”*



#### 4.4.4 Print subscription category

*Demand-side value proposition* – NRC is the only case that has two distinct departments that offer two distinct products and prices: the newsroom that serves the subscriber, and the advertising department that serves the advertisers and their agents. On the advertiser side NRC offers advertisers the reach of an extremely loyal ‘AB1 customer group’; a niche of the highly educated affluent Dutch readers with a higher attention span than that of the cases that exploit advertising only. However, the number of active reading minutes per user per day is lower than at De Correspondent (see Table 4.3).

The prices (CPM tariffs) that are charged to advertisers both in print and online are highest of all cases. For advertisers it is more expensive to buy a subscriber audience than an audience that does not pay for content. About prices for branded content nothing is disclosed on NRC’s website, but it is mentioned that it is offered, just like at the other two cases that exploit the demand-side by selling the audience to advertisers. NRC is the only case that also offers options for individual readers to publish announcements (e.g. about births and deaths or other). So, part of the advertising revenue comes from the reader audience.

Similar to the other two cases that serve advertisers, but unlike De Correspondent, NRC offers the production of branded content to advertisers. Unlike at Nu.nl, however, the branded or sponsored content is never produced by the editors of the newspaper newsroom. Instead other editors who work for the advertising department make the branded content;

*“What we [at the advertising department] do, is our branded content department. Here we have excellent journalists, but these are not part of the independent newsroom under leadership of [former editor-in-chief] Peter Vandermeersch. The journalist that fall under my responsibility do very good journalistic storytelling for the advertiser.”*

Partnerships for advertisers are also offered and NRC has a web shop, similar to Nu.nl. NRC is selective of the type of advertisers it does business with. In contrast to Nu.nl, it offers only private automated trading, because this is better for advertisers’ brand safety than automated bidding, and re-targeting is not done either (Fortuin, 2019). There is, however, a limit concerning big data exploitation.

*“Well, also because we are NRC, we want to handle data appropriately. If our newsroom is watching and judging Google, Facebook and other parties concerning big data, we have to do that ourselves as well. We must handle data appropriately. So, at this moment we do nothing with profiles.”*

Personalized offerings of content are made to the users; however, these are not advertiser-driven but steered by the interests of readers (Fortuin, 2019). Users are targeted with articles only if they indicate they want to follow a particular topic. Advertisers are offered the so-called ‘quality view’ which is not merely a measure of the number of clicks, but it is a measure of every reader that spends more than 15 seconds reading an article. The average number of minutes spent by a user in NRC articles is higher than at Nu.nl and Metro, but lower than at De Correspondent (see Table 4.3). NRC has decided to offer less and less free content, as this is expected to attract the highest segment of advertisers.

*“Important is that we decided to stop our free offers. We no longer do that on paper and online. This means we have paying readers. It also means that these are concerned readers. This involvement and engagement are very important for bringing across a message. That someone actually reads it. How often is free content on your doormat immediately thrown in the paper bin? That doesn’t happen so quickly, when someone pays for a brand and its content. The advertiser catches on to that enormously.”*

NRC's online paywall only gives a few articles away for free and live blogs about breaking news are also freely accessible.

*Supply-side value proposition* - NRC's content value proposition on the supply-side reflects its mix of supply- and demand-side exploitation, as both blockbuster and longtail content are produced by its relatively large newsroom staff (200 fte). On the one hand, for example, its content is objective breaking news with live blogs similar to what Nu.nl offers. On the other hand, NRC offers opinion analysis, context and interpretation which are more similar to the offering made by De Correspondent. The general value proposition on the supply-side is formulated as follows:

*“Our purpose is to distinguish facts from fiction and facts from opinions. Our purpose is not only to report on what, when and where in the world it happened, but also why. The context and the explanation of facts are NRC's right to exist. NRC's right to exist is that it delivers the building blocks that help the reader to determine his or her own opinion.”*

NRC wants to 'separate opinion and fact' and it offers 'investigative journalism' to reveal hidden facts. NRC has approximately fifty columnists, so opinion is much more important than at Nu.nl. It is possible for users to react to some articles and start discussions with journalist, but this is much more limited than at De Correspondent. Crowdsourcing is not as central in NRC's journalistic production process as it is at De Correspondent. Articles get fewer comments than at Nu.nl and De Correspondent (see Appendix III).

As it has the largest newsroom of all four cases, NRC has more staff for investigative journalism and the coverage of a wider range of topics. Like at Metro and Nu.nl, press agency content is used by NRC, but it is always verified well. The average length of NRC's articles is in between that of Nu.nl and De Correspondent (see Appendix III), and NRC has most overlap of topic themes with Nu.nl, such as crime, law, justice and celebrities (see Appendix II). With De Correspondent it has overlap on topics related to science, the European Union, poverty and elite culture (see Appendix II). With Metro extremely little overlap of topics covered was found.

Genre spanning is visible in the content offer, which the NRC respondents indicate is 'in the middle' between that of Nu.nl and De Correspondent. Analytics of metrics and data is done more by NRC, which makes the content selection more demand-driven than at De Correspondent. The analysis of metrics influences the content selection somewhat, but not strongly:

*“I do not think we are consciously busy with that [metrics] on a daily basis. I think we write the newsletter somewhat for ourselves. I think that if I like it myself, it must be good. There is a less thought out system behind it than you may suspect. In all newsrooms where I worked, about 90% is done on gut feeling.”*

## 4.5 DISCUSSION

In this study, we investigate how the shift from old to new market categories on the demand-side has affected the value proposition of manufacturing platforms on the supply-side in a two-sided market context. We focus on journalistic firms that like traditional pipe-line businesses, create value on the supply-side by producing content. We compare value propositions in four market categories: print subscriptions, print advertising, online subscriptions and online advertising.

First, we find that when the exploitation of all four market categories is combined value needs to be created on both the demand- and supply-side. This results in a genre-spanning value proposition with a content-prototype offer that combines both demand-driven blockbuster content for a wide network with weak user ties, and supply-driven long tail content for a small network with strong user ties. Previous research on categories mainly focused on genre-spanning inside a one-sided market context, such as the market for wines or movies (Hsu, 2006; Negro, Hannan & Rao, 2010), where the product is less complex and more prototypical. We extend this research to a two-sided market setting that is in technological transition and where new online goal-based market categories have emerged on the demand-side (Durand & Khaire, 2017). Our study illustrates that genre-spanning does not only occur within one market, but that this phenomenon also occurs across two interdependent markets with distinct value propositions on the demand- and supply side.

In addition, we find that genre-spanning across interdependent markets, does not affect firm performance as negatively as could be expected based on earlier studies of the categorial imperative (Hsu, 2006; Zuckerman, 1999). We propose that non-genre-spanners that exploit the demand-side only, will have more trouble to survive technological disruption than genre-spanners that exploit both market sides. This seems to indicate that the competitive advantage created on the supply-side, may be more sustainable over time than the competitive advantage that is created on the demand-side only (Massa, Tucci & Afuah, 2017). We also contribute by illustrating that the positive evaluation of category spanners in markets for goal-based products and services (Glaser, Krikorian Atkinson & Fiss, 2019; Paoletta & Durand, 2016) seems to apply to the demand-side more so than the supply-side.

Second, we find that the value proposition that is offered on the demand-side (advertising) has changed fundamentally with the shift from old (print) to new (online) market categories. This shift has consequences for the value that can be created on the supply-side. This is illustrated by our black-swan case in the online subscription category, where value is no longer created on the demand-side (advertising) in order to increase the value creation on the supply side (subscriptions). The interdependency between the two market sides is ended and the value proposition is an explicit take-off on the exploitation of network effects as it excludes the advertiser market category from the business model. The transition from a prototypical to a goal-based category in advertising seems to repel particular online user groups that may experience a ‘creepiness effect’ (Stevens & Boland, 2016; Goldfarb & Tucker, 2011) and this has created new opportunities for entrants that exploit the supply-side only.

With this finding we contribute to the literature on platform strategies (Caillaud & Jullien, 2003; Katz & Shapiro, 1994; Eisenmann, Parker & Van Alstyne, 2009; McIntyre & Srinivasan, 2017) with our finding that particular (paying) user groups may actually be attracted to the absence of particular complementors or user groups. This finding refutes the assumptions of network economists and platform strategy scholars that there is a ‘universal’ mutual attraction between the two market sides of a platform and that both sides benefit equally from their interdependence and a large network size (Cennamo & Santalo, 2013; Boudreau & Jeppesen, 2015; Evans, 2003; Elberse, 2008; Afuah, 2013). The chicken-and-egg dilemma that ecosystem platforms struggle with (Evans, 2003; Rochet & Tirole, 2003; Rysman, 2009) is not found in the market category for online subscriptions that can be exploited without the two-sided market interdependency.

In firms that produce their own content to create value on the supply-side, a focus on niche identity, quality content and trust for the long tail are key in the value creation for users. When a firm no longer has a monopoly on the demand-side, it may be more challenging to combine this with the creation of wide non-distinct user base to sell to third parties such as advertisers. So, the ‘get-big-fast strategy’ (Schilling 2002; Venkatraman & Lee, 2004; Corts

& Lederman, 2009), that works well in the online advertising market, may not have the same effect in subscription markets. The ‘winner-take-all’ dynamics found in ecosystem platforms, do not seem to apply to manufacturing platforms that create value on the supply-side. Here we find no confirmation that growth in the user base and complementary goods offered by a platform are the main drivers of value creation (Caillaud & Julien, 2003; Rochet & Tirole, 2003; Evans, 2003).

The generalizability of this study is limited by the context we studied: the European and more specifically the Dutch news media industry which is fairly unique in that it has relatively high revenues from subscriptions. Press freedom and government influence in the media sector may also vary across continents and this may have consequences for our findings. Another limitation is that we studied platforms that are owned by both incumbent and entrants. For future research, a research design with only entrants or only incumbents may be preferable to control for possible effects of organizational size and age.

Another limitation to this study is that we only studied manufacturing platforms. This study does not include the platforms that do not supply self-produced goods and that integrate even more than two user groups and complementors via envelopment. Future research could explore network effect exploitation and genre-spanning in GAFAM platforms.

Future research could also explore how owner missions (Sanders, 2014) and non-market logics (e.g. professional or community logic) in market categories may limit the options for business model innovation (Ocasio & Radoynovska, 2016; Vaskelainen & Münzel, 2018) and value creation on the demand-side. Our findings seem to indicate that traditional professional logics that seemed dead in journalism, revive in online markets (Kroezen & Heugens, 2019) and this leads to business model innovation in journalist and reader-owned start-ups that do not seek profit maximization and investor owners (Sanders, 2018).

An important take-away of this study for managers is that the pluralism or heterogeneity of audiences that for centuries characterized media markets, has not suddenly vanished in the online platform environment. For the collection and analysis of big data, that many firms engage in these days, the reach of the entire population or a statistically relevant representative sample of it, is desired to get the full picture. Trying to reach a non-distinct mass user audience for big data collection may, however, reduce the value that is created on the supply-side for this audience. This is because blockbuster content that rapidly expands the user base of a platform, may be less appealing to audiences that seek trust, community membership and niche content of a particular genre. Even for many advertisers, a niche subscriber audience has more value than an audience that seeks no engagement and that does not want to pay for content. Managers should consider that trying to please a heterogeneous mix of user groups simultaneously with one offer may result in a value proposition that is blend of genres that is less appealing for subscribers. This phenomenon needs to be considered especially by manufacturing platforms that wish to create value by charging user groups via subscriptions. Value creation for subscribers is not only about providing a distribution network or being an intermediary, but it requires investments in the supply of quality products and services and the building of trust via the respect for the user’s privacy. Like newspaper publishers, ecosystem platforms will have to deal with the non-commercial identities of some of their user groups. Last but not least, the demise of pure players in print advertising indicates that the exploitation of the demand-side with limited value creation on the supply-side, may not ensure survival after technological disruption. This has important implications for platforms, like Facebook or Google, that currently focus mainly on demand-side exploitation (advertising market), whilst ignoring the supply-side. A lack of value creation on the supply side may, however, make these platforms more fragile in the next phase of technological disruption.

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## SUMMARY

For more than 25 years news media firms attempted to find the right answer to the technological disruption of their business model due to the rise of the Internet. These types of firms often have hybrid ownership with both for-profit and non-profit goals. In addition, incumbent media firms have exploited network effects in two-sided markets with conflicting demands (subscriptions and advertising) since the 19<sup>th</sup> century.

There is lacuna in the management literature concerning existing knowledge on the influence of more rare forms of ownership (such as foundations, associations, customer or employee cooperatives) on the complexity (clash of coalitions) that organizations experience because they serve multiple and interdependent markets with conflicting demands. In this dissertation I address this gap by taking the theoretical perspective of institutional logics, categories, business models and platform strategies to answer the following three questions:

- 1) How does the owner identity of organizations affect their response to institutional pluralism in two-sided markets?
- 2) How does technological disruption drive change in the dominant coalition in a firm that serves two interdependent markets?
- 3) How has the shift from old to new market categories on the demand-side affected the value proposition on the supply-side in manufacturing platforms?

The three studies of this dissertation investigate the empirical context of European journalistic startups and incumbent or legacy news media firms. This resulted in the following findings and contributions. First, I discovered that the lowest level of institutional complexity (clash between coalitions with diverging logics) is experienced inside organizations where the owner and primary market category belong to the same institutional order. Complexity is highest in organizations where the owner belongs to the market order, while its most important market category belongs to another institutional order, such as the professions, community or religion.

Second, I present a process model of coalitional change inside organizations in which the interaction between the market and organization plays a central role. This model describes how both the political (ownership) and financial (market) power source of a coalition need to be broken to change the dominant coalition. A non-profit and non-dedicated financial investor owner delay this process, while an engaged strategic investor (CEO majority) owner with industry expertise and complementary assets accelerates it. Lower management echelons may form a dominant coalition with owners that can sideline the top management team.

Third, my dissertation explains how the simultaneous exploitation of the demand- and supply-side by manufacturing platforms results in genre-spanning value propositions. With the shift from print to online, some entrants stop the exploitation of network effects on the demand-side. They offer an advertising free value proposition which is a take-off on this genre-spanning. This enables them to create more value on the supply-side in small networks with strong trust and network ties. Manufacturing platforms that only exploit the demand-side in old tech markets, have more trouble surviving technological disruption than organizations that also exploit the supply-side.

In sum, the content of this dissertation illustrates that there are promising avenues for future research to explore the interaction or match between the identity of owners and customers of an organization. The lessons of this research are based on the empirical context of old media but are nevertheless relevant for business and society because they also seem applicable in online platform environments.

## SAMENVATTING (DUTCH SUMMARY)

Al meer dan 25 jaar zoeken nieuwsmediabedrijven naar het juiste antwoord op de ontwrichting van hun businessmodel door de komst van het Internet. Dit soort bedrijven heeft ook vaak hybride vormen van eigendom met zowel een maatschappelijke (non-profit) als een winstdoelstelling. Bovendien exploiteren mediabedrijven al sinds de negentiende eeuw netwerkeffecten in tweezijdige markten (adverteerders en lezers).

De management literatuur kent hiaten in de bestaande kennis over de invloed van meer zeldzame vormen van eigendom (zoals stichtingen, verenigingen en coöperaties van werknemers of klanten) op de complexiteit die organisaties ervaren doordat zij tegelijk meerdere markten met tegenstrijdige wensen bedienen. In dit proefschrift vul ik deze kennislacune met de theoretische invalshoek van institutionele logica, categorieën, businessmodellen en platformstrategie om de volgende drie vragen te beantwoorden:

1) Hoe beïnvloedt de combinatie van marktcategorie en eigendomsidentiteit de mate waarin een organisatie institutionele complexiteit ervaart?

2) Hoe verandert technologische ontwrichting de dominante coalitie in een organisatie die tweezijdige markten bedient?

3) Hoe heeft de verschuiving van oude naar nieuwe marktcategorieën aan de vraagzijde de waardepropositie aan de aanbodzijde beïnvloed bij ‘producerende platforms’?

Mijn drie studies voor dit proefschrift richten zich op de empirische context van Europese journalistieke startups en gevestigde nieuwsmediabedrijven. Concreet leverden deze de volgende bevindingen op. Ten eerste, ontdekte ik dat de minste complexiteit (botsing tussen coalities) wordt ervaren in organisaties wiens eigendomsidentiteit en logica stroken met die van de primaire marktcategorie die de organisatie bedient. Complexiteit is het hoogste in organisaties met marktlogica die winstmaximalisatie nastreven en de meeste omzet halen uit markten waarin andere logica (zoals die van de professie, gemeenschap, religie of wetenschap) domineren.

Ten tweede, presenteer ik een procesmodel van coalitievorming binnen organisaties waarin de interactie tussen markt en organisatie centraal staat. Dit model beschrijft hoe dominante coalities pas worden gebroken zodra zij zowel hun politieke machtsbron (eigendom) als de financiële machtsbron (markten) hebben verloren. Het soort eigenaar geeft de doorslag als coalities weerstand bieden tegen veranderingen die nodig zijn door neergaande markten. Non-profit eigenaren en investeerders op afstand vertragen dit veranderingsproces, terwijl een directeur-groootaandeelhouder met strategische doelstelling het versnelt. Als lagere managementlagen een dominante coalitie vormen met non-profit eigenaren kan deze het topmanagement buitenspel zetten.

Ten derde blijkt uit mijn proefschrift dat de combinatie van exploitatie aan zowel de vraag- als aanbodzijde resulteert in een vermenging van genres in de (content) waardeproposities van producerende platforms. In de transitie van print naar online hebben sommige startup platforms afscheid genomen van de exploitatie van netwerkeffecten aan de vraagzijde. Zo kunnen ze meer waarde creëren aan de aanbodzijde in kleine netwerken met veel vertrouwen en sterke banden tussen gebruikers. Producerende platforms die enkel aan de vraagzijde netwerkeffecten exploiteren in print markten, hadden meer moeite om technologische ontwrichting te doorstaan dan organisaties die ook de aanbodzijde exploiteren, bijvoorbeeld via abonnementen.

Samengevat tonen de bevindingen van dit proefschrift aan dat er veelbelovende mogelijkheden zijn voor meer onderzoek naar de wisselwerking of ‘match’ tussen de identiteit van de aandeelhouders en klanten van een organisatie. De lessen die dit onderzoek baseert op de empirische context van ‘oude’ media, zijn van belang voor het bedrijfsleven en de samenleving omdat deze ook van toepassing lijken in de online platform-omgeving.

## **ABOUT THE AUTHOR**

Mathilde Sanders-van Balkom (1974) obtained her Masters degree in Political Science at the University of Amsterdam (UvA) in 1998. In 2000, she received a post MA degree in Journalism (PDOJ) at the Erasmus University Rotterdam. After a career as an investigative journalist, she started her external PhD trajectory at the department of Strategic Management and Entrepreneurship of the Rotterdam School of Management (RSM) at the Erasmus University. Mathilde's general research interests center around ownership, social enterprises and organizations that combine multiple goals (social and for profit) in two-sided markets. She focuses on (news) media management in particular. Her expertise lies in qualitative research methods (comparative case-studies and process studies) and she has extensive experience in teaching bachelor and master students. In August 2020, Mathilde started working as a researcher at the think tank Rathenau Institute in The Hague. She now further explores the impact of innovation and technology on society in general and, more particularly, the ownership, governance and intellectual property of artificial intelligence and big data in online platforms or ecosystems.





# APPENDIX

## CHAPTER 1

**Table 1.1**  
**List of organizations per interview round**

	Organization Respondent	Round 1 (2013)	Round 2 (2016)	Round 3 (2018)	Round 4 (2019)
1	ND	2			
2	BDU	1			
3	NRC	3			3
4	HDC	1			
5	DPD	1			
6	FD	2			
7	RD	1			
8	LC	1			
9	PCM/DPG Media	4		13	
10	RTL	1			
11	ANP	2			
12	NOS	1			
13	NU	1			2
14	De Correspondent	1			2
15	Apache	1			
16	Metro				1
17	FTM		1		
18	WOZ		1		
19	il Manifesto		1		
20	Watson		1		
21	Krautreporter		1		
22	Zetland		1		
23	Médor		1		
24	The Conversation		1		
25	El Español		1		
26	Coop-News		1		
27	Positive News		1		
28	Il Critic		1		
29	Bellingcat		1		
30	Kaas & Mulvad		1		
	OTHER (Sector Experts)			4	
	<b>TOTAL</b>	<b>23</b>	<b>14</b>	<b>17</b>	<b>8</b>

## CHAPTER 2

**Table 2.1a**  
**Comparative table public investor owners**

CASE NAME	B	M	N	A
Statute	-	✓	✓	-
Council	✓	✓	✓	✓
Voting appointment	X	X	X	X
Commercial identity	✓	X	X	✓
Editor in chief = director	X	X	X	✓
Ombudsman	X	X	X	X
Advisory board/council	X	X	X	X
Ads % total revenue	100	25	100	25
Subscription % total revenues	0	75	0	75
Number of 'central' newsrooms	1	1	1	2
Number of news titles	1	9	1	7
Solvability % (balance/equity)	71	13	62	53
Liquidity mln € (current assets - liabilities)	-159	-233	1205	-137
Dividend mln € (2011/2012/2015)	45	1,6	880	22
Nett result mln € (2011/2012/2015)	-46	-261	33	-16



**Table 2.1b**  
**Comparative table private investor owners**

<b>CASE NAME</b>	<b>K</b>	<b>D</b>	<b>L</b>	<b>C</b>
Statute	✓	✓	✓	X
Council	✓	✓	✓	X
Voting appointment	✓	✓	X	X
Commercial identity	✓	✓	X	✓
Editor in chief = director	✓	X	X	X
Ombudsman	✓	X	X	X
Advisory board/council	X	X	X	X
Ads % total revenue	18	50	20	100
Subscription % total revenues	80	50	80	0
Number of 'central' newsrooms	1	2	2	1
Number of news titles	2	2	4	1
Solvability % (balance/equity)	29	8	43	-
Liquidity mln € (current assets - liabilities)	-30	-16	44	-
Dividend mln € (2011/2012/2015)	0	1,1	20	0
Nett result mln € (2011/2012/2015)	5,5	4,8	22	Loss

**Table 2.1c**  
**Comparative table non-profit owners**

<b>CASE NAME</b>	<b>O</b>	<b>P</b>	<b>F</b>	<b>E</b>
Statute	✓	✓	✓	X
Council	✓	✓	✓	X
Voting appointment	✓	X	X	X
Commercial identity	X	X	X	X
Editor in chief = director	X	X	✓	X
Ombudsman	X	✓	✓	X
Advisory board/council	X	✓	✓	✓
Ads % total revenue	50	25	50	0
Subscription % total revenues	50	0	50	0
Number of 'central' newsrooms	1	1	1	1
Number of news titles	3	1	1	1
Solvability % (balance/equity)	-48	17	50	-
Liquidity mln € (current assets - liabilities)	-203	-25	0	-
Dividend mln € (2011/2012/2015)	0	0	0	0
Nett result mln € (2011/2012/2015)	-27		0,25	-

**Table 2.1d**  
**Comparative table customer owners**

<b>CASE NAME</b>	<b>Q</b>	<b>R</b>	<b>H</b>	<b>G</b>
Statute	-	✓	X	✓
Council	X	✓	X	X
Voting appointment	X	X	X	✓
Commercial identity	X	X	X	X
Editor in chief = director	X	✓	X	X
Ombudsman	X	X	X	X
Advisory board/council	X	X	X	✓
Ads % total revenue	55	0	0	50
Subscription % total revenues	45	0	100	50
Number of 'central' newsrooms	1	1	1	1
Number of news titles	1	1	1	1
Solvability % (balance/equity)	53	29	-	-
Liquidity mln € (current assets - liabilities)	2	-4,2	-	-
Dividend mln € (2011/2012/2015)	0,16	0	0	0
Nett result mln € (2011/2012/2015)	0,3	0,8	-0,3	-0,01

**Table 2.1e**  
**Comparative table employee owners**

<b>CASE NAME</b>	<b>S</b>	<b>T</b>	<b>I</b>	<b>J</b>
Statute	✓	✓	✓	X
Council	X	X	X	X
Voting appointment	X	X	✓	✓
Commercial identity	✓	X	X	X
Editor in chief = director	X	✓	X	X
Ombudsman	X	X	X	X
Advisory board/council	X	X	X	X
Ads % total revenue	65	0	10	12
Subscription % total revenues	45	100	90	88
Number of 'central' newsrooms	1	1	1	1
Number of news titles	4	1	1	1
Solvability % (balance/equity)	36	-	-	-
Liquidity mln € (current assets - liabilities)	-1	-	-	-
Dividend mln € (2011/2012/2015)	0,4	-	0	0
Nett result mln € (2011/2012/2015)	0,04	-	0,5	0,2

# CHAPTER 4

## Appendix I Elements content prototype value proposition

	Metro	NU	NRC	DC
<b>Branded content</b>	Yes (10% content)	Yes (produced by newsroom)	Yes (produced outside newsroom)	None
<b>Advertiser suggests topics</b>	Yes (suggestions possible)	Yes (suggestions possible)	yes (suggestions, but separate production)	None
<b>Banners in newsletter</b>	X	No	Yes	No (only for own products)
<b>Liveblog</b>	No	Yes	Yes	No
<b>Selection criteria topics/items</b>	Attention capture traveler	Addictive news items for frequent return	Reliability - provide elements for reader to form opinion	Provision of new insight - reader must learn something
<b>Personalised content pushing</b>	Ad driven - automated programmatic	Ad driven - 1st blocks homepage = not personalised, rest is	User driven - not automated programmatic	None
<b>Clickbait - traffic incentive</b>	Yes	Yes	Some incentive	Little incentive
<b>Verification</b>	Lowest (not done when official sources)	High (even newspapers are checked)	High (more important than speed)	High (many peer reviews)
<b>Press agency content</b>	High % - often not checked and direct publishing online	Medium (faster than press agency) 10% direct publishing without verification	Low %	None
<b>Service content</b>	Horoscopes, puzzle most attractive - also service pages (TV, cartoons, weather)	Yes	Yes	None
<b>Framing</b>	Politically neutral	Politically neutral - 'opinion of Holland'	Towards liberal side	Towards progressive side
<b>Content newsletter selected for traffic reasons</b>	Not applicable	Yes - only reason to have newsletter	Only online	Not primarily - less so
<b>Popular clickbait / best read</b>	Bizarre, cheeky, entertainment, light themes	Sports, formula 1, tour de france, songfestival, Grand Prix (game), crime, puzzles	TV critics, Sudoku, 50 columnists, (breaking) big news items	Why-headlines
<b>Not popular with advertiser</b>	Analysis, politics, economics	Terrorist acts, bad news about advertiser	Brand unsafe topics, kittens and sex	X
<b>Research</b>	No profound research, but superficial reporting	Verification of today's news, no analysis and context	For context and analysis	Researched analysis

## Appendix II Primary content topics and overlap

CASE	Metro	NU	NRC	DC
	Branded Lifestyle Tourism Work	Events Formula 1 Weather	Cyclo cross	X
<b>Metro</b>				
	Events Formula 1 Weather	Disasters Popular sports CBS Animal news	Crime Law and justice Celebrities	Resistance WWII Nobel prize Racism
<b>NU</b>				
	Cyclo cross	Crime Law and justice Celebrities	International politics (Health) care Elite sports	Science EU Culture elite Poverty
<b>NRC</b>				
	X	Resistance WWII Nobel prize Racism	Science EU Culture elite Poverty	Self-promotion Technology Parenthood Statistics
<b>DC</b>				

## Appendix III Averages articles newsletters

Average/ article	Comments	Shared	Words	Sources	Articles /day
<b>DC</b>	93	448	2293	8	5
<b>Metro</b>	x	x	718	2	5
<b>NRC print</b>	x	x	1169	3	5
<b>NRC 5 om 5</b>	39	x	1156	3	5
<b>NRC vandaag</b>	21	x	1259	4	11
<b>NU</b>	71	x	358	2	16

