

## Chapter 6

# Size, Ownership and Innovation in Newspapers

Arne H. Krumsvik, Eli Skogerbø & Tanja Storsul

### Abstract

This chapter analyses the relationship between the size and ownership of newspapers and their approaches to the challenges from the tablet market, e.g. the iPad. Which newspapers were inclined to innovate by launching iPad apps? The hypotheses tested are that: (1) the size of newspapers and (2) having corporate owners, i.e. being owned by a media group, have positive effects on the strategies of the individual newspapers. The empirical analysis supports the hypotheses. Only newspapers owned by corporate owners, i.e. media groups, had plans for iPad apps. Newspapers owned by media groups were also more positive towards new media developments. These differences are explained by reference to two types of resources provided by media groups: *analytical* capabilities and capabilities to enhance joint *product development*.

### Introduction

In March 2010 Apple released its first iPad, thereby challenging media companies around the world to innovate their products to comply with the iPad's interface and functionalities. The iPad is a tablet computer for web and audio-visual content and for a growing number of diverse applications. It was met with high expectations in the newspaper industry. It was celebrated both as a media platform that could facilitate service innovation and the innovation of new genres and new business models, and as a new distribution channel that could enable the reinvention of established genres and business models (i.e. subscription of pdf versions of paper newspapers).

The iPad can be characterised as an *architectural innovation*, following the typology of Abernathy and Clark (1985). They classified technological change according to its proximity to the current technological course and to the existing market segment. The iPad and similar tablets, viewed as larger versions

of smart phones, are simple technological innovations with the potential to transform products or entire businesses.\_

For newspapers, the tablet technology represents both a new platform that facilitates innovation in terms of the distribution of existing products and services, and a publishing platform that enables innovations in journalism and user interaction. Some newspapers focus primarily on the aspect of distribution, while others explore alternative potentials in the new publishing platform. The introduction of tablets is a development that opens up for studies that may add to the knowledge about how new publishing tools impact on and change journalistic products (Boczkowski 2004; Boczkowski and Santos 2007; Mitchelstein and Boczkowski 2009; Barland 2012). Furthermore, studies of the development and implementation of iPad strategies may shed light on how organisations in general and news organisations in particular respond to technological change (Lawless and Anderson 1996; Boczkowski 2004; Boczkowski and Ferris 2005; Barland 2012). This chapter focuses on external factors (Pfeffer and Salancik 2003) and investigates how two structural and contextual factors concerning size and ownership influence newspapers' iPad strategies. The findings provide indications of how the newspaper industry may approach opportunities enabled by similar technological innovations in the future.

Newspapers have traditionally been single-purpose organisations, focusing on continuous improvement in the production of the newspaper. In the past, a number of different innovation processes have changed the production of the newspaper product. The change from manual to electronic typewriters was an example of adapting *incremental innovations* as part of this process. The digitisation of newspapers in the 1980s was part of an effort to make the production process more efficient. The implementation of digital production systems made the competencies of setting hot metal linotypes and composing text obsolete. This was a *discontinuous innovation* that represented a break with existing system and processes (Küng 2008). The introduction of the iPad brought about potential opportunities for innovating the product as well as the form of distribution, representing possibilities for both incremental and discontinuous innovation. The perception of the kind of innovation that the iPad facilitates may accordingly influence the approaches that newspaper companies take towards the platform.

The study was conducted in Norway, a Scandinavian country typical of the "democratic-corporatist media system" as described by Hallin and Mancini (2004) in the sense that both newspapers and digital media have strong market positions. Compared to the USA and most other countries in the developed world (except Japan and Switzerland), newspapers are strong in Scandinavia. However, the Norwegian newspaper industry has recently faced transformations similar to or resembling those taking place in most other countries in the past decade.

Norwegian newspapers houses have dominated online innovations in the domestic market, yet most of them have not been able to make their online ventures profitable and have eventually compensated for decreasing circulation figures of the print edition. The emergence of new reading devices was met with great expectations by the newspaper industry. The newspaper industry has for years been struggling to develop new and viable business models, and tablets have been regarded by the actors as having the potential to create a large and more profitable market for the digital consumption of traditional media products. Thus, the introduction of the iPad as a proven concept for user payment for digital content was attractive to news organisations (Krumsvik 2006; Krumsvik forthcoming; Krumsvik and Westlund forthcoming; Ottosen and Krumsvik 2010).

Nevertheless, the responses of Norwegian newspapers to the iPad challenge varied. Some launched iPad versions – apps – well before the iPad was offered to Norwegian customers in December 2010. Some planned to adjust their online editions to tablets. Other newspapers still had no plans for launching any kind of specific services for tablets one year after the introduction of the iPad. Through an analysis of how media companies approached the tablet as a new media platform, this chapter aims to gain a better understanding of the factors that influence the different innovation strategies taken by newspapers. It focuses on two structural conditions that can be presumed to influence media companies' decisions to develop services for tablets: the *size* of the newspapers and the structure of *ownership*. These are measurable conditions that can be operationalised by reference to circulation figures and type of ownership – independent or group-owned. The values indicate whether certain resources, such as capital and opportunities for joint development, are present.

Size and ownership are interesting because in the past decades the Norwegian media market has changed significantly in these two dimensions. Alongside the digitisation of the newspaper business, further achievements in efficiency have been realised through advantages of scale and scope in the forming of newspaper chains. While the development towards larger units has been driven by claims for larger markets and profits, regulators have worried about diversity and introduced ownership regulations (Baker 2007; Doyle 2002; Roppen 2004). However, as publishing technologies, platforms and business model and media product portfolio development became more complex, it was relevant to investigate more closely the relationship between size, ownership and innovation in media firms. The assumption that concentration makes media companies more cost-effective and innovative is often quoted in favour of relaxing ownership restrictions without there being substantial evidence (Doyle 2002:13). This article investigates newspapers' approaches towards iPad strategies as indications of innovation, with a specific perspective on whether size and ownership matter.

## Innovation, Size and Ownership

Innovation can be defined as an idea, practice or material artifact perceived to be new by the relevant unit of adoption (Zaltman, Duncan and Holbek 1973). It is here understood as new combinations of existing knowledge and resources (Schumpeter 1934:65) and is typically referred to as technological innovation and innovation of business models, but also as innovation of genres.

According to these definitions, the iPad and the other tablets are innovations. However, when a media firm seeks to expand and provide specific services for tablets, it also needs to innovate. The firm must technologically adapt its production, and consider genres and business models that may be attractive and sustainable on a new platform. Consequently, expanding services and products specifically for tablets requires innovation. Innovation may take place by developing a specific app version of the newspaper or by adjusting the online edition for tablets. On the other hand, if a media firm considers its current web publications to be sufficient for the tablet markets, it does not require innovation. Our analysis will not assess the soundness of different strategies, but will be restrained to what may explain tablet strategies.

The relationship between *innovation and company size* has given rise to much dispute in innovation literature. Fariborz Damanpour (1992) mapped and created a typology of studies concerned with size and innovation, finding that the way size is measured was of importance for the study of innovation effects. In our study, size refers to the newspapers' circulation and their positions in the local and national newspaper markets. In Damanpour's terms this would be a contextual definition of size. The type of organisation also had different effects. In Damanpour's study, being a large company implied resources for innovation, but the impact of size varied between the manufacturing and service industries. Another explanation was that large firms have more complex and diverse facilities and more professional and skilled workers. In times of change, large corporations have the economic strength to invest in innovation and to develop new services, and can afford the risk of allocating resources to new areas. They have the power to influence market developments and to take advantage of economies of scale and scope (Damanpour 1992). Thus, being big implies having competitive benefits in the market (Porter 2008). This suggests that large newspapers are better positioned for innovation on new technological platforms, and leads to the following hypothesis:

**H1** *The size of the newspaper positively affects tablet strategies.*

Being big is not only an advantage: it involves challenges for making innovative choices, especially if the innovation has a disruptive character. Clayton Christensen (1997) has argued that in times of change, large established companies often fail as they may be too concerned with developing services for the

mainstream market and not dynamic enough to grasp the new opportunities before it is too late. The reasoning is that large companies may do everything right. They do market research and forecasting, and focus on improving their products for their best customers; however, this strategy is exactly why they may end up getting it all wrong. The customer orientation may make management ignore what Christensen terms *disruptive technologies*. “Products based on disruptive technologies are typically cheaper, simpler, smaller, and, frequently, more convenient to use” (Christensen 1997:xv). Even if disruptive technologies initially underperform compared to established products in the mainstream market, they may end up becoming the mainstream market.

Adapting online newspapers to tablet versions is not necessarily indicative of disruptive change. The tablet format may primarily represent a continuation of ongoing developments of online and print newspapers, and innovation within media companies may be quite conservative. But it is possible that such shifts are disruptive and that small companies will be more innovative, identifying new opportunities that the larger ones do not see.

Experience from the development of the Internet market does not give rise to clear-cut predictions about the impact of company size on innovation in the newspaper industry. The Internet has been a disruptive technology and posed substantial challenges for established media products (especially newspapers), genres and business models in the media industry. Nor does the size of companies explain who the first movers in the Internet market were or which newspapers developed online services: both the large newspapers and most of the small ones are online.

Another, and related, structural dimension likely to influence the willingness of newspapers to innovate is ownership, i.e. the type of organisation behind the company. Corporate ownership, typically newspaper chains or media groups, implies concentrated ownership. Several studies have found that concentrated ownership positively affects innovation as it reduces agency costs and disciplines managers’ behaviour (Hill and Snell 1988; Holmstrom 1989; Baysinger *et al.* 1989; Francis and Smith 1995), and favours financial commitments and organisational integration (Lacetera 2001). In addition, corporate ownership may provide both the economic and intellectual resources necessary for innovation to the individual companies – or it may prescribe the same medicine to all and bar local innovation. Corporate ownership has benefits of scale and scope, and this capacity may be exploited to develop products for the whole organisation. There are many examples where corporations have developed joint designs and technological platforms for online media as well as joint solutions for user payment and customer communication. When developing services for tablets, joint designs and technological solutions provided by the corporation may be the key to enabling individual newspapers to expand to the new platform.

On the other hand, joint strategies may also imply a “one size fits all” approach that makes local innovation difficult. Orega-Argilés *et al.* (2005) found that dispersed, as opposed to corporate, ownership positively affected innovation because it favoured flexible and specialised managers. The same factors – flexibility and specialisation – may be exactly what make companies over-emphasise their mainstream markets. As argued above, in times of disruptive change reliance on mainstream markets may cause great companies to fail. It is possible that a corporate owner benefits from being more distant from the mainstream market and the immediate concerns about core customers. Corporate owners may therefore be better positioned to make strategic decisions as they can look beyond the mainstream market for new opportunities. Demers (1996) showed that specialisation in large corporations implies increased emphasis on factors other than short-term profits. Consequently, corporations may not only have sufficient economic resources but also a better strategic capacity for innovation.

Following these arguments, it is likely that media group ownership will enable more newspapers to develop strategies for tablets. Accordingly, our hypothesis is as follows:

**H2** *Media group ownership positively affects tablet strategies.*

At the same time, the innovative power in terms of the services and business models developed may be limited because of “one size fits all” approaches. However, this is outside the scope of this chapter, which focuses on what may explain innovation strategies rather than their innovative power.

In media studies, discussions about the size and ownership of media companies are often centred on whether a concentration of ownership implies a concentration of power and limitation of journalistic diversity (e.g. Bagdikian 2004; Trappel *et al.* 2011). By focusing on the implications of both company size and ownership, the main contribution of this chapter is to demonstrate the effects of size and ownership on strategies and innovation within individual media companies. This leads to the overarching question for discussion:

**RQ1** *What is the relationship between size and ownership in driving innovation?*

## Data and Methods

A survey of Norwegian media executives provides the data for testing the hypotheses and answering the research question. The survey was conducted in April 2011 in cooperation with the National Association of Local Newspapers (LLA) and the Norwegian Media Businesses’ Association (MBL). A total of 229

executives (editors, managing directors and publishers) in Norwegian print papers responded to 28 questions in an email/web-based questionnaire. The respondents were not sampled as all registered newspapers were included, and non-response can be interpreted as a kind of negative self-selection. The response rate was 59 per cent after three rounds of email reminders. There were no indications that the non-responses followed a pattern and created systematic biases in the material.

The data were analysed and the hypotheses tested by means of the SPSS statistical package, applying cross-table analysis (Tables 1, 3 and 5), mean differences (Tables 2 and 4) and linear regression (Tables 6 and 7). Each table contains notes on the figures included, levels of significance etc.

### Size of Newspapers and Innovations

In order to examine whether company size positively (H1) affected tablet strategies, the executives were asked if they had already launched a specific app version for the iPad, if they planned to do so, if they made adjustments to the existing online version or if they considered that the online edition would work well on tablets without innovations. In the analysis the executives' responses have been grouped according to the size of the company they represent in order to test the first hypothesis: whether the size of a company affects its tablet strategies. The company's size was measured by the circulation of its print edition, grouped in accordance with a standard developed by the Norwegian Media Businesses' Association (MBL).

**Table 1.** Main Approach Towards Tablets among Media Executives in 2011 by Size of Newspaper (%)

Approach	Circulation				Total
	Below 5,000	5-10,000	10-40,000	Above 40,000	
Online edition works well on tablets	54	29	7	0	26
Adjusted version of online edition	18	22	19	15	19
Planning app version	29	45	59	39	45
Have launched app version	0	4	15	46	10
Total	101	100	100	100	100

Notes: The relation between these variables was significant,  $X^2 (9, N=193) = 64.058, p < .001$ . Survey question: Approach: what is your main approach towards tablets in 2011 (i.e. iPad and similar)? The company's size was measured by the circulation of its paper edition, grouped in accordance with a standard developed by the Norwegian Media Businesses' Association (MBL), N=193.

Table 1 shows that there was a significant correlation between newspaper size and the main approach towards tablets in 2011, supporting H1. Among execu-

tives in the largest newspapers (with a circulation above 40,000), almost half (46 per cent) reported having launched an app version and 39 per cent planned to do so. None of these executives assumed that the existing online version would suffice on tablets. Among respondents from the smallest newspapers, the picture was opposite. More than half of these (54 per cent) assumed that the existing online version would work well on tablets, and only 29 per cent planned to develop a specific app version. None of the executives from the smallest newspapers reported having launched an app version at the time of the study.

In order to gain a better understanding of the executives' general approaches towards innovation, they were asked to rate a set of questions concerning their Internet and tablet strategies on a scale from 1 to 6. These questions are summarised in Table 2.

**Table 2.** Innovation Indicators and Newspaper Size

Innovation indicators	Circulation						F	$\eta^2$		
	Below 5,000 (1)		5-10,000		10-40,000				Above 40,000	
	N	Mean	N	Mean	N	Mean	N	Mean		
The use of Internet represents an opportunity for the newspaper I am working for. (N=213)	72	4.43 <sup>ab</sup> (1.22)	55	4.78 (1.30)	73	5.30 <sup>a</sup> (.811)	13	5.46 <sup>b</sup> (.66)	9.05***	10.81
It is important for us to be present on all new media platforms (online, mobile, iPad etc.). (N=214)	72	3.79 <sup>abc</sup> (1.45)	55	4.45 <sup>cd</sup> (1.33)	74	5.14 <sup>bd</sup> (1.24)	13	5.23 <sup>c</sup> (1.09)	13.72***	24.33
The iPad has changed my views on the opportunity to charge readers for digital content (N=211)	68	3.65 (1.39)	55	3.91 (1.46)	73	3.90 (1.46)	12	4.00 (1.28)	.56	1.15
The centralised development of apps in the media group or by trade organisations will be important for my newspaper (N=208)	68	3.44 <sup>a</sup> (1.58)	55	4.09 (1.49)	73	4.36 <sup>a</sup> (1.45)	12	4.75 <sup>a</sup> (1.14)	5.67***	12.56

Note: 6=totally agree/very important, 1=totally disagree/not important. \*\*\* =  $p \leq .001$ . Standard deviations appear in parentheses below means. Means rows are significantly different at the  $p < .05$  based on Bonferroni post-hoc comparisons. The company's size was measured by the circulation of its paper edition, grouped in accordance with a standard developed by the Norwegian Media Businesses' Association (MBL).

In order to investigate the newspapers' assessment of new platforms in general, questions were asked about their attitudes towards the Internet and new platforms, assuming that their general attitude towards the Internet influenced their strategies in the tablet/iPad market. Accordingly, the responses have been interpreted as *indicators of innovation*. Table 2 shows that the larger the newspaper, the more positive were the executives' attitudes towards the Internet and the greater the tendency to consider it important to be present on all new media platforms.



As mentioned above, the iPad was regarded by the industry as a platform that would enable user payment for digital services. In order to investigate the executives' assessment of tablets, they were asked about how they assessed the iPad and the opportunities to charge readers. However, the answers showed no statistically significant difference, indicating that the assessment of the iPad did not depend on newspaper size.

Finally, we examined whether iPad strategies depended on resources outside the individual companies in terms of joint product development by asking about centralised development in the media group or trade organisation. Again, a significant correlation was found, indicating that the larger the newspaper the more important it finds a centralised app development.

Thus, Table 2 shows significant correlations between newspaper size and innovation indicators such as evaluation of Internet opportunities and the need to be on all platforms. Together, these findings and those shown in Table 1, i.e. that newspaper size correlates with the main approach towards tablets, support our hypothesis (H1) that the size of the newspaper positively affects its tablet strategies; in other words, large newspapers are most likely to launch separate tablet versions.

The last variable, the importance of a centralised development of apps, indicates that resources outside the individual company are assessed as significant by the newspapers. Executives in larger newspapers viewed this as more important than executives in smaller ones. Nevertheless, the mean score among all was 4 (out of 6), pointing towards the other dimension in our analysis – the role of media group ownership.

## Ownership and Innovations

In order to investigate the role of ownership on newspapers' tablet strategies, a distinction was made between executives representing newspapers that were owned by media groups and those representing independent newspapers. Ownership by media groups was measured according to those who responded that their newspaper was owned by one of the five largest media groups in Norway (Schibsted, Edda, A-pressen, Polaris, and NHST). In 2010 these media groups controlled 67 per cent of the total Norwegian newspaper circulation.<sup>1</sup> Independent newspapers were considered as being those not owned by the five large groups. A few small media groups were included as owners among the independent newspapers, but none of these had the corporate strength, organisationally or financially, to equal that of the five large ones.

**Table 3.** Main Approach towards Tablets among Media Executives in 2011, by Ownership of Newspaper (%)

Approach	Total	Owner	
		Media Group	Other
Online edition works well on tablets	26	17	41
Adjusted version of online edition	19	13	30
Planning app version	45	55	30
Have launched app version	10	16	0
Total	100	101	101

Note: The relation between these variables was significant,  $X^2(3, N=193) = 34.987, p < .001$ . Survey questions: Approach: what are your main approach towards tablets in 2011 (i.e. iPad and similar)? Owner: who is the main owner of the newspaper? 1. Norwegian Media Group (i.e. A-pressen, Edda, NHST, Polaris, Schibsted); 0. Others. The percentages are rounded off to whole numbers and therefore sometimes add up to more than 100%. N=193.

Table 3 shows that there was a strong correlation between newspaper ownership and the main approach towards tablets in 2011, supporting our hypothesis H2, that ownership by media groups positively affected tablet strategies.

While 16 per cent of executives in newspapers owned by media groups reported having launched app versions, none of the respondents from independent papers had done so. Fifty-five per cent of the executives of newspapers owned by media groups were planning app versions, and 13 per cent were going to make an adjusted version of their online edition. In total, 84 per cent of respondents from newspapers owned by media groups had launched or planned to launch app versions or would adjust their online edition to the tablet market. In contrast, 70 per cent of the executives of independent newspapers had no plans for launching app versions. These would either use the online version (40 per cent) or an adjusted version of their online version (30 per cent) for tablets. Thus, ownership by media groups made it more likely that newspapers have launched or plan to launch app versions, whereas independent ownership makes it more likely that newspapers will make do with the online version.

There was also a strong correlation between ownership and the executives' general approaches towards innovation.

Table 4 shows that there was a significant mean difference on all aspects between executives of newspapers owned by media groups and those of other newspapers. The media group executives consistently took a more active and optimistic approach towards new media developments. They were more positive towards the Internet, they believed it more important to be present on new media platforms, and they were more optimistic regarding opportunities for charging readers on the iPad platform than executives from independent newspapers. Furthermore, the media group executives assessed joint product development as being more important than the other group. This indicated that the centralised development of apps in the media group played an important role.

**Table 4.** Innovation Indicators and Ownership. Mean score

Innovation indicators	N	Mean	Ownership		F	$\eta^2$		
			Media group	Other				
			N	Mean	N	Mean		
The use of Internet represents an opportunity for the newspaper I am working for	213	4.88 (1.15)	121	5.10 (1.02)	92	4.60 (1.26)	10.31 **	13.14
It is important for us to be present on all new media platforms (online, mobile, iPad etc.)	214	4.51 (1.45)	122	4.98 (1.17)	92	3.89 (1.54)	34.65 ***	62.58
The iPad has changed my view on the opportunity to charge readers for digital content	211	3.82 (1.42)	120	4.07 (1.35)	91	3.51 (1.46)	8.39 **	16.30
The centralised development of apps in the media group or by trade organisations will be important for my newspaper	208	4.01 (1.54)	120	4.56 (1.19)	88	3.26 (1.64)	43.48 ***	85.40

Note: 6=totally agree/very important, 1=totally disagree/not important. \*\* =  $p \leq .01$ , \*\*\* =  $p \leq .001$ . Standard deviations appear in parentheses below means. Means rows are significantly different at the  $p < .05$  based on Bonferroni post-hoc comparisons. Survey question on ownership: who is the main owner of the newspaper? 1. Norwegian Media Group (i.e. A-pressen, Edda, NHST, Polaris, Schibsted); 0. \* = the mean difference is significant at the 0.05 level (Anova analysis).

Thus, taken together, these findings provide strong support to the hypothesis (H2) that newspapers owned by media groups are more likely to develop strategies for the iPad and similar devices than independent newspapers.

### The Relationship Between Size and Ownership

The similar pattern in correlations between size and innovation on the one hand and ownership and innovation on the other places more emphasis on the final research question: what is the relationship between size and ownership in driving innovation in newspapers? (RQ1)

In order to investigate the relationship between size and ownership, the statistical correlation between the two variables was first studied. After this the most important predictor for the tablet strategies and innovation indicators earlier discussed was investigated.

**Table 5.** Size and Ownership (%)

Circulation	Owner		Total
	Media Group	Other	
Below 5,000	26 (41)	47 (60)	35 (101)
5-10,000	27 (61)	22 (39)	25 (100)
10-40,000	40 (63)	28 (36)	34 (99)
Above 40,000	7 (69)	4 (31)	6 (100)
Total	100 (55)	101 (45)	100 (100)

Note: The relation between these variables was significant,  $\chi^2(3, N=225) = 10.832, p < .05$ . Survey question on ownership: who is the main owner of the Newspaper? 1. Norwegian Media Group (i.e. A-pressen, Edda, NHST, Polaris, Schibsted); 0. The percentages are rounded off to whole numbers and therefore sometimes add up to more than 100 per cent.

As Table 5 shows, there was a positive relationship between size and ownership. This finding reflects the rather strong concentration of ownership that has characterised the Norwegian newspaper industry for many years. Fifty-five per cent of the newspapers in our study were owned by one of the largest media groups. The larger the newspaper, the more likely it was to be owned by a corporation. This also indicated that the data should be examined more closely in order to determine whether the effect was mainly caused by size or by ownership.

**Table 6.** Main Approach towards Tablets among Media Executives in 2011, by Size and Ownership. Linear Regression

Approach	B	SE B	$\beta$
Online edition works well on tablets <sup>a</sup>			
Below 5,000	.446	.067	.462
5-10,000	.231	.068	.232
Ownership	-.181	.057	-.201
Adjusted version of online edition <sup>b</sup>			
Ownership	-.171	.057	-.212
Planning app version <sup>c</sup>			
Ownership	.231	.071	.226
10-40,000	.202	.071	.197
Have launched app version <sup>d</sup>			
Above 40,000	.426	.079	.358
Ownership	.140	.040	.229
10-40,000	.118	.041	.192

Notes: <sup>a</sup> $R^2=.251$  ( $p<.001$ ); <sup>b</sup> $R^2=.045$  ( $p<.01$ ); <sup>c</sup> $R^2=.098$  ( $p<.001$ ); <sup>d</sup> $R^2=.203$  ( $p<.001$ ). Linear regression. Ownership and size recoded into six bivariate independent variables were included in the analysis: (1) media group ownership or independent, and size measured by the circulation of the paper edition, (2) below 5,000, (3) 5-10,000, (4) 10-40,000 and (6) above 40,000.

Table 6 shows that size and ownership structures largely predicted the choice of tablet strategy. Being a small and independent newspaper suggested no launching of specific iPad versions whereas being large and owned by media

groups did. Media group ownership was important both for choosing to develop specific iPad apps and for adjusting the online version.

**Table 7.** Innovation Indicators, Size and Ownership. Linear Regression

Approach	B	SE B	β
The use of Internet represents an opportunity for the newspaper I am working for <sup>a</sup>			
Below 5,000	-.806	.176	-.331
5-10,000	.528	.186	-.201
Ownership	.361	.153	-.155
It is important for us to be present on all new media platforms (online, mobile, iPad etc.) <sup>b</sup>			
Ownership	.886	.179	.304
Below 5,000	-1.136	.206	-.372
5-10,000	.652	.217	-.197
The iPad has changed my view on the opportunity to charge readers for digital content <sup>c</sup>			
Ownership	.561	.194	.196
The centralised development of apps in the media group or by trade organisations will be important for my newspaper <sup>d</sup>			
Ownership	1.187	.197	.382
Below 5,000	-.605	.207	-.185

Note: <sup>a</sup>R<sup>2</sup>=.137 (p<.001); <sup>b</sup>R<sup>2</sup>=.251 (p<.001); <sup>c</sup>R<sup>2</sup>=.039 (p<.01); <sup>d</sup>R<sup>2</sup>=.207 (p<.001). Linear regression, significant at the 0.05 level. Ownership and size recoded into six bivariate independent variables were included in the analysis: (1) media group ownership or independent, and size measured by the circulation of the paper edition, (2) below 5,000, (3) 5-10,000, (4) 10-40,000 and (6) above 40,000.

Table 6 shows that ownership was the most important predictor for tablet strategies. A centralised development of apps within the media groups seems to be an important explanation for choosing innovative iPad strategies (Table 7). The findings in Table 7 also indicate that being owned by a media group leads to more optimism concerning the opportunities of the Internet platform in general. In line with this, corporate ownership went together with an expressed need to “be on all platforms”, with increased hopes that a business model for charging for digital content would be found, and with the belief that centralised development was important. Concerning size, being small seemed to explain less optimism, less expressed need to exploit all potential platforms and less importance of centralised development.

## Discussion

The findings indicate that both size and corporate ownership of the newspapers were important in explaining why some newspapers chose innovative

strategies in the tablet market. Our analysis thereby supports Porter's (2008) and Damanpour's (1992) theorising that size provides competitive benefits, which in this case clearly outweigh the flexibility of being small. Concerning the relationship between ownership and innovative strategies, our findings are in line with earlier studies suggesting that concentrated ownership facilitates innovation (Hill and Snell 1988; Holmstrom 1989; Baysinger *et al.* 1989; Francis and Smith 1995). Corporate ownership is a resource that provides newspapers with analytical capabilities and the economic, strategic and technical support structures necessary for venturing into innovative product development.

In this study, ownership is more important than size, for which two interrelated reasons are highlighted. Firstly, ownership is a variant of size in the newspaper industry, as a newspaper owned by a media group is part of a larger entity and may benefit from the resources and economies of scale and scope of the media group. Corporations may provide necessary resources for facilitating expansion and innovation, may provide financial resources for investment in new services, and may take risks that a smaller newspaper cannot afford. Corporations often invest in joint product developments which all newspapers owned by the group benefit from, as indicated by the app developments in the media groups.

Secondly, the structure of corporate ownership, rather than just being a large company, may provide a better environment for innovation. The corporation may control knowledge and intellectual resources that support innovation in the individual companies. Corporations may be well positioned to analyse current trends in technology, markets and user behaviour. They may be more aware of challenges in a changing media market and may identify new opportunities. As a corporation typically has an arm's-length distance from customers, they may also be better situated for avoiding the "innovator's dilemma" and relying on their mainstream markets (Christensen 1997). Corporate owners may be able to make strategic decisions as they are sufficiently distant from the core customers, and may look beyond the mainstream market for new opportunities. In other words, not only do corporate owners control economic resources but also a strategic capacity for innovation. This is likely to be the case in the Norwegian newspaper industry, as the largest media groups have introduced services and products in digital markets outside their core activities.

The analysis carried out above provides insights into some aspects of innovation processes in Norwegian newspapers at one particular point of time, and it is restricted to one specific issue – namely whether newspapers had a tablet strategy that involved innovation. This is, however, not a unique observation. On the contrary, it is one example of what happens when new media platforms challenge media companies. Since the digitisation of newspaper production processes in the 1980s, established patterns of production, service provision and distribution have been challenged by new media platforms that may or may not disrupt established markets and business models. The World

Wide Web, smartphones and tablets are all examples of such new platforms, and every time a new platform is introduced, media companies make strategic decisions. Such decisions include whether or not to innovate for the new platform. The tablet case investigated here shows that in a situation in which the newspaper industry had high expectations towards tablets as a platform that would provide new opportunities to charge readers (mean 3.8 on a 1-6 scale),<sup>2</sup> media group ownership was a clear indicator of who actually innovated for the new platform. Thus, it seems clear that newspapers owned by media groups were more able to adapt an innovative strategy in such a situation.

## Conclusions

Our analysis shows that type of ownership is an important indicator of a newspaper's approach towards innovation. Ownership was more important than company size in explaining tablet strategy. In fact, only newspapers owned by media groups had plans for iPad apps. In addition, newspapers owned by media groups were systematically more active and optimistic towards new media development.

In a situation where media companies faced the “innovator's dilemma” (Christensen 1997), i.e. the choice between reinforcing their existing products or innovating, there was a significant difference between companies with different types of owners. Media groups may not only provide financial resources and joint product development, but may also be sufficiently distant from the immediate concerns about core customers and more able to look beyond the mainstream market for new opportunities. In other words, it is assumed that as well as having sufficient economic resources, they also have a better strategic capacity for innovation. The findings suggest that these characteristics make newspapers more inclined to take risks and thereby be more innovative. This is an important factor that should be taken into account when ownership concentration is assessed.

Nevertheless, although our findings were quite clear on the relationship between the structural variables of size, ownership and innovative tablet strategies, they do not show which companies were also innovative in other dimensions and which of the adopted models were successful.

## Notes

1. [http://www.medietilsynet.no/Documents/Oppslag/Medieregisteret/Storste\\_eiere\\_dag-spresse\\_06-10.pdf](http://www.medietilsynet.no/Documents/Oppslag/Medieregisteret/Storste_eiere_dag-spresse_06-10.pdf)
2. Newspapers owned by media groups were more enthusiastic than independent newspapers, but there was a positive assessment of the new platforms in both groups. See Table 4.

## References

- Abernathy, W. and Clark, K.B. (1985) Mapping the winds of creative destruction. *Research Policy*, 14, 3-22.
- Bagdikian, B.H. (2004) *The new media monopoly*. Boston, Beacon Press.
- Baker, C.E. (2007) *Media Concentration and Democracy. Why Ownership Matters*. New York, Cambridge University Press.
- Barland, Jens (2012) *Journalistikk for markedet. Redaksjonell produktutvikling i VG og Aftenbladet på nett og papir 1995-2010*. PhD-thesis. Oslo: Det humanistiske fakultet.
- Baysinger, B.D. and Hoskisson, R.E. (1989) Diversification strategy and R&D intensity in large multiproduct firms. *Academy of Management Journal* 32(2):310-332.
- Boczkowski, P.J. (2004) *Digitizing the News. Innovation in Online Newspapers*. Cambridge, Massachusetts: The MIT Press.
- Boczkowski, P.J. and Ferris, J.A. (2005) Multiple Media, Convergent Processes, and Divergent Products: Organisational Innovation in Digital Media Production at a European Firm. *American Academy of Political and Social Science*. 597:32-47.
- Boczkowski, P.J. and de Santos, M. (2007) When More Media Equals Less News: Patterns of Content Homogenisation in Argentina's Leading Print and Online Newspapers. *Political Communication* 24 (2):167-180.
- Christensen, C.M. (1997) *The innovator's dilemma: when new technologies cause great firms to fail*. Boston, Mass.: Harvard Business School Press.
- Damanpour, F. (1992) Organizational Size and Innovation. *Organization Studies*. 13: 375-402.
- Demers, D.P. (1996) Corporate Newspaper Structure, Profits, and Organizational Goals. *The Journal of Media Economics*, 9(2):1-23.
- Doyle, G. (2002) *Media ownership: the economics and politics of convergence and concentration in the UK and European media*. London, Sage.
- Francis, J. and Smith, A. (1995) Agency costs and innovation: some empirical evidence. *Journal of Accounting and Economics* 19:383-409.
- Hallin, D.C. and Mancini, P. (2004) *Comparing Media Systems: Three Models of Media and Politics*. Cambridge, UK: Cambridge University Press.
- Hill, C.W. and Snell, S.A. (1988) External control, corporate strategy, and firm performance in research-intensive industries. *Strategic Management Journal* 9(6): 577-590.
- Holmstrom B. (1989) Agency costs and innovation. *Journal of Economic Behavior & Organization*, 12(3):305-327.
- Krumsvik, A.H. (2006) The Strategic Role of Online Newspapers. *Nordicom Reveiw*, 27(2), 285-297.
- Krumsvik, A.H. (forthcoming) Impact of V.A.T. on portfolio strategies of media houses. *Journal of Media Business Studies*.
- Küng, L. (2008) *Strategic Management in the Media Industry: Theory to Practice*. London: Sage.
- Mitchelstein, E. and Boczkowski P.J. (2009) Between tradition and change: A review of recent research on online news production. *Journalism*. 10(5):562-586.
- Ottosen, R. and Krumsvik, A. H. (2010) Digitization and Editorial Change in Online Media. Findings from a Norwegian Research Project. *Nordicom Information*, 32(4):17-26.
- Lacetera, N. (2001) Corporate governance and the governance of innovation: the case of pharmaceutical industry. *Journal of Management and Governance* 5:29-59.
- Lawless, M.W. and Anderson, P.C. (1996) General Technological Change: Effects of Innovation and Local Rivalry on Performance. *The Academy of Management Journal* 39 (5)1185-1217.
- Ortega-Argilés, R., Moreno, R. and Caralt, R. (2005) Ownership structure and innovation: is there a real link? *Annals of Regional Science* 39(4):637-662.
- Pfeffer, J. and Salancik, G.R. (2003) *The external Control of Organizations. A Resource Dependence Perspective*. Stanford: Stanford Business Classics.
- Porter, M.E. (2008) *On Competition, Updated and Expanded Edition*. Boston: Harvard Business School Press.
- Roppen, J. (2004) *Medieindustrien: ei innføring i medieøkonomi*. Oslo: Samlaget.
- Schumpeter, J. (1934) *The Theory of Economic Development*. Cambridge: Mass: Harvard University Press.



- Trappel, J., Nieminen, H. *et al.* (2011) *The Media for Democracy Monitor. A Cross National Study of Leading News Media*. Göteborg: Nordicom.
- Westlund O. and Krumsvik, A.H. (forthcoming) On the Shaping of New Digital Media: A Tale on Intra-Organizational Interplay in Old News Media. *Information, Communication & Society*.
- Zaltman, G., Duncan, R. and Holbek, J. (1973) *Innovations and organisations*. New York: Wiley.

