



ALDO VAN WEEZEL

# Entrepreneurial Strategy-Making Mode and Performance

A Study of the Newspaper Industry

Almost everywhere, the newspaper industry today is facing major transformations due mainly to increased competition, changes in consumer behaviour, and technological advancements. These factors are having an impact on the organisational structure and performance of newspaper firms. Managers likewise are face-to-face with new environmental conditions in terms of uncertainty and munificence. In the presence of these challenges, the literature on corporate entrepreneurship justifies a firm's entrepreneurial behaviour in order to be able to detect and seize new opportunities. Although there seems to be sufficient proof of a positive relationship between being entrepreneurial and performance, there is no clear evidence in the literature regarding the extent these organisational and environmental factors may enhance or curb the effects that an entrepreneurial strategy-making mode might have on performance. This study examines the complexities of the relationship between an entrepreneurial strategy-making mode and the firm's performance as it investigates the moderating effects of the organisational structure and environmental factors on the newspaper publishing industry. A mixed method research design is employed thus complementing the findings of quantitative analyses by means of exploring three newspaper case studies assessing the various dimensions of the entrepreneurial strategy-making mode. The findings contribute to strategic management, corporate entrepreneurship and media management fields of research.



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*To Bernardita and our children*

With love.



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pursuing doctoral studies. This is for you. And for our children who are the joy of my life.

San Fernando, 15 February 2009.  
Aldo van Weezel



# Abstract

Almost everywhere, the newspaper industry today is facing major transformations due mainly to increased competition, changes in consumer behaviour, and technological advancements. These factors are having an impact on the organisational structure and performance of newspaper firms. Managers likewise are face-to-face with new environmental conditions in terms of uncertainty and munificence. In the presence of these challenges, the literature on corporate entrepreneurship justifies a firm's entrepreneurial behaviour in order to be able to detect and seize new opportunities. Although there seems to be sufficient proof of a positive relationship between being entrepreneurial and performance, there is no clear evidence in the literature regarding the extent these organisational and environmental factors may enhance or curb the effects that an entrepreneurial strategy-making mode might have on performance.

This study examines the complexities of the relationship between an entrepreneurial strategy-making mode and the firm's performance as it investigates the moderating effects of the organisational structure and environmental factors on the newspaper publishing industry. A mixed method research design is employed thus complementing the findings of quantitative analyses by means of exploring three newspaper case studies assessing the various dimensions of the entrepreneurial strategy-making mode.

The results show that entrepreneurial newspapers attain better performance than non-entrepreneurial ones, particularly the ones that have developed proactiveness and an entrepreneurial culture as essential elements of their strategy-making mode. From a configurational perspective, performance is enhanced when entrepreneurial newspapers present a higher level of organisational integration and are prone to outsourcing various activities while facing low environmental munificence. Nevertheless, newspaper firms competing in munificent and less uncertain environments may perform well albeit lack of entrepreneurial behaviour. These findings and the novel research design employed contribute to strategic management, corporate entrepreneurship and media management fields of research.



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# 1. Introduction

*“A wise man will make more opportunities than he finds.”*

—Francis Bacon

## 1.1 Motivation

The Telegraph Media Group made a crucial strategic shift in 2006. That year, its centenary broadsheet newspaper based in London, The Daily Telegraph, started the implementation of the first multimedia newsroom in the UK. The newspaper moved to the largest open plan office space in London where all multimedia desks could be located in one single place. Journalists moving to the new integrated newsroom were trained on how to produce audio and video, and a new schedule for producing news was put into practice emphasizing the readers' daily behaviour along the day while taking advantage of multimedia content –news in text format was preferred for early morning, while video and mobile were favoured during lunch time, and lifestyle content for the night. Among other innovations, a redesigned Saturday edition was launched, a PDF version of the newspaper was made available to readers on the website, a music download store was launched in association with TuneTribe, and Telegraph TV and Telegraph Radio began operations. The editor-in-chief of The Daily Telegraph, Will Lewis, in a comment on these changes, said: “Newspapers, and those who work for them, have to evolve if they are to survive in an increasingly competitive environment” (Trends in Newsrooms, 2007: 16).

The changes at the Telegraph have been cited throughout the world as an example of the transformations that newspapers need to embark upon. But the Telegraph is not alone when it comes to adapting to changing competitive and technological environments. For instance, newspapers are increasingly willing to offer packages of print and web advertising, and newspapers that belong to multimedia groups are even taking advantage of cross-media advertising sales to reach new audiences. Brazil's RBS Group uses multimedia packages that include public exhibitions and concerts to reach women, youth, fashion enthusiasts, and music-lovers (Stone, 2006). GlobalTech, a weekly supplement of RBS' newspaper Zero Hora that reaches two million readers in Porto Alegre, attracted more than 50,000 youngsters less than 22-years-old to the GlobalTech Science, Technology and Innovation fair which was promoted by the newspaper and other multiple media (Stone, 2006). Young people are recognised for drifting away from newspapers and examples like this may well attract them back. This is on top of the near one million dollars billed during the event.

The phenomenon is global. Many other newspapers around the world have also restructured their businesses and operations (e.g. Nordjyske Medier in Denmark became a multimedia company that now includes a website, a radio, and a 24-hours news channel), established alliances to support new ventures (e.g. major American newspaper publishers, such as Gannet and The Tribune Company, have partnered with Google to reach local advertisers), launched new products (e.g. Colombia's Casa Editorial El Tiempo launched a local television station to help diversifying its media portfolio) or entered into new markets (e.g. Argentina's Clarin Group revamped the paid newspaper La Razón launching it as a free-daily in 2000).

The need to change seems necessary to confront the signs of decline in a once very prosperous industry. Until now the industry's worries have mainly been confined to the publishing of one single daily newspaper that would cater for most of the information needs of the public in the geographic area where it operated. However, the declining sales in America, Western Europe, and Latin America, and a slash in advertising revenues are threatening the survival of many newspaper firms by jeopardising the two main pillars of the traditional newspaper business model, namely readers and advertisers (cf. Picard, 2002). Circulation of dailies has fallen 4.5% in North America, 9.9% in South America and 6.3% in Europe during the period 2001-2005 (World Press Trends, 2006); the share of advertising expenditure for print media has moved down from 49.1% in 1996 to 38.5% in 2005 (World Advertising Trends, 2006). While readers turn to other sources of information and news (e.g. Google News), advertisers have replaced part of their budgets spent in newspapers with more cost-effective alternatives (e.g. direct marketing). The reasons for these changes are diverse, but one of the main drivers is technology. Although changes in technology are shaking the current newspaper business model, new opportunities arise for these firms as technology evolves. Readers can be reached not only by means of a print newspaper; richer multimedia content can be conveyed in an increasing number of devices, such as mobile phones and PDAs. As shown in the case of The Daily Telegraph, different audiences demand different types of content on the appropriate platform depending on the time of the day and the day of the week. This requires a shift not only in technological aspects, but a change in the mindset of what it takes to successfully manage a newspaper firm. The opportunities seem to be there, and it comes down to the managers and the organisation to spot and exploit them.

The managers in the aforementioned newspaper companies have realised that adapting to a changing environment is necessary to survive and prosper. Their willingness to redefine the newspaper business and to explore new revenue-generating avenues and profitability indicate a desire for recognising and seizing new opportunities, embarking on risky projects, and being creative and innovative – in sum, being entrepreneurial. Their entrepreneurial behaviour is also combined with several changes in the organisation allowing for

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the implementation of their vision. But, to what extent will an entrepreneurial stance, when making strategic decisions and the accompanying organisational changes, translate into improved performance? Helping to elucidate this relationship is central to the purpose of this study.

### 1.2 Purpose

The entrepreneurship literature shows evidence of a positive relationship between being entrepreneurial and reaching a higher level of performance. Nevertheless, researchers have found that the organisational structure and the environmental conditions faced by firms may influence this relationship. How these circumstances shape the connection between an entrepreneurial behaviour and performance is a matter, as the study will demonstrate, that is still in need of further research.

Therefore, this research seeks to look into the effect of an entrepreneurial strategy-making mode in the performance of established firms facing a changing environment, and at the same time explore the effects of the organisational structure and environmental conditions in producing such outcome. This relationship and its complexities will be analysed in the context of the newspaper industry, which is currently facing major challenges, rendering it an appropriate research setting.

While the purpose implies applying a framework coming from the entrepreneurship literature to analyse the newspaper industry, it also entails further elaboration of this framework. On the one hand, the notion of an entrepreneurial strategy-making mode developed in this study includes some dimensions not tested in the literature so far. These dimensions, however, are identified in the literature as important when defining an entrepreneurial behaviour thus their inclusion may increase our understanding of the phenomenon. On the other hand, this study assesses how some dimensions of an organisation's structure and its environment affect the relationship between an entrepreneurial strategy-making mode and performance in the context of a changing industry. In particular, these dimensions are chosen to better evaluate the conditions of the newspaper industry.

### 1.3 Theoretical basis

With the aim of fulfilling the purpose of this study, I will draw on concepts and theories from two closely connected research fields: strategic management and entrepreneurship. This section provides a concise appraisal of how these fields will establish the foundations of this study. The chapters that follow will provide a review of the extant literature.

Studying the relationship between strategy and performance<sup>1</sup> is at the core of the strategic management research field. In broad terms, strategic management is mainly concerned with exploitation of resources, capabilities, and the position of the firm in its relevant market. Exploitation of resources and capabilities is undertaken by developing and implementing a sound strategy and designing an appropriate organisational structure, while taking into account the external conditions the firm is facing. Saloner, Shepard and Podolny show that a manager “must navigate the firm’s external environment in a way that makes the most of the firm’s assets” (2001: 1). The configurational view on strategy, as a research stream within strategic management, is particularly interested in understanding the importance of these relations, thus a fit among strategy, structure and environment is perceived as the key to improved performance (cf. Miles and Snow, 1978; Miller, 1987). As long as the purpose of this dissertation is to study the relations among these elements, this theoretical framework seems appropriate.

Whereas strategic management literature is mainly focused on profit-seeking behaviour, entrepreneurship research deals mostly with opportunity recognition and exploitation (cf. Shane and Venkataraman, 2000; Hitt et al., 2002). Entrepreneurship is alertness to new opportunities (cf. Kopple and Minniti, 2003), thus opportunities become the focus of an organisation’s entrepreneurial strategies. This is especially recognised by the corporate entrepreneurship (CE) literature. CE is an aspect of entrepreneurship, which examines how existing companies make efforts in order to spot opportunities and exploit them in the context of a renewal in a bid to adapt the organisation and its strategies towards a changing environment (Guth and Ginsberg, 1990). This entrepreneurial behaviour at the firm level has been conceptualised by several authors, namely Miller (1983), Covin and Slevin (1991), Lumpkin and Dess (1996), and Stevenson and Jarillo (1986, 1990). They elaborate on the distinctive dimensions that define the decision-making mode that takes place in entrepreneurial firms. Their constructs will be used in this study to assess the strategy-making mode of firms in order to look for possible effects on performance.

A strategy-making mode is understood as a combination of dimensions or elements of strategy-making (e.g. proactiveness, risk-taking, reward philosophy) that work together to define a coherent pattern of action for the firm (cf. Dess and Lumpkin, 2001). It is noteworthy that an entrepreneurial strategy-making

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<sup>1</sup> The strategic management literature refers mainly to financial and operational performance (cf. Venkataraman and Ramanujam, 1986). This study employs a multidimensional construct based on these two types of performance (cf. Sections 2.1.7 and 4.2.2).

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mode is usually associated with higher performance (Barringer and Bluedorn, 1999; Rauch et al, in press; Wiklund, 1999; Zahra, 1991). Although it is frequently argued in the literature that this relationship with performance has not been consistently demonstrated, empirical tests of this relationship tend more often than not to corroborate this tie between being entrepreneurial and achieving higher performance (Rauch et al., in press). The reason for some of this controversy is due perhaps to the fact that this relationship does not seem to be as straightforward as it might appear (Lumpkin and Dess, 1996; Dess, Lumpkin and, Covin, 1997; Lyon, Lumpkin, and Dess, 2000; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005).

The need to explain the relationship between an entrepreneurial strategy-making mode and the firm's performance requires detailed attention be placed on the factors enhancing or curbing that relation (Short, Payne and Ketchen, 2008). Hence the necessity to incorporate interaction effects among strategy-making, environment and organisation, i.e. a configurational approach to strategy.

Therefore, researchers trying to gain a better understanding of the link between an entrepreneurial strategy-making mode and performance need to deal with issues such as (1) the concept itself of entrepreneurial strategy-making mode, i.e. what it means to be entrepreneurial, (2) the measurement of entrepreneurial strategy-making mode, i.e. attitudes, resources, or actions, (3) the factors to be considered as enhancing or curbing the effects of entrepreneurial strategy-making, i.e. environmental conditions, organisational structure, (4) the concept of performance, i.e. financial versus non-financial measures, and (5) the lag between entrepreneurial actions and their impact on performance. These issues will be addressed in the theoretical framework of this study in the next chapter.

### 1.4 The newspaper industry as research setting

Corporate entrepreneurship is valuable in established organisations wanting to remain competitive, but it is particularly necessary when industries are changing (Covin and Miles, 1999; Ireland, Covin and Kuratko, 2009). This is the case with the media industries where deregulation and technological changes have altered the way they compete. The media industry is undergoing profound transformations affecting market structures, organisational structures, strategy processes, and ultimately the relationship between firms and their stakeholders, particularly audiences and advertisers (Aris and Bughin, 2005). Though all media are suffering from this transformation, this study will focus on a particular sector as the research setting: the newspaper publishing industry. Newspaper companies have exploited their traditional business model for

decades and now they suddenly face the need to adapt to a new competitive environment.

An influential weekly titled one of its editions with the appalling question: “Who killed the newspaper?” (Economist, 25 August 2006). Although the complete extinction of the newspaper is not likely to occur according to most industry observers –yet Meyer (2004) predicts it to happen by the year 2043– there are many signs showing the need to adapt to a new environment (Ferguson, 2006; Küng, 2008). However, change is difficult because of inertia, especially owners’ and managers’ established modes of thought, strategy, and action (Prahalad and Bettis, 1986). Oftentimes change is perceived as something negative unless survival is compromised.

From a historical perspective, the newspaper industry appeared to be in jeopardy following the emergence of the electronic media –i.e. radio and television (Dimmick, 2003). But it was only after the appearance of the Internet in the second half of the 1990s when the industry’s worries became real. The newspaper industry has usually enjoyed profitability above market average when compared to other industries (Picard, 2003; Picard, 2004a). As a consequence, newspaper managers did not see themselves forced to undertake any action to improve their situation until new business models for the provision of news and information emerged with the Internet challenging the traditional newspaper business model (Picard, 2002). But the need for change is more felt now as newspaper managers proceed ahead with plans promoting new entrepreneurial behaviour. This situation makes this study not only pertinent but also timely.

Newspapers have been around in the world for a long time,<sup>2</sup> and the newspaper publishing companies that serve us today are in many cases centennial companies. On the one hand, this might lead to a strong organisational inertia where customs and traditional rules are highly regarded.<sup>3</sup> On the other hand, innovation and creativity are crucial for their success since their products are the result of the continuous flow of creative ideas. The headlines of tomorrow’s newspapers must be as captivating as possible to attract prospective readers as they pass by the newsstand. Furthermore, consumers are changing their lifestyles and the way they interact with media products, including newspapers and other news sources. This means that innovation is

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<sup>2</sup> According to the World Press Association, the first modern newspapers appeared in the first half of the 17<sup>th</sup> century ([http://www.wan-press.org/article.php3?id\\_article=2821](http://www.wan-press.org/article.php3?id_article=2821), retrieved on November 6, 2007).

<sup>3</sup> For instance, the Wall Street Journal has been redesigned only twice since its foundation in 1889 (Presentation given by Wall Street Journal’s Publisher L. Gordon Crovitz in Mexico, October 2007).

## 1. Introduction

important not merely because of content per se. Today's consumers want content to reach them in the right place at the right time (PricewaterhouseCoopers, 2006b). This task is not easy. Delivering content today depends not only on the strategy mode emphasising an entrepreneurial behaviour, but also on several pertinent organisational dimensions. This study focuses on three of them, namely internal boundaries, external boundaries, and customer interaction. A more detailed analysis is provided in chapter 3, but the basic concepts are outlined below.

First, newspapers – and also any content-oriented media company – depend on the talents of creative people who must be able to come up with innovative ideas all the time (Caves, 2000; Küng, 2004, 2007). Hence managers must provide the necessary conditions in order to keep creative ideas flowing and having them translated into successful media products. This is a relevant issue for newspapers because of a traditional 'wall' in and around the print newsroom (Bogart, 2005). These walls affect the newspaper as they lead to continuous tension between the creative and the business sides in media companies, and also between the traditional print newsroom and its digital, e.g. online-counterpart. Although this situation is changing, it remains to be seen whether lowering the boundaries between managers and the newsroom and between online and print newsrooms will be of benefit to the company.

Second, it is important to examine the extent to which newspaper companies are willing and prepared to adjust their external boundaries, an issue which this study attempts to explore. The companies will be assessed considering the level of outsourcing with regard to the different activities that newspapers carry on. Outsourcing has become one of the main strategies in industries facing crisis since it is usually directed towards the implementation of cost reduction strategies (cf. Quinn and Hilmer, 1994). While outsourcing might help the organisation to focus on its core activities – those that help to create and sustain its competitive advantage (cf. Prahalad and Hamer, 1990) – to become more cost-effective, it is also possible for the organization to outstretch itself and jeopardise its competitive advantage (Teecce, 1987).

Finally, the tension inside newspaper companies that is analysed in this study resides in the understanding or misunderstanding of what readers want. Though this might sound as a problem common to all industries, it has its own particularities in news media such as newspapers. The organisational culture in newsrooms is very strong and most journalists are passionate about what they do and regard their work with highly ethical standards (McManus, 1997; Sylvie, 2007). On the one hand, this helps them to usually improve quality levels. On the other hand, they could be producing content for an *idealised reader* that does not exist in practice. The interaction between the newspaper and the consumers thus becomes a key issue affecting the organisation. Nevertheless, since newspapers also cater for the needs of advertisers, a disconnection between what the newsroom produces and what readers want might hurt circulation and consequently advertising spending on that medium.

It is worth to notice that the majority of newspapers would not be financially viable without the income they get from advertisers (cf. World Newspaper Trends, 2006).

Since I intend to study the relationship between an entrepreneurial strategy-making mode and organisational performance, the newspaper industry seems to be a good choice as a research setting for three main reasons. First, newspaper firms and their managers have been so far extremely reluctant to change the business model they have successfully exploited for decades (cf. Boczkowski, 2004; Picard, 2006), but the prospects of staying the course look grim. Second, despite the unwillingness to change, corporate renewal has been taking place in the newspaper industry during the last years and it is still an ongoing process where experimentation and success stories are playing a fundamental role (cf. Trends in Newsrooms, 2007). These in turn are affecting the three aforementioned organisational dimensions, i.e. internal boundaries, external boundaries and customer interaction. However, studies on the effects such changes might have on performance are lacking. Third, because innovation in the business processes and organisational structures have only started a few years ago, it would be possible to compare firms with different emphasis on entrepreneurial behaviour and see its impact on performance. But the competitive grounds newspapers stand on need to be considered first (Picard, 2003: 135). The competitive environment will be analysed along with the market of readers, the market of advertisers and the level of perceived uncertainty by managers.

Choosing a single industry for the analysis is an advantage from a methodological point of view because it helps to decrease the effect of unobserved heterogeneity. This means that the possibility of inferring conclusions from unobserved variables –that might be significant and possibly change their values across different industries– is lower.

This study looks into the newspaper industry using a mixed method approach, where a sequential explanatory design allows testing hypotheses first using data from a survey and then exploring the intricacies of the processes in greater depth by examining three case studies (Cresswell et al., 2003). The interpretation of the entire analysis occurs after both phases – quantitative and qualitative – have taken place, thus stronger inferences can be obtained.

## 1.5 Contributions

### *1.5.1 Contributions to theory*

This study makes several contributions to the fields of strategic management, corporate entrepreneurship, and media management. First, the relationship between an entrepreneurial strategy-making mode and performance is still being explored to better understand how they relate to each other under

## 1. Introduction

different circumstances. This research will test the relationship in the context of a mature industry undergoing profound changes to its business model, as it is the case of the newspaper industry. The context considers environmental and organisational dimensions, which together will provide a richer understanding of the phenomenon.

Second, the entrepreneurial strategy-making mode is understood in this study as a series of dimensions that guide decision-making at the strategic level of the firm. This study will rely on several measures of managers' attitudes, some of them not tested yet according to the extant literature. This addition allows to better model a firm's entrepreneurial behaviour.

Third, the testing of the relationship between entrepreneurial strategy making and performance has been done mainly through contingency models, i.e. two-way interactions. Guth and Ginsberg (1990) suggest that empirical research is needed on the combined effects of strategy, organisational structure, processes and core values/beliefs on corporate entrepreneurship. In the same vein, Short, Payne and Ketchen (2008) claim that configurational research still has much to contribute to entrepreneurship, and in particular the concepts of entrepreneurial orientation. This study will contribute to the stream of research that uses a configurational model by means of the analysis of three-way interactions. Dess, Lumpkin, and Covin (1997) and Wiklund and Shepherd (2005) are among them. While the former centres its analysis on the interplay among entrepreneurial strategy making, strategies and environment, the latter focuses on entrepreneurial orientation, access to capital and environmental dynamism in a sample of small businesses.

Fourth, this study explores the dimensions of an entrepreneurial strategy-making mode and how they are shaped in the context of newspapers by analysing three case studies that deepen our understanding of the complexities of the interrelations among these dimensions, the changes in the structure of the organisation, the competitive environment, and the firm's leaders.

Fifth, the focus of this study is the entrepreneurial behaviour that enables strategic renewal. Although the literature recognises strategic renewal as an important form of corporate entrepreneurship (Covin and Miles, 1999; Kuratko and Audretsch, 2009), empirical studies examining their impact on performance are scarce. This piece of research helps reaching a better understanding of the phenomenon by drawing on quantitative and qualitative data.

Finally, the literature on media management has barely developed an understanding of the nature of entrepreneurship in media companies. This study will help to bring the discussion forward, highlighting the importance of entrepreneurial behaviour on a changing media landscape. In particular, this study will deepen our understanding of the organisational changes taking place in newspapers and their impact on performance.

Given these reasons, some aspects of the results of this study may also be relevant to other mature industries facing uncertain future because of

technological and market changes which the industry's traditional strategy modes cannot handle.

### *1.5.2 Contributions to methodology*

The mixed method approach employed in this study is unusual in management research. While most published works adhere to either the quantitative or qualitative method, I combine both in a sequential design. Although this type of research method usually requires more resources to be completed – not only in financial terms but also in time – it offers the possibility to address the research questions from a different angle thus contributing to strength conclusions. The weaknesses of each method may to a certain extent be overcome by using two distinct methods in one research. Thus, once hypotheses have been tested in the quantitative part, the case studies may be particularly useful to create knowledge that is relevant for managers (Gibbert, Ruigrok and Wicki, 2008). Furthermore, case studies have been advised for inquiring on corporate entrepreneurial activities in order to avoid researchers to make overly simplistic assumptions (Dess, Lumpkin and McGee, 1999).

### *1.5.3 Contributions to practitioners*

Management research should also be of interest to practitioners. This study may help newspaper managers who want to understand how an entrepreneurial attitude in strategy-making is beneficial to them and under what circumstances. Traditionally, managers see entrepreneurship as a concept related to nascent ventures and self-employment. However, corporate entrepreneurship is being developed to connect the ideas of entrepreneurship with the particularities of larger companies. On the one hand, this study will identify those characteristics of an entrepreneurial behaviour that better serve to improve the performance of established firms. On the other hand, the models that will be explored in this study –the configurational models- will shed light on the particularities of different contexts revealing the impact of environmental and structural variables on the relationship between strategy and performance.

Because this study focuses on the newspaper industry, the structural variables are tailored to measure some of the main transformations that newspapers are suffering from nowadays. The results, thus, will be of interest to those who are responsible for change because these changes are often guided only by intuition and the experience of others. In particular, the qualitative analysis of three case studies will shed light on the practicalities of entrepreneurial behaviour in different contexts.

## 1.6 Outline of the study

Below is a description of the remaining chapters that comprise this study.

Chapter 2 offers a literature review that covers the two main research fields employed in the study – strategic management and entrepreneurship. It begins by explaining the concept of strategy and the different approaches to elucidate its relationship to performance. Special attention is paid to the configurational approach – a main pillar of the models that will be proposed.

Chapter 3 explains the newspaper industry. It shows the need for being entrepreneurial as the media landscape changes around the newspaper business. The environmental and organisational changes affecting the newspaper firms are reviewed. In this chapter the hypotheses are introduced as well as an overview of the particularities of the newspaper business. A summary of the hypotheses is offered at the end.

Chapter 4 details the method employed in the study and my philosophical approach to reality. I use statistical methods in order to test the hypotheses set forth in Chapter 3, thus this chapter explains the sampling procedure, the operationalisation of variables, and the specific statistical methods. The last part of this chapter accounts for the methods used in the qualitative phase of this study.

Chapter 5 deals with the statistical analysis of the data. It includes the basic statistics, and the procedures to analyse the entrepreneurial strategy-making dimensions and the different hypotheses. A summary of results is offered at the end.

Chapter 6 presents three case studies of newspaper firms. These cases help deepening the understanding of the entrepreneurial strategy-making mode and its relationship with the environment and organisational structure.

Chapter 7 offers a discussion of the analyses carried out in Chapters 5 and 6. First, it elaborates the findings of the statistical analysis and the case studies. Next, it presents the limitations of this study. This is followed by a discussion of the implications for practitioners and the proposal of a future research agenda.

Finally, a conclusion of this study is offered in chapter 8.



## 2. Theoretical Framework

*“Configurational research’s contention that structure and environmental factors help explain outcomes has much to contribute to the entrepreneurship field.”*

—Short, Payne and Ketchen (2008: 1071)

The theoretical framework is organised in a way that helps to (1) clarify the different concepts this study puts forward, (2) show what the extant literature says about the issues at stake, (3) explore the gaps that this study might help to fill in, and (4) formulate the research questions and explain how they will help to address the gaps in the literature. In order to accomplish those tasks, this chapter is organised into four sections. The first section examines the relevant strategic management literature. A particular emphasis will be put on the configurational approach to strategy, since it is this approach that will help to shed light on the complexities of the relationship between strategy and performance. The second section reviews the corporate entrepreneurship literature with a special emphasis on what is understood as entrepreneurial strategy-making mode, how can it be measured, and the consequences of that particular strategy mode for an organisation, i.e. the outcome regarding the relationship between the entrepreneurial strategy-making mode and performance. The third section in this chapter offers an interpretative summary of the theoretical framework. Finally, I introduce the research questions that will set the stage for the hypotheses put forward in the next chapter.

### 2.1 Strategy, configurations, and performance

#### 2.1.1 What is strategy?

The concept of strategy is hard to pin down. Michael Porter defines strategy as “the creation of a unique and valuable position, involving a different set of activities” (1996: 68). Nevertheless, some researchers claim that this is only one of the possible views on strategy. For instance, Mintzberg (1987) identifies five different definitions, which mainly see strategy as a plan, ploy, pattern, position –as in Porter’s definition– and perspective. These definitions are not mutually exclusive and may even be complementary –for instance, a plan detailing several actions that the firm must undertake might be the mean to achieve a particular position in the market, which in turn might have its origin in the firm’s perspective.

The multiple definitions of the strategy concept inform us of its complexity. Strategy can be either viewed as something planned by top managers and communicated to the organisation in order to be implemented, i.e. plan, ploy, position– or it can be viewed as emerging from a shared view of the world across the organisation in a bottom-up fashion, i.e. pattern, perspective (cf. Bourgeois and Brodwin, 1984). Despite this multiplicity of denotations, they have in common the fact that strategy deals with decision-making within an organisation (Johnson and Scholes, 1997). Since this study analyses a distinctive style of decision-making, the most suitable definition of strategy is as a *pattern*. In words of Mintzberg (1987: 12), strategy is thus “a pattern in a stream of actions” and “*consistency* in behaviour, *whether or not* intended.” The question turns to whether we are concerned with the decision-making process, i.e. the stream of actions or the outcomes of that process.

Bourgeois (1980) addresses this difference arguing that research on strategy has been undertaken from two perspectives, namely content and process. The former focuses on *what* strategies are implemented, that is the result of a decision-making process; the latter is concerned with *how* those strategies were formulated, that is the process itself of decision-making. Chakravarthy and Doz (1992) explain that strategy content research focuses on “what strategic positions of the firm lead to optimal performance under varying environmental contexts,” while strategy process research concentrates on “how a firm’s administrative systems and decision processes influence its strategic positions” (p. 5). Though they “emphasize different aspects of the general manager’s problem” both perspectives are ultimately interested in the firm’s performance (p. 5).

I have formulated the purpose of this study in a manner to explain the causal linkages of a particular mode of strategy-making, i.e. the connection between entrepreneurial strategy-making and performance. Furthermore, as explained previously, a strategy-making mode is a combination of several dimensions that describe how decisions regarding strategic issues are made (cf. Hart, 1992). Therefore, this study falls into the category of strategy process research since it investigates the dimensions influencing the decision-making process of managers. These dimensions, together forming an entrepreneurial decision-making mode when they are observed in the firm, refer to the processes that make possible to seize opportunities and exploit them, i.e. acting entrepreneurially. However, this research will not examine the process of decision-making itself, but the perceptions and attitudes of managers regarding the dimensions that shape the mode, i.e. the pattern of actions. Process is understood, then, as an explanation of a causal relationship between observed inputs (i.e. managerial perceptions) and outputs (i.e. performance) (cf. Van de Ven, 1992: 170). I will return later to the issue of how perceptions can be linked to behaviour, and particularly how an entrepreneurial attitude can be linked to entrepreneurial actions that in turn affect performance. Now we turn to review the strategy literature to understand how researchers have studied the

## 2. Theoretical Framework

relationship between strategy and performance, with a particular emphasis on the factors affecting this relationship.

### 2.1.2 *Explaining performance: from contingency to configurations*

Strategic management researchers, both content and process oriented, are interested in finding casual linkages to performance (Schendel, 1992: 2). Nag, Hambrick and Chen (2007) analyse the lexicon of strategic management research in order to articulate a definition of the field. Their search demonstrates how important performance is: “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners involving utilization of resources *to enhance performance* of firms in their external environments” (italics are mine). The search for explanations on what are the causes of higher performance is, indeed, at the centre of strategic management research.

The problem is that performance does not depend exclusively on the firm’s strategy. Early researchers found that the firm’s structure and environment were also major determinants of its performance (cf. Miller, 1987). Burns and Stalker (1961) argue that mechanistic organisations are more effective in stable environments, whilst the organic form is more effective in dynamic, uncertain environments. Woodward (1965) contends that the best performers are those who follow the structural norms of their technology groups, while Lawrence and Lorsch (1967) argue that firms highly differentiated and highly integrated in dynamic environments, as well as those undifferentiated with low integration in stable environments, perform better. These seminal works give form to what is called *contingency theory*, where the main idea is that the environment poses challenges that must be dealt with structurally (Thompson, 1967; Perrow, 1970; Khandwalla, 1972 and 1973). This does not mean that there is only one way to organise a firm; the characteristics of the organisational context help to determine the success of a particular organisational form. Thus, even if it is possible to find a wide range of effective organisational forms, they are not random (Galbraith, 1973).

The strategy devised by the organisation might also help to determine which structure is more effective. Chandler (1962) finds out that firms seeking growth in a single industry employ a centralised functional form, whilst firms growing in a variety of industries prefer a decentralised and divisional form. The relationship between strategy and structure has also been extended to the relationship between strategy and environment (Child, 1972; Hofer, 1976; Cooper and Schendel, 1976). For instance, Paine and Andersson (1977) show that four strategy formulation modes – adaptive planning, planning, adaptive entrepreneurial, and entrepreneurial – emerge depending on perceived environmental uncertainty and perceived need for internal change. Though some research has demonstrated that the right match between strategy and

structure affects performance (cf. Rumelt, 1974), others have questioned the direction of causality arguing that structure might also be a major influence on the firm's strategy (cf. Bower, 1970; Bourgeois and Astley, 1979; Keats and Hitt, 1988).

Contingency theory has been extremely fruitful to advance the strategic management research field, but some researchers have criticised it for limiting the number of explanatory relationships when a firm performs better or worse (Miller, 1981). In search for a more complete explanation, Miller and Friesen (1977, 1978) explore the relationship between strategy-making, structure and environment in order to explain performance. After analysing 81 business cases, they come up with a taxonomy of strategic archetypes: six archetypes are among the successful firms, and four different archetypes among the unsuccessful ones. In contrast to contingency theory, the search for archetypes is directed toward the understanding of how all the parts fit together (Miller, 1996).

Miles and Snow (1978) take a different path to elucidate archetypes or strategic modes. In contrast to Miller and Friesen's (1978) taxonomy approach, they design a theory to formulate a typology of firms. The typology they come up with consists of four types of firms, namely defenders, prospectors, analyzers and reactors. Each type approaches the strategic issues from different perspectives and has an organisational structure that enables it to act in a definite way. The prospector type is often related to a firm that behaves entrepreneurially, thus the "prospector's prime capability is that of finding and exploiting a new product and market opportunities" (p. 56). The prospector is usually more interested in keeping the level of innovation rather than sustaining profits. Defenders, in turn, are the opposite of prospectors; these organisations "devote primary attention to improving the efficiency of their existing operations" (p. 29). The third strategic type, analyzers, is situated between defenders and prospectors. Analyzers look for balancing exploration and exploitation. Miles and Snow (1978) explain that the analyzers' problem is "how to locate and exploit new product and market opportunities while simultaneously maintaining a firm base of traditional products and customers" (p. 78). The organisation must also adapt "to accommodate both stable and dynamic areas of operation" (p. 79). Consequently, the fourth type of organisation is the one unable to find the fit thus becoming a reactor. It is the result of managers who cannot respond effectively as the relations among strategy, structure and environment are inconsistent.

The aforementioned studies comprise the beginnings of the configurational approach to strategy. This research stream has since split into three different paths (Miller, 1996). One type of research has tried to empirically find archetypes, as in the case of Miller and Friesen (1978). Using the industrial organisation paradigm as a theoretical ground, researchers looked at the industry structure, i.e. barriers to entry, number of firms, and their size, to empirically identify strategic groups and explain performance (cf. Ketchen, Thomas and Snow, 1993; Porter, 1981). Since the results of these inductive

## 2. Theoretical Framework

studies are equivocal, researchers have moved beyond industry structure adding also organisational aspects and a more deductive reasoning. A second type of research has tried to formulate the configurations starting from theory as exemplified in the works of Burns and Stalker (1961), Mintzberg (1973, 1979), and Miles and Snow (1978). Typologies, as described by Miller (1996) have three features: they are “well informed by theory”, “their types invoke contrasts and facilitate empirical progress”, and the variables employed “to describe each type are shown to cohere in thematic and interesting ways” (p. 507). This latter characteristic is the fundamental quality of configurations and leads to a third type of research, configuration as “a quality or property that varies among organizations” (Miller, 1996: 509). This is addressed in the following subsection.

### 2.1.3 A configurational approach to strategy

Miller (1996: 509) defines configuration as “the degree to which an organisation’s elements are orchestrated and connected by a single theme”. It “represents a number of specific and separate attributes which are meaningful collectively rather than individually” (Dess, Newport, and Rasheed, 1993: 775-6). The terms *gestalt* and *archetype* are also used as synonymous for the term configuration.

The configurational approach to strategy builds over previous theoretical constructs that address the relationships strategy/environment and strategy/structure to explain performance in terms of a more complex set of relationships among these three elements. Miller (1986) argues that “elements of strategy, structure and environment often coalesce or configure into a manageable number of common, predictably useful types that describe large proportion of high-performing organizations” (p. 235-6).

A configurational view to strategy raises two issues elaborated in more detail below. First, the notion that there is not a best configuration, but several ways to achieve high performance; this characteristic of configurations is called equifinality. Second, the relations among the elements of the configuration are complex and interrelated; changing one element affects the others in either positive or negative ways. This implies that researching configurations means trying to find a ‘fit’ among the different elements.

The concept of equifinality, key in configurational research, is something not present in contingency theories. It states that within a particular environment there is more than one way to prosper – not an infinite number but several ways to achieve high performance (Doty, Glick, and Huber, 1993). Miles and Snow, for instance, contend that any of the strategic types they describe in their framework – with the obvious exception of reactors – is able to perform well in any industry as long as the configuration is well implemented. Yet there is mixed evidence regarding this assertion; while some studies have

confirmed Miles and Snow's proposition (e.g. Snow and Hrebiniak, 1980), others have found conflicting results (e.g. Hambrick, 1983).

Equifinality is closely linked to the concept of fit. Fit refers to the need for a match among strategy, structure and environment, which can be reached in different ways as long as it is a coherent system<sup>4</sup>. For instance, an interesting recognition of the importance of fit among the different elements in an organisation, its strategy and the environment is found in Porter (1996). Competitive advantage arises from fit across a set of activities carried out by a company, and its sustainability is the result of this interaction among activities rather than each activity individually. Porter (1996) argues that "different positions (with their tailored activities) require different product configurations, different equipment, different employee behaviour, different skills, and different management systems" (p. 69). Therefore, strategic fit among activities leads not only to obtain a competitive advantage, but also to a sustainable one, given the impossibility to mimic the whole system of activities.

From an economic point of view, the idea of fit has been developed under the term complementarity by Milgrom and Roberts (1990, 1995). The authors recognise that though the industrial organisation research field has helped strategic management research and transaction cost economics and incentive theories have helped to understand better organisational issues, there are no theories in economics addressing the interplay between strategy, organisation and managerial processes. This assertion is true in the sense that no formal mathematical theory has been developed for that purpose, though the notions of fit and synergies have been around for quite a long time in the management literature.

This study seeks to understand how configurations relate to the performance of established firms. Configurations are understood as a fit among the strategy-making mode, the organisational structure and the environment. This view of configurations can be considered middle ground between the taxonomical and the typological approaches. The former is empirically derived using an inductive reasoning, while the latter is usually a deductive and idealised model of firms. In contrast to these approaches, this study looks into the firms' strategy-making mode and tries to find the configurations that spur higher performance by analysing how different contingent variables form coherent configurations. The following sections delve into the arena of strategy-making mode, organisational structure and environment and how this study explains and interprets them and on the dimensions of which it formulates its variables.

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<sup>4</sup> Although Miles and Snow do not explicitly address the concept of fit in their 1978 book, they later agree that "the concept of fit could be used to explain the dynamics of organisational adaptation and effectiveness" (Hambrick, 2003, p. xviii).

### 2.1.4 *Strategy-making modes*

A strategy-making mode is a combination of dimensions or elements of strategy-making that work together defining a coherent pattern of action for the firm (Dess and Lumpkin, 2001). These dimensions of strategy-making are “thought to encompass the full range of organisational activities that address issues of decision making, planning and management” (Lumpkin and Dess, 1995). The question is what are those dimensions or elements? This particular question, as in the case of the definition of strategy, has vexed scholars in the field.

The search for strategy-making modes can be traced back to the early years of strategy research where the rational approach was dominant (Hart, 1992). Mintzberg (1973) develops the concept by posing the question: “How do organisations make important decisions and link them together to form strategies?” (p. 44). The search for an answer leads him to describe three different types of firms, each with a particular mode to undertake the decision-making process: the entrepreneurial mode is described as one where “one strong leader takes bold, risky actions on behalf of the corporation”; the adaptive mode is the one in which “the organisation adapts in small, disjointed steps to difficult environments”; and the planning mode in which “formal analysis is used to plan explicit, integrated strategies for the future” (p. 44). Each mode is thus a combination of the kind of motives for decisions, goals of the organisation, the way proposals are evaluated, who makes the choices, the decision horizon, the preferred environment, decision linkages, flexibility, the size of moves, and vision of direction. When each mode should be used depends on the organisation itself, e.g. size and age, but also on the type of leadership and features of the environment (as explained in previous section). In contrast to Miles and Snow typology which sees the organisation-environment dyad as an adaptation cycle, i.e. a configurational perspective, Mintzberg focuses on the processes by which strategies emerge (cf. Segev, 1987).

Miller and Friesen (1978) develop 11 dimensions of strategy making. These include innovation, adaptiveness, integration, analysis, multiplexity, futurity, proactiveness, expertise, risk-taking, consciousness, and traditions. The extent firms qualify along these dimensions allows classifying them as having a particular organisational orientation, such as adaptive-positive, assertive-analytical, etc. This view on the dimensions of a strategy-making mode emphasises the decision-making by the firm’s managers.

The challenges to the assumption of complete rationality lead to the emergence of new concepts and notions with regard to strategy making, i.e. bounded rationality and behavioural theories (cf. Cyert and March, 1963). Top managers are not the only ones influencing the firm’s strategy; other members in the organisation also have an impact. For instance, Hart (1992) develops an integrative framework “by focusing on the role interrelationships between top managers and organizational members in strategy-making” (Hart and Banbury,

1994: 252). In line with the roles of the members in the organisation, different strategy-making processes emerge and their respective styles, i.e., imperial, cultural, analytical, procedural, and organic.

The task of enumerating dimensions of strategy making would certainly lead to several more pages. However, the objective here is merely to review the concept of strategy-making modes in order to settle on a particular mode, that is entrepreneurial strategy-making which is elaborated in Section 2.2.

### *2.1.5 Organisational structure*

The understanding of the relationship between strategy and organisational structure has been a dominant topic in the academic literature. As mentioned earlier in the discussion of contingency theories, the authors studying this relationship have argued in different directions emphasising at times the importance of structure or strategy.

According to Ranson, Hinings and Greenwood (1980), “structure is usually understood to imply a configuration of activities that is characteristically enduring and persistent; the dominant feature of organizational structure is its patterned regularity” (p. 1). These activities and relationships have originated different typologies, such as the classification of functional versus divisional structure (Chandler, 1962). However, the most common dimensions employed to study organisational structures are centralisation, formalisation, and complexity (Child, 1974). Centralisation is the degree of concentration of decision-making; formalisation refers to the extent rules and procedures are important in an organisation to prescribe behaviour; finally, complexity relates to the number of parts that compose the organisation and their interrelatedness. Dalton, Todor, Spendolini, Fielding, and Porter (1980) make a distinction between structural dimensions – organisational/subunit size, span of control, flat/tall hierarchy, and administrative intensity – and structuring dimensions – specialisation, formalisation, and centralisation. Hence a definite answer to the dimensions of an organisation’s structure proves difficult to find.

The relationship between structure and strategy is perhaps not that difficult to grasp when leaning on the arguments March and Simon (1958) advance. They contend that an organisation’s structure imposes boundaries of rationality, which are the result of the cognitive limitations of the members of the organisation. In this way an organisational structure influences the coming strategies by delimiting responsibilities, establishing communication channels, setting up control mechanisms, and so on. In other words, “the characteristics of a firm’s strategic decision-making process are affected by its overall, dominant structure” (Fredrickson, 1986: 281).

This study seeks to find an answer to what degree the organisational structure affects the firm’s performance when employing an entrepreneurial strategy-making mode. It is necessary, thus, to decide on the dimensions to be considered as relevant for this study. To find an answer, three more studies,

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revealing a relationship between certain structural dimensions and entrepreneurial strategy, are reviewed here.

The first study, Mintzberg's (1973), requires that power in the entrepreneurial firm be centralised in the hands of the chief executive officer. Mintzberg says that this is more common in small and/or young organisations, or when the organisation is in trouble and has nothing to lose. Other characteristics of this type of firm are its proactiveness, desire to grow, long term horizon, flexibility, loosely coupled decision linkages, and a general vision of direction.

The second, by Miles and Snow (1978), sees the Prospector type of firm as the most entrepreneurial among the four cited in the study because it focuses on "finding and exploiting new product and market opportunities" (p. 55). Given this goal, prospector-like firm needs to (1) constantly monitor and scan the environment, (2) be able to locate new markets and develop new products in order to grow, (3) be flexible to achieve higher effectiveness when exploring new ventures, (4) have people who are skilful in developing and applying technology, (5) have a planning process more centred on contingencies and problem finding than on problem solving, (6) have a structure oriented towards a product organisation with a low degree of structural formalisation, (7) have a control system that is result-oriented, (8) have the necessary integrators, i.e. liaisons, to solve problems among different units, and (9) appraise performance comparing previous years and competitors, instead of relying on efficiency measures (Miles and Snow, 1978). Because of all these characteristics, prospectors usually succeed in unstable environments, where there is a rapid technological change. Consequently, they pay particular attention to R&D activities and try to align these efforts with research on customer needs (DeSarbo, Di Benedetto, Song and Sinha, 2005). Furthermore, integration among the different parts composing the organization is also a relevant characteristic of the organisation.

The third study is that by Miller and Friesen (1982) who argue that the structural variable centralization (concentration) is negatively associated with innovation. Furthermore, and following Lawrence and Lorsch (1967), differentiation and integration would also play a role in the level of integration. Differentiated organisations are more likely to have the diversity and richness of resources necessary to come up with innovations. At the same time, integration is required to ensure effective collaboration (cf. Galbraith, 1973). According to Miller and Friesen (1978), these arguments are true for conservative and entrepreneurial firms, but to a lesser extent in the latter case. In entrepreneurial firms, it is the strategy that is the main driver of innovation if compared with the conservative firm. However, integration would be negatively correlated with innovation in entrepreneurial firms: "The innovation proposals of enthusiastic but reckless executives are likely to be pared down by departments whose aim it is to ensure effective resource management and efficiency" (p. 7).

### 2.1.6 *Environmental characteristics*

Not only the characteristics of the organisation have an influence on the strategic decision process, but the context and environment also have an effect (cf. Rajagopalan, Rasheed, and Datta, 1993). Several theoretical approaches have been used to understand the effects of the environment on organisations – in addition to the discussion regarding if the environment should be treated as an objective reality or a perceptual phenomenon (cf. Sharfman and Dean, 1991). Aldrich (1979) identifies six environmental dimensions, namely concentration, heterogeneity, stability, turbulence, capacity, and consensus. Dess and Beard (1984) reduce these six dimensions to three using factor analysis – complexity, dynamism, and munificence. Complexity refers to the large number and variety of organisations with which a given firm has to deal with. Dynamism refers to changes that are difficult to predict thus bringing in uncertainty for managers. Munificence refers to the capacity of the environment to carry a certain number of organisations. It has been defined more precisely as “the scarcity or abundance of critical resources needed by (one or more) firms operating within an environment” (Castrogiovanni, 1991: 542). When resources are scarce, competition increases and profitability is affected negatively (Dess and Beard, 1984; Porter, 1980).

There is a close link in the literature between dynamism and environmental uncertainty. Duncan (1972) claims that dynamism is a main contributor to the managers’ perception of environmental uncertainty. Duncan’s definition of environmental uncertainty comprises three parts, (1) a lack of information about the environment needed to make decisions – response uncertainty; (2) lack of knowledge about the consequences of those decisions – effect uncertainty; and (3) inability to assign probabilities about the occurrence of future events – state uncertainty (cf. Downey, Hellriegel, and Slocum, 1975; Milliken, 1987). Researchers have adopted one or more of these different dimensions of uncertainty in their research, but most of the time the meaning of environmental uncertainty is not specified because it is assumed that everyone knows what it is. As a general definition, Milliken suggests that uncertainty be defined as “an individual’s perceived inability to predict something accurately” (p. 136).

Miles and Snow (1978) argue that the source of uncertainty is the organisation’s external environment. They define environmental uncertainty as “the predictability of conditions in the organisation’s environment” (p. 195). In their research they employ a questionnaire of 25 items to assess how managers perceive the predictability of the external environment in reference to the suppliers of raw materials, competitors’ behaviour, clients, financial/capital markets, government regulatory agency actions, and behaviour of labour unions (cf. Ireland, Hitt, Bettis, de Porras, 1987).

The level of perceived environmental uncertainty may influence the firm’s performance. If managers perceive high uncertainty, regardless the objective

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level of uncertainty, more resources and time will be devoted to scanning and forecasting. Furthermore, linear models of strategic management might not be efficient. The reaction of managers to high levels of uncertainty could also lead the managers to imitate the competitors' strategies –especially if successful– or simply delay the development of new courses of action (Milliken, 1987).

Therefore, munificence and uncertainty are arguably the most relevant characteristics to take into consideration when studying the relationship between strategy making and performance in mature industries facing considerable changes. Firms in these industries need to vie for the available resources while considering the technological changes that can be turned into new business opportunities. The availability of resources is captured by the concept of environmental munificence, while the ambiguity generated by a changing technology is captured by the concept of environmental uncertainty.

Because this study is mainly concerned with exploring how performance is explained by an entrepreneurial attitude in strategy making, these two environmental dimensions are relevant since an entrepreneurial behaviour requires access to resources and it is best suited for facing a changing environment which involves uncertainties to a significant extent. Researchers have found evidence regarding these issues. For instance, access to resources is recognised to be crucial in the firm's ability to experiment with new products and strategies (Bourgeois, 1981; Cyert and March, 1963), while innovation is associated with higher performance in uncertain and dynamic environments (cf. Covin and Slevin, 1997; Miller, 1988). Nonetheless, Wiklund and Shepherd (2005) find that entrepreneurial orientation coupled with a stable environment and low access to financial resources results in a higher performance for small businesses, in contrast to the expected configuration of high dynamism and high access to capital. These results are interesting but they need to be contrasted with the situation of established firms competing in a mature industry.

### 2.1.7 Performance

At the outset of this chapter I argue that performance is a main concern in the strategic management research field (cf. Schendel, 1992). This is also highlighted by Venkatraman and Ramanujam (1986) pointing out that “[f]or the strategy researcher, the option to move away from defining (and measuring) performance or effectiveness is not a viable one” (p. 801). At the same time, the authors warn that how performance is treated is one of the “thorniest issues” that strategy scholars must face in their research. It is therefore necessary to shed further light on performance since this study's main purpose is to address the relationship between it and entrepreneurial behaviour.

Connolly, Conlon and Deutsch (1980: 212) argue that an answer to the question “How well is entity X performing?” would be contingent on who is asking. A single and universal answer is unlikely since performance is tied to the

objectives and goals of the interested party, i.e. different stakeholders might have different expectations. Nonetheless, strategy research has focused on two aspects of performance, namely financial and operational (Venkatraman and Ramanujam, 1986). The former is usually measured employing sales growth, profitability, earnings per share, and so on. In contrast to financial performance, operational performance takes into account indicators such as the introduction of new products, market-share, product quality, and the like.

Beside the distinction between financial and non-financial measures for performance, the sources of data need to be considered as well (Venkatraman and Ramanujam, 1986). Primary performance data is collected directly from the organisations, whilst secondary data is usually taken from publicly available databases. Thus, different measures of performance can be obtained and used in a single piece of research by combining source of data, i.e. primary or secondary, and type of performance, i.e. financial or non-financial.

The different measures of performance have their own benefits and limitations when doing research (Venkatraman and Ramanujam, 1986), but it is usually advised that objective measures of performance should be employed when available (Dess and Robinson, 1984). In some cases objective measures are not available for the researcher. For instance, secondary data for performance may not be available when the organisation is a privately held company or a business unit. The only option is to rely on subjective measures such as the managers' perceptions of performance. This might not necessarily be a bad alternative since there is evidence of correlation between objective and subjective performance measures (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1986; Jennings and Young, 1990).

The companies included in this study are mostly privately held and thus their performance statistics are not publicly available. This situation limits the possible measures to subjective ones, i.e. primary data. Both financial and operational measures are included in the study in order to broaden the understanding of business performance beyond purely economic indicators. Venkatraman and Ramanujam (1986) argue that considering these two types of business performance allows analysing a more comprehensive operationalisation of business performance, and makes it possible to examine the relationship between financial and operational aspects of performance. As a limitation, primary sources for performance do not allow to validate the data across sources.

### *2.1.8 Why the configurational approach? A note on alternative approaches to strategy*

The choice of the configurational approach to strategy as a main component of the theoretical framework for this study deserves further clarification before moving forward. This is especially relevant given the popularity of other alternative approaches found in the strategic management literature. They are

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the resource-based view (RBV), the dynamic capabilities framework, and the emerging research on the notion of complementarities. A short description of each one follows.

The RBV can be traced back to Penrose (1959), but it was further developed two decades later (cf. Wernerfelt, 1984; Barney, 1991). This approach emerged when researchers noticed that firms in the same industry – or even in the same strategic group – presented differences in performance. In contrast to environmental models of competitive advantage (cf. Porter, 1980), RBV assumes that some resources are heterogeneous and immobile, i.e. they cannot be bought in the factor markets (Barney, 1991). Thus, the argument goes, if a firm has resources that are valuable, rare, non-imitable and hard to substitute, they can be leveraged in order to provide a sustained competitive advantage. Because of these resource characteristics, competitors cannot duplicate the strategy unless Schumpeterian shocks render those resources as irrelevant or as weaknesses (Barney, 1991). This theoretical approach has spurred research concerned with the strengths and weaknesses of firms as opposed to the opportunities/threats analysis that was embedded in the competitive strategy models of the 1980s (Barney, 1995).

The dynamic capabilities approach builds on RBV to explain why resources may not be enough to achieve a sustained competitive advantage in rapidly changing environments, e.g. high-technology industries. Teece, Pisano and Shuen (1997: 515) explain, “Winners in the global marketplace have been firms that demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences.” Hence, dynamic capabilities are required to alter the way the firm competes in such environment. Dynamic capabilities may be defined as “[t]he firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change” (Eisenhardt and Martin, 2000: 1107). Although most definitions link dynamic capabilities with a changing environment, it has been argued that they are not necessary only when a firm faces high uncertainty but also whenever a firm needs to reconfigure its resources and routines, e.g. a young firm undergoing rapid growth (Zahra, Sapienza, and Davidsson, 2006). Thus, dynamic capabilities are dynamic not because of the environment, but because they are “abilities to reconfigure a firm’s resources and routines in a manner envisioned and deemed appropriate by its principal decision-maker(s)” (Zahra et al., 2006: 918). Regarding the relation between dynamic capabilities and performance, many researchers argue that they do not have a direct impact but indirect. For instance, Zahra et al. (2006)’s model recognises the effect of dynamic capabilities over substantive capabilities and the firm’s knowledge base, which in turn affect performance together with entrepreneurial activities.

Complementarity refers to the interactions among different variables and their impact on performance. Two variables are considered complements “when

doing (more of) one of them increases the returns to doing (more of) the other” (Milgrom and Roberts, 1995: 199). For instance, price and product quality are complements because higher quality makes demand less elastic thus less sensitive to price increases. The notion of complementarity explains also that organisations are systems where the whole is more than the sum of the parts. Therefore, isolated changes in some parts of the system might not be worthwhile but their impact might be felt once they are part of the whole: “Changing only a few elements of the system elements may not come at all close to achieving all the benefits that are available through a fully coordinated move, and may even have negative pay-offs” (Milgrom and Roberts, 1995: 191). The empirical studies of complementarities have used a variety of approaches: case study (cf. Milgrom and Roberts, 1995), econometric analysis (cf. Ichniowski, Shaw, and Prennushi, 1997; Whittington et al., 1999), and set-theoretic approach (Kogut et al., 2004).

Eisenhardt and Martin (2000) argue that complementarities can enhance the competitive advantage given by resources in the RVB models. Also, the notion of complementarities extends the configurational approach in two aspects (Whittington et al., 1999). First, it goes beyond the simple comparison among different configurations. Second, it requires performing disaggregated and aggregated analyses in order to find the “fit” because it is necessary to assess how changing one component affects the others, and also the system as a whole.

After this brief review of alternative approaches to investigate strategic issues, I would like to elaborate on the reasons to favour the configurational approach in this study. First, the purpose of this study is to shed light on the relation between a firm’s entrepreneurial strategy-making mode and its performance when organisational and environmental factors moderate this relationship. The main goal of this purpose thus is to explain ‘what is the relation between X and Y’ and not ‘how X relates to Y’ or ‘why X relates to Y.’ The RBV and dynamic capabilities frameworks focus their attention on the latter two questions. As the preceding paragraphs explain, resources allow firms to achieve superior performance because they have certain features thus answering the ‘why’ question, i.e. resources that are valuable, rare, inimitable, and nonsubstitutable. Capabilities and dynamic capabilities answer the question of ‘how’ these resources can be deployed and exploited in order to achieve a competitive advantage (cf. Grant, 1991). These questions are certainly important, but I see them as follow-up questions to this study. Once the relation between X and Y is established, i.e. the ‘what’ question in this study, it is pertinent to ask ‘how’ and ‘why.’ It will be explained in the next section that the relation between an entrepreneurial strategy-making mode and performance is complex and requires further research. Accordingly, this study contributes to that research need.

Second, RBV is still in its infancy when it comes to explaining the relation between the management of resources and the creation of value. One of the reasons is the lack of research considering the effects of the external environment (Sirmon, Hitt and Ireland, 2007). Since this study deals with the

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effect of environmental munificence and uncertainty on the relationship between ESME mode and performance, RBV does not seem to be a good approach yet. Additionally, the operationalisation of RBV's concepts in empirical studies wanting to explain sustained competitive advantage has proved difficult to develop (Hoopes, Madsen and Walker, 2003; Armstrong and Shimizu, 2007).

Third, most research in entrepreneurship has employed the entrepreneurial orientation construct to measure entrepreneurial behaviour in a firm (cf. section 2.2.4). In fact, this construct is a main component of the measure employed in this study. Although some researchers have referred to this construct as a resource (Lee, Lee and Pennings, 2001), the discussion usually centres in other resources such as a firm's networking capability (Lee et al., 2001) or its knowledge-based capabilities (Wiklund and Shepherd, 2003). Furthermore, an entrepreneurial strategy-making mode may even be considered a dynamic capability if one follows Eisenhardt and Martin (2000: 1107) argument: "strategic decision making is a dynamic capability in which managers pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm." I chose to focus this study in understanding the interplay between the strategy making-mode, the environment and the organization, instead of investigating the extent these elements can be considered resources and capabilities. This decision is mainly guided by empirical observation of the industry, where the aforementioned variables are among the main worries of newspaper managers and no straight answer can be found in the literature.

Fourth, the notion of complementarities appears as a promising field of research since Milgrom and Roberts developed an economical understanding of these ideas (1990, 1995). Nevertheless, this approach presents some methodological difficulties that need further development. Fiss (2007), for instance, suggests a set-theoretic approach to overcome these difficulties when employing a complementarities framework because this method may better assess the multiple relations among a high number of variables as required in such approach. Since this study focuses on the interplay between three variables, i.e. strategy, organisation, and environment, the configurational approach to strategy is useful. Certainly, subsequent studies wanting to take a closer look at specific activities and their interrelation may well use a complementarities approach instead of the configurational approach employed here (cf. Siggelkow, 2001; Porter and Siggelkow, 2008).

Notwithstanding the reasons given in the paragraphs above to use the configurational approach in this study, the alternative perspectives to strategy are not at odds with this choice. I see the election of the configurational approach as a matter of emphasis rather than of competing frameworks. As a matter of fact, I will mention these alternative perspectives again to enlighten the discussion of the results in Chapter 7.

## 2.2 Entrepreneurial strategy-making mode

After reviewing the literature on strategic management with a particular emphasis on the configurational approach to strategy, I turn now to the entrepreneurship literature. The following subsections try to explain the concept of entrepreneurship and its importance, as firm-level behaviour, for the survival of the firm in a changing environment. Afterwards, the notion of an entrepreneurial strategy-making mode will be explained followed by a discussion of the different strategic dimensions included in it.

### 2.2.1 Connecting strategy and entrepreneurship

The origin of the term entrepreneurship can be traced back to the French verb *entreprendre* that means to undertake (Peterson, 1981). In the economic and business literature, the term is rooted in the Austrian school of economic thought initiated by Carl Menger. Austrian economists argue that exchange in the market occurs because it is in permanent disequilibrium, in contrast to neoclassical economists who were mainly interested in equilibrium and the clearance of markets (Jacobson, 1992). Because those who trade goods have different marginal utility functions, their evaluations of goods are always subjective and different from each other. Thus, the disequilibrium in the market is permanent. Hayek (1945) develops these ideas and explains that knowledge is scattered among all market participants; market participants *compete* to gain better knowledge of resources, tastes, and technology. The market competition is thus considered a *discovery procedure* (Hayek, 1978). Kirzner (1973) argues that for a discovery to take place, *alertness* is necessary. Consequently, entrepreneurship is the alertness to new opportunities, and entrepreneurs are those who are alert and seize the new opportunities by taking innovative actions (cf. Koppl and Minniti, 2003).

Schumpeter (1934) departs from the Austrian tradition that sees the market in its way to equilibrium. Instead, he considers entrepreneurs as those individuals disrupting the equilibrium by means of carrying out *new combinations*. Schumpeter says “the carrying out of new combinations we call ‘enterprise’; the individuals whose function it is to carry them out we call ‘entrepreneurs’” (p. 74). New combinations might be (1) the introduction of a new good, (2) the introduction of a new method of production, (3) the opening of a new market, (4) the conquest of a new source of supply, or (5) the carrying out of the new organisation of any industry (p. 66). It is Schumpeter’s notion of new combinations that today many researchers accept as innovation (cf. Stevenson and Jarillo, 1990).

Any of these conceptions of the entrepreneur share the same common goal with strategic management, which is the understanding of growth and wealth creation (cf. Ireland, Hitt, and Sirmon, 2003). On the one hand, researchers in strategic management have tried to elucidate the sources of sustained

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competitive advantage as a means to understand its relationship with performance (Barney, 1991). If a company is to compete effectively, managers need to build the strategy based on the available resources and capabilities, which are the key to a competitive advantage –resource-based view of the firm (Grant, 1991). On the other hand, entrepreneurship research has emphasised studying “*what* happens when entrepreneurs act; *why* they act; and *how* they act” (Stevenson and Jarillo, 1990). Drawing mainly on Austrian economics theory, those answers have been approached by investigating the nature of business opportunities and the people who discover those opportunities (Kirzner, 1973). Entrepreneurs are alert to opportunities (Kirzner, 1973), and exploiting those opportunities is what usually leads to innovation (Schumpeter, 1934).

Strategic management and entrepreneurship seem to answer different research question – while strategic management is mainly concerned about performance by means of a competitive advantage, entrepreneurship looks at entrepreneurs and opportunities (Davidsson, 2004), they are becoming closer since a firm’s competitive advantage is becoming increasingly dependent on the ability to innovate (Kanter, 1983; Eisenhardt and Martin, 2000).

Strategy and entrepreneurship are seen as complementary in the model of strategic entrepreneurship elaborated by Michael Hitt and his colleagues (Hitt et al., 2001; Hitt et al., 2002; Ireland et al., 2003). Strategic entrepreneurship is defined as “entrepreneurial action with strategic perspective” (Hitt et al., 2001: 480). Also, it can be considered “the integration of entrepreneurial (i.e. opportunity-seeking behaviour) and strategic (i.e. advantage-seeking behaviour) perspectives in developing and taking actions designed to create wealth” (Hitt et al., 2001: 481). The model of strategic entrepreneurship developed by Ireland, Hitt, and Sirmon (2003) integrates an entrepreneurial mindset, culture, and leadership together for developing innovations and building a competitive advantage. They conclude that the model suggests a balance between exploration of new opportunities and exploitation of innovations, but further research is required “to better understand the relationships posed” (p. 983).

Researchers in the field of strategic management, as it is the case of Hitt and colleagues, seem to increasingly add more elements from the entrepreneurship research field in order to further complete their models to explain performance. The need for entrepreneurship to be embedded into the firm’s strategy is probably more necessary when the environmental conditions are uncertain and change is underway. Managers are required to be responsive to the dynamic environment as they try to compete not only on the basis of available resources and capabilities, but also their own entrepreneurial behaviour. Thus, the decision-making approach to strategic issues has a direct bearing on entrepreneurial behaviour. But the question is the extent to which this type of decision-making leads to better performance and under what environmental and organisational characteristics. In order to answer this question one has to

accept that entrepreneurship is part of firm-level behaviour as demonstrated in the following section.

### 2.2.2 *Entrepreneurship as firm-level behaviour*

Entrepreneurship does not refer to a person, but to a process (Peterson, 1981). Also, pursuing opportunities is an inherent characteristic of entrepreneurs and entrepreneurial behaviour (cf. Kirzner, 1973; Shane and Venkataraman, 2000). Therefore, corporate entrepreneurship (CE) researchers look at the entrepreneurial activity of established firms trying to understand what makes them entrepreneurial.

Several attempts have been made to define CE. Burgelman (1984), in line with Schumpeter's notion of new combinations, defines CE as "extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations" (p. 154). Guth and Ginsberg (1990) argue that "the concept of corporate entrepreneurship should encompass the struggle of large firms to renew themselves by carrying out new combinations of resources that alter the relationship between them and the environment" (p. 6). Stevenson and Jarillo (1990) define an entrepreneurial organisation as one that "pursues opportunity, regardless of resources currently controlled" (p. 23).

Accordingly, CE is the ability of the corporations to act entrepreneurially, which in turn means the ability to design a strategy that enables the individuals in the company to spot opportunities and take advantage of them. Miller (1983) is more specific about what it takes to be entrepreneurial. He specifies the characteristics of an entrepreneurial firm arguing that it "engage[s] in product-market innovation, undertakes somewhat risky ventures, and is *first* to come up with "proactive" innovations, beating competitors to the punch" (p. 771).

Covin and Miles (1999), although recognising the multiplicity of characteristics that help to define an entrepreneurial firm (cf. Miller, 1983), claim that innovation is the key element of corporate entrepreneurship. Innovation may simply include the launching of new products or entering a new market, but it may also take place through more sophisticated activities such as corporate venturing (internal or external) or strategic renewal (Guth and Ginsberg, 1990; Sharma and Chrisman, 1999; Zahra, 1995, 1996). Corporate venturing implies the creation of new organisations (e.g. a new division, a joint venture, corporate venture capital). Strategic renewal refers to the transformation of an existing organisation through renewal of the key ideas on which they are built, and also "altering how it competes" (Covin and Miles, 1999, p. 52).

According to Zahra (1995, 1996), strategic renewal implies a revitalisation of a company by changing its business scope, its competitive approach or both. For doing so the company might acquire or develop new capabilities. Actions

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that can be considered in a strategic renewal process range from refocusing a business competitively to changing distribution or marketing to reshaping operations (Guth and Ginsberg, 1990). Covin and Miles (1999) argue that a strategic renewal takes place when a firm implements “new business strategies that differ significantly from past practices in ways that better leverage the firm’s resources or more fully exploit available product-market opportunities” (p. 53).

The emergence of this new, transformed organisation by means of an intentional effort on promoting an entrepreneurial behaviour and impelled by the changing environment is at the core of this research. An effective strategic renewal process – as may be needed in the newspaper industry – requires the organisation to do things that are fundamentally entrepreneurial, namely, be proactive, take risks, innovate, promote creativity, and so forth. The strategic renewal process, thus, reflects entrepreneurial behaviour (Guth and Ginsberg, 1990), and allows the organisation and its managers to pursue opportunities via new combination of resources, i.e. through innovation. This study will particularly look into how managers conduct the strategy-making process along dimensions that assess the firm’s entrepreneurial behaviour leading to strategic renewal and its implications for the organisation in terms of its ability to improve performance. The results might be of particular relevance in the case of mature industries, where firms need to rethink how they make decisions since failing at this task means probably being wiped out.

### *2.2.3 The need for entrepreneurial strategy-making*

CE is meant to engage the organisation in a strategy-making process that leads to the entrepreneurial behaviour needed to face changes in the environment. The extant literature shows that research has addressed this strategy-making process mostly from the contingency perspective, thus looking for a fit between the strategic choices and the environment or a fit inside the organisation between the strategy and the structure. A few studies have addressed corporate entrepreneurship from a configurational perspective (Dess et al., 1997; Wiklund and Shepherd, 2005). Yet the relations are complex and require a better understanding.

Several authors highlight the necessity to examine further the relationships between strategy, structure, environment, processes and leadership in the context of entrepreneurial behaviour. Dess, Lumpkin and McGee (1999) stress the need to link corporate entrepreneurship to strategy, structure and process. Guth and Ginsberg (1990) claim “more rigorous empirical research is needed on the combined effects of organisation structure, strategy, and core organisational values/beliefs on corporate entrepreneurship” (p. 8). Along the same line, Miller (1983) asserts that “entrepreneurship is integrally related to variables of environment, structure, strategy, and leader personality, and that these relationships vary systematically and logically from one type of firm to another” (p.787). And Wiklund and Shepherd (2005) argue that “more

research needs to be conducted into configurational models, especially those that involve entrepreneurial orientation” (p. 88).

Although the literature on configurations is abundant in the field of strategic management, it is still scarce in the field of entrepreneurship. Dess et al. (1997) compare contingency and configurational models, using two-way and three-way interaction models, and find evidence that “entrepreneurial strategy making was most strongly associated with performance when it was combined with *both* the appropriate strategy and environmental conditions” (p. 691). Wiklund and Shepherd (2005) also compare contingency and configurational models to explain the relationship between entrepreneurial orientation and performance. They also find evidence supporting the idea that a better understanding is gained if the relationship is moderated by the environment and the resources.

## 2.2.4 Entrepreneurial strategy-making mode

It needs to be noted that I am using the term entrepreneurship together with strategy making to refer to a particular mode of strategy making where managers show certain attitudes which are thought to be a good proxy of the firm’s entrepreneurial behaviour. This is consistent with the literature on CE and strategic management, where it has been found that an entrepreneurial strategy-making process is a specific strategy-making mode (cf. Dess et al., 1997; Dess and Lumpkin, 2001). Also, measuring entrepreneurship in terms of managers’ attitudes has been employed extensively throughout the literature, relying mainly on Miller’s dimensions of innovativeness, risk-taking and proactiveness.

The previous section has introduced the concept of entrepreneurship and CE presenting several definitions. These definitions have spurred research in the field and this section will try to summarise it in broad terms focusing on the emergence of the concepts of entrepreneurial orientation and entrepreneurial management. These two conceptualizations of an entrepreneurial strategy-making mode will be employed in this study to assess the strategy process of the newspaper companies.

Among the first conceptualisations of CE is Miller’s framework (1983). He draws attention to the need to think about entrepreneurship considering it a firm-level activity. Miller recognises the need to look into “the *process* of entrepreneurship itself and the organizational factors which foster and impede it” (p. 770). According to him, the literature shows mixed conclusions regarding what promotes innovation and entrepreneurial activities because the studies fail to consider the types of firms they are referring to. Based on Mintzberg’s three modes of strategy-making (Mintzberg, 1973), Miller studies three dimensions of entrepreneurship – proactiveness, risk-taking, and innovation – and the factors correlated with these dimensions in each of the three types: in *simple firms* the leader is the key promoter of entrepreneurship; in *planning firms* entrepreneurship is stimulated by explicit entrepreneurial

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product-market strategies; and in *organic firms*, the environment and the capacities of the structures are crucial for determining its entrepreneurial impetus. The conclusion of his study asserts that “entrepreneurship is integrally related to variables of environment, structure, strategy, and leader personality, and that these relationships vary systematically and logically from one type of firm to another” (p. 787).

Burgelman (1983) also sees corporate entrepreneurship as a process “whereby firms engage in a diversification through internal development” (p. 1349). Entrepreneurial activity, according to him, would provide diversity to large, diversified organisations where diversity is understood as an experimentation-and-selection process. A traditional view on strategy would be a top-down approach where the *concept of corporate strategy* (using Burgelman’s terminology) elaborated by the top-management induces a strategic behaviour. That behaviour in turn is operationalised by a *structural context*, which tries to reduce diversity and to align the operational level to the corporate level. Corporate entrepreneurship is not able to emerge in this *induced strategic behaviour loop*, though incremental innovation might occur. Most of the strategic activity of large, diversified firms fit within this scheme, but “resource-rich firms are likely to possess a reservoir of entrepreneurial potential at operational levels that will express itself in autonomous strategic behaviour” (Burgelman, 1984, p. 156). This leads to an *autonomous strategic behaviour loop* where new business opportunities are spotted, corporate resources are mobilised to pursue those opportunities, and effort is made to push their development. This happens outside the *concept of corporate strategy* but “it needs eventually to be accepted by the organisation and to be integrated into its concept of strategy” (Burgelman, 1983, p. 1352). Corporate management does not need to encourage entrepreneurship since it will emerge spontaneously, but it has to be careful not to curb it. Indeed Burgelman (1983) warns that “‘encouraging’ entrepreneurship may create games and lead to misguided opportunism” (p. 1361); what managers need is “flexibility and tolerance for ambiguity in its strategic vision” because “autonomous strategic behaviour cannot be planned” (p. 1362). He argues that there is a need for further research on understanding the experimentation-and-selection processes and the conditions under which different organisational designs fit with different types of corporate entrepreneurship.

Covin and Slevin (1991) propose a model for entrepreneurial organisations. It builds on Miller’s three dimensions – here considered as part of the *entrepreneurial posture* of the firm – and the authors follow his advice about the need to put environment, strategy and structure into account. Although the model has performance as the last dependent variable, the majority of the paper is about the interactions between the aforementioned elements and the entrepreneurial posture. Their notion of entrepreneurial posture is the basis for what Lumpkin and Dess call *entrepreneurial orientation* (1996).

Lumpkin and Dess (1996) offer a contingency framework for relating a firm's entrepreneurial orientation to performance. They define entrepreneurial orientation as a construct based on five dimensions taken from the literature. These are autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. According to them, it is not necessary that all factors are present when a firm behaves entrepreneurially (to be precise, they refer to new entry as entrepreneurial behaviour, but it can be considered in a broader way as explained earlier). This is an interesting twist compared with the accepted notion of one single construct (Covin and Slevin, 1991). Regarding the origin of the five factors, autonomy and competitive aggressiveness can be traced back to Burgelman's (1983) *autonomous strategic behaviour* and Miller's (1983) idea of "beating competitors to the punch," respectively; innovativeness, risk taking, and proactiveness are present in Miller's dimensions of entrepreneurial strategy-making.

The contingency approach chosen by Lumpkin and Dess (1996) suggests that performance might be influenced by environmental factors (i.e. dynamism, munificence, complexity, industry characteristics), organisational factors (i.e. size, structure, strategy, strategy-making processes, firm resources, culture, top-management team characteristics), and entrepreneurial orientation. Applying this contingency framework and relating it to previous empirical studies, Lumpkin and Dess propose four alternate models for assessing the impact of entrepreneurial orientation on performance.

Stevenson and Jarillo (1986, 1990) develop a different but complementary view regarding entrepreneurship at the firm-level. According to them, entrepreneurial management is that which pursues opportunities and exploits them, and their behaviour can be categorised along six dimensions: strategic orientation, commitment to opportunity, commitment to resources, control of resources, management structure, and reward philosophy. Brown, Davidsson, and Wiklund (2001) operationalise these dimensions, including two more dimensions that Stevenson added implicitly later on (i.e. growth orientation, and entrepreneurial culture), testing for their independence and validity. As a result only six dimensions are identified since opportunity orientation does not emerge as a factor, and control of resources and commitment to resources merged into one dimension. In addition, they compare these dimensions with the dimensions proposed by Covin and Slevin (1991) for entrepreneurial orientation. Even though they correlate to a certain extent, both concepts do not totally overlap, offering complementary views of the same phenomenon, which is entrepreneurial behaviour.

It is noteworthy that the dimensions of entrepreneurial management do not directly measure entrepreneurship in terms of recombination of resources or entry into new markets, as Schumpeter defines entrepreneurship (cf. Brown et al., 2001). But they do address more directly the 'opportunity orientation' of the managers in a firm, thus being closer to an Austrian definition of entrepreneurship. Entrepreneurial management as an "opportunity-based

## 2. Theoretical Framework

conceptualization of entrepreneurship” is what differentiates this concept when compared with entrepreneurial orientation, because the latter measure “does not explicitly and directly address to what extent firms are involved in the recognition and exploitation of opportunity” (Brown et al., 2001: 954).

The concepts of entrepreneurial management and entrepreneurial orientation appear thus as useful, complementary conceptualisations of corporate entrepreneurship and how managers make decisions. Following Brown et al. (2001) suggestion that in order to get a complete assessment of entrepreneurship researchers should use both instruments, I will indeed use a combination of both measures to assess the strategy making process of newspaper companies in order to understand to what extent they show an entrepreneurial behaviour. Table 2.1 summarises all these dimensions.

**Table 2.1: Dimensions of entrepreneurial management and orientation**

<b>Dimension</b>	<b>Short description</b>
Strategic orientation	Factors driving the creation of strategy: opportunities versus controlled resources
Resource orientation	Magnitude and reversibility of committed resources; ownership of resources
Management structure	Aims of the designed structure in terms of levels of flexibility and control
Reward philosophy	Measures to what extent is based on resources or on promoting autonomy
Growth orientation	Degree of growth rate
Entrepreneurial culture	Openness to innovation and creativity
Innovativeness	"Firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin and Dess, 1996: 142)
Proactiveness	"Firm's tendency to lead rather than follow in the developments of new procedures and technologies and the introduction of new products or services" (Lumpkin and Dess, 1996: 148)
Risk taking	"Firm's proclivity to engage in risky projects and managers' preferences for bold versus cautious acts to achieve firms objectives" (Lumpkin and Dess, 1996: 146)
Competitive aggressiveness	"The intensity of a firm's efforts to outperform industry rivals, characterised by a combative posture and a forceful response to competitor's actions" (Lumpkin and Dess, 2001: 431)
Autonomy	"Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through completion" (Lumpkin and Dess, 2001: 431)

While Covin and Slevin (1989) argue that innovativeness, proactiveness and risk-taking form a one-dimensional construct, Lumpkin and Dess (1996) challenge that assumption contending that an entrepreneurial firm does not need to qualify high on all dimensions to be considered entrepreneurial. Lumpkin and Dess (2001), for instance, distinguish between the effects of proactiveness and competitive aggressiveness in different industry life cycles.

## 2. Theoretical Framework

Despite this assumption, most research has been built around the one-dimensional notion.

Following Covin and Slevin (1991) and Lumpkin and Dess (1996), research on entrepreneurial behaviour of firms moves closer to find the best way establishing the relationship between entrepreneurship and performance. This has been the case since normative theory – and the popular belief – appears stronger in predicting a positive correlation between them than research has been able to demonstrate (Lyon, Lumpkin, and Dess, 2000).

The reviewed literature on corporate entrepreneurship shows that it is necessary to consider a configurational perspective to understand the impact of an entrepreneurial strategy-making process in the performance of a company (Dess et al., 1997; Wiklund and Shepherd, 2005). For the purpose of this research, the entrepreneurial orientation and entrepreneurial management constructs will be employed to understand how managers actually rethink the organisation and address the need to find a fit when doing the restructuring that enables the development of entrepreneurial strategies.

### *2.2.5 Specification of the dimensions included in the entrepreneurial strategy-making mode*

The entrepreneurial orientation and entrepreneurial management constructs include five and six dimensions respectively, reaching a total of eleven different dimensions that can be considered to measure the entrepreneurial strategy-making mode of a firm. Though it would be extremely interesting to include all these dimensions in a single questionnaire, it is not a workable option when it comes to administer the survey. Since the objective is to measure firm-level behaviour by asking top managers, a long questionnaire is likely to be left unanswered by the potential respondents. A solution to this problem is to reduce the total number of items.

The criteria used to select the dimensions are a combination of reliability and relevance. It seems reasonable to include those elements shown to be reliable and valid in empirical research. Three dimensions belonging to entrepreneurial orientation – innovativeness, proactiveness, and risk-taking – have been consistently tested in several studies showing that they are reliable and valid measures of entrepreneurial behaviour (cf. Brown et al., 2001).

The two remaining elements of entrepreneurial orientation have received much less attention in the literature despite their claimed contribution to a firm's entrepreneurial behaviour. Nonetheless, Lumpkin and Dess (2001) show that competitive aggressiveness is indeed a distinct dimension of entrepreneurial strategy making by means of a factor analysis that included the other three dimensions. They also find competitive aggressiveness helps firms in need to respond to competitive threats when they in mature industries or hostile environments. Therefore, this dimension is included as a component of the entrepreneurial strategy-making mode examined in this study given its relevance

for a mature industry, which is the case of the newspaper industry as described in the next chapter.

Autonomy – though not empirically tested – has been pointed out as particularly relevant for corporate entrepreneurship to take place since it allows people in the organisation to come forward with new venture efforts (Burgelman, 1983). Thus, despite its lack of operationalisation, autonomy may be considered an important element of a strategy-making mode aimed at accomplishing strategic renewal. As argued in the previous paragraph when discussing the inclusion of competitive aggressiveness, autonomy appears also as a relevant for the industry this study examines.

The operationalisation of Stevenson's entrepreneurial management by Brown et al. (2001) show the existence of six different dimensions besides the ones that conform entrepreneurial orientation. The authors show that, by using factor analysis, these dimensions are different from innovativeness, proactiveness and risk-taking – unfortunately autonomy and competitive aggressiveness are not included in their analysis. Although they do an extensive and thorough testing for all dimensions, so far there are no published studies demonstrating the relationship between these dimensions and performance. This situation makes their inclusion rather risky. However, I have decided to include two of these dimensions because they explicitly address an important feature of entrepreneurial strategy-making, that is opportunity as the main driver of the strategy and behaviour of the organisation (cf. Section 2.2.1). These dimensions are strategic orientation and entrepreneurial culture.

The strategic orientation dimension indicates how attuned are managers to environmental changes. This dimension may be valuable for a firm when there are rapid changes in technology, consumer economics, social values and political rules (Stevenson and Gumpert, 1985). This approach to environmental changes contrasts with that of managers more interested in the resources they currently control, thus emphasising planning cycles and performance measurement criteria. The inclusion of this dimension appears relevant in industries that are passing through a period of transformation because the manager's assimilation of these changes and its associated opportunities may be crucial for the success of the organisation.

If a strategic orientation where managers are driven by the perception of opportunity is preferred rather than an orientation where managers are driven by controlled resources, then an entrepreneurial culture is the right complement for the organisation. As opportunities are identified a number of ideas may be worth considering and some will be developed further. This process is particularly encouraged in firms with an entrepreneurial culture. Brown et al. (2001) argue that a "promoter firm encourages ideas, experimentation and creativity, thus developing an entrepreneurial culture in which new ideas are valued and sought" (p. 956).

Summing up, seven dimensions are included in this study, two from the entrepreneurial management construct, i.e. strategic orientation, entrepreneurial

## 2. Theoretical Framework

culture- and five from the entrepreneurial orientation construct, i.e. innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy.

### *2.2.6 Entrepreneurial strategy-making mode and performance*

Researchers have studied the relationship between an entrepreneurial strategy-making mode and performance mainly by exploring the effects of the entrepreneurial orientation constructs, i.e. proactiveness, risk-taking, innovativeness, competitive aggressiveness, and autonomy. Furthermore, most of the studies consider only the first three and it is very common to find them as an aggregated construct where individual dimensions are not considered in isolation.

Rauch et al. (in press) locate 136 publications that employ Miller (1983) or Covin and Slevin (1989) dimensions of entrepreneurial orientation to study their relation to performance. However, only 37 reported the necessary statistics to carry out a meta-analysis. Only nine out of the total study the dimensions individually; the rest collapsed all dimensions into a single factor. The results of this analysis show that entrepreneurial orientation making has a positive effect on performance with a moderately strong correlation between both. The size of this relationship is stronger for objective measures than for perceptual measures. Also size matters since the effect is stronger for smaller firms. To illustrate the kind of studies that undertake exploring the relationship between entrepreneurial orientation and performance, a sample of selected studies is shown in Table 2.2.

The relationship between the entrepreneurial management dimensions and performance seems scarcely explored. Only one study is located finding a positive relationship between entrepreneurial management and performance, but mediated by venturing activities (Eliasson and Davidsson, 2003).

The lack of research scrutinising the relationship between entrepreneurial strategy making and performance beyond the classic three dimensions of entrepreneurial orientation is clearly a weakness for the strategy and entrepreneurship fields of research. Furthermore, contextualising the study in a particular industry is also beneficial to strengthen the understating of the effects of entrepreneurial behaviour on performance. This study may be a contribution helping to shed some light on these issues.

**Table 2.2: Selected studies relating entrepreneurial orientation and performance**

Study	EO Dimensions	Moderators (if any)	Main results
Covin and Covin (1990)	Competitive aggressiveness†	Environment (hostility and technological sophistication)	High performing small firms behave aggressively in hostile environments.
Zahra and Covin (1995)	Innovativeness Risk taking	Environmental hostility	EO has a positive effect on performance, specially on time; EO particularly effective in hostile environments.
Wiklund (1999)	Proactiveness Innovativeness Risk taking	None	Positive relationship between EO and small firm performance; it increases over time.
Lumpkin and Dess (2001)	Proactiveness Competitive aggressiveness	Industry stage Environment (dynamic and hostile)	Proactiveness helpful for firms in early stages of industry development and in dynamic environments; competitive aggressiveness helpful in mature stages and in hostile environments.
Lee, Lee and Pennings (2001)	Proactiveness†† Innovativeness Risk taking	Linkage to venture capital Linkage to universities	EO positively associated with a technological start-up's performance. Interaction terms are marginally significant.
Wiklund and Shepherd (2005)	Proactiveness Innovativeness Risk taking	Environmental dynamism Access to financial resources	EO positively influences small business performance. Configuration of stable environment and low access to capital lead to highest performance.
Keh, Nguyen and Ng (2007)	Proactiveness Innovativeness Risk taking	†††	EO has both direct and indirect effects on performance. The latter is mediated by information utilisation.
Tang, Tang, Marino, Zhang and Li (2008)	Proactiveness Innovativeness Risk taking	None	The relationship between EO and performance is an inverted U-shape in China.

† Covin and Covin (1990) equate competitive aggressiveness with proactiveness. Thus, two of the three items they use to measure competitive aggressiveness are employed in this study as proactiveness items (cf. Lumpkin and Dess, 2001).

†† Lee et al. (2001) employ a variation of the scales developed by Miller and Friesen (1982) and Covian and Slevin (1989).

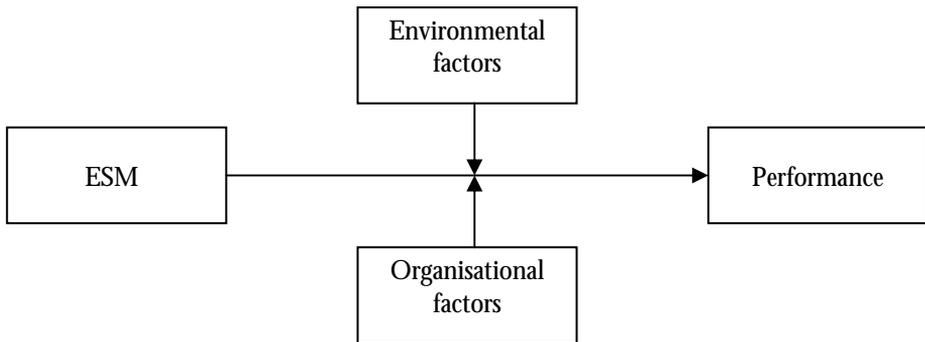
††† Keh et al. (2007) employ two mediators between EO and performance: information acquisition and information utilisation.

## 2.3 Summary of the theoretical framework

Figure 2.1 summarises the discussion so far by depicting the model that is tested in this research. ESM stands for entrepreneurial strategy making and the construct is a combination of seven dimensions as specified in Section 2.2.5.

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The moderators of the relationship between ESM and performance are environmental and organisational factors, which have traditionally been included in configurational research (cf. Sections 2.1.2 and 2.1.3 for an explanation of the configurational approach to strategy). Furthermore, these factors are empirically observed in the industry as relevant for newspaper managers as will be discussed in the next chapter that delves into the specificities of the industry.



**Figure 2.1: Relationship between entrepreneurial strategy-making (ESM), organisation, environment, and performance**

Drawing on the theoretical works reviewed so far, an interpretative summary is offered here to the reader showing the complexities of the relationship between an entrepreneurial strategy making and organizational performance.

- There is empirical evidence that an entrepreneurial strategy-making process has a positive effect on the performance of firms.
- A combination of entrepreneurial orientation and entrepreneurial management dimensions is a better representation of an entrepreneurial strategy-making mode. While the former has been extensively used to measure important aspects of firm-level entrepreneurship, the latter focuses on opportunity-seeking behaviour.
- Environmental factors affect the relationship between an entrepreneurial strategy-making process and the firm's performance. A munificent environment as well as an uncertain environment may influence the performance of a firm performance employing an entrepreneurial strategy making process.
- The organisational structure affects the relationship between an entrepreneurial strategy-making process and the firm's performance.

Organisational boundaries and the relation between the organisation and the customers may influence the performance of a firm employing an entrepreneurial strategy making process.

- A configuration characterised by an entrepreneurial strategy making process in conjunction with a munificent/uncertain environment and a certain organisational structure may be associated with higher or lower performance. Thus, configurations offer a better explanation of performance than other types of analysis such as direct effects or contingency models.

Some issues can be raised regarding the previous statements. First, the empirical evidence regarding the positive impact of an entrepreneurial-strategy making mode on performance is not specific whether it will have the same effect on established firms. Moreover, little is known about the impact of the different dimensions that comprise such strategy-making mode. Second, there are no studies that characterise the organisational and environmental variables in a single industry thus avoiding unobserved heterogeneity.

## 2.4 Research questions

The purpose of this research is to study the relationship between entrepreneurial strategy making and performance in established firms. Accordingly, I suggest the following main research question to guide this study: *What is the impact of an entrepreneurial strategy-making mode on the performance of established companies?*

The link between entrepreneurial strategy making and performance is not as straightforward as it may appear. Researchers exploring this relationship have found that organisation and environment might have an impact, but their results have not been conclusive so far. Taking into consideration the current emphasis on entrepreneurial behaviour and attitude as a key to successful management, investigating how entrepreneurship as firm-level behaviour impacts the performance of organisations seems useful and necessary from a theoretical perspective, as well as from the possible consequences for management practices. Therefore, in order to do a more detailed analysis, I propose complementary research questions that will help to elaborate the main research question further. In particular, this question adds more depth to the analysis, looking into the dimensions of entrepreneurial strategy making, and the fit among strategy, structure and environment: *Are there specific factors in the organisational structure and the environment that affect this relationship? If so, what is the extent of these effects over and above the impact of an entrepreneurial strategy-making mode?*

The next chapter describes the newspaper industry as the research setting for this study. In order to answer the research questions a series of hypotheses are

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formulated and then tested in Chapter 5. The following chapter examines three case studies enabling to add richness and strength to the statistical findings. The case studies take a closer look to the actual configurations of strategy making, structure and environment to untangle the more complex interactions of these elements in three newspaper firms. The findings of this mixed method, sequential approach are integrated and discussed in Chapter 7.



### 3. The Newspaper Publishing Industry: Derivation of Hypotheses

*“It’s amazing that the amount of news that happens in the world every day always just exactly fits the newspaper.”*

—Jerry Seinfeld

The research setting for this study is the newspaper publishing industry. Change in this industry is pervasive and for that reason many newspaper firms are transforming the way they organise themselves and conduct business. On the one hand, change is threatening the survival of the industry’s traditional business model; on the other hand, new opportunities arise and firms wanting to remain competitive will have to act upon them. As explained in the previous chapter, an entrepreneurial strategy-making mode might help established newspaper firms to discover and exploit opportunities. In order to be able to look for this relationship between an entrepreneurial strategy-making mode and performance in the newspaper industry, this chapter examines the particularities of this industry by focusing on its activities and organisational structure, and the characteristics of the competitive environment they face. Drawing on contingency and configurations theories, a series of hypotheses is proposed to help uncover the relationship between an entrepreneurial strategy-making mode and performance.

#### 3.1 Entrepreneurial media

Even though entrepreneurship and media are not particularly related in the literature, they once were in the dictionary. The word entrepreneur, as found in the Oxford English Dictionary from the end of the nineteenth century, was defined as “the director or manager of a public musical institution: one who gets up entertainments, especially musical performances” (Peterson 1981, citing Gough, 1969:9). Also, one of the first studies of entrepreneurship at the firm-level has been done in the recording industry by Peterson and Berger (1971). In their study, the authors argue that “under turbulent conditions, bureaucratic, professional, and craft leadership styles are inappropriate” (p. 97) and the

organisation must rely on an entrepreneurial style. Nevertheless, the academic literature on entrepreneurship and media is scarce. Hang and van Weezel (2007) survey the literature between 1971 and 2005 and find relatively few studies albeit a growing interest in both topics.

Although the interest to study entrepreneurship and media is recent, the entrepreneurial attitude is celebrated in many histories of media companies and biographies of moguls. Tungate (2004), for instance, narrates the story of well known media brands and how their surge has been the result of “fascinating personalities who had the spark of an idea and took it through to its logical conclusion, paying little heed to their critics” (p. 245). Today, however, these are established, mature firms usually criticised by their lack of entrepreneurial orientation.

The current environment for media companies is perhaps not that turbulent when compared to other industries, but these companies will be oblivious to reality if they refuse to acknowledge the changes taking place in the industry (Picard, 2004b; Aris and Bughin, 2005; Chan-Olmsted, 2006). These changes include digitisation of content, Internet distribution, user-generated content (e.g. weblogs), entry of non-traditional players (e.g. Apple’s iTunes), increasing content supply, audience fragmentation, and so forth. All these changes are bringing instability and media companies responding to these changes are more likely to succeed.

Media companies, including newspapers wanting to cope with these changes, have started to make organisational changes that enable them to take advantage of emerging opportunities while trying not to cede terrain to competitors, especially new players. This process of adaptation and change is considered here from the perspective of corporate entrepreneurship and will be approached in terms of the ability to behave in an entrepreneurial way by means of measuring a set of dimensions that are part of the constructs of entrepreneurial orientation and management – the set of dimensions referred to as entrepreneurial strategy-making mode in this study. The question is whether an entrepreneurial strategy-making mode will contribute to a stronger performance or not.

There is evidence that an entrepreneurial strategy-making process is positively related to performance (Dess, Lumpkin and Covin, 1997; Wiklund, 1999; Wiklund and Shepherd, 2003, 2005; Rauch et al. 2004). Based on these findings it is possible to contend that:

*Hypothesis 1: An entrepreneurial strategy-making mode is positively related to the performance of newspaper firms.*

Notwithstanding, the process of adaptation to the changing environment also affects the organisation and vice versa. If we consider the environment where this is taking place, a configurational model appears as useful for looking into possible interaction effects among strategy, structure and environment. Hence, the rest of this chapter explores the environmental conditions and

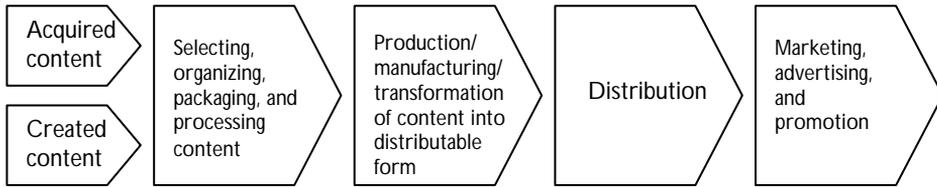
### 3. The newspaper publishing industry

organisational factors. For doing so, the section offers (1) an explanation of what media companies do from the value chain perspective, (2) a review of the foremost environmental factors affecting media companies in general and newspapers in particular, i.e. increased competition and uncertainty, and (3) an analysis of the major issues and changes in the organisational structure of newspaper companies as a result of changes in the industry and technology. Each subsection also provides the industry context for the different hypotheses, which are based on the theoretical framework reviewed on chapter 2. To keep order in the formulation of the hypotheses, the configurational hypotheses appear on a different section following the contingency hypothesis. Finally, a summary of the hypotheses is offered.

## 3.2 The media business

Media companies are in the business of content creation and distribution. Picard (2002) argues that “media companies are producers in that they acquire and combine resources to create a product or service that is purchased by others” (p. 21). Thus, the main concerns are (1) the characteristics of the media products and services, (2) the way they are produced and distributed, and (3) the value created by these processes. The characteristics of the different products and services are essential for understanding how they are produced and distributed, and how that combination means certain value for the consumer. An analysis of these issues is crucial given that the characteristics of media products and services are changing (e.g. digitisation, niche-oriented, etc.) together with the activities involved in their production (e.g. more powerful software tools, consumer involvement, etc.) and distribution (e.g. video-on-demand, online content stores, etc.). These changes are impelling managers to change the way they do business, run operations, and lastly, try to reach a fit for successful competition.

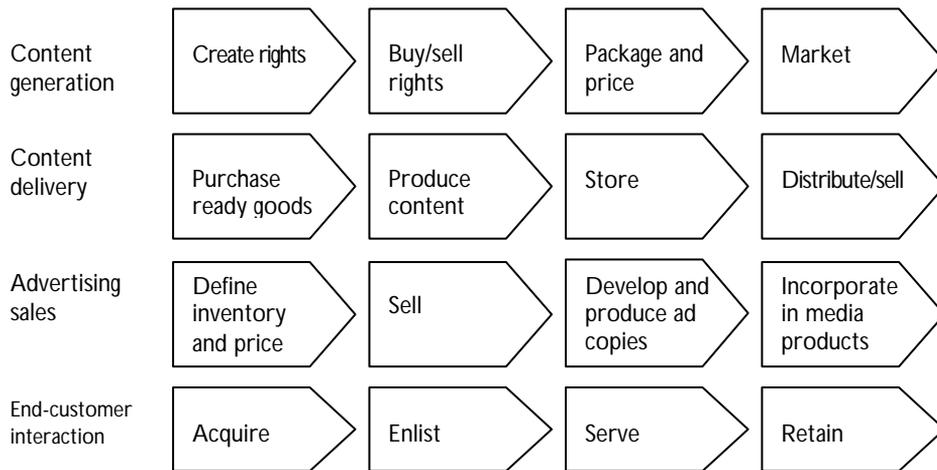
One of the most common ways to represent the activities of the firm is the value chain. Porter (1985) claims that, “every firm is a collection of activities that are performed to design, produce, market, deliver, and support its product” (p. 36). These activities are grouped in a value chain, which is “a systematic way of examining all the activities a firm performs and how they interact” (p. 33). The value chain, according to Porter, explains the behaviour of costs and the potential sources of differentiation. Picard (2002), applying the concept of value chain to media companies, has developed a generic value chain for media firms (Figure 3.1).



Source: Picard (2002)

**Figure 3.1: Generic media firm value chain**

A more detailed description of media activities is found in Aris and Bughin (2005). The authors distinguish four core processes: content generation, content delivery, advertising sales, and end-consumer interaction (Figure 3.2). The first three are somehow included in Picard’s value chain, but the fourth process, relatively new to how media companies traditionally conduct business, is gaining increasing importance.



Source: Aris and Bughin (2006)

**Figure 3.2: Core processes in the media industry**

Even though most research in media management addressing the changing environment has been focused on understanding how the value chain is deconstructed (cf. Evans and Wurster, 2000), it seems that researchers are not looking at the interactions among all the activities and the environment, i.e. configurations. For instance, Tuomola (2004) and van Weezel (2006) explore

### 3. The newspaper publishing industry

changes in the value chain in the recording industry, and Simon (2005) acknowledges the effects of video on demand over the value chain and business models in the audiovisual industry. The deconstruction of the value chain has a direct consequence on the media business models when eliminating the need of certain middlemen and transforming the packaging and the role of technological facilitators (Wirtz, 2001; Chan-Olmsted, 2006).

#### *3.2.1 The business of newspapers*

The four core processes depicted in Figure 3.2 provide a useful and practical way of organising the activities in a media firm in general. But, what are the core activities in a newspaper firm in particular? An examination of the newspaper business model may be helpful in this analysis in order to identify these activities. Newspapers have two main income sources, namely readers and advertisers (Picard, 1989). The primary goal of a newspaper is to attract readers by means of content they are willing to pay for. Then, the newspaper can 'sell these readers' to advertisers wanting to reach them via a newspaper ad, i.e. monetisation of the audience. Readers and advertisers are thus intertwined in the newspaper business model: the extent readers are valuable to advertisers will determine how much advertisers are willing to pay for reaching them. This logic in the business model of newspapers indicates that the two core activities for newspapers are content generation and advertising sales (cf. Fink, 1996).

Content is what readers are after when they buy a newspaper. Thus, newspapers have specialised in gathering information, writing and editing stories, and making them available in a convenient format for its readers. Traditionally, this format is a print edition of the newspaper, but this is changing as readers get used to access a newspaper's content in their computers, mobile phones, PDAs or any other appropriate device. Despite the increasing importance of the delivery method, the availability of content in different platforms is more a problem of content generation than of the technology and knowledge necessary to actually deliver the content. A print newspaper requires mainly texts, photos and some elements of design to convey the stories journalists and editors have worked on. If the stories are delivered in other platforms, the main challenges are adding additional multimedia elements not necessary in a print edition (e.g. video, interactive graphs), changing design layouts to fit the screen of the device (e.g. computer, mobile phone), and ultimately taking care of the storage of the information in a server that is able to distribute the content in a way compatible to the device accessing it (e.g. XHTML). Once the content is produced and available to be delivered in multiple platforms, the actual process of delivery does not radically change the value of the content as long as it is efficiently handled.

The high fixed costs of content generation make the selling of advertising space a high priority for newspapers (Picard, 2002; Aris and Bughin, 2006). Small changes in advertising sales may have a massive impact on the revenues of

a newspaper firm, thus ad sales management is crucial in this industry. A decrease in advertising revenues may induce a spiral of decline that affects the ability to generate content, diminishes the newspaper value for readers, less copies are sold, advertisers seek other more effective media, and so on (Picard, 2002). For this reason advertising has been described as “the financial heart of the newspaper” (Fink, 1996: 269).

This spiral of decline is what many newspaper managers are worried about nowadays. The dwindling circulation and advertising sales observed in the industry are explained to a great extent by the fragmentation of audiences (Picard, 2000, 2004) since newspapers are conceived to serve mass audiences (Sylvie and Witherspoon, 2002). This fragmentation is the result of an ever-increasing supply of content available in a number of alternative platforms – such as the Internet and cable television. Furthermore, many of these new media firms operate in a paid-for business model avoiding the dependency on advertisers to provide a valued service to their customers.

The transition phase the newspaper industry is passing through at a global scale, particularly the aforementioned consequences in circulation and advertising figures, generates an uneasy feeling in newspaper managers because of the uncertainty when making strategic decisions. While uncertainty is currently a dominant feature of the newspaper industry (Aris and Bughin, 2006), not all newspaper firms face the competitive pressures to the same extent. The competitive landscape for national newspapers is different from local newspapers, and readers behave differently in different countries, and so on. However, change and what brings along is a common denominator for the newspaper industry, which is compelling newspaper firms to adapt sooner or later to the new ‘rules of the game’. The two main environmental dimensions affecting newspapers are thus the level of resources available in the market and the uncertainty managers need to cope with. These two dimensions are discussed in the following section 3.3.

The adaptation of newspaper firms is not merely in terms of efficiency but involves the whole organisation and its business model. Some newspaper managers have been slow to react to these challenges because of established modes of thought and inertia coming from better days (Boczkowski, 2004), but others have initiated entrepreneurial actions expecting to reverse the negative market trends observed in the industry. The range of entrepreneurial initiatives newspapers are carrying out throughout the world are numerous and varied. These actions represent the inclination of managers for spotting and exploiting opportunities that may be profitable (cf. the meaning of being entrepreneurial in Section 2.2.1), especially those affecting the two core activities of newspapers. Whether these initiatives are the result of institutional pressures, as in the case of best-practices promoted in trade conferences, or they are part of a true entrepreneurial endeavour may be subject to discussion. Nevertheless, this study will focus not on the content of the strategies but on the way newspaper managers are dealing with their strategic decisions, i.e. studying the extent their

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strategy-making mode is entrepreneurial. Because a series of changes have already been occurring in newspapers, it seems necessary to investigate newspaper firms taking into account their extent, and in particular those related to the organisation. Section 3.4 deals with these changes grouping them in three categories: internal boundaries, external boundaries, and customer interaction. All of them may have a profound impact on the two core activities of newspapers, namely content creation and advertising sales, enhancing or curbing the relationship between the strategy-making mode and performance.

## 3.3 Environmental changes affecting the newspaper industry

The difficult situation in which newspapers stand can be clearly seen in statistics of circulation (Table 3.1). Also, it is interesting to view how the Internet is growing as an advertising medium at an exponential rate, while expenditure on print media has scantily increased in the last decade – in reality it has even decreased when viewed as a share of the total advertising expenditure (Table 3.2).

**Table 3.1: Circulation of dailies (in thousand copies)**

	2001	2002	2003	2004	2005	Change (%) 2005/01
Africa	1,724	1,705	1,861	1,994	1,997	15.8
North America	61,324	60,739	60,657	60,074	58,559	-4.5
South America	8,388	7,697	7,210	7,291	7,560	-9.9
Asia	214,769	219,154	223,556	236,044	235,216	9.5
Australia & Oceania	3,792	3,773	3,768	3,751	3,676	-3.1
Europe	96,786	95,200	93,177	91,260	90,654	-6.3
Total	386,783	388,268	390,229	400,414	397,662	2.8

Source: World Press Trends 2006

**Table 3.2: Worldwide advertising expenditure by medium (billion of dollars; constant 2000 prices)**

Year	Total	Print	TV	Internet			
		% share	% share	% share			
1996	296	145	49.1	112	38.0	0	0.1
1997	299	146	49.0	113	38.0	1	0.4
1998	307	149	48.6	117	38.2	2	0.7
1999	318	150	47.2	120	37.9	5	1.7
2000	342	152	44.6	132	38.8	9	2.8
2001	310	134	43.3	125	40.4	8	2.7
2002	311	130	42.0	130	42.1	7	2.5
2003	340	139	41.1	145	42.8	9	2.9
2004	379	151	40.0	165	43.8	13	3.6
2005	398	153	38.5	177	44.5	18	4.6

Source: World Advertising Trends 2006

Although newspapers have been worried about their business since they were challenged by the surge of other media, i.e. radio, television, it was not until the appearance of the Internet that the situation got problematic (Dimmick, 2003). On the one hand, newspaper publishers are reluctant to recognize a new and different kind of rivalry. On the other hand, they have failed to react in order to take advantage of the new opportunities the Internet has brought, and are still struggling to do so. Furthermore, many newspapers have seen the advent of the Internet as a threat rather than as an opportunity, thus affecting allocation of resources and ultimately influencing the outcome of the new venture (Gilbert, 2001).

The new opportunities have also attracted new players to the media field, such as the search engines that provide news services (e.g. Yahoo, Google), and computer manufacturers that distribute music and films (e.g. Apple's iTunes). The environment's effect on newspaper firms is mainly by means of an increased competition for resources – advertising and consumers – (environmental munificence), and an increased unpredictability of the organisation's environment (environmental uncertainty).

### 3.3.1 Munificence

The appearance of new competitors on the media scene intensifies the vying for resources – advertisers and readers – thus compromising the competitive situation of newspapers via impacting the environmental munificence level. The term munificence refers to the capacity of the environment to carry a certain number of organisations and to support their sustained growth (see Section 2.1.6; cf. Castrogiovanni, 1991). It is generally accepted that munificent environments are positively associated to performance because they “support growth of resources within the firms, providing a reserve against competitive and environmental threats” (Baum and Wally, 2003: 1110). Thus, low

### 3. The newspaper publishing industry

munificent environments might negatively affect performance. For instance, Slevin and Covin (1995) suggest that if firms have few resources the risks of failure increase because there will be options these firms cannot afford.

While the munificence level in the newspaper industry may be lower than some decades ago, the advent of new technologies offers new opportunities. The argument developed so far suggests that newspaper firms might better accomplish the recognition and exploitation of opportunities in this kind of environment if they employ an entrepreneurial strategy making process (cf. Hypothesis 1). The question is how munificence is affecting this relationship between strategy and performance. Ketchen, Thomas and Snow (1993) argue that it depends on the configuration – a munificent industry may benefit generalists while a low munificent industry may benefit specialists. McArthur and Nystrom (1991) show that companies in less munificent environments do not tend to have a lower performance but munificence does moderate the relationship between specific strategies and performance.

Wiklund and Shepherd (2005), examining the relationship between entrepreneurial orientation and performance, find that firms under resource constraints perform better than firms in situations of resource abundance. This is counterintuitive, especially considering the arguments given previously, but the results highlight that the effect of munificence as a moderator needs to be investigated further. Nonetheless, their arguments make sense from a resource-based approach. According to Wiklund and Shpeherd (2005), it is the differences in the organisations' endowments that make firms better performers. In low munificent environments, an entrepreneurial strategy-making mode would lead to higher performance because this mode would provide a differentiation mechanism that perhaps is not relevant in other situations, i.e. abundance of available resources.

The interaction between the entrepreneurial behaviour and the level of munificence in the environment would be of a buffering type, where the effect of one variable lessens the effect of the other (cf. Cohen et al., 2003: 285). Bearing this in mind, and also referring back to contingency theory reviewed in the previous chapter, one can argue that:

*Hypothesis 2: Environmental munificence will moderate the relationship between entrepreneurial strategy making and performance. Newspaper firms' performance increases with an entrepreneurial decision making process but at a higher rate in the presence of low environmental munificence.*

#### 3.3.2 Environmental uncertainty

Perhaps the difficulties that newspaper managers have faced in their attempt to react to a changing environment relate to the level of uncertainty that these changes bring along. This means that the managers' decision-making process may be influenced by their perceived environmental uncertainty.

Section 2.1.6 explains how environmental uncertainty could be classified in three types, namely, state, effect, and response uncertainty (Milliken, 1987). McMullen and Shepherd (2006) turn these three types of uncertainty in questions that a prospective actor would ask regarding her relationship to the environment: what's happening out there? (state uncertainty), how will it impact me? (effect uncertainty), and what am I going to do about it? (response uncertainty) (p. 135). A manager's answer to these questions may generate two opposed courses of action. On the one hand, it may generate a sense of doubt in her causing hesitancy, procrastination, and indecision among alternative action plans (McMullen and Shepherd, 2006). If the sense of doubt is excessive, the manager's alertness to opportunity is likely to wane because she will prioritise the task of trying to reduce uncertainty. On the other hand, a perception of great uncertainty may provide the stimulus to encourage creativity and innovativeness necessary to rethink current strategies, diversify into new businesses, develop new products, transform internal processes, and other entrepreneurial activities (Zahra, 1991, 1993). In this case, uncertainty fuels the firm's entrepreneurial behaviour, which is argued to be associated to improved performance in adverse environments (Miller, 1988; Zahra, 1993). Thus, an entrepreneurial strategy-making mode would lead to higher performance when the environment is more uncertain:

*Hypothesis 3: Environmental uncertainty will moderate the relationship between entrepreneurial strategy making and performance. Newspaper firms' performance increases with an entrepreneurial decision making process at a higher rate in the presence of high environmental uncertainty.*

## 3.4 Organisational changes in the newspaper industry

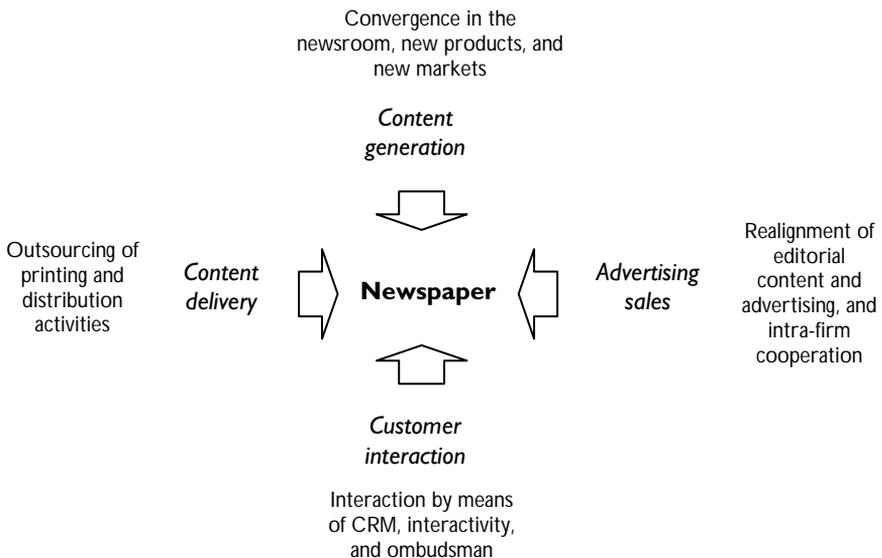
Although entrepreneurship is usually an important characteristic at the start-up stage of media companies, e.g. Ted Turner and CNN, Murdoch and News Corp., established media companies have been traditionally averse to change and innovation. If one looks at the major media management texts there seems to be an unwritten acceptance of the idea that once a media company is established, entrepreneurship is not needed, only stewardship of the existing firm – this, of course, is one reason for the industry's difficulties today. Furthermore, many media management textbooks still base their teachings on old industrial organisation paradigms, paying little attention to resources and capabilities, and even less to an entrepreneurial behaviour.

Nonetheless, the number and depth of the changes affecting newspaper publishers during the last years is huge. Picard (2006) argues that newspapers have tried to improve their situation by “altering journalistic content and its presentation, by improving customer service, and slightly altering their business

### 3. The newspaper publishing industry

models” (p. 12), but this has been done with only a “[f]ew real innovations to expand markets, reach new audiences, or provide new products” (p. 12). One of the main trends in the newspaper industry during the last decade to guide and accomplish the changes necessary to reverse decline in circulation and advertising is to turn the traditional ‘product-driven newspapers’ into ‘market-driven newspapers.’ Already in 1989 an important newspaper executive, former Knight Ridder’s President James K. Batten, claimed that “days when we could do newspapers our way, and tell the world to go to hell if it didn’t like the results, are gone forever” (cited by Beam, 2001).

The stagnant or even declining situation for newspapers combined with a more conscientious attitude towards the market has stirred the adoption of different organisational changes and new practices affecting the core processes of newspaper firms (Figure 3.3). This study takes a closer look at these firms, grouping the changes into three categories: internal organisational boundaries, external organisational boundaries, and the relationship with customers. The configurational approach to strategy claims that these changes might be positive depending on the interactions with the strategy and the environment. Further on, I will discuss the organisational changes in the newspaper industry and will propose hypotheses for both contingent models and configurational models.



**Figure 3.3: Organisational changes affecting the core processes of newspaper firms**

### **3.4.1 Internal organisational boundaries**

Newspapers have traditionally been structured around the notion of 'silos'. Therefore, high boundaries have been erected between the newsroom and the rest of the organisation. This practice has also produced a distinction between the traditional newsroom and the recent online newsroom. These internal organisational boundaries are discussed below.

#### **Boundaries between the print and online newsrooms**

Most of current practices in media firms have grown historically, particularly in more mature markets such as magazine and newspaper publishing (Aris and Bughin, 2005). Newspapers, for instance, have been resistant to any changes in their business model, which dates back to a century ago (Picard, 2002). The introduction of online versions of the newspaper has been much guided by a reaction to others than because they see the need to take advantage of new opportunities (Boczkowski, 2004). The situation is not much different for younger media sectors such as television, where new programmes are still sold to advertisers announcing how similar they are to old successful shows (Kennedy, 2002; Napoli, 2003).

Despite the resistance to change, one of the main transformations in the organisational structure of newspapers is the convergence in the newsroom. Quinn (2004) has pointed out that convergence in the newsroom has been implemented with a twofold goal. It might help to reach an audience as wide as possible, whilst helping managers to cut costs by means of increased productivity.

The term convergence has different meanings, even when we restrict it to the newsroom (cf. Quinn, 2004; Wirth, 2006). For the purpose of this research, we take Jenkins' (2001) definition of cultural convergence, which refers to the development of content across multiple channels. Other types of convergence are technological, referring to the digitisation of content; economic, referring to the integration of the media industry; social or organic, referring to a multitasking approach to consuming content; and global convergence, referring to the 'global village' effect where content is influenced by trends coming from other corners of the world (Jenkins, 2001). The notion of cultural convergence is chosen over the others because it better represents what is occurring inside media organisations.

Cultural convergence can be readily seen happening in newspapers that try to convey their content on multiple platforms beyond the traditional print edition, such as the web, email, and mobile phones. Also, newspaper firms have engaged in alliances and joint ventures with other media (e.g. New York Times and Discovery Networks). By means of cultural convergence particularly in the newsroom, the newspaper firm might be able to reach its readers anytime and anyhow, thus competing in new markets. The traditional contents need to be modified in several aspects ranging from the presentation itself to the topics and

### 3. The newspaper publishing industry

themes. These changes are expected not only to retain current readers, but also to attract new ones. In summary, cultural convergence in the newsroom implies new products and new markets.

#### **Boundaries between the management and the newsroom**

The traditional confrontation between the *suits* and *ponytails* is a distinctive situation in media firms that have restrained innovation and creativity. While managers are worried about *humdrum* issues, creative people produce *art for art's sake* (Caves, 2000). Even though this situation is more common in creative industries, such as motion pictures and recording companies, the *wall* between journalists and managers has also been a recurrent topic in news organisations where the intrusion of managers in the newsroom is seen as a sacrilege (Underwood, 1993; Bogart, 2005: 125). The down periods for media companies particularly economic recessions, have changed these practices and cooperation is becoming a widespread practice.

The interaction between content and advertising is one of the characteristics that make the media business unique. Media sell content to the audience grabbing their attention, which in turn is sold to advertisers who are willing to reach their potential consumers (Albarran, 2002; Doyle, 2002; Hoskins, McFadyen, and Finn, 2004; Picard, 1989). This is the most basic logic behind commercial media. In Europe, for instance, income from newspaper sales is matched by the income obtained from advertisers; in the United States, the proportion of advertising is usually higher (cf. Picard, 2002; World Advertising Trends, 2006). Since an important component of the media business is selling the attention they get from the audiences, the undergoing process of media fragmentation is making this task more difficult. The increasing number of media outlets means a fragmentation of the media market, making the term mass audience seem an old fashioned concept.

In order to secure the income stream coming from advertisers, media are trying to implement two policies. On the one hand, media firms are trying to realign the content production to the advertisers' interests (cf. Picard, 2004a). The wall between journalists and managers located in different compartments of the organisation is crumbling. On the other hand, media firms are trying to cooperate with other business units in the same company or even with other firms in order to sell advertising more effectively. Aris and Bughin (2005: 214) suggest that media firms should sell "value propositions" to advertisers, such as cross-promotion packages. Martin (2003), researching newspapers that actually share resources, finds that they improve their efficiency as in the case of clustered newspapers. Regarding external cooperation, some newspapers in the United States, for instance, have established alliances with Internet companies to sell advertising (e.g. Google and Yahoo).

## **The moderating effect of integration**

The changes just described reflect a trend towards reducing boundaries in the organisation. Dess, Lumpkin, and McGee (1999) have discussed the compatibility of declining boundaries in an organisation with corporate entrepreneurship. Compatibility might seem natural since rigid hierarchies are usually seen as poorly suited for undertaking an entrepreneurial behaviour. New types of organisational structures offer more flexibility and the possibility to transfer knowledge in an easier way (Dess et al., 1999). Hence, fewer barriers inside the organisation should help to achieve better integration, coordination, and communication inside the organisation, thus enhancing the ability of an entrepreneurial strategy process to deliver a more profitable outcome. Based on these arguments it is possible to hypothesise that,

*Hypothesis 4: The extent of organisational boundaries within the newspaper, i.e. level of integration, will moderate the relationship between entrepreneurial strategy-making and performance. Newspaper firms' performance increases with an entrepreneurial decision-making process at a higher rate in the presence of weaker internal organisational boundaries, i.e. higher integration.*

### **3.4.2 Outsourcing**

Outsourcing can be understood as the substitution of external activities for internal activities leading to vertical disintegration (Gilley and Rasheed, 2000). A survey by the World Association of Newspapers shows that “outsourcing plays a major role in the newspaper industry today” (Macinnes and Adams, 2006: 23). The trend is upwards and reasons vary from cost savings, focus on core competency, lack of in-house expertise, quality improvement and sharing costs. The reasons not to outsource are also varied, including adequate in-house expertise, loss of control, high costs, lack of outsourcing expertise, organisational resistance, and political sensitiveness (Macinnes and Adams, 2006). This study considers four activities where outsourcing might take place, namely printing, distribution, content production, and advertising sales.

Newspaper printing and distribution changes combined with pressure for reducing costs have led many newspapers to outsource their printing and distribution activities – physical or virtual (cf. Brody and Picard, 1997). “Getting people to read the newspaper is not just a matter of content and design; it depends on distribution” (Bogart, 2005: 81). The process involving content delivery, according to Aris and Bughin (2005), is one of the core processes of media firms, and includes the physical creation of the media product and its distribution for commercialisation. Traditionally, newspaper firms have printed paper copies for later distribution to sales points (e.g., kiosks, supermarkets) or home distribution to subscribers. However, some readers are now accessing digital copies of newspapers available on the Internet or other

### 3. The newspaper publishing industry

alternative digital channels of distribution. This implies that the physical copy is no longer necessary for a segment of readers, who have instead turned to a virtual copy. Furthermore, distribution itself becomes a different activity since the content has to be available in a digital format and on several different platforms (e.g., web, mobile phone, PDA, e-book). These changes in printing and distribution of newspapers have led to changes in the workforce of newspapers and in the tasks that they need to carry out. Also, they may imply that the core process is no longer distribution, but the ability to reach the reader and raise her interest. For instance, publishing content on a website is a form of distribution; but managing web servers or dealing with telecommunications issues is certainly beyond a newspaper company's main business activity.

Outsourcing is also taking place in content-related activities – from buying news from international agencies to copyediting to features, and advertising sales. For instance, McClatchy's newspaper *The Sacramento Bee* announced in December 2007 that its advertising production work would be outsourced to India. Previously, McClatchy had already outsourced customer service to an Illinois company operating out of Philippines. MacInnes and Adam (2006) cite several other cases of outsourcing, such as the Swiss newspapers that outsource advertising sales to Publipress. While outsourcing content may be a trend in the newspaper industry, it is unlikely that a newspaper company will outsource its editorial principles. The principles guiding editorial decisions represent perhaps the main value of a newspaper because they are usually held in high regard by the readers.

The decision to make or buy (outsource) is usually addressed from two perspectives in the academic literature, namely transaction costs theory and knowledge-based theory. According to the former, the decision to buy outside the firm depends on the uncertainty of the input – how specific it is – the frequency of the transactions and the opportunistic behaviour of the supplier (Williamson, 1975). If these factors score high it is preferred to keep the production in-house. The knowledge-based theory suggests that internal processes help to increase tacit knowledge, thus internal transaction costs would go down with time so long as the firm learns how to be more efficient (Grant, 1996).

The literature examining the effects of outsourcing identifies several advantages connected to this practice, particularly those related to improved performance by means of cost savings, and also a sharper focus on core competences (Quinn and Hilmer, 1994). Furthermore, outsourcing allows the company to become more flexible. Quinn and Hilmer (1994) claim that “[o]ne of the main purposes of outsourcing is to have the supplier assume certain classes of investments and risks, such as demand variability” (p. 50). For instance, a newspaper company outsourcing printing and distribution activities frees resources that otherwise would have been invested in facilities and equipments necessary to carry on a function that may not help to add significant value as discussed above.

Mintzberg (1973) and Miles and Snow (1978) argue that flexibility is an important characteristic of an entrepreneurial firm in their respective classifications (see Section 2.1.5). While outsourcing implies changing the external boundaries of the organisation and reassigning internal tasks while suppressing others, it also brings greater flexibility to the organisation. Teece (2000) points out that entrepreneurial firms are organised “to be highly flexible and responsive” (p. 41), and outsourcing may help in that direction.

If an entrepreneurial strategy-making mode is positively associated to higher performance (see Hypothesis 1), then outsourcing may help the practice of this kind of strategy-making mode via providing the organisational structure necessary to facilitate this behaviour. Thus,

*Hypothesis 5: Outsourcing activities will moderate the relationship between entrepreneurial strategy-making and performance. Newspaper firms' performance increases with an entrepreneurial decision making process at a higher rate when the firm has a high level of outsourcing.*

### 3.4.3 Customer interaction

Churn management (i.e. customer turnover management) has been always important for subscription-oriented business, such as cable operators and media clubs (Aris and Bughin, 2005). Depending on the country and market characteristics, churn management has been more relevant where subscription represents a larger share of newspaper revenues. For instance, subscriptions in Greece reach barely 3% of newspaper sales –97% is sold as single copy; in the Netherlands 90% of newspapers are sold through subscriptions (World Press Trends, 2006).

A fundamental aspect of churn management is trying to reach a better understanding of readers to increase loyalty. One of the most basic goals of a marketing strategy is to “put yourself in the customer’s shoes, whether you’re selling an ad or a subscription. Use research to understand his [sic] needs and try your best to fulfil them” (Bogart, 2005: 84). Thus, churn management begins when there is a will to understand customers’ needs, and interact with them – the thing which most newspapers are trying to do nowadays. Beam (1998, 2001) shows that newspapers are changing towards an increase market-orientation meaning that they are trying to learn what advertisers and readers want and need from a newspaper. Furthermore, a good relationship between the newspaper and the readers is crucial in maintaining the newspaper’s credibility to avoid a decline in circulation and advertising (Nemeth and Sanders, 1999).

The World Association of Newspapers has edited a strategy report recommending the adoption of customer relationship management (CRM) tools in 2002. They describe the introduction of CRM as involving a “sweeping change in philosophy and organisation across the company” (p. 57). Among the benefits, the report suggests long-term circulation stability, greater

### 3. The newspaper publishing industry

understanding of readers' attitudes and behaviour, improved awareness in the newsroom of readers' needs, and better decision-making processes (p. 5). The report cites some successful case studies where CRM has worked well. Though the arguments are compelling, it has to be noted that the authors do not include any other evidence allowing generalisation or even a specification of the required conditions for successfully implementing these tools.

Reinartz, Krafft, and Hoyer (2004) investigate the effects on performance of implemented CRM processes. They find a significant positive relationship between CRM activities and performance regarding relationship maintenance and initiation. Furthermore, the authors suggest that organisational structure and incentives might affect this relationship.

A better understanding of readers' behaviour and attitudes is also being acquired by means of interacting with them. Interaction with readers takes several forms for newspapers, ranging from letters to the editor to posts in blogs opened for debate to editors serving as ombudsmen. Blogs where readers are able to share their opinions and debate with journalists and other readers are becoming particularly more popular in newspapers and other media websites. It is possible to foresee that these changes will have an important impact on the organisational structure. On the one hand, journalists and editors have to change their mindsets regarding the contact with their readers. Interactions are today easier and faster. On the other hand, it is possible to notice the creation of new jobs to address the demands of readers. Task forces to manage what it might be in some cases massive replies from the audience, and new editors in positions such as an ombudsman, or dedicated to editing the work of citizen journalists. These efforts are not without criticism. For instance, ombudsmen are criticised for being merely a public relations tool for newspapers (Nemeth and Sanders, 1999).

Though these new approaches to interacting with customers have spread to a considerable extent among newspapers, there are no studies establishing a connection between them and performance.

An increased interaction between the newspaper firm and its readers might also be a source of new business opportunities. The fact that what readers say about published news is now so easily available for editors and managers opens the way for uncovering the readers' needs, which in turn leads to identifying business opportunities. These opportunities might take the form of innovations in current products or even the launching of new products. In order to do so, the organisation must be open for changes and innovation. Thus, managers with an entrepreneurial attitude coupled with an organisation that facilitates interaction with customers might positively affect the organisational performance.

Based on the arguments exposed above the following hypothesis is formulated:

***Hypothesis 6:** Customer interaction activities will moderate the relationship between entrepreneurial strategy making and performance. Newspaper firms' performance increases with an entrepreneurial strategy-making mode at a higher rate when the firm interacts with customers.*

## 3.5 Configurational models

The previous sections have presented the different hypotheses where environmental and organisational contingencies moderate the relationship between an entrepreneurial strategy-making mode and performance. As argued in section 2.1.3, a coherent configuration of strategy, structure and environment may better explain why some firms achieve higher performance. It is particularly relevant for this study to find out the high-performing configurations for entrepreneurial newspaper firms.

Each hypothesis has two parts. The first part proposes the existence of configurations, while the second part specifies the high performing condition of those firms.

### 3.5.1 Configuration of ESM, integration, and environment

Since it has been argued that entrepreneurial newspaper firms perform better when they have a higher level of integration and also when they compete in low munificent environment and in uncertain environment, the configuration hypotheses for both kinds of environments are:

***Hypothesis 7:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), integration, and environmental munificence. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of integration, and in low munificent environments compared to other configurations of these elements.*

***Hypothesis 8:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), integration, and environmental uncertainty. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of integration, and in high uncertainty environments compared to other configurations of these elements.*

### 3.5.2 Configuration of ESM, outsourcing and environment

The contingency hypotheses argue that entrepreneurial newspaper firms achieve higher performance in low munificent environment and in uncertain

### 3. The newspaper publishing industry

environment. Furthermore, a high level of outsourcing may also contribute to improved performance because it helps to build a more flexible organisation that fits the entrepreneurial strategy-making mode. Therefore, the configurational hypotheses that relate these variables are:

***Hypothesis 9:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), outsourcing, and environmental munificence. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of outsourcing, and in low munificent environments compared to other configurations of these elements.*

***Hypothesis 10:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), outsourcing, and environmental munificence. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of outsourcing, and in high uncertainty environments compared to other configurations of these elements.*

#### 3.5.3 Configuration of ESM, customer interaction, and environment

Hypotheses 11 and 12 look at the configuration with customer interaction. The contingency hypotheses argue that a high level of customer interaction leads to higher performance in entrepreneurial newspaper firms. Accordingly, a configuration including a low munificent environment and an uncertain environment would mean a high performing configuration. Thus,

***Hypothesis 11:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), customer interaction, and environmental munificence. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of customer interaction, and in low munificent environments compared to other configurations of these elements.*

***Hypothesis 12:** (a) Newspaper firm performance is explained by configurations of entrepreneurial strategy-making (ESM), customer interaction, and environmental uncertainty. (b) Newspaper firm performance is higher among firms with a higher degree of ESM, high level of customer interaction, and in high uncertainty environments compared to other configurations of these elements.*

## 3.6 Summary of hypotheses

It is possible to claim that even though newspapers have not been textbook examples of entrepreneurial behaviour in the past decades, they are awaking now and starting to adapt to the new environmental conditions. This study helps assessing the extent the adoption of several organisational changes by entrepreneurial newspapers leads to improved performance. This is important from a theoretical perspective since the newspaper industry can be seen as a token example of a mature industry facing enormous changes as the technology advancements cripple traditional newspaper business model. This study would also shed some light on the best practices that are being pushed onto the industry players, i.e. convergence, outsourcing, etc.

The hypotheses proposed in this chapter are set in order to test the impact of an entrepreneurial strategy-making process on performance and the effect of different configurations on that relationship (Chapter 5). A summary of the hypotheses and the proposed configuration and effects is shown on Table 3.3.

Because configurations are seen as the combined effect of the strategy, environment and organisational structure, analysing a series of case studies in Chapter 6 where newspaper firms face different challenges regarding their organisational structure and competitive environment complements the results of the tested hypotheses.

**Table 3.3: Summary of hypotheses**

#	Variables	Performance
1	ESM	High
2	ESM & Low Munificence	High
3	ESM & High Uncertainty	High
4	ESM & High Integration	High
5	ESM & High Outsourcing	High
6	ESM & High Customer Interaction	High
7	ESM & High Integration & Low Munificence	High
8	ESM & High Integration & High Uncertainty	High
9	ESM & High Outsourcing & Low Munificence	High
10	ESM & High Outsourcing & High Uncertainty	High
11	ESM & High Customer Interaction & Low Munificence	High
12	ESM & High Customer Interaction & High Uncertainty	High

## 4. Method

*“He may be mad, but there's method in his madness.  
There nearly always is method in madness.  
It's what drives men mad, being methodical.”*

—G.K. Chesterton

Along with reviewing the relevant literature and setting forth the research questions in Chapter 2, I described the newspaper industry and proposed a set of hypotheses in Chapter 3 regarding the relationship between an entrepreneurial strategy-making mode and the performance of the newspaper publishing firms. This chapter concerns the research design, the actual quantitative and qualitative methods chosen for the study, and a discussion of validity and reliability issues for each method.

### 4.1 Research design

The research design is mainly guided by the purpose of the study and the research questions at stake (Crotty, 1998). The purpose of this study is *to look at the impact of an entrepreneurial strategy-making mode in the performance of established firms facing a changing environment, exploring the effects of the organisational structure and environmental conditions in producing such outcome.* The specific context for this study is the newspaper industry, where the unit of analysis is the newspaper firm.

The research questions, specified in section 2.4, lead to a series of hypotheses to investigate the direct effect of an entrepreneurial strategy-making (section 3.1), the contingency effects of environment and structure (sections 3.3 and 3.4), and the configurations of these constructs (section 3.5). In order to test these hypotheses while also deepening the understanding of the complex relations between an entrepreneurial strategy-making mode, organisational and environmental variables and performance, a sequential mixed method research design is employed.

A mixed method research study is one that uses “qualitative and quantitative data collection and analysis techniques in either parallel or sequential phases” (Teddlie and Tashakkori, 2003: 11). The advantage of using a combination of methods is the ability to provide a better answer to the research questions posed in the study while helping to demonstrate stronger inferences. The ability to provide better and stronger inferences is possible if the methods are mixed in a way that strengths are complemented and weaknesses are reduced (Teddlie and

Tashakkorie, 2003). For instance, in this study, a mixed method design allows first to test a series of hypotheses quantitatively, and then explore the process in greater depth.

Several mixed methods designs are available to undertake a research project. Cresswell, Plano Clark, Gutmann and Hanson (2003) identify six major generic designs based on four criteria, namely implementation, priority, integration, and theoretical perspective (Table 4.1).

**Table 4.1: Types of mixed method designs**

Design Type	Implementation	Priority	Stage of Integration	Theoretical Perspective
Sequential explanatory	Quantitative followed by qualitative	Usually quantitative; can be qualitative or equal	Interpretation phase	May be present
Sequential exploratory	Qualitative followed by quantitative	Usually qualitative; can be quantitative or equal	Interpretation phase	May be present
Sequential transformative	Either quantitative followed by qualitative or qualitative followed by quantitative	Quantitative, qualitative, or equal	Interpretation phase	Definitely present (i.e., conceptual framework, advocacy, empowerment)
Concurrent triangulation	Concurrent collection of quantitative data and qualitative data	Preferably equal; can be quantitative or qualitative	Interpretation phase or analysis phase	May be present
Concurrent nested	Concurrent collection of quantitative data and qualitative data	Quantitative or qualitative	Analysis phase	May be present
Concurrent transformative	Concurrent collection of quantitative data and qualitative data	Quantitative, qualitative, or equal	Usually analysis phase; can be during interpretation	Definitely present (i.e., conceptual framework, advocacy, empowerment)

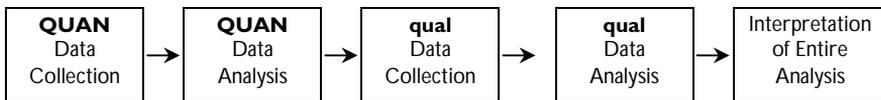
Source: Cresswell et al. (2003).

This study employs the sequential explanatory design where the collection and analysis of quantitative data precedes the collection and analysis of qualitative data. Cresswell et al. (2003) argue that this is the most straightforward of the six method designs, and where qualitative data results are used to “assist in

## 4. Method

explaining and interpreting the findings of the primarily quantitative study” (p. 227). Its most important strength is its straightforward nature, which facilitates the description of the research process while enriching the final discussion when both approaches are combined to enlighten the answer to the research questions.

The implementation of the mixed method approach in this study is as follows (Figure 2.1). In the primary stage, hypotheses are tested using multiple regression analysis over the data collected by means of a questionnaire (a summary of the hypotheses can be found in section 3.6; the questionnaire is in Appendix 1). The data allow gauging the entrepreneurial strategy-making process of newspaper firms, their organisational structures, and the characteristics of the environment. The secondary stage of this study relies on the collection and analysis of qualitative data in the form of case studies.



**Figure 4.1: Sequential explanatory design**

### 4.1.1 Ontological and epistemological stance

The researcher should develop a research design based on his or her view of the world. This view of the world is called a paradigm, a system of basic beliefs, which guides his or her actions when enquiring into a certain subject. A paradigm responds to three basic questions (Guba, 1990: 18):

- a) *Ontological*. What is the nature of reality?
- b) *Epistemological*. What is the nature of the relationship between the enquirer and the knowable?
- c) *Methodological*. How should the enquirer go about finding out knowledge?

My approach in this study to answer these questions is that of a *critical-realist*. Cook and Campbell (1979) explain this approach:

*“The perspective is realist because it assumes that casual relationships exist outside of the human mind, and it is critical-realist because it assumes that*

*these valid causal relationships cannot be perceived with total accuracy by our imperfect sensory and intellective capacity” (p. 29).*

A paradigm is a starting point for doing research and the answers it provides for the three questions posed earlier “cannot be proven or disproven in any foundational sense; if that were possible there would be no doubt about how to practice inquiry” (Guba, 1990: 18).

Regarding the last question – how the enquirer goes about finding out knowledge – researchers state questions and hypotheses in advance which then are subject to empirical tests (Guba, 1990). The way the theory and the hypotheses will be tested in the quantitative stage is explained in section 4.2. The qualitative stage that takes a more in-depth look at the relationships studied in the first part can be found in section 4.3.

#### ***4.1.2 Research setting: the newspaper industry***

The need to innovate and foster a creative environment is recognised to be a key capability of successful media organisations (Küng, 2004, 2007). However, among all media, newspapers are facing the most challenging task since publishers have usually enjoyed above average profit levels with their traditional business models for decades. After the nascent period of the newspaper venture, entrepreneurial behaviour has not played a major role so far. However, this situation is changing as new Internet content providers and other media are increasing their advertising share, and consumers are changing their behaviour, making the traditional model less profitable. This need for change makes the newspaper industry extremely attractive for this research.

Furthermore, newspapers have been adopting during the last years a series of organisational and process changes that are shaping the content and the tasks of journalists and managers in new ways (cf. Stone, 2006). The introduction of these new structures and practices needs to be explored from a theoretical perspective and tested with statistical tools in order to advance the knowledge regarding their usefulness.

Even though this study will be done considering a single industry, the results might be applied to other sectors, particularly mature industries facing a changing environment that jeopardises their traditional business activities. However, generalisations should be done carefully given the specificities of this study.

## 4.2 Quantitative method

### 4.2.1 *Sample for the survey*

The survey is intended for senior managers of newspaper firms because they are the ones with the greatest influence in the company's strategy since they are involved in the decision-making processes. Unfortunately access to them is difficult and researchers need to find creative ways to reach them (cf. Gilbert, 2001).

A way to overcome the difficulties of reaching senior newspaper managers is to pin them down during their trade association meetings. Accordingly, the respondents of this study are the managers who took part in the Inter American Press Association (IAPA) annual meeting in Miami, Florida (12-16 October 2007). More than 1,400 publications from the Americas are members of IAPA, and their combined circulation reaches more than 43 million copies.<sup>5</sup> The IAPA annual meeting attracts senior managers and editors who fit the target of the respondents needed for this survey. The details of the sample can be found in Section 5.1.1.

### 4.2.2 *Variables and measures*

The following is an operationalisation of the concepts treated in this study, a description of the variables that will be employed for the analyses, and the basis for the question items to be included in the survey (see Appendix 1).

Performance, the dependent variable, is commented on first. Then, the independent variables are considered. They can be classified as measuring the entrepreneurial strategy-making mode, environment, organisational structure, and control.

#### **Performance**

The performance of newspaper firms is the dependent variable in this study. According to the discussion in Section 2.1.7, two kinds of performance are measured, all of them with 7-point Likert-type item questions. The first type, financial performance, includes four items regarding net income, gross margin, sales growth, and return on equity. The second type of performance is

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<sup>5</sup> The number of members of IAPA and the combined circulation figure were obtained from its website, [www.sipiapa.org](http://www.sipiapa.org), accessed on 7 August 2008. Although all members are from the Americas, European newspapers usually attend meetings, in particular from Spain.

operational, and comprises two questions on market share, one for readers and the other for advertising. All these measures have been commonly employed in the literature when studying the relation between configurations and performance (cf. Ketchen, Thomas and Snow, 1993), and since performance is a multidimensional concept it is convenient to integrate these dimensions (Wiklund and Shepherd, 2005). Managers were asked questions related to their competitors in the newspaper publishing industry and in reference to the last three years. Considering the two types of performance allow for a more comprehensive analysis of the results (Venkatraman and Ramanujam, 1986). Also, it is deemed as necessary to ask for the last three years in order to reduce the effect of fluctuations of the economy. It is recognised that economic cycles have an impact on the performance of media firms (Picard, 2002).

The majority of newspapers are privately held companies and do not report their financial statements. Thus, self-reporting is the only way to get hold of financial performance. Although it would be preferred to have objective financial information, company reports, subjective measures are demonstrated to be consistent with objective measures (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987).

## **Entrepreneurial Strategy-Making**

The entrepreneurial strategy-making process is measured as the managers' perceptions of the firm's strategy process. These perceptions can be qualified as attitudes, where an attitude is defined as "a person's location on a dimension of affect or evaluation" (Fishbein and Ajzen, 1975: 53). Since an attitude is argued to be a good predictor of behaviour (cf. Fishbein and Ajzen, 1975: 382-3), especially when intention is difficult to assess, this study relies on measuring the managers' attitudes regarding several dimensions of an entrepreneurial strategy-making mode.

It is also possible, though perhaps impractical in many cases, to assess entrepreneurship at the firm-level by looking at the actual behaviour of the firm or at how it allocates resources. However, measuring perceptions by asking managers in a questionnaire has a relatively high level of validity. Also, scale items that have forced-choice responses might contribute to enhance validity, in contrast to open-ended questions (Lyon et al., 2000).

Seven dimensions of an entrepreneurial strategy-making mode are evaluated in the questionnaire. Each dimension is measured with two to three items using 7-point semantic differential scales. Two dimensions belong to the entrepreneurial management construct by Brown et al. (2001) and I use their question items in the questionnaire, i.e. strategic orientation and cultural entrepreneurship. The remaining five dimensions comprise the entrepreneurial orientation construct, i.e. innovation, proactiveness, risk-taking, competitive aggressiveness, and autonomy. The question items except autonomy are based on Miller and Friesen (1982), Covin and Slevin (1989), and Lumpkin and Dess

#### 4. Method

(2001). The three items to measure autonomy are created for this study where the first one is based on an item by Dess et al. (1997).

#### **Environment**

Two different dimensions of the environment will be measured in this study: munificence and uncertainty. Environmental munificence has been measured in different ways ranging from objective indexes such as industry growth (Dess and Beard, 1984) to subjective measures such as manager's perceptions of the environment (Miller and Friesen, 1984). I will follow Castrogiovanni's (1991) recommendation of using subjective and context-specific measures. The availability of resources, in the particular case of newspapers, will be measured as advertising expenditure and readership and buying behaviour. Picard (1989) identified these two sources of funding in what he labels as the *dual market* for media firms. Hence, environmental munificence is gauged with an original scale able to capture the competition for resources in the media market – advertising and readers. This way of measuring the media-specific resources fit the definition of munificence because they are the environmental factors that influence the survival and growth of newspapers sharing the environment (cf. Castrogiovanni, 1991: 543). Furthermore, subjective measures lead to stronger relationships with strategy (Castrogiovanni, 1991: 556-7; Harris, 2004). Accordingly, four 7-point Likert-type survey items are employed to assess how the munificence level has changed in the last five years. These items are a modification of Sutcliffe and Huber's (1998) items for perceived munificence.

Environmental uncertainty is measured with five 7-point semantic differential items from Miller and Friesen (1982). These items measure how managers perceive the industry's dynamism and uncertainty. In contrast with objective environmental uncertainty, it is perceived uncertainty what managers take into account to make strategic decisions (cf. Child, 1972; Milliken, 1987).

#### **Organisational structure**

Organisational structure refers to the particular, lasting configuration of activities in a firm (Ranson, Hinings and Greenwood, 1980), which imposes boundaries of rationality to the members of the organisation (March and Simon, 1958). When managers realise the structure of their organisations is not able to cope with new business models and competitive pressures, they might try to modify the patterned regularity of the configuration of activities given by the adopted structure. This is the case of the newspaper industry where several organisational changes are taking place (cf. Trends in Newsrooms, 2007). Based on the previous discussions regarding the characteristics of entrepreneurial organisations in Section 2.1.5, and the organisational changes taking place in newspaper firms in Section 3.4, three specific changes to the structure of newspaper firms are addressed in this study, namely internal organisational

boundaries, external organisational boundaries, and the relationship with customers.

Accordingly, three sets of question items were developed to assess the newspaper's organisational structure. These items are industry-specific and were validated by industry experts (cf. Section 4.2.4). The first set, which includes four 7-point Likert-type items, measures the level of integration between print and online newsrooms, and between the business and the content sides. These questions gauge the internal boundaries within the organisation among their main actors.

The second set of questions measure the level of outsourcing, i.e. external boundaries. Six 7-point Likert-type items that range between "No outsourcing" and "Full outsourcing" assess outsourcing level in printing, distribution, content production, and advertising sales.

Customer interaction is assessed with four questions that address three of the main changes taking place in newspapers regarding a closer contact with customers. The first two questions ask about CRM tools – for readers and advertisers, respectively. A question is employed to find out the interactivity between the newspaper editor and her readers, and finally a question assesses the existence of an Ombudsman or readers' editor. All these changes are widely taking place in newspapers around the world and commonly discussed in trade publications (cf. Trends in Newsrooms, 2007).

### **Control variables**

Two variables are employed for statistical control: circulation and family control. These two variables are deemed to potentially affect performance and hence the need to have them under control. Circulation, as the weekly average number of copies, is a good proxy for the size of the newspaper. Its significance comes from the economies of scale usually associated with media companies, where marginal cost is below average cost, i.e. the larger the circulation of a newspaper, the greater the effect of economies of scale and the better the performance.

Family control might also affect performance, though in which direction is still a matter of discussion among researchers (Villalonga and Amit, 2006). In the newspaper industry, there is evidence that private firms are less profitable than public firms (Busterna, 1989; Blankenburg and Ozanich, 1993; Lacy, Shaver and St. Cyr, 1996).

### **4.2.3 Statistical methods**

#### **Factor analysis**

Factor analysis is used in this study to reduce the data and test the existence of well-defined dimensions of the entrepreneurial strategy-making mode. The

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factors, thus, are subsets of variables that correlate to each other but are independent of the other subsets of variables (Tabachnick and Fidell, 2007).

The steps to perform a factor analysis include the preparation of a correlation matrix among the studied variables, extraction of the factors from the correlation matrix, deciding the number of factors, rotation of the factors for better interpretability, and interpretation of the results (Tabachnick and Fidell, 2007: 608). The variables that group in a factor should be highly correlated in order to show the construct validity of the factors.

Different methods can be employed to extract the factors. This study uses principal components analysis, which “considers the total variance and derives factors that contain small proportions of unique variance and, in some instances, error variance” (Hair et al., 2006: 117). This is the most commonly used method and avoids some pitfalls of competing methods such as factor indeterminacy in common factor analysis.

The rotation of the factors is carried out after they are extracted to increase interpretability by means of maximising high correlations between factors and variables while minimising low ones (Tabachnick and Fidell, 2007). Several methods are available varimax being one of them. “The goal of varimax rotation is to maximise the variance factor loadings by making the high loadings higher and low ones lower for each factor” (Tabachnick and Fidell, 2007: 620). This is an orthogonal rotation method – axes are maintained at 90 degrees.

### Multiple regression analysis

Multiple regression analysis is well suited to test hypotheses in business and social science fields of research (Cohen et al., 2003: 2). The hypotheses propose a relationship between one or more factors (independent or predictor variables:  $X_1, X_2, \dots$ ) and an outcome (dependent or criterion variable,  $Y$ ) –see Equation 4.1.

$$\text{Equation 4.1} \quad Y = B_1X_1 + B_2X_2 + B_3X_3 + \dots + B_kX_k + e$$

According to Hair et al. (2006), “[T]he objective of multiple regression analysis is to use the independent variables whose values are known to predict the single dependent variable selected by the researcher” (p. 176). Cohen et al. (2003) recommend entering the variables in a hierarchical sequence, i.e. hierarchical regression analysis. This way the independent variables are entered cumulatively in order to assess their contribution to the model by looking at the regression coefficients and  $R^2$  values.

Regression analysis requires some statistical assumptions regarding the data employed in the analysis. These assumptions are normality of the data distribution, homoscedasticity of the dependent variable across the range of the independent variables, and linearity among variables (Hair et al., 2006). These assumptions have to be tested in order to avoid major deviations, which might affect the validity of the results.

## Moderated regression analysis

The majority of the hypotheses involve contingency or configurational models in order to study the combined effects of strategy, organisation and environment on performance. The regression analysis to test these models is called moderated regression analysis because it looks at the interactions among the predictor variables. Interactions can be defined as “an interplay among predictors that produces an effect on the outcome Y [dependent variable] that is different from the sum of effects of the individual predictors” (Cohen et al., 2003: 255). This statistical procedure, moderated regression analysis, has been shown to be well suited to detect statistical interactions (Stone and Hollenbeck, 1984). The interaction is represented as the product of the independent variables involved. In the case of the contingency models, a two-way interaction will be analysed, thus two variables need to be multiplied (Equation 4.2). In the configurational models a three-way interaction will be analysed; these interactions appear as the product term of the three variables in addition to the two-way interactions (Equation 4.3).

**Equation 4.2**  $Y = B_1X + B_2Z + B_3XZ + B_0$

### Equation 4.3

$$Y = B_1X + B_2Z + B_3W + B_4XZ + B_5XW + B_6WZ + B_7XZW + B_0$$

In order to test and then interpret interactions I will follow the procedure described by Aiken and West (1991). According to them, the predictors in the interaction need to be centred to maximise interpretability and minimise multicollinearity problems that arise between the lower order terms (e.g. X) and higher order terms (e.g. X\*Z) in the regression equation. Centring the variables does not affect the slope of the regression equation or the coefficients of the higher order terms, but it does affect the lower order terms coefficients when such higher order terms are present in the equation. The reason for this is that the coefficients for the lower order terms do not represent “main effects,” but “conditional effects” at the mean of the variable not involved in the interaction. Furthermore, centring the predictors does not affect correlations (Cohen et al., 2003: 262).

It is important to include all lower order terms when interactions are different from zero. Failing to do so would bias the higher order terms coefficients, “because higher order terms actually represent the effects they are intended to represent *if and only if* all lower order terms are partialled out from them” (Aiken and West, 1991: 110). The only reason to exclude lower order terms would be strong theory indicating the non-existence of those effects.

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If significant interactions are found, plotting them is useful to interpret how they work (Cohen et al., 2003: 269). The first step for plotting interactions is to rewrite Equation 4.3 as a 'simple regression line' as in Equation 4.4. A simple regression line is the regression of Y on X at one value of the other predictors (Cohen et al., 2006: 268).

### Equation 4.4

$$Y = (B_1 + B_4Z + B_5W + B_7ZW)X + (B_2Z + B_3W + B_6ZW + B_0)$$

If there is an interaction the lines will not be parallel because the regression of Y on X changes as a function of Z and W. It is suggested that these latter variables take the values of one standard deviation above and one below their mean – which after centring would be zero (Aiken and West, 1991). Therefore, four regression lines permit to attach meaning to the interactions among the dependent variables.

A last step for probing the interactions is to find out if the slope of the simple regression lines is different from zero. This would indicate whether that particular combination of variables is significant or not. For doing this, it is necessary to calculate the standard errors of the simple slopes of the simple regression equations, and then *t*-test for the significance of the simple slopes. The standard error of the simple slopes is calculated using the variance-covariance matrix of the regression coefficients. According to Aiken and West (1991), "The *t*-test for whether a simple slope differs from zero is simply the value of the simple slope divided by its standard error with  $(n-k-1)$  degrees of freedom, where  $n$  is the number of cases and  $k$  is the number of predictors, not including the regression constant" (p. 16)<sup>6</sup>.

### 4.2.4 Validity and reliability issues

This chapter has discussed so far the philosophical stance, i.e. critical realism, and the different aspects of the quantitative method that will be employed to test the hypotheses presented in Chapter 3. The question of how far the results obtained with these methods can contribute to increase our understanding of the association between an entrepreneurial strategy-making mode and performance depend on the validity and reliability of the methods (cf. Drucker-Godard, Ehlinger and Grenier, 2001). Next, I discuss these issues in the context

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<sup>6</sup> The formula for the standard error for the simple slope for Y on X at values of Z and W can be found in Aiken and West (1991: 54).

of the statistical methods that will be used for the quantitative part; the discussion for the same issues of validity and reliability for the qualitative part are in Section 4.3.5.

The concepts of validity and reliability are closely linked to the measurement scales employed in any given study. On the one hand, measurement validity refers to whether the operationalisation and scoring of the cases reflect the concept being measured (Adcock and Collier, 2001: 529). On the other hand, reliability is “the extent to which [measurements] are repeatable and that any random influence which tends to make measurements different from occasion to occasion is a source of measurement error” (Nunnally, 1967: 206). The fact that an indicator is reliable does not mean it is valid. An instrument may be very reliable, i.e. it yields consistent results on repeated measurements, but the results may be incorrect all the time.

During the research process, numerous errors may occur when measuring a phenomenon affecting the validity and reliability of a study. Measurement errors can be better understood looking at Equation 4.5, where  $X_O$  is the observed score or measurement,  $X_T$  is the true score of the characteristic,  $X_S$  is the systematic error, and  $X_R$  is the random error (Malhotra, 2004: 266).

**Equation 4.5**      $X_O = X_T + X_S + X_R$

The systematic error represents the factors that affect the observed score in the same way every time the measurement is made. In contrast, the random error represents transient factors affecting the observed scores. Accordingly, reliability means lack of random error ( $X_R = 0$ ). Perfect validity implies no measurement error, thus  $X_O = X_T$ . If there is no measurement error it is possible to claim that the scales offer perfect validity and reliability; however, this situation never happens in practice. Both properties are a matter of degree and can never be fully achieved (Carmines and Zeller, 1979). Hence, researchers are encouraged to take measures to reduce both types of errors in order to increase validity and reliability. These procedures are discussed in further detail below.

## Reliability

Malhotra (2004) suggests that reliability be “assessed by determining the proportion of systematic variation in a scale” (p. 267). Three different methods are usually employed to evaluate reliability, namely test/retest, alternative forms and internal consistency (cf. Drucker-Godard et al., 2001; Malhotra, 2004). Each is briefly discussed next.

The test/retest method consists in administering the same test on the same individuals at two different times. The higher the correlation between the results in both tests the greater the reliability. Malhotra (2004) mentions 6 problems associated with this method: (1) it is sensitive to the time interval between tests; (2) the initial measurement may alter the characteristics being

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measured, e.g. individual becomes conscious of what is investigated; (3) it may be impossible to make repeated measurements, e.g. reaction to a new product; (4) carryover effect to the second measurement, e.g. respondents try to remember their answers to the first test; (5) characteristics being measured may change between measurements; and (6) the reliability measure may be inflated because of the correlation of each item with itself.

The alternative form method consists of administering two equivalent questionnaires to the same individuals. Two major issues are associated with this method (Malhotra, 2004): (1) it is time-consuming and expensive to prepare an equivalent questionnaire; and (2) it is difficult to construct two alternative and equivalent questionnaires.

Finally, the third method to measure reliability is to estimate the internal consistency of the items forming a scale. The coefficient most often used to measure internal consistency is Cronbach's Alpha (Cronbach, 1951) – a less common alternative procedure is split-halves. Nunally (1978) argues that multiple items scales are better suited to represent complex theoretical concepts because (1) single-item is unlikely to fully represent the concept, (2) single-item can not capture fine degrees of an attribute, and (3) are less reliable (cf. McIver and Carmines, 1981). Each concept is measured with several items and its reliability is evaluated estimating the Cronbach's Alpha. The coefficient varies between 0 and 1, where a value over 0.70 is considered satisfactory for internal consistency reliability. Over 0.60 is deemed acceptable in exploratory studies (Hair et al. 2006). The coefficient “represents the mean of the correlations between all the different possible splits of the scale into two halves” (Cohen et al., 2003: 129). Its interpretation has to take into account that the number of items and the degree of correlation can affect the value of alpha (Cortina, 1993). For instance, a large number of items might increase alpha despite a low correlation among the items. It is suggested to carry out a preliminary factor analysis to make sure that the items are indeed the components of an unidimensional construct.

Of the three methods presented above, I will employ the Cronbach's Alpha to assess the internal cohesion of the multi-item scales of this study, e.g. the different dimensions of entrepreneurial strategy-making mode are measured using several items that together form summated scales. The other methods are impractical in the context of this study for two reasons. First, access to the respondents is difficult in order to try methods that require more than one questionnaire. Second, the majority of question items are taken from the literature and have been extensively tested for reliability and validity, ensuring that their employing here is by itself one other measure of their reliability. The development of alternative forms would be utterly problematic. In addition to these two reasons, the major drawbacks inherent in the test/retest and alternative-form methods discussed above imply that any contribution they were to make would not be worth the cost, time and effort exerted to have them implemented.

## Validity

A study is valid if the measures employed capture the concept being investigated (Adcock and Collier, 2001). Psychology researchers developed four types of validity during the 1950s – predictive validity, concurrent validity, content validity and construct validity (Cronbach and Meehl, 1955). The first two are usually considered together as criterion-oriented validity (cf. Drucker-Godard, 2001; Malhotra, 2004). A definition for each type of validity is offered next (Zaltman, Pinson and Angelmar, 1973: 44):

- *Content validity*. “The degree to which an operationalisation represents the concept about which generalizations are to be made.”
- *Criterion-related validity*. “The degree to which the concept under consideration enables one to predict the value of some other concept that constitutes the criterion.”
- *Construct validity*. “The extent to which an operationalisation measures the concept which it purports to measure.”

Some researchers argue that the first two – content and criterion-related validity – are subtypes of construct validity thus equating construct validity with measurement validity (Adcock and Collier, 2001). Furthermore, Carmines and Zeller (1979) argue that these two types of validity are usually difficult to apply in the context of the social sciences because concepts are complex and many variables are operationalisations of *unobservables* (cf. Godfrey and Hill, 1995). Cronbach and Meehl (1950) also highlight the single relevance of the third type mentioned above – construct validity, claiming that it “must be investigated whenever no criterion on the universe of content is accepted as entirely adequate to define the quality to be measured” (p. 282). Despite these statements, here is a brief discussion of content and criterion-related validity before moving on to construct validity.

Content validity is usually established deductively (Cronbach and Meehl, 1955). It implies a thorough review of the theory in order to generate the items that cover the whole domain being investigated. A subjective evaluation of content validity – also called face validity – can be obtained by letting someone else examine the scale items (Malhotra, 2004). Accordingly, three industry experts reviewed the items of the questionnaire employed in this study. Their suggestions were included in order to increase the instrument’s content validity. It has to be noted that the majority of the items are taken from previous studies thus being already validated. The help of industry experts has made it possible to better assess the items that are industry-specific.

A comparison of the instrument employed, i.e. questionnaire items with an external criterion, assesses the criterion-related validity. As mentioned before, it is difficult to find external and objective criteria for comparison when

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researching in the social sciences (Carmines and Zeller, 1979). For this reason, the emphasis is put on construct validity dwelt on below.

Cronbach and Meehl (1950) state that “[c]onstruct validation is involved whenever a test is to be interpreted as a measure of some attribute or quality which is not ‘operationally defined’” (p. 282). Common methods variance is one of the primary threats to construct validity (Doty and Glick, 1998). It is defined as “the overlap in variance between two variables attributable to the type of measurement instrument used rather than due to a relationship between the underlying constructs” (Avolio, Yammarino and Bass, 1991: 572). This problem is particularly relevant in self-report research. There are multiple potential sources of common methods biases, e.g. common rater effects, item characteristics effects, item context effects, and measurement context effects (Podsakoff, MacKenzie, Lee and Podsakoff, 2003). Three measures are taken in this study for controlling this type of bias. They are procedural remedies and these are recommended over the statistical ones that are available (Podsakoff and Organ, 1986).

An important source of method bias is the apprehension of the respondents who might answer in a way that is more socially accepted or desirable, acquiescently but not revealing their true opinions, or consistent with what they think the researcher wants them to respond (Podsakoff et al., 2003). This difficulty is overcome to a certain degree by assuring anonymity and also that there are no right or wrong answers. On the one hand, the questionnaire clearly states that the names of the respondents would not be revealed; on the other hand, the respondents are reminded that there are no right or wrong answers.

A second measure to reduce method bias requires a careful construction of the items in the questionnaire (Podsakoff et al., 2003). The items need to be clearly understood by the respondents, thus unfamiliar and ambiguous items have to be removed, vague concepts avoided, questions kept simple, concise and specific. Furthermore, avoiding bipolar numerical scale values reduce acquiescence bias, i.e. yea-saying and nay-saying effects (Tourangeau, Rips and Rasinski, 2000). All these recommendations have been taken into account when designing the items for the questionnaire.

The third measure implies altering the design of the questionnaire so the dependent variable items follow the independent variable items. Salancik and Pfeffer (1997) argue that this procedure reduces the effects of consistency artefacts.

Finally, and from a statistical point of view, interactions in moderated regression analyses are less likely to be common variance artefacts (cf. Cook and Campbell, 1979). The reason is that it is unlikely that respondents can ‘guess the right answers’ since the results of the regression include combinations of their answers.

## 4.3 Qualitative method

Denzin and Lincoln (2005) define qualitative research as “a situated activity that locates the observer in the world” (p. 3). This means that the researcher has to look at the world by means of a series of representations that include field notes, interviews, conversations, memos to the self, and so on. Qualitative data collected with these methods help to “preserve the flow, see precisely which events lead to which consequences, and derive fruitful explanations” (Miles and Huberman, 1994: 1).

Although the inclusion of qualitative method in a mixed method research design has been criticised for relegating the approach to a merely exploratory tool (Denzin and Lincoln, 2005: 9), this study attempts to alleviate their adverse impact. The qualitative part that is implemented in the second phase of this study aims at confirming and deepening the understanding of the relationships tested in the first (quantitative) part. Thus, the qualitative data collected and analysed in this study is an appropriate complement to the statistical analysis. Furthermore, qualitative data may help to put forward new topics and themes not included in the main theoretical frameworks (Miles and Huberman, 1994), and help creating managerially relevant knowledge (Gibbert, Ruigrok and Wicki, 2008).

My philosophical stance when using qualitative methods is still that of a critical realist as explained in 4.1.1. I concur with Miles and Huberman’s (1994) contention regarding qualitative analysis of social phenomena, “We think that social phenomena exist not only in the mind but also in the objective world –and that some lawful and reasonably stable relationships are to be found among them. The lawfulness comes from the regularities and sequences that link together phenomena. From these patterns we can derive constructs that underlie individual and social life. The fact that most of these constructs are invisible to the human eye does not make them invalid. After all, we all are surrounded by lawful physical mechanisms of which we’re, at most, remotely aware” (p. 4).

### 4.3.1 Case study methodology

Case study is the qualitative method chosen for the second phase of this investigation. It is defined as “a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989b: 534). Its application in this study allows explaining the casual links proposed in the hypotheses and tested quantitatively in the previous phase. Also, case studies offer the possibility to describe the processes that encompass an entrepreneurial strategy-making mode and illustrate them in real-life context (Yin, 2003: 15). As Eisenhardt (1989b) puts it, “qualitative data are useful for understanding the rationale or theory underlying relationships revealed in the quantitative data” (p. 538). Furthermore, case studies allow researchers to cover contextual

conditions intertwined with the phenomenon being studied, thus case study research as a research strategy is an all-encompassing method (Yin, 2003: 13-14).

Yin (2003) recognises five components of a case study research design: (1) a study's questions; (2) its propositions, if any; (3) its unit(s) of analysis; (4) the logic linking the data to the propositions; and (5) the criteria for interpreting the findings. The first three components have been discussed in previous sections (see research questions in Section 2.4; a summary of hypotheses can be found in Section 3.6; and unit of analysis in Section 4.1). The fourth and fifth components are discussed in Section 4.3.4. Before that, two other issues need attention, namely the selection of the cases to be subject of study, and the protocol employed to collect data.

### 4.3.2 Selection of case studies

According to Yin (2003), there are four different research designs available for conducting case studies. I will employ Type 3 of Yin's classification, meaning a holistic, multiple-case study design. The other types are a combination between single or multiple case, and holistic or embedded design.

The decision to opt for a multiple-case design is justified given that newspaper firms showing an entrepreneurial strategy-making mode are not rare, critical nor revelatory cases – which are the justifications for single-case studies. In addition, using more than one case allows using replication logic similar to the one used in experiments. A holistic case study is preferred over an embedded one because the unit of analysis is the newspaper firm and the main focus is the strategy-making mode that a firm employs.

The selection of cases for a qualitative inquiry differs from a quantitative study. Miles and Huberman (1994) argue that, "The choice of cases usually is made on *conceptual* grounds, not on representative grounds" (p. 29). On the one hand, this means that the inclusion of multiple cases does not change the degree of generalisability of a study because the researcher is generalising from one case to another and not to a larger universe (Miles and Huberman, 1994). On the other hand, choosing the cases on conceptual grounds allows implementing a replication logic which makes the findings more robust and worthy of interpretation (Yin, 2003). Two different types of replication exist, namely literal and theoretical. The former implies similar results among cases, while the latter assumes contrasting results among cases because of theoretical reasons (Yin, 2003: 47).

This study includes three cases. The first two conform to a literal replication approach. The selection of the specific newspaper firms that will be investigated is based on prior empirical knowledge regarding entrepreneurial activities carried on by these firms. The first firm is a Chilean newspaper organisation that fits Miles and Snow's *analyzer* type of firm. The second firm is a Colombian newspaper that is characterised for adapting to the technological

and social changes by implementing a strategy based on convergence since 2002 – a *prospector* firm in Miles and Snow's typology. Both firms have national coverage and are among the leaders in the quality segments in their respective countries. The third case is a local Mexican newspaper that belongs to one of the most important newspaper companies in that country and will be used as a theoretical replication. This newspaper may be classified as a *defender* firm in Miles and Snow's typology. Although local, it caters a city of more than four million inhabitants thus it cannot be considered a small newspaper. It is the leader in its region and takes advantage of the company it belongs to, which has other six newspapers covering the main cities in Mexico. Since access to newspapers is always an issue, particularly in Latin American newspapers, existing contacts in each firm determine, in addition to the theoretical reasons given above, that these are probably the best candidates to conduct case studies.

### 4.3.3 Case study protocol

The case study protocol is intended for increasing the reliability of a case study research (Yin, 2003: 67). The main components of the protocol are the case study questions, the sources of evidence, and the data collection process.

Yin (2003) contends that case study questions are posed to the investigator and not to an interviewee, thus questions are just reminders about the information that needs to be collected. These questions belong to what Yin (2003) calls Level 2 questions, and are more important than the questions actually used in an interview, which belong to Level 1. Also, it is helpful to crisscross questions with potential sources of evidence in order to know in advance where and from whom the information has to be obtained.

Several sources of information are available to case study researchers. This study employs five of them, namely direct observation, interviews, documentation, archival documents and websites. Table 4.2 specifies what these sources are, their strengths and weaknesses.

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**Table 4.2: Sources of evidence for a case study**

Source	Description	Strengths	Weaknesses
Direct observation	Observation of meetings, sidewalk activities, factory work, etc.	Reality, contextual	Time-consuming, selectivity, reflexivity, cost
Interviews	Open-ended interviews, informants, focused interviews, structured interviews	Targeted, insightful	Bias due to poorly constructed questions, response bias, inaccuracies due to poor recall, reflexivity
Documentation	Letters, memoranda, minutes of meetings, administrative documents, newspaper clippings, etc.	Stable, unobtrusive, exact, broad coverage	Retrievability, biased selectivity, reporting bias, access
Archival documents	Service records, survey data, lists of names, personal records, etc.	Same as documentation, precise and quantitative	Same as documentation, accessibility due to privacy reasons
Websites	Online newspaper of analysed firms	Unobtrusive, stable, insightful into technical operations, availability	Bias selectivity

Source: Based on Yin (2003).

All sources of evidence have their own strengths and weaknesses as indicated in Table 4.2. Nonetheless, the use of multiple sources helps avoiding major pitfalls of each source by developing converging lines of inquiry (Yin, 2003, 98). This process is called data triangulation and lessens the problems associated to construct validity (cf. Section 4.3.5). Additionally, the mixed-method approach of this study as a whole implies a methodological triangulation to provide answer to the research questions.

Interviews are the most important source of information in this study. The rationale is that the main topic of analysis is the strategy-making mode, thus the behaviour of decision-makers in the organisation is a main concern. But interview research is argued to be a craft if not an art, thus no standardised, formal procedures exist (Kvale, 1996). One of the most important issues when interviewing is avoiding the researcher's possible bias when asking questions (Yin, 2003). I do my best effort in not anticipating "right answers" by asking questions in the more neutral way, i.e. asking how processes or activities take place in the organisation instead of asking if certain style of strategy-making is practiced or not.

A total of fifteen interviews were conducted face-to-face in the three different newspapers. Most of the interviews were recorded and then transcribed, and they typically lasted between forty minutes and two hours and a half. Although a questionnaire based on the case study protocol was employed in order to cover all topics, the interviews were open-ended. Also, I asked the

interviewees for access to relevant policy documents. The combination of case study questions, sources of evidence, and data collection procedures form the case study protocol as shown in Table 4.3.

**Table 4.3: Case study protocol**

Level in Organisation	Data collection procedure (sources and topics)		
Managerial Level	Source of evidence:	Corporate (e.g. Publisher, CEO)	Functional (e.g. Marketing Manager)
	<i>Interviews</i>	<ul style="list-style-type: none"> <li>• Entrepreneurial management vs. administrative management.</li> <li>• Entrepreneurial orientation.</li> <li>• Organisation (integration, outsourcing, customers)</li> <li>• Environment: resources and uncertainty</li> <li>• Performance (financial and non-financial)</li> </ul>	<ul style="list-style-type: none"> <li>• Same as corporate but applied to the following functional areas:                             <ul style="list-style-type: none"> <li>○ Marketing</li> <li>○ Advertising sales</li> <li>○ Circulation</li> <li>○ Operations</li> <li>○ New media development</li> </ul> </li> </ul>
	<i>Documentation</i>	<ul style="list-style-type: none"> <li>• Business plans</li> <li>• Memos</li> </ul>	<ul style="list-style-type: none"> <li>• New product /technologies proposals</li> <li>• Memos</li> <li>• Statistics</li> </ul>
	<i>Archival data</i>	<ul style="list-style-type: none"> <li>• Circulation figures</li> <li>• Market research studies</li> </ul>	
Content (Journalistic) Level	Source of evidence:	Print (e.g. Editor)	New Media (e.g. Editor)
	<i>Interviews</i>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Autonomy</li> <li>• Integration</li> <li>• Coordination</li> <li>• Customer interaction</li> </ul>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Autonomy</li> <li>• Integration</li> <li>• Coordination</li> <li>• Customer interaction</li> </ul>
	<i>Documentation</i>	<ul style="list-style-type: none"> <li>• Procedure manuals</li> </ul>	<ul style="list-style-type: none"> <li>• Server statistics</li> </ul>
	<i>Websites</i>	<ul style="list-style-type: none"> <li>• Integration with new media outlets</li> </ul>	<ul style="list-style-type: none"> <li>• Innovativeness and proactiveness in website development</li> <li>• Integration between print and online</li> </ul>
	<i>Direct Observation</i>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Content production processes</li> </ul>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Content production processes</li> </ul>

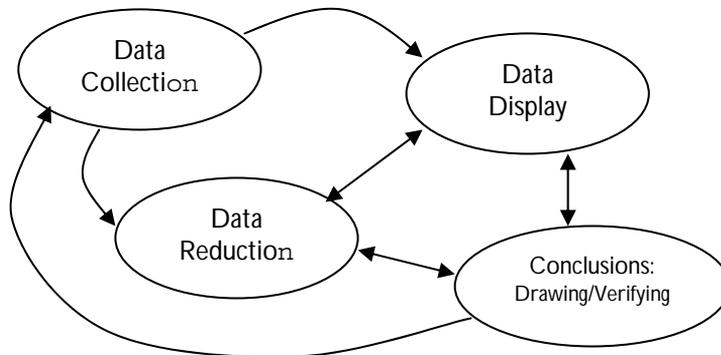
## 4. Method

Yin (2003: 97-106) recommends three principles of data collection. They are (1) the use of multiple sources of evidence, (2) the creation of a case study database, and (3) maintaining the chain of evidence. I follow all these principles throughout the cases' data collection procedures and analysis. The first principle – use of multiple sources of evidence – allows “the development of multiple lines of inquiry” (Yin, 2003: 98), leading to more accurate and convincing conclusions because events and facts are supported by different sources of evidence. The case study protocol depicted in Table 4.3 shows how this principle is applied for data collection in this study, i.e. data triangulation. The second principle refers to the creation of a case database for organising all collected data. This database is also an essential part for the third principle – maintaining a chain of evidence. An external observer should be able to follow how the evidence helps building the conclusions in a logical manner from the initial research questions to the last conclusions. This is done citing relevant sources, indicating the circumstances regarding where the evidence come from, and being consistent with the case study protocol.

All the principles mentioned above have an impact on the validity and reliability of this study. The discussion on these issues is in Section 4.3.5. I turn now to discuss how the case studies are analysed.

### 4.3.4 Case study analysis

The analysis of the collected data is an iterative process that begins during data collection and ends with the case reports in Chapter 6. The other components of data analysis are data reduction and data displaying (Figure 4.2).



Source: Miles and Huberman (1994: 12)

**Figure 4.2: Components of data analysis**

The analysis of the material collected for each case was done using the prestructured case method. This method is suggested when time is limited and research questions are well specified in advance (Miles and Huberman, 1994). Because the case studies included here are meant to deepen the understanding of the entrepreneurial dimensions present in newspapers and their interaction with the environment and organisation, the prestructured case is practical. Furthermore, thinking about an outline before data are collected simplifies ex-post comparisons among cases. The three cases are in Sections 6.1, 6.2, and 6.3.

Case-ordered displays are employed to do the cross-case analysis. The case-ordered descriptive matrix produced in this kind of analysis is well suited to understand similarities and differences among cases (Miles and Huberman, 1994). The first step is to define the sections that will be included in the display. In this study, the sections coincide with the outline of the cases, which in turn are based on the categories employed in the model that was tested quantitatively in Chapter 5. The second step is to enter the data. This implies summarising data in phrases in an iterative way for not biasing the cases. The final step is drawing conclusions from the matrix. The cross case analysis is done in Section 6.4.

#### *4.3.5 Validity and reliability issues*

The concepts of validity and reliability as applied to statistical analysis are discussed in Section 4.2.4. This section examines how these concepts apply to qualitative research and particularly to the treatment of case studies.

Four criteria are usually employed in assessing field research: internal validity, construct validity, external validity, and reliability (Gibbert, Ruigrok, and Wicki, 2008; Yin, 2003). Table 4.4 shows short definitions of each concept and the tactics recommended to increase a study's strength on each dimension.

**Table 4.4: Validity and reliability tactics for case studies**

<b>Test</b>	<b>Definition</b>	<b>Tactics</b>
<i>Internal validity</i>	Logical validity of a study and refers to the causal relationship between variables and results.	<ul style="list-style-type: none"> <li>• Clear research framework.</li> <li>• Pattern matching.</li> <li>• Theory triangulation.</li> </ul>
<i>Construct validity</i>	Quality of the conceptualisation or operationalisation of the relevant concept. Clear link between theoretical conjecture and empirical observations.	<ul style="list-style-type: none"> <li>• Establish a clear chain of evidence.</li> <li>• Data triangulation.</li> </ul>
<i>External validity</i>	Generalisation in the analytical sense (not statistical).	<ul style="list-style-type: none"> <li>• Cross-case analysis.</li> <li>• Nested approach.</li> <li>• Rationale for the case study selection.</li> <li>• Case study context.</li> </ul>
<i>Reliability</i>	Absence of random error by means of transparency and replication.	<ul style="list-style-type: none"> <li>• Case study protocol.</li> <li>• Case study database.</li> </ul>

Source: Gibbert, Ruigrok, and Wicki (2008)

External validity, or ‘generalisability,’ addresses the problem “whether a study’s findings are generalisable beyond the immediate case study” (Yin, 2003: 37). This does not imply statistical generalisation, but theoretical. This study increases its external validity by means of doing cross-case analysis and detailing the context of the selected cases.

Construct validity and reliability must be solved in the data collection phase of research (Yin, 2003: 34). On the one hand, a clear chain of evidence and the triangulating of data help addressing the construct validity of a case study. On the other hand, reliability is increased when a case study protocol is developed and followed during the study and a database is built after collecting all sources of evidence. Furthermore, using key informants in each company to review the case report increases construct validity.

Finally, internal validity, also called ‘logical validity’ (cf. Cook and Campbell, 1979), should be considered in a case study research design for ensuring that causal relationships such as event  $x$  lead to event  $y$  are correctly accounted for. The difficulty in case study research is inferring this relationship when it is not directly observable, but based on interviews and documentary evidence (Yin, 2003). This study deals with internal validity by supporting both

propositions and the case study protocol on a clear theoretical framework presented in Chapters 2 and 3.

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The next two chapters present the quantitative (Chapter 5) and qualitative (Chapter 6) analyses. While the former shows statistical tests of the hypotheses put forward in Chapter 3, the latter include three case studies of newspaper firms. The examination of these three cases helps to clarify the relations among strategy-making, organisational structure, environment and performance that were not captured by the quantitative analysis, thus helping in its interpretation. The findings of each chapter are then integrated in Chapter 7.

# 5. Quantitative Analysis

*“There is nothing like looking, if you want to find something.  
You certainly usually find something, if you look,  
but it is not always quite the something you were after.”*

—J.R.R. Tolkien

This chapter deals with the different statistical analyses performed and their corresponding findings. The first section presents descriptive statistics of the collected data (Section 5.1). The next section presents the factor analysis of the strategy-making dimensions (Section 5.2). The other two sections are the correlational (Section 5.3) and regression analysis (Section 5.4). Next, the hypotheses are tested (Section 5.5). Finally, a summary of the findings is presented (Section 5.6). These results are then integrated to the qualitative findings in Chapter 7.

## 5.1 Descriptive statistics

### 5.1.1 Sample

The data was collected in the IAPA annual meeting in Miami (12-16 October 2007). The meeting had 427 people registered according to the list of participants,<sup>7</sup> bringing together not only newspaper managers as well as representatives of newspaper-related firms such as news agencies, marketing services, etc. Some 106 newspapers attended the meeting – out of 1,400 newspapers affiliated to IAPA<sup>8</sup>.

A total of 69 newspaper managers were randomly contacted face-to-face during the meeting and 58 agreed to answer the questionnaire. Administering the survey in this way has three major advantages over mail questionnaires.

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<sup>7</sup> This number does not include speakers and students registered for the conference and also included in the list of attendants.

<sup>8</sup> The number of members of IAPA was obtained from its website, [www.sipiapa.org](http://www.sipiapa.org), accessed on 7 August 2008.

First, it was possible to clarify any doubts the respondents might have had regarding the different questions in the questionnaire. Second, it was possible to better control for internal non-response by checking that all items were answered at the moment of retrieving the questionnaire. And third, because the respondents were approached actively to ask for their collaboration it was possible to increase the response rate and also include respondents that otherwise would not have participated in any kind of survey. This reduced selection bias.

The majority of the respondents are executive officers, managing editors or higher in their organisations. From the 58 completed questionnaires, 4 had to be dropped after finding out that their companies were magazines and not newspapers. The remaining 54 respondents represented 46 newspapers, thus eight informants belonged to second (6 cases) and third (2 cases) from the same company, i.e. 13% of the cases had at least a second informant. In each case where there was more than one respondent, the answers for questions regarding attitudes or perceptions were averaged to obtain a firm-level score (cf. Dess et al., 1997: 687); the answers from the higher ranked manager were considered for questions on more objective data, i.e. number of employees. Thus 46 newspapers made up the final sample size out of 106 newspapers in the meeting. This means a response rate of 43.4%.

The size of the sample is in the lower boundary for the required statistical analysis but it may be deemed enough to detect strong relationships (cf. Hair et al., 2006). Accordingly, some issues of statistical power should be discussed when considering small samples (Baroudi and Orlikowski, 1989). Statistical power is the probability of correctly rejecting a null hypothesis, i.e. the hypothesis stating no relationship between the investigated variables, and small samples affect this probability. On the one hand, it is possible to reject the null hypothesis even though no relationship exists in reality. This is called *Type I error* and is handled by setting a probability  $p$  for rejecting the null hypothesis, e.g.  $p < 0.5$ . Traditionally, it is Type I error the most guarded error in the academic literature in order to avoid accepting false positive claims. On the other hand, researchers might not be able to reject the null hypothesis despite the existence of the relationship in the population, and as such the hypothesis suggesting the association between variables cannot be accepted. This is called *Type II error* and is particularly relevant when working with small samples because it is more difficult to detect relationships when the sample is small. If the results of statistical tests show no significance, e.g.  $p > 0.5$ , and when a false null hypothesis is accepted the researcher should state that the relationship or effect has not been demonstrated, in contrast with simply saying that the relationship or effect does not exist. Two different techniques are employed in this study to improve statistical power.

First, the sample for this study focuses on one industry, the newspaper publishing industry; a measure guaranteeing the homogeneity of the sample. As a consequence, the standard error of the statistics is reduced. This generates a

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trade-off, what is gained in statistical power is lost in generalisability (Baroudi and Orlikowski, 1989; Sawyer and Ball, 1981).

The second procedure to increase statistical power follows Sauley and Bedeian's (1989) recommendation of using a less conservative level of significance in order to be able to detect relationships, i.e.  $p < 0.10$  (p. 340). This decision is reinforced by the fact that interactions are usually more difficult to detect than direct effects, thus a less stringent level of significance is appropriate (McClelland and Judd, 1993; Cortina, 2002). Ideally power should be increased with a larger sample, but if this is not possible, "it may be expedient to let  $\alpha$  [Type I error] grow larger and keep  $\beta$  [Type II error] small. This process avoids prematurely closing off avenues of study due to an inability to detect significance of the small sample" Baroudi and Orlikowski (1989: 102)

As explained above, access to newspaper managers is difficult as it is recognised by Gilbert (2001: 196) who, studying American newspapers, had to "build credibility with the participants by leveraging the reputation of his doctoral institution and entitling the survey as the Harvard Study on Interactive Newspapers," and even adding the endorsement of the Newspaper Association of America. To sum up, the small sample size calls for caution when interpreting the results, knowing that weaker relationships might not surface (Field, 2005: 173).

### 5.1.2 Basic data

The 46 newspaper firms included in this study come from 19 countries, most of them with a national coverage, tend to be medium/large companies, and an average age of 61 years. Most of them are family-controlled, only run national operations, and a small proportion is publicly traded. Table 5.1 shows the descriptive statistics.

**Table 5.1: Means, standard deviations, sample size and missing values**

Variable	Mean	Std. Deviation	N	Missing
Coverage <sup>a</sup>	0.39	0.49	46	0
Number of employees <sup>b</sup>	3.00	1.07	46	0
Circulation	145,123.91	298,641.18	46	0
Age	61.61	46.68	46	0
International operations <sup>a</sup>	0.41	0.49	46	0
Family controlled <sup>a</sup>	0.65	0.48	46	0
Publicly traded <sup>a</sup>	0.17	0.38	46	0
Subsidiary <sup>a</sup>	0.17	0.38	46	0

<sup>a</sup> Dummy variables (0=No; 1=Yes) (For coverage the values are: 0=National; 1= Regional).

<sup>b</sup> Number of employees has 4 categories (1=10-49 employees; 2=50-249; 3=249-499; 4=500 or more).

The descriptive statistics for each question in the questionnaire is on Table 5.2 for organisational items, Table 5.3 for environmental items, Table 5.4 for strategy-making items, and Table 5.5 for performance items.

**Table 5.2: Means, standard deviations, sample size, missing values for organisational structure items**

Variable	Mean	Std. Deviation	N	Missing
The level of integration in my company between the online/new media newsroom and the print newsroom.	4.23	1.50	46	0
Journalists in my company are able to work in a multimedia environment (audio, video, blogs, etc.).	4.06	1.18	44	2
[The level of coordination in my company is...] Between managers and journalists.	4.66	1.40	46	0
[The level of coordination in my company is...] Between the marketing/advertising sales department and the newsroom.	4.39	1.51	46	0
[To what extent your company outsource...] Printing activities.	2.15	2.03	46	0
[To what extent your company outsource...] Distribution of printed editions.	3.53	2.23	46	0
[To what extent your company outsource...] Content production (e.g. journalistic works, photography)	2.63	1.44	46	0
[To what extent your company outsource...] Content related activities (e.g. design, proof-reading, copy editing, etc.).	1.97	1.58	46	0
[To what extent your company outsource...] Advertising sales for the print edition.	1.90	1-38	46	0
[To what extent your company outsource...] Advertising sales for other editions (e.g. online)	2.00	1.34	46	0
Does your company employ CRM (customer relationship management) tools or other specialised software to manage subscriptions? <sup>a</sup>	0.54	0.50	46	0
Does your company employ CRM tools or other specialised software to manage advertising sales? <sup>a</sup>	0.50	0.50	46	0
Does your newspaper have an Editor's blog to interact with readers? <sup>a</sup>	0.43	0.50	46	0
Does your newspaper have an Ombudsman or Readers' Editor to answer readers' concerns about the newspaper? <sup>a</sup>	0.37	0.48	46	0

<sup>a</sup> Dummy variables (0=No; 1=Yes).

Scale of non-dummy variables varies between 1 and 7.

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**Table 5.3: Means, standard deviations, sample size, missing values for environment items**

Variable	Mean	Std. Deviation	N	Missing
[During the last 3 years and considering the market in which our firm competes, the advertising spending has...] Print editions.	5.22	1.66	46	0
[During the last 3 years and considering the market in which our firm competes, the advertising spending has...] New media – including online editions	5.24	1.60	46	0
[During the last 3 years, the number of readers/consumers for the market in which we compete as a whole has...] Print editions.	5.11	1.31	46	0
[During the last 3 years, the number of readers/consumers for the market in which we compete as a whole has...] New media – including online editions	5.86	1.21	45	1
Our firm must change its marketing practices extremely frequently (e.g. semi-annually).	4.67	1.75	46	0
The rate of obsolescence is very high –as with some fashion goods.	3.98	1.39	46	0
Actions of competitors are unpredictable.	3.67	1.72	46	0
Demand and tastes are almost unpredictable.	4.30	1.27	46	0
The models of production/service change often and in a major way.	4.55	1.42	46	0

Scale of variables varies between 1 and 7.

**Table 5.4: Means, standard deviations, sample size, missing values for the strategy-making mode items**

Variable	Mean	Std. Deviation	N	Missing
SO1. As we define our strategies, we are driven by our perception of opportunity. We are not constrained by the resources at (or not at) hand.	4.20	1.93	46	0
SO2. Our fundamental task is to pursue opportunities we perceive as valuable and then to acquire the resources to exploit them.	4.46	1.75	46	0
SO3. Opportunities control our business strategies.	4.58	1.43	46	0
EC1. We have many more promising ideas than we have time and the resources to pursue.	5.18	1.49	46	0
EC2. Changes in the society-at-large often give us ideas for new products and services.	5.18	1.74	46	0
EC3. We never experience a lack of ideas that we can convert into profitable products/services.	4.85	1.56	46	0
IN1. There exists a very strong emphasis on R&D, technological leadership, and innovations.	3.87	1.47	46	0
IN2. Many new lines of products or services in the past 5 years.	5.53	1.41	45	1
IN3. Changes in products or service lines have usually been quite dramatic [in the last 5 years].	5.30	1.42	45	1
PR1. [In dealing with its competitors, my firm...] typically initiates actions that competitors then respond to later.	5.43	1.50	45	1
PR2. [In dealing with its competitors, my firm...] is very often the first firm to introduce new products/services, administrative techniques, operating technologies, etc.	5.80	1.24	45	1
PR3. [In general, the top managers of my firm have...] a strong tendency to be ahead of other competitors in introducing novel ideas or products.	5.38	1.23	46	0
RT1. There is a strong proclivity for high-risk projects (with chances of very high returns)	3.39	1.39	46	0
RT2. Owing to the nature of the environment, bold, wide-ranging acts are viewed as useful and common practice.	3.30	1.16	46	0

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**Table 5.4: Cont.**

RT3. [When confronted with decision-making situations involving uncertainty, my firm...] Typically adopts a bold, aggressive posture in order to maximise the probability of exploiting potential opportunities.	3.93	1.38	46	0
CA1. My firm is very aggressive and intensely competitive.	4.78	1.54	46	0
CA2. [In dealing with its competitors, my firm...] Typically adopts a very competitive, "undo-the-competitors" attitude.	4.46	1.58	45	1
AU1. Most people in my organisation are treated pretty much the same, regardless of rank or status.	4.65	1.72	46	0
AU2. Employees with innovative ideas are encouraged to develop them.	5.05	1.58	46	0
AU3. Ideas for new products/services usually flow from employees to top managers.	3.80	1.53	46	0

Scale of variables varies between 1 and 7.

**Table 5.5: Means, standard deviations, sample size, missing values for performance items**

Variable	Mean	Std. Deviation	N	Missing
Net income	5.61	1.12	45	1
Gross margin	5.30	1.25	45	1
Sales growth	5.55	1.29	45	1
ROE	5.27	1.21	45	1
Market share –advertising	5.49	1.28	45	1
Market share –readers	5.45	1.31	45	1

Scale of variables varies between 1 and 7.

### 5.1.3 Examining the data

This section will examine the data to find outliers and check for assumptions that need to be met for subsequent statistical analysis. The latter is particularly important for regression analysis.

Hair et al. (2006) define outliers as “observations with a *unique combination of characteristics identifiable as distinctly different* from the other observations” (p. 73). Outliers are not particularly beneficial or problematic. They are beneficial if they allow discovering characteristics of the population that normal methods of analysis would not find; on the contrary, they are problematic if they are not representative of the population and distort the results of the statistical tests.

There are two kinds of outliers: univariate and multivariate (Tabachnik and Fidell, 2007). Univariate outliers are cases with extreme values on one variable. In the case of continuous variables, they can be found by examining the standardized scores, i.e.  $z$  scores; if the  $z$  score is higher than 3.28 ( $p < 0.001$ , two-tailed test) the case is considered a potential outlier (Tabachnik and Fidell, 2007: 73). The only continuous variable considered for the subsequent statistical analysis is circulation, and one case was found where the  $z$  score was above recommended. This case was deleted for the regression analysis. Multivariate outliers can be detected by using the *Casewise Diagnostics* tool found in SPSS. A potential outlier is a case with a standardized residual larger than  $\pm 3.0$ . After running the regression no multivariate outliers were found.

As it was explained in the research design, regression analysis requires several assumptions to be met. Although some authors argue that it is possible to check for the assumptions by examining the plot of the studentised residual versus the standardised predicted values (Tabachnik and Fidell, 2007), others argue that it is important to do it before the regression is run (Hair et al., 2006). I will take a middle ground checking for the assumption of normality before performing the regression, while the other three assumptions – linearity, homoscedasticity, and independence of errors – will be checked looking at the plot of the residuals. Departures from normality can seriously affect the results of regression analysis in small samples.

Normality can be assessed via P-P plots. These plots were calculated for all variables in the regression analysis, and a visual examination showed that circulation, market share, and outsourcing might deviate from normality. Also the statistics for skewness and kurtosis were calculated, and again circulation appeared severely violating the normality assumption ( $z_{skewness} = 6.48$ ;  $z_{kurtosis} = 8.62$ ). The other variables were not seen as posing serious deviations from normality on examining their  $z$  scores. The variable circulation was then transformed with a logarithm as recommended by Hair et al. (2006). The new variable, logCirculation, showed appropriate  $z$  scores for skewness and kurtosis.

Finally, the only case where performance measures were missing was also deleted. The final sample for regression analysis, then, added up to 44 cases. The factor analysis that follows, however, uses all in all 46 cases.

### 5.2 Factor analysis

A factor analysis was performed to find out if the dimensions of an entrepreneurial strategy-making mode are, indeed, different dimensions. Therefore, this statistical procedure makes it possible to lower the number of the question items of strategy-making to have them grouped in different components where each would correspond to the theorised dimensions described in section 2.2.4.

A first factor analysis was performed with all 20 items. Following the Kaiser criterion (eigenvalue > 1), 7 factors emerged explaining 75.01% of total variance. A Varimax rotation produced a matrix with several side-loadings, whose coefficients were above 0.4. Since no communalities were below 0.5, the magnitude of the side-loadings and the anti-image correlation matrix were used to guide which items would be dropped. The anti-image correlation matrix shows the individual Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. These values for items 1 and 3 of autonomy were dimmed too low, and since it is not advised to have a single item in a factor, the whole dimension was deleted from further analysis.

The second factor analysis showed an increment in the KMO measure of sampling adequacy from 0.53 to 0.59. Values above 0.50 are considered appropriate for factor analysis (Hair et al., 2006). This time, however, only 5 factors emerged with the Kaiser criterion, and still significant side-loadings in several items of the rotated component matrix can be observed. Despite the side-loadings, all variables had loadings in the factor they were supposed to belong to. The exceptions were one item of risk-taking and the two items of competitive aggressiveness. This latter dimension was then removed from the analysis.

In the following factor analysis KMO measure of sampling adequacy slightly dropped to 0.57, but the probability associated with the Bartlett's test of sphericity was less than 0.001 thus satisfying the requirement that sufficient correlation exists among the variables to proceed (Tabachnik and Fidell, 2007). Five components were extracted with the Kaiser criterion adding up to 69.43% of the total variance explained. In this case, all loadings fell into the expected factor but still some side-loadings showed up. The only exception was item 3 of risk-taking loading in the wrong factor. Therefore, this item was removed from further analysis.

A new factor analysis drew finally a clean matrix of loadings. KMO sampling adequacy increased again to 0.60, all communalities were above 0.50, and the Bartlett's test of sphericity showed  $p < 0.001$ . The results of the factor

analysis are shown in Table 5.6. The rotation method was Varimax and similar results were obtained with other rotation methods.

The results of the factor analysis show that the traditional entrepreneurial orientation dimensions – innovativeness, proactiveness, and risk-taking – are different from the two entrepreneurial management dimensions included in this study – strategic orientation and entrepreneurial management. This supports the results obtained by Brown et al. (2001) at least for two of the entrepreneurial management dimensions. Furthermore, it supports the idea that opportunity-related dimensions were not present in the original entrepreneurial orientation items and their addition increases the likelihood of capturing a fairly good picture of what an entrepreneurial strategy-making mode is.

**Table 5.6: Factor analysis of entrepreneurial strategy-making mode variables**

	Factor 1: Strategic Orientation	Factor 2: Proactiveness	Factor 3: Entrepreneurial Culture	Factor 4: Risk-taking	Factor 5: Innovativeness
SO3	0.80				
SO2	0.74				
SO1	0.73				
PR1		0.82			
PR3		0.72			
PR2		0.72			
EC1			0.81		
EC3			0.81		
EC2			0.77		
RT2				0.88	
RT1				0.79	
IN3					0.78
IN1					0.67
IN2	0.43				0.61

Factor loadings <  $\pm 0.40$  were suppressed for readability.

Rotated component matrix (Varimax method).

The reliability of the factors obtained is assessed calculating the corresponding alpha coefficients for each factor. A value over 0.70 is usually welcomed but in exploratory studies a value over 0.60 is considered sufficient (Hair et al., 2006). In this case, all alpha coefficients are above 0.67, and the two entrepreneurial management dimensions are particularly high well above 0.70 (Table 5.7). The alpha coefficients for the two dimensions dropped from the analysis – competitive aggressiveness and autonomy, appeared well below 0.60, thus deemed unreliable as single constructs.

**Table 5.7: Reliability values for the entrepreneurial strategy-making dimensions**

Dimension (number of items)	Cronbach's alpha	Items Mean	Range
Strategic orientation (3)	0.760	4.41	4.19 – 4.58
Entrepreneurial culture (3)	0.794	5.07	4.85 – 4.18
Innovativeness (3)	0.673	4.89	3.84 – 5.53
Proactiveness (3)	0.727	5.52	5.35 – 5.79
Risk-taking (2)	0.670	3.34	3.30 – 3.91

Note: The third item of risk-taking was dropped to increase reliability above 0.60. Autonomy and competitive aggressiveness are not included because of poor reliability.

The results of factor analysis and reliability allow creating summated scales of the different dimensions of entrepreneurial strategy-making mode. Also, a new construct called ESM (entrepreneurial strategy-making mode) was created averaging the different dimensions. The Cronbach's alpha for all the 14 strategy-making items is 0.79. Summated scales are also needed for the organisational structure and environment constructs. The reliabilities are shown in Table 5.8.

**Table 5.8: Reliability values for organisational structure and environment**

Dimension (number of items)	Cronbach's alpha	Items Mean	Range
Integration (4)	0.685	4.38	4.06 – 4.73
Outsourcing (6)	0.750	2.36	1.90 – 3.52
Customer interaction (4)	0.523	0.46	0.37 – 0.54
Munificence (4)	0.634	5.33	5.11 – 5.85
Uncertainty (5)	0.691	4.23	3.65 – 4.65

### 5.3 Correlational analysis

Table 5.9 presents the correlations for the quantitative variables in this study. Several results can be highlighted for further discussion. First, all entrepreneurial strategy-making dimensions are positively correlated to the performance measures, but only a few of them are statistically significant – strategic orientation, entrepreneurial culture, and proactiveness. Innovativeness and risk-taking seem to be the less correlated to performance. This contrast is perhaps a particularity of the newspaper industry where industry-grown practices and past success have turned these firms into risk averse organisations, where change is driven to a greater extent by the need to outperform

competitors – proactiveness, in contrast to change driven by the need to innovate -innovativeness.

Second, the construct grouping all entrepreneurial strategy-making dimensions (ESM) significantly correlates to all performance measures and the coefficients are quite high ( $r \geq 0.39$ ;  $p < 0.01$ ). This indicates a close association between being entrepreneurial and obtaining good results in terms of the financial, i.e. sales growth and ROE, and operational performance, i.e. market share. Obviously all correlations among the ESM dimensions and the ESM construct are significant and very high.

Third, the environmental variables correlate according to what is expected from the theory regarding performance. Munificent environments are positively associated with higher performance, while uncertainty is negatively connected to performance. Coefficients are also relatively high in all performance measures.

Fourth, the structure variables integration and outsourcing show a positive association with performance measures. Outsourcing is consistently negative in its association with performance.

Finally, the ESM variable shows interesting correlations with environment and structure variables. There is a positive link between ESM and munificence, though not statistically significant. Is this an indicator that managers in munificent environment can be entrepreneurial, while resource-constrained environment drive managers to avoid entrepreneurial behaviour to concentrate on other types of strategies such as cost reduction or simply a wait-and-see attitude? Furthermore, uncertainty is not associated with an entrepreneurial behaviour. Regarding the structure variables, ESM highly and significantly correlates with integration and outsourcing; outsourcing correlates negatively, although not significantly. These results show how an entrepreneurial strategy-making behaviour is closely tied to a change in the organisational structure.

**Table 5.9: Correlations for quantitative variables**

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Sales Growth	5.61	1.25	1.00										
2. Return on Equity	5.32	1.18	.55***	1.00									
3. Market Share	5.53	1.13	.79***	.68***	1.00								
4. ESM <sup>a</sup>	4.66	0.77	.47**	.39**	.48**	1.00							
5. Strategic Orientation	4.45	1.40	.35*	.19	.30*	.70***	1.00						
6. Entrepreneurial Culture	5.08	1.35	.25	.33*	.35*	.59***	.11	1.00					
7. Innovativeness	4.88	1.13	.25	.10	.19	.69***	.41**	.19	1.00				
8. Proactiveness	5.56	1.08	.46**	.47**	.49**	.63***	.35*	.17	.49**	1.00			
9. Risk-taking	3.33	1.09	.20	.17	.21	.56***	.26+	.34*	.16	.07	1.00		
10. Munificence <sup>a</sup>	5.39	1.01	.25	.30*	.27	.26	.34*	.08	.34*	.21	-.15	1.00	
11. Uncertainty <sup>a</sup>	4.21	1.03	-.16	.41**	-.39**	-.02	.13	-.12	.15	-.06	-.19	.20	1.00
12. Integration <sup>a</sup>	4.29	1.02	.29+	.16	.12	.44**	.35*	.18	.36*	.29+	.22	.06	-.09
13. Outsourcing <sup>a</sup>	2.35	1.16	-.18	-.32*	-.22	-.17	.05	-.11	-.15	-.31*	-.06	-.12	.11
14. Customer Interaction <sup>a</sup>	1.84	1.31	.25+	.29+	.16	.45**	.15	.16	.41**	.47**	.31*	.12	.16
15. ESM & Munificence	.20	.74	.38**	.45**	.38*	.46**	.41**	.18	.34*	.32*	.20	.55***	-.08
16. ESM & Uncertainty	-.02	.75	.06	.06	.24	-.04	.09	.00	-.13	.00	-.11	-.09	-.37*
17. ESM & Integration	.34	.92	.08	.11	-.05	-.19	-.16	-.01	-.17	-.07	-.20	.17	.16
18. ESM & Outsourcing	-.15	.65	.24	-.03	.23	-.20	-.24	.00	-.15	-.17	-.08	-.09	.00
19. ESM & Cust. Interaction	.44	.91	-.21	.05	-.04	.03	-.01	.13	-.03	-.11	.10	.31*	-.16
20. ESM & Integration & Munificence	.16	1.10	.11	.18	-.01	.22	-.24	.02	.23	.19	.01	.38*	.09
21. ESM & Integration & Uncertainty	.14	.95	-.13	-.21	-.20	-.06	-.09	-.05	.10	-.05	-.08	.09	.48**
22. ESM & Outsourcing & Munificence	-.06	.66	-.43**	-.22	-.26+	-.20	-.37*	.09	-.17	-.24	.07	-.42**	.05
23. ESM & Outsourcing & Uncertainty	.00	.58	.07	.11	.05	.19	.12	.09	-.01	.31*	.09	.06	-.08
24. ESM & Cust. Interact. & Munificence	.28	.99	.16	.08	.13	.44**	.46**	.13	.35*	.23	.21	.51***	.13
25. ESM & Cust. Interact. & Uncertainty	-.15	1.06	-.22	-.19	-.24	.16	.10	.17	.27+	.07	-.12	.12	.48**

**Table 5.9: Correlations for quantitative variables (cont.)**

	12	13	14	15	16	17	18	19	20	21	22	23	24
12. Integration <sup>a</sup>	1.00												
13. Outsourcing <sup>a</sup>	.17	1.00											
14. Customer Interaction <sup>a</sup>	.27+	-.19	1.00										
15. ESM & Munificence	.23	-.07	.31*	1.00									
16. ESM & Uncertainty	.19	.00	-.16	.10	1.00								
17. ESM & Integration	.03	-.21	-.16	.17	-.05	1.00							
18. ESM & Outsourcing	-.35*	-.37*	-.04	-.15	.17	.01	1.00						
19. ESM & Cust. Interaction	-.19	-.03	.04	.37*	.20	.10	-.05	1.00					
20. ESM & Integration & Munificence	.54**	-.08	.06	.36*	-.06	.62**	-.26	-.04	1.00				
21. ESM & Integration & Uncertainty	-.06	.03	.05	-.11	-.34	.05	.28	-.18	.23	1.00			
22. ESM & Outsourcing & Munificence	-.16	.30*	.00	-.35*	-.02	-.31*	.02	-.06	-.25	.33*	1.00		
23. ESM & Outsourcing & Uncertainty	.06	-.03	-.09	-.02	-.29	.29	-.17	-.15	.31*	.04	-.13	1.00	
24. ESM & Cust. Interact. & Munificence	.10	.00	.28	.50**	-.04	-.07	-.03	.52***	.18	.15	-.35*	.14	1.00
25. ESM & Cust. Interact. & Uncertainty	.05	-.06	.03	.00	-.41**	-.03	-.15	-.14	.18	.46**	.10	.00	.16

<sup>a</sup> Variable centred before calculating second and third order terms. Mean values are before centring; standard deviations do not change.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

N=44

## 5.4 Regression analysis

The first regression model includes the dimensions of entrepreneurial strategy-making (ESM) to explore their individual contributions to performance (Table 5.10).

The moderated regression analysis comprises a series of six models (Table 5.11 through Table 5.16). Each model has three different dependent variables that measure performance – sales growth, return on equity, and market share. The models aim at showing the moderator effect organisational and environmental variables might have on the ESM variable. This three-way interaction procedure is favoured over a more complex model, i.e. four-way interaction, because of interpretability and restrictions of sample size.

As indicated in section 5.1.3, looking at residuals would assess the assumptions required for regression analysis. This visual test gave a positive result, thus no evidence was found that transformation would be required. Furthermore, no autocollinearity was found –the Durbin-Watson index was always in the acceptable range between 1 and 3 (Field, 2005). Tolerance values were above 0.90 thus no multicollinearity was found.

**Table 5.10: Regression models for the entrepreneurial strategy-making dimensions**

	Control variables			Direct effects model		
	Sales Growth	ROE	Market Share	Sales Growth	ROE	Market Share
logCirculation	0.05	- 0.22	0.06	- 0.11	- 0.37**	- 0.08
Family Strategic Orientation	0.03	- 0.16	- 0.13	- 0.02	- 0.20	- 0.17
Entrepreneurial Culture				0.21	0.09	0.18
Innovativeness				0.13	0.22+	0.25+
Proactiveness				- 0.05	- 0.18	- 0.15
Risk-taking				0.41*	0.58***	0.48**
R <sup>2</sup>	0.00	0.07	0.02	0.67	0.13	0.09
Adjusted R <sup>2</sup>	0.00	0.03	0.00	0.29	0.48	0.38
Change in R <sup>2</sup>	0.00	0.07	0.02	0.16	0.37	0.26
	0.00	0.07	0.02	0.29*	0.40**	0.36**

Standardised regression coefficients.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.11: Regression models for ESM, uncertainty and integration**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.27	-.93*	-.07	-.22	-.87*	.01	-.22	-.86*	-.01
Family	.07	-.40	-.30	-.03	-.34	-.16	.08	-.42	.01	.08	-.43	.04
ESM				.73**	.72**	.81***	.78**	.86***	.87***	.78**	.86***	.88***
Uncertainty				-.17	-.39*	-.41**	-.20	-.53**	-.39*	-.20	-.52**	-.42*
Integration				.13	.04	-.15	.07	.02	-.24	.07	.02	-.25
ESM & Uncertainty							-.02	.02	.27	-.02	.01	.28
ESM & Integration							.27	.31+	.17	.27	.31	.17
Uncertainty & Integration							.07	-.30	.01	.07	-.31	.03
ESM & Uncertainty & Integration										.00	-.02	.08
R <sup>2</sup>	.00	.07	.02	.26	.42	.40	.30	.52	.44	.30	.52	.44
Adjusted R <sup>2</sup>	.00	.03	.00	.16	.34	.32	.14	.41	.31	.11	.39	.30
Change in R <sup>2</sup>	.00	.07	.02	.26**	.35***	.38***	.04	.10+	.04	.00	.00	.00

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.12: Regression models for ESM, uncertainty and outsourcing**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.29	-1.08**	-.20	-.29	-1.13**	-.14	-.32	-1.13**	-.14
Family	.07	-.40	-.30	.05	-.28	-.21	.06	-.34	-.13	.00	-.36	-.15
ESM				.77**	.69**	.71**	.90***	.67**	.82***	.86**	.66**	.81***
Uncertainty				-.17	-.36*	-.38*	-.24	-.49*	-.38*	-.21	-.39*	-.37*
Outsourcing				-.12	-.29*	-.10	.00	-.33*	.02	-.02	-.34*	.02
ESM & Uncertainty							-.05	-.15	.10	.03	-.13	.12
ESM & Outsourcing							.68*	-.13	.57*	.68*	-.13	.57*
Uncertainty & Outsourcing							.30	.08	.06	.40+	.10	.08
ESM & Uncertainty & Outsourcing										.34	.09	.08
R <sup>2</sup>	.00	.07	.02	.26	.49	.40	.42	.51	.50	.43	.51	.50
Adjusted R <sup>2</sup>	.00	.03	.00	.17	.43	.32	.28	.40	.38	.28	.38	.37
Change in R <sup>2</sup>	.00	.07	.02	.26**	.42***	.38***	.15*	.02	.10+	.02	.00	.00

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.13: Regression models for ESM, uncertainty and customer interaction**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.24	-.95*	-.13	-.53	-1.15**	-.32	-.25	-1.25**	-.21
Family	.07	-.40	-.30	.08	-.23	-.23	-.15	-.25	-.19	-.20	-.23	-.21
ESM				.71*	.57*	.74**	.78**	.63**	.77**	.86**	.60*	.80**
Uncertainty				-.21	-.45**	-.39*	-.21	-.44**	-.32+	-.08	-.49**	-.28
Customer interaction				.10	.21+	-.01	.12	.23+	.03	.04	.26+	.00
ESM & Uncertainty							.11	-.20	.16	.01	-.16	.12
ESM & Customer interaction							-.46*	-.17	-.21	-.45*	-.18	-.21
Uncertainty & Customer interaction							.01	.13	.09	-.05	.15	.07
ESM & Uncertainty & Customer interaction										-.35+	.13	-.13
R <sup>2</sup>	.00	.07	.02	.26	.46	.39	.35	.50	.44	.40	.51	.45
Adjusted R <sup>2</sup>	.00	.03	.00	.16	.39	.31	.21	.39	.31	.25	.38	.30
Change in R <sup>2</sup>	.00	.07	.02	.26**	.39***	.37***	.09	.05	.05	.05+	.00	.01

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.14: Regression models for ESM, munificence and integration**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.26	-.97*	-.13	-.26	-1.08*	-.22	.02	-.99*	.03
Family	.07	-.40	-.30	-.13	-.58+	-.41	-.03	-.47	-.35	.01	-.46	-.31
ESM				.66*	.64*	.74**	.66*	.63*	.69*	.63*	.62*	.67*
Munificence				.16	.19	.16	.07	.12	.12	.31	.19	.33+
Integration				.16	.11	-.07	.07	-.04	-.17	.45+	.08	.15
ESM & Munificence							.07	-.10	-.05	.00	-.12	-.11
ESM & Integration							.02	-.18	-.25	.44	-.05	.11
Munificence & Integration							.23	.50*	.37+	.46+	.57*	.57*
ESM & Munificence & Integration										-.87**	-.27	-.72*
R <sup>2</sup>	.00	.07	.02	.26	.34	.29	.30	.45	.36	.43	.47	.47
Adjusted R <sup>2</sup>	.00	.03	.00	.16	.25	.20	.14	.33	.21	.28	.32	.33
Change in R <sup>2</sup>	.00	.07	.02	.26*	.27**	.27**	.04	.11+	.06	.13**	.01	.11*

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.15: Regression models for ESM, munificence and outsourcing**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.27	-1.12**	-.24	-.06	-.99*	-.04	.04	-.99*	-.01
Family	.07	-.40	-.30	-.04	-.46	-.40	.09	-.34	-.26	-.06	-.33	-.32
ESM				.73**	.66**	.69**	.73*	.49*	.68**	.72**	.49*	.68**
Munificence				.14	.14	.15	.06	.03	.10	-.07	.03	.05
Outsourcing				-.12	-.31*	-.13	.06	-.33*	.05	.20	-.33*	.10
ESM & Munificence							.37	.40	.30	.29	.40	.27
ESM & Outsourcing							.74*	-.18	.56*	.80**	-.19	.57*
Munificence & Integration							.00	.12	.11	.04	.12	.12
ESM & Munificence & Outsourcing										-.71*	.04	-.26
R <sup>2</sup>	.00	.07	.02	.26	.42	.30	.39	.45	.41	.49	.45	.43
Adjusted R <sup>2</sup>	.00	.03	.00	.16	.34	.21	.25	.33	.28	.35	.31	.28
Change in R <sup>2</sup>	.00	.07	.02	.25*	.35***	.28**	.14+	.04	.11	.10*	.00	.02

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

**Table 5.16: Regression models for ESM, munificence and customer interaction**

	Control variables			Direct Effects			Contingency effects			Configurational effects		
	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share	Sales Growth	ROE	Market share
logCirculation	.15	-.61	.16	-.21	-.96*	-.14	-.34	-1.03*	-.20	-.28	-.90*	-.09
Family	.07	-.40	-.30	-.05	-.50	-.47	-.21	-.68+	-.56	-.11	-.46	-.38
ESM				.71*	.61*	.77**	.52+	.54*	.67*	.56+	.63*	.74**
Munificence				.15	.18	.16	.26	.13	.19	.35	.33	.37
Customer interaction				.06	.12	-.09	.05	.09	-.10	.09	.15	-.04
ESM & Munificence							.24	.43	.21	.17	.28	.08
ESM & Customer interaction							-.62**	-.33	-.33	-.52*	-.12	-.15
Munificence & Customer interaction							.22	-.06	.08	.30	.11	.23
ESM & Munificence & Customer interaction										-.22	-.47+	-.41
R <sup>2</sup>	.00	.07	.02	.25	.35	.30	.43	.41	.36	.44	.46	.40
Adjusted R <sup>2</sup>	.00	.03	.00	.15	.26	.21	.31	.27	.22	.30	.31	.24
Change in R <sup>2</sup>	.00	.07	.02	.24*	.27**	.28**	.19*	.07	.07	.01	.05+	.04

Unstandardised regression coefficients are shown in the table.

+ p<0.10; \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

n=44

## 5.5 Testing hypotheses

The regressions presented in the previous section are analysed here in order to test the hypotheses of this study. The hypotheses can be classified into three types discussed separately below. They are: universal model, contingency models, and configurational models.

### 5.5.1 Universal model

Hypothesis 1 explores the direct contribution of an entrepreneurial strategy-making mode to performance. To test this hypothesis the control variables were added first and then the five dimensions of ESM. As shown in Table 5.10, the control variables are not significant in the first step and the value of  $R^2$  reaches a mere 7%. After including the different dimensions of ESM, the variance of performance explained registers a significant increase of 48%. All performance measures show significant changes in  $R^2$ . This result provides evidence to accept Hypothesis 1.

The control variable *logCirculation* appears also as statistically significant and with a negative sign. Only two ESM dimensions are significant – entrepreneurial culture and proactiveness. It is also interesting to note that innovativeness has a negative sign. Although it is not significant, the negative value might imply that this is a suppressor variable (cf. Tabachnick and Fidell, 2007: 154-155).

The positive effect of an entrepreneurial strategy-making mode on performance will be confirmed in the subsequent regressions where the coefficient of the ESM variable is always positive and statistically significant.

### 5.5.2 Contingency models

Hypotheses 2 through 6 present contingency models. In each hypothesis, an organisational or environmental variable is employed as a moderator over the ESM mode variable to detect whether it affects its relationship with performance.

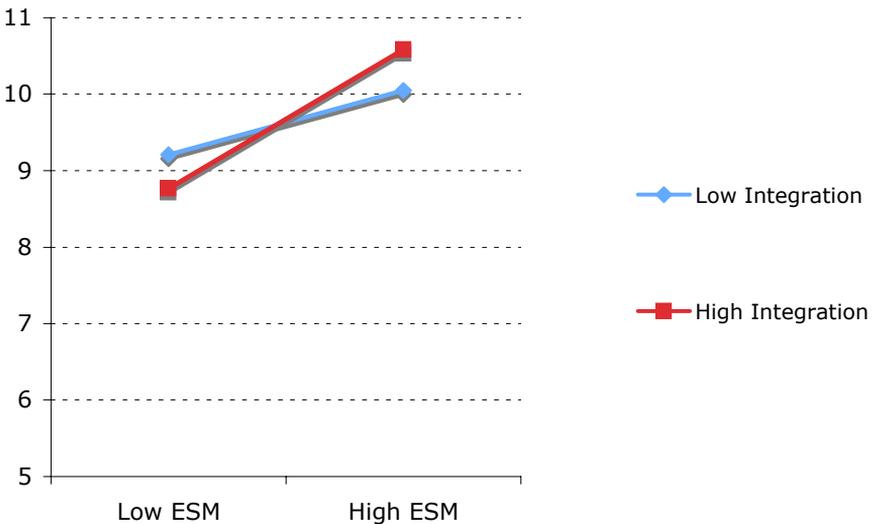
Contingency models are tested by looking at the interaction terms. As made clear in chapter 4 in order to interpret interactions that are significant, the first step is to plot the *simple regression lines* at different levels of the moderator variables. This section presents the plots of the interactions in the models calculated in section 5.4. The second step is to calculate the tests of significance of the simple slopes. These tests allow concluding whether the slopes of the *simple regression lines* are different from zero or not. If they are different from zero then it is possible to argue that there is a synergistic or buffering effect in the main variable studied, i.e. entrepreneurial strategy-making.

After reviewing all the regression models, only two of them show that the configurational models are not significant –see Table 5.11 and Table 5.12.

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These two can be analysed as contingency models following Aiken and West's (1991) recommendation that if higher order interaction terms are significant they have to be included in order not to bias the coefficients of lower order terms. Hence, the rest of the models will be analysed in the following subsection as configurational models.

Figure 5.1 shows the moderating effect of integration. This figure is based on the regression model presented in Table 5.11 for the variables ESM, uncertainty and integration. According to those results, the configurational model was not significant, and the contingency model shows that the moderating effect of integration was significant. The tests of slopes allow us to corroborate that the moderating effects are significant (Table 5.17), but also allows checking that a higher integration enhances the performance of entrepreneurial firms to a higher level than the effect of lower integration. This implies that Hypothesis 4 has to be accepted. Also, it has to be noted that both lines have a positive and significant slope adding more evidence to support Hypothesis 1 about the positive effect of an ESM mode on performance. In other words, the positive effect of ESM occurs regardless the level of integration, but it is greater in the presence of a higher integration.



**Figure 5.1: Plot of the moderating effect of integration**

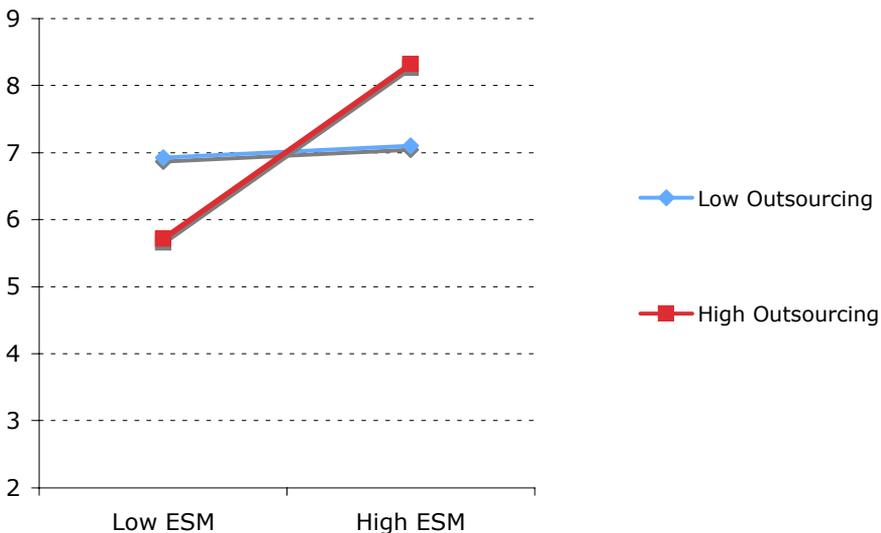
**Table 5.17: Simple slope analysis of the two-way interaction between ESM and integration**

Integration	
Low	High
$t = 2.25$ ( $p < 0.05$ )	$t = 4.02$ ( $p < 0.001$ )

Dependent variable is ROE.

Table 5.12 presents the regression models for the variables ESM, uncertainty and outsourcing. The results show that the configurational model is not significant, but the contingency model is significant. Also, uncertainty is not significant as a moderator of ESM, but outsourcing is significant. Figure 5.2 shows the interaction, where a high level of outsourcing enhances performance of firms with an entrepreneurial strategy-making mode (values employed are from the regression on sales growth). Because uncertainty is not significant, its mean value is entered in the simple regression line – centred its mean value is zero.

The test of significance for slopes shows that a low level of outsourcing does not have any effect on the relationship between ESM and performance, however, a high level of outsourcing enhances the relationship between these two variables (Table 5.18). This means accepting Hypothesis 5.



**Figure 5.2: Plot of the moderating effect of outsourcing**

**Table 5.18: Simple slope analysis of the two-way interaction between ESM and outsourcing**

Outsourcing	
Low	High
$t = 0.32$ (ns)	$t = 3.79$ ( $p < 0.001$ )

Dependent variable is sales growth.

Hypotheses 2 and 3 state that non-munificent and high uncertainty environments moderate the relationship between an ESM mode and performance, respectively. However, no evidence is found of this moderating effect. None of the interaction terms is significant in any regression model. This suggests that the environment might influence the link between an ESM mode and performance when considered together with an organisational structure as in the configurational models.

Finally, Hypothesis 6 argues that a high level of customer interaction would enhance the relationship between ESM and performance. The two models including customer interaction as a moderator of ESM show a negative coefficient which is statistically significant regarding sales growth – see Table 5.13 and Table 5.16. The results do not provide enough support for Hypothesis 6. This is, undoubtedly, an unexpected result because customer interaction is usually accepted as a badly needed characteristic of the new media firms.

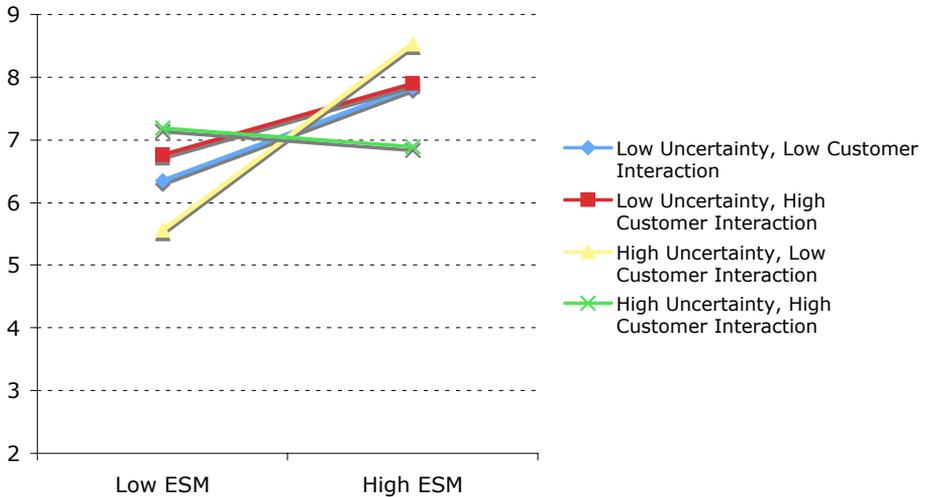
### 5.5.3 Configurational models

The configurational models are presented in Hypotheses 7 through 12. The procedure to test and interpret configurations is the same as in the case of interactions employed in the contingency models. However, the configurations imply analysing three-way interactions, with the plots containing now four lines.

A configurational effect appears significant in the model where ESM, uncertainty and customer interaction are included (Table 5.13). The plot of the interaction is shown in Figure 5.3 and the  $t$ -tests for the significance of the slopes are found in Table 5.19. The  $t$ -tests for the slopes show that high uncertainty and low customer interaction are significant in enhancing the entrepreneurial behaviour of the firm. In other words, when customer interaction is low, the effect of an entrepreneurial strategy-making mode on performance increases with a rise in uncertainty. A high level of customer interaction would not have any impact on moderating the relationship between ESM mode and performance.

These results suggest that part (a) of Hypothesis 12 should be accepted because there is evidence of the existence of a high performing configuration containing the variables ESM, customer interaction and uncertainty. However, in contrast to what is hypothesised in part (b), it is a low level of customer

interaction that leads to the highest performing configuration among these elements.



**Figure 5.3: Plot of the moderating effects of uncertainty and customer interaction**

**Table 5.19: Simple slope analysis of the three-way interaction between ESM, uncertainty and customer interaction**

Uncertainty		Customer Interaction	
		Low	High
Low		$t = 1.99$ ( $p < 0.10$ )	$t = 1.19$ (ns)
High		$t = 3.46$ ( $p < 0.01$ )	$t = -0.38$ (ns)

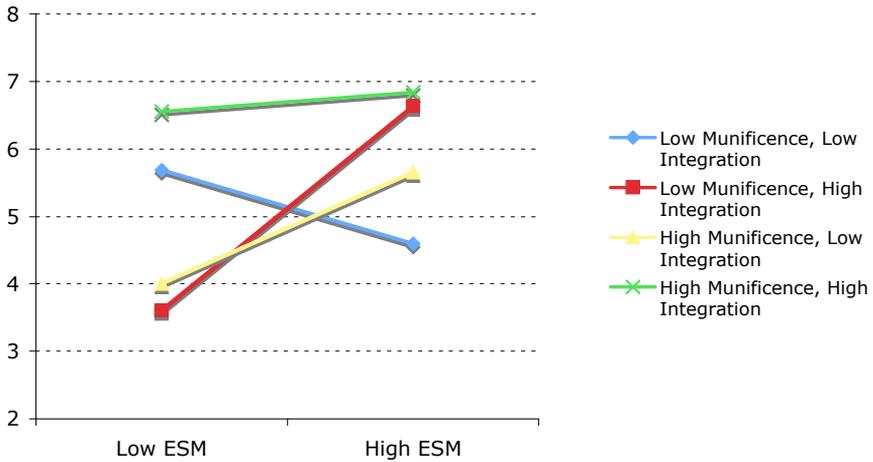
Dependent variable is sales growth.

Hypothesis 7 suggests a configuration of ESM, munificence and integration, where the last two would moderate the relationship between strategy making and performance. Table 5.14 supports the existence of this configuration of variables, i.e. Hypothesis 7 (a) is valid. In part (b), this hypothesis states that the highest performing configuration would be an entrepreneurial strategy-making mode, a nonmunificent environment, and a high level of integration. The results of the regression analysis and its visual interpretation in Figure 5.4 support the argument, thus Hypothesis 7 is fully supported.

The simple slope analysis of the three-way interaction is shown in Table 5.20. These results indicate that only two lines are statistically significant. Besides the highest performing configuration discussed above, a high

## 5. Quantitative Analysis

munificent environment coupled with a low integration level may also yield a higher performance level when the newspaper behaves entrepreneurially. This apparent contradiction with the result of Hypothesis 7 is at the core of the configurational theory, where the right combination of elements is usually what leads to higher performance and not the elements in isolation. Thus, it is possible to have both combinations enhancing an entrepreneurial strategy-making mode, i.e. low munificent/high integration and high munificent/low integration – but only one of them leads to even higher performance.



**Figure 5.4: Plot of the moderating effects of munificence and integration**

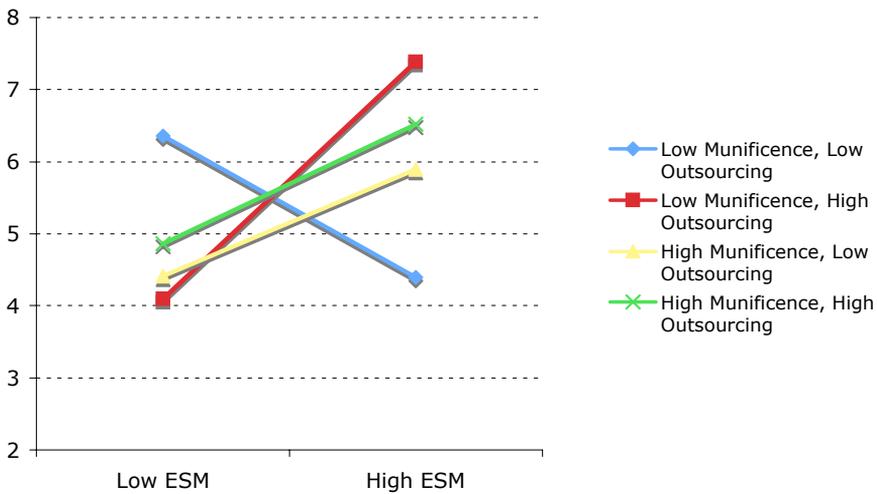
**Table 5.20: Simple slope analysis of the three-way interaction between ESM, munificence and integration**

Munificence		Integration	
		Low	High
Low	Low	$t = -0.975$ (ns)	$t = 2.60$ ( $p < 0.05$ )
	High	$t = 2.76$ ( $p < 0.01$ )	$t = 0.351$ (ns)

Dependent variable is sales growth.

The regression models for ESM, munificence and outsourcing show a significant change in  $R^2$  when the three-way interaction term is included (Table 5.15). This supports part (a) of Hypotheses 9, stating that a configuration of these three variables explains higher performance. Hypothesis 9 (b) claims that

a high level of outsourcing enhances the positive effect of an ESM mode. Table 5.15 shows that the configuration explaining the highest performance includes a high level of outsourcing coupled with a low munificence environment. Thus Hypothesis 9 has to be accepted. This also adds evidence to support the positive effect of a high level outsourcing as suggested in Hypothesis 5. Furthermore, Figure 5.5 shows that a high level of outsourcing even in munificent environments also enhances performance in entrepreneurial newspaper firms. Low levels of munificence and outsourcing are significant negative moderators of the entrepreneurial strategy-making mode variable. The significance of the slopes can be found in Table 5.21.



**Figure 5.5: Plot of the moderating effects of munificence and outsourcing**

**Table 5.21: Simple slope analysis of the three-way interaction between ESM, munificence and outsourcing**

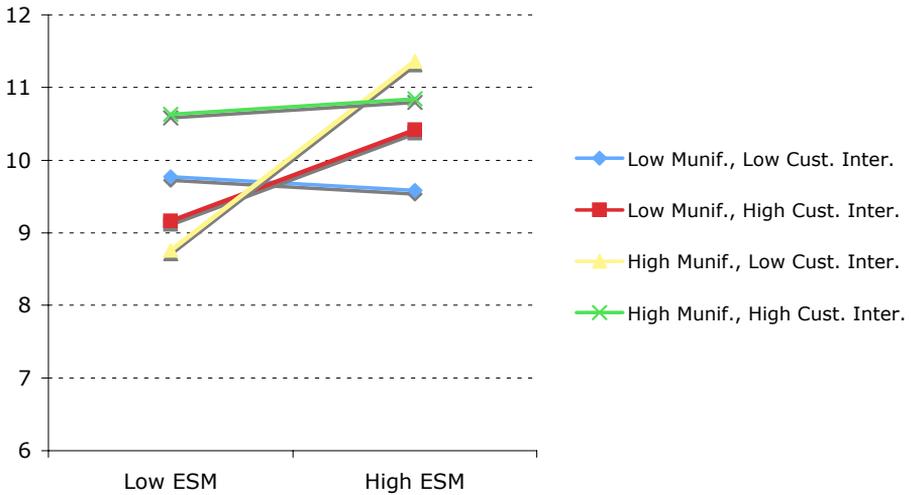
		Outsourcing	
		Low	High
Munificence	Low	$t = -2.06$ ( $p < 0.05$ )	$t = 3.07$ ( $p < 0.01$ )
	High	$t = 1.96$ ( $p < 0.10$ )	$t = 1.84$ ( $p < 0.10$ )

Dependent variable is sales growth.

Finally, Hypothesis 11 (a) claims the existence of a configuration among ESM, customer interaction and munificence. This is supported by the results of the regression analysis in Table 5.16. Part (b) suggests that the highest performing

## 5. Quantitative Analysis

configuration include high customer interaction and low munificence as moderators of the ESM mode of a newspaper firm. The visual representation of the interaction – as shown in Figure 5.6 – reveals that the best configuration would include low customer interaction. Thus, Hypothesis 11 (b) cannot be accepted. Furthermore, this configuration is the only one significant according to the simple slope analysis in Table 5.22. This implies that an ESM mode is only enhanced when low customer interaction and low munificence concur together. Other configurations would not affect this relationship with performance.



**Figure 5.6: Plot of the moderating effects of munificence and customer interaction**

**Table 5.22: Simple slope analysis of the three-way interaction between ESM, munificence and customer interaction**

Munificence		Customer Interaction	
		Low	High
Low		$t = -0.20$ (ns)	$t = 0.95$ (ns)
High		$t = 3.38$ ( $p < 0.01$ )	$t = 0.28$ (ns)

Dependent variable is ROE.

## 5.6 Summary of results

A summary of the results is offered in Table 5.23. This table specifies which hypotheses are tested and whether the evidence supports them or not. The discussion of these results is the subject of Chapter 7. Before that, Chapter 6 explores three case studies of newspaper firms to delve further into the intricacies of these relationships.

**Table 5.23: Summary of tested hypotheses**

#	Variables	Performance	Accepted
1	ESM	High	Yes
2	ESM & Low Munificence	High	No
3	ESM & High Uncertainty	High	No
4	ESM & High Integration	High	Yes
5	ESM & High Outsourcing	High	Yes
6	ESM & High Customer Interaction	High	No
7	ESM & High Integration & Low Munificence	High	Yes
8	ESM & High Integration & High Uncertainty	High	No
9	ESM & High Outsourcing & Low Munificence	High	Yes
10	ESM & High Outsourcing & High Uncertainty	High	No
11	ESM & High Customer Interaction & Low Munificence	High	Only (a)
12	ESM & High Customer Interaction & High Uncertainty	High	Only (a)

# 6. Qualitative Analysis

*“The proof of the pudding is in the eating.”*

This chapter presents three case studies of newspaper firms. The cases illustrate the black box of the configurations presented in the quantitative analysis of the previous chapter. The idea of opening the black box aims at exploring and describing the various elements that shape a strategy-making mode in order to better interpret the statistical analyses. Thus, this chapter is divided into five sections, where the first three are the case studies. Each of them is structured in the same way to facilitate comparisons and analysis. This structure includes (1) a general profile of the newspaper and its position in the relevant market, (2) the characteristics of its competitive environment and uncertainty as perceived by the firms, (3) a description of its organisational structure and the main changes in the last years, (4) the distinctive features of its strategy-making mode, and (5) a short summary. Although the structure is the same for each case, given their idiosyncratic differences, each case will highlight the particularities of each firm as found during data collection. The fourth section of this chapter offers a cross-case analysis, whilst the last section reviews the hypotheses set forth in Chapter 3 under the light of the case studies' results. Then, we move to Chapter 7 where the integration and discussion of quantitative and qualitative findings take place.

## 6.1 El Mercurio (Santiago, Chile)

### 6.1.1 General background

Chile is considered one of the most thriving countries in Latin America. It has a population of about 16 million inhabitants, with about one third of it concentrated in Santiago, its capital city. The total advertising spending was 836 million dollars in 2006. During the period 1997-2006 the growth of ad spending was only 1.6%, with newspapers going down from 35.1% of market share to 29.2%. The total advertising spending in newspapers has decreased 15.6% in the same period (World Advertising Research Center, 2007).

There are 96 newspapers in Chile, including dailies, periodicals and Sunday newspapers. The total daily circulation reaches 1.1 million, meaning a rate of about 49 newspaper copies per 1,000 inhabitants. Fifty-six out of the 96 newspapers are paid dailies, but only a few of them have nation-wide

circulation. El Mercurio and La Tercera are the only quality newspapers in that segment thus setting them apart from the rest of the market (Benavides et al., forthcoming).

Pedro Félix Vicuña founded El Mercurio of Valparaíso on 12 September 1827. The newspaper went through a deep financial crisis and was sold to Agustín Edwards Ross in 1880. His three sons inherited the newspaper when he died in 1897. His older son, Agustín Edwards McClure, became the publisher when he was still 19 and also founded El Mercurio in Santiago three years later. He also founded four other newspapers: Las Últimas Noticias in 1902, El Mercurio de Antofagasta in 1906, La Estrella de Valparaíso in 1921, and La Segunda in 1931. Agustín Edwards McClure died in 1941 and his son Agustín Edwards Budge inherited the company, but died some years later in 1956. His older son, Agustín Edwards Eastman, took control of the firm and is its current President<sup>9</sup>. It is the newspaper El Mercurio that is described and studied in this case.

When Agustín Edwards Ross bought a troubled newspaper in Valparaíso he may not have realised he was starting a family newspaper company that would last for more than a century. El Mercurio is thus a traditional newspaper usually perceived as keeping a conservative editorial approach. It targets well-educated people and is widely accepted as the most prestigious and influential in Chile. It is still published in broadsheet format although several redesign efforts have reduced its size while changing a bit its layout towards a more modern look.

The main competitor of El Mercurio is La Tercera. This newspaper was directed toward the popular market, but it reinvented itself becoming a quality newspaper during the last decade and thus changing the competitive dynamics in the quality segment where El Mercurio had a dominant position for decades. Both newspapers grab most of the advertising expenditure that goes to the newspaper sector – which is 29% of all advertising spending in the country (Benavides et al., forthcoming). The total advertising spending for newspapers has been steadily decreasing in the last decade, while the shares for other media have been increasing, particularly television and the Internet. Despite the downward trend in advertising spending, El Mercurio gets more than half of newspaper advertising value and is also the leader in circulation. Table 6.1 shows the readership and circulation figures for the main newspapers in Chile.

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<sup>9</sup> This information is publicly available at <http://diario.elmercurio.com/Modulos/ayuda/quienessomos.asp> (retrieved on 17 November 2008).

## 6. Qualitative Analysis

**Table 6.1: Readership and circulation of main newspapers in Chile (Period January-June 2007)**

	Readership	Circulation	Percentage of total circulation	Ownership
El Mercurio	372,475	166,698	19.80%	El Mercurio
La Cuarta	510,325	146,615	17.41%	Copesa
Las Últimas Noticias	423,984	144,320	17.14%	El Mercurio
La Tercera	367,017	137,179	16.29%	Copesa
Publím metro	400,928	108,934	12.94%	MTG (Sweden)
La Hora	266,006	96,213	11.43%	Copesa
La Segunda	74,687	32,000	3.80%	El Mercurio
La Nación	31,520	10,000	1.19%	Chilean State
Total	2,446,942	841,959	100%	

Source: Benavides et al. (forthcoming)

Note: Readership and circulation are weekly averages.

El Mercurio, as a media group, owns several other media outlets and companies. For instance, EMOL, the online portal for the newspapers of the group started as an independent subsidiary but has now been internalised within El Mercurio newspaper – as a matter of fact EMOL is the acronym for ‘*El Mercurio On Line.*’ The 21 regional newspapers of the group are managed as a single, different and almost independent company.

This case focuses in El Mercurio as a newspaper company including EMOL, which is even physically placed in the same newsroom.

### 6.1.2 Environment

#### Competition

El Mercurio was alone in the segment of quality press for more than a century. The perception of the competitive environment for El Mercurio has changed in the last five or six years when La Tercera, a traditionally popular newspaper, changed its editorial focus and thus its market position in order to compete with El Mercurio.

While in the audience market El Mercurio is now facing competition from La Tercera in order to attract and retain ABC1 readers, competition for advertising spending is more complicated. On the one hand, La Tercera has been aggressive in cutting their prices and hence attracting advertisers. On the other hand, television and other media have increased their share in the total advertising expenditure. In order to face this type of competition, El Mercurio is now offering not only space in the newspaper, but a more complete communicational solution to their advertisers. Furthermore, the newspaper places special emphasis on its relationship with medium size companies because

they are usually more loyal to the newspaper than large companies and brands. The Chief Marketing Officer explains,

*“They [the large companies and brands] are attached to no one, they respect no one, and they are just looking for the cheapest cost per contact, and if any media is able to offer the cheapest price they will go for it to maximise their advertising budget.”<sup>10</sup>*

Therefore, given the increased competition for advertising income among media companies, prices have stalled even when circulation figures are larger than some years ago. The Advisor to the President comments,

*“El Mercurio has grown 25% in the last four years... [thus] circulation and the number of readers are increasing, but the ad price is the same or even less... Profitability has declined.”<sup>11</sup>*

Another factor that helped turning competition for advertising far more complicated now than five or six years ago is the fragmentation of audiences. This is particularly true when it comes to the Internet. According to the Internet Advertising Bureau (IAB), Chile, the online portal of El Mercurio Group –EMOL– is the leader in unique visitors in Chile<sup>12</sup>. But this figure is not exactly true because IAB measures only certain online websites excluding other international companies such as Google, Yahoo!, and Facebook. Therefore, EMOL should be ranked lower than it looks.

The competitive dynamics with La Tercera is that of a leader and a follower. All interviewees from El Mercurio says that they do not look at what La Tercera is doing or planning to do, because it sets the pace. EMOL’s editor says, *“Because El Mercurio has reigned for many years there is a culture of believing that whatever the competitors do we will not be affected.”<sup>13</sup>* The behaviour of La Tercera is seen as a ‘me too’ strategy. Several examples illustrate this relationship. For instance, after El Mercurio launched a credit card for their subscribers, La Tercera did the same a year later, and again for the acquisition

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<sup>10</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008). Note: The position of the interviewee is officially called ‘Gerente Comercial’, which translates to Sales Manager. However, the ‘Gerente Comercial’ in El Mercurio is in charge of marketing, advertising sales, circulation and Internet businesses. Thus, I opted to call this position as Chief Marketing Officer because I think it better reflects what English readers understand for such position.

<sup>11</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

<sup>12</sup> Cf. <http://www.iab.cl/estadisticas-generales/index.php>

<sup>13</sup> Interview, Editor of EMOL, El Mercurio (29 October 2008).

## 6. Qualitative Analysis

of the job portal Trabajando.com where La Tercera acquired Laborum.com only three months later. Other examples are the launching of different niche supplements with El Mercurio; in these cases, La Tercera usually launched similar supplements after a while. But this does not mean La Tercera is doing a bad job, since they can sometimes identify weaknesses and do it better.

La Tercera has not been able yet to lure a significant number of El Mercurio's readers. Instead, a new trend appears, with nearly 15% of readers of El Mercurio also read La Tercera as a second newspaper. Nonetheless, La Tercera has been able to draw advertisers from El Mercurio. Because of this situation, El Mercurio has started to emphasise new and creative initiatives, especially harnessing the potential of the Reader's Club (see subsection below addressing the Readers' Club in 6.1.3). The Advisor to the President explains,

*“Competition makes organisations stop looking at themselves and being complacent, which is very common when you are alone in a market... then [competition] has made the newspaper to start developing lots of initiatives to be more creative in order to grow.”<sup>14</sup>*

This has gone hand in hand with an increase in marketing spending, which traditionally has been neglected because of market dominance.

### **Uncertainty**

The perception of uncertainty is attached to the proliferation of new media technologies such as broadband and mobile telephony. The Chief Marketing Officer explains, *“When you have to create a product and you have to physically deliver it home, you have to create a habit, and that is more and more complicated everyday.”<sup>15</sup>* Because all these technologies are becoming part of the customers' lives at a high pace, the uncertainty of newspapers is how to become content providers freed from a specific platform, especially a physical one as the case of a print newspaper. This problem is greater in the case of El Mercurio because of its long tradition as a print newspaper.

However, the tipping point is taking place right now, according to the Chief Marketing Officer. Obsolescent products will have to be terminated in the next years when more drastic decisions about the future business model of the company are made. Thus, the higher level of uncertainty for managers in El Mercurio will lead to increase the velocity of decision-making.

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<sup>14</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

<sup>15</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).

In El Mercurio, managers realise that they need to change to successfully face the industry's uncertainty, as explained by the Advisor to the President,

*“We realise we are not print media anymore, but we have a newsroom, a brand with a lot credibility, and we need to be able to offer content in a diversity of platforms, namely online radio, traditional radio, mobile phones... Of course Internet, free sheets, digital television... So newspapers have realised they are not press media anymore but content generators distributing across multiple platforms.”<sup>16</sup>*

Nevertheless, this vision is recent in El Mercurio – it has no more than two years – and is not completely shared by the content side of the organisation or even the marketing side since profitable business models are yet to be developed. The Advisor to the President says, *“Advertising sales on the Internet do not compensate advertising income loses for the print newspaper.”<sup>17</sup>*

The physical side of production adds to the level of uncertainty faced by managers at El Mercurio. Since the price of newsprint is in dollars, the prices of supplies are indexed to the world economy. If a recession strikes, costs may climb up too quickly having a profound adverse impact. Nevertheless, changes in the production technology are infrequent.

On the bright side, the Readers' Club of El Mercurio has abundant data about its members, which can be used to reduce uncertainty about market preferences. On the one hand, offering attractive services, promotions, discounts, special events, and so on for its subscribers, allows having a low turnover of customers. On the other hand, most people subscribe to the newspaper because they want to read it and El Mercurio can have better information about who they are and what they want to improve its offerings. This business model based on subscription reduces uncertainty because only 20,000 out of 155,000 copies are sold on newsstands.

### 6.1.3 Organisational structure

The organisational structure of El Mercurio makes a clear division between the business and the content sides, which are linked together only at the level of the Board of Directors (Figure 6.1 and Figure 6.2).

The increased uncertainty has its advantages because paradigms need to be reinvented leading to modifications of the traditional newspaper organisational structure. When this happens, it becomes less difficult to accept changes. The

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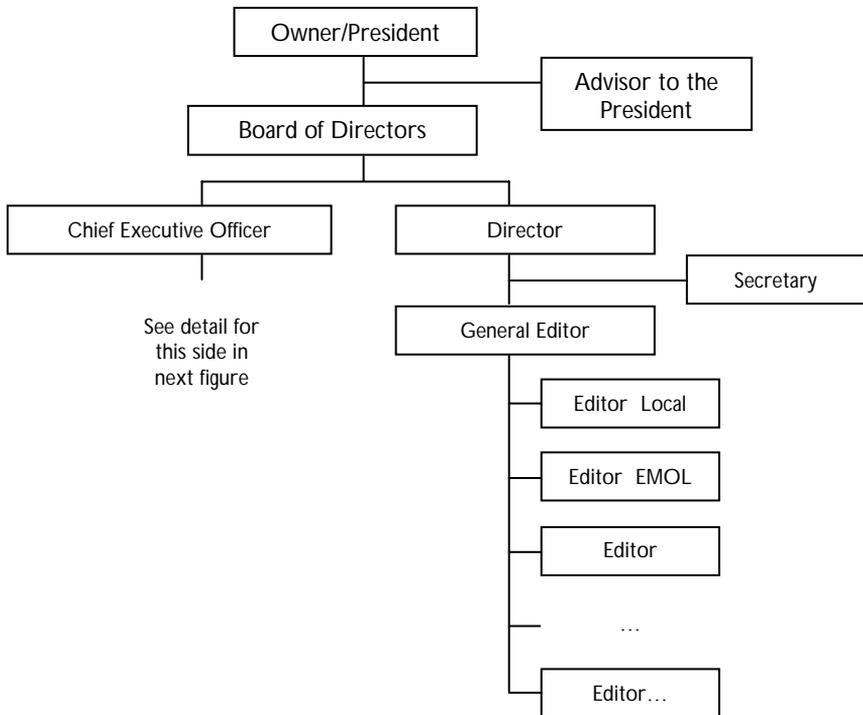
<sup>16</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

<sup>17</sup> Ibid.

## 6. Qualitative Analysis

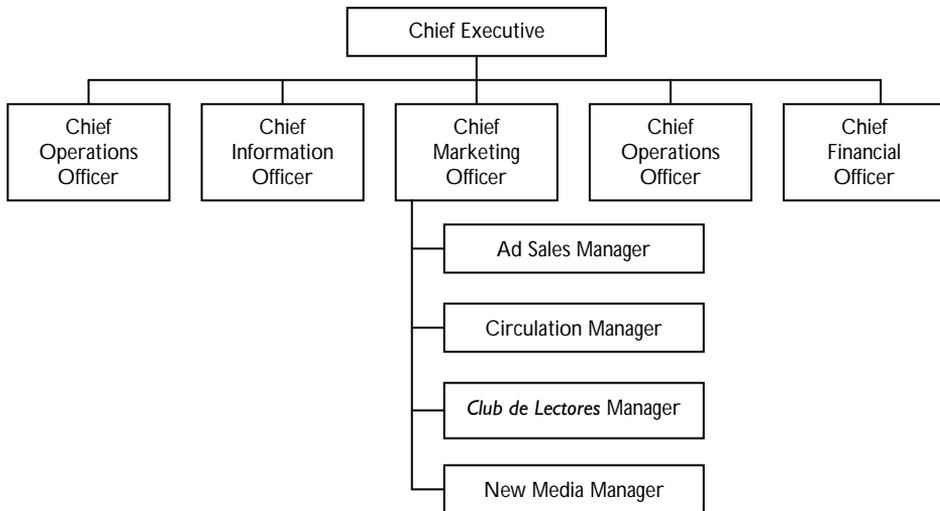
business side of El Mercurio has had to restructure in order to face an increased competition for advertising. The Chief Marketing Officer explains, “The situation for people in marketing, circulation and advertising sales is much more complex because the variables they need to work with are not straightforward, they are complex, they [ad sales force] do not sell ads, they sell a communicational solution.”<sup>18</sup> The ad sales force is now oriented to serve clients and not products as it used to do five years ago. Consequently, the profile of employees in areas such as marketing research and business intelligence are economists and industrial engineers, because they are better equipped to cope with this complexity.

While the business side has changed in several aspects, the content side is more rigid. The clearest example for this is the null convergence process (see subsection EMOL below).



**Figure 6.1: Organisational chart for El Mercurio (editorial side)**

<sup>18</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).



**Figure 6.2: Organisational chart for El Mercurio (business side)**

### Connecting with readers

The need to retain readers and to lower costs of attracting new subscribers led to the creation of the *Club de Lectores* [Readers' Club]. During the last seven years, the number of subscriptions and consequently the number of members of the club has raised from 76,450 in 2001 to 130,002 in 2008. And the number of employees working for the club has increased five-fold from 8 persons in 2001 to 40. About 27% of the members are 35 years or less, contradicting the usual image of El Mercurio's old-aged audience.<sup>19</sup>

Although it was created about 30 years ago, El Mercurio has been tracking down its members' actions only in the past three years. The creation of this club meant not only attaining the primary goal of retaining subscribers, but also collecting information that allows understanding other types of customers' needs beyond the newspaper. The Chief Marketing Officer compares this situation with the discovery of a natural resource,<sup>20</sup> allowing El Mercurio to start selling other products and even launch a credit card associated with the

<sup>19</sup> Interview, Manager of *Club de Lectores*, El Mercurio (7 November 2008).

<sup>20</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).

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club in October 2007. A credit card means the Club may have a share in the commercial transaction and also collect relevant data about consumption patterns. The credit card allows also having promotions beyond the scope of particular agreements with shops as in the case of discounts in U.S. restaurants, which otherwise would be impossible to have. More than 40% of the members have activated their credit cards.<sup>21</sup>

The Readers' Club is located in the same area where the buildings of El Mercurio are situated. But the premises look modern and nicer. One of the reasons is the existence of a Club House to receive members. In any case, the frequent need to reinvent themselves in order to offer better services, discounts and events for members is somewhat reflected in the decoration.

Beyond the Readers' Club, El Mercurio has used panels of readers and it is actually using readers' committees – an idea taken from a Mexican newspaper (see the case of Mural in section 6.3). The committees are arranged for the eight major sections of the newspaper and include between eight and fourteen people each related to the themes treated in those sections – a total of 88 'advisors'. Each committee meet every fortnight to discuss their section. About 49% of the proposals originating in the committees during 2008 were implemented, showing El Mercurio's commitment to better understand its audience.<sup>22</sup>

Market research studies are also conducted every six months and if something wrong is detected then a series of focus groups and surveys help to understand and locate the problem. The Advisor to the President cites examples of how market research has helped to modify the newspaper,

*"We had a drop in sports and we started to do some changes to the cover page and added new sections... Artes y Letras [Arts and Letters] has gone through a radical change in the last two years, making it closer to the readers, less dense content, lighter..."*<sup>23</sup>

An important connection with readers is taking place via blogs. 45,000 people are registered in the blogs of El Mercurio as of July 2008<sup>24</sup>. Their comments have an increasing impact on internal decisions. Also, a section called Línea Directa [Direct Line], where readers are able to send complains about a variety of services and products, originates about 1,000 letters and emails a month.<sup>25</sup>

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<sup>21</sup> Interview, Manager of Club de Lectores, El Mercurio (7 November 2008).

<sup>22</sup> Archival document, El Mercurio (September 2008).

<sup>23</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

<sup>24</sup> Archival document, El Mercurio (September 2008).

<sup>25</sup> Ibid.

## EMOL

EMOL is the online portal for El Mercurio group of newspapers, but it is a different entity than each of those newspapers. It is possible to access the print newspaper content through one of the links in EMOL, but that implies leaving EMOL and entering the newspaper's website. Thus, EMOL has its own general editor, 20 journalists, and 10 designers. Recently, three journalists were hired to start producing for EMOL TV, a unit within EMOL dedicated to produce original video features for the website.

The convergence process between El Mercurio and its online portal is almost non-existent. This may be related to the origins of EMOL. The online portal was created as an independent venture, but completely financed by El Mercurio. After the Internet bubble, EMOL was brought back to El Mercurio and it actually operates in the same newsroom.

Although the inertia of a centennial print newspaper tradition is strong, the organisational culture is changing. But the relation between El Mercurio and EMOL is complicated because of brand issues beyond profitability. The Chief Marketing Officer explains,

*"We upload news to the website without waiting for the next day... this is somehow changing the culture... I want to have the scoop... but if it is a big one I will try to have it in the print edition because that is the brand... and the scoops create value for the brand."<sup>26</sup>*

The organisational culture of EMOL is different from El Mercurio's. Its editor explains, *"EMOL's culture is much more flexible because the platform warrants that... If there is one thing Internet requires is flexibility."<sup>27</sup>* Nevertheless, the fact of being situated within El Mercurio's newsroom helps to improve the value of journalists working for EMOL because they can feel they belong to the big brand El Mercurio. The problem of the location is the limitation of physical space, thus there is no place to grow if necessary.

Although it is not possible to talk about convergence in the case of EMOL and El Mercurio, it is possible to mention that being physically in El Mercurio's newsroom allows a certain degree of integration. Formally, the editors participate in the daily meeting to discuss the newspaper's agenda. Informally, there is a continuous feedback between online and print journalists just because they work a few meters away. EMOL's editor explains,

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<sup>26</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).

<sup>27</sup> Interview, Editor of EMOL, El Mercurio (29 October 2008).

## 6. Qualitative Analysis

*“A complementary and very useful relationship develops [between online and print] because if they are not aware of certain information it does not matter, we are there for that... there is an interesting synergy.”<sup>28</sup>*

But no more than five journalists serve the print and online editions on the same grounds. Most of the time, EMOL editors have to call journalists of the print edition to get information.

The website is also a sort of basic market research tool. Everyday there is a late afternoon meeting to analyse the most viewed news on the website to help preparing the following day's print edition of the newspaper.

But the priorities are clear. If possible, scoops are saved for the print edition, and even good investigative reporting by EMOL's journalists may be published in the print newspaper instead of online if the editors find the story has more potential on paper.

There is little room to explore with new technologies, but efforts are being directed to improve this ability, since EMOL is seen as a bit freer than El Mercurio. The Editor of EMOL explains,

*“EMOL has a few characteristics that make it interesting to stay away from El Mercurio. First, it is a younger brand, it connects with younger people than El Mercurio favouring broader advertising segments than the print newspaper.”<sup>29</sup>*

Despite this 'freedom to explore,' many new ideas to develop, such as mobile versions of the site, come from the new business unit or from the marketing unit. The reason is simple: in order to set in motion all necessary mechanisms, the order has to come clear and loud from the top.

The future of convergence between print and online is just beginning in El Mercurio. The Editor of EMOL says,

*“This year [2008] there was a strategic retreat in [the hotel] Jahuel... and five task-forces emerged. One of them is the convergence task force that I lead... and different initiatives are being implemented. One of them is the joint realisation of features, where print and online journalists will be able to work together.”<sup>30</sup>*

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

In any case, careful attention is paid in order to avoid showing that EMOL may be a better product than El Mercurio and that even EMOL may have more content. The Editor of EMOL clarifies this position and says,

*“Internet is destined to present products that the print newspaper cannot include because they are different platforms, rather than delivering a more complete version than the print newspaper.”<sup>31</sup>*

Regarding new trends like citizen journalism, the editorial side of El Mercurio has a clear position as the Editor of EMOL explains, *“Neither the Director nor the Editor of EMOL are too passionate about citizen journalism... the business of El Mercurio is not citizen journalism.”<sup>32</sup>*

Everyday EMOL has circa 450,000 unique visitors who stay an average of 10 minutes in the site. It is financially viable as long as it stays physically integrated to El Mercurio’s newsroom. Yet EMOL’s revenues are only a small percentage of El Mercurio at about 2-3%.

#### 6.1.4 Strategy-making mode

The strategy-making mode is heavily influenced by the long tradition of the newspaper and its sustainability as an authoritative source of information in the long term. There is wide acceptance inside the organisation that the newspaper has been and is a key player in the development of the country. The Chief Marketing Officer says,

*“We are part of the historical process of this country... of the economic, political and social development of the country, which makes us the most relevant newspaper, the most relevant media.”<sup>33</sup>*

This position as an authoritative newspaper is closely linked with the attributes of the brand.

El Mercurio’s strategy-making mode is also influenced by the fact that there is a single owner – Agustín Edwards Eastman – who favours a centralised style. All key decisions go first to the Board of Directors and then go through him. This procedure slows down the decision-making process. The Chief Marketing Officer explains, *“Slow, slow, slow. Because there are fears, and now even more*

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<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).

## 6. Qualitative Analysis

*given the uncertainty. There is fear. It is slow. Traditions need to be considered.*<sup>34</sup> The Advisor to the President relates the slowness to the age of the brand, *“When you have such a strong brand you are always thinking that anything you do will hurt it... and you make decisions very carefully.”*<sup>35</sup> The lack of a long-term vision may also be an important reason for the slow decision-making process.

Strategic decisions are made thinking mostly about the resources as opposed to an opportunity-seeking behaviour. The Advisor to the President says, *“When you think about resources to make changes you will later realise you do not have enough of them, and that has been our way of thinking so far.”*<sup>36</sup> Certainly some exceptions occur as in the case of the 25% increase in readership in the last years. This success was possible because everyone was committed to that goal and also thanks to innovative practices set forth by the Readers’ Club.

Although it might be possible to argue the existence of a certain balance between exploiting resources and exploring new opportunities – as in the case of attracting new readers, the bureaucratic burden is more oriented towards optimising resources. This is heavily influenced by the most rigid part of the organisation, the content side. For instance, most of the supplements/magazines it issues were developed in the 1980s, and some of them are not profitable today. Therefore, a lot of managerial effort is spent towards minimising losses for those products. The reason for not replacing those products is tied to a risk-averse behaviour because the brand may be jeopardised. The Advisor to the President adds,

*“In any industry... if a product does not sell, it is withdrawn from the market and that is all. In the media industry... we continue every new product or newspaper section for ever because we think: what is the reader going to say about this?... So we are very slow to change... readers feel they own the newspaper... and that fear paralyses us.”*<sup>37</sup>

The slow changes in the editorial side do not imply El Mercurio is immobile. They imply searching for new ideas is usually oriented towards increasing revenue streams coming from existing products vis-à-vis searching new business ideas that could lead to new products or entering new markets. Again, optimising resources seems to be a predominant feature. This is confirmed by looking at what has happened when new sections to be added to the newspaper are proposed. Each of them has had enormous resistance. Furthermore, it is

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<sup>34</sup> Ibid.

<sup>35</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

difficult for new ideas to flow within the organisation because there is no place to analyse or test them, and everyone is so focused in doing their everyday job that there is no time to think beyond that. In other words, all incentives aim at the short term.

The development of new ideas or products in EMOL is also hindered by several reasons. On the one hand, the informatics department builds the technological part of a new product. Informatics is a common unit to the whole organisation and serves EMOL just as another internal client. This means resources to develop new products are constrained. On the other hand, the newspaper's director reviews all new developments for EMOL. If priorities for the director do not include the website, then it becomes difficult to turn new ideas into working products.

The predisposition of the organisation to preempt changes and to think more in terms of resources than in term of opportunities is what constitutes the key attributes of the 'mercurial culture', where mercurial is a word derived from the name of the company and relates to the slow decision-making and fear of change. The 'mercurial culture' has many consequences. For instance, it is responsible for the well-delineated boundary between the business and the content sides. The turnover of employees is relatively low because loyalty is rewarded; as a consequence, mobility within the organisation is hampered. Also, leadership becomes very strong and centred around a few senior managers and editors, besides the obvious influence of the owner; thus, new ideas rarely come from the bottom but most of the time from the top. A few exceptions occur from time to time. The Advisor to the President explains,

*"There is no culture of [idea] generation, but we have done some experiments... Last year we had a meeting with editors and eight new projects emerged... A style manual, a career path for journalists... But normally there are no [regular] procedures... then ideas always originate at the top."*<sup>38</sup>

Several new venturing initiatives in El Mercurio are acquisitions. El Mercurio got into the radio business acquiring 90 regional radio stations in the last five years, and it bought several regional newspapers, e.g., El Sur (Concepción), El Diario de Atacama. The diversification process has reached other sectors beyond the content business. El Mercurio has invested in a job portal called Trabajando.com, a yellow pages guide called La Gran Guía, a printing company which handles about one third of the country's commercial printing, a fair/event company called Casa Piedra, and recently bought a real estate

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<sup>38</sup> Ibid.

## 6. Qualitative Analysis

company called Pabellón de la Construcción [Construction Pavilion]. The need to diversify comes from the pressure to maintain or avoid drops in revenues rather than competitive pressure. The Advisor to the President explains, *“If you used to earn \$100 selling three products, now you need to sell six or eight products to earn the same \$100.”*<sup>39</sup>

The growth of El Mercurio as a holding company cannot be considered aggressive. In fact, the Chief Marketing Officer claims that El Mercurio was very passive until a few years ago, and only very recently they have been looking outside the organisation in order to spot new opportunities<sup>40</sup>. Also, the lack of a serious competitor for many years helps having a non-aggressive style. The lack of an aggressive attitude is also related to a fear of taking risks. The Advisor to the President says, *“If the numbers of a project are alright, but we think it is risky we prefer to stop... but I think this is not right.”*<sup>41</sup>

### 6.1.5 Summary

El Mercurio – a traditional, quality newspaper – has enjoyed a privileged position in the Chilean newspaper market and has significantly increased its circulation in the past seven years. Nevertheless, it faces a declining advertising market and new, expanding competition from other media outlets, e.g., the revamped newspaper La Tercera. This new competitive scenario puts pressure on managers who also need to deal with the complexities of a family firm where the brand is conscientiously protected. This translates into a slow decision-making process and aversion to changes that might result in detracting readers from the newspaper.

El Mercurio has particularly promoted two initiatives to cope with the changes in the industry. The first one is the development of a readers' club – *Club de Lectores* – to attract new readers and increase loyalty of existing ones. The success of this club is one of the main contributors of the rapid growth in circulation and has also led to launch a credit card that will help gathering data about customers and consumption patterns for later use in marketing efforts. The second initiative corresponds to external corporate venturing. El Mercurio has acquired or formed joint ventures with several regional newspapers, an online job portal, a yellow pages company, a real state firm, a commercial printing company, and others. Most of these deals are recent and remains to be seen how they fit in El Mercurio's strategic plan.

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<sup>39</sup> Ibid.

<sup>40</sup> Interview, Chief Marketing Officer and Board Member, El Mercurio (24 October 2008).

<sup>41</sup> Interview, Advisor to the President, El Mercurio (29 October 2008).

Despite these two initiatives, El Mercurio's owner and managers have yet to decide how far they want to go in terms of entrepreneurial behaviour. Because of the slow decision-making process and cultural inertia – 'mercurial culture' – described before, the initiatives are usually more externally than internally oriented. For instance, while El Mercurio develops its readers' club and acquires stakes in various firms, its online portal is far from being integrated to the print newsroom although located in the same physical place.

## 6.2 El Tiempo (Bogotá, Colombia)

### 6.2.1 General background

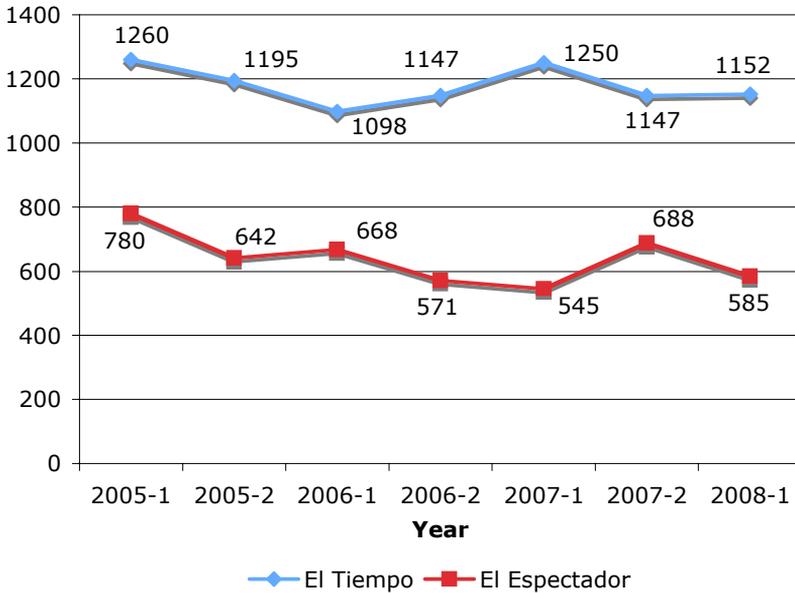
Colombia is located in the northern part of South America. Its population exceeds 46 million inhabitants and the total advertising expenditure was 2.3 billion dollars in 2006 ranking the country the 32<sup>nd</sup> in the world. However, total ad spending has decreased 7.7% between 1997 and 2006. Television was the sector that had the largest drop in advertising, while newspapers have been able to keep their advertising income stable during that decade despite the general decreasing trend (at constant 2000 prices). This means that the share of the advertising market for newspapers has slightly moved up from 14.8% in 1996 to 16.3% in 2006 (World Advertising Research Center, 2007).

El Tiempo was founded in 1911 by Alfonso Villegas Restrepo and acquired two years later by Eduardo Santos Montejo. The Santos family has since then controlled the newspaper, which became a multimedia group called Casa Editorial El Tiempo (CEET), including a local television channel (CityTV), several newspapers, magazines and Internet websites. CEET became a subsidiary of Grupo Planeta in September 2007 after Colombian anti-trust regulator approved the acquisition of a 55% controlling stake in CEET and 40% in CityTV (Santos, 2007). The latter is the result of a restriction imposed by law regarding television ownership by foreign investors.

CEET is the leading Colombian media company, obtaining the largest advertising income compared with any other media group in the country during 2007. While the national advertising market grew 9%, CEET grew 15%, increased its advertising market share, and increased circulation and television audiences. The newspaper El Tiempo, CEET's flagship, has the highest readership on a national level reaching 1,152,000 readers in 2008 (Figure 6.3) (Estudio General de Medios, 2008). It has an average circulation of 340,000 on weekdays and 450,000 on Sundays; its website, ElTiempo.com has 60 million monthly page views and four million unique monthly users, while the websites of the whole group has 130 million and six million, respectively (LaFontaine, 2008). Its main competitor in the press business is El Espectador [The Spectator], which has a much lower readership (Figure 6.3). The period analysed in this case is 1996-2007. This period includes a restructuring of the

## 6. Qualitative Analysis

company by Luis Fernando Santos initiated when he took the position of President of CEET in 1996.



Source: Estudio General de Medios (2008).

**Figure 6.3: Newspaper readership for El Tiempo and El Espectador in Colombia 2005-2008**

### 6.2.2 Environment

#### Competition

The company began perceiving the environmental changes about a decade ago leading to the creation of a diversified media portfolio. A series of events that took place in Colombia by the end of the 1990s affected the media industry and favoured CEET's long-term vision and strategic thinking. The changes affecting the media were (1) the launching of private television stations, (2) the arrival and then fast growing market of mobile phones, (3) the Internet, and (4) the rapid growth of paid television.

In addition to the above mentioned factors, the direct competitor of CEET's newspaper El Tiempo, the newspaper El Espectador, was going through troubled times and a low circulation. The long-term vision led CEET to think about the competition in broader terms. The President of CEET explains,

*"One of the most important decisions we made was to agree that our competition was not other newspapers, but whoever takes our readers away –*

*at that time they were only readers, now they are readers, Internet users, television viewers, mobile users... everyone who consume our products... That new way of thinking was a significant change allowing us to acquire a leading position far from the other media in the country.*<sup>42</sup>

Given the proximity to the United States, where the newspaper industry has had signs of decline in circulation and advertising revenues for many years, CEET could be aware of the changes that the local newspaper industry was about to face. The Newsroom Manager of El Tiempo says, *“This market is very similar to the U.S. market, and sooner or later something similar will take place in Colombia.*<sup>43</sup>

The subscription rate for El Tiempo is about 68%, and there is an aggressive posture towards retaining and increasing the number of subscribers. The price of a copy of the newspaper was barely enough to pay for the newspaper’s print edition during most of the 1990s. Since 1998 until 2006 the economic conditions – newsprint prices and exchange rates – allowed not only to pay the physical copy of the newspaper with its cover price, but also obtain an extra income. The cycle seems to be going down again and the demand elasticity is low thus making it very difficult to increase newspaper prices. The newspaper El Tiempo is still the main income source for CEET contributing about 70-75% of all revenues.<sup>44</sup> Nevertheless, the revenues growth rate for the newspaper business is slower than for other business units of CEET.

Inter-media competition – competition among media companies in different sectors – is tough. The President of CEET acknowledges that they cannot compete head-to-head with other media companies, and the only way is being different and innovative. This is particularly true for competition with television stations, which have been in the market long before El Tiempo and are successful. The President of El Tiempo says,

*“We try to exploit their weaknesses using counter-programming and using the brand to stand out... Thus we are being very innovative in print media... I think when it comes to the Internet we are very innovative and we have a very strong leadership in Colombia. And in Colombia we try to adopt practices of the big players around the world and apply them to the national context.”*<sup>45</sup>

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<sup>42</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

<sup>43</sup> Interview, Newsroom Manager, El Tiempo (18 November 2008).

<sup>44</sup> Ibid.

<sup>45</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

## Uncertainty

The perception of uncertainty within the organisation is high although in the long-term. CEET managers think of uncertainty more in terms of how dynamic is the market instead of unpredictability. For instance, changes in readers' behaviour and preferences makes necessary to revamp El Tiempo every five years. The President of CEET comments,

*“There is a need to renew the products without betraying the loyalty of the audiences, but audiences are changing. For instance, El Tiempo is scrupulously redesigned every five years, but it is not throwing away everything and redesigning from scratch, it is a visual, usability improvements based on readers' comments.”<sup>46</sup>*

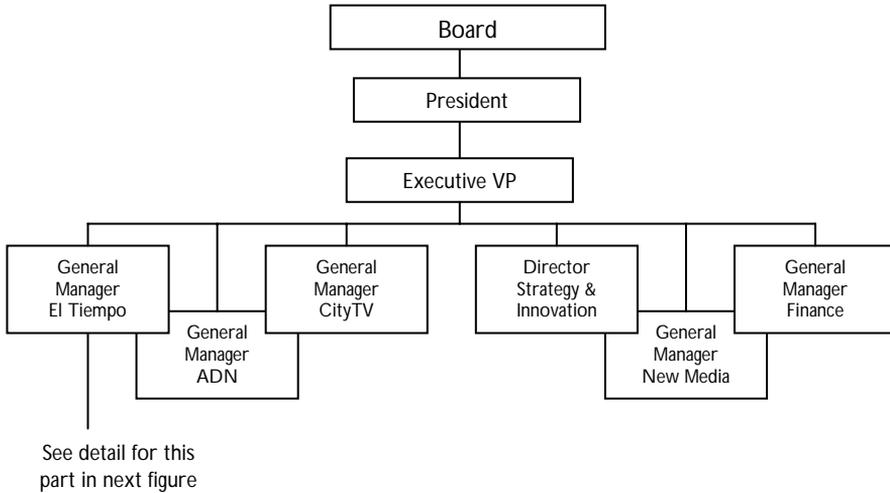
Uncertainty has also led CEET to continuously invest in new technologies in order to be prepared to face new challenges. If there are available resources, they are invested in order to keep technologies and processes up to date. The competitive nature of the industry is also a driver for CEET to keep looking on new technologies as well.

### 6.2.3 Organisational structure

The organisational structure of CEET shows a clear differentiation between the business and content sides, thus the 'content side' of the organisation works independently of the 'business side.' The business side of CEET is shown in Figure 6.4, while the organisational chart for the newspaper El Tiempo is shown in Figure 6.5.

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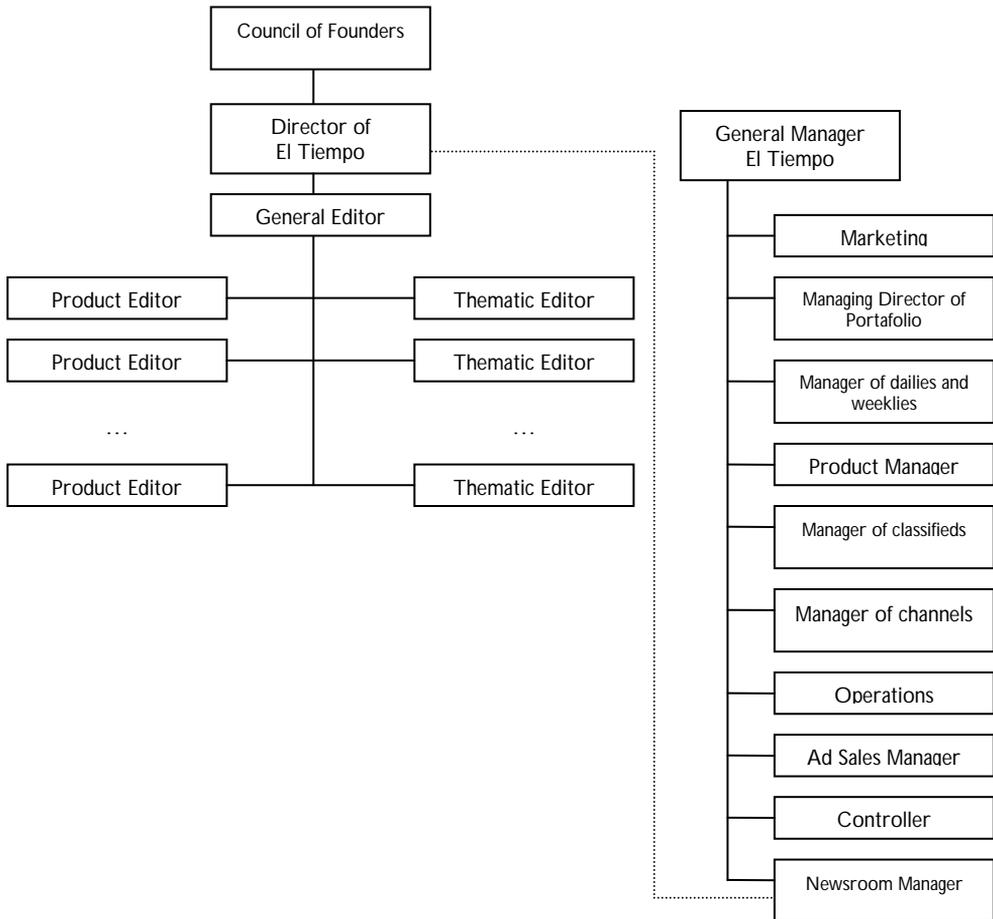
<sup>46</sup> Ibid.



**Figure 6.4: Partial organisational chart for Casa Editorial El Tiempo (CEET)**

Although the President of CEET names the Director of El Tiempo, the Director does not report to the President strictly speaking, but to a Board of Trustees as a way to guarantee journalistic independence. The operational link between El Tiempo newspaper and the business side is the Newsroom Manager. This organisational structure changed after Planeta bought a controlling stake in CEET in 2007. The current structure terminates the Board of Trustees thus the Director of El Tiempo is currently under the President and the Newsroom Manager who in turn reports to the General Editor of El Tiempo and the General Manager for Finance.

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**Figure 6.5: Organisational chart for the newspaper El Tiempo**

### Integration

One of the most innovative changes in the organisation is the convergence of the newsroom that began in 2001 when the company defined itself as a multimedia company. In 2006 the convergence process was accelerated in order

to physically integrate all members of the newsroom under the same roof using a common technological platform.<sup>47</sup> The President of CETT explains,

*“The multimedia platform we have now in the newsroom is for all media, not matter they work for Internet, television, and magazines... The content goes to a single database and anyone can access it.”<sup>48</sup>*

The software platform called Hermes was first installed in 2005 and since then it has been updated twice. It works around the idea of story package where all sorts of multimedia elements can be attached to a story. All editors have gone to courses at IFRA’s Newsplex in South Carolina in the United States.<sup>49</sup>

The convergence of the newsroom meant organising it in thematic groups of journalists who work for an editor, e.g., local, political, business, sports, health, etc. Another group of editors are called ‘product editors’ and each one is specialised in a specific media outlet, e.g. the newspaper El Tiempo, the television station CityTV, the website of El Tiempo, the business newspaper Portafolio. Thematic editors are responsible for content creation, then available to product editors via the software platform Hermes. Product editors take the content they need from the database and make it appropriate for their respective audiences. The newsroom becomes then similar to a news agency. Each day at ten in the morning thematic and product editors gather to discuss the agenda for the day. After the meeting, each thematic editor assigns tasks to their journalists according to the themes of the stories that are needed. When the journalists are back to the newsroom – or even before via mobile devices, they upload the information to the database and any product editor may use that information. However, the information needs to be adapted in order to fit the product, e.g., the same piece of news is written in different styles depending on whether it will be published in El Tiempo or in the business newspaper Portafolio. The Chief Editor of El Tiempo says,

*“The traditional journalist who got at the newspaper at ten in the morning to drink coffe, make a couple of calls, write a story and finish it just before the daily deadline does not exist anymore in El Tiempo. Now a journalist who gets here at nine in the morning or is already covering an event has to*

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<sup>47</sup> Unpublished interview of Guillermo Franco, ex-New Media Manager of El Tiempo (2008).

<sup>48</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

<sup>49</sup> “IFRA Newsplex is the international competence centre for enabling newsrooms of the future” (Retrieved on 3 December 2008 from [http://www.ifra.com/website/website.nsf/weblistk?readForm&NP&E&CONT\\_ANP\\_INTRO&N1.1&&](http://www.ifra.com/website/website.nsf/weblistk?readForm&NP&E&CONT_ANP_INTRO&N1.1&&)).

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*start generating information for the database because the website will upload that information... if we have the newscast in CityTV at that moment, the journalist knows she might be called by CityTV to cover that story wherever she is.*<sup>50</sup>

The incentives to cooperate among different products are twofold. On the one hand, journalists perceive that their work is more valuable because it is used in a variety of platforms.<sup>51</sup> On the other hand, the convergence process was also helpful to identify 'hidden talents' in the newsroom, particularly journalists from the print edition appearing now in television. Some journalists were identified as good television analysts for topics different from what they do in the newspaper.

The main problem of the convergence process was to change the newsroom culture. The President of CEET explains that it was necessary to communicate the message of the need to change without forcing the process.<sup>52</sup> The Chief Editor for El Tiempo adds,

*"The most difficult task has been, is, and will be to change the minds of the journalists in order to understand the new dynamic of their jobs... Because it is a centennial newspaper... and the cultural change of being in a 24×24 scheme to a 7×24 scheme where information is generated 24 hours a day all week."*<sup>53</sup>

Although the cultural change happening in 2007 was tough, most journalists were enthusiastic about it, particularly younger ones. The former New Media Manager of El Tiempo says,

*"More than imposing, this is about seducing. It is about selling the idea that we are essentially story tellers, that there is life beyond printed text and that the ability to produce it will not be enough to survive in a digital environment."*<sup>54</sup>

The minority who did not want to adapt are still working in the newsroom. The second challenge was preserving the differentiation of each product, thus

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<sup>50</sup> Interview, Deputy Editor, El Tiempo (18 November 2008).

<sup>51</sup> Ibid.

<sup>52</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

<sup>53</sup> Interview, Deputy Editor, El Tiempo (18 November 2008).

<sup>54</sup> Unpublished interview of Guillermo Franco, ex-New Media Manager of El Tiempo (2008).

each product editor had to be aware of the particular characteristics of her own product.

Notwithstanding the high level of convergence in the newsroom, it still happens occasionally that product editors do not coordinate coverage of big events. The Chief Editor for El Tiempo says,

*“This is an example that happened a few months ago... when the release of Ingrid Betancourt took place, instead of doing a multimedia coverage where all editors meet together to agree that CityTV will broadcast the release process in real time, the website will continuously upload information, El Tiempo will be preparing a big coverage package for tomorrow... What we did was what used to happen in the past, each product editor planned what to do on her own and for her product, and never knew what everyone else was doing... And CityTV obtained an exclusive interview of Ingrid Betancourt... but no one else knew about it.”<sup>55</sup>*

The integration between the content and business side has been less thriving than the newsroom convergence. The President of CEET says,

*“We have done a lot but, having said that, there is always a boundary that needs to be managed... and understand that journalists have their own egos... but we have done a lot... Fifteen years ago we did not talk about it... It was not the Great Wall of China, it was the Berlin Wall.”<sup>56</sup>*

Nowadays there are several formal procedures to help establish communication between sides. For instance, product editors participate in the executive committees for their products; also, the Executive Vice President has a manager in the newsroom to communicate how the business is doing and its needs.

## **Citizen Journalism**

El Tiempo includes weekly supplements for four zones of the city, where each zone includes between 800,000 and 1,000,000 inhabitants. These supplements are ‘small newspapers’ and their contents are contributions by citizen journalists supervised by journalists of the newspaper. El Tiempo even trains groups of citizen journalists to help increase the quality of the published content. Anyone can call the newspaper to write a story and ask for help if needed.

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<sup>55</sup> Interview, Deputy Editor, El Tiempo (18 November 2008).

<sup>56</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

### **Advertising sales**

The strategy of CEET regarding advertising sales is to offer advertisers ad packages instead of television time or space in newspapers. The President of CEET says, *“The selling of advertising packages is growing faster than what we call single-products.”*<sup>57</sup> This way of selling has helped offset the low growth of the newspaper ads market, despite the fact that the newspapers are still the core of the company and they generate most of the advertising income for CEET.

An independent company, called Media 24, handles advertising sales for CEET. This company, created in 2004, was a joint venture with the Spanish media group Prisa, but it was acquired back by CEET when Planeta acquired a controlling interest in CEET in 2007. The advantage of outsourcing advertising sales is that the newly created company may better focus on its activities. Furthermore, this scheme works better when multimedia packages are sold instead of single-product space. The advertising sales people are not focused on just one product but on all of CEET’s media outlets.

### **Alliances**

CEET has had several alliances in the last decade, including Bertelsmann in book publishing, Caracol and RCN in paid television, Sky in satellite television, Cinemark in cinemas, Tower Records in music distribution. Many of these alliances ended and taught CEET that its business was not distribution or retailing, not even entertainment, but information. Moreover, the different investments and alliances required the existence of up to 12 vice-presidents at one point. This number was reduced to three and today there is only one vice-president. One of them moved to Media 24 and another is the current chief financial officer. All these changes ended up in configuring a matrix organisational structure.

#### **6.2.4 Strategy-making mode**

The strategy-making mode is based on the premise that the company is oriented towards audiences and not products. The President of CEET committed himself to promoting the change process of the company when he arrived as Chief Executive Officer in 1991 and then as President in 1996. He explains the basic pillar of the strategy as follows,

*“We recognise the consumer is always changing, not annually but monthly regarding her loyalty to brands, her available time to consume our content,*

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<sup>57</sup> Ibid.

*and we need to understand those changes in order to anticipate or react very quickly. That is the base of our success if not our survival.*<sup>58</sup>

The changes championed by the President of CEET became possible because of his strong leadership in the organisation.

The brand is recognised as important to show stability to the audiences. Even if newspapers are redesigned the brand helps to show that it is the same product although revamped.

The decisions to innovate in production technologies aim at providing a better product for the audience. The President of CEET explains,

*“We do not innovate just to say that we have the latest technology, we do it because of the benefits for the audience: the newspaper looks better printed, subscribers get the newspaper earlier, journalists can finish the edition later...”*<sup>59</sup>

The strategy-making mode of CEET is approached very pragmatically, thus managers can easily grasp where the company is heading. The process of formally planning the company’s strategy started in 1995. That year a long-term strategy was developed and it is reviewed every three years to revamp it according to changes in audience behaviour. Furthermore, the strategy-making exercise helps to define in what business the company wants to be. The President of CEET explains where the focus of the company lies,

*“We know that we depend on advertising or related services. Before we depended much more on selling content. We realise now that it is very difficult to sell content because it is a commodity.”*<sup>60</sup>

The main strategic goal for CEET was set to add audiences, and those audiences have to be valuable for advertisers. The content is seen as what connects audiences and advertisers. And the creation of content able to connect audiences and advertisers is done by having in mind the opportunities in the market before thinking about resources. There are several examples to illustrate this guiding principle for CEET, for instance the launching of a free sheet called ADN in the second half of 2008. The case of ADN shows that CEET is willing to pursue opportunities, i.e. a market made of young adults of 25-35 years old, well educated, with a job, Internet and television users, and not being reached by any of CEET’s media outlets. It also shows CEET is willing to take

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<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

## 6. Qualitative Analysis

risks since no other free sheet existed in the market and there was no need to launch the first one. Furthermore, a new team was assembled to develop it. On the risk-taking behaviour of CEET, the President of CEET says, *“We realise that in this competitive environment it is necessary to take risks in order to snatch winning bets... without a doubt.”*<sup>61</sup> Other examples of risk-taking abound. The case of CityTV was already risky starting with its name in English. And one of the most risky moves was syndicating all El Tiempo content to the web portal Terra in 1998 vis-à-vis the common revenue-sharing model employed by most content producers. That bet paid off because all the money paid by Terra was reinvested in websites that were unprofitable for about five years.

Failures are also part of CEET’s story but they are seen as an opportunity to learn. The Newsroom Manager of El Tiempo says,

*“CEET has been very innovative launching all the time new products and most of them have not worked out well... and the company had to withdraw from them to focus on content.”*<sup>62</sup>

The failures include investments in yellow pages, paid television, and music retailing. For instance, the launching of regional editions of the newspaper El Tiempo for Cali, Medellín and Barranquilla – the most important cities after Bogota – did not work because readers wanted to read local news from local newspapers. The magazine business started with a large number of titles and then the business model was changed reducing the number of titles and targeting niche, profitable segments.

Albeit the fear to fail is not part of CEET’s culture, the lack of clear definitions of responsibilities hampered execution of new ideas because job definitions were loose. The Newsroom Editor of El Tiempo says,

*“In everyday management, what made things more difficult was not knowing the terrain one was stepping on, not because of angst to make a mistake, but because of uneasiness about hurting someone or invading someone else’s grounds... So everything had to be done in a very consensual way.”*<sup>63</sup>

The strategic change process that began in 1995 was also responsible of creating an innovation unit at the corporate level in 1996. This innovation unit allows a formal procedure to funnel new ideas coming from any part of the organisation. This process is done quickly enough in order not to leave these ideas be developed by competitors or miss the window of opportunity. New ideas are

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<sup>61</sup> Ibid.

<sup>62</sup> Interview, Newsroom Manager, El Tiempo (18 November 2008).

<sup>63</sup> Ibid.

able to flow not only from the top but also from the bottom. The President of CEET gives an example of an idea coming from the newsroom,

*“We just launched a free quarterly magazine on celebrities called Elenco [Cast]. Its paper is very good quality... in order to compete with magazines already in the market... and this came from the entertainment journalists.”<sup>64</sup>*

In contrast, the idea of developing a local television station – CityTV- had its origin outside the organisation, but its website turning into a social network came from inside the organisation. Thus, ideas might have originated internally or externally and it was the innovation unit that studied them and proposed their implementation.

The President of CEET describes the culture of the organisation as result-oriented, innovative, and favouring teamwork.<sup>65</sup> But CEET’s culture was very different ten or fifteen years ago; it was a family-type of firm, with a hierarchical structure, and slow decision-making. The President of CEET explains, *“In the last ten or fifteen years we had professionalized the organisation, flattened the structure, [developed] accountability, and empowerment.”<sup>66</sup>* The last feature of the organisation relates to the capability of organisation members to have certain autonomy in their decision-making process.

The transactional web portals are an example of the innovativeness of the company. They were developed in-house and are very unique in the region. One of them is the job portal, which goes beyond offering or seeking a job; software is provided to firms wanting to outsource their processes of search and selection of employees. A magazine targeting high and middle-high income men is also an innovative product for CEET because there was nothing like it in the market, thus it reached a new segment of consumers.

## 6.2.5 Summary

El Tiempo is Casa Editorial El Tiempo (CEET)’s flagship newspaper. CEET, the leading Colombian media company and controlled by the Santos family until 2007, began a multimedia diversification process during the second half of the 1990s that had a profound impact in the operations and business model of the newspaper El Tiempo. The main promoter of this process is CEET’s current President.

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<sup>64</sup> Interview, President, Casa Editorial El Tiempo (19 November 2008).

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

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Although El Tiempo faced a mild level of competition in the newspaper business, CEET managers were able to recognise the changes taking place in the media industry as a whole, such as rapid growth of paid television and the proliferation of mobile phones. The company assumed that they were competing for the time of their readers in a broad sense thus not limited to the newspaper sector.

The perception of continuous change by managers of CEET propelled investment in new technologies while renovating existing products and launching new ones to accommodate consumers and audiences. However, the most dramatic change took place when CEET decided to integrate its operations leading to the development of a convergent newsroom for all its media outlets. This change implied a profound transformation of how news are elaborated, edited and distributed as discussed in the case. Other innovative initiatives by CEET include citizen journalism, the creation of a subsidiary for managing advertising sales for the whole group, and various alliances and joint ventures in related businesses.

The strategic renewal of CEET was possible to a large extent because of a leader promoting a new way to look at the media industry. The organisation then was able to assimilate this vision and adapt to a new formulation of its business model.

### 6.3 Mural (Guadalajara, Mexico)

#### 6.3.1 *General background*

Mexico is one of the largest countries in Latin America having more than 105 million inhabitants. A total of 299 paid dailies existed in 2002, but only two of them are circulated nationally. Newspapers reach 46% of the adult population a month showing that readership figures are quite low (World Association of Newspapers, 2006). Mexican press is mainly regional or local, thus many companies publish different newspapers across the country (Gutiérrez, forthcoming). Unfortunately, there is no official auditing of circulation and readership.

Advertising expenditure in the country was 16 billion dollars in 2006, the world's seventh largest. Although ad spending per capita has more than tripled in Mexico between 1997 and 2006 (at constant 2000 prices), ad spending in the newspaper sector has barely changed in the same period. While in 1997

newspapers took 13.5% of the advertising market, that figure dropped to 4.8% in 2006 (World Advertising Research Center, 2007).

Mural is the leading newspaper in Guadalajara, capital of the state of Jalisco and one of the largest cities in the country, which includes a metropolitan area of more than 4 million inhabitants.<sup>67</sup> It has an average paid circulation of 45,576 a day,<sup>68</sup> and almost all its revenues come from the print edition and advertising sales.

The newspaper Mural is part of the Reforma Group, which owns six other newspapers. The combined circulation of the group is over 500,000 copies a day and has over 4,000 employees. Rodolfo Junco de la Vega founded the first newspaper of the group, El Sol of Monterrey, on 2 April 1922. Sixteen years later he founded El Norte, and in the early 1970s his grandsons, Alejandro and Rodolfo Junco de la Vega took over the control of the company. Alejandro Junco de la Vega is currently the president of the Reforma Group. The newspaper Reforma is founded in Mexico City in 1993, and Mural is founded in Guadalajara in 1998. The websites of El Norte, Reforma and Mural were launched in 2000, and a press agency was born in 2002.<sup>69</sup>

The group and its newspapers are characterised by being independent from the government and other sources of pressure. An example of government intervention was the alleged shortage of newsprint that the group had to face in 1974. Until 1990 only the state-owned company PIPSA had the permission to import and sell newsprint in Mexico, and in 1974 PIPSA reduced the amount of paper sold to the group on false pretexts of scarcity. Since then, the Reforma Group has imported all newsprint from the United States.

### 6.3.2 Environment

#### Competition

El Informador [The Informant] was the traditional newspaper in Guadalajara. Mural was launched in 1998 and came to defy the complacency of El Informador with a novel style of investigative journalism and offering a fresh design with innovative sections and colour photographs. The bet for better journalism is recommended by the Director of Mural,

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<sup>67</sup> Consejo Nacional de Población, Secretaría de Gobernación. Retrieved on 23 December 2008 from:

[http://www.conapo.gob.mx/publicaciones/dzm2005/anexo\\_dzm.xls](http://www.conapo.gob.mx/publicaciones/dzm2005/anexo_dzm.xls)

<sup>68</sup> Auditing Report, PricewaterhouseCoopers, 15 October 2007.

<sup>69</sup> Promotional video, Reforma Group.

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*“Our fight to gain readers based on information we think is over quality... while our competitor [El Informador] has more of a commercial approach, to satisfy the communication needs of advertisers... We think we have to gain readers by means of content.”<sup>70</sup>*

The real opponent in the struggle for good journalistic content is the newspaper Público. Nonetheless, its low circulation makes it a weak business competitor incapable of growing. Instead, Mural belongs to a large newspaper group, which is able to exploit economies of scale including negotiating with the most important advertisers.

At first, readers added Mural to what they were already reading, but in the third or fourth year they began to switch to Mural. The Director of Mural says,

*“We are now in a stage of harvesting from other newspapers, but we have also began to attract people that did not read newspapers. Two new supplements attract those who were not used to read newspapers.”<sup>71</sup>*

One of them is a social magazine covering social events and publishing photos of people at those events. The other one is Cancha [Playground], a 24 to 32-page sports magazine, which started in broadsheet format and was redesigned in tabloid format in 2005. Cancha helps to attract particularly young readers. Both are editorial concepts created in other newspapers of the Reforma Group and adapted to the particularities of the market in Guadalajara. The strategy seems to work since Mural reached the break-even point in its fourth year and advertising sales have increased in the last five years at a yearly rate of 10-15%.<sup>72</sup>

The increments in advertising sales do not imply it was easy to do. While from an editorial point of view Mural presents a different and distinctive project compared with El Informador, competition for advertising sales is tougher. One of the reasons is perhaps the lack of transparency in circulation and readership figures. Also, the big brands have a fixed budget for print media and Mural has to compete to get the largest possible share from that budget. When it comes to classifieds, Mural made an aggressive move when it decided to offer free classified ads on Fridays, a move thought directly to address competition from El Informador. Furthermore, Mural offered not only space but also free design and creative services to those advertisers who did not had an advertising agency working for them as in the case of small retailers or restaurants. The Manager of Special Supplements says,

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<sup>70</sup> Interview, Director, Mural (25 November 2008).

<sup>71</sup> Ibid.

<sup>72</sup> Interview, Sub-Director of Administration, Mural (24 November 2008).

*“One of the marketing strategies we have and which has been very successful for the whole group for a long time is that we turn ourselves in an advertising agency for all customers. We design free of charge, we take all necessary pictures free of charge, the ad sales representative is called an advertising representative because she becomes an advertising consultant... that is selling is just the beginning, but the relationship, being attentive, dealing with the customer, is what gives you more sales in long-term.”<sup>73</sup>*

The changes in prices that occurred during the second semester of 2008 illustrate the competitive struggle that Mural has been facing in Guadalajara. While Mural increased its price from MXN\$7 to MXN\$10, its main competitor El Informador cut down its price from MXN\$7 to MXN\$5.<sup>74</sup> Although explanations for El Informador’s action are only guesses, Mural’s managers and editors hypothesise why a newspaper would slash its price if newsprint prices are going up and at a time an economic downturn.

A popular tabloid, called Metro, was launched by Mural five years ago to reach low-income readers. The investment was minimal since the group already published similar newspapers in other cities. In addition, only a few journalists were hired for this project and the newspaper Mural already covered the rest of the fixed costs. This new venture, thus, has helped Mural to increase its return on investment.

Regarding inter-media competition, Mural perceives itself as a more thoughtful media than radio or television and also offering niche complementary products. The Director of Mural says, *“We try to have the hard news... but we also offer all these supplements about hobbies, leisure activities, and even entertainment.”<sup>75</sup>* Hence, the newspaper market is somehow seen as a different and segmented type of media. This has an impact on the level of uncertainty perceived by the company as explained in the next subsection.

## **Uncertainty**

The perception of the uncertainty level for Mural is very low, thus their response to this uncertainty are very much focused on the newspaper itself rather than thinking about other media. The Director of Mural says,

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<sup>73</sup> Interview, Manager of Special Supplements (28 November 2008).

<sup>74</sup> Exchange rate: EUR 1 = MXN 18.69 (Retrieved from: <http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-mxn.en.html> on 28 January 2009).

<sup>75</sup> Interview, Director, Mural (25 November 2008).

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*“We change content and sections, but always have to respect the readers and their knowledge of the product... For instance, we wanted to attract community leaders to write editorials... and we trained them on how to write for a newspaper... But after ten years we realise the editorial pages are not adding new readers... so what do we do? We invite new writers and set forth an agenda closer to current events, so we can surprise readers... And that is the way we think we can gain new readers.”<sup>76</sup>*

In order to reduce uncertainty, the newspaper collects information about its readers from three main sources. The first is an annual survey covering each section of the newspaper. In the case of the website, the statistics are considered everyday by looking at the top ten stories. Since the website is closed and only subscribers can access it, the information gathered is relevant also for the print edition. The third source of information, and the most important, is the Readers Councils (see section 6.3.3 below).

Editors and managers in the newspaper recognise that the Internet will play a greater role in the future of the newspaper industry, but investments in new media are not a priority. Since the competitive actions of other media such as television or the Internet have not hit the newspaper business yet, threats to the business model are seen too distant to take a more active measure now. The Administrative Sub-Director says, *“Our readers are still very conservative and they want the paper, they still need to feel the [physical] product.”<sup>77</sup>* The General Editor also adds,

*“I do not perceive what the next step will be ... Right now we still see [the threats] too far away in Mexico, and even farther in Guadalajara. Mexico is usually behind world trends, and Guadalajara is too traditional... While you have positive growth... two, three, four, five percentage points a year... you are doing well, and you do not worry too much.”<sup>78</sup>*

### 6.3.3 Organisational structure

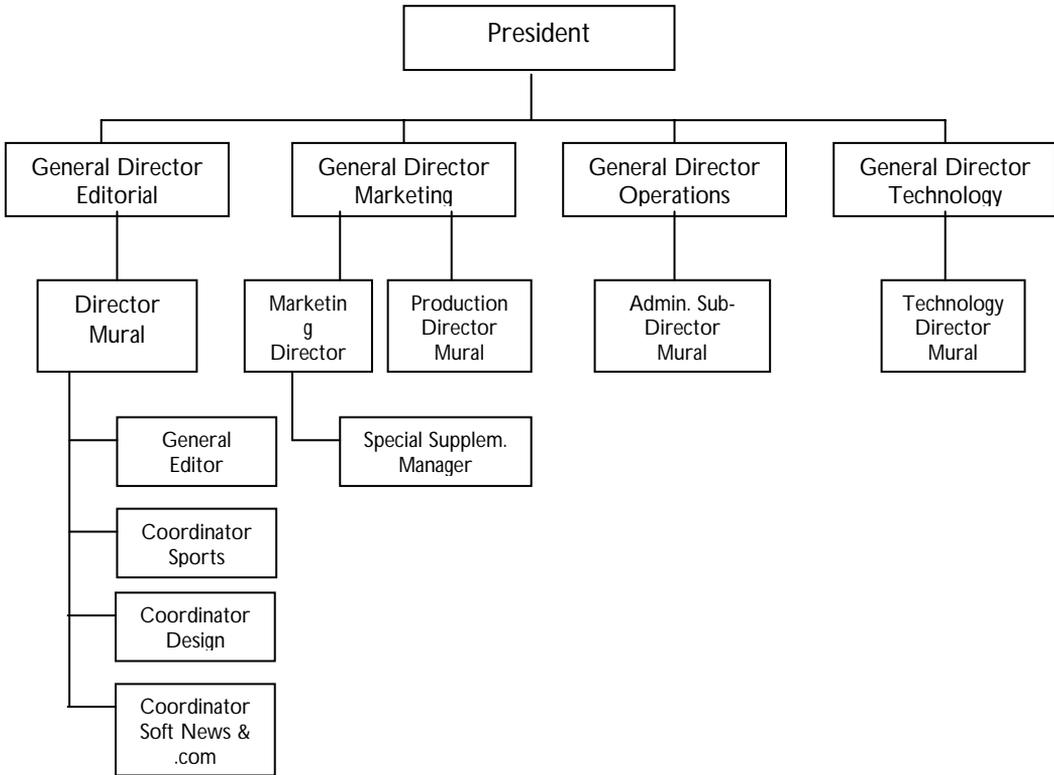
The organisational structure of the Reforma Group and its relation with Mural is depicted in Figure 6.6.

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<sup>76</sup> Ibid.

<sup>77</sup> Interview, Sub-Director of Administration, Mural (24 November 2008).

<sup>78</sup> Interview, General Editor, Mural (25 November 2008).



**Figure 6.6: Organisational chart for Reforma Group and Mural**

Under the President of the company there are four general directors of the group in charge of the main areas, namely editorial, marketing, operations and technology. Each newspaper has an editorial director, marketing director, production director, technology director and a vice-director of operations. They all run the newspaper and meet every week to discuss future actions. In the case of the Technology Director of Mural, he is also the General Director of Technology, and is based in Guadalajara’s newspaper Mural while overseeing the technology needs of the whole group. The same applies to the Production Director of Mural.

Since the mission of the group is doing an independent journalism, diversification requiring a license from the government, e.g. a television station, is seen as compromising that independence. Furthermore, the owners do not have any other businesses besides the newspaper company. Any other

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investment could undermine this goal of independent journalism. The Director of Mural says,

*“This is part of the essence of the Group. We have to be independent no matter how much it costs... We are in the information business and for the information business only.”<sup>79</sup>*

For the same reason, the separation between the newsroom and the commercial side of the organisation is carefully guarded. The General Editor explains, *“The commercial and editorial sides are completely separated. That is a mechanism implemented in the whole group. I barely know the people working in the commercial side.”<sup>80</sup>* Thus, since diversification is not a priority, the organisational structure has not changed in the last years.

The number of journalists working in Mural reaches 145. In addition, there are about 26 designers and photographers. The profile of journalists sought for the newspaper is very specific. The General Editor says,

*“We look for journalists who have not been in a any other newspaper before. Why? Because from our point of view those journalists are already ‘spoilt,’ they do not understand the policies of the Reforma Group, from simple things such as wearing a tie... and also because of principles and working methods... 95% of cases we bet for young people and begin training them... You almost need a special authorisation if you come from another media.”<sup>81</sup>*

The newspaper’s website Mural.com has about 25 people working for it, most of them journalists, who act as co-editors of the print newspaper.<sup>82</sup> This means they usually do not go out to write a story –Mural.com does not have its own reporters, strictly speaking, but receives stories from the journalists working for the print edition. The website is a paid service and it is free only to subscribers who register in the website. There are currently more than 14,000 registered users.<sup>83</sup> The newspaper journalists are encouraged to write stories for the website by paying for the stories they send to it. However, the website is not seen as a priority for the company but as a complement.

Mural does not outsource anything apart from services such as cleaning and building maintenance. Also, the distribution of newspapers to subscribers is outsourced to companies called ‘the franchisers.’

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<sup>79</sup> Interview, Director, Mural (25 November 2008).

<sup>80</sup> Interview, General Editor, Mural (25 November 2008).

<sup>81</sup> Ibid.

<sup>82</sup> Interview, Coordinator Mural.com, Mural (26 November 2008).

<sup>83</sup> Interview, Technology Director, Reforma Group (25 November 2008).

Two aspects of the organisation deserve to be highlighted. First, the existence of Readers Councils as a permanent marketing research tool that shapes the tactical actions of the newspaper plays the role of an external non-paid body of editorial consultants. The second feature of the organisation is its emphasis on technology. The Reforma Group has its own staff of software developers to cater most the IT needs of the company from digital image processing to content manager systems to IP telephony services. These two characteristics of the organisation are discussed next in order to explain how they help shaping the structure of the company.

### **Readers Councils**

This is probably the most important and original organisational feature employed by the group. The Director of Mural says,

*“It means that the readers come to the newspaper to give their opinions, suggestions, and the newspaper makes the commitment of publishing what is suggested by them... Part of the performance of editors is measured by how much they take into practice of what is discussed in the Readers Councils.”<sup>84</sup>*

The councils are made of twelve people. Between October and December the newspaper decides who will be invited to participate in them for the following year. The criterion for selection is how much interest and commitment they show to the newspaper. For instance, good candidates to participate in the councils are readers who frequently send letters to the newspaper commenting about the news. Also, leaders of the community are usually welcomed to the councils. Once the candidates are located they are invited to a focus group in the newspaper to test them. Thus, each section has between 35 and 40 candidates, and by the end of the year they are selected according to the profile the editors have set regarding gender, age, interests, area of expertise, etc.

The councils have three parts. First, the minutes of the previous meeting is read. The editor of the section being discussed comments on what was suggested and what is being implemented. Second, the discussion and critiques of the newspaper take place. And the last phase of the council is used for outlining the proposals on how to improve the newspaper. Every year there is an evaluation of how many proposals were generated in each council, what was implemented and why the rest of the proposals were not translated into practice.

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<sup>84</sup> Interview, Director, Mural (25 November 2008).

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The newspaper is currently working with 15 councils. The councils of the most important sections of the newspaper gather together every week: the other sections gather every fortnight, and the thematic councils have one session a month. Every year the councils are renewed and only two members of the council can stay for another year. Each member's term is two years, but since most members do not want to leave they can be integrated into a council of ex-members. Because the members of the Readers Councils are seen as helping the community, they do not receive any payment. The Director of Mural explains the importance of Readers Councils to the newspaper,

*"We should think of the newspaper not as journalists but as citizens, paying attention to what the community needs. That is why a great deal of our work is related to the results of the councils."<sup>85</sup>*

The minutes and periodical results of the councils are stored and made available to the Director of the newspaper using proprietary software created specifically for this purpose. The reports created by the software based on the information entered by a journalist following council meetings are used to obtain statistical indicators for the councils.

### **Technological emphasis**

Most of the software employed by the newspapers of the group, as in the case of the system to manage the readers' councils mentioned above, is proprietary. The Technology Director stresses the importance of developing their own software tools, such as the content management system and the commercial systems, because the information management within the organisation is recognised to be a strategic issue, and they do not want to be lagging behind what software vendors can offer.<sup>86</sup> The number of people under the Technology Director adds up to 250 in the whole group.

An example of the prominence of technology in the group is the in-house development of several modules for the Adobe InDesign programme, which is widely used in the publishing industry to lay out print and digital documents. The software engineers in the Reforma Group have built improved modules adapted to fulfil the newspapers' needs, and later on those modules were added to the next version of Adobe's software.

The IT systems developed by the group are also used for controlling costs. For instance, the IP telephony system is able to produce cost reports showing the actual telephone usage by department or unit. Press operations are also

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<sup>85</sup> Ibid.

<sup>86</sup> Interview, Technology Director, Reforma Group (25 November 2008).

controlled by a system with the ability to show uptimes, failures, productivity rates, and so on. All these systems are available on the group's intranet, thus anyone in the company with the right privileges might access the information.

One of the most interesting projects for the IT department was the development of an automatic photographic system to deal with corrections of digital photos. Most of the photographs chosen for being published in the newspaper do not have the right conditions of light or colour to obtain a good-quality picture. Thus, all published photos used to go through a manual process to proof light and colour characteristics. The increasing number of pages as well as the growing number of colour photos has increased the amount of time and the employees need to perform the job. The specialised software PhotoView was developed in 2003 to deal with this relevant issue. This software is available on the group's Intranet and automatizes the correction process. Three years later it was improved and the software was able to immediately suggest to the photographic editor three corrected photographic alternatives, making easy to choose and process only the pictures to be used in the final version of the newspaper. While manual correction could take up to ten minutes, automatic corrections were instantaneous. Manual correction processes went down to only 10% of all photos and led to downsize the digital image-processing department which originally had more than 75 employees. The department finally was shelved away in 2008.<sup>87</sup>

The proprietary systems help the Reforma Group to quickly react when needed and to keep costs low because it is not necessary to buy software and hire experts to adapt to the needs of the group. The Director of Technology says,

*"If it is not doing more with less, at least it is doing more with the same... if we are going to do the same, let us do it at a lower cost... [In periods of crisis] you will appreciate that all the [IT] development is yours, because our ability to respond is immediate... thus supporting the company for new challenges."<sup>88</sup>*

#### 6.3.4 Strategy-making mode

The decision-making process in Mural is expeditious. On the swiftness in making decisions for new supplements, the Director of Mural says,

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<sup>87</sup> Interview, Digital Image-Processing Developer, Mural (27 November 2008).

<sup>88</sup> Interview, Technology Director, Reforma Group (25 November 2008).

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*“One of our annual market surveys told us health was a subject of interest for readers... and we did not have anything specific covering that... we were talking about health policy... but it was not useful for readers... so we wondered why not launching a supplement about health... we prepared our proposal, talked to marketing to see whether they agreed on this, talked to the group headquarters to explain we needed that type of product in Guadalajara, launched the supplement once a month and then every other week, now we are in the second year doing a Readers Council for health... and I can tell you that the time lag between detecting the need and the launching of the product was no longer than one month and a half to two months.”<sup>89</sup>*

Although the decision-making process is efficient, it does not mean that Mural is autonomous. The majority of decisions, particularly those involving strategic issues, need the approval of the President or the General Directors. The Administrative Sub-Director says,

*“Decisions about a change of the newspaper price, a marketing campaign, a change of the number of pages, normally these changes require involving one of the [General] Directors depending on the area... but everything is very much concentrated in Monterrey.”<sup>90</sup>*

The Manager for Special Supplements adds,

*“It is a family business... and the family makes the most important decisions. As a family business, those closer to the family help making decisions. When it comes to generation of ideas, new projects and others, it is a company very open to listen to anyone and to implement suggested ideas in a very short time, only if they are beneficial to the reader.”<sup>91</sup>*

The strategic decisions are usually oriented towards exploiting existing resources vis-à-vis exploring new opportunities beyond what the core of the business, particularly beyond the newspaper business. For instance, the launching of Metro, a popular tabloid customised to each city where it is published, is simply building over a well-known formula replicated in different markets with minor variations. Its profitability builds over its low cost structure given the fixed costs that quality newspapers, e.g. Mural, already have. The General Editor says,

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<sup>89</sup> Interview, Director, Mural (25 November 2008).

<sup>90</sup> Interview, Sub-Director of Administration, Mural (24 November 2008).

<sup>91</sup> Interview, Manager of Special Supplements (28 November 2008).

*“Metro is simply a different hierarchy [of news] and packaging... We already got used to Dr. Jekyll and Mr. Hyde... And you have to create a product for each market segment. It is not possible to grow as much as you want with Mural, El Norte and Reforma. They are ‘inspirational’ products and they do not make sense to middle-low and low [income] classes... And that is the success of Metro... A 20-25 % growth a year that is the way to grow.”<sup>92</sup>*

The supplement, Cancha, for instance, is free to subscribers, but it is sold separately from the newspaper in kiosks. Thus, the journalistic model is always the same, but the strategic key is adapting the print product to the specific audiences it targets. The General Editor puts it graphically,

*“In D.F. [Mexico City] Reforma has to smell like ‘taco al pastor;’ in Guadalajara, it has to smell like ‘torta ahogada;’ and in the North, the newspaper has to smell like ‘cabrito.”<sup>93</sup>*

The organisational culture is also much related to its strategic orientation based on exploiting available resources. On the one hand, this is easily recognised in the continuous efforts to improve topics covered by the newspaper using readers’ councils and its subject-based supplements. On the other hand, the emphasis in technology and process management shows the prominence given to optimise the operations of the newspapers. Along the same line, the required investments to reduce costs are readily approved.

The technological tools developed by the group are also useful to keep fluent communication among the newspapers and the President of the company. Everyday, including Sundays and holidays, the editorial directors of the four main newspapers of the group participate in a telephone conference to discuss the main stories included in each newspaper. The software permits access to all the pages in each newspaper, as they are developed, in order to check how the process is going and compare the front pages.

The editorial meetings of the newspaper Mural take place twice a day allowing ideas to flow not only from the top but also from the bottom. Journalists can suggest new editorial products and then figures are calculated to find out whether the proposal is viable or not. The procedure is not formal, but because the decision-making process is fast it is possible to launch new products such as supplements in a short period time. Furthermore, all directors in the newspaper gather once a week to discuss how the business is doing and to propose new ideas. Thus, there is a culture of cross-departmental cooperation in

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<sup>92</sup> Interview, General Editor, Mural (25 November 2008).

<sup>93</sup> Ibid.

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order to involve everyone in the organisation and to move in the same direction.

It is too ambitious to claim that Mural and the whole group are proactive, aggressive and risk-takers, because they are usually not. Nevertheless, when strategic actions are related to the core newspaper business the situation is different. When it comes to launching a new supplement, a new print product, e.g. Metro, or redesign the web portals, Mural is willing to take risks that may increase advertising and readers' market share. For instance, Mural was proactive in the first years when it catered new advertisers who were disdained by established media, either print or television, for being too small and those that did not have the creative services of advertising agencies.<sup>94</sup> In other words, risks and proactiveness are assumed when there are well-known firm capabilities to undertake the project successfully. The General Editor explains,

*"We are pragmatic, very efficient. It is always about maximising resources. It is a culture inherited from the North, our origin [in Monterrey]... And this pragmatism, 'if it ain't broken, (we) don't fix it...' We still do not feel the pressure to react."<sup>95</sup>*

### 6.3.5 Summary

Mural is part of the Reforma Group which owns various other newspapers across Mexico and is the leading newspaper in the metropolitan area of Guadalajara. It was launched in 1998 defying incumbent newspaper El Informador. Several schemes have used Mural to attract readers and advertisers showing a certain degree of proactiveness and aggressiveness. For instance, the launching of two supplements covering sports and social events was crucial in luring non-readers of newspapers. Also, advertising sales department began offering the services of an advertising agency to small customers.

Because there is no perception of uncertainty in the media sector in the short term, the Reforma Group focuses mainly on the newspaper publishing business. Its primary interest is thus strengthening the operations of its newspapers and launching new products related to them as in the examples cited before. In order to do so, Mural has put emphasis on improving understating of readers and optimising operations via sophisticated technological tools. The former is accomplished through the Readers' Councils – systematic meetings with readers who are involved in the different themes covered by the newspaper, e.g. former football players in the Sports Council.

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<sup>94</sup> Interview, Supplements Manager, Mural (28 November 2005).

<sup>95</sup> Interview, General Editor, Mural (25 November 2008).

The latter objective – optimised operations – is attained by investing in developing proprietary software to manage its operations and process and purchasing the necessary hardware such as photographic equipment.

The Reforma Group is able to exploit economies of scale and scope across its operations. Moreover, the software enables a tight control by the owner. On the one hand, this makes the decision-making process very efficient. On the other hand, the company is more oriented to exploit resources in lieu of exploring new opportunities.

## 6.4 Cross-case analysis

The three cases presented in this chapter allow a vivid characterisation of how the different elements of their strategy-making mode relate to the environment and the organisational structure. Although there are similarities, the cases have their own specificities as shown in Table 6.2, which is ordered from more entrepreneurial to less entrepreneurial.

**Table 6.2: Case-ordered descriptive meta-matrix**

<b>Case</b>	<b>Environment</b>	<b>Structure</b>	<b>Strategy</b>
El Tiempo	Leading media house. Weak newspaper competitor. Compete for time. Light increased ad income for newspapers (1996-2006). Decreased ad income for other media (e.g. television). High perceived uncertainty.	Multimedia firm. Converged newsroom (early adoption). Ad sales through subsidiary (outsourcing). Clear boundary between content and business sides, but a newsroom manager to link both sides. Council of founders (Editorial Trust). Professional Board of Directors.	Diversification strategy: multimedia firm. Approach citizen journalism. Strong leadership by President (family member of owners). Propensity to take risks. Failure is accepted. Continuous redesign of newspaper.
El Mercurio	Leading in quality segment. Ad spending in newspapers drop (1996-2007). Increase number of subscribers. Main competitor: La Tercera (following El Mercurio). High perceived uncertainty.	Clear boundary between content and business sides. Club de Lectores. Committees of readers. Minimal integration print/online. Outsourcing of distribution and logistics.	Influenced by long tradition: watching for the brand. Centralised style. Family firm and single owner. Slow decision-making process. Diversification: acquisitions strategy. New initiatives come from the top.

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Mural	<p>Leading in quality segment.</p> <p>No change in ad spending for newspapers during 1997-2006.</p> <p>Main competitor in trouble.</p> <p>Low readership levels.</p> <p>Traditional markets.</p> <p>Low perceived uncertainty.</p>	<p>Only newspaper firm, covering all country with different brands.</p> <p>Clear boundary between content and business sides.</p> <p>Strong technology department.</p> <p>Some outsourcing in distribution.</p> <p>Fluent communication among newspapers and among directors within a newspaper.</p>	<p>Family firm (owner is President)</p> <p>Strong leadership.</p> <p>Expeditious decision-making.</p> <p>Optimise resources.</p> <p>Permanent market research through readers' councils.</p> <p>Trust in technology to reduce costs.</p>
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### 6.4.1 Appraisal of ESM dimensions for each case study: How entrepreneurial is each newspaper?

#### El Tiempo

El Tiempo is the most entrepreneurial company among the three cases. Since managers of El Tiempo recognised the need to change in order to cope with the dynamism they perceived in the media industry ten years ago, the company shifted to what Miles and Snow claim to be a *prospector* type of firm (cf. Section 2.1.5). Within the framework of this study, El Tiempo adopted an entrepreneurial strategy-making mode. Thus, most of the dimensions that conform to this type of strategic process can be identified in the different activities of the firm. El Tiempo has a strategic orientation that favours an opportunity seeking behaviour. This is inherent in its transformation from a mono-media to a multimedia company in order to set a foot in new markets such as television, niche newspapers, magazines, Internet sites, etc. The organisational culture is open to innovation and creativity, more so when it created the post of vice-president to oversee the new tasks and issues (the title was recently changed to Director of Strategy and Innovation, but basically it has the same function). Furthermore, two structural changes during the analysed period (1996-2007) confirm its orientation towards growth, innovativeness and competitive aggressiveness. These changes are the convergence of the newsroom and the creation of a subsidiary to manage advertising sales for the whole group. As a result of the changes, the company is better prepared to lead rather than follow the actions of its competitors. The risk-taking orientation of the company can be appreciated in its alliances with several companies in order to enter into new markets. Most of them did not work as expected and CEET had to withdraw from those ventures. Although these initiatives were not successful, they show El Tiempo is able to handle

failures and keep moving on. Autonomy is, perhaps, the least developed entrepreneurial dimension of this company as described in the case study.

## **El Mercurio**

While El Tiempo began a process of adaptation in preparation to what the management saw as dire uncertainty, El Mercurio has had more problems in adopting new practices and renewing its organisation. El Mercurio is a family media firm still led solely by its owner. It has enjoyed a surge in circulation in the last seven years in a market with a decreasing advertising expenditure in print media. Nonetheless, that upsurge has not fully translated into increased profitability. Circulation growth implies higher production costs, and given that customer payments finance only 15% of the costs compared with the remaining 85% coming from advertising, an increased circulation is likely to go beyond the equilibrium point, thus rendering marginal readers a negative contribution to profitability. Despite this situation, a restructuring of the newspaper has not taken place because the brand El Mercurio is protected so carefully that managers are not allowed to do something that may undermine it. As a result, El Mercurio has decided to grow externally by means of acquiring existing companies that may complement its newspaper business, and by developing a sophisticated club of subscribers – *Club de Lectores*. For these reasons, El Mercurio can be classified as an *analyzer* type of firm, which tries to optimise its core newspaper business, while looking for new opportunities in related businesses. The latter opportunities are mainly seen in the acquisition of business firms such as job portals, real state firms, etc.

From the perspective of a strategy-making mode, El Mercurio combines characteristics of a promoter and an administrative type of firm. Its strategic orientation is directed towards exploiting the controlled resources while seeking opportunities outside the organisation. The former is the result of a ‘mercurial culture,’ where change is difficult to take place because of a big inertia, particularly from the top. This helps define an organisation where creativity and innovation are not a priority. On the one hand, there are no channels to propose innovations; on the other hand, if an innovation takes place, it is only possible to succeed if the approval and directions come from the top management team and the owner. This affects the autonomy of employees, reducing the firm’s slack to develop and test new ideas. Growth is slow and carefully planned. Risk-taking, thus, is usually related to cautious financial analysis and always having the brand in mind in order not to jeopardise it. The dominant position of El Mercurio for so many decades is also responsible for its lack of competitive aggressiveness. Since El Mercurio is recognised as the traditional place where politics and social issues are discussed, it is only recently waking up to a new competitor in the newspaper business. Another consequence of its dominant position is its tendency to lead the market rather than following its closest competitor, such as La Tercera. Several examples are cited in the case study where El Mercurio is one step ahead of its competitors.

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Hence, proactiveness is the most developed entrepreneurial dimension in El Mercurio.

### **Mural**

The newspaper Mural is the least entrepreneurial of the three cases as measured by the presence of the ESM dimensions, but it does not mean it is not thriving. Mural is the leader in the newspaper market in Guadalajara, and the other newspapers of the Reforma Group are among the most read in their own markets. This is the result of a much focused strategy, where there is no room for other business units beyond the newspaper. Mural and its parent company, the Reforma Group, are thus a typical example of a *defender* firm according to Miles and Snow's typology. Their operations emphasise improving the quality of the published content. This is done using the readers' councils and the technology.

The councils are a tradition of the group that aims at getting closer to the readers, listening to their demands and worries, and through this the newspaper will carry on a journalism style that satisfies the community needs. The technology is seen as fundamental for the group because it allows more fluent communication among the different newspapers, an exact control of productivity, and a better process management for reducing production times while improving quality. The culture of the newspaper is even reflected in that all personnel have to wear a tie, and the premises look lavish while keeping everything neat like a scientific laboratory. The only entrepreneurial strategy-making dimension discovered during the case study research was proactiveness. This is part of the tradition of the group, characterised for starting a journalism dedicated to fight corruption and being independent of political parties.<sup>96</sup> This means the newspaper is not waiting to follow the competitors, but to lead in both journalism and advertising sales.

In contrast to a promoter firm, Mural has an administrative profile. The continuous technological advances and their differentiation strategy based on 'independent journalism' have led the company to be profitable. Also, the economies of scale and scope of the group help Mural to distribute costs and reduce risk-taking by developing new products in one newspaper before replicating it in the other cities, and by having proprietary software developed and managed internally.

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<sup>96</sup> Note: Mexico was ruled from 1929 through 2000 by the leftist Institutional Revolutionary Party (PRI). Newspapers were usually aligned with the PRI or at least neutral as it was the only political party, even if their owners did not share the same political views.

## 6.5 Linking the findings of the case studies to the hypotheses

The previous section offered a cross-case analysis which allowed us to understand what dimensions of the entrepreneurial strategy-making mode were developed in each newspaper contextualised by the perception managers had of the munificence and uncertainty levels in their respective markets, and the structural changes that had taken place in recent years. That analysis is useful in order to put into a new perspective the hypotheses developed in Chapter 3. While the statistical analysis (Chapter 5) tested these hypotheses, the findings of the case studies enable examining the hypotheses again in order to uncover relations among the variables that were not found previously and putting them into context. As in the case of Chapter 5, the discussion of the findings here will be empirically driven. The theoretical and practical implications are discussed in Chapter 7.

### 6.5.1 *ESM mode and performance*

The first hypothesis (H1) claims a positive relationship between an ESM mode and performance. H1 was accepted according to the quantitative analysis. El Tiempo, the most entrepreneurial of the three newspapers described previously, also shows a positive relationship between being entrepreneurial along most of the ESM dimensions and superior performance. The strategic renewal process that took place along the last decade enabled El Tiempo to scan the environment in search for opportunities. The other two newspapers, as explained in the previous section, did not have the same level of entrepreneurial behaviour, i.e., not all dimensions of ESM were found in the analysis. However, it is possible to notice two characteristics of these newspapers. First, proactiveness was recognised in all newspapers, even in the least entrepreneurial of the three, when examining the case studies. Second, these newspapers were leaders in their markets. The explanation for the latter, as suggested by the configurational approach to strategy, needs to be found in the interaction effects of environmental and organisational structure elements over the strategy-making mode. Thus, the analysis should focus on what conditions make being entrepreneurial a better strategy-making mode when compared with others. The answer is examining the contingency and configurational hypotheses.

### 6.5.2 *Contingency effects*

Hypotheses 2 through 6 suggested a positive interaction between different environmental and organisational variables and an entrepreneurial behaviour. The quantitative analysis did not accept the hypotheses when either a low munificent environment (H2) or a high uncertainty environment (H3) had a

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synergistic effect over an ESM mode. In contrast to the statistical results, the cases of El Tiempo and El Mercurio show that high-perceived uncertainty fuels entrepreneurial behaviour. While El Tiempo began a renewal process that included a diversification process and innovative newsroom practices, El Mercurio has focused more on an external corporate venturing approach and innovating in its churn management practices.

The effect of the perceived munificence level over entrepreneurial behaviour is not as clear as in the case of environmental uncertainty. Munificence, which refers to the capacity of the environment to carry a certain number of organisations, is perceived as low in the case of El Mercurio while relatively stable for El Tiempo. Although it would be possible to link the actual way of reacting for each newspaper to this environmental characteristic, there is not enough evidence to do so in an empirical way, thus the discussion will be continued in the next chapter to rely on theoretical constructs.

The effects of organisational structure change over the relationship between ESM mode and performance were tested in H4 (integration), H5 (outsourcing), and H6 (customer interaction). Only H4 and H5 were accepted according to the statistical analysis. The cases help illustrating these results. For instance, regarding the level of integration, El Tiempo is by far the most integrated newsroom conceived to support the processes of a multimedia company and it is likely one of its key organisational features. The converged newsroom and the IT system and organisational processes enabling this type of operation are behind the economies of scale and scope that support Casa Editorial El Tiempo's business model. El Mercurio, in contrast, has made progress on outsourcing a series of services, particularly related to distribution and logistics. As discussed previously, outsourcing non-core activities may help to focus on more strategic issues.

Finally, it is interesting to note that Mural does not outsource anything and even complex IT systems are developed in-house. However, it is the newspaper that showed higher customer interaction in the form of the Readers' Councils. Thus Mural, although not an entrepreneurial newspaper, has a functional configuration of strategy making practices and organisational and environmental features. This result does not challenge the findings in the other more entrepreneurial firms; on the contrary, it shows that sound configurations may yield superior performance.

### 6.5.3 *Configurational effects*

The examination of configurations of elements is at the centre of this study. Thus, Hypotheses 7 through 12 aim at probing the interactions of environmental and organisational variables over an entrepreneurial strategy-making behaviour. According to the moderated regression analysis performed in the previous chapter, two hypotheses were accepted – H7 and H9 – two were partially accepted because the three variables were significant but not in the

suggested direction – H11 and H12 – and the remaining two were not accepted – H8 and H10. It is these last two hypotheses which the case studies might help us to better understand. As a matter of fact, El Tiempo is an example of the configuration proposed by H8, which comprises ESM mode, high integration and high uncertainty; El Mercurio, although not fully entrepreneurial or highly outsourced, might help understanding the configuration proposed by H10 – ESM mode, high outsourcing, and high uncertainty.

As explained in the chapter on methods (Chapter 4), probing interactions using statistical methods where more than three variables need to be considered in the analysis are extremely unpractical because interpretations of those regressions are tricky. Hence, it is recommended to limit the number of interacting variables down to three (Aiken and West, 1991; Cohen et al., 2003). But case studies do not have that limitation and several variables can be observed interacting together in a holistic fashion (Yin, 2003). In this study that also means paying attention to the particular dimensions of an ESM mode – something not workable with statistical analysis because of the number of variables. The next subsection takes care of that task trying to integrate all the elements of analysis of the cases discussed so far. The third case, the newspaper Mural, is also included as a theoretical replication where its configuration is successful despite not being entrepreneurial in the sense employed in this study, i.e., the ESM dimensions.

#### ***6.5.4 Contrasting the newspapers' differential configurations of ESM mode, structure and environment***

The perception of high uncertainty is stronger for El Tiempo and El Mercurio than for Mural. Nonetheless, they react in a different way. While El Tiempo anticipated a radical change in the media market more than a decade ago and responded by restructuring the organisation and facilitating an entrepreneurial culture, El Mercurio has only recently felt the need to change and consequently has been slow to react given its heavy bureaucratic burden. El Mercurio, however, has focused on external corporate venturing, e.g. joint ventures, to overcome the internal inertia. Mural, in contrast, is still in a comfortable competitive position and sees the changes in the media industry as a problem it will have to face in the future but not now. In order to improve its competitive position, Mural has invested in technological tools that optimise its resources, but keep its business model and products characteristics almost unchanged.

The advertising market is of particular importance for newspapers, because they usually receive more than 70% of their revenues from advertisers, the thing that affects environmental munificence level. While advertising spending for newspapers in Mexico and Colombia has remained relatively stable, it has dropped in Chile. Thus, apparently no relationship can be established given the different styles seen in Mexico's Mural and Colombia's El Tiempo newspapers despite the relatively stable munificence level in both countries. This might

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indicate that a well-defined response either in the form of a strategic renewal in the case of El Tiempo or operational efficiency and quality-orientation in the case of Mural could both be valid depending on an adequate level of munificence.

El Tiempo is the only case that shows a significant change in its organisational structure. On the one hand, El Tiempo has diversified into different media outlets and has outsourced its advertising sales. On the other hand, it has implemented a convergence plan in order to make profitable the diversification. The process of convergence for media firms is still being studied and companies adopting this change are doing it in a 'learning by doing' approach. These changes favouring a strategic renewal of the company are coherent with the high-perceived environmental uncertainty and stable munificence levels.

The three cases analysed in this chapter show different styles for making decisions while sharing the proactive dimension of the ESM mode – c.f. subsection 6.4.1 for an analysis of the ESM dimensions in each firm. The three newspapers consider themselves leaders in their markets thus usually being the first movers when it comes to anticipate future demands. For instance, El Tiempo developed a supplement made by 'citizen journalists,' and recently launched a free newspaper to address younger readers who were not attracted to the paid newspapers. El Mercurio has worked hard to make its readers' club the best loyalty programme in Chile in terms of benefits, going as far as launching its own American Express credit card. Mural, the least entrepreneurial newspaper of the three analysed here, is continuously researching the market via its readers' councils. The importance of proactiveness in these cases shows positive evidence of the arguments contending the independence of the dimensions of entrepreneurial strategy-making (cf. Lumpkin and Dess, 2001; Dess and Lumpkin, 2005), and pointing out its importance in the newspaper business.

The least developed ESM dimension is autonomy. This is not surprising given the centralised style of decision-making usually associated with family firms, particularly when there is a strong leader. Luis Fernando Santos of El Tiempo, Agustín Edwards of El Mercurio, and Alejandro Junco de la Vega of Mural are behind of all the important decisions in their firms. Their styles certainly differ. While Mr Santos has championed the transformation of El Tiempo in a multimedia, converged firm, the other two have been more cautious when it comes to changing the organisation and its business models. Leadership is thus an important moderator in either way of the level of entrepreneurial emphasis a firm reaches.

All other dimensions of the ESM mode vary in the three firms, from El Tiempo qualifying high in most of these dimensions to Mural stressing only the proactive dimension. The more the perceived uncertainty, the greater the emphasis on developing the different dimensions of an ESM mode. Munificence levels do not appear as important as uncertainty, because it is

uncertainty what makes managers think what level of munificence they will have to face in the years to come. Finally, the development of an entrepreneurial style is very much related to the role of the leader in promoting a long-term vision for the company.

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The discussion so far has been empirically driven in order to use the data from the case studies to conduct a cross-case analysis, add context to the theory-driven hypotheses, and finally look at the configurations in a holistic way trying to understand the importance of the different elements that shape the configuration as a whole. Next is the final chapter of this study elaborating on the empirical results of both – quantitative and qualitative – analyses.

# 7. Discussion and Conclusions

*“Felix qui potuit rerum cognoscere causas!”<sup>97</sup>*

—*Virgil*

This chapter discusses the analysis and the results obtained in Chapters 5 and 6. It includes a discussion of the findings in the context of the theoretical framework reviewed in Chapter 2 and the newspaper industry characteristics considered in Chapter 3. Then, it presents the limitations of the study. Finally, implications for practitioners are considered and a research agenda is proposed.

## 7.1 Examining and discussing the findings

The probing of the relationship between strategy and performance is the main concern of strategic management as a field of research. This study has looked into this relationship from a configurational approach, paying special attention to a particular mode of strategy making, i.e. entrepreneurial strategy-making. On the one hand, configurations of strategy, structure and environment have been found to better explain when firms achieve higher performance (cf. Miles and Snow, 1978; Miller, 1996). On the other hand, an entrepreneurial behaviour is usually linked to improved performance, although the literature also warns that this association depends on contextual factors (cf. Dess et al., 1997; Wiklund and Shepherd, 2005). Hence, studying the link between entrepreneurial behaviour and performance from a configurational perspective opens the possibility to add contextual elements in order to explain the conditions under which an entrepreneurial strategy-making mode delivers a higher performance.

The findings of this study can be classified in three types. First, those related to the particular strategy-making mode researched here – entrepreneurial strategy-making mode. The second type specifies the findings about the relationship between this strategy-making mode and performance. And the

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<sup>97</sup> “Lucky is he who has been able to understand the causes of things” (referring to Lucretius) as translated in *The Oxford Dictionary of Quotations*, Elizabeth Knowles (Ed.), Oxford University Press, 2004.

third type considers the importance of contingencies and configurations in studying the relationship with performance.

### *7.1.1 On the entrepreneurial strategy-making mode (ESM)*

The ESM mode is defined in this study as a combination of dimensions of strategy-making that work together defining a coherent pattern of action for the firm (Dess and Lumpkin, 2001). A number of studies have tried to elucidate the dimensions that define a strategy-making mode (cf. Mintzberg, 1973). As a consequence, a host of models and typologies have emerged (cf. Hart, 1992). One of them is the entrepreneurial mode of strategy making (Miller, 1983), and its most common operationalisation is the entrepreneurial orientation (EO) construct (Lumpkin and Dess, 1996). EO includes five dimensions – innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy. Numerous studies have researched the first three of them. Competitive aggressiveness and autonomy are still underdeveloped with only few studies covering them. A more recent operationalisation of entrepreneurial strategy-making mode is the entrepreneurial management (EM) construct based on the work by Stevenson and colleagues (Brown et al., 2001). This scale includes six dimensions that complement the EO construct. Unfortunately this construct has not been tested beyond the original paper where Brown et al. (2001) develop it. Nevertheless, it is apparently a useful measure of entrepreneurial dimensions not captured by the EO construct. According to the literature reviewed here, and in line with Brown et al.'s (2001) arguments, they are good complements to improve our understanding of what it means to be an entrepreneurial firm.

The ESM mode considered in this study included all the EO dimensions and two EM dimensions – strategic orientation and entrepreneurial culture. The factor analysis carried on to explore the existence of independent and well defined dimensions failed to do so for all of them (Table 5.6). Thus, competitive aggressiveness and autonomy had to be dropped because they did not generate coherent loading patterns. A later analysis of their reliabilities confirmed that the scales show poor Alpha values. As mentioned before, these two dimensions of the EO construct are the less developed ones in the entrepreneurship literature. The items for competitive aggressiveness have been employed in previous studies but it is still unclear if they are a good representation of what they should measure (cf. Lumpkin and Dess, 2001). Regarding autonomy, the items developed for this study showed very low reliability measures.

The five dimensions left after the factor analyses are on the whole a good representation of an entrepreneurial strategy-making mode. On the one hand, they include the main EO dimensions extensively used in the literature to assess entrepreneurial behaviour, i.e. innovativeness, proactiveness, and risk-taking. On the other hand, the two dimensions coming from the EM construct gauge

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the extent managers are inclined to spot and exploit opportunities. This is an important characteristic of entrepreneurial firms (Kirzner, 1973). The results of the factor analysis show that the dimensions of EO and EM included in the study are independent, solidifying evidence for Brown et al.'s (2001) findings.

The qualitative analysis offers an interesting insight regarding the independence of the ESM dimensions. While the three newspaper firms show the pervasive presence of proactiveness, the other dimensions are almost fully-present in one of the cases, half-present in another case and absent in the last one. Proactiveness, thus, is much related to the fact of being the leader in the market and having a clear differentiation strategy, e.g. 'independent journalism.' Autonomy is the least developed dimension in the researched cases. The lack of employees' autonomy may be associated with the presence of strong leaders – usually the owner – who centralise decision-making and set a direction that needs to be followed (cf. Mintzberg, 1973). Thus, leaders are an important moderator of the degree of development of each dimension. This is particularly important in the case of newspapers that are family firms.

### *7.1.2 On the relationship with performance*

The analysis completed in this study presents ample support for the positive relationship between ESM and performance. All the regression models, even those where different contextual variables are included, show the importance of ESM for reaching a higher performance.

Hypothesis 1, which states a positive relationship between ESM and performance for newspaper firms, is confirmed in a regression model testing direct effects and all the three different performance measures share similar results. Although the model as a whole is significant – upholding research found in the entrepreneurship literature (e.g., Dess, Lumpkin and Covin, 1997; Lumpkin and Dess, 1996; Rauch et al., in press; Wiklund and Shepherd, 2005) – only proactiveness and entrepreneurial culture are significant as independent dimensions (see Table 5.10). How important these two dimensions are is a matter to be decided in view of the particularities of the newspaper industry. The evidence from the case studies shows that these dimensions are indeed important, with proactiveness particularly relevant as it is present in all three cases.

It is also essential to see whether these two dimensions differ from each other, an issue addressed in greater detail below. An entrepreneurial culture is characterised by a work environment full of ideas since the resources currently controlled do not limit the search for new opportunities. Experimentation and creativity are fostered within the organisation (Brown et al., 2001). Proactiveness is a complementary dimension of an entrepreneurial culture because it refers to the next stage of finding new ideas, which is the introduction of new products or technologies. Proactiveness also means snatching available opportunities instead of taking a passive stand towards

them; the emphasis should be on shaping the environment, and influencing prevalent trends (Lumpkin and Dess, 1996). It is also particularly relevant in order to achieve superior performance, as argued by Dess and Lumpkin (2005: 151): “Proactiveness is especially effective at creating competitive advantages because it puts competitors in the position of having to respond to successful initiatives.”

Newspaper companies are in the business of news content generation, gathering and distribution (Picard, 2002). Journalists working in these companies face the challenge of producing and laying out new attractive content every day. This task demands enormous amounts of creativity and a working environment that supports this behaviour. Nevertheless, newspapers are also ‘traditional’ media. A newspaper should be filled everyday with ‘novel’ content but should at the same time keep the same structure, topics, editorial line, and quality standards. Today’s edition of a newspaper is completely different from yesterday’s edition, but they look pretty much the same on the surface because they use the same format. This newspaper-way-of-thinking where new content in the usual print format is the ultimate goal requires an entrepreneurial culture and proactiveness, i.e. continuous generation of new ideas and the need to be first on the market. Characteristics like these are inherent to newspaper companies. Nevertheless, innovativeness is not always necessarily there. As a matter of fact, proactiveness and innovativeness are not significantly correlated in this study (Table 5.9). Innovativeness means an emphasis on R&D activities and the continuous modification of existing products combined with the introduction of new ones. While proactiveness addresses the launching of new products, it does not imply they are innovative. The results of this study give evidence of a somewhat contradictory nature: it is good to be market leader but being innovative does not contribute to higher performance. Innovativeness is not significantly correlated with any measure of performance and is not significant in the regression model where all ESM dimensions were entered (Table 5.10).

Proactiveness is usually used interchangeably with competitive aggressiveness (Lumpkin and Dess, 2001). Nevertheless, some researchers argue this is not correct because competitive aggressiveness refers to how the firm relates to competitors, as opposed to proactiveness that refers to how the firm influences trends and changes the market by introducing new products (Lumpkin and Dess, 1996). The quantitative analysis does not allow further exploration of the competitive aggressiveness dimension since it had to be dropped due to low reliability. In spite of that, it is interesting to note that the low score obtained in those items would indicate that the majority of newspapers are still not very worried about competitors. This could be a sign of the still dominant position they enjoy in their markets, or managers’ myopia about the possible entrance of new competitors in their relevant markets.

The case studies confirm the fact that newspapers are proactive not because of the competition with other newspapers, i.e. competitive aggressiveness, but

because they are used to be the market leaders and trendsetters. Only one of the cases shows a newspaper company that is really innovative in terms of launching new products and changing the processes of advertising sales and news production. Be that as it may, the analysis of the cases also shows that even with a minimal entrepreneurial behaviour it is possible to perform well if appropriate environmental and organisational conditions are available. This leads us to the next section on contingencies and configurations to look for a more complete explanation on the interaction among the different variables.

### *7.1.3 On contingencies and configurations*

The relationship between ESM and performance controlling for different environmental and organisational contingencies is explored in hypotheses 2 through 12. The statistical analysis shows mixed results regarding the moderating effects of these contextual variables on the relationship under scrutiny. Propitiously, the results from the case studies help to throw some light on these issues.

The environmental variables – munificence (H2) and uncertainty (H3) – did not have a statistically significant effect as moderators in contingency models, i.e. models where they are the only moderating variables. They do have an effect on performance, but not through the managers' decision-making process. Nevertheless, they will have an impact in configurations as will be shown later on, thus confirming the fact that configurations offer a more complete explanation of the effect of the environment on performance (cf. Short, Payne and Ketchen, 2008). The case studies, in contrast, show an important moderating role of uncertainty in regard to encouraging entrepreneurial behaviour, as observed particularly in the newspapers *El Tiempo* and *El Mercurio*. While *El Tiempo* was able to enact a response to the threats perceived by an uncertain future in the media industry, *El Mercurio* was bounded to its culture thus foreclosing internal innovative actions but stimulating external corporate venturing.

Although uncertainty and munificence are treated separately in the literature as discussed in Section 2.1.6 (cf. Dess and Beard, 1984), the role of the munificence level in the relevant market is also somehow included in the perception of uncertainty and is also a driver of managerial action, according to the findings of the case studies. One of the questions newspaper managers try to respond to when making decisions is the extent they need to change if availability of resources is uncertain in the years to come because of changing technologies, surge of new media outlets and changing consumption patterns (cf. Aris and Bughin, 2005). Managers of *El Tiempo*, for instance, foresaw changes and uncertainty in their industry and decided to commit to a strategic renewal because the munificence levels were stable, i.e., not severely affected by the uncertainty perceived in other aspects of the environment; on the contrary, managers of *El Mercurio* somehow included environmental munificence in

their perception of uncertainty, thus conditioning their strategic renewal efforts to better understand if they would be able to have the resources to complete that process successfully (cf. Slevin and Covin, 1995). Strategic renewal implies redefining the firm's relationship with its markets and competitors by altering the way it competes (Covin and Miles, 1999), thus pursuing strategic renewal requires the necessary resources to deviate from industry strategic recipes in order to place the firm in a more favourable position within the industry (Kuratko and Audretsch, 2009).

Two out of the three organisational structure variables – integration (H4) and outsourcing (H5) – are significant moderators of the ESM, and performance relationship. In both cases, high levels of the moderating variable positively enhanced the studied relationship, i.e. having a synergistic effect. Newspaper firms with an entrepreneurial strategy-making mode with either a high level of integration or a high level of outsourcing perform better when compared with entrepreneurial newspapers that are low in integration or outsourcing. The third organisational structure variable, customer interaction (H6), is not significant as a moderator. When looking at the case studies, it is possible to observe that customer interaction is more developed in the least entrepreneurial newspaper. Although it is ticklish to generalise, it might be possible to contend that the more entrepreneurial a newspaper is, the less it needs to support its innovations and new ventures on customer interaction. Conversely, if one of the most developed capabilities of a firm is to conduct research on market and consumer behaviour, as in the case of the newspaper Mural, then innovative behaviour is not a priority. The evidence of the statistical analysis of a three-way interaction seems to corroborate this since low customer interaction is included in the highest performing configurations.

The fact that a high level of integration facilitates the ESM mode to have a greater impact on performance is not surprising and the results confirm what most people in the industry believe, i.e. convergence in the newsroom and a closer relationship between the advertising sales department and editors favouring a higher performance. For instance, the case of El Tiempo shows that convergence allows the optimised use of resources in different platforms, e.g. television, newspaper, magazines, and so on. However, the integration process in El Tiempo is an organisation-wide, all encompassing transformation. Thus, it may be possible that the performance of newspaper firms in the process of convergence declines for a while until the organisation adapts to the new way of carrying on its activities.

The role of outsourcing is a bit more problematic. It has a synergistic moderator effect for the ESM mode, according to statistical analysis, with high outsourcing levels enhancing the beneficial effect of an entrepreneurial strategy-making mode. The literature is not clear about this relationship and arguments exist in both directions (see Section 6.4.2). In this case, it is possible to contend that a strategy-making mode based on capturing and exploiting opportunities is better achieved when managers are able to focus on doing so by letting go other

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activities that distract their attention and are not related to value creation. This supports the arguments set forth by Mintzberg (1973), Miles and Snow (1978) and Teece (2000) who claim entrepreneurial firms have to be highly flexible, and that outsourcing may help them attain that organisational characteristic.

Analysing configurations of strategy, structure and environment, the following combinations of variables are found to be statistically significant for higher performance if compared with other variable combinations, namely ESM, high integration and low munificence, and ESM, high outsourcing and low munificence. These combinations are what hypotheses 7 and 9 predict. The former configuration is close to the case study of El Tiempo. The interplay of the different variables has been carefully managed by this newspaper in a process that started in 1996 and led to a complete integration in 2007. The perceived uncertainty threatening the competitive position of the firm was the trigger for the process that took place in about a decade. El Tiempo is certainly a special case because it prematurely adapted to the changing media industry. It also shows how other newspaper companies might do a similar process of transformation.

Two other combinations are found to be statistically significant although not in the direction predicted by hypothesis 11 and 12. According to the statistical analysis, the best performing configurations when customer interaction is included are: ESM, high uncertainty and low customer interaction, and ESM, low munificence and low customer interaction. The presence of low customer interaction in a high performing configuration is surprising although not completely unexpected as mentioned before. Furthermore, customer interaction is not significant as a moderator in contingency models. But it correlates positively with sales growth and return on equity. It also significantly correlated with proactiveness and innovativeness. The explanation might reside in part in the question items employed to measure customer interaction.

The level of customer interaction was assessed asking about the existence of CRM tools, an Editor's *blog* and an Ombudsman. A positive answer to these questions would reveal an organisational structure adapted to better interact with customers. The presence of these characteristics might be explained by the trends in the newspaper industry (cf. Trends in Newsrooms, 2007). Nevertheless, the effects of their adoption by the organisation might take longer time to positively influence the newspaper's performance. This is particularly true for the last two – an Editor's *blog* and an Ombudsman. They may help to build credibility and thus brand equity, but they are also harder to be noticed by the readers. Furthermore, they require readers to be engaged with newspapers to a greater extent, e.g. reading *blogs* and other discussion forums. Hence the effects of customer interaction on firm performance are complex and require further investigation as shown in the case studies. For instance, the newspaper Mural has developed the capability to understand its readers by conducting regular readers' councils. This practice has a long tradition in the

parent company Reforma Group and requires the participation and commitment of editors and journalists who attend the meetings and then take appropriate actions according with what they have learned.

## 7.2 Implications for management

Several implications for managers can be drawn from this study. First, there is the need for managers to be entrepreneurial in order to revitalize their organisations to be able to face the challenges new technologies pose. But this needs to be done cautiously. It is likely that not all characteristics associated with an entrepreneurial behaviour are appropriate for companies wanting to reach higher performance. This study shows the particular relevance of an entrepreneurial culture and proactiveness for newspaper firms. Managers may want to prioritise the development of these dimensions and assess what contributions the others can make. Proactiveness is particularly related to the benefits of first-mover advantage (Lieberman and Montgomery, 1988), which may lead to create an effective competitive advantage (Dess and Lumpkin, 2005).

Second, integration and outsourcing are key features for newspapers in the current environment. They are not only relevant but also boost the positive effect of an entrepreneurial behaviour in competitive environments, i.e. non-munificence markets. While integration may inspire managers to be more innovative and become a trendsetter in the relevant market, i.e. proactive, outsourcing allows them to focus on creating competitive advantage by leaving non-core activities to specialised partners or providers. Nevertheless, if a newspaper firm is leading in a stable market, i.e. munificent environment, perhaps outsourcing is not such a good idea. The case of Mural shows how a quality-oriented strategy focusing exclusively on the print newspaper business is able to enjoy economies of scale and scope because of its geographical coverage and proprietary IT solutions. This example leads us to the third implication for managers.

Third, managers need to think in a more holistic fashion since strategy, structure and environment variables interact in a complex way. The relevance of configurations, as found in this study and illustrated in the newspapers employed for the case studies, must be taken into account when designing and implementing the firm's strategy. Consequently, managers need to be broad-minded, ready to see how one element influences the others. This is somewhat challenging for companies where units are well delimited and boundaries preclude collaboration, preventing a holistic view. Social pressure from peers may also play an important role in adopting fashionable practices. This study found that entrepreneurial newspapers would enhance their performance by simultaneously having a high level of integration and outsourcing while facing low munificence levels. It is also possible from the case studies, to add that a

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high level of uncertainty may kick-off a strategic renewal where integration and outsourcing play key roles in achieving superior performance. This concurs with Gilbert (2001) who shows that newspapers where threats are managed as opportunities are most likely to successfully overcome industry transformations affecting the long-standing newspaper business model. Therefore, managers perceiving a high uncertainty level and able to champion an entrepreneurial strategy that includes greater integration within their organisations, e.g. newsroom convergence, while focusing on the core newspaper process, e.g. outsourcing non-core activities, are better prepared to improve performance.

Fourth, the evidence collected throughout this study indicates that newspaper managers need to lead their firms into a strategic renewal process – sooner or later. The implications for managers outlined so far provide advice on how to do it, especially regarding how the different elements involved in the process need to be combined. However, managers need to think what elements of the strategy-making process and the organisational structure they actually control to have the chance of successfully completing the renewal. The case studies provide an interesting clue on this issue, which is the significant role of the leader/owner, particularly in family firms, in order to get things done. The transformations required to successfully carry on a strategic renewal may need several years to achieve results and along the way there is the need to experiment with new technologies and products tolerating failure. It is here where an entrepreneurial culture promoted by the leader/owner plays a key part: “The promoter firm encourages ideas, experimentation and creativity, thus developing an entrepreneurial culture in which new ideas are valued and sought out” (Brown, Davidsson and Wiklund, 2001: 956).

Fifth, a word about one of the managers’ main tools nowadays, namely market research. The voice of the consumer is gaining more power dictating in many cases a company’s next strategic move. However, news media such as newspapers seem to be different, according to the results of this study. Low customer interaction is a component of high performing configurations. This would mean that being entrepreneurial is closer to surprising readers rather than indulging them. If readers were able to bargain for the content they want, then an important value added by newspapers – informing what readers do not know – would be lost. However, specific modes of market research might yield good results as the case studies show, but only if they mean a deep knowledge of the reader in contrast to massive, one-size-fits-all market research studies. The latter might seriously misguide managers in understanding the public.

Finally, I would like to outline how the results of this study may be of help to managers in industries other than the newspaper. The newspaper industry nowadays faces the challenges of a mature industry in state of flux. Evidence from the empirical analysis in this study shows one of the main issues managers need to deal with is cultural inertia (cf. Prahalad and Bettis, 1986). Nevertheless, the same evidence indicates that an entrepreneurial strategy-

making mode in a flexible organisation and stimulated by the uncertainty of the environment is favourable in creating a competitive advantage.

### 7.3 Limitations of the study

This study has several limitations. First, its cross-sectional design for the quantitative part means a 'snapshot' of the situation of the firms included in the sample. Although it has been argued that strategy-making practices cannot change in short periods of time, meaning a survey would be measuring more than a snapshot, it is recommended that causal statements be interpreted with caution. The results of changes in the strategy-making process, the organisational structures, and the environment may have to a certain extent a lagged effect on performance that a cross-sectional design might in some cases not be able to capture. However, it is necessary to note that a firm's culture and its associated strategy-making processes are 'sticky' and tend to remain stable over time (cf. Dess et al., 1997: 693). This implies that a cross-sectional study as this one is able to capture causality. This limitation is offset in the analysis of the case studies.

Second, the quantitative sample employed in this study is rather small. This complicates the statistical analysis particularly for the detection and probing of interactions. The literature recognises that detecting interactions is difficult because these terms usually have very low coefficients, tending to be statistically non-significant. Hence the  $p$ -level has to be increased to reduce the *Type II error*. This implies increasing *Type I error*. A larger sample would help to increase the statistical power in order to avoid this trade-off between types of error.

Third, self-reporting is also an issue when using a survey. The information might have different degrees of bias even if recommendations to avoid this are put into practice. This drawback is inherent in most quantitative research in the social sciences, particularly when the data cannot be obtained but from the individuals themselves. Furthermore, some techniques suggested to improve this situation are difficult to implement in the newspaper industry. For instance, triangulation is simply not feasible, since secondary data is not readily available. This drawback is addressed by using a mixed method approach, which allows reviewing the results of the quantitative part under the light of case study analysis.

Fourth, it is a matter of argument whether the results from the newspaper industry can be generalised to other industries. I contend that many characteristics of newspapers are unique to news-oriented media, but it is also true that newspapers have business goals and operate in market economies thus pursuing a goal common to most businesses, i.e. making a profit. Therefore the results of this study, if generalised to other mature industries in a transition phase, such as the newspaper industry, need to be considered carefully.

Finally, although the sample for the quantitative part of this study ensures that a sufficient number of firms take part in the survey to make the statistics possible, cultural differences might influence the interpretation of the results. To overcome this problem, the questions were formulated in a manner to make them as neutral as possible with regard to cultural differences. The addition of control variables might have helped address this issue. Nevertheless, the case studies developed in Chapter 6 show that newspapers are facing similar problems in different countries although of different intensities, thus helping to improve the validity of the results found in the quantitative part.

### 7.4 Future research

Future research on this topic might focus on one or several of the following issues. First, some research design limitations of this study could be addressed. The flaws of the cross-sectional design employed in the quantitative part of this study would be overcome with a longitudinal design. Nevertheless, as discussed at length in previous sections of this paper, the researcher willing to study newspaper managers over a longer period of time and/or in a more demanding way will face enormous resistance. A larger sample would allow detecting interactions that a small sample might overlook. In the same methodological vein, the measures employed in this study are subjective. Although there is support in the literature for including this type of scales, new research on this subject using objective measures whenever possible would increase the validity of the results.

Second, the operationalisation of different concepts to be used in the survey may also be subject to improvement. Competitive aggressiveness and autonomy could not be used in this study because of low reliability. Also, testing other dimensions of entrepreneurial management such as growth orientation and reward philosophy would lead to a more complete picture of what being entrepreneurial is. For practical reasons some dimensions should be left out and this study may guide on that decision. Other scales that might be improved in order to better capture the concept under study are munificence and customer interaction. The munificence measures address the main factors that influence resource availability in the industry, but finer measures would be preferred in future research. Also, there is a need to clarify the impact between munificence and uncertainty because the latter may be perceived to a higher degree in low munificent environment. Additionally, the need to create better operational measures applies to customer interaction, particularly as new technologies roll out and the possibilities for media and journalists to contact their audience increase.

Third, testing specific ESM dimensions in contingency or configurational frameworks would lead to greater understanding of their complex influence on performance. Furthermore, configurations can be assessed using other methods,

such as cluster analysis, which has yielded good results in other areas. The complementarities approach suggested by Milgrom and Roberts (1990, 1995) might also be very useful to strengthen the understanding of complex relationships between sub-elements of strategy, structure and environment. Case study research would certainly help in this approach since it enables researchers to look at multiple variables and detect relationships not visible when using other research methods.

Fourth, the subject of strategic leadership came to surface during the case studies and further research on that area is suggested. The evidence coming from the newspaper cases shows the relevance of leadership in promoting changes. Moreover, there is still a need for research on this area where leadership is approached not only as the relationship between leaders and followers, but from a perspective focusing on the executives' work as a strategic activity (Vera and Crossan, 2004).

Fifth, the interaction of the firm with its customers is an area of research on its own. While this study measures this type of activities based on usual industry practices, the empirical evidence from the case studies suggests that specialised activities oriented to get a much closer connection with readers may be of tremendous importance if they are part of coherent configuration of elements. This line of research would be much appreciated by managers in industries where close contact with customers is necessary.

Finally, research is needed to explore the extent change initiatives and innovative strategies are promoted by newspaper managers vis-à-vis the influence of alleged best-practices promoted by external consultants and industry associations, such as the WAN's series of research reports called *Shaping the Future of the Newspaper*, INMA's *Ideas Magazine*, and IFRA's *Where NEWS?* Projects like these are examples of how these associations make an effort to understand the trends in the industry and suggest courses of actions and concrete initiatives on how to undertake new ventures that may help newspapers cope with the pervasive changes they are facing.<sup>98</sup>

## 7.5 Final thoughts

The change process for the Telegraph Media Group has continued after the start of a major reorganisation aimed at renewing the centennial newspaper. For

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<sup>98</sup> *Shaping the Future of Newspapers* ([www.wan-press.org/rubrique20.html](http://www.wan-press.org/rubrique20.html)); *Ideas Magazine* ([www.inma.org/ideas-index.cfm](http://www.inma.org/ideas-index.cfm)); *Where NEWS?* ([www.ifra.com/website/website.nsf/html/CONT\\_WHERENEWS?OpenDocument&WN&E&](http://www.ifra.com/website/website.nsf/html/CONT_WHERENEWS?OpenDocument&WN&E&)).

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instance, in order to increase editorial integration, journalists in the business desk were put to work across the website, the daily newspaper and the Sunday Telegraph (Kiss, 2007). Damian Reece, the Telegraph's business editor, who supported the changes, says, "[I]t has allowed us to focus resources on the higher growth areas of our business while maintaining and adding to the success of others. Those areas of the business that have pursued an integrated strategy have seen impressive growth" (Kiss, 2007). And the circulation figures also show a positive outcome for the Telegraph. The daily newspaper was the first among the quality newspapers with an average net circulation of 845,283 in the UK during the first month of 2008.<sup>99</sup> The latest move (when I was finishing this dissertation) was the outsourcing by the Telegraph of some of its production work to Pagemasters, a company based in Sidney, Australia. The sections include travel, motoring and money pages of The Sunday Telegraph (Steffens, 2009).

Like the managers in the Telegraph Media Group, many newspaper executives around the world are engaged in transforming their companies. The case of El Tiempo investigated in Chapter 6 is one of the best examples of this transformation process. They expect to be able to seize the opportunities that are emerging continuously, changing the fate of their organisation by replacing an outdated business model. But adopting and coping with change is an arduous task. It demands a vision of the future newspaper business combined with the entrepreneurial attitude required for shaping a strategy that makes that vision a reality. This study has shed some light on those attitudes and their importance for the newspaper's performance. Also the context where the strategy-making takes place has been taken into account. The results show that being entrepreneurial is beneficial for newspapers, but the context influences the relationship between an entrepreneurial strategy-making and performance. This is proof that the change process newspaper managers are involved in is complex and needs further research.

Media management researchers studying entrepreneurship in media businesses find a very fertile ground for new enquiries. The lack of specific media management theories is usually a challenge for researchers because they need to find and adapt theories from other research fields to explain the media business phenomena. Economics has traditionally served as the source of theories while strategic management and organisational behaviour have now been added to the media management toolbox. But entrepreneurship offers a renewed approach to studying media businesses. This study has benefited

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<sup>99</sup> Audit Bureau of Circulations (ABC). Figures are available at: [www.abc.org.uk](http://www.abc.org.uk). The certificate for the figure indicated here is available at: <http://abcpdfcerts.abc.org.uk/pdf/certificates/14835294.pdf>.

enormously from the entrepreneurship literature and is perhaps, in my opinion, a good idea if other researchers follow suit.

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## Appendix 1: Survey items

Following is a list of the items used in the questionnaire.

1. Newspaper organization  
\_\_\_\_\_

2. Your name \_\_\_\_\_ (will be used only for follow-up)

3. Your position \_\_\_\_\_

4. Type of content     General news     Financial     Sports     Other: \_\_\_\_\_

5. Coverage             National     Local/Regional

6. Country \_\_\_\_\_

7. Number of employees     10-49     50-249     250-499     500 or more

8. Average weekly circulation \_\_\_\_\_ (copies a day)

9. Firm's age \_\_\_\_\_ years

10. International operations?             Yes             No

11. Family controlled?             Yes             No

12. Publicly listed?             Yes             No

13. Subsidiary?             Yes             No

If answer is YES, a subsidiary of (major shareholder):

\_\_\_\_\_

In the following questions, please select the single answer that is most accurate given your knowledge of your organization and industry.

**About your organization.**

- |   |   |                   |   |      |   |                       |   |                |
|---|---|-------------------|---|------|---|-----------------------|---|----------------|
|   |   | Low               |   |      |   |                       |   | High           |
| 14.   | The level of <u>integration</u> in my company between the online/new media newsroom and the print newsroom. | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
|   |   |                   |   |      |   |                       |   |                |
|   |   | Strongly disagree |   |      |   |                       |   | Strongly agree |
| 15.   | Journalists in my company are able to work in a multimedia environment (audio, video, blogs, etc.).         | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| The level of <u>coordination</u> in my company is...                |   |                   |   |      |   |                       |   |                |
|   |   | Low               |   |      |   |                       |   | High           |
| 16.   | Between managers and journalists.   | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 17.   | Between the marketing/advertising sales department and the newsroom.  | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| To what extent does your company <u>outsource</u> these activities? |   |                   |   |      |   |                       |   |                |
|   |   | Not at all        |   | Half |   | Completely outsourced |   |                |
| 18.   | Printing activities.  | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 19.   | Distribution of printed editions.   | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 20.   | Content production (e.g. journalistic works, photography)   | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 21.   | Content related activities (e.g. design, proof-reading, copy editing, etc.).                                | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 22.   | Advertising sales for the print edition.  | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |
| 23.   | Advertising sales for other editions (e.g. online)  | 1                 | 2 | 3    | 4 | 5                     | 6 | 7              |

Appendix

Does your company employ CRM (customer relationship management) tools or other specialised software to manage subscriptions?

Yes                       No

Does your company employ CRM tools or other specialised software to manage advertising sales?

Yes                       No

Does your newspaper have an Editor's blog to interact with readers?

Yes                       No

Does your newspaper have an Ombudsman or Readers' Editor to answer readers' concerns about the newspaper?

Yes                       No

**About the competitive environment.**

Please circle the number in each scale that best approximates the actual conditions in the main market where your firm competes.

During the last 3 years and considering the market in which our firm competes, the advertising spending has...

	Decreased		No change			Increased	
28. Print editions	1	2	3	4	5	6	7
29. New media –including online editions	1	2	3	4	5	6	7

During the last 3 years, the number of readers/consumers for the market in which we compete as a whole has...

	Decreased		No change			Increased	
30. Print editions	1	2	3	4	5	6	7
31. New media –including online editions	1	2	3	4	5	6	7

Please circle the number between the opposite statements that best approximates the actual conditions in the main market where your firm competes.

- |   |               |   |
|---|---------------|---|
| 32. Our firm must rarely change its marketing practices to keep up with the market and competitors. | 1 2 3 4 5 6 7 | Our firm must change its marketing practices extremely frequently (e.g. semi-annually). |
| 33. The rate at which products/services are getting obsolete in the industry is very slow.          | 1 2 3 4 5 6 7 | The rate of obsolescence is very high –as with some fashion goods.                      |
| 34. Actions of competitors are quite easy to predict.   | 1 2 3 4 5 6 7 | Actions of competitors are unpredictable.   |
| 35. Demand and consumer tastes are fairly easy to forecast.   | 1 2 3 4 5 6 7 | Demand and tastes are almost unpredictable.   |
| 36. The production/service technology is not subject to very much change and is well established.   | 1 2 3 4 5 6 7 | The models of production/service change often and in a major way.                       |

**About the strategy style in your organization.**

Please indicate which response most closely matches the style and way of thinking of the managers in your company.

- |   |               |   |
|---|---------------|---|
| 37. As we define our strategies, our major concern is how to best utilize the resources (financial, people, etc.) we control. | 1 2 3 4 5 6 7 | As we define our strategies, we are driven by our perception of opportunity. We are not constrained by the resources at (or not at) hand. |
| 38. We limit the opportunities we pursue on the basis of our  | 1 2 3 4 5 6 7 | Our fundamental task is to pursue opportunities we perceive as valuable   |

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	current resources.							and then to acquire the resources to exploit them.	
39.	The resources we have significantly influence our business strategies.	1	2	3	4	5	6	7	Opportunities control our business strategies.
40.	We have many more promising ideas than we have time and the resources to pursue.	1	2	3	4	5	6	7	We find it difficult to find a sufficient number of promising ideas to utilize all of our resources.
41.	Changes in the society-at-large often give us ideas for new products and services.	1	2	3	4	5	6	7	Changes in the society-at-large seldom lead to commercially promising ideas for our firm.
42.	We never experience a lack of ideas that we can convert into profitable products/services.	1	2	3	4	5	6	7	It is difficult for our firm to find ideas that can be converted into profitable products/services.
43.	There is a strong emphasis on the marketing of true and tried products or services.	1	2	3	4	5	6	7	There exists a very strong emphasis on R&D, technological leadership, and innovations.
	How many new lines of products or services has our firm marketed in the past 5 years? Please exclude minor variations.								
44.	No new lines of products or services in the past 5 years.	1	2	3	4	5	6	7	Many new lines of products or services in the past 5 years.
45.	Changes in products or service lines have been mostly of a minor nature.	1	2	3	4	5	6	7	Changes in products or service lines have usually been quite dramatic.
	In dealing with its competitors, my firm...								
46.	...typically responds to actions that competitors initiate.	1	2	3	4	5	6	7	...typically initiates actions that competitors then respond to later.

47. ...is very seldom the first firm to introduce new products/services, administrative techniques, operating technologies, etc. 1 2 3 4 5 6 7 ...is very often the first firm to introduce new products/services, administrative techniques, operating technologies, etc.

In general, the top managers of my firm have...

48. ...a strong tendency to "follow the leader" in introducing new products or ideas. 1 2 3 4 5 6 7 ...a strong tendency to be ahead of other competitors in introducing novel ideas or products.

49. There is a strong proclivity for high-risk projects (with chances of very high returns) 1 2 3 4 5 6 7 There is a strong proclivity for low-risk projects (with normal and certain rates of return).

50. Owing to the nature of the environment, bold, wide-ranging acts are viewed as useful and common practice. 1 2 3 4 5 6 7 Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behaviour.

When confronted with decision-making situations involving uncertainty, my firm...

51. Typically adopts a bold, aggressive posture in order to maximise the probability of exploiting potential opportunities. 1 2 3 4 5 6 7 Typically adopts a cautious, 'wait-and-see' posture in order to minimise the probability of making costly decisions.

52. My firm is very aggressive and intensely competitive. 1 2 3 4 5 6 7 My firm makes no special effort to take business from the competition.

In dealing with its competitors, my firm...

53. Typically seeks to avoid competitive clashes, preferring a "live-and-let- 1 2 3 4 5 6 7 Typically adopts a very competitive, "undo-the-competitors" attitude.

## Appendix

live” attitude.

- |  |               |   |
|--|---------------|---|
| 54. Most people in my organisation are treated pretty much the same, regardless of rank or status. | 1 2 3 4 5 6 7 | Respect for rank and status is very important in my firm.     |
| 55. Employees with innovative ideas are encouraged to develop them.                                | 1 2 3 4 5 6 7 | We prefer that employees focus on their assigned tasks.       |
| 56. Ideas for new products/services usually flow from employees to top managers.                   | 1 2 3 4 5 6 7 | Ideas for new products/services usually originate at the top. |

### **About the performance.**

Over the past three years and relative to our competitors in the newspaper publishing industry, our firm has performed...

- |   |   | Much worse |   | About the same |   | Much better |   |
|---|---|------------|---|----------------|---|-------------|---|
| 57. Net income (Profit)                     | 1 | 2          | 3 | 4              | 5 | 6           | 7 |
| 58. Gross margin (Sales less Cost of Sales) | 1 | 2          | 3 | 4              | 5 | 6           | 7 |
| 59. Sales growth                            | 1 | 2          | 3 | 4              | 5 | 6           | 7 |
| 60. Return on Equity (ROE)                  | 1 | 2          | 3 | 4              | 5 | 6           | 7 |
| 61. Market share –advertising               | 1 | 2          | 3 | 4              | 5 | 6           | 7 |
| 62. Market share –readers                   | 1 | 2          | 3 | 4              | 5 | 6           | 7 |

This is the end of the questionnaire.

Thank you very much for your time! We appreciate your help.

If you want to receive a summary of the results of this survey, please give us your contact details and we will send a report to you.

**Notes:**

Items 32, 33 and 36 measure dynamism, whilst items 34 and 35 measure unpredictability (cf. Miller, 1988).

Items 37-56 measure the strategy mode in the organisation. The right side represents entrepreneurial behaviour.

Items 37-39 refer to strategic orientation.

Items 40-42 refer to entrepreneurial culture (all reversed).

Items 43-45 refer to innovativeness.

Items 46-48 refer to proactiveness.

Items 49-51 refer to risk-taking (all reversed).

Items 52-53 refer to competitive aggressiveness (item 52 is reversed).

Items 54-56 refer to autonomy (all reversed).

Items 57-60 show financial performance; items 61-62 show operational performance (i.e. non-financial).

**Sources:**

Items 32-36 are based on Miller and Friesen (1982).

Items 37-42 are based on Brown, Davidsson and Wiklund (2001)

Items 43-47, 49-51, and 53 are based on Miller and Friesen (1982) and Covin and Slevin (1989)

Items 48 and 52 are based on Lumpkin and Dess (2001)

Item 54 based on Dess, Lumpkin and Covin (1997)

All remaining items are original.

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