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What gets measured gets done?

- a study within the newspaper industry

Master thesis within Business Administration

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Abstract

Background and problem	According to Atkinson, Banker, Kaplan and Young (1995) management accounting and control practices have an important role within today's organizations. In order for the organization to be successful, information on the finances and performance are crucial. But in the media industry there are indications that management accounting and control practices are not as accepted as in many other industries (Tjernström, 2002). Since there have not been much research about management accounting in the media industry, compared to what have been done in other industries, like manufacturing and new economy firms, there are less knowledge from this industry.
Purpose	The purpose of our thesis is to investigate, explain and analyze the management accounting practices, with focus on performance measurement and what the attitude to performance measurement is within four newspapers in Sweden. This will be done from a management perspective.
Frame of reference	Previous research about agency theory, stewardship theory, budget, responsibility centres, operating- income and margin, reward and incentive plans, balanced scorecard and intellectual capital statement and theories about the newspaper industry are described and used.
Method	A qualitative research with four interviews was conducted. Three were newspaper managers and one editor in chief.
Conclusion	From our four researched newspapers we have found that managers described management accounting and performance measurements to be important but still not communicated. Therefore, it is interesting that none of the newspapers measure performances in the editorial department. Journalists have been and are sceptical to management accounting practices and performance measurements but this attitude has changed and is not so strong and not a problem nowadays. Focus on profit has increased but is not considered as a threat to newspaper quality as long as it is not too extreme. Operating margin is the key ratio that all four newspapers use.

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With these words we will make the reader aware of how important participating managers and journalist have been for this thesis. We are very grateful for their help and hopefully they will have some use of our result. We would also like to show our appreciation to our tutor Emilia Florin Samuelsson for encouraging, creative and inspirational help during the work.

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1 Introduction

The starting chapter will give the reader background information of the subject of the thesis. Further follows a discussion about the problem area and a presentation of the purpose of this thesis.

1.1 Background

According to Atkinson, Banker, Kaplan and Young (1995) management accounting and control practices have an important role within today's organizations. In order for the organization to be successful, information on the finances and performance are crucial. According to Simons (2000) control systems and performance measurements allows the managers within a company to find a balance between profitability, growth and control in short- and long term perspective and are therefore important tools to practice for the organizations when striving to achieve a company's desired profit goals and strategy. Kaplan and Atkinson (1998) states, that the process of control involves "setting performance targets, measuring performance, comparing performance and the targets," and if necessary, taking action in response to the variance. Atkinson et al. (1995) also sees performance measurement as a part of the control system which is a set of methods and tools used to keep the organization in track and strive towards the same goals. The purpose of using performance measurements within an organization is mainly to inform, motivate and govern the intern and extern stakeholders but also to get a view of the past, present and future outcomes of the company (Ax, Johansson & Kullvén, 2002).

Performance can be measured both financially and non-financially. Financial performance measurements have traditionally been and continue to be the most widely used (Kaplan & Atkinson, 1998). But according to Kaplan & Norton (2001) focus on only financial measurements would lead to that organizations would do the wrong things because they only look on past actions and also promote short term behaviour that sacrifices long-term value creation for short-term performance. There are also writers in strategic accounting that tends to call for a balance of financial and non-financial information to support strategic processes (Bhimani & Langfield-Smith, 2007). Kaplan and Atkinson (1998) argue that the most widely used measure of performance for financial control is profitability and therefore, the profit should be measured in order to evaluate organizational performance. Another aspect of the use of financial measurement is the focus on what matters to the organization which means that the organizational members should pay attention to what success means to the organization. The profit results will indicate if the company's strategies and tactics are not achieving its intended results (Kaplan & Atkinson, 1998). The financial performance measurements are for example used for profitability- and result calculation, cost control, and productivity analysis (Ax et al., 2002).

Research has been done about management accounting and control practices in industries like manufacturing and new economy firms. Ask & Ax (1992) did research in the manufacturing industry and Granlund & Taipaleenmäki (2005) did research about IT-firms. In contrast to this there have not been much research about management accounting and performance measurements in the media industry and therefore there is little knowledge about how these issues are handled within the media industry. According to Tjernström (2002) it is not only little knowledge from research in this industry but there are also problems with the lack of organizational acceptance of management control practices. One reason for this is that there are indications that journalists have the opinion that modern management and

profit focus is a threat to the quality of the newspaper and editorial independence (Tjernström, 2002).

The Newspaper industry

Sweden has a reading population. Together with the Nordic countries and Japan, Sweden has most daily newspaper per citizen in the world. Eight of ten people read at least one daily newspaper a day and spends in average 20 minutes to it each day (Månsson, 2005). During the former years changes have occurred in many levels within the media industry. These changes involve mainly technology, revenue generation, ownership patterns, managerial efficiencies and management philosophy (Shaver, 2000). Everyone does not like these changes since there are indications that some journalists believe that modern management lead to less quality and different stakeholders are guided by different ideologies and have varied expectations about what a public service firm should do (Tjernström, 2002). The reason to why they are so concerned with the quality is that newspapers are said to be important for the democracy in the society and reading a newspaper is therefore a way to take an active part in the society life by being informed and updated with what is happening in the society. Newspapers make it in this way possible for people to take an active part in the society debates and the democracy processes (Bergström, Wadbring & Weibull, 2005). The scepticism to profit focus became once again a hot topic in Sweden around August 2006 when the largest newspaper in Sweden, Dagens Nyheter (DN), recruited a new editor in chief, which came from a tabloid and is known for turning red figures to black. It was argued that the journalists were nervous that the newspaper would turn out to be more like a tabloid in its quality (Byström, 2006). The editor in chief replied to this fear by stating that his objective was that DN should be journalistic strong in the future and that is only possible by being profitable, which was not the case before changing management (Hagen, 2006).

Newspapers have traditionally been limited in their ability to measure their organizations effectiveness because of the lack of recognized performance measurements. Establishing benchmarks would allow newspapers to evaluate their performance and compare themselves with other newspapers (Hernandez, 2002). Or as it is expressed by representatives from Newspaper Association of America "Creating industry benchmarks for newspaper operations will give papers the essential tools to chart their progress and know where they stand in relation to their peers" (Croteau, cited in Hernandez 2002).

1.2 Problem discussion

As mentioned in the background there are researchers arguing that the role of management accounting and control practices is important in order to keep the organization in track and to follow up and evaluate the situation in a company. They also say that the control practices will facilitate the work of measuring performance and the financial results and in turn work as a tool to improve the operation and performance within an organization (Simons 2000, Atkinson et al. 1995, and, Ax et al., 2002). We can see indications that management control practices are not as accepted in the media industry as it is in other industries (Tjernström, 2002). This is due to, that a threat to the product quality could be devastating for firms in most industries but if a daily newspaper loose quality is it not only dangerous for the single firm but also for the society. Because newspaper fulfil important functions in democratic societies when they improve knowledge about politics, help citizens integrate into their community and participate in democracy and by making plenty of information accessible to their readers (Schoenbach, 2004). This attitude among journalists does not

mirror the attitude in the rest of the society. According to Catasús, Ersson, Gröjer & Wallentin, (forthcoming) measurements have a strong position in the rest of today's society and they even suggest that we are entering an age of organizational measurability. One reason to this is that according to Otley (2003) what gets measured generally gets done and what is not measured may suffer in comparison (cited in Catasús et al., forthcoming). It is not only the profit focus that is said to be a threat to product quality; it is also the consolidation in the media market. The reason to this is that a consolidation can lead to a decline in diversity of expressions and result in products with homogeny content (Bagdikian 1993, cited in Albarran & Dimmick 1996). This consolidation leads logically to larger news organizations and there is a belief that large news organizations place more emphasis on profit as a goal than smaller news organizations does and are therefore more dangerous for the democracy (Bagdikian, 1987 cited in Demers, 1996). Everyone does not share this opinion, according to Demers & Merskin (2000) large news organization are more profitable but put less emphasis on profit and more on product quality.

In this study we want to find out *if* four organizations in the Swedish daily newspaper industry are measuring performance and if they do, *how* performance measurements are done in an industry where there is little knowledge from. We will also try to find out if there is scepticism to management control practices and performance measurements.

1.3 Purpose

The purpose of this explorative study is to investigate, explain and analyze the management accounting practices, with focus on performance measurement, and find what the attitude to performance measurement is within four newspapers in Sweden. This will be done from a management perspective.

2 Frame of references

In the frame of references we have worked with both normative and descriptive theories. Theories from management accounting and the newspaper industries will be described in this chapter. These theories are what we base our interviews and our analysis upon.

In order to find relevant literature for this study different methods for searching literature have been used. Literature is collected by using the database JULIA at Jönköping University library. We have also used other databases, i.e. Emerald, ABI/Inform and Google scholar, at the University library to find relevant articles by using subject terms: management accounting, performance measurement, profitability, daily newspaper and media industry. We have used journals such as Management Accounting Research and Journal of Media Economics. By trying to find key researchers and authors, i.e. Kaplan, Atkinson, Otley, Mouritsen, Shaver and Tjernström among others, which are referred to in several contexts, within the management accounting- and media area we have made further research to find literature that builds on these authors' theories, knowledge and opinions.

2.1 Management Accounting

Many researchers, within the management accounting area, argue that management accounting and performance measurement is important in order to improve the profitability and quality in an organization. However, is this really the case in all organizations, or does it just contribute to improvements in some organizations? We will start to describe the researchers' view regarding the use of management accounting and how this might affect the organizations' work and performance according to the researchers. This chapter will deal with descriptive and normative theories and theoretical suggestions about how to work with management accounting in organizations. Later, in this chapter, some information about the management accounting practices in the media industry is presented, as well.

Atkinson et al. (1995) describe management accounting as follows:

"The process of producing financial and operating information for organizational employees and managers. The information should be driven by the informational needs of individuals internal to the organization and should guide their operating and investment decisions." (Atkinson et al., 1995, p. 4)

Atkinson et al. (1995) argue that management accounting information is used to help managers and workers make decisions in terms of planning and coordination for future progress. Traditionally management accounting consisted of financial information but nowadays it includes non-financial information, such as product-/service quality and knowledge resources within the company, as well (Atkinson et al., 1995). Several functions such as operational control, product- and customer costing, and management control are served through management accounting information. Different levels of the organization demand and use management accounting information in different ways. At the operating level the management accounting information is used to control and improve operations in a division of the company and is more focused on operational and physical performance and not so much on financial. At higher organizational level the management accounting information is broader and focuses on the whole organization. The management accounting information sends warning signals and out of that the managers can evaluate a situation and make decisions for future process. Here, the financial information is used to a higher extent than operational and physical (Atkinson et al., 1995). As can be seen from the statements above, management accounting researchers argues that it is important to measure performance in order to evaluate and then improve the performance in an organization.

2.2 Motivations to attain objectives

People act in different ways depending on their motives. This might affect outcomes in the short- and long run. In this section we present two contrasting theories regarding human behaviour, and how researchers view different kinds of human behaviour.

The **agency theory** deals with a contract between principal (e.g. owner) and agent (e.g. employee) where both persons behave in a self interest way (Macintosh, 1994). In other words, the agent or principal will chose to act in a way that increases his or her individual utility (Davies, Schoorman and Donaldson, 1997). The owner, also called principal, is seen as the decision making authority and the employee, called agent, is the person who perform services on behalf of the owner, i.e. the principal control the agent. The agent is a utility maximizer but will not always take actions that are in the principal's best interest. The principal can take actions that limit such behaviour by auditing, accounting, or establish an incentive scheme (Jensen and Meckling, 1976 cited in Macintosh, 1994). Agency theory is said to be built around seven key ideas which are; self interest, adverse selection, moral hazard, signalling, incentives, information asymmetry, and the contract (Macintosh, 1994).

Self interest implies that an individual's happiness comes from getting what one desires. This means that the individual acts in a way that he or she will gain from. **Adverse selection**, or hidden information, deals with the problem when the principal puts out a contract to the market of managers. In this case managers have private information about their own abilities to perform according to the contract while the owners have never observed the managers in action. In such case, the principal have no awareness about the agent's quality and a situation of asymmetric information arises in the market for managers. In this situation the less able employees will gain since their lack of quality is not observed by the principal. **Moral Hazard**, or hidden action, also deals with the situation of asymmetric information in a way where owners have hired employees but they can not observe the actions and efforts of the employees. In this case the managers are given a certain amount of input and effort but the principal can not observe the input and effort used. The principal can then only rely on some output measure, such as profit or sales, as a base for administrating the contract. This situation can result in a decrease of the employees' incentive to maximize input and effort. Since asymmetric information in the adverse selection arises managers want to take actions by **signalling** their abilities, such as their level of education and their work experience. **Incentive systems** are important since it will, hopefully, motivate the agents or employees to work and act in the principal's, or owner's, behalf. One way to motivate the employee could be to link the manager's payment to the produced output. As could be understood from the problems mentioned above **asymmetric information** is a fundamental concept in the agency theory. Many problems arise from the lack of perfect information for the owner. The owner has to guess the effort from the output and do not have the ability to observe the employees' actions. The last key idea which agency theory is built on is the **contract**. It refers to an agreement where a principal engage an agent to perform the service to make decisions on the principal's behalf (Macintosh, 1994).

However, the agency theory is criticized by some researchers. They argue that this theory is an "unrealistic description of human behaviour" and that "labelling all motivation as self-interests do not explain the complexity of human action" (Jensen & Meckling, 1994, and Doucouliagos, 1994, cited in Davis et al., 1997).

According to Davis et al. (1997) agency theory is a good way to explain relationship where the parties' interests can be brought more into alignment by using appropriate monitoring and a well-organized compensation system. Additional theories are needed in order to un-

derstand the different types of human behaviour (Davis et al., 1997) One theory that can be used is the stewardship theory, which will be described below.

The **stewardship theory** defines the relationship the other way around, so to say, since the manager not is motivated by his or her individual goals only. Instead they are stewards with objectives that are more associated with their principals' objectives. Davis et al. (1997) argues that the behaviour of a steward has a higher utility due to its pro-organizational and collectivistic behaviour in relation to the individualistic and self-serving behaviours such as agency theory. According to the stewardship theory the steward seeks to achieve the organizational objectives and protects and maximizes shareholders' wealth through organizational performance. By doing so the steward's utility function is improved. As stewards seek to improve the performance of the organization it generally satisfies most stakeholders groups i.e. stakeholders interests are well served since the organizational wealth is increased. Therefore it can be said that the behaviour of a steward is more organizational centred (Davis et al., 1997).

However, stewards have of course also a kind of self interest since he or she must have income to survive. The difference between the self-interest in agency theory compared to stewardship theory is that a steward realizes the trade-off between personal needs and organizational objectives. By working towards organizational objectives and attain these the personal needs are attained as well (Davis et al., 1997).

These two contrasting views regarding what motivates people in an organization might be interesting to analyze within newspaper organizations since there is some indications that the objectives might differ between management and journalists.

2.3 Measuring business performance

Some researchers argue that "what gets measured gets done" but is this really the case or is it just an assumption? According to Heath (1998) measurement affects behaviour and examples of these are reward systems and incentive plans that are based on measurements (cited in Catasús et al., forthcoming) . Otley (2003) states that what gets measured gets generally done and what is not measured may suffer in comparison (cited in Catasús et al., forthcoming).Wallace (1997) tested if this was true by selecting a sample of firms that began using a residual income performance measure as a base for their compensation plans and compared their performance to a control sample (cited in Catasús et al., forthcoming). His result generally supported the phrase "you get what you measure and reward". Using measurements as a base for reward and incentive plans is not the only reason to the increased use of measurements. The idea of coupling measurement to management is another main reason (Catasús et al., forthcoming). Of other opinion than these do we find researchers saying that what managers measure does not correspond well to what they want done (Emiliani, 2000, cited in Catasús et al., forthcoming). Williams (1998) is of the same opinion and argue that numbers simplify a complex setting and can hardly represent the organizations reality (cited in Catasús et al., forthcoming).

From the perspectives presented above, some researchers describe how the human behaviour and actions within an organization influences the organizational work and the performance in different ways. The work will be influenced by internal factors but also by external factors, financial- and non-financial, tangible and intangible factors. The relation between such factors can, for example, be put together in a balanced scorecard, which is the most well-known tool regarding non-financial measurement. It is important to find a bal-

ance between all factors in order to improve, and increase, the performance of an organization (Kaplan & Atkinson, 1998 and Atkinson et al., 1995).

Critical success factors are suggested to be used in order to help the organization measure and evaluate the performance and out of these measures and evaluations create profitability in the long run. Such success factors are for example quality, time, cost reduction, customer service and product performance (Atkinson et al., 1995). This indicates that the financial outcome is based on operational factors such as for example customer satisfaction (external factor) and knowledge resources (internal factor). We will therefore describe how such factors should be used and measured in an organization in order to improve performance and profitability, according to the researchers.

2.3.1 Budget

One suggested way of managing and measuring financial performance is to use budgets. Budgets are used to plan and control performance and provide feedback by means of variance reports. The budgets for individual responsibility centres are the base for the overall budget of a company. The budget is suggested to have different functions for an organization. These are

- a system of authorization
- a means of forecasting and planning
- a channel of communication and coordination
- a motivational device
- a means of performance evaluation and control, and also providing a basis for decision making.

A budget serves as **authorization** to a manager since it limits the managers' ability to spend a given amount on specific activities. The second function, a **means for forecasting and planning**, refers to predictions of events over which the organization has little or no control. It also refers to an attempt to shape the future by varying those factors that are controllable in light of the available forecasts. The budget as a **channel of communication and coordination** means that the budget is used as accounting information to communicate between different managers in the organization so that will enable them to coordinate their activities more efficiently. Next function, budget as a **motivational device**, means that the budget serves as a means of motivating managers to strive towards the achievement of organizational objectives. The last function means that budgets are used to **evaluate the managerial performance**. However, it is possible for the managers to manipulate the budget and the actual information and in that case the evaluation is not very trustworthy (Emmanuel, Otley & Merchant, 2004)

As budgets are used as performance evaluation, rewards are suggested to be connected to the budget achievement (Emmanuel et al., 2004). Some companies use budgets to evaluate if the employees should be rewarded for good performance. In this case companies can have intern policies such as increase the incomes and decrease the costs and in turn increase the profitability to a certain level. The bonuses are then often based on the difference between the planned budget and the real outcome (Ax et al., 2002). This aspect can be seen as a motivational device, discussed above.

Some researchers are sceptical to budgeting though. One of them is Wallander (1994) who argues that it is hard to predict the future and one example is the interest rate which fluctuate all the time and is impossible, or at least very hard, to predict. Wallander (1994) further argues that since the budget often is made by the employees and might be related to an incentive plan the employees might make a budget which they will achieve and therefore the budget is faked. Wallander (1994) therefore suggests an alternative to the budget and this method he calls “*the budget loose system*” (in Swedish “*det budgetlösa systemet*”, authors’ translation). This system requires a fast, detailed and functional accounting system which provide a base for the organization’s direction and not only provides a result.

2.3.2 Performance measurements

The **balanced scorecard** (BSC) was introduced by Kaplan and Norton in 1992 and the purpose of this “tool” is to set a vision and work out a strategy to obtain the vision (Olve, Roy & Wetter, 1999). The company states a vision for the organization and uses the balanced scorecard as a strategy tool to attain the vision (Samuelsson, 2004). The aim of the scorecard is to find a relation between the short-term operational control and the long-term vision and strategy (Olve et al., 1999). This should be done by using different measures and the original measures that Kaplan and Norton suggests are financial perspectives, customer perspective, internal business perspective, and learning and growth perspective. According to Kaplan and Norton, these perspective are the most efficient to use when measure an organization’s performance. The financial perspective should highlight the result of action already taken and then be complemented by the other operational perspectives in order to improve the future outcome (Broadbent, 1999)

The balanced scorecard can be used to communicate the company’s different objectives and Kaplan and Norton argue that the balanced scorecard should be based on the business idea and take some question into consideration:

- Financial perspective: “How do we look at shareholders? What are the consequences for the shareholders?”
- Internal business perspective: “What must we excel at? What are the requirements for the processes?”
- Innovation and learning perspective: “Can we continue to improvement and create value?”
- Customer perspective: “How do customers see us?” (Simons, 2000, Samuelsson, 2004 and Olve, et al., 1999).

The balanced scorecard consists of, usually, 15-20 measures. It should describe the goals set for the organization and how these goals are attained. These measures should be divided between the perspectives and used to evaluate a situation, plan for future outcome and make decisions. Examples of these measures could be for the **financial perspective**: result per employee and Return on investment (ROI), for the **customer perspective**: number of customers and Customer-satisfaction-index, for the **Internal business perspective**: share of administration cost in relation to administrated capital and total return compared to index, and for the **Innovation and learning perspective**: satisfied staff index and marketing cost in relation to administrated capital (Samuelsson, 2004).

Different time perspective should also be taken into account: past, present and future. The financial measures are often used as a description of what has happened in the past, the customer and the internal business measures are used to describe the present situation and the innovation and learning measures indicates that what is done today will contribute to future improvements (Samuelsson, 2004).

Some studies have been made whether the balanced scorecard might replace budgets or not. However, according to Ax et al. (2002) the studies have not succeeded to prove that it is possible to replace the budget with a balanced scorecard. This is since the balanced scorecard is more a complement to the budget rather than an alternative. The balanced scorecard can also be seen as a non-financial budget which explains the financial values, according to Ax et al. (2002).

In a study made by Otley (1999), in which he compares the use of budgets and balanced scorecard, he concludes that an organization can not survive using only a balanced scorecard and suggests that the balanced scorecard should be used as a complement to the budget.

According to Ax et al. (2002) the balanced scorecard is complex to use and requires a lot of time and effort to use as a management tool if it should be used properly. In addition, some researchers have criticised the balanced scorecard since they argue that balanced scorecard is hard to use in a centralized company, if the firm wants to have complete control over all units. It is much easier to use measurements as profit, cash-flow and the achievement of budgets. However, these measurements are all financial and do not take any non-financial measurements into consideration (Broadbent, 1999). One alternative to the balanced scorecard could be the **Intellectual Capital (IC)** which deals with intangible recourses in terms of human capital, customer capital and organizational capital. The intellectual capital is difficult to measure since it is intangible. However, Mouritsen (1998) follows the efforts made to measure the intellectual capital in a table with the columns “that what is” (resources), “that what is done” (actions) and “that what happens” (result). The two first columns can be measured in particular departments and functions within the organization and the latter column is more difficult to measure but might be helpful for improvements in the company (Broadbent, 1999). An example of Mouritsen’s table is visualised below.

Mouritsen and Larsen (2005) write about the intellectual capital information and tries to analyze what role knowledge has for management control. They split the knowledge resources into two different approaches; first wave of knowledge and second wave of knowledge. The first wave of knowledge is referred to knowledge embedded in individuals and value is created through individuals’ knowledge. It is therefore important to stimulate, create and share individual knowledge within an organization. The second wave of knowledge, on the other hand, is referred to be knowledge resources which are used in the production and creating of value, i.e. the knowledge is not embedded in individuals. Mouritsen and Larsen further states that knowledge resources are important for the organizations and argue that in order to combine individual knowledge in an appropriate way the company could be managed successfully.

	That what is	That what is done	That what happens
Employees	<ul style="list-style-type: none"> - Length of employment - Education & training - Expenses for education & training 	<ul style="list-style-type: none"> - Share employee with personal development plan - Number of training days/employee - Expenses for training & education/employee 	<ul style="list-style-type: none"> - Employee satisfaction - Human resource accounting - Value added/employee
Customers	<ul style="list-style-type: none"> - Distribution of revenues on markets and products - Marketing expenses 	<ul style="list-style-type: none"> - Number of customers/employee - Marketing expenses/SEK of revenue - Administration expenses/SEK of marketing expense 	<ul style="list-style-type: none"> - Customer satisfaction - Share customers with long relations
Technology	<ul style="list-style-type: none"> - IT investments - Share of internal to external IT customers 	<ul style="list-style-type: none"> - PCs/employee - Computer expenses/employee 	<ul style="list-style-type: none"> - IT qualifications - IT license
Processes	<ul style="list-style-type: none"> - Expenses/process - Distribution of staff on processes - Investment in R&D and infrastructure 	<ul style="list-style-type: none"> - Throughput time - Product-development time - Time to organizationally & administratively fit new organizational units 	<ul style="list-style-type: none"> - Errors - Waiting time - Quality Company reputation

Table 2-1 Intellectual Capital measurements (Mouritsen, 1998 cited in Broadbent, 1999)

Both these tools (the balanced scorecard and the intellectual capital statement) are similar since they deal with customers, employees and, the internal process and technology. The main difference is that the intellectual capital not deals with a financial perspective. However, the non-financial perspectives will in the long run affect the financial performance as well. If, for example, the customers are satisfied with the products and services they will probably continue to buy the products and services and therefore the finance is influenced.

It might be interesting to apply and analyze these theories regarding the balanced scorecard and intellectual capital since there is some indication that the quality might be affected by the focus on profitability. As already mentioned, the non-financial perspectives might influence the financial situation in an organization and it should be interesting to investigate if the newspapers manage to find an appropriate way to combine these perspectives in the reality.

Another alternative to the balanced scorecard is the **performance pyramid** which was introduced by McNair, Lynch and Cross (1990 cited in Broadbent, 1999). In their theory they argued that the performance measurements should be made to fit the goals and pursue to attain different levels of an organizational hierarchy. According to McNair et al. (1990 cited in Broadbent, 1999) measurements of operational and physical issues should be at the lower level of the pyramid while financial measurements should be at the top of the pyramid. Management accounting researchers argues that the different levels of the organization are provided with feedback and learning cycles from the performance measures. This

means that the financial measures are based on the operational and physical measures the balanced scorecard, intellectual capital as well as performance pyramid (Broadbent, 1999 and Olve et al., 1999).

2.3.3 Responsibility centers

“Centralization or decentralization refers to the organization of a company and specifically to how low in the organizational structure decisions are made” (Hirsch, 1994, p 589).

Centralization

Centralized organizations place most of the decision making power to senior executives. It is hard for highly centralized organizations to respond effectively or quickly to their environments and therefore centralization is best for organizations that are well adapted to stable environments. In these organizations there are no major information differences between the corporate head quarters and the employee who were responsible for dealing with customers or running the operations that make the organizations products or services (Atkinson et al., 1995).

Decentralization

The more independent and free to make own decisions a manager in a company is, the more decentralized the structure is. The best way to measure the depth of decentralization is to investigate how low in the organization where important decisions are made. There are two factors that are important when deciding the extent of decentralization: how to decentralize, with this means what segments and bases for these segments. The second thing to consider is why to decentralize. Traditionally have these segments been divided by how they will be evaluated using financial measures. Decentralization involves dividing a company into segments, divisions and strategic business units or any other name where the focus is to create autonomy for each division and by that evaluate the segments as a separate entity. The level of decentralization can vary between the different entities in the company and therefore it is important to have in mind the authority each entity and manager has when evaluating them (Hirsch, 1994).

In order to achieve a company’s strategy it is important to decide how to organize people and resources. People within an organization might be divided into teams and work units. This is done in order to facilitate work flows and to focus attention on their specific task. Accountability characterizes the outputs that a work unit is supposed to produce and the performance standards that managers and employees of that unit are expected to meet. Different managers will be responsible, or accountable, for different parts or centres in the company (Simons, 2000).

The financial control is evaluation of some financial aspect of an organizational or responsibility centre and is used to achieve financial results within the company. Responsibility centre is a unit within the organization which a manager is accountable for. The most common responsibility centres could be divided into cost centre, revenue centre, profit centre and investment centre. The responsibility centre’s prepared accounting report reflects whether the responsibility centre manager controls revenues, costs, or investments (Atkinson et al., 1995).

When outputs can be defined and measured and when the required input used to produce the output can be specified **cost centres** can be established (Kaplan & Atkinson, 1998). In cost centres the responsible manager must control the costs and do not control revenues

and interest (Atkinson et al., 1995). Managers of cost centres are given cost budgets and they have to distribute the desired level of goods or services within those spending limitation (Simons, 2000). In order to organize marketing activities, such as selling and distributing finished goods, **revenue centres** are used (Kaplan & Atkinson, 1998). The manager of a revenue centre is responsible for the revenues but not for the manufacturing cost of product or service they sell, or the level of investment in this centre. The revenues measures the value added activities (Atkinson et al., 1995). **Profit centres** can be seen as a combination of cost centre and revenue centre since the manager of this centre control revenues and costs of the product or service they deliver. Managers can make decisions about which products to produce, how to produce them, quality level, price, and the selling and distributing system since they have responsibility for both production and sales. This implies that managers have the position to optimize the performance of their centres by making tradeoffs among volume, quality, price and costs (Kaplan & Atkinson, 1998). This centre works as an independent business except that the senior manager, not the responsibility centre manager, controls the level of investment in the centre. In the **investment centre** the manager of the centre control revenue, cost and the level of investment (Atkinson et al., 1995). This means that apart from the above stated responsibilities, for profit centre, the manager also has responsibility for working capital and physical assets (Kaplan & Atkinson, 1998). This centre works as an independent business (Atkinson et al., 1995). Table 4.1 summarizes the different types of responsibility centers.

Factors	Cost center	Revenue center	Profit center	Investment center
Controlled by center management	Costs	Revenues	Costs and revenues	Cost, revenues and investment.
Not controlled by centre management	Revenues, investment in inventory and fixed assets.	Costs, investment in inventory and fixed assets.	Investment in inventory and fixed assets.	
Measured by the accounting system.	Cost relative to some standard (usually a budget)	Revenue relative to some standard (usually a budget)	Profit relative to some standard (usually a budget)	Return in investment relative to some target level.

Table 2-2 Summary of responsibility centres. (Atkinson et al., 1995 p 499).

After dividing into responsibility centres, the second question involves how to decentralize. Companies can be segmented on several different bases like; geographical area, products, types of customers and technology. There are many advantages with choosing a decentralized structure form, first it facilitate the response to environmental complexity which is done by decisions that are made by experts at lower levels of management. Cost of information is reduced because if all the information has to go forward to top management so they can make all decisions would be costly. Timeliness, in some uncertain environments there are not time to wait for decisions at top management level. Motivation and training will lead to that managers feel like they are more part of the process and perform better. Another reason for decentralize is the ability to evaluate segments and find out how different parts of the company are doing (Hirsch, 1994).

In the section above are decentralization, centralization, and responsibility centres introduced. Newspapers seem to be divided up in different departments such as editorial department, advertising department, printing department and distribution department. Therefore, consider we that this section is relevant to present, even though it does not concern the purpose and problem for this thesis, in a clear sense.

Above we have presented a general description of researchers' view regarding the use of performance measurements. In appendix 1 and 2 the reader can find description to some examples of tools (i.e. Return on investment, Economic value added and Residual income) that are interesting performance measurements more from an owners point of view.

2.3.4 Reward and incentive plans

As described above, some researchers believe that individuals are motivated by different factors. However, in some sense all individuals have some kind of self-interest, and that can be influenced by the use of rewards and incentives within an organization. In the agency theory, for example, it could be appropriate to use rewards since it might motivate the agents to perform what principals have as objective. In this section we will describe the researchers' view regarding rewards and incentives and how these might work and influence the work within an organization.

“...if you want to motivate people to pursue organization objectives then you have to reward them based on the performance level they achieve” (Kaplan & Atkinson, 1998, p 673).

This part is based of Kaplan and Atkinson (1998) thoughts. They argues that the financial control system has traditionally measured the corporate or divisional performance and based on this tied the individual reward. They also state that it is not evident that the rewards should be based on individual performance because it could be the case that it does not promote group-oriented behaviour. Rewards based on group performance could on the other hand lead to free riding on the efforts of others and that they fail to see that their individual performance affects the group's performance and therefore its rewards. One way to find a solution to this problem is to base the total group reward on group performance like corporate profit but to base the individual shares of the group reward on how well the individual have achieved the individual performance objectives. In a decentralized organization is compensation contracts, incentive and bonus plans important to motivate top-division managers. Companies are aware of this and almost all highly decentralized organizations have incentive compensation contracts for their top management. More than 90 percent of the top management of these organizations has some annual bonus and the median size of senior executives short-term profit measures is about one-quarter of their annual compensation. This is done to encourage profit-maximizing decisions and stimulate them to higher levels of performance. According to the same authors as in this section, Kaplan and Atkinson (1998), executive compensation plans should;

- Be attractive to high-quality managers
- Communicate and emphasize the key priorities by link the performance in these areas to the bonus
- Encourage the development of a performance-oriented climate within the firm

Atkinson et al. (1995) describe two types of rewards; intrinsic and extrinsic. Intrinsic rewards deals with the design of the job and the nature of the company that people experience. These rewards reflect the satisfaction that an individual experience from doing his/her job and is a kind of feeling. In this sense the management's role is to develop an environment and culture within the company where the employees value intrinsic rewards. Extrinsic rewards, on the other hand, is a more physical reward that one person give to another person for a well performed job and therefore it is based on performance to a higher extent compared to the intrinsic reward. Examples of extrinsic rewards are meals, trips, cash- and stock bonuses (Atkinson et al., 1995).

Kaplan and Atkinson (1998) argue that there is no single bonus incentive plan that dominates and is the right one for all companies. Many things need to be considered when choosing incentive plan like the degree of decentralization, the time horizon for critical decisions of the firm, the environment and its uncertainty and the structure of the industry. How it is paid out is another part of the incentive plan and there are different ways of doing this. Reduction of taxes is one of the greatest benefits with a bonus plan, so pay the bonus in cash immediately is not the best way in this aspect. The tax is one reason why stock options have become the most popular incentive form. Other forms of monetary compensation than cash and stock options are; deferred compensation, performance shares or units, stock appreciation rights and participating units (Kaplan and Atkinson, 1998).

Above we have seen the researchers' view of management accounting in general and performance measurement in particular. To sum up it can be said that, according to researchers, management accounting and performance measurement would be useful in many organizations in order to evaluate the previous and present situations, plan for future and make decisions for future process. However, the question is if it always is optimal to use performance measurement in all organizations. Performance measurements are used in manufacturing industry (Ask & Ax, 1992) but are the performance measurements useful in the newspaper industry as well? As discussed in the introduction, there is criticism to the use of performance measurement among some journalists in the media industry. We have, therefore, chosen to investigate the newspaper organizations since the objectives might differ in this kind of organization compared to other organizations.

Some newspapers aim to increase profit and sell advertising spaces in their newspapers, and in that way receives "safe" incomes, since they know how much revenues they receives per newspaper (Hadenius & Weibull, 2005). With no advertising spaces the newspaper does not have "safe" revenue in the same sense. In such case, the only "safe" revenue is from subscribers which pay an amount of money when they start their subscription and it should cover many expenses. For these newspapers the financial aspects might be seen as more important than the quality of the outcome, i.e. they focus on profitability. Other newspapers have the aim to critical review a society matter (Schoenbach, 2004) and in that way get a leading role in a non-financial way. For such newspapers the focus is put on the quality of the editorial text rather than profitability and advertising sales. The differ in objectives can be related to Dagens Nyheter (DN), mentioned in the introduction, where the new editor in chief was well-known for financial focus and the journalists were afraid that the editorial quality would suffer due to the eventual increase in profitability.

2.3.5 Examples of financial indicators

Here we will present some performance indicators which can be used to measure the financial performance.

Operating income

The adjusted operating income is an interesting and a relevant income concept. Operating income is an income concept which, as a result of FAR's guidance, can be found in a majority of companies income statement (Hanson, Arvidsson & Lindquist, 2006).

Operating income = net turnover (adjusted) - operating costs (adjusted)

As seen, operating income is the surplus from the activity the companies has which shall cover interest rates and give a reasonable profit. If we want to compare the operating income between different years and different companies it could be done by put it in relation to the net turnover (Hanson et al., 2006).

Operating margin

Operating margin = operating income (adjusted) / net turnover (adjusted) (Hanson et al., 2006). The difference between gross margin and operating margin is that the depreciations over plan are included in operating margin. For a capital intense company where a large part of the assets are building assets could it therefore be a large difference between gross margin and operating margin. For a service company or a another labour intense company is the difference on the other hand small since there is few building assets to write off. Operating margin could be a good measure when making comparison of companies with different debt structure because in this case does not the financial influence have an affect on the result (Sandberg, 1993).

2.4 The Newspaper industry

During the 1970's and 1980's many people expected the death of daily newspapers due to the competition from media like TV, local radio and satellite TV. Despite this new competition these decades were, according to Hadenius and Weibull, 2005, the best ever for the Swedish newspaper industry with a positive development both in terms of numbers of publications and large advertising revenues. The expected hard times would eventually come after all but not until the 1990's. This led to the bankruptcy of the Social Democrat owned A-presskoncernen. The problems were decreased advertising revenues because the public reading behaviour was the same as before. During this time the industry of daily newspaper changed character. The political parties' connection to the newspaper diminished and the newspapers became more of an industry than an instrument for political opinions (Hadenius & Weibull, 2005). The political parties that owned newspapers, traditionally, focused on maximizing number of copies, i.e. increase the edition, instead of making profit. The reason to this is historical, the newspapers was started of publishing or political reasons and not economical. But this attitude with not having economical goal as their primary target is about to change (Sigfridsson, 1993). Looking at the global scene has the activities of companies engaged in different segments of the communication industry have been dominated by mergers, acquisitions, joint partnerships and other strategic alliances (West 1995, cited in Albarran 1996). According to Ozanich and Wirth (1993) there are four factors driving media mergers and acquisitions and these are; the growth of the media, significant barriers to entry in many media markets which increases interest in exist-

ing firms with established market share and cash flow, relaxation of ownership limits and the last reason is tax advantages for buyers (cited in Albarran, 1996).

The long-term changes of power within the daily newspaper industry have moved from technique to journalistic and further on to economy, according to Hadenius and Weibull (2005). This has been going on at the same time as when the daily newspapers interplay with its environment has changed. After the Second World War the competition on the local markets became harder and the publication of the newspaper professionalized. The focus became now on increased publication numbers through new market segments which resulted in that the provincial newspaper developed a local profile in its content. During this time a new kind of paper was introduced at the national level, the tabloid press. By their existence the Swedish newspaper market has got a distinct dividing up after level into national and provincial newspaper, and common newspapers and tabloids after their content. International models and trends have influenced much of the development in the Swedish newspaper industry but what distinguishes Sweden and the Nordic countries from the others is the power of the largest provincial newspaper. Unlike many other countries that are dominated by large national prestige papers and/or popular sensation focused newspapers. This power was demonstrated when, of the 15 second largest provincial newspaper that in 1970 reached 20 percent of the households in their city, one third of the second largest provincial newspaper had to close down before the mid 1990's. The competition in the Swedish cities Jönköping, Borås and Linköping was non-existent when the second provincial newspaper closed down (Hadenius & Weibull, 2005).

According to Hadenius and Weibull (2005), the daily newspapers work within two markets; in the first you sell advertising space, in the other one copies of the news paper either in subscription or in single copies. There is a strong connection between these two markets. Advertising sales is dependent of how many persons the product reaches out to and the other way around when subscription and single copy sales is dependent on the advertising. Large advertising revenues create resources to make a newspaper that has content with good quality. The advertising revenues stands in average for 52 percent or more of the total income and for some larger daily newspapers are the revenues as high as 70 percent and only 30 percent are from sales. It is the advertising revenues that are decisive if a daily newspaper will be a good investment or not. The strong dependency on advertising is most important to the daily morning newspapers; this is the reason to why it is so difficult to start up a daily morning newspaper. It is not enough to get a certain level of copies but also success among the advertisers. Since many advertising contracts are valid for one year it is hard to entry this market (Hadenius & Weibull, 2005).

Coverage Rate

In 1972 a research about the competition within the newspaper industry was made. According to Gustafsson (1996) a theory called high coverage rate (*täckningsgrad in Swedish*) was developed from the result of the research and the starting point of the theory was that each paper should be evaluated after how well it covered, in numbers of subscribers, all the households in the publication city. This means that the higher the coverage rate was the stronger position had the newspaper on the market. Analysis showed that newspapers with a coverage rate of at least 50 percent had a stable financial situation because they were a naturally advertising space. These papers were called high coverage rate newspapers and those that have below 50 percent low coverage rate newspapers. It was in the later group they found newspapers with financial problems. A high coverage rate became the golden

way to success in the newspaper industry. By using the model it became possible to explain why newspapers with the same numbers of publications could have large differences in profitability was simply since they had differences in the degree of coverage rate in the publication city. The reason to that the political party owned newspapers had problems to compete was often that they chose to have a large spread instead of a high coverage rate, this was of course due to political reasons. However, this did not lead to equally good finances because they did not attract as much advertisers as the paper with high coverage rate. In Sweden there is something called press subsidy. It is developed from the coverage rate subsidies theory where press subsidy from the government can principally only be given to low coverage rate newspapers (Gustafsson, 1996).

Payment rate

Payment rate (*betalningsgrad in Swedish*) is a ratio that is used for analysis of newspaper statistics and tells to what extent the edition is financed through advertising revenues.

Payment rate = Edition revenues / edition numbers * subscription fee (Sigfridsson, 1993).

Sigfridsson (1993) investigated the attitude among newspaper executives about the most appropriate performance measurements for newspapers. He found that they consider profit margin as the most appropriate followed by return on total capital and return on equity. Measure the solidity should also be done according to these executives. The executives' reason to the choices are traditionally and based on that these performance measures belong to the most well known and used capital based profitability measures. The high precision in these measures are also good and contribute to its popularity. According to Sigfridsson (1993), profit margin is more reliable than return on total capital and return on equity and therefore more appropriate in comparison with other newspapers and to see the profit development.

2.5 Review of the frame of references

In the first part of this chapter theoretical suggestions regarding how management accounting, in general, and performance measurements, in particular, should be practised are presented. The second part describes the situation in the newspaper industry, in order to give the reader a background for the forthcoming investigation.

Management accounting is considered as important according to researchers, for example Kaplan, Norton, Atkinson, Simons and Mouritsen among others, within the management accounting area. However, there are some indications of problems with acceptance of the performance measurements in the newspaper industry. Therefore it would be interesting to analyse the relationship between journalists and management and if and how their objectives and motivations might differ. In the theory rewards and incentive plans are suggested to be useful to motivate people to attain certain goals and therefore it might be interesting to see if this is the case in the newspaper industry.

Another interesting aspect concerns what kind of goals and measurements, both financial and non-financial, that are used in a newspaper and how these are communicated and followed-up (i.e. if the whole organization is involved in this process or if it just is some departments or even just the management who work with this). Are specific measurement tools, for newspaper industry, e.g. payment rate and coverage rate, used or do today's newspaper organizations use more general measurement tools, e.g. EVA and ROI? As seen in the above section, about newspaper industry, the power within the newspaper in-

dustry has changed from journalistic to more economic and it would therefore be interesting to investigate if the profitability focus has changed over time and how this, in that case, has affected the industry today.

3 Research questions

Here, the main questions that we will try to find answers to in our investigation are presented.

As discussed in the introduction there is a lack of research about management accounting in the media industry and therefore it would be interesting to investigate this area. There are some indications that performance is hard to measure in the newspaper area. According to researchers, within the managements accounting area, theories suggest performance indicators to be used when evaluate performance in an organization. With the background knowledge, from the frame of references section, i.e. both suggestions from researchers within the management accounting area as well as background knowledge from the newspaper industry, we have worked out questions for the interviews (see appendix 3 and 4). Since the main part of the respondents is managers (i.e. three managers and one editor in chief) the questions are formulated in respect to that. Below we have summarized the main questions which we aim to find answers to during this investigation.

- Are journalists sceptical to management accounting and performance measurements? Has this attitude changed over time?
- Is there a conflict between profitability focus and editorial quality? Have the profit focus increased?
- Do rewards and incentive plans influence the performance?
- How do newspapers in Sweden measure financial- and non-financial performance?
- How important is management accounting considered to be in the media industry?

4 Method

This chapter will inform about how our investigation has been done. Discussion will also be made about the possible shortcomings that there could be with our way of researching.

4.1 Methodological approach

There are different methods to use when an investigation is done. One of the choices to make is whether to use a quantitative method or a qualitative method. We have chosen to use a qualitative method which is a kind of communication between the researcher and the respondent (Andersson, 1994). The researcher investigates how an individual or a group understands a situation by investigating them (Lundahl & Skärvad, 1999). In this study the purpose is to analyze and understand how newspaper organizations work with management accounting practices. In addition, we want to investigate if and how the media industry uses some kind of control practices and why or why they do not use it. This means that we have to make an investigation that will go more in depth than a quantitative method would do i.e. we want to find out *why* and *how* the newspapers work and not only *if* they work with control practices. First it deals with some theories which is normative and suggests how managements accounting *should* be practiced. Later this study describes how some newspaper organizations really work with management accounting practices. Therefore, this study can be seen as an explorative study since it aims to explore how newspaper organizations work with management accounting practices.

We have started out by describing, in a normative approach, how researchers argue that control practices should be used in order to measure and evaluate performance, and in turn be fundamental for decision making for future process. In order to compare the researchers' view of the importance regarding control practices to the newspaper organizations view of control practices we have made interviews with three managers and one editor in chief in the media industry and by doing so we have received a description about *if*, *how* and *why* the newspapers use control practices in their work.

When investigating something, different courses of action can be used and these can be seen in two different approaches; *deductive* and *inductive*. The deductive approach has its bottom in the theory and is used to test the theory in order to reject, develop or strengthens the existing theory by the empirical results. The purpose is to explain the reality by using an existing theory. The inductive approach, on the other hand, starts by the reality and empirical situation and is used to build and develop a new theory (Artsberg, 2005). In this study a combination of a deductive and inductive approach is used. This combination is called *abductive* approach. The theories is not used to determine how observations is done, instead the theories is used to inform the process of observing (Patel & Davidsson, 2003). The *abductive* approach is, according to Patel and Davidsson (2003), when the researcher formulates a hypothetical pattern which might explain a certain case. As stated in the introduction it seems to be some indications that journalists are sceptical to performance measurements in the newspaper industry. In this study theories about performance measurement practices are a ground for the investigation, since the interview questions are based on these theories. The interviews are made in four different newspaper organizations; three of them with managers' opinions and one of them with editor in chief's opinion. This explorative study will describe the management accounting situation within four morning newspapers in Sweden.

When writing a thesis there should be a connection between problem, method, and the material used in the investigation (Ejvegård, 2003). Ejvegård (2003) points out five statements regarding this relation; (1) the choice and formulation of the problem influences the result; (2) the choice of material used for the investigation influences the result; (3) the choice of material used influences the method; (4) the choice of method influences the result; and (5) the choice of method influences the material. This means that it is of great importance to consider these factors and to find out what the problem really is, since the problem is the starting point for the study (Ejvegård, 2003). The problem in this study is based on some indications in a study by Tjernström (2002), where it seems that management control practices within the media industry is not accepted among the journalists and it seems to be little knowledge about the current control practices used within the media industry since we have not found much previous research in this area. (1) Therefore it is interesting to investigate what control practices, with focus on performance measurement, which are used and how these are used. (2) and (3) the material used to perform this research is articles and theories', regarding control systems and practices, to get relevant facts concerning what is appropriate to use and how these systems should be used. (4) Articles as well as interviews are also used in order to get relevant information about the current situation in the newspaper industry. In order to investigate how the newspaper organizations work with management accounting practices and how and why the situation is as it is in the newspaper industry a qualitative method, as said above, is used. The connection between the problem, method and material is illustrated in the figure below.

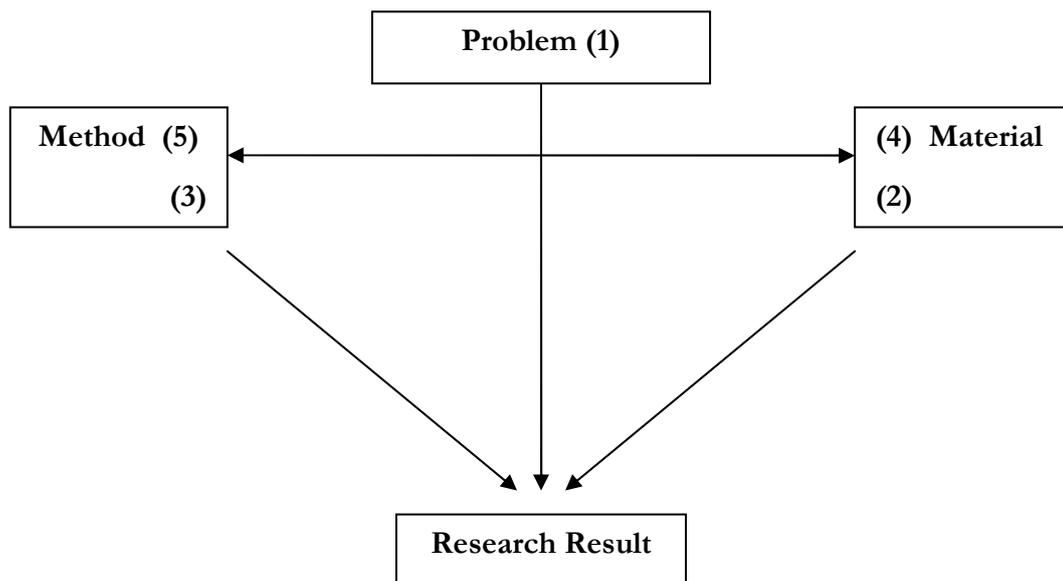


Figure 1 Relation between problem, method and material. (Ejvegård, 2003)

4.2 Data collection

This study will investigate four morning newspapers in Sweden. The investigated papers includes one large newspaper, distributed over the whole country, and the other three are medium newspapers distributed in certain areas in Sweden. The choice to investigate these newspapers were since it would be interesting to compare the management accounting practices used in the large newspapers to the management accounting practices used in medium newspapers distributed only in certain areas. As can be seen in the introduction

there are some indications about differences in the profit focus in large and smaller organizations. Therefore, it is interesting to investigate both large and medium newspapers. When comparing larger newspapers to medium newspapers it seems like a natural reason to investigate morning papers since these are the most commonly distributed newspapers with diverse size in Sweden.

4.2.1 Interviews

We started by sending an e-mail to the four newspapers we had selected for the investigation. In this letter we presented us, the purpose of the investigation, how we would like to perform the interviews and how this investigation could contribute to the newspaper organizations in future process. After receiving two negative answers in e-mails we decided to follow up our e-mail by calling the other two newspapers. This showed to be a good move since one of the newspapers said that they had not received any e-mail and both of them were positive to participate in the research. We still preferred to investigate more than two newspapers and therefore we contacted two other newspapers. The initial contact was this time done by a letter send with mail (see appendices 5 and 6). The content was almost the same as the first e-mail but a bit more information about the research was included. In the second letter we also stated that the interview material will be handled anonymous. In this letter we did not ask them for an answer but instead we followed up the letter by calling them and ask for their answer. This was done in order to increase the probability of a positive answer to participate in our research and make them understand how important they are for our research. We have tried to find and discuss shortcomings of this but can not see how the different communication ways can harm the validity and reliability of this research.

The first four newspapers were selected after their size and their dominance at local markets. When one of each category rejected to participate they were replaced with what we could find as the two most similar to them.

The interviews were performed with one manager from three of the four investigated newspapers and in the fourth newspaper we interviewed an editor in chief. Two of the managers interviewed are financial managers and the third manager interviewed is the head of administration. The reason why we interviewed a head of administration was because the financial manager, in that newspaper, had a lack of time to participate in an interview. As the head of administration is highly involved in the financial questions in this newspaper have we the belief that this would not affect the study in a negative way. A few days before the interviews were done we send out question areas so they could make some preparations before the interviews. However, we chose to not give the exact questions since that could have some affect on the answers. In this way we believe that the respondents would give an “natural” answer and not what they “thought” we wanted to hear. The questions were prepared in advance and were based on the background to the problem, of this study, and related to theories within the management accounting area (see appendices 3 and 4).

We used a loudspeaker phone and one of us led the conversation and asked the questions, while the other one took notes. In addition we used a recorder in order to avoid eventual misunderstandings. We started the interviews by asking the managers to describe the organizations in short and their role in the organization. Then we started to ask the concrete questions. The interviews lasted for about 40-60 minutes each. After the interviews were made we summarized the results and used it for empirical findings.

4.3 Data analysing

When the interviews were done and we had summarized the empirical findings we compared each respondent's answer to the theoretical perspectives. In the work of analysing the data we tried to relate the answers to the theoretical area and statements, within the management accounting area, and out of that tried to find differences and similarities between the theoretical and newspapers management approach. We compared the managers' views to each other but also to the editor in chief's view, as well. In addition we choose some quotations, gathered from the interviews, which we saw as interesting standpoints from the respondents.

4.4 Critic to method used

We will in this section explain how we have contributed to the reliability and validity of this study and also bring up some critic to the method we have used in this investigation.

4.4.1 Reliability and validity

Reliability is concerned with the findings of the research and is one aspect of the credibility of these findings. It is reliable if a research finding can be repeated or the same results would be found if you or anyone else were to repeat the research (Hussey & Hussey, 1997). In order to increase the reliability it is important that the researcher document the procedures and demonstrate that categories have been used consistently (Silverman, 2000). The interviews were first recorded and then written down, word for word. We consider this to be an appropriate method since it facilitates the possibility to read the interview over and over again and not risk missing some important fact. However, the recorder was also useful since written texts can lead to misunderstandings. The ability to listen to the interviews facilitated to understand the respondents' intentions more correct since there were pauses, emphasizes and tones in their voices. Reliability fulfils three functions according to Gummesson (2000, p 91); "(1) a police function: curb dishonest research and nail the villain! (2) an intelligence test: are the scientists clever or stupid and is their reasoning logical? (3) a substitute for validity when validity seems to be beyond reach; reliability then plays the part of a "validity crutch". The researcher establishes reliability and assumes validity".

Validity is the other aspect of the credibility of the findings and is the extent to which the research findings accurately represent what is really happening in the situation. Validity can be defined as absence of systematic bias (Arbnor & Bjerke, 1997).

Validity is another word for truth. The validity of an explanation can sometimes lead to uncertainties because the researcher has made no attempt to deal with contrary cases. The temptation to exclude contrary cases is not unique to qualitative research but qualitative researchers with their in-depth access to single cases have to handle a special temptation. How they will convince themselves and the audience that their findings are genuinely based on critical investigation of all the data and do not depend on a few well-chosen examples. This problem is sometimes known as anecdotally and questions the validity of much qualitative research. Two ways of handle it are to suggest method and data triangulation and/or respondent validation. With triangulation means the attempt to get a true fix on a situation by combining different ways of looking at it or different findings. Respondent validation suggests that researchers should go back to the subjects with our uncertain results and refine them with the help of subject's reactions (Silverman, 2000). To make this study valid we have made four interviews with four free standing newspapers. The three managers and

the editor in chief have not affected each others answers and we have tried to have an impartial role when leading the conversation and not directed the questions in a subjective way. In addition, the material gathered from the investigated newspapers is handled anonymous which hopefully made the respondents answer as honest as possible.

Research errors like faulty research procedures, poor samples and inaccurate or misleading measurement can lead to less validity (Hussey & Hussey, 1997). This study does only involve four newspapers and therefore the result can not be seen as general regarding management accounting in the newspaper industry. In order to make more general conclusions more newspapers should have been investigated. In addition, it is important to take into account that mainly managers are interviewed (i.e. three managers and one editor in chief) and therefore the result might be seen in a manager perspective rather than, for example, a journalist perspective or a combination of managers' and journalists' perspective. The editor in chief has a background as a journalist and have nowadays become a manager. Therefore has this person both a manager and a journalist perspective.

5 Empirical findings

In this chapter there will first be a short description of the anonymous respondents that have contributed to our empirical findings and the newspapers they work at. These will be presented in an anonymous way and therefore are the respondents only presented in an approximate way. Thereafter follows their answers from our interviews which are the result from our empirical research.

We will start to give a short presentation about the investigated newspapers for this study. This information is gathered from the newspapers' homepages.

One of the managers interviewed in this research is the Head of administration at a daily newspaper which is one of the largest morning newspapers in Sweden. It is distributed in the whole country but have its primary market in one of the largest cities. This newspaper, called newspaper A in this study, has approximately 350 employees and is today profitable, which it had trouble to be before, with a profit of somewhere around 20 MSEK. The newspaper is printed in more than 190000 copies. This person is called manager A in this study.

The second manager interviewed is the CFO of a media group. The questions were answered having their morning newspaper in mind. This newspaper, called newspaper B in this study, is distributed in a larger municipality. This media group is profitable, which it has been the last years, with a profit of approximately 50 MSEK. Number of copies is about 60000 and the numbers of employees are almost 100. This person is called manager B in this study.

The third manager interviewed is the CFO of a media group. This media group has different kinds of newspapers but the questions were answered with the morning newspaper, called newspaper C in this study, in mind. This person, called manager C in this study, has the responsibility and assignment to manage the management accounting for the media group as whole and this is performed in the same sense for all newspapers in the concern. The media group is profitable, which it has been at least since 2002, with a profit of approximately 90 MSEK. It has roughly 650 employees and their newspapers are printed in more than 180000 copies.

The fourth person interviewed is editor in chief at this, fourth, newspaper, called newspaper D in our study. This person, called editor in chief D in this study, has a journalistic background from two of three of the other newspapers, B and C, in the research and is nowadays working on a large municipality newspaper. The media group who owns newspaper D is profitable, and has been profitable the last years, with a profit of approximately 50 MSEK. The numbers of employees are more or less 340 and number of copies is more than 80000 for the whole media group.

5.1 Managers' opinions

We will in this section present the managers' opinions which are gathered through the interviews, and later describe the editor in chief's opinions. All empirical findings below are gathered through personal communication in the interviews.

5.1.1 Organizational goals and follow-up process

Newspaper A

The goals within newspaper A are communicated in the divisions, at meetings. However, manager A does not believe that all employees are aware of the organization's goals and therefore manager A argues for improvements in communication within the organization. Manager A points out that all goals are not relevant for all employees since there is a wide mix of activities within their organization. Therefore it might be hard to communicate all goals to all employees and manager A suggests that the goals should be divided into, and communicated in, the different divisions.

"A goal for a seller does not work as a goal for a journalist. The goals should coincide with the newspaper's goals and in the same time be relevant for the individual. Otherwise there is no point to communicate the goals". (Personal communication, Manager A)

Since newspaper A has an organisation that is very heterogeneous, manager A argues that it is hard to communicate the goals and believes that they do not communicate the goals successfully within the organization. However, they do have plans on how to improve this. They will for example put more effort on the visualisation in their premises and state the goals and how they are attained at screens. There is more focus on the goals nowadays than before and this is important since it is a good tool to attain certain results according to manager A.

Newspaper B

The goals within newspaper B are communicated, according to manager B. However, manager B does not think that all employees are able to describe the goals, but if someone else presents them the employees would recognize them.

Newspaper C

Newspaper C is owned by a foundation which has put the focus on the quality of the newspapers rather than the profitability. Manager C argues that the different perspectives, i.e. profitability versus quality, go hand in hand because without a good product a company will not exist in the long run.

"Without a good product a company will not exist in the long run" (Personal communication, Manager C)

According to manager C the organization's goals are not communicated among the employees and manager C strongly points out that this is something which is important to develop and improve within the organization. It is important, according to manager C, to bring up the questions "why we exists and for whom we exists". The manager also states that it is the readers of the paper who are the principal and therefore it is important to repeat the questions why and for whom the newspaper exists, in order to make improvements and not get stuck in the past.

“If you ask the employees here about the organization’s goals, they will not have an idea about the goals.”
(Personal communication, Manager C)

5.1.2 Profitability versus quality

Newspaper A

Manager A believes that the focus on profitability has increased the last decade and this is due to the financing of the organization and the new owners’ requirements. Financing and market economy are parameters which have a greater impact on the newspaper industry nowadays compared to the past. Earlier there were organizations which were willing to make investments in a newspaper, maybe due to creation of public opinions and according to manager A, this willingness to invest in a newspaper has decreased and therefore the focus on profitability has increased. However, manager A, believes that this focus on profitability might affect the quality of the newspaper.

Newspaper B

Manager B finds it hard to answer the question if the focus on profitability has increased within the media industry during the last decade since this manager has only worked within the newspaper industry for about five years. However, during these five years manager B has noticed an increase in profitability focus. Manager B thinks that this increase in focus on profitability within the media industry depends on the need for making profit in order to survive and continue to operate in this market. It can always be a discussion whether a profit is large enough, according to manager B, and continues, “the organization has to defend its solidity and the owners’ demands return on their invested money”. These factors have influenced the focus on profitability in the media industry. Manager B does not see a risk with this increase in profitability focus as long as it does not involve excess profits. However, excess profits usually get corrected over time since new actors enter the market and therefore, manager B does not see a risk with the profitability focus. In order for the journalists to describe the society the newspaper organization needs to make a profit, according to manager B.

Newspaper C

Manager C finds it hard to answer the question about profitability focus as well, since the manager only has worked for two years in newspaper organization C. But by relating to the history manager C believes that after a period in business decline the focus on profitability usually increases. Manager C gives an example of job advertisements, which is a large part of the income through advertisements. This means that a period in business decline also bring a decrease in job advertisements and in turn leads to less revenues for the newspaper.

However, for newspaper C it is more important to focus on the quality of the paper more than the profitability.

“The purpose is not to make a profit and give out bad newspapers, but we have to survive.” (Personal communication, Manager C)

5.1.3 Measuring business performance

Newspaper A

Manager A is aware that journalists might be sceptical to performance measurement but does not know if newspaper A's journalists are sceptical. The important thing is to have relevant goals. Manager A further discusses what quality is and how measurement might affect the quality.

“Goals might increase the quality. That is how one should deal with this question, I believe. One can not just say that performance measurement leads to bad quality, I would say the opposite.” (Personal communication, Manager A)

Further manager A believes that, in principle, all individual performances are possible to measure and newspaper A measures the individual performances in the sales department and the distribution department. They do not measure individual performances in the editorial department since it is hard to measure that kind of performance. However, manager A believes that it is possible to find some way to measure individual performance in this department as well, if they really try to, but it must be relevant. Manager A thinks that the performance measurement influences the individual performance.

“At sales department, for example, I believe that performance measurement makes the employees strive to achieve a goal.” (Personal communication, Manager A)

Newspaper A also measures how their trademark is perceived by the population. This is done with help from Brown and SIFO and different key words, which are associated with newspaper A, are used.

Newspaper B

The concept “what gets measured gets done” is dependent on if a sanction is connected to the measurement, according to manager B.

“The measurement itself does not mean anything but if the management put some pressure on the employees the performance will increase.” (Personal communication, Manager B)

The pressure does not have to be connected to bonuses or punishments but the measurements should be communicated between management and employees.

According to manager B it is of great importance to measure performance in a newspaper. Newspaper B measure order volume at advertising sales, liquidity, and the format of the newspaper. These are measured every day and reported every month.

When it comes to the issue about journalists' resistance to performance measurement, manager B does not think that this is a problem nowadays.

“Performance measurements do not have any impact in the quality of the newspaper and the product”. (Personal communication, Manager B)

The financial goals are followed-up every month or at least ten months a year, in newspaper B. They do this by comparing the real result to the budget. Manager B thinks that it is of great importance to follow-up the goals since there is no point to set goals if they not are followed-up. Manager B argues that it is important for the company to be aware of where it is positioned in order to make changes and manage in the right direction.

Newspaper C

Manager C argues that no one wants to be measured and therefore is the concept of “what gets measured gets done” a sensitive area and manager C do not want to talk about their attitudes of respect to them. However, manager C also means that in order to be more effective some kind of measurements should be managed in all kinds of organizations. The same manager makes a comparison of an artist and argues that the work of an artist is hard to measure since the artist might be creative without any tangible outcome. But in the long run the newspaper organization must try to make some kind of measurements in order to keep up with the development in the world, according to manager C.

“In order to be more effective, some kind of measurements should be managed in all kind of organizations” (Personal communication, Manager C).

In the newspaper industry there is no kind of measurement of the editorial performance yet, but manager C argues that this would be good and make the process more effective. Newspaper C makes performance measurements in all units but the editorial unit, since there is no way to measure performance there, yet. However, manager C points out that this is a hard question and has a lot of respect for this area.

“No one loves to be measured” (Personal communication, Manager C)

5.1.4 Budget

Newspaper A

The budget process in newspaper A is short but intensive, according to manager A. The whole process starts with the financial manager communicating the conditions for next period and after that every department set their budget with respect to the conditions. This is both a bottom-up and top-down process in the organization. The management team set the overall objectives and then the whole organization should be involved. The budgets are then used, together with prognosis, as a management tool.

Newspaper B

Newspaper B has a well established budget process and the role of the budget is to be a kind of a temperature measurement- and diagnosis tool. Manager B describes how the organization works with their budgets; first they make an inventory of what kind of staff they have in the organization and how they will influence the work for next year. They make decisions whether to recruit people and evaluate if there will be any vacancies and retirements and if these should be substituted. This is a kind of temperature measurement. Then they look at the level of interest rate and the paper prices and so on. Finally, diagnoses are made. Two times a year they do prognosis to find out where they are positioned and if they deviate. The manager in each unit set the budget for his or her unit and the budget is followed-up every month by comparing it to the result. The budget is used to measure the outcome and is connected to the incentive plan.

Newspaper C

Manager C describes the budgeting process in newspaper C as very well developed. In fact it is the most developed budget process manager C has ever seen. The budgets are established in the different organizational business units with help from the economists and

management at the company. The budgets are followed-up every month in the units and for the entire concern and are used to facilitate the performance measurement.

5.1.5 Financial- and non-financial measures

Newspaper A

Newspaper A does not use a balanced scorecard but they do have a vision and strategy which is used to reach the goals set. They have both financial and non-financial goals. The non-financial are edition, and range for the advertisers. The edition goal is to distribute to their main area, which is a larger city, but they strive to distribute the newspaper to people all over Sweden who wants newspaper A. However, this is not always possible due to lack in printing possibilities and logistics in all areas. Newspaper A has the goal for the edition to grow every year but this is something they do not communicate externally according to manager A. They started to measure the growth of edition about ten years ago and today they have the highest edition ever.

“Last year our newspaper grew most in Sweden, when talking about large morning newspapers paid” (Personal communication, Manager A)

Newspaper A has one part of the edition which is paid and another which is called TS edition. TS edition is a method used to count the edition. This method diversifies the edition into three parts where one part consists of paid newspapers, another part consists of discounted newspapers and the third part consists of free samples of newspapers. According to manager A this method is used since it makes the edition comparable.

“If a newspaper organization wants to increase the edition they can just hand out free samples and in that way achieve which edition volume they wish.” (Personal communication, manager A)

Newspaper A also has goals for the editorial unit but these are not able to be quantified. Another goal for newspaper A is a quality goal called customer satisfaction index. In this section they measure definitions about what a satisfied customer is. They also have goals for the distribution and measure how large part of the edition which should be distributed before six a clock at weekdays and before seven a clock at weekends. Manager A explains that newspaper A has two kinds of costumers; readers and advertisers, and the stated goals above concerns the readers and subscribers. Manager A continues that when it comes to the advertisers, newspaper A has goals to decrease advertising complaints. According to manager A the newspaper industry has a lot of discounts for advertisers and this is something that newspaper A strives to decrease.

Profitability and growth is the major goals for newspaper A, but also to have an operating margin at 10 percent and a growth at 7 percent. These figures are not attained yet but that is the objective for newspaper A. Coverage rate is not used in newspaper A since this measurement is seen as obsolete in their main business area, according to manager A.

Newspaper A has increased their edition of newspapers paid and they have a high priority to get more paid for the edition than the volume.

“It is not good to hand out free samples, in a profitability point of view, since it is costly and no revenues are received. Therefore it is of importance to get paid for the newspaper” (Personal communication, Manager A)

Newspaper B

Newspaper B does not use a balanced scorecard but it is similar to a traditional balanced scorecard since they touch the aspects in their goals. They have goals for financial performance, marketing and employees.

According to manager B non-financial measurements are important to newspaper B. Such measurements are for example edition, range and millimetre price. They also measure editorial share versus advertising share in the newspaper

“A newspaper with large amount of editorial text is not profitable since it would get less advertising spaces, and the newspaper does not make money on the editorial text but on the advertising. Therefore a newspaper has to consist of a lot of advertising in order to make a profit”. (Personal communication, Manager B)

Newspaper B does not measure the quality of the newspaper in a specific way but they do measure the customers' judgement about the quality.

According to manager B the operational margin is only possible to measure on a superior level and not at other levels in the organisation. This is since there only are two departments with revenues; advertising and subscribe revenues while there are expenses in all departments. Every department makes their own budget and two times a year prognosis are done.

Newspaper B has the goal to attain an operational margin rate at 9 percent in the long run, over a business cycle. They do not use general key ratios. Instead they use more branch specific ratios such as edition, range, millimetre price and editorial share of the newspaper compared to advertised share. Newspaper B measure coverage rate but they do not attach great importance on it. It is more important to measure the range for newspaper B.

“In the long run, own equity and solidity is interesting in order to make judgements for future developments and how this might affect the stability in the firm”. (Personal communication, Manager B)

According to manager B, the profit margin does not have much importance for the management accounting; instead they prioritize to measure operational margin and the net result.

Newspaper C

Newspaper C does not use the balanced scorecard in a pure way, but according to manager C the balanced scorecard is a kind of a base for their management accounting process. Newspaper C could put together a balanced scorecard but they have different reports for different things and do not present a summary of this on the same sheet as the theory says, according to manager C. Manager C, therefore, argues that they could create a balanced scorecard but newspaper C has chosen to present their information in another way.

When talking about non-financial performance measurements manager C believes that non-financial goals are important for the financial goals and that it is a connection between these. One example might be if the customers are satisfied with the newspaper they continue to subscribe and that leads to a higher edition of newspaper which leads to increase in the revenues from subscription. Manager C also thinks that it is important to make the employees understand the significance of a good product, to treat the customers and advertisers well, and efficiency which leads to lower costs. These factors lead to a greater profitability in the long run and it is important to make the employees aware of how they are a part

of these processes. Therefore, it is of great importance, according to manager C, to educate the employees in “traditional business thinking”, not just pester for higher result.

Newspaper organization C is decentralized into different divisions such as printing, distribution, storage, editorial, administration, advertisement sale, and advertisement production. According to Manager C measurements are done in different responsibility centres within the organization and argue that it is necessary to divide an organization into different units and out of that make changes and improvements in each unit. In the long run this process leads to improvements in the entire organization. In other words, manager C means that it is not possible to control and manage the entire concern at a concern level instead it should be done in the units which the concern consists of.

Newspaper C has a goal to attain 9 percent operating margin, and today they do fulfil this goal more than well due to boom in the business cycle. General key ratios are not used in newspaper C since manager C consider this to be dependent on the yield from the bank and the stock market and not give a picture of the operating result. According to this savings (to place money on heap) general key ratios are not used but specifically ratios for the newspaper industry are used instead and have to adjust to the conditions. Newspaper C uses the ratio payment rate and manager C thinks this is a good measurement for the newspapers since it tells how large edition a newspaper has and how much of the edition which is paid. The most used key ratio in newspaper C is the operating margin and operating income. The operating income is a ratio which newspaper C uses to facilitate the budget process. The goals set, for the newspaper, are based on the operating income in combination with the assumption of the business cycle. Another ratio which is used in newspaper C is the coverage rate. If a newspaper has a range below 50 percent that newspaper is not interesting for the advertiser and therefore this becomes an important measure, according to manager C. However, newspaper C does not use the range ratio to control and manage the management accounting. According to manager C the coverage rate is influenced by the competition from other newspapers. When it comes to the profit margin manager C does not like it at all. If a company is mortgaged it might be a good ratio but many organizations in the newspaper industry have large capital and in such case the profit margin is not a good measurement according to manager C.

5.1.6 Reward and incentive plans

Newspaper A

Manager A argues that incentive plans are good for performance improvements. In newspaper A they have incentive plans for the sellers and the managers at the newspaper. This might have both positive and negative effects. Negative effects might occur since not all employees are rewarded but the sellers and managers. This might cause jealousies. These incentive plans are connected to both qualitative and quantitative goals. The subscription sellers work at 100 percent provision while the advertising sellers work at both a fixed salary and provision. There are also bonuses if the discounts, for advertisers, are minimized. In such case, the seller gets a bonus if he or she not gives a discount to the advertiser. Bonuses to managers are connected to budgets and results. If a manager attain the budget for his or her activity results in a bonus for that manager.

“With right goals and bonuses, I believe that the results are attained.” (Personal communication, Manager A).

Newspaper B

Manager B believes that incentive plans influence the performance in newspaper industry and they use incentive plans in their organization. The advertising sellers work on commission and, from last year, all employees in the organization is rewarded by a bonus program if certain levels of results are attained. The general incentive plan, which is aimed for all employees, is connected to the business result. The sellers' commission, on the other hand, is based on specific goals.

Newspaper C

Newspaper C does not have a pure incentive plan but they do pay out higher salary to all employees in December based on the result for that year. Manager C points out that this is not an incentive plan since it is not made up by rules. Instead manager C would call this "incentive compensation". The staff knows that if the newspaper make a good result they might receive a bonus but it is not a specific system or plan since no one can claim that they will have the bonus. These "incentive compensations" are, in a way, connected to the result but it is the board that makes the decision about the bonuses every year.

5.2 Editor in chiefs' opinion

In this section we will describe the editor in chiefs' opinion about management accounting, in general, and performance measurement, in particular. Editor in chief D is responsible for the publication of newspaper D. Also, this interview was made over phone.

5.2.1 Organizational goals and the follow-up process

In the newspaper where editor in chief D is employed they have a profitability goal which is set by the management. The goal is to have a operating margin at 12 percent over a business cycle, in the long run. According to editor in chief D they do not measure any specific goal for quality, at least not for the editorial department. Instead the editorial staff's work is managed by intuition and experience. Editor in chief D argues that it is hard to measure quality since it have different means to different organizations and persons.

"Quality means different things to all of us. Quality for a free sample newspaper is something completely different for a newspaper paid, and quality for a 20 year old person might be something completely different for a 70 year old person." (Personal communication, Editor in chief D)

A strategy document is used to communicate the goals within the organization. This document consists of a plan for the present and the future but also some "core values". However, according to editor in chief D the newspaper will make improvements for their strategy since they think that they should renew the core values, vision and mission. This is due to changes in the surroundings which the newspaper has to adopt as well. The strategy is built on the customers' opinions and how the newspaper would like to be understood. The aim with this renewing process of the strategy is to make the core values more "living". Or as editor in chief D express it

"The daily work is not influenced of our goals and that is what we want to achieve" (Personal Communication, Editor in chief D)

According to editor in chief D, this present strategy document works as a kind of dictionary and reminder for the management team, and not a living document for the employees, and therefore a renewing process is needed for the strategy document.

Editor in chief D thinks it is important to have goals for the organization. As young, editor in chief D was a pretty muddled journalist but became more convinced that all members of an organization have to strive towards the same goals and be aware of where they are, where they should be and what to strive to. According to editor in chief D the newspaper should be more customer oriented. Today the editorial department is traditionally “introvert” and does not want any external impressions. Editor in chief D argues that the important thing is what the readers think, not what the internal staff thinks, since it is the readers who are the customers.

Newspaper D has no individual goals and do not measure the individual performance either and the management has no restrictions or goals for the employees. Hence, editor in chief D uses a check-list when working.

The organizational financial goals are followed-up every month through monthly accounts and these are very accurate. Goals regarding the edition are followed up every day. As said before there are no goals regarding the quality but there are meetings every day where the newspaper is discussed and what was good and what was bad in the paper and what can be improved. In that way there is a constant debate about what can be better but it is not possible to measure the quality in a subjective way.

Editor in chief D thinks that it is very important to follow up the financial goals since the management has set one requirement and that is to not spend more money than the budget allows.

5.2.2 Profitability versus quality

Focus on profitability has increased the last 20 years, according to editor in chief D. This focus is due to a decline in the business activity during 1990 century. Another reason is that the managers have greater power the last 20 years.

“If the managers not had increased the power, many newspapers would have ended up in bankruptcy. If there had not been a focus on profitability we would have much fewer newspapers nowadays.” (Personal communication, Editor in chief D)

The focus on profitability is necessarily in order to survive in the long run, according to editor in chief D.

“The newspaper needs to have a good financial situation so it can afford to have a journalist on a few weeks researching work without feeling that it is a financial risk” (Personal communication, Editor in chief D)

However, the increased focus on profitability brings consequences such as lack of journalistic quality. The readers expect a high quality product and when the newspapers produces high quality products the expectations from readers’ increases and the newspapers are expected to produce even better papers and so on. Therefore, it is important to not lose focus on quality due to the increase in focus on profitability, according to editor in chief D.

Editor in chief D also explains that the focus on profitability has increased among the journalists as well, not only the management. The understanding of why the owners want

income from capital and why the newspapers need profit can increase even more because many journalists does not understand how great owners they got according to editor in chief D.

“Because there could be super capitalists who demands an operating margin of 20%, which is the case in USA” (Personal communication, Editor in chief D)

5.2.3 Measuring business performance

Editor in chief D recognizes the statements that journalists are sceptical to performance measurements in the newspaper industry and also states that journalists are sceptical to financial departments in general, not just performance measurement.

“Many journalists sees this work as an idealistic work and do not understand why the newspaper has to make money. They do not want any financial limits.” (Personal communication, Editor in chief D)

This sceptical thinking among the journalist was stronger for about 20 years ago, according to editor in chief D and this kind of sceptical thinking among journalists might have been due to political factors. Journalists who today are about 45-50 years old grew up at the 80th century and with left wing ideologies and many journalists were then shaped by that time era. There is a more financial understanding nowadays since there are younger journalists now, as well, with other, new perspectives and some of those who had this left wing attitude have changed attitude. Editor in chief D believes that it is important that newspapers and other media businesses have a good economy since it will support journalists in the long run. Newspapers would for example be more independent and not have to rely on advertising. If a newspaper is about to write a scandal article about a company, which, in turn, threatens to quit advertising in that newspaper if they publish the scandal article, then a newspaper with good financial conditions would publish the article any way and not care about the threat. Good journalism is costly and with good financial conditions a newspaper would afford to hire the best journalists.

“I believe that good economy and management accounting really support the journalism.” (Personal communication, Editor in chief D)

Editor in chief D also discusses the importance of profitability for the owner since there is no reason for the owners to invest in a newspaper if they not will make any profit. The owners of newspapers in Sweden do not require very high return on their investments and many journalists do not understand how good owners their newspaper has, according to editor in chief D.

The management of newspaper D does not use specific methods for the performance measuring for the editorial department, according to editor in chief D. When it comes to the performance of the editorial department it is made up by intuition, feelings and experiences. They discuss the newspaper and how to improve it, but they do not actually measure it. They do have development conversations which can be seen as managing in a sense. These can be even more managing when they develop their strategy document and the core values for the organization. These can be broken down at individual levels and put more focus on how an individual can facilitate the improvements of the newspaper. According to editor in chief D, this is a good managing “tool” since the employees are more aware of the importance of their individual performance and the newspaper’s performance.

Editor in chief D argues that it would be good to be able to measure some editorial performance, which today is hard to measure. It is easy to direct a journalist to write a certain

amount of articles but it is much harder to measure the quality of these articles. If there is a really complicated case it is not possible to write a certain amount of articles about this case, instead it is more important to find really good information and write a more in depth article. Editor in chief D also suggests that the goals should be set by discussion between managers and employees and in the different departments, not only by the management. It is important to have a dialogue between management and employees, according to editor in chief D.

"The managers are not very managing, because they attack the soul of a journalist if they criticise the journalist's performance." (Personal communication, Editor in chief D)

5.2.4 Budgets

The budget is used as a tool to manage the goals set in newspaper D. In the budget process, in newspaper D, the management set long term and short term goals for about 1-3 years, then milestones for the next year are set. Every department makes their own budget together with the financial manager. The budget process is affected by the profitability goals, set by the management. Editor in chief D argues that the budget should be managed in relation to activity plans for the organization.

It is important to follow the budget and not just use a budget as a guideline, according to editor in chief D. However, editor in chief D is against budgets and believes that journalists in general are against budgets, since it is time- and effort consuming, and the budgets are made up by a lot of assumptions and tactics. A suggestion, from editor in chief D, is for the editorial department to receive a certain amount of money to spend for a year instead of make up budgets.

In newspaper D budget are not used to measure the performance according to editor in chief D and argues that a budget can be made up by tactics and in that sense it is not a good tool to use for measurements.

5.2.5 Financial and non-financial measurements

As stated before newspaper D has a goal which is to attain an operating margin at 12 percent over a business cycle. This means that if there is a decline in the business cycle there is no problem if the operating margin is below 12 percent and vice versa.

According to editor in chief D the board of newspaper D understands the importance of reinvests parts of the profit in the organisation. Investments have been made in new Medias, in the staff and overall improvements. Editor in chief D considers there is no conflict between profitability in short run and improvements in the long run.

Newspaper D uses edition and range as non-financial measurements. According to editor in chief D these measurements are of great importance. It is important to investigate how many readers who have seen an advertisement and how many who have read an article. However, these measures are more related to quantity than quality.

5.2.6 Rewards and incentive plans

Editor in chief D does not believe in incentive plans. Instead, it is important, for a journalist, to be seen, get acknowledgement and credit in the newspaper industry. It could be a reward like a trip or an educating course or something like that, but it does not have to be

money, according to editor in chief D. It is important to get feedback both from the readers and from the colleagues. That is what journalists strive towards.

“I do not think that a journalist will make more effort just to get a bonus at Christmas.” (Personal Communication, Editor in chief D)

However, according to editor in chief D, all journalists want higher wages but editor in chief D does not believe that an incentive plan is a good idea

6 Analysis

In this section we will compare the different newspaper organizations' opinions to each other, but also to the editor in chiefs' opinion. We will also relate these to the theories suggested by researchers, and by doing so we will try to find differences and similarities among the newspaper industry and the general stated work of management accounting.

6.1 Organizational goals and follow-up process

All four newspapers have financial goals for their organisation and the key ratio they all use as their organisational goal is operating margin. The operating margin to be reached varies from 9-12 percent. It is not all of the newspapers that reach their goals today. These goals are followed up every month by all of the newspapers investigated in this study.

Among the managers the common belief is that these goals are important to have and to follow up. The reason to why it is important to follow up these is since the goals are a tool to attain results according to manager A. We can, with this as support, say that the newspaper manager's share Atkinson et al. (1995) belief that in order for an organisation to be successful, information on the finances and performances are crucial.

Specific quality goals are hard to find and are instead decided by customer satisfaction. In the four investigated newspaper is the reality similar to what Kaplan & Atkinson (1998) said that financially measurements are the most widely used but in these four organisations they are communicated in an unsuccessful way. Since manager A said that it is more focus on the goals today, since it is a tool to attain certain results, it is surprising that all of the newspapers have failed in communicating these goals in the organisation and make the employees aware of them. The situation in newspaper C, in which manager C do not think that the employee have an idea about the goals, is worse compared to the other three. The newspapers are aware of their shortcomings in this issue and are working with solutions like communication screens (Newspaper A) and renewal of core values (Newspaper D). The impression we got is that newspaper D is really emphasising the importance of this work.

"The daily work is not influenced of our goals and that is what we want to achieve" (Personal Communication, Editor in chief D)

When setting these goals it is, according to manager A, important to have in mind that since a newspaper consists of many different activities to create goal that are relevant for every employee and not only for one department. If not doing so these goals will be irrelevant and measures will not be useful since the purpose of them is to inform, motivate and govern the intern and extern stakeholders (Ax et al. 2002). Our impression from the four researched newspapers is the same as Sigfridssons' (1993) when he said that newspapers' attitude with having other goals than economic as their primary target is about to change.

6.2 Profitability versus quality?

Since researchers, like Bergström et al. (2005) and Schoenbach (2004), argue that poor quality of a newspaper is dangerous not only for the single newspaper but also for the whole society, it was interesting to examine the attitude to quality and to profit. All of the interviewed persons, who had been working within the industry long enough to answer, argued that profit focus has increased in the newspaper industry. The managers have differ-

ent opinions if this is a threat to product quality. One of them does not see any risk at all, while another thinks it could lead to less quality. The opinion that all managers share with editor in chief D, who also regards too extreme profit focus as a threat to product quality, is that increased profit focus thinking is and was a fundamental thing for the survival for many newspapers. What all the managers and editor in chief D says, with the use of different words, is that profit is necessary to produce a newspaper with good quality.

“The newspaper needs to have a good financial situation so it can afford to have a journalist on a few weeks researching work without feeling that it is a financial risk” (Personal communication, Editor in chief D).

This is in line with what the editor in chief and legally responsible publisher of Sweden’s largest daily newspaper Thorbjörn Larsson’s statement when he said that DN should be journalistic strong in the future and that is only possible by being profitable (Hagen, 2006). Interesting is that editor in chief D says that increased profit focus is also a fact among the journalists and in the previous chapter it was clear that the companies need to improve their internal communication of their goals. But if what editor in chief D says also is true for the other three newspapers shows the increased profit focus among journalists that the intern communication is not that bad after all since that would mean that the four newspapers in our research has created an increased understanding about profit among the employees.

The reasons to increased profit focus is the recession during the 1990’s according to editor in chief D when people faced to loose their employment if not figures turned from red to black. The consolidation of the newspaper industry led to new owners with new demands for income from capital and these owners willingness, to run newspapers to affect a public opinion, has decreased according to manager A. This change is what Hadenius & Weibull (2005) calls that the newspaper industry became more of a regular industry than an instrument for political opinions. Since our participating newspapers are of various sizes can we, with our empirical findings as support, not strengthen Bagdikians (1987) belief that larger newspaper organisations place more emphasis on profit than smaller does (cited in Demers, 1996). According to Demers & Merskin (2000), large newspaper organisations are more profitable but put less emphasis on profit and more on product quality. In our research it was actually the smallest organisation that did not see a risk with increased profit focus if it was not too extreme and involved excess profits. Therefore did we find Demers & Merskin (2000) opinion more appropriate for describing the attitude among the four newspapers in our research than Bagdikian (1987, cited in Demers, 1996).

Despite that the new owners have other profit demands, editor in chief D has the opinion that many journalists does not realise how great their owners are.

“Because there could be super capitalists who demands an operating margin of 20%, which is the case in USA” (Personal communication, Editor in chief D)

The common belief of all the participants is that profit and quality are not mutually exclusive but it is hard to say which is which in a causal-effect relation. As long as the focus on profit will not be too extreme it is only good with profit according to our empirical findings. The newspapers who strive for a profit can therefore fulfil its democracy purpose in the society as was described by Bergström et al. (2005). Schoenbach (2004) even explains the purpose a newspaper has that it is to make plenty of information accessible to the readers. When having this in mind and look at editor in chief D’s statement, that increased profit focus was fundamental for the survival of many newspapers, it raises the question if it was not thanks to the increased profit thinking that newspapers could make more infor-

mation accessible to the reader, then what would have been the case if they had gone bankrupt and closed down operations? If editor in chief D's statement is true for the whole newspaper industry it can be said that in this case profitability focus was good for the democracy and the society.

6.3 Measuring business performance

In our research we have found Tjernströms (2002) indications that there are some scepticism among journalists to performance measurements. Three of four respondents have confirmed Tjernström's beliefs and the fourth did not want to speak for the journalists. Editor in chief D took the discussion one step further and said that journalists are sceptical to financial departments in general. A possible explanation for this is that many journalists grew up and were educated during a period when political left wing attitudes were popular and created political opinions that had an affect on their attitude at workplace. All interviewed have the opinion that performance measurements are not a threat to newspaper quality. Manager A actually says that it is the opposite and performance measurements lead to better quality.

"Performance measurements do not have any impact in the quality of the newspaper and the product".
(Personal communication, Manager B).

Manager A, B, C and editor in chief D have all seen a change in the attitude among the journalists. The attitude and scepticism, according to Tjernström (2002), is therefore not a problem nowadays. There is more financial understanding today according to editor in chief D. The reason are said to be that a younger generation of journalists who does not have this attitude has replaced those who had it and some of those who had this left wing attitude have changed attitude (editor in chief D). This combined with the recession during the 1990's that played an important role when changing this attitude to more financial thinking due to they were forced to do it. In our four researched newspapers is management accounting practices considered to become more and more accepted.

According to Heath (1998 cited in Catasús et al. forthcoming), the behaviour is affected by measurements and manager A, B, C and editor in chief D have all the opinion that it is of importance to measure performances in a newspaper. This, due to that it influences the individual performance. Despite this attitude among management, was an individual measurement that regards the editorial work not done by any newspaper. None of the managers had an idea of how this should be done and most of them even said that it was impossible. The main reason to that is that according to the managers' it is very difficult to measure the quality of the outcome. Newspaper C and editor in chief D consider that there is a need for editorial measurements, as well. A possible explanation for their attitude is that they share Otley's (2003) belief that what's gets measured gets generally done and what is not measured may suffer in comparison (cited in Catasús et al., forthcoming). Manager A emphasizes the importance of these measures to be relevant and this is reached by conversations and discussions according to editor in chief D. If they not will be useless for management and this is what Emiliani's (2000) criticism was based on, that what managers measure does not correspond well to what they want done (cited in Catasús et al., forthcoming).

We find the strongest individual measurements in the advertising selling departments. Manager B said that you need performance measurements to know where you are and to be able to make actions to get the company in right direction. This is very much the same as Atkinson et al. (1995) describes the reason to use management accounting to be when he

says that it should send out warning signals so the management can, out of that, evaluate the situation and make decision for future processes.

It is interesting that all managers (A, B and C) and editorial chief D regards performance measurements important for a newspaper, while there is such a large difference between the departments in how much they really use performance measurements. None of them actually measure editorial quality and only manager C and editorial chief D says that it would be good to measure editorial quality. A possible explanation for this is that the two other newspapers have not answered that it is unimportant to measure editorial quality or that it is so difficult and that they can not imagine a measure for the editorial quality. Another possible explanation, or way of looking at this issue, is that the management has divided up their performance measurements after two scholars of human behaviour. Manager A says that advertising sellers are motivated by their performance measurements and the incentives that are connected to them. On the other hand we have journalists, which editorial chief D describes to be motivated by the organisation's goal and that incentives does not have an impact on their effectiveness. It could be said that the newspapers have divided up their way of looking at people's behaviour after both Agency theory and Stewardship theory; advertising sellers after agency theory and journalists after stewardship or intrinsic theory.

The overall impression from our empirical findings in this area is best described by the following quotations;

"...management accounting really support the journalism." (Personal communication, Editor in chief D).

"In order to be more effective, some kind of measurements should be managed in all kind of organizations" (Personal communication, Manager C).

Measurements have a strong position in today's society according to Catasús et al. (forthcoming) and this is true for the four newspapers in this research as well.

6.3.1 Budget

According to Emmanuel et al. (2004) budgets are used as a tool to manage and plan for future, motivate and communicate with the employees, and evaluate and measure a performance. All newspapers, investigated in this study, have a budget process and spend rather much time and effort to conduct these budgets, according to the empirical findings. However, newspaper A's budget process is worked out first from top-down, were management set the objectives, and then from bottom-up while newspaper C work out their budgets by starting from the units and then get help from the management to finish the process.

Newspaper D has a budget process which is goal controlling and therefore is influenced by the financial goals and the following-up process is important. Editor in chief D, however, is sceptical to budget systems and argues that this process is time- and effort consuming and that the budget is based on assumptions and tactics and therefore manipulative and not very trustful. In this sense, editor in chief D's believes are consistent with Wallander (1994) who also is sceptical to the budget system.

Newspaper D does not consider how well the budget is fulfilled or met as a performance measurement, and this is, according to editor in chief D, because the budgets are made up by tactics. Both newspaper B and C, on the other hand, uses the budget as a method to measure performance. Newspaper B even connects the budget to the incentive plans.

From the empirical findings we can see that all managers (A, B and C) are positive to budgeting and the follow-up process while editor in chief D argues that the budget is a waste of time and is manipulative and this opinion is a general attitude among journalists, according to editor in chief D.

This difference between the managers' opinion and the editor in chief's opinion regarding the budget system can be related to, and has its ground in, the scepticism to financial focus among journalists. The journalists do not want to focus on budgeting and financial outcomes, they rather focus on the productivity and newspaper quality outcome. Hence, this focus on financial outcome has increased among journalists as well, not only among management during the last decades, but the journalists do not want to spend time and effort on the budgeting process.

6.3.2 Financial- and non-financial measurement

Setting goals and then evaluate the outcome is a kind of performance measurement. Different kinds of measurements, both financial and non-financial, can be used according to the theories. The balanced scorecard, introduced by Kaplan and Norton in 1992, aims to find a relation between the short-term operational control and the long-term vision and strategy. This is something that newspaper D succeeds since they find a relation between the short-term profitability and the improvements in long term, according to editor in chief D. They do not use a balanced scorecard in a pure manner but they have found a way to work with this relation in a manner that fits them. The same goes for Newspapers A, B and C since they all have a strategy to reach the goals set but they do not use a pure balanced scorecard. As can be seen in the theory some critic is directed to the balanced scorecard since some researchers believes that the use of the balanced scorecard is hard to use in large decentralized organizations. All these newspapers are rather large and decentralized and therefore it might be hard to attach a pure balanced scorecard.

One of the perspectives in the balanced scorecard is the customer perspective which might deal with the Satisfied Customer Index. All four newspapers management consider that it is important to have satisfied customers, since it leads to higher revenues, and how satisfied their customers are is something all four newspapers measure in one way or another. This measurement indicates whether a newspaper is seen as a high quality newspaper or not and is therefore a non-financial measurement. Manager C and editor in chief D also states that the newspapers have to take into consideration how the customers sees them and work according to those indications. However, different customers have different opinions concerning the quality of a paper and therefore it is hard to live up to all customers' requirements.

According to the theories by Kaplan & Atkinson (1998) and Simons (2000) among others, an organization can be divided into different responsibility centres. One kind of responsibility centre is the cost centre in which outputs can be defined and measured. Newspaper B measures the editorial text in relation to advertising spaces and therefore the editorial department can be seen as a cost centre. Another way to define and measure the editorial output is when measuring millimetre per column and this is also measured in newspaper B. The theory also states that the organizing of marketing activities, such as selling and distributing finish goods, is made in revenue centres. All newspaper (A, B, C and D) are sold and distributed and therefore it can be said that all them have revenue centres. Manager C points out the importance of responsibility centres and decentralization of an organization since it is easier to make improvements in the business units, rather than in the whole or-

ganization. These improvements in the business units will, in the long run, lead to improvements for the whole organization. All investigated newspapers have different business units. This dividing up, makes it easier for each department and each business unit to have an overview of its costs or revenues. On the other hand, it might also be easier to apply a change, or experiment, which might lead to improvements in one business unit rather than change all business units, i.e. it will be less riskier to just make a change in one of them, and if it works out well the change can be applied into the other business units.

Three of the four investigated newspapers (B, C and D) uses coverage rate, and three of them (A, B and D) uses edition as a newspaper industry specific performance measurements. Both these tools are non-financial measurements and are more related to quantity rather than quality of the newspapers. These tools are relevant to measure since they provide an understanding for their growth from year to year and how large they are in relation to other newspapers in the same area. However, if they recognizes a trend in growth, by comparing the edition from one year to another, and if they calculate a rather high coverage rate this might be an indication that the quality is relatively good. If no one buy's or reads the newspaper it would indicates that the quality is bad while, on the other hand, if a newspaper has high edition and coverage rate this indicates that the quality of the newspaper is good. However, it might be of importance to calculate how many newspapers which are paid for and how many which are free samples as well, since a high edition might consist of a lot of free samples of newspapers and therefore be a manipulative measurement tool to use. This is something that newspaper A take into consideration since they measures TS edition, which consists of paid newspapers, discounted newspapers and free newspapers, and in that way becomes comparable. A regular edition rate is easy to attain if just hand out free samples of newspapers, and therefore the quantity can not be related to the quality in this respect.

"If a newspaper organization wants to increase the edition they can just hand out free samples and in that way achieve which edition volume they wish." (Personal communication, manager A)

According to the Hadenius and Weibull (2005), large advertising revenues generate resources to make a newspaper that has content with good quality. As can be seen from the empirical findings this is consistent with newspaper A, B and C's management thoughts, which all argues that the selling of advertising spaces is important since they generate in large revenues for the newspaper. Newspaper B measures the editorial share in relation to advertising share in the newspaper and manager A argues that a newspaper with large amount of editorial text and a small amount of advertising is less profitable.

"A newspaper with large amount of editorial text is not profitable since it would get less advertising spaces, and the newspaper does not make money on the editorial text but on the advertising. Therefore a newspaper has to consist of a lot of advertising in order to make a profit". (Personal communication, Manager B)

It would therefore be important to find a mix between advertising spaces sold and editorial texts since a newspaper with only advertising spaces would not be seen as very high quality and editorial, according to us, and a newspaper with only editorial texts will lead to bankruptcy since it will not generate in much revenues, other than the revenues from subscribers.

Manager C argues that it is important to have a good product in order to receive revenues from subscribers and therefore the newspaper must consist of relevant and editorial text. To sum this discussion up, regarding revenues from advertising and editorial text, it can be

said that the newspapers have to find an appropriate mix between advertising spaces and editorial text and in that way both earn revenues, mainly from advertising, which will be used to produce high quality editorial text.

We can also see similarities on the financial perspective since all of the four investigated newspapers measures operating margin. Hence, newspaper A has the goal to attain 10 percent while newspaper B and C have the goal to attain 9 percent and newspaper D has the goal to attain 12 percent. We do not find a relation between the differences in percentage and size of the newspapers.

To sum this part of the analysis, we would say that the non-financial perspectives and the financial perspectives are related in the long run since they both have influences on each other in some way. The financial measurements are easier to measure and use than the non-financial measurements. This is since it is easier to compare figures to goals set and harder to measure quality and live up customers' requirements.

6.3.3 Reward and incentive plans

As stated in theory by Kaplan & Atkinson (1998) individuals are motivated by different factors. An organizational and/or individual performance can be rewarded if an organization is satisfied with the outcome. These rewards can be either individual or group rewards, but they can also be intrinsic and extrinsic, according to Atkinson et al. (1995). Newspaper A and B do have incentive plans for their employees. However, newspaper A does not have an incentive plan for all employees but for the sellers and managers while newspaper B's incentive plan concerns all employees. Newspaper C does not have a pure incentive plan, but they pay out a higher salary in December if the management team is satisfied with the result. All these incentives and bonuses are extrinsic in these three newspapers and the bonuses which are linked to the result is based on group performance. Sellers at newspaper A and B work on commissions and this is based on their individual performance.

"With right goals and bonuses, I believe that the results are attained." (Personal communication, Manager A).

Both managers A and B states that they believe that incentive plans are good for an organization's performance and that it works as a motivation to reach a result. We will, however, bring up the question if the employees get used to get bonuses, is it possible that, in the long run, the employees get too used to it and require bonuses every year, even if a wished result not is attained? Therefore, it is very important, according to us, to find out and use a well developed incentive plan that will work in the long run. Hence, this is not a critical question, just a reflecting question.

Editor in chief D does not believe in incentive plans and argues that it is much more important for a journalist to get acknowledgement and credit from colleagues and the readers. According to the theory this kind of reward is intrinsic rewards and based on individual performance.

"I do not think that a journalist will make more effort just to get a bonus at Christmas." (Personal Communication, Editor in chief D)

7 Conclusion

During the work with this thesis we have found some interesting remarks from a management perspective of four newspapers in an industry where there was little knowledge from in management accounting aspect. These findings and answers to our research questions, problem and purpose will be presented in this chapter.

In this study we have found that all four participating newspapers are measuring performances and the managements thinks it is important. From the empirical findings we have found that performance measurements in newspapers are considered to increase the possibility to achieve their organizational goals. Financial measurements are used frequently to reach these goals. Most performance measurements have we found in advertising selling departments and least among journalists. None of the investigated newspapers have performance measurements for the editorial department since it is hard to measure the quality of their outcome which is intangible and creative. There is no established and appropriate way to measure this kind of work. But two of the respondents in our study stated that there is a need to measure the editorial performance as well. It is a bit contradictory that four of four newspapers argue that measure performances are important for a newspaper but no one does it and only two of four consider that it is a need for performance measurements in the editorial department as well. A conclusion that can be drawn from this is that in our four investigated newspapers performance measurements is considered more useful or even more important in advertising department compared to editorial department. We have found in our study that management accounting and performance measurement are, in our four investigated newspapers, considered to have a positive affect on the organisations' performance.

From this study we have found that journalists have traditionally been negative to performance measurements and business thinking in general. A possible explanation is that many journalists were educated during a period of strong left wing political opinions. Later these journalists have been replaced and changing attitude among those who are still working combined with the fear of losing their employment under new owners has resulted in that journalists are not that negative anymore. Their change in attitude has been to the extent that the scepticism to performance measurement is not considered to be a problem nowadays and management accounting is considered to be important, at least from the managers' point of view.

Profitability focus and editorial quality can be combined in our four newspapers. They are, according to our findings, actually seen as they are affecting each other in a positive way. As long as the profit focus is not too extreme it has a positive impact on the quality of the newspaper. This, due to a stable financial situation is needed to afford quality investments (e.g. to send out journalists for weeks of researching and not risk ruining the newspapers financial situation.) The profit focus has increased during the last 10-20 years and the explanations we found to this is that the newspaper industry has become more of a regular industry since the new owners are running the newspapers with objectives that often are financially and not politically as the objectives, for newspapers, were before.

Financial measures are more used in the four newspapers than non-financial measures. All four newspapers measure their financial performance with operating margin and consider this to be the most appropriate and useful performance measurement for a newspaper. The newspapers' goal for the operating margin varies between 9-12 percent. We did not find a connection between size of the organization and the size of the demand for its operating margin. Satisfied customers are the most important non-financial measure which all news-

papers in our research use and measure in one way or another. That the four newspapers do this is naturally since satisfied customers leads to increased revenues.

In our four investigated newspapers rewards are handled in various ways and the rewards might differ depending on who the receiver is. Incentive and bonus systems are most common for management and advertising sellers. A possible explanation for this is that there are indications on that an advertising seller are motivated by extrinsic rewards, such as bonuses and commissions. A journalist, on the other hand, seems to value intrinsic reward, such as acknowledgement from readers and colleagues, to a higher extent. We are not to say that management are motivated by their extrinsic bonuses but rather explains this with the owners way of treating the agent-principal issue with incentives for combining the interest of both parties. The same pattern can be seen in measuring the individual performance where this is often done in the advertising departments but not done among the journalists.

8 Discussion

The discussion regarding “what gets measured gets done” can continue for ever, in principle. This is an interesting issue and it is probably easy to apply this statement in many industries, but it is not equally easy to measure in all industries. As discussed earlier in this study, it is hard to measure creative work, not only within the newspaper area. We have, in this study, tried to find out how newspapers manage the performance measurements within their organizations and if there is sceptical opinions towards managements accounting in general and performance measurements and focus on profitability in particular.

In this study we have investigated four different newspapers in order to get some knowledge about the reality in the newspaper industry and compared and analysed this to theoretical aspects among management accounting. The interviews were made with three managers and one editor in chief and this might, of course, have affected our result. As the editor in chief has a journalistic background and still writes, this respondent has got both a journalist’s perspective as well as a manager’s perspective. It would have been more appropriate to interview an equal amount of journalists as managers in order to get the most objective view, and evaluate if there is more differences in there opinions compared to journalists’ opinions. We tried to get interviews with more journalists but due to lack of time, for the journalists, this was not possible. However, we have still tried to be objective even though the majority of the interviews were made with managers.

Another possibility would have been to make a case study and make a more in-depth study within one newspaper organization. This would give the investigators exceed access to more information about a newspaper organization and, probably, lead to a more confident result. However, this is time- and resource consuming for the newspapers as well.

We believe that this study can contribute with a deeper understanding how managers’ and an editor in chief in four newspapers attitudes are to management accounting and performance measurements. For further study in this area it would be interesting to do a quantitative research and with help of that make some generalisations. Another interesting, or probably the most interesting, area for further studies is that our four participating newspapers states that it is important to measure performances but they are not doing it in all departments. Is the reason for this only that they can not find relevant measurements for the editorial department, or do they actually not consider performance measurements equally important in all departments? If Otleys statement that what gets measured generally

gets done and what gets not measured may suffer in comparison is true, it would be of importance for the newspapers to come up with these measurements. Anyway, we have here an interesting difference between what the newspaper *say* and what they actually *do* and what the reason for that is needs to be further investigated.

Since this thesis only handle this subject from a management perspective it would be interesting to see what the attitude is to performance measurements among the owners, board of directors, advertising sellers and journalists. This has of course to do with access but it would anyway be very interesting and hopefully we have contributed to a growing interest in these matters with this thesis.

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Appendices

Appendix 1

Return on Investment

Next example of a financial performance measurement tool is the Return on Investment, ROI. This tool is defined as income divided by investment. The most frequently used form is historical-cost divisional income divided by historical-cost net divisional assets (Hirsch, 1994). ROI is the most widely used measure of divisional performance and its general acceptance is therefore an advantage. It is also widely understood and it encourages managers to focus on projects which make best use of resources (Weetman, 1999). ROI gets criticism since it can lead to dysfunctional behaviour on the part of managers. A manager who is being rewarded based on the divisional ROI may not accept projects that will lower that manager's overall ROI average even if this project will lead to the better for the whole company. If the manager is looking for short-term rewards or anticipates a promotion within a couple of years that manager may choose projects that are good for the ROI and reject others that would benefit the company in the long-run (Hirsch, 1994). But according to Atkinson et al. (1995) it is important to recognize that the return on investment criterion is an evaluation of the desirability of a long-term investment rather than a measure of a managers' short-term performance. Another problem to overcome when using ROI is deciding how to value the assets. As mentioned historical cost could be used taking the net book value as applied for financial accounting. But when the prices are increasing this could allow the highest return on capital employed to arise in the division having the oldest assets, because these would have a low value. This could lead to that the managers are less willing to invest in new assets. If all divisions have to use the current value of the assets used, then the valuation base is comparable across all divisions (Weetman, 1999).

Appendix 2

Residual income and Economic value added

Another way to evaluate the financial performance is to use tools called Residual income and Economic value added.

As a response to the criticism discussed around ROI, business such as General electric and academics have shown how to overcome these shortcomings by using an alternative performance measure, EVA which was originally called residual income or RI (Kaplan & Atkinson, 1998). EVA was developed by the Stern Stewart Corporation and was used as an overall financial performance measure (Otley, 1999). When a manager wants to use the EVA approach the first thing to do is to specify an additional parameter, the risk-adjusted cost of capital for the division, which is then multiplied by divisions net investments base to obtain a capital charge for the division. The capital charge is subtracted from net income before taxes and the remainder is called the residual income, the income remaining after charging for the cost of capital. The RI measure will always increase when we add investments that earns more than the cost of capital or eliminate investments that earns less than the cost of capital. With this it creates a goal that fits between the evaluation of the division and the actions that maximize the economic wealth of the division and the firm. The firm will always prefer the division to have a higher rather than a lower residual income. There are more advantages with RI instead of ROI, actions that increased divisional ROI but were bad for the whole company is already mentioned. Further on is RI measure also more flexible because a different percentage can be applied to investments of different risks. The cost of capital for divisions in different lines of businesses may differ and even assets within the same division may be in different risk classes. The RI evaluation also gives managers the possibility to recognize different risk-adjusted capital costs that the ROI measure cannot. Despite these advantages with RI as a measurement tool almost no company used it widely for measurement of business unit performance until the late 1980s when several consulting firms published studies that showed a correlation between the changes in companies' residual income and changes in their stock market valuation. The term RI was re-named to Economic Value Added or EVA and became far more accessible and accepted. The concept EVA extended RI in several ways like that it was built upon recent developments in financial economics mostly the capital asset pricing model, to derive a cost of capital based on the industry and risk characteristics of individual divisions. Therefore rather than using an average corporate wide rate perhaps based on the traditional weighted average cost of capital based, the CAMP could be used to derive a specific market based evaluation of risk for an individual business unit. And more ways it was extended on was that EVA is calculated after adjusting for distortions introduced by generally accepted accounting principles required for financial reporting. The bonus plan for senior executives was often based on an EVA type of measure (Kaplan & Atkinson, 1998).

Appendix 3

Interview questions

- Which are the over-all objectives for your newspaper? (For example regarding profitability, quality, customers, different kinds of revenues)
- How do you communicate the objectives within the organization? (Do you for example work with strategy documents with goals for the whole company or in different business units?)
- What is the background for these objectives?
- Is it possible to describe how these objectives have changed/if they have been communicated in different ways overtime?
- Is it important to you that the organization has certain over-all and well communicated objectives. (Why or why not?)
- How are the objectives followed-up? Is it important to follow-up? (Why or why not?) At what levels is it possible to measure the objectives?
- Researchers within the management accounting area has indicated that journalists are sceptical to performance measurement (especially financial measurements, i.e. profitability, result, revenues and expenses) since these kinds of measurements might lead to poor quality of the editorial performance. Is this a familiar problem?
- From journalist to management, how would you describe your philosophy/policy regarding performance measurements?
- Some people argue that performance must be measured in order to attain a good result within the organization. If a performance by an individual is measured this individual might work harder and more effective if he or she feel that he or she has to attain a certain result. The measurement leads to increased performance, according to some researchers. What is your opinion regarding this statement? Do you work according to this or how do you work with measurements?
- Is it possible to measure individual performance within your organization? Is it important? Would the individual performance measurements make you work differently? How?
- Are non-financial measurements important in your organization? Do you use some kind of measurements/evaluation of non-financial factors?
- Do you use general performance measurements, such as return on equity, or more specific measurements, such as fully paid, , payment rate and coverage rate? If both are used, which do you put most focus on?
- A previous research indicates that newspapers with a coverage rate above 50% are financial stable. Do you measure coverage rate? How high is it? Is it of great importance to measure it?

- About ten years ago a study was made among newspaper manager. This study indicates that the most appropriate number to measure in an evaluation of a newspaper is the profit margin. How important is it to focus on profit margin today? Is it possible to compare it to your competitors? (Is it possible to analyze and compare the profit margin in different business units, i.e. web paper compared to newspaper in paper edition?)
- Balanced scorecard is one model to use in order to find a balance between long- and short term goals, and also between financial and non-financial measurements. Do your organisations use this model, or something similar?
- Do you think that incentive plans (i.e. financial rewards or acknowledgement and education etc) influences the performance within the newspaper industry and your organization? Do your organization use incentive plans? In that case, what is the incentive plans connected to and who does it concern?
- How would you describe the budget process in your organization? Who establishes the budget? How is the budget followed-up? Is it important to follow the budget or is it just an approximate target? Does your organization use the budget as a tool to measure performance within the company?
- We have read about discussions whether profitability focus has increased or not, is it right that this focus has increased during the last 5-10 years? In such case, how come? Do you see a risk with this increase in profit focus?

To the editor in chief was, except the above, also the following question asked:

- How does your individual objectives look like? When do you know that you have made a good job? How have you worked out your individual objectives? (i.e. through communication with chief, colleges, dependent on the organisation?)
- How would you describe the relation between management and journalists when it comes to performances? Do you feel that management has demands on the journalists and that they have to achieve a certain level? Have you got the same objective which means if you strive to achieve the same performance objectives? (Financial and non-financial)

Appendix 4

Intervjufrågor

- Vad har ni för övergripande mål? (exempelvis avseende lönsamhet, kvalitet, kunder, olika typer av intäkter, etc.)
- Hur kommuniceras målen inom organisationen? (jobbar ni exempelvis fram strategidokument med mål formulerade för företaget som helhet samt för olika avdelningar?)
- Vad är bakgrunden till att man valt att formulera just dessa mål?
- Går det att beskriva hur de ändrats/om de kommunicerats på olika sätt över tiden?
- Är det viktigt för er att organisationen har ett antal övergripande och väl kommunicerade mål? (Varför/varför inte?)
- Hur följs målen upp? Är det viktigt att de följs upp? (Varför då? Varför inte?) På vilka nivåer går de att mäta?
- Forskare inom ekonomistyrnings området (exempelvis Tjernström) har påstått att det finns indikationer på att vissa journalister är skeptiska till prestationsmått (särskilt finansiella mått, dvs mått som har med lönsamhet, resultat, intäkter eller kostnader att göra) då det skulle leda till sämre kvalitet i det journalistiska arbetet. Är det här en problematik som ni känner igen?
- Från journalister till ledningen, hur skulle du beskriva er filosofi/policy för prestationsmätning?
- Vissa menar att prestationer måste mätas för att uppnå ett bra resultat inom en organisation. Om man mäter det som presteras så känner de som utför arbetet att de måste uppnå visst resultat och jobbar eventuellt mer effektivt och hårdare för att uppnå önskat resultat. Just att ”mätas” och att ”mäta” medför en ökad prestation enligt vissa teoretiker. Hur ser ni på detta? Fungerar det likadant inom er bransch eller hur arbetar ni?
- Går det att mäta individuella prestationer inom er organisation? Är det viktigt? Gör det/skulle individuella prestationsmått göra att ni jobbade annorlunda? Hur?
- Är icke-finansiella mått viktiga för er? Använder ni någon typ av mätning/utvärdering av icke-finansiella faktorer? I så fall vilka?
- Använder ni er av generella prestationsmått som avkastning på kapital eller mer branschspecifika mått som begreppen fullbetald, betalningsgrad och täckningsgrad? (Bet.grad=upplage intäkter/upplage antal*prenumerations kost) Om båda vilken läggs störst vikt vid?
- Forskningen har visat att tidningar som har en andel prenumeranter i relation till antal hushåll den s.k. täckningsgrad på över 50% oftast har en stabil ekonomi. Mäter ni täckningsgrad? Hur hög är den? Är den av stor vikt?

- För över tio år sedan gjordes en studie bland tidningsledare där det framkom att det lämpligaste normtalet för uppföljning i tidningsbranschen var vinstmarginal. Hur viktigt är det att fokusera vinstmarginal idag? I vilken utsträckning har ni möjlighet att följa detta för konkurrenter? (Går det att analysera och jämföra vinstmarginalen för olika delar av verksamheten, tex nättidning jämfört med papperstidningen?)
- Balanserat styrkort är en modell eller ett ramverk som används av en del företag för att hitta en balans mellan lång och kortsiktiga mål samt finansiella och icke finansiella mål, använde ni er av det eller något liknande? (tex mellan kravet på regelbunden lönsamhet och strategiskt utvecklingsarbete eller kvalitetsförbättringar)
- Vi har tidigare ställt några frågor om er syn på huruvida prestationsmål leder till förbättrade prestationer. Tror ni att incitamentssystem (dvs finansiella belöningar eller även andra former av incitament tex befordran, beröm, utbildning etc?) påverkar prestationerna inom er bransch och för ert företag? Har ni någon form av incitamentssystem? Vad är det i såna fall kopplat till och vilka berörs av det?
- Budget är ett debatterat ämne och då dess process och uppföljning. Hur skulle du beskriva budgetprocessen i ert företag? Vem upprättar budgeten? Hur följs den upp? Ligger ni stor vikt att den följs eller endast ett riktmarke? Använder ni budgeten som ett hjälpmedel för att mäta prestationer inom företaget?
- Vi har läst att det diskuteras huruvida lönsamhetsfokus i branschen har ökat eller ej, är det så att det har ökat de senaste 5-10 åren? Vad beror det på i såna fall? Finns det någon fara med det?

Till chefredaktören ställdes förutom ovanstående frågor också följande:

- Hur ser dina individuella mål ut? – När vet du att du har gjort ett bra jobb? Hur har du kommit fram till vad som är dina individuella mål? (Exempelvis dialog med chef, kollegor, beroende av organisationen?)
- Hur skulle du beskriva relationen mellan ledning och journalister när det gäller prestationer? Känner du att ledningen har krav på journalisterna och att de måste uppnå en viss nivå? Har ni samma mål dvs strävar ni mot att uppnå samma prestationsmål? (Ekonomiska och icke-ekonomiska)

Appendix 5

Letter send to respondents

19th April 2007

XXX Newspaper, Financial department

Hi!

We are two students at Jönköping International Business School who writes our master theses. In this study we investigate the performance measurements in the daily newspaper industry. The reason why this is a relevant issue is since there are investigations about performance measurements within other industries, i.e. manufacturing industry, where researchers have had access to information, but there is a lack of this kind of information in the newspaper industry. Another reason why this is an interesting study is since the few studies done, in this area, indicates that journalists are sceptical to focus on profitability since this focus might lead to poor quality and poor contribution to the society and the democracy.

In order to perform this investigation and conclude if this is a picture of the reality we would be very grateful if we could offer a lunch, or coffee, and ask questions regarding this issue.

All material will be handled anonymous.

Best regards,

Ulf Einarsson and Anna Persson

Appendix 6

Brev till respondenterna

19 april 2007

XXX tidning, Ekonomiavdelningen

Hej!

Vi är två studenter vid Jönköpings Internationella Handelshögskola som skriver vår magisteruppsats. Denna uppsats skriver vi om prestationsmätt inom dagstidningsindustrin. Anledningen till att detta är ett relevant ämne att skriva om är att det finns många studier om prestationsmätt inom andra branscher som tillverkningsindustrin, där forskare fått tillgång till bra information, men en avsaknad av detta inom dagstidningar. En annan aspekt som gör denna studie intressant är att de få studier som finns inom området uppvisar indikationer av att det finns en skepcism inom journalistkåren till lönsamhetsfokus då det enligt dessa skulle leda till en sämre kvalité och sämre bidrag till samhället och demokratin.

För att kunna göra vår undersökning och avgöra om detta är en bild av verkligheten skulle vi vara mycket tacksamma om vi skulle kunna få bjuda på en lunch, eller fika om det passar bättre, och ställa frågor kring detta.

Allt material behandlas självklart konfidentiellt.

Med vänlig hälsning,

Ulf Einarsson och Anna Persson