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Editorial article

Enterprise as the Central Focus in Media Management Research

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1. Introduction

Academic attention to Media Management as a subject of study has increased significantly, especially over the past three years. Convergence of communication technologies prompted scholars from other fields, such as information technologies, marketing, economics, entrepreneurship, communication, journalism, and many other similar subjects to find themselves within the realm of such an industry with blurring boundaries (Lowe & Brown, 2016). The convergence provided such a fertile ground for technological firms, helping them generate considerably more than traditional established media firms, around 125% (Cunningham, Flew & Swift, 2015). Accordingly, it is not surprising that media management has aroused special interest among scholars and researchers.

While still there is no consensus on what is so special about media management (Lowe & Brown, 2016), losing the focus can be horrible. Media management is studied from different perspectives, ranging from communications and journalism to information technologies and law (Roshandel Arbatani, Labafi, Khajeheian & Sharifi, 2019). However, I have always directed the focus of this field toward the media organization management, rather than other dimensions. Media management narrows its focus on media firm which is supposed to be managed efficiently and effectively to survive and race in a competitive market. Thus, the central focus is on organization, not content, information, nor technology. All of such dimensions are important, but within the organizational context. If we lose this focus, we might deviate from the route and stray into to the territory of other fields.

Let me draw on my experiences. Media management in Iran is taught in four universities with four different approaches. In University of Tehran, where I have been a faculty member since 2016, this field is taught with an intensive business approach in the faculty of management. In Allameh Tabataba'ei University, which enjoys a good reputation in journalism, media management is taught at the faculty of communications for the students that mostly have a journalism background. At IRIB University, that belongs to the national Public Service Broadcast, the focus is on production. Finally, in Sooreh University, media management is offered in the faculty of culture with a perspective on cultural guidance. Just inside one country and one city, this field is taught with four different approaches. This shows how the field of media management is fragmented, and how important our

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duty is to find an approach that clarifies the border between this field and some very related areas such as communications and journalism.

I suggest that 'firm' must be viewed as the central unit of analysis for media management. I say to my students that you do not need to essentially know all techniques for writing perfect articles, you can pay experts to do this. You do not essentially need to learn how to code your organization website and applications, you can have it done by experts. You do not need to essentially know the storytelling and narration techniques, again you can get it done. But the thing you must do yourself, is to analyze the competition, set the strategy, understand the changes in markets, realize the trends, decide about your strategic moves, discover opportunities, and simply, manage your media firm. You must keep your firm alive, and this will only be possible by having a managerial approach and a business mindset. This is what I suggest for media management research too. Media management must focus on the skills and knowledge that helps managers boost their firms. In my editorial in the inaugural issue of *Journal of Media Management and Entrepreneurship* I defined media management as following (Khajeheian 2019: 3): "Media management is the ability of a media manager to configure the resources at hand to generate income and to get the organization under his/her control to advance through and survive a competitive market within the media industry".

Following such approach, Aalborg University has launched *Nordic Journal of Media Management* to address the need for a journal focusing on the subject of media management and media entrepreneurship. Especially, media entrepreneurship has attracted significant research interests in the recent years as a direction for media management (Achtenhagen, 2008, 2017; Khajeheian & Roshandel Arbatani, 2011; Khajeheian, 2013, 2014, 2016, 2017, 2019; Khajeheian, Friedrichsen, Modinger, 2018; Powers & Zhao, 2019; Roshandel Arbatani, Kawamorita, Ghanbari & Ebrahimi,, 2019; Sharifi Khajeheian & Samadi, 2019; Salamzadeh, Radovic Markovic & MemarMasjed, 2019, Tokbaeva, 2019; Horst & Murschetz, 2019). Moreover, the aim of this journal is to cover some new trends in the field from an interdisciplinary lens. For example, platform economy has been a new trend that influenced media management practices and will impact this area more in the near future. Co-creation of business value, Co-sourcing strategies, Platform enterprise, Collaborative Web, Audience engagement systems, Blockchain technologies, Internet of Things, 5G telecommunications, human computer interaction, and similar issues are the subjects that impact media management in practice and theory, and managers of media organizations need to understand the effect of such technologies on their firms. Also opportunities such as emerging of new markets and challenges such as loss of control by evolving from value chain to value network are in the special coverage of this journal. The intention to launch the journal is twofold: To expand the bandwidth for researchers and scholars in the field of media management and to provide them with an opportunity to publish their research works faster; and to encourage the researchers from the fields of entrepreneurship, management, information technology, economics and related fields to conduct interdisciplinary research studies.

2. Articles in this issue

This issue includes 6 articles that are selected from the variety of receiving submissions after rounds of review. I feel glad to receive such submissions from high-profile authors from outstanding and prestigious institutions and universities. It's noteworthy that a newly launched journal which is not published and not indexed in scientific databases yet, rarely motivates established professors and scholars to submit the research studies. However, *Nordic Journal of Media Management* is lucky enough to have a fresh and strong start with such contributions. Any submission is reviewed by at least two scholars from different countries, and normally in two to four rounds to ensure the quality and relevance of the article.

The first article of this collection is authored by Leona Achtenhagen entitled 'Entrepreneurial orientation – an overlooked theoretical concept for studying media firms'. In this article the author

addresses entrepreneurial orientation as an overlooked concept in media management research. As she expressed, entrepreneurial orientation (EO) has been developed as a theoretical concept in the mainstream entrepreneurship studies, but it has been overlooked in study of media firms. Her findings from a case study of a European online publisher contribute to the development of our knowledge, especially in the subject of media entrepreneurship.

The second article is authored by Sven-Ove Horst and Erik Hitters, both from Erasmus University in Netherlands. Their article, 'Digital media entrepreneurship: Implications for strategic identity work and knowledge sharing of beginning entrepreneurs' is a contribution in the area of strategic media entrepreneurship. They investigated how digital media foster entrepreneurship, and developed a conceptual model that describes how digital media entrepreneurship is developed from overlapping strategic management and media entrepreneurship. In such model, DME addresses how strategy changes in media entrepreneurship and how the logic of media changes strategy.

Francois Nel, Coral Milburn-Curtis and Katja Lehtisaari shed light on the entrepreneurial behaviors in news media organizations. By analysis of a large set of original data from 1438 individuals from 107 countries, their study that is entitled 'Choosing for Success: How Divergent Priorities of Innovating Leaders at Ambidextrous News Media Firms Reflect on the Bottom Line' provides alternative definitions for exploration and exploitation and shows that there are significant differences in Organizational Ambidexterity priorities among the media managers.

With technological convergence and platform competition increasingly limiting financial resources for journalism, finding new sources of revenues for news media is an interesting subject for researchers in the area of media economics. Jiyoung Cha addresses how crowdfunding fosters Social Entrepreneurship in media industry. Her article, 'Crowdfunded Journalism and Social Entrepreneurship: An Examination of Narrative and Entrepreneur Legitimacy' showcases an analysis of 127 journalism crowdfunding campaigns in a Korea-based crowdfunding platform. She contributes by showing the role of narration in generating financial resources for journalism.

Political economy of media is the approach of Center for Communication, Media and Information Technologies that is placed in Aalborg University, the host of this journal. Sreekala Giija approached the issue of media entrepreneurship from this perspective. In her article, 'Political Economy of Media Entrepreneurship: Power, Control and Ideology in a News Media Enterprise', She interviewed 18 founders of digital news media startups and entrepreneurs in India to understand the political and economic context of news media entrepreneurship. She demonstrates that digital news media entrepreneurship in this country is under control of government and corporations, and concludes that technology alone cannot create an independent and democratic media space.

Media entrepreneurship relies on two bases of content and platform (Khajeheian, 2019). Last article in this issue addresses content industry in Japan. This article that is authored by Akio Torii and entitled 'Two Agency Problems in Subcontracting Systems: The Case of Japan's Content Industry', explains inefficiencies of subcontracting system in the content industry in this country, and shows that distribution of benefit is asymmetric in this industry. The contribution of this research is that certain characteristics of the content industry, that reflect the common features in several sectors of creative industries, worsen agency problems in subcontracting system.

In sum, the selected articles significantly contribute to the field of media entrepreneurship by addressing this concept from different perspectives: Entrepreneurial orientation in media firms, strategic media entrepreneurship, entrepreneurial behavior of exploration and exploitation in news media, social media entrepreneurship, political economy of media, and agency problem in content industry. It is expected that the next issues of *Nordic Journal of Media Management* will continue the contribution by addressing various aspects of media management.

I need to acknowledge several influencing people in preparation of this issue and entirely, launch of this journal. Firstly, my thanks to people from Aalborg University, including Louise Thomson, from AUB who managed the launch of this journal and helped me perform all required tasks. I acknowledge Reza Tadayoni, the head of the Center for Communication, Media and Information Technologies (CMI) for keeping me on board at the times that I am out of this center. In addition, I thank Idongesit Williams who took the role of consulting editor. Also, I appreciate the assistant editor of this journal, Saeid Ghanbary for helping me collect submissions, manage reviews and production of final articles for publications, as well as Habib Abdolhossein for proofreading and checking the quality of the articles before final publishing. Finally, my especial thank is for the reviewers who evaluated the submissions carefully, timely and strictly, for their constructive feedbacks to the authors and to help them finalize their submissions in decent quality.

I invite you and all researchers in the field of media management and related fields to submit the novel research studies for consideration for publishing in this journal. We apply a strict, and at the same time constructive approach in evaluating submissions. I hope you will enjoy reading this issue and the selected articles, and to keep reading the next issues of Nordic Journal of Media Management.

Datis Khajeheian,
Editor-in-Chief

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Biography:

Datis Khajeheian is a faculty member of media management at the University of Tehran and a visiting lecturer in the Center for Communication, Media and Information Technologies at Aalborg University. He holds a PhD in Media Management and an M.A in Entrepreneurship with a specialization in New Venture Creation. Datis' main area of interest is media entrepreneurship. He is the head of the special interest group of "Emerging Media Markets" in the European Media Management Association and the founding Editor-in-Chief of the *Nordic Journal of Media Management*.

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Research article

Entrepreneurial Orientation – an Overlooked Theoretical Concept for Studying Media Firms

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Abstract:

Purpose: Current changes in the media industries not only provide a range of new business opportunities for entrepreneurial start-ups, they also force legacy media firms to engage in corporate entrepreneurship and (re-)develop their entrepreneurial orientation as part of their strategic renewal. In recent years, media entrepreneurship has emerged as an area of study within media business studies, but it still lacks theoretical anchoring. While in mainstream entrepreneurship research entrepreneurial orientation (EO) has developed into a highly prominent theoretical concept, it has been largely overlooked for the study of media firms to date. This paper introduces entrepreneurial orientation to media business studies.

Methodology: The paper characterizes EO's different dimensions and reviews relevant studies, and then illustrates the dimensions of the EO concept by drawing on the case example of a European online publisher.

Findings/Contribution: The case shows how different dimensions of EO are at play in a media firm and how the relevance of these dimensions is not stable over time, but in constant flux. Such process perspective on EO is outlined as a major future research opportunity for media entrepreneurship studies.

Keywords: media entrepreneurship, media management, media business, online publishing, online magazine, case study

1. Introduction

Media firms differ from other firms in that they do not simply represent commercial entities, but they also fulfill a public interest – as exemplified by the journalistic task of safeguarding democracy – and they provide artistic and creative contents which cannot be standardized (cf. Küng,

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2007). Moreover, the revenue model in media firms differs from other firms in that revenue is typically derived only partially from the media consumers themselves, with advertising as an important additional income stream.

Starting a few decades ago, the media industries are undergoing drastic changes. A whole range of factors – deregulation, technological changes, changing consumer patterns and subsequently changed forms of advertising – have destabilized the formerly relatively stable competitive landscape of the media industries. In addition, rapid advances in information and communication technologies (ICT) have led to the emergence of new markets with entrepreneurial ventures as an important group of competitors to legacy media companies. These ventures are typically based on digital business models. Many legacy media companies are struggling to meet this competitive challenge, which heavily affects their way of doing business – calling for a reorientation of the existing product portfolio, target customers and revenue models, and strategic renewal. Strategic renewal is an important aspect of corporate entrepreneurship which commonly comprises the reviving of a company's entrepreneurial spirit to strengthen its competitive position through improved innovativeness and profitability (Stopford & Baden-Fuller, 1994). While some legacy media firms experiment in-house to augment their level of entrepreneurship, others buy or ally with entrepreneurial ventures to get a foot into newly emerging marketplaces and technologies, and to speed up the process of reaching marketable solutions (see Hasenpusch & Baumann, 2017).

Much of the earlier literature on corporate entrepreneurship, sometimes also referred to as intrapreneurship (Antoncic & Hisrich, 2001), focused on re-introducing an entrepreneurial spirit into companies which over time had become too bureaucratic and hierarchical and lost their sense of innovativeness. Over time, there has been a shift in the literature towards recognizing entrepreneurship as a *sustainable* firm-level phenomenon, acknowledging that companies can remain entrepreneurial. The concept of *entrepreneurial orientation* has been developed to characterize such firm-level entrepreneurial behavior (e.g. Lumpkin & Dess, 1996, 2001; Wiklund & Shepherd, 2003, 2005; Rauch, Wiklund, Lumpkin & Frese, 2009). Entrepreneurial orientation (EO) aims at characterizing and distinguishing key entrepreneurial processes of firms by capturing the methods, practices and decision-making styles that managers use to act entrepreneurially (Lumpkin & Dess, 1996). By now, EO is one of the most established theoretical approaches in the mainstream entrepreneurship field (e.g. Covin & Wales, 2012), but has rarely been applied for the study of media firms. Indeed, despite the need of legacy media firms to improve their entrepreneurial posture, corporate entrepreneurship research studying media companies remains scarce (Hass, 2011; Hang, 2016) and is only recently gaining some scholarly attention (Minafam, 2019; Shariafi, Khajehejan & Samadi, 2019). More attention is paid to the entrepreneurial activities of new and young firms, as the emerging field of media entrepreneurship within media business studies¹ reflects (e.g. Achtenhagen 2008, 2012; Achtenhagen & Naldi, 2011; Hoag, 2008; Khajeheian, 2013, 2017; Will, Brüntje & Gossel, 2016).

Nonetheless, just as media business research in general, media entrepreneurship research is still in need of better theory development to explain what is special about (corporate) entrepreneurship

¹ I use the terms media management and media business studies interchangeably.

in the media industries as well as why media companies continue to struggle with becoming more entrepreneurial (for an overview, see Achtenhagen, 2017). The concept of entrepreneurial orientation seems ideally suited to enhance theory building in this field, as the ongoing changes in the media industries provide business opportunities not only for legacy media companies, but also for entrepreneurial media ventures. More than a decade ago, Hang and van Weezel (2007: 63-64) pointed out that EO was largely overlooked in media business research, despite its potential to enhance the understanding of entrepreneurial behavior of media companies. In their review of studies on the interface of media and entrepreneurship they identified only one media-related publication which had used the concept of EO. In that paper, Auger, BarNir and Gallagher (2003) used a sample of 150 firms from the magazine-publishing industry to show that the more aggressive the technology policy and the stronger the entrepreneurial orientation, the more the firms used the internet to conduct business activities. Another recent exception is Mütterlein and Kunz's (2017) study of 50 German media companies, in which they find that EO has a positive effect on media companies' ability to innovate value creation and value proposition, but not their ability to capture that value. Thus, Hang and van Weezel's (2007) conclusion regarding the lack of empirical studies of media firms applying an EO framework still largely holds today.

Therefore, the aim of this paper is to introduce the theoretical concept of entrepreneurial orientation to the media entrepreneurship field and to outline its potential for advancing media business scholarship. The remainder of this paper is structured as follows. In the next section, a literature review of the concept of entrepreneurial orientation (EO) is presented. Given the scarcity of studies specifically relating to media firms, this review covers studies from different industry contexts. The review concludes that as the EO concept mainly has been applied in quantitative studies, the different dimensions of EO remain somewhat underdeveloped when it comes to their conceptualization related to activities in practice. Therefore, the literature review is followed by a section introducing the research method for conducting a qualitative, longitudinal case study aiming to illustrate the dimensions of entrepreneurial orientation in practice. This is followed by the case description of an online publishing company, illustrating how the dimensions of entrepreneurial orientation play out in practice, followed by a discussion pointing at the change in the dimensions' content over time – an insight that remains understudied in the entrepreneurship field to date. The paper ends with conclusions regarding promising research avenues applying the concept of EO for studying media firms.

This paper attempts to make the following contributions: Firstly, it introduces the concept of entrepreneurial orientation to media business studies, where it could be fruitfully employed to study a range of different aspects related to entrepreneurship on an organizational level. Secondly, it illustrates how the dimensions of this theoretical concept translate into practice and how the dimensions of EO interact. Thirdly, it proposes how entrepreneurial orientation could be applied to advance theory-building in the media entrepreneurship field as a subfield of media business studies.

2. Literature Review

Entrepreneurial orientation (EO) captures the strategy-making processes that provide companies with a basis for entrepreneurial decisions and actions (e.g. Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). The concept of EO has its starting point in Miller's (1983) work, in which he suggested that a company's degree of entrepreneurship is marked by the extent to which it innovates, takes risks, and acts proactively: "An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch." Miller (1983) also developed a scale to empirically measure these dimensions. This instrument later was extended and refined by Covin and Slevin (1986; 1989) into a 9-item self-response scale. In further developing the original scale, Covin and Slevin theorized that the three dimensions of entrepreneurial orientation (EO) - innovation, proactiveness, and risk taking - acted together to "comprise a basic unidimensional strategic orientation" and therefore should be aggregated together when conducting research in the field of entrepreneurship (Covin & Slevin, 1989: 79). This scale of EO is by now widely used in the mainstream entrepreneurship field (Gupta & Gupta, 2015). While Wiklund (1998) had identified only twelve studies based on this instrument, Rauch et al. (2009) already conducted a meta-analysis of 51 publications. Wales, Gupta and Mousa (2011) identified 158 empirical EO studies, of which 123 examined the construct uni-dimensionally based on Covin and Slevin's scale. The reason for examining the construct uni-dimensionally is that the three dimensions have been shown to exhibit moderate to high correlation with each other (Covin, Green & Slevin, 2006; Rauch et al., 2009). Two further dimensions, competitive aggressiveness and autonomy, were later added to the scale by Lumpkin and Dess (1996). Miller, as well as Covin and Slevin, had argued that the dimensions of EO should co-vary, meaning that a firm should score equally on all dimensions. Thus, if a company scored highly on one dimension, it would naturally score highly also on the others. Lumpkin and Dess instead contend that the dimensions do not necessarily co-vary and therefore should be modeled in combination, as multidimensional EO. Adding competitive aggressiveness and autonomy to the original three dimensions, Lumpkin and Dess argue that while all five are necessary to understand the entrepreneurship process, the combination of scores on the different dimensions will depend on the type of entrepreneurial opportunity pursued.

The five different dimensions of EO are briefly introduced in Textbox 1 below.

Textbox 1: The dimensions of entrepreneurial orientation

Innovativeness reflects a “firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Dess & Lumpkin, 1996: 142). Kimberly (1981) states that innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin & Dess, 1996). Rauch et al. (2009: 273) describe innovativeness as the “predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes”.

Risk-taking refers to a “firm’s willingness to seize a venture opportunity even though it does not know whether the venture will be successful and to act boldly without knowing the consequences” (Dess & Lumpkin, 2005: 152). There are three categories of risk: business, financial, and personal. Business risk “involves venturing into the unknown without knowing the probability of success” (Dess & Lumpkin, 2005: 152). Financial risk pertains to a company’s propensity to take on debt or allocate resources in order to grow. Personal risk refers to the “risks that an executive assumes in taking a stand in favour of a strategic course of action” (Dess & Lumpkin, 2005: 152).

Proactiveness is characterized by “taking initiative by anticipating in emerging markets, pursuing new opportunities, and by participating in emerging markets” (Lumpkin & Dess, 1996: 146). Being proactive means having a forward-looking perspective, from Miller (1983): “monitoring trends, identifying the future needs of existing customers, and anticipating changes in demand” (Dess & Lumpkin, 2005: 150).

Competitive Aggressiveness refers to how “firms relate to competitors, that is, how firms respond to trends and demands that already exist in the market place” as well as “to a firm’s responsiveness directed toward achieving a competitive advantage” (Lumpkin & Dess, 1996: 148). Rauch et al. (2009: 764) define it as “the intensity of a firm’s effort to outperform rivals by a strong offensive posture or aggressive responses to competitive threats”.

Autonomy means having the ability and motivation to self-direct the pursuit of opportunity. Specifically applied to an organizational context, autonomy is action taken free from organizational constraints (Lumpkin & Dess, 1996). Rauch et al. (2009: 764) explain autonomy as “independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition”.

Covin and Wales (2012: 681) argue that the original conceptualization of EO by Miller (1983), and further developed by Covin and Slevin (1986, 1989), is more *phenomenon-focused*, meaning that it specifies what EO looks like, whereas Lumpkin and Dess’ (1996) conceptualization is more *domain-focused*, i.e. it specifies where to look for EO. They conclude that researchers are free to choose whichever of the EO approaches best serves their research purposes. Important is that scholars make explicit which conceptualization of EO they employ and are consistent in that conceptualization and its respective measurements (Covin & Wales, 2019: 5).

By now, EO has become a central concept in entrepreneurship research, receiving substantial theoretical and empirical attention (Covin et al., 2006), and the usefulness of the concept as such is widely accepted. Many studies have tried to establish the impact of EO on firm performance. For example, Zahra, Jennings and Kuratko (1999) find substantial evidence for a link between EO and performance and contend that firms with higher EO would achieve superior performance. A meta-analysis of the link between EO and performance found the effect of EO on performance to be moderately large, “of a similar magnitude as the relationship between sleeping pills and short-term improvements of insomnia” (Rauch et al., 2009: 778). The authors of this meta-analysis also find that the relationship between EO and performance is robust both to different measures of EO and to different measures of performance (Rauch et al., 2009: 778). The performance advantage is explained to arise as businesses with high EO can target premium market segments, charge high prices and skim the market before its competitors, increasing its profits and expanding its size (Zahra & Covin, 1995). Yet, the impact of the different dimensions on performance has been suggested to vary with the context (Lumpkin & Dess, 1996). For example, Wiklund and Shepherd (2005) demonstrated that the effect of EO on an index combining growth and financial performance is moderated by environmental dynamism and capital availability.

Current research tends to focus on *when* and *why* EO matters for companies. For studying under which conditions EO impacts performance, a range of moderating variables have been proposed, including internal variables such as networking, human resource practices, strategy, CEO dimensions, organizational learning and leadership, and external variables related to the environment and culture (Wales et al., 2011). The results typically show moderate results, suggesting that EO might be a necessary, but insufficient condition for superior outcomes (Stam & Elfring, 2008). This means that in absence of a suitable context, EO might be a wasteful, expensive strategic posture, as it requires substantial investments to be developed and maintained (Covin & Slevin, 1991; see Wales et al., 2011). Therefore, recent research has moved on to take a contingency perspective to understand the conditions under which EO is useful (e.g. Linton & Kask, 2017). Covin and Lumpkin (2011) as well as Miller (2011) have proposed contingency models as a fruitful avenue for further research in EO, combining elements of strategy with environmental considerations. In addition, it has been pointed out that EO is not stable. Wales et al. (2011) show how companies can oscillate between periods of high EO and periods of low EO, as it might be beneficial for them to retract to a more conservative strategic direction at times.

Over the years, calls have been made to explore the characteristics and dimensions of EO more in-depth and based on qualitative research (Lumpkin & Dess, 1996; Lyon, Lumpkin & Dess, 2000; Miller, 2011; Wiklund & Shepherd, 2011; Covin & Miller, 2014) – yet, this remains an “enduring and unanswered call” (Wales, 2016: 13). In fact, qualitative studies on entrepreneurial orientation remain scarce and largely limited to the family business field (e.g. Nordqvist, Habbershon & Melin, 2008; Chirico & Nordqvist, 2010). More qualitative research is clearly needed to better understand the micro-foundations of the different dimensions of EO and how they are interlinked. While much scholarly attention has been paid to the operationalization of the dimensions in methodological terms, the question of how these dimensions play out in practice has been largely neglected. An attempt of illustrating the dimensions of EO in an entrepreneurial media firm will be made in the following.

3. Materials and Methods

To illustrate the different dimensions of EO in practice, a single case study with a European online publishing company was conducted (cf. Thomas, 2011). I rely on an in-depth, longitudinal case-study approach (Pettigrew, 1990; Stake, 1995). The case company was originally selected to be followed longitudinally for developing a better understanding of the specific processes and challenges of starting a venture in the new media landscape. As the interviews focused on individual as well as organizational level activities, it was deemed suitable for an analysis in relation to EO.

The case company was followed from inception until July 2017, thereby 'catching reality in flight' (Pettigrew, 1990). The case study is based on in-depth interviews with the CEO of the company, conducted regularly once or twice per year over more than a decade, and supplemented with interviews with some stakeholders, such as key partners. Interviews focused on the company development and industry trends as well as critical events happening since the previous interview. Each interview was carefully protocolled and triangulated with additional data whenever possible (cf. Denzin & Lincoln, 1998; Schwandt, 1997). A total of 56 hours of conversations were protocolled and manually color-coded along evidence of the five dimensions of EO as presented in Textbox 1. Each color represented one of the dimensions, allowing for a better understanding of how each dimension played out over time. The aim with this analysis was to capture how the five dimensions of EO introduced above play out in practice in an entrepreneurial media firm, in order to make the concept more accessible to use for media business scholars. The interpretation of the case study was sent to the CEO for comments and discussed on the phone and in person several times over the past years.

4. Results

4.1. Case Study

In 2002, the three friends Mario, Tom and Diana decided to start a publishing company producing and distributing specialized books for the age bracket of 50 years and above – for people in their 'golden days'. At that time, all three of them were working at a business association, and two of them had a background in legacy media publishing. After developing and refining their business idea and plan as well as securing start-up financing through private savings and bank loans, they launched the business in 2003, leaving their secure job positions. The company was named 'Golden Days²'. From the start, the publishing company maintained a website, which was not common for publishers at that time.

The first years in business led to a quick establishment of the company in the market. Several factors contributed to this, such as relevant contacts which the founders had from their previous jobs, the precise focus on a clearly defined customer segment that was largely neglected by their competitors, as well as an advantageous cost structure, which Golden Days could achieve due to their newly created organization. For the production of new titles, many authors of specialized books approached Golden Days, while other authors were identified and contacted by them for

² The names of the company and entrepreneurs are disguised to maintain confidentiality.

commissioned orders. The company prepared the manuscripts for printing, but the actual printing and binding was conducted by partner companies. Over time, this original line of business became less important. The major focus of Golden Days' book offerings was on specialized books, such as travel guides with a focus on restaurants and hotel recommendations, all printed in a somewhat larger, reader-friendly font. In addition, the travel guides also contained recipes for typical regional dishes. Yet, the general market for travel guides was suffering immensely from the increasing availability of relevant, up-to-date, free information on the internet. While the customer segment relevant for Golden Days continued to buy books, the book-selling sector as such was facing severe problems and it became increasingly difficult to place new titles. Also, the margins shrank dramatically. While during the first years of Golden Days' business they received 60-70% of the book price, this margin was drastically reduced when booksellers started to ask for 60% of the selling price (and the distributors for another 10%). Thus, even though the market targeting their specific customer segment continued to exist and even grew, it became more difficult to achieve a profit from this line of business.

In 2005, Golden Days decided to relaunch its website as an online magazine. This magazine featured articles about published books as well as sample contents, such as recipes from the travel guides, with the aim of attracting new customers. Basically, print content was used as an online marketing tool. The magazine became an immediate success, and the decision was made to further develop this marketing tool into a stand-alone online magazine. Over the coming years, the online magazine expanded its offers of unique content (in terms of text and pictures as well as videos) within life-style areas such as travels, food, health, and finances. In literature clubs connected to the website, hobby authors could provide their works as downloads. With the increasing readership of the online magazine, also advertisement sales picked up, and rather soon started to overtake the printing business as the major source of revenues. In addition to the online magazine, a number of portals were started. One of these portals presents videos of chefs preparing typical regional specialties, providing recipes and tips about how to reach better results. Another portal portrays restaurants and their chefs, focusing on a European region known for its culinary specialties, and a connected portal provides travel tips for the same region. Also, different blogs were started to help generate traffic to the magazine and portals. During this time, the company also put much effort into optimizing its position in different relevant search engines.

Golden Days' aim became to be the market leader in delivering specialized content in specific lifestyle areas (such as travels and dining) for their chosen customer segment. Despite this change in the business model (from selling print products to advertisement sales), the original idea of producing quality lifestyle content for people in their golden days had remained the same – only the means of publication and distribution were altered, and in consequence also the revenue model. The competitive situation proved very promising. While a few other websites aiming at this customer segment existed, they typically did not aim at leveraging the specific consumption patterns of this - often affluent - group, but rather addressed more politically oriented issues, such as retirement, pension payments or health-care. Over the following years, revenues continued to increase steadily, which could be attributed to the fact that Golden Days' customer segment was so well-defined that they could provide exact information about site traffic and that rather few established competitors aimed at their customer segment existed. Therefore, advertising interest aimed at this specific

customer segment was large and more and more companies discovered this age group as affluent customers. On the content side, the company benefitted from the continuing crisis in the media industries: As it was crucial for Golden Days to offer unique content to ensure future traffic of satisfied readers, they bought original content from freelancing journalists (in addition to producing certain contents themselves). Over the years, the cost of this content dropped substantially. Most content, both in terms of print and video, in the core areas travel, restaurants, and recipes was 100% original. In the other areas, some content was adapted from external sources. Advertising customers were supported with the lay-outs, allowing to cut out advertising companies as intermediary actors and thereby increasing the own profit margin.

Each member of the team of founders had clearly defined roles, even though they supported each other in their tasks. Mario, as the CEO, was responsible for marketing activities – comprising the dual role of sales of advertisement space and generating traffic to the online magazine. In addition, he produced journalistic content as well as videos on traveling and food in one specific region, for which he was a recognized expert. Diana was responsible for finances and publishing, but she also helped with selling ad spaces and producing some content. Tom produced online videos and handled the technical aspects of the webpages, such as encoding and ensuring Google compatibility. He had established a nationwide reputation for his video and internet TV producing. Golden Days was among the first companies in its country to have moving images on their internet site and Tom paid much attention to continuously adapt and develop the technical solutions in the magazine and portals.

4.2. Findings

Next, I will discuss how the five dimensions of entrepreneurial orientation (see Textbox 1) play out in the illustrative case study of Golden Days.

Risk-taking: The dimension of risk-taking refers to seizing opportunities without knowing the consequences of these activities, and it comprises business, financial, and personal risk-taking. All three founders took substantial personal risk by leaving their secure job positions to become self-employed. They took on financial risk in form of bank loans and invested their personal financial resources. This is directly connected to the level of business risk taken. Some evident opportunities (such as developing more video content for the platforms and expanding into other social media) would require more substantial financial investments, which could not be leveraged with the current financial situation. As suggested by prior research on hindrances for micro-firms' business development, this holding back on technological updates at the same time restricts revenue growth (cf. Achtenhagen, Ekberg & Melander, 2017): high-quality video contents would probably enhance the number of unique viewers and could be leveraged into higher advertising revenues (or a higher valuation in case of an exit). Regarding business risk, Golden Days adjusted its business model when the original publishing segment lost attractiveness: The original value proposition based on book publishing was adjusted to publish books only if the risk involved was reduced to a degree that the deal was likely to be profitable for the company (e.g. by having authors pay for the publishing costs upfront), and subsequently focusing on producing and delivering content entirely online. In conclusion, risk-taking indeed characterized the entrepreneurial behavior of Golden Days, but the

entrepreneurs carefully attempted to calculate the risk taken. New opportunities were systematically pursued only if a clear and positive business case could be estimated. While this finding contradicts the original conceptualization of the entrepreneurial orientation concept, it is in line with other empirical findings suggesting calculated risk-taking to be common among entrepreneurs (see Palich, 1995).

Proactiveness: Proactiveness refers to taking initiatives to look forward and pursuing new opportunities. This dimension was highly developed in Golden Days. For example, with ‘traveling’ being an important topic in the online lifestyle magazine, hotels placed ads in the magazine, often next to reports about a specific region. Here, the company was active in selling not only simple advertising space to the hotels, but as the hotels saw the value of reports about their region – which were usually supported by videos – they could often be persuaded that an image video presenting the hotel could be a better (and more expensive) choice than a simple ad.

Innovativeness: This dimension refers to the tendency to engage in and support new ideas, the creative processes taking place in the company and experimentation with novelties. Also this dimension was very pronounced in Golden Days. As pioneers in experimenting with the website and later with video contents in the online magazine as well as with internet TV, the company continuously experimented with new ideas. This strategy paid off especially due to the clearly defined customer segment. To maintain the capability for innovativeness, it was key to track changes in consumer patterns as well as technological changes and possibilities. For that, the entrepreneurs regularly visited fairs and focused knowledge-sharing events.

Competitive aggression: This dimension refers to how companies respond to trends and competitors that already exist in the marketplace. Within Golden Days, this dimension characterizes the major reason for the reorientation from publishing print to online magazine. The company responded to a trend in the marketplace to offer high-quality content to a clearly defined customer segment. At the same time, the publishing line of business was continued, but with clearly reduced business risk – deals were only signed if risks could be passed on to the authors or distributors of the books.

Autonomy: This fifth dimension refers to the ability and motivation to self-direct the pursuit of opportunity, free from organizational constraints. Golden Days’ autonomy mainly stemmed from the fact that unlike more established companies, they did not have resources bound in inefficient activities, which allowed it to employ its limited resources wherever opportunities were identified. In addition, they had the freedom to only exploit opportunities which were likely to pay off.

5. Discussion and conclusions

The presented case of a media company mastering the transition from print into online business illustrated all five dimensions of entrepreneurial orientation, i.e. not only the three originally proposed by Miller (1983) and Covin and Slevin (1989), but also the two dimensions added by Lumpkin and Dess (1996).

5.1. Theoretical implications

The case study illustrated that the five dimensions are present in differing degrees over time. This suggests that for a qualitative study of media firms, the conceptualization of EO as proposed by Lumpkin and Dess (1996) could be a fruitful starting point to explore the multidimensionality of the concept within media companies. Tracing the dimensions in a longitudinal study might shed new light into why and how media firms are more or less successful with their entrepreneurial endeavors, such as new product launches. Moreover, the illustration of the case company's development over time showed that the activities comprised in the different dimensions of EO are not static but in constant flux. Also how the five dimensions relate to each other is not fixed but this changes with the different everyday business development activities in focus at a certain period in time. This aspect of EO has largely been neglected by research to date and could deliver relevant insights in future studies of media firms. The dimensions of innovativeness, proactiveness, and autonomy appear to be mutually reinforcing, like in a virtuous circle. Within Golden Days, successful experiments with new opportunities fostered more initiatives into these activities, fostered by the freedom to pursue those opportunities most at heart (and matching the skills) of the individual entrepreneurs. Such dynamic interrelation between different dimensions of EO, and their mutual reinforcing, also deserves future research attention to explain entrepreneurial behavior in media firms.

This paper aims at introducing the theoretical concept of entrepreneurial orientation to the emergent field of media entrepreneurship and illustrates its five dimensions at play in practice by presenting the case of an entrepreneurial media firm. While interest in media entrepreneurship has been on the rise for some years, to date research is largely driven by empirical phenomena and often lacks theoretical anchoring (cf. Achtenhagen, 2017). Introducing the EO concept to an audience of scholars interested in the media industries could enhance their 'theoretical toolbox' and in result hopefully contributes to advancing media business scholarship by deriving better explanations of management decisions in those firms.

5.2. Suggestions for future research

Findings from the illustrative, longitudinal case confirm that more qualitative research is needed to trace the interplay, changing relevance and mutual influence of the different dimensions over time. A number of promising areas of future media business research could be identified in addition to those pointed at in the previous section, for example regarding the relationship between EO and firm performance. Rauch et al. (2009) suggest that substantial theoretical and empirical contributions may still be made by studies investigating the conditions within which the relationship between EO and performance is strengthened or weakened – such studies could provide novel insights on the struggles of some media firms connected to their strategic renewal. The specificities of media firms could be included in a configurational approach to develop taxonomies incorporating environmental, organizational, strategic, cultural, leadership and governance factors, as suggested by Miller (2011). Another relevant area of research would be to investigate how media firms may stimulate their EO (cf. Wales, 2016) – a topic of special relevance for legacy media companies that are lacking innovativeness. Studies based on rather homogenous samples, such as from specific media sectors, might help to understand the 'dark side of EO', that is whether there is any 'tipping point' beyond

which a higher level of EO hurts rather than helps the company (cf. Wiklund & Shepherd, 2011). And lastly, relevant insights could be gained from multi-level research in EO (see Wales, 2016), for example combining managerial attitudes towards risk-taking or entrepreneurial behavior with the demand for journalistic or artistic quality. Ideally, research by media scholars would contribute not only to advancing the field of media entrepreneurship, but based on media-industry insights the theoretical concept of EO might be advanced. As the main purpose of this paper was to introduce the concept of EO to media business studies, its contribution was aimed at fellow academics rather than practitioners. Hopefully, the concept will be applied in the future to investigate the specific challenges of media firms' decision-making and entrepreneurial behavior.

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Research Article

Digital Media Entrepreneurship: Implications for Strategic Identity Work and Knowledge Sharing of Beginning Entrepreneurs

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Abstract:

Purpose: Digital media technologies transform the ways in which entrepreneurs communicate, organize and strategize. Yet, how strategy work is practiced as a form of “mediated” engagement with audiences through social media technologies remains a novel ground. Therefore, this paper traces the growing interdisciplinary literature and describes (1) how media is playing a more predominant role in entrepreneurship, (2) how classical media entrepreneurship is opening up, and (3) how digital media entrepreneurship (DME) emerges. Subsequently, the paper envisions how DME can be seen as a strategic practice of entrepreneurs.

Methodology: Our paper constructs new theoretical concepts based on existing frames and discussions. We purposefully review relevant literature and create an idiosyncratic interpretation of what digital media entrepreneurship entails.

Findings/Contribution: We discuss implications for entrepreneurial strategy work regarding entrepreneurial identity development and entrepreneurial knowledge construction, with a particular emphasis on co-location. Overall, this contributes to our understanding of strategy work of beginning entrepreneurs and sheds light on possibilities for future research.

Keywords: Digital media; entrepreneurship; media entrepreneurship; media management; mediatization; strategy-as-practice; entrepreneurial identity; co-location

1. Introduction

The digital transformation of society changes the foundation and our understanding of what the media industry is, what a media organization is, and what people can do with digital media (Hjorth

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& Hinton, 2019; Lindgren, 2017; Siapera, 2018). The contours of the media industry at large become more porous, as new players enter the market and sustain digital platforms for information, communication, exchange of goods and services, as well as serious play and leisure (Rohn, 2018). At the same time, business models in the media industry are changing (Donders, Enli, Raats & Syvertsen, 2018; Wirtz & Elsässer, 2017). Moving beyond producing and distributing content, media companies increasingly become platform providers (Hess, 2014). This enables them to source input in new ways that may involve inputs from customers and audiences into content creation and sharing (Croteau & Hoynes, 2019). On the individual level, these transformations increase opportunities for entrepreneurs to create new businesses and develop products and services along the trajectory of digital media (Kraus, Palmer, Kailer, Kallinger & Spitzer, 2019; Nambisan, 2018).

Social media play a key role in this digital transformation. Established platforms such as Facebook, Instagram or LinkedIn create significant advantages for beginning entrepreneurs and early-stage startups (Kraus et al., 2019; Nambisan, Siegel & Kenney, 2018; Smith, Smith & Shaw, 2017).¹ For example, through sharing new ideas, publishing updates on prototypes and receiving feedback from followers, entrepreneurs can develop and leverage their organizational knowledge (Kane, 2017) and openly co-create ideas and products with stakeholders, thereby enhancing entrepreneurial value creation (Hidayanti, Herman & Farida, 2018). This enables entrepreneurs to develop their identity as entrepreneurs and shapes their strategy work through the way that digital media technologies are becoming intertwined with entrepreneurial actions (Archer, 2019; Brydges & Sjöholm, 2018; Horst, Järventie-Thesleff & Perez-Latre, 2019; van Nuenen, 2015).

This shows, digital media entrepreneurship is a growing field that is strongly interdisciplinary. It is located at the intersection of studies on the use and effects of digital media technologies in general entrepreneurship (Dumont & Ots, 2020; Giones & Brem, 2017; Horst, Järventie-Thesleff & Perez-Latre, 2019; Kraus et al., 2019; Li, Su, Zhang & Mao, 2017; Nambisan, 2018; Shen, Lindsay & Xu, 2018), and industry-focused studies on entrepreneurship in the media and creative industries (Achtenhagen, 2017; Hang, 2016; Horst & Murschetz, 2019; Khajeheian, 2017; Price Schultz & Jones, 2017; Zboralska, 2017). Furthermore, current research on strategy-as-practice takes a strong focus on technological affordances, and shows that digital (media) technologies influence strategy making (Haefliger, Monteiro, Foray & von Krogh, 2011; Jarzabkowski & Kaplan, 2015; Plesner & Gulbrandsen, 2015; Whittington, Cailluet & Yakis-Douglas, 2011). Together these research streams contribute different angles towards understanding digital media entrepreneurship.

Essentially, we are just beginning to understand how to best describe, analyze and reflect upon what digital media entrepreneurship is. Generally, we see that new patterns, aspects and practices around entrepreneurship are becoming more digital (Nambisan, 2018), new forms of entrepreneurship are employing digital media technologies (Archer & Harrigan, 2016; Brydges & Sjöholm, 2018; van Nuenen, 2015), and entrepreneurs in the media industry are becoming more dependent on digital technology (Brouwers, 2017; Price Schultz & Jones, 2017; Zboralska, 2017). Entrepreneurs work increasingly with digital media, connect with audiences and stakeholders through digital media, and are therefore subject to how digital media support and shapes their entrepreneurial actions (Kraus et al., 2019; Nambisan, 2018; Shen et al., 2018). However, hitherto there

¹ A clarification on the meaning of the word “startup”. On the one hand, the conception of “startups” is often connected with newly forming young innovative organizations and teams that focus on scalable technologies and applications, new business models, and that show rapid growth fueled by venture capital (Freeman & Engel, 2007). On the other hand, “startups” can be used more loosely, simply referring to the organizational structure of nascent entrepreneurs that are trying to develop a product and services with which they can make a living (Johnson, Parker, & Wijbenga, 2006). This second definition, we believe, is more inclusive, because it focuses more on the process of becoming entrepreneurs than on the scalability of their product. Therefore, we will follow this second, more inclusive definition throughout this chapter.

is a lack of knowledge around how strategy in startups is changing because of the way in which social media technologies are used and how they, in turn, structure the possibilities for strategic entrepreneurial action (Achtenhagen, 2017; Horst, Järventie-Thesleff & Perez-Latre, 2019; Horst & Murschetz, 2019; Khajeheian, 2019; Nambisan, 2018; Plesner & Gulbrandsen, 2015). Therefore, this paper addresses the following research question: *How does employing digital media technologies change our understanding and practice of strategy in startups?*

To answer this question, we will review some general trends in the converging and relevant literature, and build a conceptual framework to describe how digital media technologies, in particular social media, influence the strategic actions of entrepreneurs. On this basis we discuss two key issues of strategic entrepreneurial development, namely (1) entrepreneurial identity development and (2) entrepreneurial knowledge construction, with a particular emphasis on co-location.

2. Move 1: Bringing media into general entrepreneurship

Today, digital technologies influence business practices in any industry and across society and act as a significant driver for change (Donders et al., 2018; Olleros & Zhegu, 2016; PwC, 2016). Accordingly, Paoloni, Secundo, Ndou and Modaffari (2019: 185) describe that digital technologies, such as social media, mobile technology solutions, business analytics, the Internet of Things, Big Data, Advanced Manufacturing, 3D printing, cloud computing, MOOCs, or artificial intelligence are impacting and transforming our understanding of entrepreneurship. This means, the way in which business is done changes (Nambisan et al., 2018), the way in which entrepreneurs relate to external stakeholders evolves (Archer & Harrigan, 2016; Dumont & Ots, 2020; Smith et al., 2017), and the way in which internal organizing takes place is transformed (Plesner & Gulbrandsen, 2015).

Digital media technologies are some of the core drivers of these changes. They are described tools, channels, and platforms that help achieving and sustaining business survival, growth and innovation (Giones & Brem, 2017; Kraus et al., 2019; Nambisan, 2018; Nambisan et al., 2018; Shen et al., 2018). At the same time, they transform the ways in which work is organized and allocated among management and creative staff, and how they share their performance with clients and all other stakeholders outside the firm boundaries. For example, current research describes how entrepreneurs use digital media technologies for responding to the demands of their stakeholder groups (Mack, Marie-Pierre & Redican, 2017; Olanrewaju, Hossain, Whiteside & Mercieca, 2020), for creating value (Zaheer, Breyer, Dumay & Enjeti, 2019), for dealing with technological change (Baumann, 2013), or, more broadly, for building entrepreneurial opportunities (Wood & McKinley, 2010).

Among digital media technologies, social media have gained particular attention. Scholars and practitioners working with “social media” often refer to “a specific set of online offerings that have emerged over the past three decades – including blogs, social network sites, and microblogging (Treem, Dailey, Pierce & Biffel, 2016: 769). Social media are networked database platforms that combine public with personal communication (Meikle, 2016), which enable individuals to maintain current relationships, to create new connections, and create or share content (Treem et al., 2016). Generally, following Treem et al. (2016: 770), social media activity is comprised of many different behaviors, levels of engagement, visibility, and related interaction. These communicative behaviors are seen to create a “marketplace of attention”, in which people engage with media across platforms and, thereby, act as agents who recursively reproduce and change the (media) environment (Webster, 2017).

In the context of entrepreneurship, a growing number of studies investigates the relationship between performance, business model innovation and the use of social media (Bouwman, Nikou & de Reuver, 2019; Jones, Borgman & Ulusoy, 2015; Kadam & Ayarekar, 2014). These studies underline the strong positive effect of social media on overall strategic success. At the same time, the way in which entrepreneurs appropriate social media and, in turn, are shaped by its affordances, is only

vaguely described, and in particular not strongly theorized (Archer, 2019; Brydges & Sjöholm, 2018). Our argument builds on these proposed effects: social and digital media have become essential tools for starting entrepreneurs in the strategic development of their venture. Certainly, we know that startups use social media for communicating their ideas and developing a brand identity (Centeno, Hart, & Dinnie, 2013; Voyer, Kastanakis & Rhode, 2017). Social media allow entrepreneurs to communicate ideas, share insights of new products, and develop relationships with potential consumers (Friedrichsen & Mühl-Benninghaus, 2013). In fact, media are the structural means through which individuals and organizations develop their sense of selves in relation to audiences (Baldauf, Develotte & Ollagnier-Beldame, 2017; Dooly, 2017).

Social media not only enable more direct communication with stakeholders outside of the firm, such as audiences, consumers and advertisers, but also facilitate new modes of work in teams internally for better sharing work, developing ideas and connecting with team members across time and space (cf. Kane, 2017; Nisar, Prabhakar & Strakova, 2018). Following Deuze (2012: 5), this means that entrepreneurs and startups live a “media life”. They organize their business and make sense of and act upon the world (including themselves) through social media. Consequently, understanding and working with social media technologies is of prime importance for all entrepreneurs and startups of various fields (Giones & Brem, 2017; Nambisan, 2018; Samuel & Joe, 2016; Shen et al., 2018) and contributes to the growing “mediatization” of general entrepreneurship.

3. Move 2: Opening up classical media entrepreneurship

Entrepreneurship in the media industries, often labelled “media entrepreneurship” is a growing discipline that has its roots in media industry focused studies on entrepreneurship (Achtenhagen, 2008, 2017; Hang, 2018; Hoag, 2008; Khajeheian, 2013, 2016, 2017, 2019; Naldi & Picard, 2012; Will, Brüntje & Gossel, 2016; Tokbaeva, 2019; Roshandel Arabtani, Kawamorita, Ghanbary & Ebrahimi, 2019; Salamzadeh, Markovic & MemarMasjed, 2019; Sharifi, Khajeheian & Samadi, 2019). However, today, its boundaries are becoming porous. Media entrepreneurship can be seen from a narrow perspective or a wider perspective. This means, media entrepreneurship may take an industry-centered perspective on how entrepreneurship is conducted in the media sector (Achtenhagen, 2008; Hang, 2018; Khajeheian, 2017), or it may look more broadly at how our understanding of media may contribute to a better understanding of entrepreneurship more broadly (Achtenhagen, 2017; Horst, 2019; Horst & Murschetz, 2019), and in that sense seen as a conception of entrepreneurship that highlights how digital media is used (Horst, Järventie-Thesleff & Perez-Latre, 2019).

This is shown in Achtenhagen (2017: 6), who describes that there is a “need to move the research-based theorizing beyond the specific industry context”. Following (Nambisan, 2018: 1030), she claims that “we witness an unprecedented opportunity to put *media entrepreneurship* on the academic map beyond media and communication scholarship, as the digitally driven entrepreneurial opportunities characterizing much media entrepreneurship can be better understood with a profound industry understanding” (Achtenhagen, 2017: 6).

Entrepreneurship in the media sector has become an important way to drive innovation, responding to market changes and creating new opportunities for media organizations (Achtenhagen, 2017; Khajeheian, Friedrichsen & Mödinger, 2018; Will et al., 2016). With these advances, studies in the media field built an important industry-focused understanding of media entrepreneurship. Here, media entrepreneurship was seen as “the creation and ownership of an enterprise whose activity adds an independent voice to the media marketplace” (Hoag, 2008: 74) or as the way in which “new ventures aimed at bringing into existence future media good and services are initially conceived of and subsequently developed, by whom, and with what consequences” (Achtenhagen, 2008: 126). Essentially, both definitions reflect strong industry-focused conceptualizations of media entrepreneurship.

Nevertheless, these classical definitions may be too limited for helping us conceptualize and understand the phenomenon we see today. While addressing changes in the media industry, they may not have the potential for contributing to our understanding beyond the industry confines (cf. Achtenhagen, 2017: 6; Ots, Nyilasy, Rohn & Wikström, 2015: 104). We argue for adding, in a complementary manner, a broader perspective on media entrepreneurship, which can conceptually address the current digital realities of social media and mediatization, which fundamentally change our understanding of entrepreneurship across industries (Giones & Brem, 2017; Kraus et al., 2019; Nambisan, 2018).

A significant step towards a greater contextual sensitivity is exemplified in recent work on media entrepreneurship (Achtenhagen, 2017). Here, Price Schultz and Jones (2017) detail two cases of successful entrepreneurial hyper-local media organizations in vastly different contexts. Their descriptions highlight how well both entrepreneurs knew their territory, related to their customers, and built sustainable models for revenue creation. Similarly, the study of Zboralska (2017) is representative of the development in media entrepreneurship, because it builds a strong sociologically grounded theoretical framework for organizational analysis. Through in-depth interviews with 41 Canadian media creators and executives she explores the use of the concept of “entrepreneurship as emancipation” (Rindova, Barry & Ketchen, 2009), and finds that for an understanding of entrepreneurial emergence one needs to look at the conditions that an entrepreneurial actor is attempting to break free from and analyze the social dynamics of that context (Zboralska, 2017). She uncovers five motives for entrepreneurial engagement of Canadian Web-series creators. These media entrepreneurs strive for creative autonomy and more room for experimentation, dislike the lack of opportunity in traditional TV, enjoy taking control after feeling marginalized, and make use of the capacity to connect with a niche audience (Zboralska, 2017). This study shows how important it is to understand the local conditions and explore how individual processes of meaning and development are constructed in this social setting using digital media.

However, in order to fully include the digital nature of such new forms of entrepreneurship, we need to go one step further for addressing the concept of mediatization and its potential for understanding digital media entrepreneurship and strategy.

4. Move 3: Towards digital media entrepreneurship

Digital media entrepreneurship is a concept for describing the interdisciplinary phenomenon around how entrepreneurs use digital media for organizational purposes (Horst & Murschetz, 2019). This is closely connected with other conceptualizations towards the use of digital technologies and entrepreneurship [see Table 1 and Giones and Brem (2017: 45) for comparison]. Building upon the work of Khajeheian (2017: 102), we define digital media entrepreneurship as “managing to exploit opportunities (creation/ discovery) by innovative use of re-sources to transform an idea into activities for offering value and organizing over digital media platforms” (Horst & Murschetz, 2019: 3).

Table 1. Conceptualizing different forms of entrepreneurship [adapted from Giones and Brem (2017: 45)]

Concept	Frame	Key activities
Technology entrepreneurship	New products based on breakthroughs in cutting-edge research. Example: Graphene	New knowledge (technology) is used in creative manner for a new venture and new products.
Digital Technology Entrepreneurship	New products based on pure ICT technologies. Example: Smartphone	Using existing (digital) technologies that enable new forms of products
Digital Entrepreneurship	New products and services that are only digital. Example: Software	Digital technology enables development and business conduct (e.g. cloud services, AI, apps, etc.)
Media Entrepreneurship (classical understanding of media use)	New products or services in the media-industry. Example: New online news-site	Advancing, renewing, and transforming existing industry practices with new ideas.
Digital Media Entrepreneurship (broad understanding of digital media use)	New products and services in any industry which are facilitated through digital media technologies. Example: The BD School; style bloggers, social media influencers	Using digital media for running the startup, relating with stakeholders, and making decisions.

The concept of digital media entrepreneurship focuses on new products and services which are facilitated through digital media technologies. The entrepreneurs use digital media for running the startup and relating with stakeholders, e.g. for sharing prototypes, exchanging knowledge, developing ideas. In comparison, digital entrepreneurship focuses on technology aspects, such as Big Data, 3D printing, cloud and cyber solutions, AI, etc. (Giones & Brem, 2017). Whereas the concept of media entrepreneurship, in the traditional sense, focuses on new products and services in the media industry (Achtenhagen, 2008; Hang, 2018). Yet, media entrepreneurship is changing so rapidly that these conceptions are very porous. The convergence of sectors, digitalization across industries, and use of digital media in various contexts create a broader form of media entrepreneurship that transcends traditional industry boundaries – namely *digital media entrepreneurship*.

5. Digital media entrepreneurship as a strategic practice

In our view, such a new conceptualization of digital media entrepreneurship affords a profound understanding of the deeply digital as well as social nature of current day practices of beginning entrepreneurs. How is digital technology engrained in their day-to-day business practices? Here, we contend the need to focus on the strategy work of beginning entrepreneurs. This means, we need to look at the intersection of strategic management, as seen from the angle of strategy-as-practice research (Burgelman et al., 2018; Golsorkhi, Rouleau, Seidl & Vaara, 2015; Vaara & Whittington, 2012), and the current state of media management (Achtenhagen, 2016; Hess, 2014; Picard & Lowe, 2016), and envision how the transformations facilitated by digital technologies create the need for new frames and concepts of the phenomenon of “digital media entrepreneurship” (see Figure 1).

In our view, strategy is seen as a social practice, which shifts attention to the actions and practices through which entrepreneurs manage strategy (Järventie-Thesleff, Moisander & Villi, 2014). In this line, strategy is not an object that an organization has, but an outcome that arises from these practices and local actions (Burgelman et al., 2018; Horst, Järventie-Thesleff & Baumann, 2019; Vaara & Whittington, 2012). When we apply this frame to the phenomenon of digital media entrepreneurship,

we shifts attention to how entrepreneurs routinely use digital media, connect with stakeholders in distinct patterns, and how they communicate over digital media platforms, and develop their strategic ideas in relation to their stakeholders (Horst, Järventie-Thesleff, & Perez-Latre, 2019; Horst & Murschetz, 2019).

This conception is echoed in work that is not explicitly labelled as strategy work, but which shows, for example, how the social dynamics of entrepreneurial communication over social media are changing stakeholder relationships (Dumont & Ots, 2020), and how entrepreneurs need to make explicit choices for self-representation on social media to uphold their “authenticity” (van Nuenen, 2015). Essentially, the social configurations and spatialities of aesthetic labor are changing (Brydges & Sjöholm, 2018).

The following visualization (Figure 1) shows digital media entrepreneurship at the center of converging developments and research around digital technology, strategic management and media entrepreneurship.

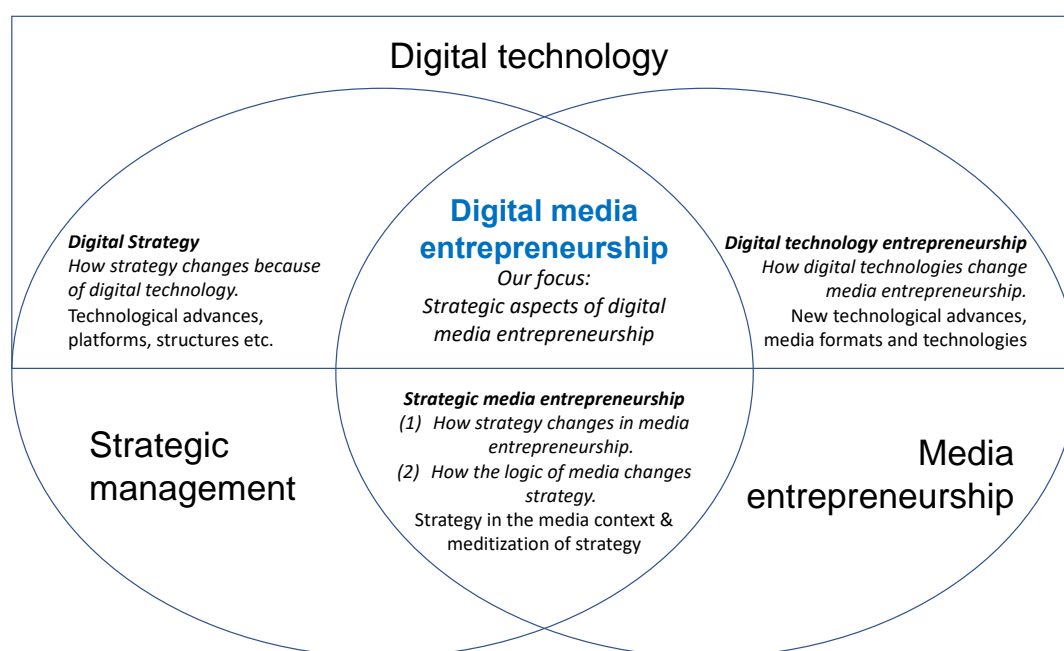


Figure 1. Conceptualizing digital media entrepreneurship

One possible lens that can help understand these processes which support digital media entrepreneurship can be found in the idea of mediatization. The concept of “mediatization” captures that social reality is constructed within certain media processes, and shifts attention to how specific features of media have contextualized ‘consequences’ for the process of communicative construction (Couldry & Hepp, 2013: 196). This means that digital media – including mobile applications and social media platforms – are at the center of how we as individuals, groups or organizations understand and relate to the activities and structures around us (Couldry & Hepp, 2013; Hjarvard, 2013; Kember & Zylinska, 2015; Lindgren, 2017). In other words, the basic building-blocks of social life are now potentially shaped by ‘media’ (Couldry & Hepp, 2017: 2). In fact, “media don’t just enable us to say, think, and do things”, but “they involve possibilities as well as limitations for how we can act and interact” (Lindgren, 2017: 5).

“Communicative practices in organizations become themselves moulded by those organizations’ ensembles of media: for example, writing emails, sharing documents and conducting video conferences, instead of sending letters and memos, accelerates and intensifies day-to-day communication in the organization, while digital archives can be searched more quickly and in different ways than printed ones. Through the ways in which individual practices are moulded, deep mediatization intensifies the acceleration of communications processes within and between organizations.” (Couldry & Hepp, 2017: 203)

In similar manner, McLuhan (1994) once wrote that our understanding of the *medium* should not be limited to the stereotypical understanding of a medium for mass communication such as radio, television, or newspaper, but it needs to be broader and taken as any extension of the human body [...] or form of social organization and interaction. [...] It consists of all the psychic and social adjustments that its users and their society undergo when they adapt the new form. (McLuhan, 1994: 563-564). This is ontologically similar to a practice-theoretical perspective, because it looks at the way in which people work in specific contexts, relate to their surroundings and “manage media” in strategic manner (Horst, 2019). This means, in order to better understand how entrepreneurs manage with digital media, we need to shift our focus towards the processes of adoption, usage and communication of content across media platforms, to better understand how they perform strategy with digital media.

Strategy-as-practice research is beginning to conceptualize how “new media” have an impact on the way in which people do strategy in organizations and that we need to revisit our core assumptions about control, boundaries and choice (Plesner & Gulbrandsen, 2015). While there are very few studies which focus on digital media directly, some studies can be seen to contribute to our how strategy work is conducted with media. For example, Kim and Mahoney (2006) have shown that today software used for making decisions in an organization can actually function as a substitute of managerial hierarchy. More recently, Haefliger et al. (2011) exemplify that social software challenges strategic thinking through empowering creative, independent individuals. Furthermore, software may facilitate indeterminate and uncertain reactions of the staff, which may be in support of, or in opposition to, management’s original thinking (Haefliger et al., 2011). This is closely connected with the loss of management control over the content and processes of strategy.

Similarly, Jarvenpaa and Lang (2011) show that when organizations work over digital media platforms – like online-communities – that the organizational boundaries are not necessarily under the control of management. Instead, they are “constantly negotiated between the platform providers, community members and content owners whose materials are used in collaborative production” (Haefliger et al., 2011). Now, if we consider these observations from a strategic angle, this loss of boundaries shows how our classical separation of organization-environment is blurred through the impact of working over media platforms. This goes hand-in-hand with opening the process of strategy in organizations to be more inclusive and transparent (Whittington et al., 2011), as they invite outside stakeholders and people from various parts of the organization to drive creativity and innovation in an open manner (Chesbrough & Appleyard, 2007). These strategic difficulties may be visible in the following example. Here, the study of Pereira, de Fátima Salgueiro, and Mateus (2014) indicates that users may be willing to connect with a brand on Facebook, but they may not be willing to frequently interact or share brand content. They conclude, “brands must strategize to establish a relationship with their ‘fans’” (Pereira et al., 2014). This means, entrepreneurs can only intend to interact with their audiences over digital media, but they cannot make them respond. They need to be interesting enough to facilitate a response. This underlines the importance of developing a strong community around the product, the entrepreneur or the startup team which creates the basis for natural and significant interaction.

These developments fundamentally change our understanding of strategy. Towards this direction, Plesner and Gulbrandsen (2015) present a research note in which they highlight the influence of software, hardware and informational phenomena on our conception of boundaries, choice and control in strategy making. They highlight that we need more studies and a greater sensitivity towards “new media” to better understand how media shapes, influences and changes our understanding of strategy work.

This is important because strategic actions become more complicated in startups using digital media, because the location of meaning production is shifted from inside the organization towards an ongoing-engagement with its audiences (Bouwman et al., 2019; Hsieh & Wu, 2019; Li et al., 2017; Mack et al., 2017; Olanrewaju et al., 2020). As Abimbola and Vallaster (2007: 343) explain, every interaction with customers and other stakeholders influences and adds to the accruing brand equity of the firm. Strategic communication over social media in startups is not only a matter of communicating ideas, products or brand identities to the stakeholders and audiences, but engaging a constructive dialogue in which the meaning of products, ideas, decisions, and brand identities is jointly constructed and re-constructed (Horst, 2019). Through posting, commenting, sharing, and creating and upholding profiles, entrepreneurs actively construct who they are, or at least who they want to be and how they want to be seen by others (Lindgren, 2017). At the same time, entrepreneurial brands and brand identities are no longer developed with reference to stable values or ideas; instead they are more partial, contradictory and impermanent, as mediated communication enables to construct multiple digital selves or identities (Lindgren, 2017: 73). In fact, entrepreneurs can “invent or reinvent themselves” over social media (Deckers & Lacy, 2018). Therefore, being an entrepreneur or managing startup shifts from being associated with particular qualities to being unfinished projects than need to be continuously managed and fine-tuned over digital media platforms (Baldauf et al., 2017). This shows that digital media fundamentally alters, furthers and accentuates strategic thinking as entrepreneurs open-up to audiences for communicating products, ideas and decisions. In turn, their media audiences respond and provide input, protest against developments, thereby transforming their ideas and significantly shaping the management of strategic issues for the start-up.

This means, strategically managing a startup becomes a process of managing opportunities and threats around communicative events that allow the co-construction of entrepreneurial ideas and strategies with stakeholders. This has implications for developing the organization in a strategic manner, because stakeholders significantly contribute to shaping the flow of ideas in startups through digital media.

6. Discussion

We will now discuss two current research streams, namely identity work in entrepreneurship and knowledge development.

6.1. Strategic implications for entrepreneurial identity work

As entrepreneurs build their business, they concurrently develop a professional self-identity, otherwise known as their entrepreneurial identity (Leitch & Harrison, 2016). It refers to the subjective understanding of self, often summarized under the question “Who am I?” (Alvesson, Ashcraft & Thomas, 2008). While there are different conceptions of identity, ranging between something enduring to something that is continuously in flow and changing (Gioia & Patvardhan, 2012), it is generally believed that identity is constituted out of the interaction with others (Gioia, Patvardhan, Hamilton & Corley, 2013). Particularly fruitful here is the conception of identity work, which “refers to people being engaged in forming, repairing, maintaining, strengthening or revising the constructions that are productive of [their] sense of coherence and distinctiveness” (Sveningsson & Alvesson, 2003: 1165). It emphasizes that entrepreneurs try to develop a coherent notion of who they

are, how they are seen, and what they do. In comparison with established organizations, starting entrepreneurs are just at the beginning of this journey and there may be more things which still need to be defined (Bhansing, Wijngaarden & Hitters, 2020; Steyaert, 1997). In comparison, organizational identities, as seen from a less static view, are not entirely stable either. But they have established a longer history conception of who they are, and –even though this is continuously upheld and re-constructed– this perceived sense of stability may be relatively higher (Gioia & Patvardhan, 2012). This has consequences for identity development in the context of digital media entrepreneurship.

We argue that the management of social and digital media in the entrepreneurial context and the management of the self of the entrepreneur become fundamentally entangled. One cannot separate the development of the entrepreneur, the emerging organizational structure, and the brand from the digital media technology and the platforms over which is being communicated. This lies in the nature of what a media platforms do (Lindgren, 2017). In fact, the development of the entrepreneur and the development of the organizational strategy are fused together because they play a fundamental role in shaping decisions, creating values and setting the tone (Juntunen, Saraniemi, Halttu & Tähtinen, 2010; Rode & Vallaster, 2005). This means, their entrepreneurial identities remain always open to negotiation, reconstruction and re-interpretation from the entrepreneurs' stakeholders (Watson, 2009).

In terms of strategy work, we see that entrepreneurs loose much of the strategic control that has been previously associated with strategy around entrepreneurship and more generally. Strategy in this context becomes more open and organizational boundaries become porous (cf. Plesner & Gulbrandsen, 2015; Whittington et al., 2011). This underscores that in the context of digital media entrepreneurship, not only boundaries, control and choice are challenged (Plesner & Gulbrandsen, 2015), but these changes around mediatization are only starting-points on how strategy fundamentally changes through digital media. The more reliant the entrepreneur becomes on digital networked media, the more he loses control over the meaning making processes and has to participate in a joined process of meaning-making and personal branding. Similarly to co-constructing content in journalism (Anderson & Revers, 2018; Westlund, 2012), the audience contributes to co-constructing the identity of the startup and founder (Horst, Järventie-Thesleff & Perez-Latre, 2019). This process has been observed in media organizations more broadly, who are seeking the input of their audiences for creating content and developing the firm (Malmelin & Villi, 2015).

In terms of branding, digital media entrepreneurship becomes a process of mediated co-branding. The communicative practices of entrepreneurs with their stakeholders to construct the meaning of their brand over digital media together become important (Horst, 2019). This is shown in the way that entrepreneurs constantly need to think about how they act, how this could be perceived and how they integrate the feedback from their audiences into developing new product ideas, new quick-prototyping, and upholding their brands' promise. Their identity, strategy and media branding become inseparable (Melewar, Foroudi, Gupta, Kitchen & Foroudi, 2017). Moreover, while branding has always been quite reactive, spontaneous, and more like trial-and-error learning (Agostini, Filippini & Nosella, 2015; Bresciani & Eppler, 2010), it becomes even more fluid and a process of co-creation. Building a brand becomes a process of storytelling and audience engagement for constructing a coherent brand narrative with their stakeholders (Voyer et al., 2017). In this way, because branding and strategy become fused through digital media, strategy becomes a lived narrative that is co-constructed over digital media and increasingly emergent (Horst & Järventie-Thesleff, 2016).

6.2. Strategic implications for knowledge development through entrepreneurial co-location

A second crucial aspect of strategically managing a startup concerns the construction and processing of entrepreneurial knowledge. Beginning entrepreneurs are highly dependent on the availability of knowledge for which they rely on a combination of proximity to other entrepreneurs as well as on a wide array of digital technologies for exchanging, translating and managing knowledge (Asheim, Coenen & Vang, 2007; Audretsch & Belitski, 2013; Wijngaarden, 2019). We may assume that whether proximity is spatial or digitally mediated does not make much difference for the importance to entrepreneurs. An economic principle underlying this is that agglomeration stimulates inter-firm contact and linkages, thus decreasing transaction costs and accelerating knowledge flows (Porter, 1998; Pratt, 2014). It is important here to distinguish between formal, codified knowledge and tacit knowledge. The latter refers to learning on the job, learning by doing and social learning, in which knowledge is exchanged that cannot be obtained through formal institutions such as schools, universities or training centers (Nooteboom, 2000). Tacit learning is highly relational and interactional, thereby depending on networks of trust, reciprocity and exchange. This underlines the communicative nature of knowledge exchange as well as its reliance on proximity (Banks, Lovatt, O'Connor & Raffo, 2000; Bathelt, Malmberg & Maskell, 2004; Gertler, 2003).

Many researchers at the beginning of the 21st century assumed that digital communication technology would drastically reduce dependence on geographical proximity, as digital media could replace face-to-face interaction and knowledge exchange. However, the 'death of distance' argument and the subsequent detachment of economic activity from its spatial context, however, has never become reality (Clare, 2013). Even in the highly digitalized media industries, entrepreneurs continue to cluster and co-locate their businesses in close proximity to their peers (Karlsson & Picard, 2011). Digital media do not replace personal interaction, on the contrary, they reinforce and complement entrepreneurial growth. Digital media offer new business opportunities, as we have argued above, as well as essential tools for branding, identity work and knowledge exchange. As project based working and freelancing are so common in media industries, knowledge exchange and transfer are crucial to project-based working (Caves, 2000). Project-based working implies close cooperation between freelancers and companies of various sizes, encouraging inter-firm interactions and thereby facilitating the sharing of knowledge and information (Roy, Sivakumar & Wilkinson, 2004). A case in point are the interactions between the digital media industries, gaming and hardware production (Béraud, Du Castel & Cormerais, 2012).

Entrepreneurial co-location provides a starting entrepreneur with a pool of available knowledge and ideas, as well as a network of peers with whom they can exchange norms and practices within a community (Gertler, 2003; Wenger, 2000; Wijngaarden, 2019; Emami and Khajeheian, 2019). Co-location provides, essentially, a rich knowledge environment –a storage of knowledge– for learning how to be an entrepreneur (Bhansing, Hitters & Wijngaarden, 2018; Bhansing et al., 2020). However, local and global dimensions are intrinsically interwoven and digital media play a central role in this (Bathelt et al., 2004). Local knowledge flows are entangled with externally networked knowledge pools which may provide inspiration and creative ideas as well as solutions to everyday problems and challenges. Here, digital media allow entrepreneurs to tap into global networks for image building, inspiration and imagination, as well as for legitimation purposes (Wijngaarden, Hitters & Bhansing, 2019). Co-location, therefore, provides a social context in which knowledge obtained over digital media can be complemented and further refined. Thereby, it adds to the possibilities of sharing, building and reflecting upon entrepreneurial knowledge and practices, which would otherwise be very difficult for starting entrepreneurs to achieve in solitude. This underscores that seeking the right co-location can certainly strategically enhance entrepreneurial development.

7. A conclusion: The digital transformation of media management

The digital transformation of society includes fundamental changes at the industry-level (what the media industry consists of), at the organizational level (what a media organization is), and at the individual level (what people do with digital media). In this paper, the focus was on digital media entrepreneurship, and how the trends around entrepreneurship, digital media use, media entrepreneurship, and strategy work interconnect. As a new and growing field, digital media entrepreneurship can contribute to understanding the digital transformation of the media industry more broadly. To this, we make two contributions.

7.1. Theoretical and practical implications

First, our review and theory development can open new discussions and ideas for investigating organizational strategies in the “legacy” or large traditional media organizations that have struggled to cope with change in media markets and society. Digital media entrepreneurs can become a good learning source for different branding and organizational reasons: they are agile, nimble and close to their audiences as they actively search for their input and feedback, while “legacy” media try to defend their products and business models in spite of declining audience time and attention and less advertisers. They know how to tell stories and build their brands through “narrative repertoires” communicated effectively via social media and mobile platforms (Horst, Järventie-Thesleff & Perez-Latre, 2019), while “legacy” media seem to have trouble explaining how they are different to other entertainment offerings or deliver superior content that cannot be easily found elsewhere, in spite of communication campaigns and advertising budgets. Entrepreneurs are more attuned to market and societal changes, which allowed them to tell their stories, listen to their stakeholders and organize more responsively in times of change. All this allows us to ask questions that might be relevant for further research: Should “legacy” media become more like entrepreneurial startups? (Will et al., 2016) Is there a case for creative destruction through digital transformation in larger media organizations (Pérez-Latre, 2014)?

Second, our paper underscores that media management becomes a networked process of communicative entanglement, interpretation and strategic action facilitated through digital (social) media. This understanding goes beyond our current understanding of media management, which sees it as the management of media firms (Lowe, 2016). However, we believe that if we use the concept of mediatization as a lens to understand managing and organizing through digital media, we generate a broader appreciation what “media management” is (Horst, Järventie-Thesleff & Perez-Latre, 2019). This broader understanding of media management can help make sense of many phenomena that we currently witness in escalating processes of convergences where media become essential structures in which our lives unfold (Couldry & Hepp, 2013; Deuze, 2012; Lindgren, 2017). In a society that is becoming more mediatized through its continuous digitalization, a more inclusive view on media management increases its potential to contribute to a reflective development on the individual, organizational and societal level.

7.2. Research limitations

Certainly, our research is not without limitations. Our advancement of ideas is based on a purposive literature review and construction of new concepts from existing frames and ideas. This proposes necessary choices regarding what frames and literature to include and how to interpret current developments in practice. There may be differing opinions and interpretations of the developments we observe, and further suggestions for future research.

7.3. Suggestions for future research

Empirical investigations can build upon and extend this work to further refine what “digital media entrepreneurship” can mean in different contexts. Does the frame of DME help elucidate sufficient aspects in the phenomenon we see, or do we need to refine our understanding of DME further? We envision that future research could address DME on and across different levels. This might mean exploring, e.g., how entrepreneurs use and work with digital media at the micro-level. What does digital media enable them to do? What drives entrepreneurial intention on the micro-level (Goyanes, 2015)? Furthermore, how does digital media change our perception of entrepreneurship, the development of new ideas and business frameworks and models on the organizational level (cf. Salamzadeh et al., 2019; Sharifi et al., 2019)? What drives media entrepreneurship organizationally (cf. Roshandel Arbataniet al., 2019) and how do they manage their paradoxes of stability and change (cf. Horst & Moisander, 2015)? At the same time, how do the boundaries of the media industry change because of new business models as well as the way in which digital media affords particular ways of work? How do developments of DME connect across these different levels? How does interaction at the micro-level create, sustain and facilitate developments at the organizational or industry level? For example, one could explore how entrepreneurs in the media industry strategize for insitutional change (cf. Kosterich, 2019) or ask how organizational structures enable and are formed by developments at the industry-level. Overall, these and further trends need to be better understood, so that we can make better and more reflective use of the opportunities that digital media entails.

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Research article

Successful Exploration: Organisational Ambidexterity and Performance in News Media Firms

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Abstract:

Purpose: This paper sheds light on the distinctive nature of entrepreneurial-oriented behaviours in news media firms. We reconsider conceptualisations of exploitation and exploration in the industry and seek to explore the extent to which they are related to organisational performance.

Methodology: In a cross-sectional study, we draw on data from a longitudinal investigation into the decision making of news media executives worldwide. The study focuses on a correlational analysis of primary data collected from media executives across 107 countries. With a large sample size (N = 1438) and strict significance testing, we address the potential limitations of a purposive sampling strategy.

Findings/Contribution: We find that firms that prioritise exploration higher than exploitation are more likely to be reporting financial success than those who do the opposite. We propose that the study contributes to the understanding of the impact of volatile times on the media industry, by suggesting that, even in the midst of considerable disruption, the exploration of new opportunities nevertheless has the potential to reap financial rewards. In so doing, it answers both the specific appeal for greater clarity of organisational ambidexterity measures, as well as calls to test and expand existing theory in various contexts, and to develop theory that is directly pertinent to media management science.

Keywords: media innovation, entrepreneurship, newspapers, organisational ambidexterity, performance

1. Introduction

Changes in technology and the market conditions of news media firms over the last decade have been described as ‘a moment of mind-blowing uncertainty for journalism’ (Domingo, Masip & Costera Meijer, 2014). Questions about whether news media firms can successfully adapt and

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innovate to meet these demands – and if so, how this occurs – have occupied a number of scholars (Powers & Zhao, 2019; Pavlik, 2013; Storsul & Krumsvik, 2013).

So far, the answers have been mixed. For example, research from Norway indicates that newspaper management there finds it hard to respond effectively to the insecurity created by changes in the environment (Krumsvik, 2014). And a survey among UK broadcasters has found that although many companies are dynamic and adopt dynamic responses to changes, many firms have been struggling to adapt (Oliver, 2013). There have also been notable casualties. The Tampa Tribune, for instance – the subject of several influential – and optimistic – early studies into newsroom innovation in the US (Huang, Rademakers, Fayemiwo & Dunlap, 2004; Singer, 2004), shut in May 2016 after 123 years with the loss of “about 265 jobs” (Madigan, 2016).

This much is clear: while it might be true that firms that do not innovate are likely to fail, innovation in itself is no guarantee of future success. Assuming that the success of surviving firms is not simply rooted in luck, it begs that a perennial question of management studies be posed once again: are there systematic patterns that distinguish those companies able to change and survive versus those that fail? (O'Reilly & Tushman, 2008). James March (1991) certainly believes there is. He observes that central to the ability of a firm to survive over time is its capacity to exploit existing assets and positions in a profit-producing way - and simultaneously to explore new technologies and markets - to configure and reconfigure organisational resources to capture existing as well as new opportunities (March, 1991). However, it is clear that there are risks in both directions. On the one hand, firms that emphasise exploration to the exclusion of exploitation are likely to find that they incur the costs of experimentation without receiving many of its benefits. On the other hand, firms that overemphasise the exploitation of existing markets and technologies are likely to find themselves unable to meet the demands of a dynamic and increasingly-competitive environment (March, 1991). The ability to balance these tensions has been described as organisational ambidexterity (Tushman & O'Reilly, 1996).

Over the past two decades, the ‘ambidexterity premise’ has engaged a growing number of scholars. Researchers have underlined the need for ambidexterity, as news organisations strive to balance various tensions, including those between creativity and economy, change and stability, and control and emergence (Järventie-Thesleff, Moisander & Villi, 2014; Malmelin & Virta, 2017). But despite hundreds of studies across various contexts, it has been pointed out (Bøe-Lillegraven, 2014) that the empirical evidence linking organisational ambidexterity and performance remains uneven. In a meta-analysis of ambidexterity scholarship, Junni, Sarala, Taras and Tarba (2013) found that exploitation was associated with profits whereas exploration was related to growth. However, they noted that it is still unclear when and how ambidexterity affects firm performance and, as such, recommend that future multiple, fine-grained measures within specific industry contexts further our understanding of the ambidexterity-performance relationship (Junni et al., 2013: 19).

This paper responds specifically to that challenge by examining organisational ambidexterity in the context of the media industry. In particular, we (1) challenge and reconsider conceptualisations of exploitation and exploration used in earlier studies of the industry; (2) offer a multidimensional construct for success of innovations; (3) draw on unique data from a longitudinal study into the decision making of news media executives worldwide that provides historical and industry contexts; and (4) test whether there is a significant difference between the priorities of leaders in terms of the growth or otherwise of their revenues.

Next, we take a closer look at the industry context and theoretical framework. Then, we describe our research method and data, after which we present our findings and discuss them. Finally, we offer thoughts on the implications of our study for media managers and for media researchers.

2. Literature Review

2.1. Industry Context

Perhaps it's not surprising that the media industry has been fertile ground for research into the 'ambidexterity premise' (Bøe-Lillegraven, 2014). Rapid and widespread changes in digital technologies and market conditions have spurred news media firms to innovate. And, in the main, they have set to it. Across the globe, newsrooms have been revamped, redesigned, reorganised, converged (Siapera & Vergelis, 2012; Fioretti & Russ-Mohl, 2009; Singer, 2004) and de-converged (Tameling & Broersma, 2013). Websites have been launched and relaunched (Nel, 2013). A wide array of mobile and tablet apps offer consumers news that might be variously aggregated, expanded, editioned, condensed, interactive, pushed, augmented or viewed in 3D. Stories are packaged, repackaged and optimised to help ensure that they are found, bookmarked, rated, liked and shared across a growing assortment of search and social platforms (e.g. Newman, Fletcher, Levy & Nielsen, 2016; Knight & Cook, 2013; Hermida, 2010).

As such, many traditional news producers at the start of the 21st Century have found themselves with larger total audiences than ever before (Nel & Milburn-Curtis, 2019). However, successes by newsrooms have not necessarily been matched by successes for boardrooms. While editorial teams grew audiences on the one hand, on the other many commercial teams found they were not able to adequately measure those audiences and sell their attention on to advertisers at either the volume, pace or price that matched the earnings they were used to from print operations (Nel, 2010; Wray & Allen, 2007). Thus what may once have been considered the 'Golden Rule' of multisided markets that, when applied in the context of the news media, saw "money follows eyeballs" rarely materialised. That is, while on the one side innovative publishers were able to grow the number of "eyeballs" by distributing content online, on the other side these increases in audiences have not necessarily been matched by increases in revenues (Nel & Milburn-Curtis, 2019). As such, there has been a growing recognition that the task for news media firms is not simply product innovation, but business model innovation (Anderson, Bell & Shirky, 2013; Nel, 2010). Anxieties about the sustainability of news media firms remain (e.g. Cairncross, 2019). This serves to remind us that innovation is both widely discussed and variously defined, inside and outside of academic circles.

2.2. Theoretical Framework

2.2.1. The nature of innovation in firms

The terms "radical, incremental, really-new, imitative, discontinuous, architectural, modular, improving, and evolutionary" innovations are all used to define models of innovation (Garcia & Calantone, 2002). The underlying reason for the array of conceptions has been attributed to the diverse perspectives and various levels of analysis employed (Danneels & Kleinschmidt, 2001; De Brentani, 2001). For defining innovation for this firm-level study, in the first instance, we accept there are two key and opposing views on where entrepreneurial opportunities come from, i.e. the Schumpeterian (Schumpeter, 1934) and Kirznerian (Kirzner, 1973, 1997) perspectives.

Schumpeter (1934) takes it that opportunities emerge in times of uncertainty, change and technological upheaval when individuals outside and inside firms create opportunities by combining resources in novel ways. In this approach, the Schumpeterian entrepreneur creates new opportunities that destroy existing markets.

Meanwhile, Kirzner (1973; 1997) posits that individuals secure entrepreneurial profits on the basis of identifying gaps in knowledge and information that arise between people in the market. According to this approach, an entrepreneur is a vigilant person who discovers information

asymmetries in the marketplace and capitalizes on those by arbitrage, i.e., buying low and selling high.

These two perspectives are widely debated and have, in turn, been seen as clashing (Boudreaux, 1994), complementary (Hébert & Link, 1982), and compatible in certain respects but not all, as argued by Kirzner himself in a re-appraisal of his earlier work (Kirzner 1999). What is also true is the two authors have given rise to the recognition that in times of change and uncertainty entrepreneurial leaders face choices that range from focusing resources into the exploitation of existing opportunities to the exploration of new prospects. Thus a Kirznerian approach is taken to signify incremental innovation, while a Schumpeterian approach is seen to signify radical innovation.

These debates have also underlined that while “innovation is about change” (Storsul & Krumsvik, 2013: 15), not all change is innovative. As Drucker (1994) emphasises, innovation is, “the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a ‘resource’ until man finds a use for something in nature and thus endows it with economic value” (Drucker, 1994: 30). This is also similar to the idea that “inventions often cannot be transformed into innovations, and therefore lack the market commercialisation” (Liening, Geiger & Kriedel, 2018: 241). Thus, we follow Tidd, Bessant and Pavitt (2013) and employ “a simple model of innovation as the *process* of turning ideas into reality and capturing value from them” [their emphasis] (p. 21).

A key strand of thought has emerged as researchers examine how firms innovate and adapt to market and technological changes: that the leadership of successful firms manage to integrate both efforts to exploit existing opportunities and explore future prospects (March, 1991). However, there are risks in both directions. On the one hand, firms that emphasise exploration to the exclusion of exploitation are likely to find that they incur the costs of experimentation without receiving many of its benefits. On the other hand, firms that overemphasise the exploitation of existing markets and technologies are likely to find themselves unable to meet the demands of a dynamic and increasingly-competitive environment (March, 1991).

Scholars have argued that successful companies are ambidextrous (Alabadi, Alsachit & Almajtwme, 2018; Rialti, Marzi, Silic and Ciappei, 2018; Alghamdi, 2018). That is, they successfully balance the tension between both exploration and exploitation (Alghamdi, 2018: 1). Thus, ambidexterity allows an organisation to synergistically balance exploration and exploitation for maximum gain. Organisational ambidexterity can, therefore, be viewed through two lenses – structural ambidexterity and contextual ambidexterity. As Alghamdi (2018) argues, “the former obtained through structural interventions and is based on the idea of a trade-off” (p. 2). To attain this, Alghamdi (2018) explains that a firm needs to outline relevant activities relating to “exploration and exploitation (separation of exploration and exploitation into independent units with a leadership-integration and coordination at the top of an organisation” (p. 2). The latter, on the other hand, requires exploiting the present capability and exploring future opportunity (Ketkar & Puri, 2017). Achieving this requires creating an organisational context where the employees’ engagement can be both explorative and exploitative (Rosing & Zacher, 2017). Since Tushman and O’Reilly (1996) proposed that organisational ambidexterity – described as a firm’s “ability to simultaneously pursue both incremental and discontinuous innovation... from hosting multiple contradictory structures, processes and structures in the same firm” (p. 24) – was required for long-term success, there have been multiple studies on the topic. Researchers in this area have principally theorised about the influence on firm performance of the sequencing, structures and context of ambidexterity (O’Reilly & Tushman, 2011). A number of case studies into organisational ambidexterity (OA) have focused on the newspaper industry (e.g. Järventie-Thesleff et al., 2014; O’Reilly & Tushman, 2013; Boumgarden, Nickerson & Zinger, 2012; O’Reilly & Tushman, 2004; Tushman, Smith, Wood, Westerman & O’Reilly, 2003). In a review of media management and economics literature, Bøe-Lillegraven (2014) points out that, in the main, these case studies identify print operations as exploitation and categorise

digital news ventures as examples of exploration. It has also been noted that studies into ambidexterity of newspaper firms have typically conceptualised exploitation as activities related to the incremental innovations and efficiencies associated with printed newspapers, while exploration is associated with digital opportunities that are also often considered as radical innovations.

This paper takes a broader view. More than two and a half decades after the introduction of the World Wide Web and, with it, the first companion websites to printed newspapers and broadcast services, engaging in digital activities per se is a given across the sector. Thus, while we agree with those (e.g. Achtenhagen, 2017) that focussing on “digital entrepreneurship” can, in some instances, offer a productive lens for scholars (e.g. Gleason & Murschetz, 2019; Nambisan, 2016), we conclude that “digital” can no longer be considered a proxy for “new” or “exploration”. Instead, we draw a distinction between traditional and non-traditional revenue streams. As such, we re-conceptualise exploitation as innovative activities – digital or not – narrowly associated with capitalising on traditional media revenue streams: established advertising formats and sales of existing news media products.

Furthermore, a wider conception of exploration has also emerged. Nel (2010) proposed that news media firms might not only explore digital revenue streams beyond content sales and advertising, but might also need to look at entirely different revenue models. Thereby, he effectively questions: “Where else is the money?” Picard (2011) noted that while firms were exploring a range of new revenue options, “these have not provided sufficient funding to maintain the levels of journalistic activity previously provided by print newspapers” (p.10). Two years later, he sounded a more optimistic note:

What is clear is that news providers are becoming less dependent on any one form of funding than they have been for about 150 years. Multiple revenue streams from readers and advertisers, from events and e-commerce, from foundations and sponsors, and from related commercial services such as Web hosting and advertising services are all contributing income. It is too early to fully assess the efficacy and sustainability of these sources, but they provide reason to believe that workable new business models are appearing in news provision (Picard, 2014: 280).

Therefore, we re-conceptualise exploration as innovative activities that seek to identify and capitalise on diverse revenue opportunities inside, outside and alongside traditional media products, whether those are online or off.

The optimal sequencing of OA endeavours has been widely explored over the past four decades. Bøe-Lillegraven (2014) points out that researchers are divided on whether exploitation and exploration involve “unavoidable tradeoffs” (March, 1991) or, if the two factors are orthogonal to each other, firms can choose to engage in high levels of both at the same time (Burton, Obel & DeSanctis, 2011; Cao, Gedajlovic & Zhang, 2009). We are reminded by O’Reilly and Tushman (2013) that Duncan (1976), in his original paper, proposed that to accommodate the conflicting alignments required for innovation and efficiency firms needed to shift their structures over time to align the structure with the firm’s strategy; that is, in his view, organisations achieved ambidexterity in a sequential fashion by shifting structures over time. Tushman and O’Reilly (1996) argued that in the face of rapid change, sequential ambidexterity might be ineffective and organisations needed to explore and exploit in a simultaneous fashion. In a recent review of the state of the ambidexterity scholarship, O’Reilly and Tushman (2013) observe that these notions have been tested by scholars in a wide variety of settings and using diverse methodologies. They point out that, overall, the findings suggest that sequential ambidexterity may be more useful in stable, slower-moving environments (e.g. service industries) and for smaller firms that lack the resources to pursue simultaneous

ambidexterity. On the other hand, simultaneous ambidexterity is typically more valuable under conditions of environmental uncertainty with increased competitiveness when a firm has more resources. There is little doubt that newspaper firms are facing great uncertainty and increased competition and consolidation. It is also clear that many are facing a squeeze on resources since the industry's share of advertising started slipping in 2005 (Kirwan, 2009) which, in many instances, has taken print circulation numbers, profit margins, staff numbers and even entire operations down with it (Nel, 2010). As such, we are curious about whether successful and unsuccessful news media firms have different approaches to ambidexterity. In doing so, we take financial growth over the previous financial year as an indicator of resources available for future investment in exploratory activities.

We are also mindful that profit is frequently used as an objective performance measure of OA, albeit that it has been found to be less reliable than growth (Junni et al., 2013). By contrast, in their meta-analysis of OA scholarship Junni et al. (2013) found that "perceptual measures, both absolute performance (not compared with competitors) and relative performance (compared with competitors), were positively and significantly associated with OA" (Junni et al. 2013: 303). With that in mind, they "encourage researchers to consider opportunities for using both combined and balanced approaches [to OA measurement] in a single study to allow for direct comparisons between different measures" (Junni et al. 2013: 309). We addressed that advice in this study. Furthermore, they underline O'Reilly and Tushman's (2013) call to future researchers to seek "increasing clarity in the measurement of OA" (Junni et al. 2013: 309). To clarify our measures of OA, we note that studies into organisational ambidexterity in the news media industry emphasize that for media firms, amongst others, value is not only considered in economic terms (Picard, 2010). We are also convinced by the case Bøe-Lillegraven (2014) makes for the potential that Big Data offers to assess the performance of ambidextrous news organisations by offering insights into, amongst others, the productivity of individual staff members and specific pieces of content alongside traditional financial measures. Following the work of Rao and Weintraub (2013), we notice that the value of a successful innovation can be captured at three levels: external, enterprise and personal. In particular, external recognition shows the extent to which a company is regarded as being innovative by its customers and competitors, and whether an innovation has paid off financially. On an enterprise level, the success of innovations can be measured by the extent to which it enhances those capabilities – human, material, financial, information – the organisation needs to achieve its key objectives. On a personal level, the success of innovation can be measured by considering an individual's perceptions of growth, satisfaction and reward.

We also note that, while illuminating, much of the research exploring the success of news media firms have been exploratory and conceptual. And though empirical case studies (e.g. Powers & Zhao, 2019; Küng, 2015; Tang, 2011; Westlund, 2011; Meier, 2007; Singer, 2004) and surveys conducted in particular geographic regions (e.g. Lehtisaari & Grönlund, 2015; Nel, 2010; Sylvie, 2007) have delivered valuable insights, what had been missing is a broad industry view - one that looks across time, location, firm size, ownership structure, political and market conditions. This paper attempts to step into that breach by drawing on data from a longitudinal study of senior news executives worldwide collected in collaboration with World Association of Newspapers and News Publishers (WAN-IFRA), to discern systematic patterns in the exploration and exploitation strategies and their connections to media companies' objective and subjective measures of success.

3. Materials and Methods

Drawing on data from the World News Publishers Outlook study (see e.g. Nel & Milburn-Curtis, 2017), we set out to investigate the connection between the entrepreneurial orientation of news media leaders, and the success of the company in both financial and perceived terms.

As declared earlier, our data-driven suggestion is that "digital" can no longer be considered a proxy for "new" or "exploration" for media companies. Interestingly, also the notion of media

entrepreneurship, as presented by Khajeheian (2017), does not use the dichotomy of print/digital. Instead of this bifurcation, we draw a distinction between traditional and non-traditional revenue streams. As such, we re-conceptualise exploitation as innovative activities – digital or not – narrowly associated with capitalising on traditional media revenue streams: for example, established advertising formats and sales of existing news media products. And we re-conceptualise exploration as innovative activities that seek to identify and exploit diverse revenue opportunities inside, outside and alongside traditional media products, whether those are online or off. We also recognise that while organisational success is frequently calculated in objective financial terms, media firms have additional other measures that include external recognition and the personal perceptions of staff. These measures, in their turn, are linked to external, enterprise and personal levels of success of innovation (Rao & Weintraub, 2013). The conceptualisation of exploration and exploitation, combined with the different characteristics and levels of success of innovation, underpin our hypothesis.

We hypothesised therefore that, in ambidextrous organisations (i.e., those that engage in both exploitative and explorative entrepreneurial activities) the extent to which such organisations prioritise a) exploration and b) exploitation would differ in relation to their a) objective financial performance (year on year revenue change) and b) subjective perceived organisational success.

3.1. Research Questions

Based on this overarching hypothesis we addressed two research questions:

3.1.1 RQ1: Does an organisation's approach to 'Exploration' correlate with :

- Financial performance (revenue growth)
- Perceived organisational success

3.1.2 RQ2: Does an organisation's approach to 'Exploitation' correlate with :

- Financial performance (revenue growth)
- Perceived organisational success

Data were collected annually from 2011 to 2016 inclusive. Target respondents of the survey included news media decision makers: top managers; editorial, commercial and technology managers; and academics and researchers. Participating organisations included those which were privately owned, government-owned, public service, not-for-profit and cooperatives. The 22-question online survey collected data about ownership, country, language, world region, national income, area of work, geographic focus, publishing and non-media activity, size of organisation, circulation and 12-month and 5-year investment priorities. The questionnaires were translated into Arabic, Chinese, Finnish, French, German, Greek, Italian, Japanese, Korean, Persian, Portuguese, Russian, and Spanish, and participants could choose which language version to use. Anonymity was assured, whilst participants could voluntarily reveal their details if they wished to receive information about study outcomes. A total of 1438 individuals took part in the following annual proportions:

Table 1. Summary of the number of survey respondents per annum

Year	Number of participants
2011	496
2012	244
2013	117
2014	163
2015	172
2016	246

3.2. Design

We employed a cross-sectional design enabling us to explore relationships between variables. Whilst it was not our intention to generalise our conclusions beyond the population of note, we were nevertheless able to inferentially address issues around the strength of relationships between revenues and profitability; investment priorities; organisational success; entrepreneurial orientation, ambition and leadership; operative and dynamic capabilities; diversification; organisational behaviour; and attitudes to innovation, organisational culture and climate, risk and change. The current study isolated the relationships between entrepreneurial leadership and organisational performance.

3.3. Sampling strategy

We employed a purposive sampling strategy (total population sampling) (Black, 2012), a process whereby as much of an available population is examined. It is appropriate where the population has a particular set of characteristics which are not very common; in our case all respondents were top professionals in ambidextrous news media organisations, (i.e., those organisations that, in our survey, indicated that they employed both explorative and exploitative approaches to leadership), in national, regional and local media, or media analysts. We chose to study this subset of the whole population because the global population of newspaper managers is relatively small. According to Bryman and Bell (2011) this type of nonprobability sampling strategy is effective since omitting members of such a small population (e.g., through random sampling) may miss significant data. Whilst this sampling strategy commonly informs a qualitative analysis we were fortunate to have sufficient quantitative data (1388 cases x 336 variables) to be able to perform a wide range of analyses. The advantage of using this technique is that we are able to gain a deep understanding of population behaviour, without the risk of missing important insights. Whilst we acknowledge that we were not in the position to make statistical generalisations beyond the current population, we were nevertheless able to make a wide range of analytical generalisations about the population being studied.

Our sampling frame, therefore, consisted of 1438 news media decision-makers, surveyed from 2011 to 2016 in 107 countries worldwide. Of those, 63 per cent were from developed nations and 37 per cent from developing nations, according to the World Bank classification. Thus, both technology-saturated conditions and more varied environments, such as found across the BRICS nations (Brazil,

Russia, India, China and South Africa) were represented in the study. This enabled us not only to be alert to the general industry, but also to address the dearth of studies that consider geographic, historical and media business contexts (Achtenhagen, 2017; Welter, 2011; Minniti, 2003).

From this sampling frame, we chose to include in our analyses only those cases which we identified as 'ambidextrous', i.e., those participants who were involved in activities across the two measures of ambidexterity (both exploration and exploitation). This sample of 1388 cases, represented 97% of the greater sample.

3.4. Measures

We explored organisational ambidexterity from the perspective of two independent variables, both with normal distributions. We refer to these as 'Exploration' and 'Exploitation' (defined after March, 1991). For the purpose of this study, we argue that they represent the extent to which an organisation prioritises investment either within its own sector (exploitation) or outside its current sector (exploration).

Thus, exploration (c.f. Nel & Milburn-Curtis, 2017) was indicated by the sum of four survey items, each answered on a Likert scale of 1 to 7, which explored: a) the extent of investment in the development of new products inside and beyond the media sector; b) investment in a more diverse workforce (in terms of age, gender, ethnicity etc); c) investment in other media companies and d) investment in non-media companies. Exploitation (c.f. Nel & Milburn-Curtis, 2017), scored on a similar scale, indicating a) investment priorities in the convergence of existing media operations; b) the development of syndication partnerships within the sector; c) the development of partnerships with similar digital platforms; and d) services that extend the core operations.

Our dependent variables of interest represented aspects of "performance" in the context of media organisations. The variables were also derived from the survey questionnaire and represented the following:

1. Financial performance (increases / decreases in revenues over the past year: a continuous variable with a normal distribution).
2. Perceived success (after Rao and Weintraub, 2013): a series of three items, each scored on a 7 point Likert scale:
 - a. PS1: "Our innovation efforts have led us to better financial performance than others in our industry" (external-level success).
 - b. PS2: "Our innovation projects have helped our organisation develop new capabilities that we did not have three years ago" (enterprise-level success).
 - c. PS3: "I am satisfied with my level of participation in our innovation initiatives" (personal-level success).

3.5. Data Analytical Methods

As indicated in Table [2], the analyses employed correlational techniques and explored the relationships between the dependent and independent variables of interest. Since all variables presented normal distributions, Pearson's *r* was the correlational test of choice. Statistics were evaluated using Excel and SPSS. These tests enabled us to report both effect sizes in terms of Pearson's *r* and the statistical significance (*p*). The significance cut-off was $p < .05$ (i.e., less than a 5% probability that our results could have been achieved by chance).

4. Results

Our analysis detected that, in our sample of ‘ambidextrous’ organisations, the more an organisation prioritised exploration (the prioritisation of investment outside the current sector) as their entrepreneurial orientation, the greater their reported growth in revenues. In contrast, no such relationship was detected for organisations that tended to prioritise exploitation (the prioritisation of investment within the current sector).

Leaders who perceived that their innovation efforts had led them to better financial performance than others in their industry, leaders who perceived that their innovation projects had helped their organisations to develop new capabilities that they did not have three years ago, and leaders who were satisfied with their own personal level of participation in their organisation’s innovation initiatives, were all likely to be reporting growth in revenues year on year.

Interestingly, both ‘explorers’ and ‘exploiters’ felt that their innovation projects had helped their organisation develop new capabilities that they had not had three years ago. However, only ‘explorers’ were confident that their innovation efforts had led them to better financial performance than others in their industry.

There was no relationship between the levels of personal satisfaction leaders felt with their own contribution to innovative efforts and their prioritisation of either exploration or exploitation.

Table 2. Correlational relationships between variables of interest

Correlations	Revenue change	Exploration	Exploitation
Exploration	$r = .20; p < .01$		
Exploitation	ns	$r = .58; p < .001$	
PS1 (external success)	$r = .25; p < .001$	$r = .22; p < .01$	ns
PS2 (enterprise success)	$r = .14; p < .05$	$r = .23; p < .01$	$r = .16; p < .05$
PS3 (personal success)	$r = .14; p < .05$	ns	ns
ns: non-significant			

5. Discussion

For the news media industry, the advent of the Internet and, in particular, the World Wide Web, has not only forced innovation of products, processes, and positioning, but also their paradigms (c.f. Tidd et al., 2013) of, amongst others, the source of their profits (Nel, 2010; Picard, 2012). So perhaps it’s not surprising that early research into ambidexterity in the news industry (e.g. Järventie-Thesleff et al., 2014; O’Reilly & Tushman, 2013; Boumgarden et al., 2012; O’Reilly & Tushman, 2004; Tushman et al., 2003) used digital and non-digital activities as binary indicators for exploration and exploitation, respectively. However, this study has shown that more than two decades into the so-called Digital Revolution successful news publishers do not only seek to replicate traditional offline advertising and circulation revenue models online, but that they are indeed looking elsewhere for money (c.f. Nel, 2010; Picard, 2014; Nel & Milburn-Curtis, 2017).

Our results exemplify the advantages of reconceptualising exploration as innovative activities that seek to identify and capitalise on diverse revenue opportunities inside, outside and alongside

traditional media products, whether those are online or off. Thus, the traditional divide between “print” and “digital” (Bøe-Lillegraven, 2014), can be seen as a blunt instrument, as was also suggested by Khajeheian (2017) in his analysis of media entrepreneurship. Indeed, these findings should urge scholars to investigate both incremental innovations (exploitation) and radical innovations (exploration) in, with and of printed media, such as the examples Wilpers (2016) noted of successful new print products launched in under-served markets (e.g. Dr. Oz, The Good Life or any of the many Kickstarter launches) or unique delivery methods (e.g. Hearst’s free pop-up magazines) or tying print to digital, thus enhancing the best of both mediums (e.g. Nivea’s pull-out radar wristband).

Furthermore, these findings call for greater scrutiny of digital innovations, which also range from incremental (e.g. digital replicas of print publications) to radical (e.g. interactive voice-activated news services on smart speakers). They also invite scholars to scrutinize news media company innovations outside of print and digital, such as the ‘analogue’ version of the Financial Times Weekend magazine in the form of a festival that brings journalists, sources, audiences and advertisers together face to face thereby not merely providing alternative revenue streams, but alternative formats of engagement (cf. Financial Times Weekend, 2019).

These findings also challenge those who suggest that ‘all’ news media organisations are in decline. Indeed, it underlines the World Press Trends 2019 findings that “On every continent and in every market context, innovating news publishers are finding ways to adapt and thrive in the face of changing consumer behaviour and competition that is driven, in large measure, by the rapid changes and challenges of digital technology” (Nel, 2019: 9).

These observations may well also be of use to scholars studying innovation in other sectors affected by the uncertainty of rapid advances in digital technologies, such as banking and travel, where exploitation and exploration might be also be categorised as a choice between online and offline services, rather than between existing and new revenue streams.

We have also answered the call by Junni et al. (2013) for scholars to combine both perceptual (relative and absolute indicators) and objective (financial growth) measures - and find that a media organisation which reported significant financial growth was likely to have a leadership that prioritised exploration (the prioritisation of investment outside the current sector). The same could not be said for those that prioritised exploitation. Our findings thus supported the hypothesis that the extent to which an organisation prioritises exploration correlates with its financial growth. Thus, the analysis underlines the view that the entrepreneurial ambitions of news media leaders are connected to organisational success (see e.g. Van Weezel, 2009). Furthermore, these findings confirm the reliability of Tushman and O’Reilly’s (1996) argument that faced with rapid change, organisations need to explore and exploit simultaneously. It further responds to the calls by (O’Reilly & Tushman, 2013) and others for scholars to seek “increasing clarity in the measurement of OA” (Junni et al., 2013: 309).

6. Conclusions

In sum, this paper has contributed to the specific understanding of ambidexterity in news media firms by (1) reconsidering narrow conceptualisations of exploitation and exploration in the industry (Bøe-Lillegraven, 2014) to further clarify OA measures (Junni et al., 2013); (2) offering a multidimensional construct for success of innovations (Rao and Weintraub, 2013) that combines both perceptual and absolute measures in the same study to allow for direct comparisons (Junni et al., 2013); (3) employing an analysis of unique data from a multi-year study into the decision making of news media executives worldwide that responds to calls for entrepreneurship research into specific contexts, including industry and business context (c.f. Welter, 2011; Minniti, 2003); and (4) exploring the relationships between exploration and

exploitation, and both perceived success and actual financial growth. Our findings support the notion that firms that engage in simultaneous OA activities have the potential for financial growth, and that firms that prioritise exploration higher than exploitation are more likely to be reporting financial success than those who do the opposite.

We have also responded to Picard and Lowe's (2016) general appeal for ambitious media management scholarship that does "not simply describe cases, highlight issues and challenges and documents perspectives and behaviours," but tests, expands and develops theory directly pertinent to media management sciences - and which will potentially be relevant to other fields too (p. 63).

6.1 *Research Limitations*

Whilst we acknowledge the limitations of the study design (e.g. the sampling strategy), care has been taken not to make causal claims, and the analysis has been rigorously objective. While the results of this study cannot be statistically generalised beyond the population of the respondents, our robust analysis invites news media executives who are currently relying on an exploitation strategy to reconsider their priorities.

6.2. *Practical Implications for Management*

The data for this study were collected during a period of significant volatility, uncertainty, complexity and ambiguity, which has been described as a "VUCA environment" (Picard and Lowe, 2016: 62). The first survey was conducted in 2009/10 in the wake of what became known as a Global Economic Crisis and following the launch of the Apple iPad; the final set of data was collected over the 2016 Northern Hemisphere summer during which the UK voters decided to exit the European Union and US voters - deciding on the 45th President - pondered leaked emails and the candidates' sparring on Twitter, amongst other potentially disruptive phenomena. Throughout this period characterised by permanent, on-going change, which Bauman (2000) describes as a condition of "liquid modernity", some media firms have continued to report both growth and profit even as traditional revenue streams have declined (Gale, 2016; Lee, 2016). This study contributes to the understanding of the impact of these volatile times on the media industry, by suggesting that, even in the midst of considerable disruption, the exploration of new opportunities nevertheless has the potential to reap financial rewards.

6.3. *Directions for Future Research*

The limitations stated above are guiding us toward possible new openings. For the research on hand, we found no relationship between the levels of personal satisfaction leaders felt with their contribution to innovative efforts and either the objective and perceptual measures of their organisations' success. This certainly invites greater scrutiny. Furthermore, we limited ourselves to looking at links between entrepreneurial leadership and organisational performance in the whole sample. However, there are questions that arise from the data, including those concerning different sub-groups in the study. Are there geographical differences, or differences between media manager generations? What kind of nuances in leadership styles and attitudes may predict successful leadership, enhancing organisational performance? In an earlier analysis (Nel, Lehtisaari & Milburn-Curtis, 2015) it was found that entrepreneurial ambition of a particular manager has more to do with many of the key conditions than do, for example, the geographical orientation of the newspaper or the location of it in a developing or developed country. However, these findings need to be explored further in order to explore further links between entrepreneurial ambition and media company performance.

Our findings invite questions similar to those raised by Tushman and O'Reilly (1996) about the extent to which media companies around the world are engaged in sequential ambidexterity, rather than engaging in both exploration and exploitation strategy simultaneously. However, our survey responses are anonymised and, as such, we do not collect repeated measures: we are therefore unable to see how specific firms progress from one year to the next. Certainly this is an issue that warrants further attention in future research studies.

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Biography:

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Research article

Crowdfunded Journalism and Social Entrepreneurship: An Examination of Narrative and Entrepreneur Legitimacy

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Abstract:

Purpose: Crowdfunding is widely used for journalism, whose primary purpose is to provide information that citizens need. Therefore, this study frames journalism crowdfunding as social entrepreneurship and investigates how the characteristics of narratives and entrepreneurs influence citizens' financial support for journalism crowdfunding.

Methodology: To that end, this study employed a mix of secondary data analysis and content analysis. The data were compiled from Storyfunding, a Korea-based crowdfunding platform. A total of 127 journalism crowdfunding campaigns launched from 2017 to 2018 was employed for data analysis.

Findings/Contribution: This study reveals how social change aims, public interest, past and future narratives, entrepreneurs' gender and their affiliation with mainstream news outlets can predict funding for journalism crowdfunding projects. The results provide both theoretical and practical implications for the role of narratives in gaining financial resources and the potential of crowdfunded journalism as a tool for social change.

Keywords: Entrepreneurship; Social Entrepreneurship; Journalism; Crowdfunding; Crowdfunded Journalism; Narrative; Legitimacy; Gender; Participatory Journalism; Citizen Journalism

1. Introduction

Crowdfunding is widely used to fund media products, and the journalism field is no exception (Mullin, 2016). News articles report the use of crowdfunding among independent news outlets and young would-be reporters to cover stories that mainstream media do not cover or to get their foot in the door (e.g., Wrenn, 2019). An industry report also shows the cases in which some established news organizations crowdfund their journalism projects (Mitchell, 2016). In the tough economy that the traditional news industry faces due to the emergence of alternative news platforms and the abundance of news content, it appears that individuals and news organizations are experimenting with the possibility of crowdfunding as a new funding model.

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With the prevalent use of crowdfunding, this study notes the difference between journalism and other forms of media products. Goodlad, Soder and McDaniel (2016) illuminate the purpose of journalism as serving citizens by providing the information they need to be free and self-governing. Conboy (2011) asserts that “the primary purpose of journalism is to produce and distribute serious information and debates on central social, political, and cultural matters” (p. 126). The motives behind journalism crowdfunding are likely to resonate with the aforementioned purposes. Thus, journalism crowdfunding campaigns may not be launched to achieve an individual’s personal goal. They may not be entirely hit- or profit-driven, either.

By contrast, crowdfunding campaigns for other types of media products such as films and video games focus more on executing an individual’s or organization’s creative ideas rather than providing information to serve citizens. Thus, other forms of media products are more hit-driven than journalism projects. Considering the distinctive motives for journalism, this study believes the success factors of crowdfunding differ between journalism and other forms of media product. Nevertheless, scant research on the success of crowdfunding campaigns has considered how journalism differs from other forms of media products.

As noted earlier, because the primary purpose of journalism is to serve citizens, this study avoids applying conventional entrepreneurship theory, which is profit-driven. Instead, this study explores journalism crowdfunding through the lens of social entrepreneurship and examines distinctive factors that affect funding for journalism campaigns. Specifically, this study investigates how the narratives of journalism crowdfunding campaigns and entrepreneur characteristics affect the amount of funding. While narratives are elements that communicate the purpose of a journalism project with potential funders, little is known about how narratives influence journalism crowdfunding.

Building upon social entrepreneurship and legitimacy theory, this study builds a conceptual model and empirically tests it. The majority of prior studies that focused on crowdfunded journalism and social entrepreneurship have been theoretical or conceptual (e.g. Aitamurto, 2015; Carvajal, Garcia-Aviles & Gonzalez, 2012); in contrast, the empirical findings from the present study will provide insight into how entrepreneurial journalists can obtain financial resources from crowdfunding. This study also will examine the role of journalism crowdfunding as a vital tool for social change.

The data for this study were collected in South Korea, where crowdfunding is prevalent in supporting journalism and creative media projects (Betancourt, 2009; Bischoff, 2015). In South Korea, the viability of alternative news outlets is often attributed to crowdfunding (e.g., Lee, 2019; Ronderos, 2016). As the majority of extant studies on entrepreneurial journalism and crowdfunded journalism have focused on the United States, Europe, and Latin America (e.g. Carvajal et al., 2012; Ladson & Lee, 2017), this analysis of data collected in an Asian country will further expand knowledge in the field.

2. Literature Review

2.1. Social Entrepreneurship

Social entrepreneurship refers to “the work of community, voluntary and public organizations as well as private firms working for social rather than for-profit objectives” (Shaw & Carter, 2007, p. 419). Social entrepreneurship involves launching projects or ventures to shed light on problems that may threaten society rather than merely making a profit (Dees, 2001). The key element that distinguishes social entrepreneurship from conventional entrepreneurship is its prioritization of social mission (Corner & Ho, 2010; Dees, 2001; Peredo & McLean, 2006). Thus, social entrepreneurship differs from conventional entrepreneurship with respect to the motivations behind

launching projects and what shareholders expect (Corner & Ho, 2010; Lumpkin, Moss, Gras Kato & Amezcua, 2013).

Social entrepreneurs create both social and economic value (Meyskens, Allen & Brush, 2011). Social values refer to “a system of normative beliefs that describe preferred social conduct (means) or an end state (ends) in society itself, as distinct from individuals and organizations” (Whitman, 2009: 309). Social value involves detecting social problems and resolving them (Corner & Ho, 2010; Dees, 2004). Social value creation includes enhancing health, education, the environment, and freedom as well as assisting underrepresented or disadvantaged groups (Neck, Brush, & Allen, 2009; Whitman, 2009). Social entrepreneurship prioritizes making a better world, which dictates social entrepreneurs’ operating decisions (Whitman, 2009).

The benefits of social entrepreneurship are not limited to social value creation. Social entrepreneurs also create economic value because social and economic values are often intertwined (Meyskens et al., 2011). Social entrepreneurs create employment opportunities and assist in personal development (Southern, 2001), as well as the growth of communities and regions (Meyskens, Carsrud & Cardozo, 2010; Paredo & Chrisman, 2006). Thus, social entrepreneurs are not limited to nonprofit organizations (Dees & Anderson, 2003; Meyskens & Bird, 2015). Some social entrepreneurs generate revenue for their organizations to sustain (Meyskens & Bird, 2015). Another reason why social ventures are not limited to nonprofit organizations is explained by the growing trend of for-profit organizations entering the areas dominated by nonprofit organizations to create social value (Dees & Anderson, 2003).

In the present study, journalism crowdfunding is grounded in social entrepreneurship for three reasons. First, the primary motive behind journalism projects is ideally to address social problems rather than making profits. Second, journalism crowdfunding campaigns are likely to pursue opportunities that serve citizens’ needs. Third, the crowd who hold financial resources may have different expectations for journalism and other forms of media projects; the crowd is likely to expect more social value from journalism projects than from other media projects such as video games and movies.

From a social entrepreneurship perspective, the success of a crowdfunding campaign means that the campaign established legitimacy in that the crowd voluntarily chooses and supports campaigns regarded as most worthy and needful (Drury & Stott, 2011). However, little is still known about how journalism projects can gain legitimacy from potential backers. Thus, this study investigates how journalism campaigns gain legitimacy.

2.2. Narrative Legitimacy

Legitimacy refers to “a generalized perception or assumption that the action of an entity is desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 571). Dowling and Pfeffer (1975) stated, “when a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy” (p. 122). Thus, organizations should ensure that their operations are consistent with the bounds and norms of the societies to which they belong (Guthrie, Cuganesan & Ward, 2006). As a legitimization process, a company reports on activities that are likely to be expected by communities (Deegan 2002; Deegan, Rankin & Voght, 2000; Cormier & Gordon 2001). In the journalism sector, news media publish annual editorial reports to justify and legitimize their activities (Eide, 2014). In a crowdfunding context, entrepreneurs use narratives to communicate the conformity of their ideas and activities with social norms.

Prior studies have emphasized the role of storytelling in the process of obtaining legitimacy and resources; storytelling enables entrepreneurs to communicate the nature of the business to resource

holders so that resource holders are more likely to believe in the potential value of the business (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Manning & Bejarano, 2017; Martens, Jennings & Jennings, 2007). A narrative is a sequentially constructed discourse that provides meaning to events that unfold around the narrator (Herzenstein, Sonenshein & Dholakia, 2011; Riessman, 1993). Thus, stories also deliver value of the project and set the expectations of potential resource holders, which in turn convinces those resource holders (Garud, Schildt & Lant, 2014; Manning & Bejarano, 2017; Martens et al., 2007).

A narrative is especially crucial when the entrepreneur has a temporal relationship with resource holders (Garud, Kumaraswamyet, & Karn e, 2010). Unlike traditional funding such as venture capital funding, entrepreneurs and backers in crowdfunding are less likely to have an ongoing pre-existing relationship. Crowdfunding campaigns for journalism are predominantly project-based; individuals and organizations gather and separate on a project basis. Thus, track records for entrepreneurs, which are considered important in traditional funding, rarely exist. A substantial information asymmetry exists between entrepreneurs and potential backers (Belleflamme, Omrani & Peitz, 2015). Given that external audiences who potentially act as resource holders may not be familiar with entrepreneurial journalists, an appealing and coherent story may be crucial for nascent entrepreneurs to draw attention from potential resource holders because of their lack of externally validated arguments (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001). Ultimately, narratives influence how much financial support a crowdfunding campaign receives (Mitra & Gilbert, 2014). The key to accessing resources is for entrepreneurs to address the norms and values held by those who control those needed resources (Zimmerman & Zeitz, 2002). In recognition of the temporality and information asymmetry of crowdfunding, this study examines the role of narratives in securing funding.

2.3. Social Change, Public Interest, and Underrepresentation Narratives

Social contract is an important concept of legitimacy theory. Schocker and Sethi (1973) argued that “any social institution – and business operates in society via social contract, expressed or implied, whereby its survival and growth are based on the delivery of some socially desirable ends to society in general and the distribution of economic, social, or political benefits to groups from which it derives its power” (p. 67). Given that journalism aims to provide information that citizens need (Goodlad et al., 2016), journalism is bound by a social contract (Eide, 2014; Ward, 2005). This same logic also applies to journalism crowdfunding campaigns.

Social entrepreneurs’ narratives should incorporate social good missions (Roundy, 2014). Social entrepreneurs should have explicit social aims such as job creation, training, a commitment to local capacity-building, or the provision of local services. They should be accountable to their members and the wider community for their social, environmental, and economic impacts (Shaw & Carter, 2007). Thus, social entrepreneurship primarily focuses on social problems rather than profit (Dees, 2001, 2004). Dees (2001) stated that social entrepreneurs “play the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission” (p. 4). As an alternative to traditional ways of financing journalism, crowdfunding may act as a tool for progressive social change. Thus, journalism crowdfunding campaigns that explicitly present social change aims may secure more funding from the crowd.

Aitamuto (2011) maintained that crowdfunded journalism employs collective intelligence, in that it results from crowdfunding backers’ aggregated opinions and judgments. Crowdfunding for journalism changes the relationship between reporters and audiences, and the crowdfunding process itself can create a strong bond between reporters and backers (Aitamurto, 2011). An advantage of crowdfunded journalism is that crowdfunding platforms enable citizens to suggest topics that deserve more attention that they want to know more about in-depth (Carvajal et al., 2012). Today,

the abundance of news content and platforms pose threats to the advertising and subscription business models of traditional news. Carvajal et al. (2012) argued that crowdfunding is a tool that makes public interest journalism possible.

Public interest refers to “the complex of supposed informational, cultural, and social benefits to the wider society which go beyond the immediate, particular and individual interests of those who participate in public communication, whether as senders or receivers” (McQuail, 1992: 3). Similarly, a business dictionary defines public interest as “welfare of the general public in contrast to the selfish interest of a person, group or firm” (Businessdictionary, n. d.). The traditional news industry’s reliance on advertising to generate revenue can steer editorial decisions away from serving the public interest because they serve advertisers’ demands (McManus, 1992). Given that crowdfunding relies on a large number of individuals rather than a small number of investors/advertisers, and that the primary purpose of journalism is to provide information citizens need, journalism campaigns that focus on the public interest may be considered more legitimate to use crowdfunding, which will help them secure more funding from the crowd.

Mainstream news media take a centralized, top-down approach, generally relying on elite sources of information (Haas, 2005), whereas crowdfunded journalism takes a grassroots bottom-up approach that engages the public, the audiences, and the backers. Thus, journalism crowdfunding campaigns and their use of crowdfunding would be legitimized if their projects cover stories underserved by mainstream media. If journalism crowdfunding campaigns repeat the same stories that mainstream media cover, potential backers may be skeptical of the existence and legitimacy of the crowdfunding projects. News articles anecdotally report that crowdfunding is used to draw attention to stories that are underserved by mainstream media (e.g. Wrenn, 2019), but scarce research has examined whether crowdfunding covers underrepresented stories.

- H1. Journalism crowdfunding campaigns that emphasize social change aims raise more funding.
- H2. Journalism crowdfunding campaigns that serve the public interest raise more funding.
- H3. Journalism crowdfunding campaigns that emphasize covering underrepresented stories raise more funding.

2.4. Past and Future Narratives

A narrative perspective in the entrepreneurship literature pays attention to the temporality that entrepreneurs deal with as they attempt to secure financial support for and communicate the meaning of new projects (Manning & Bejarano, 2017). The temporal relationship between entrepreneurs and potential backers in crowdfunding poses a challenge to entrepreneurial journalists in gaining legitimacy for their projects. Generally, narratives depict what is occurring at the time (Alvarez & Barney, 2013; Boje, 2008). However, narratives focusing only on the present time may not be enough to persuade potential backers. Given the temporal nature of crowdfunding, it would be important for narratives to contextualize a project in terms of both past and future as the project is ongoing (Garud, Gehman & Giuliani, 2014; Manning & Bejarano, 2017; McMullen & Dimov, 2013). Entrepreneurial narratives can be connected to the past to explain problems and to the future to communicate what the project envisions to achieve (Alvarez & Barney, 2013; van Lente, 2000). Potential resource holders can make sense of an entrepreneurial project when its narrative communicates the past, present, and future in sequence (Garud, Gehman & Giuliani, 2014; Ricoeur, 1984).

Manning and Bejarano (2017) suggest that the narrative style that explains the development process emphasizes how projects have unfolded over time, as well as how particular activities have been embedded and linked in time and space. Events should be understood in their historical context (Chiles, Tuggle, McMullen, Bierman & Greening, 2010). Thus, this kind of narrative does not focus

completely on the present situation of the crowdfunding project. It enables potential backers to explore the past and the future and invites them to become part of a “journey” (Manning & Bejarano, 2017). A narrative that presents the idea development process as a journey also will demonstrate how well-prepared the project is.

Telling stories about the past helps resource holders understand the rationales behind past events and properly contextualize them (Gioia & Chittipeddi, 1991; Schutz, 1967; Weick, Sutcliffe & Obstfeld, 2005). Apparently, the use of either past tense or present perfect is a clear indicator of the integration of the past into narratives (Manning & Bejarano, 2017). Examples include “I thought about the idea...,” “about a year ago,” “We’ve been working here day and night...” (Manning & Bejarano, 2017). Describing the past in narrative form offers opportunities for entrepreneurial journalists to explain how their ideas developed and progressed over time.

Also, entrepreneurial stories often indicate how the future will unfold (Garud, Schildt & Lant, 2014). Entrepreneurs should project both plausible and comprehensible futures in the context of present conditions and accomplishments (Garud, Schildt & Lant, 2014). The future as presented in narratives enables potential backers to envision the future of the project and to become involved in the project (Garud, Gehman & Giuliani, 2014). In the lending context, Herzenstein et al. (2011) found that lenders are more likely to lend money to a project with a probable future. Garud, Schildt & Lant (2014) identified two types of future expectations: cognitive and pragmatic.

Cognitive expectations in a traditional entrepreneurship setting refers to an understanding of a venture’s future characteristics and its environments (Garud, Schildt & Lant, 2014). Funders do not easily comprehend entrepreneurs’ future visions because future visions involve uncertainty (von Burg & Kenney, 2000). Garud, Schildt & Lant (2014) suggest that setting cognitive expectations is important to gain legitimacy, and cognitive expectations can be set by communicating details about the future with resource holders. In the context of crowdfunding, cognitive expectations can be set by sharing future plans about how the project will move forward, including specific next steps of the project and reporting. In conventional entrepreneurship, pragmatic expectations refer to future benefits or outcomes that might accrue to a venture’s stakeholders (Garud, Schildt & Lant, 2014). In a crowdfunding context, pragmatic expectations can be set by explicitly presenting the foreseeable benefits of the crowdfunding campaign. Given the temporality of crowdfunding, the present study tests the narratives of a journalism campaign as a tool that describes the project as a journey that connects the present with the past and future.

H4. Journalism crowdfunding campaigns that present past narratives regarding project development over time raise more funding.

H5. Journalism crowdfunding campaigns that set future expectations raise more funding.

2.5. Entrepreneur Legitimacy: Mainstream News Media

Entrepreneurship literature suggests that the characteristics of entrepreneurs/organizations influence organizational legitimacy (Frydrych, Bock, Kinder & Koeck, 2014). Focusing on initial public offering, Cohen and Dean (2005) argued that a top management team confers legitimacy on the organization as a fundamental driver of organizational norms, decision-making, and actions. Investors tend to perceive more qualified and experienced managers as more legitimate because seasoned managers are less likely to be associated with poor-quality firms (Cohen & Dean, 2005). A crowdfunding campaign for journalism can be launched by an individual, a group of individuals, an organization, or a combination of these. Whether potential backers support a crowdfunding campaign may depend on the characteristics of the people or organizations that launch the campaign.

The present study distinguishes between past and current affiliation with the mainstream news media in that potential backers’ skepticism may be contingent upon whether the entrepreneur is

currently affiliated with the mainstream media or was affiliated with them in the past. Nagy (2012) maintain that a firm with a short history faces challenges in acquiring financial resources from financiers because of a perceived lack of legitimacy. Past experience working at a traditional news outlet reduces potential backers' doubt about the entrepreneur's journalistic capabilities. Thus, the track record and reputation of the mainstream news media may enable the crowdfunding campaigns affiliated with mainstream news media to establish legitimacy and thus easily secure financial resources through crowdfunding. In contrast, the current affiliation with the mainstream news media leads potential backers to question why mainstream news outlets rely on crowdfunding instead of their own financial resources. For instance, the producers of the American TV show *Veronica Mars* raised 5.7\$ million through crowdfunding to produce its movie version. Despite the success of the campaign per se, the campaign was controversial because a large media corporation, Warner Bros., was involved in the movie project (Lyttelton, 2013). The campaign addressed the issue of whether it is legitimate for established media firms to rely on the crowd to finance their projects.

Carvajal et al. (2012) argue that crowdfunding can be a viable financing option for traditional news outlets, considering their struggles to fund quality news reporting due to the challenges posed by market fragmentation and other substitutes. However, it is not clear how potential backers react to mainstream news outlets' use of crowdfunding. This study distinguishes between past affiliation and current affiliation with mainstream news outlets and examines their impact on funding journalism projects.

RQ1. How do current and past affiliation with mainstream news outlets predict the amount of funding for journalism crowdfunding campaigns?

2.6. Entrepreneur Legitimacy: Gender

Prior studies found that gender (e.g. Brooks, Huang, Kearney & Murray, 2014) affects organizational legitimacy. Under pervasive patriarchy in society (Thornley & Thornqvist, 2009), men are perceived as legitimate authority figures (Simpson & Lewis, 2005), whereas women face challenges being perceived as legitimate leaders (Patterson, Marvin, & Turner, 2012). In conventional entrepreneurship, Brooks et al. (2014) found that both professional investors and nonprofessional evaluators prefer pitches delivered by male entrepreneurs to those made by their female counterparts, even if the content of the pitch is the same. Another possible reason behind gender disparity in conventional entrepreneurship is homophily in entrepreneurs' networks (Stuart & Sorenson, 2008). Entrepreneurs are more likely to network with people of the same sex (McPherson & Smith-Lovin, 1986; Ridgeway & Smith-Lovin, 1999). Given the in-network homophily, female entrepreneurs have weak pre-established relationships with investors who are predominantly male (Stuart & Sorenson, 2008).

In the journalism field around the world, male is the dominant gender (DW, 2018; Franks, 2013; Jung & Lee, 2018; Owen, 2018; York, 2017). The ongoing gender disparity raises a serious concern about skewed news viewpoints dominated by men (DW, 2018; Jung & Lee, 2018). This gender disparity is not attributable to journalism education, since industry reports indicate that women outnumber men in journalism training (Franks, 2013; York, 2017). Although it is difficult to pinpoint the primary reasons behind the gender imbalance in the journalism industry, news organizations' hiring decisions are possibly related to that gender disparity.

At a glance, crowdfunding has low barriers because anyone who wishes to tell stories can launch a crowdfunding campaign without being evaluated by professional gatekeepers. Also, crowdfunding has more temporal relationships between entrepreneurs and potential backers than traditional entrepreneurship. Thus, women's weak pre-existing relationships with resource holders is less relevant to success in the crowdfunding context. On the surface, journalism crowdfunding as a social entrepreneurship tool may possibly bring more women's voices, but little is known about whether crowdfunding actually closes the journalism gender gap. It is also unknown whether the crowd is

free of gender bias or acts similarly as formal gatekeepers. Thus, this study addresses the following question:

RQ2. How does gender predict the amount of funding for journalism crowdfunding campaigns?

3. Method

3.1. Data

To address the research questions and hypotheses, this study employed a mix of secondary data analysis and content analysis. The secondary data analysis captured specific data including the funding goal and the amount actually raised. A content analysis was also performed to examine how the narratives of journalism crowdfunding campaigns affected the amount of funding that they received. The data were compiled from Storyfunding, a Korea-based crowdfunding platform. A total of 127 journalism crowdfunding campaigns launched from 2017 to 2018 was employed for data analysis.

3.2. Measures

The amount of funding measured the amount of money raised by each crowdfunding campaign. The funding goal measured the amount of money each campaign targeted. Social change aim measured whether the narrative of a campaign emphasized social changes that the campaign wished to make. Thus, a campaign was coded 1 if the narrative presented social changes, and 0 otherwise. With respect to the public interest, this study contrasted the public interest with private interest. A campaign was coded 1 if the narrative of the campaign focused on the interests of the public rather than those of an individual, group, or organization. A campaign was coded 0 if the narrative centered on the interests of an individual, group, or organization.

A crowdfunding campaign can have more than one narrative in that a narrative focuses on the story that the journalism project pursues, and another narrative centers on the introduction of the entrepreneur to potential backers. Thus, this study analyzed both the project's narrative and the entrepreneur's profile narrative. With respect to project underrepresentation, a campaign was coded 1 if the narrative of the project emphasized covering an underrepresented story, and 0 otherwise. As for entrepreneur underrepresentation, a campaign was coded 1 if the narrative that introduces the entrepreneur(s) emphasized covering underrepresented stories, and 0 otherwise.

Past narratives measured whether a campaign explained how the idea or project was developed over time. A campaign was coded 1 if its narrative presented the project development process, including the entrepreneur's preliminary investigation or specific preparation activities in the past, and 0 otherwise. With respect to projective narratives, this study focused on two future expectations: cognitive and pragmatic. Cognitive expectations measured whether a crowdfunding campaign presented its investigation and reporting plans. A campaign was coded 1 if its narrative shared investigation and reporting plans, and 0 otherwise. Pragmatic expectations gauged whether a campaign presented plausible benefits. A campaign was coded 1 if it presented future benefits, and 0 otherwise.

With respect to a campaign's affiliation with the mainstream news media, this study distinguishes between past and current affiliation. Past affiliation measured whether a campaign presented its affiliation with a mainstream news outlet in the past. A campaign was coded 1 if the campaign presented past work experience for a mainstream news company, and 0 otherwise. The current affiliation with the mainstream news media measured whether the campaign is currently affiliated with the mainstream news media. Campaigns were coded 1 if they were launched by mainstream news media organizations or a journalist who works for the mainstream news media, and 0 otherwise. To examine how gender influences the amount of crowdfunding, this study

recorded the genders of the entrepreneurs who launched each campaign. Crowdfunding campaigns were launched by an individual, a group of individuals, an organization, or a combination of these. Thus, this study measured the number of male entrepreneurs, female entrepreneurs, and organizations involved in launching each campaign.

3.3. Reliability

Two coders entered the data. To test intercoder reliability, 15% of the journalism crowdfunding campaigns were randomly selected, and the entry between the two coders was compared. The coding between the two coders was reliable. The intercoder reliability ranged from 95% (cognitive expectations, pragmatic expectations, past narratives, current and past affiliation with mainstream news media, public interest) to 100% (the number of women, the number of men, the number of organizations, underrepresentation in the entrepreneur's profile, underrepresentation in the campaign's narrative, social change aims).

3.4. Statistical Analysis

Hierarchical regressions were performed to address the hypotheses and research questions. The dependent variable was the amount of funding. The amount of funding was log transformed to reduce skewness. Prior studies found that the funding goal influences the amount of funding (Frydrych et al., 2014; Mollick, 2013). To control for the possible effect of the funding goal on the amount of funding, the first regression model included the funding goal as a control variable. The second regression model added the independent variables that represent narrative legitimacy and entrepreneur legitimacy.

4. Results

The descriptive characteristics of the journalism crowdfunding campaigns that were analyzed in this study are displayed in the Appendix. On average, the journalism crowdfunding campaigns raised South Korean Won 7,770,556.12 (SD = 19,607,553.46). It is approximately \$6,851.73. The data show that 18.1% of the campaigns achieved their funding goals, whereas 81.9% failed to reach those goals. The average number of females involved in a journalism campaign was .78 (SD = 1.02), whereas the average number of males involved in a journalism campaign was 1.46 (SD = 1.63). The average number of organizations involved in a journalism campaign was .65 (SD = .75). Table 1 shows the results of the hierarchical regression analyses. The first column represents the first step of the model using only the control variable. The model with the funding goal variable was statistically significant, explaining 21.1% of the variance in the amount of funding, $F(1, 125) = 34.63$, $p < .001$ (Adjusted $R^2 = .211$). The second column presents the results for the second step of the estimation, in which narrative and entrepreneur legitimacy variables were entered. The second model was statistically significant, $F(13, 113) = 8.97$, $p < .001$. Narrative legitimacy and entrepreneur legitimacy increased the variance in the amount of funding by 45.1% (Adjusted $R^2 = .451$). There was no multicollinearity problem. Variance inflation factors (VIF) ranged from 1.10 to 1.40.

As H1 proposed, the data show that social change aims statistically significantly predict the amount of funding ($\beta = 2.26$, $p < .01$). H2 proposed that the public interest is a positive predictor of the amount of funding. The regression result indicates that the public interest is a statistically significant predictor of the amount of funding, but it has a negative relationship with it ($\beta = -.21$, $p < .01$). H3 addressed the relationship between underrepresentation and the amount of funding. Neither the campaign's narrative emphasizing an underrepresented story nor the entrepreneur's narrative emphasizing an underrepresented story is a significant predictor of the amount of funding. Thus, H3 was not supported. H4 postulated the relationship between the presentation of past narratives and the amount of funding. The narrative about the past development did not predict the amount of funding. H5 posited that campaigns that present projective narratives (i.e., cognitive expectations

and pragmatic expectations) raise more funding. The results indicate that cognitive expectations ($\beta = .21, p < .01$) are significant in predicting the amount of funding, whereas pragmatic expectations are not significant. Thus, H5 was partially supported. RQ1 asked how current and past affiliations with the mainstream news media predict the amount of funding. A campaign's current affiliation with the mainstream news media negatively predicts the amount of funding ($\beta = -.30, p < .001$). On the other hand, a campaign's past affiliation with the mainstream news media is not predictive of the amount of funding. RQ2 examined how gender predicts the amount of funding. The data show that the number of men ($\beta = .22, p < .01$) and organizations ($\beta = .19, p < .01$) involved in launching a crowdfunding campaign are statistically significant in predicting the amount of funding. The number of women involved in launching a campaign was not predictive of the amount of funding raised for the campaign.

Table 1. Hierarchical regression for the LN amount of funding raised for journalism projects

	Model 1			Model 2		
	B	SE B	β	B	SE B	β
Constant	13.716	.195	***	11.869	.819	***
Control						
Funding goal	4.500E-8	.000	.466***	3.704E-8	.000	.383***
Narrative legitimacy						
Social change				1.081	.373	.226**
Public interest				-1.150	.418	-.207**
Underrepresentation in project narrative				.315	.442	.051
Underrepresentation in entrepreneur narrative				-.333	.497	-.050
Past narrative				-.196	.319	-.043
Future cognitive expectations				2.009	.669	.208**
Future pragmatic expectations				-.066	.358	-.013
Entrepreneur legitimacy						
Current affiliation with mainstream news media				-1.485	.353	-.301***
Past affiliation with mainstream news media				-.776	.574	-.095
Women				.008	.154	.004
Men				.295	.096	.217**
Organizations				.569	.207	.193**
Adjusted R²	.211			.451		
F-statistic	34.627***			8.973***		

Note: * $p < .01$; ** $p < .01$; *** $p < .001$

5. Discussion

The contributions of this study are threefold. First, this study recognizes the inherently distinctive nature of journalism from other forms of media product (e.g. films and video games) and thus sheds light on journalism crowdfunding from a social entrepreneurship perspective. Second,

this study pays acute attention to the role of narratives of journalism crowdfunding campaigns in securing financial resources. Despite the proven importance of narratives in entrepreneurs' legitimacy attainment and financial resource acquisition process (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Martens et al., 2007), few studies have examined narratives in the context of journalism crowdfunding. Third, the data collected in Korea expand the understanding of crowdfunding, considering that prior studies have mostly focused on select countries. Ultimately, the findings of this study provide insight into whether and how crowdfunding can serve as a means to bringing diverse, alternative social voices by providing theoretical and practical implications for journalism crowdfunding.

5.1. Theoretical and Practical Implications

This study revealed that the crowd looks for social change in journalism crowdfunding. The data indicate that journalism crowdfunding campaigns that explicitly communicate their roles as social change agents secure more funding from the crowd. Citizens are less involved in the stories that aim to merely provide information or guidance without explicit social change aims. The results suggest that citizens prioritize newsworthy issues and in particular feel pressuring urgency in addressing social problems, which leads them to actively participate in crowdfunding and provide more financial support to journalism projects that present social change aims. Citizens financially support journalism projects that attack problems and use crowdfunding and entrepreneurial journalists as change agents to resolve problems. The importance of social change aims demonstrates that journalism crowdfunding is distinguished from profit-driven conventional entrepreneurship. Indeed, successful journalism crowdfunding campaigns are driven by social entrepreneurship. Shaw and Carter (2007), who found that social entrepreneurship differs from for-profit entrepreneurship in that "social entrepreneurship focuses on unmet social needs" (p. 431), lend support to the results.

Potential backers do not understand the purpose of a crowdfunding campaign unless the entrepreneur clearly communicates it. Thus, whether a campaign was aimed for a social change was based on whether the presented narratives emphasized it. The significance of social change aims suggests that narratives are a pivotal impression management tool in persuading potential backers and securing financial resources from them. Explaining the purpose of the project without presenting its bigger social aims from a micro-perspective is not enough to ensure potential backers' participation; entrepreneurial journalists should tailor the campaign's narratives to explicitly highlight the social changes that the project will bring about from a macro-perspective.

Interestingly, this study found that journalism crowdfunding projects that focused on the public interest raised less funding than those that centered on private interest. A possible explanation for this result is emotional engagement. It appears that backers of journalism crowdfunding are more empathetic with and emotionally engaged with projects that focus on private interest because those stories are more personal—for example, a project focused on a story of a woman who lost her husband due to a hit-and-run driver. Another project aimed to follow a group of workers who had been laid off by a passenger railroad service business. These stories touched upon the hardships that an individual or a group encountered. Although these stories do not necessarily serve the interest of the public, backers appear to become more emotionally engaged with the stories. As a result, these campaigns ultimately received a great amount of financial support from the crowd.

The findings suggest that emotional engagement may be an important theoretical construct that explains the degree to which potential backers provide funding to journalism crowdfunding projects. The suggestion is supported by Baron, Markman and Bollinger (2006), who found that funders' affective reactions to pitches influence entrepreneurs' resource acquisition. In the same vein, Davis, Hmieleski, Webb and Coombs (2017) also maintained that crowdfunding campaigns built on emotional appeals elicit support from potential backers, considering that backers of reward-based or donation-based crowdfunding do not expect any financial benefits. The results of the current study

imply that the story of an individual or a group enriches the details of the story. The specificity of an individual or a group is more powerful than the broad appeal of the public to engage and convince potential backers. Roundy's (2014) interviews with social entrepreneurs also supported this claim. A type of narrative that social entrepreneurs use to obtain resources from funders is personal narrative, which include the entrepreneur's experiences, significant life events, and founding stories (Roundy, 2014).

The adverse relationship between public interest and the amount of funding may raise concerns about possible negative externalities of crowdfunding. However, this study found that social change aims are another important predictor of securing financial resources through crowdfunding. Thus, the importance of social change aims decreases the possibility that individuals or groups who launch journalism projects harm unrelated third parties to serve their own interest. The significant impact of private interest in conjunction with social change aims on the amount of funding implies that crowdfunded journalism can be an effective tool to evoke citizens' public actions through private issues.

This study also revealed that crowdfunding campaigns that set future cognitive expectations secured more funding. That is, journalism campaigns that enable potential backers to foresee the next steps of the projects secured the greater amount of funding. Garud, Schildt and Lant (2014) found that ventures use projective stories—narratives about the future—to gain legitimacy. The present study further documents that projective stories that meet future cognitive expectations are helpful to attaining legitimacy for crowdfunding, which relies on a temporal relationship between entrepreneurial journalists and crowdfunding backers. It is not sufficient for the narratives of journalism campaigns to explain problems in the present tense. Presenting future plans means that the entrepreneurial journalists envisioned and simulated the ideas to implement them in advance. Thus, it enables potential backers to validate whether the project development process conforms to the norms that society and potential backers expect. Thus, crowdfunding campaigns that set cognitive expectations more easily gain narrative legitimacy, which in turn positively affects crowdfunding.

The data demonstrate that a crowdfunding campaign's current affiliation with the mainstream news media adversely affects the amount of funding raised for the campaign. The current affiliation with the mainstream media is one of the strongest predictors of the amount of funding. Apparently, backers expect crowdfunded journalism to offer alternative views to the mainstream news media. Given that substitutes for traditional news platforms are readily available, the business models of traditional mainstream news outlets are often challenged today. To cope with the threat to their business, some traditional news outlets may see crowdfunding as an option to diversify their funding sources. The results of this study suggest that crowdfunding is not a solution to the financial insecurity faced by the mainstream news media. Considering that this study used a crowdfunding platform that is open to the general public, however, the results do not reveal whether a mainstream news outlet can succeed in securing funding if it uses its own website, space, or time to raise funding from its active audience. Future studies can further address this issue. This study distinguished between the current and past affiliation with the mainstream media. A campaign's past affiliation might signal that the journalists associated with the campaign gained necessary knowledge and training as journalists, but this study found that past affiliation with the mainstream news media is not predictive of the amount of funding.

With respect to gender imbalance, the results of this study indicate that crowdfunding does not necessarily bring more women's voices. The more men and organizations involved in launching the journalism campaign, the more funding the campaign raised. Crowdfunding backers seem to perceive men and organizations as more legitimate in investigating and delivering newsworthy issues than women. News articles report that women use crowdfunding in situations where they have limited opportunities to report in the traditional news sector (e.g., Wrenn, 2019), but the results of the present study indicate that the role of the crowd as a gatekeeper is similar to that of news

organizations with gender bias. Campaigns that involved more men and organizations raised more funding, but women's involvement with campaigns did not affect the amount of funding.

5.2. Limitations and Future Research

As one of the first studies to examine narrative and entrepreneur legitimacy in the journalism crowdfunding context, this study addressed theoretical and practical implications. Nevertheless, some limitations of this study should be noted. The data for this study were collected from a single crowdfunding platform. Although it was one of the popular crowdfunding platforms in Korea, other crowdfunding platforms existed. Thus, the results of this study are not generalizable. Future studies can collect data from other journalism crowdfunding platforms to validate the results. Future research can also further test how narrative and entrepreneur legitimacy influence crowdfunding in varying cultural settings. Although journalistic values may not drastically differ across countries, cultures, events, and times of specific countries may affect how potential funders react to journalism projects. In a peaceful time when a country does not have significant risks and pressing problems, certain predictors such as social change aims might be less important in securing crowdfunding for journalism projects. In a country where the gender gap is closed in the journalism field, gender disparity may not be observed in crowdfunding. In the future, it would be invaluable to investigate narrative legitimacy and entrepreneur legitimacy in various cultural settings and points in time.

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Appendix. Descriptive Characteristics of the Journalism Crowdfunding Campaigns that Were Analyzed in This Study

	Mean	SD
Funding goal (South Korean Won)	11,523,622.05	22,890,542.67
Amount of funding raised (South Korean Won)	7,770,556.12	19,607,553.46
Campaign duration (days)	59.74	26.90
Number of backers	429.79	743.83
Number of men involved	1.46	1.63
Number of women involved	0.78	1.02
Number of organizations involved	0.65	0.75

Biography:

Jiyoung Cha, Ph.D., is an associate professor in the Department of the Broadcast and Electronic Communication Arts at San Francisco State University. Her research aims to understand the competitive dynamics of the media marketplace, how new media change audiences' media consumption patterns and the business principles of media firms, and why audiences adopt or reject new communication technologies. She also studies innovative and entrepreneurial approaches that media organizations and individuals take to bring their ideas and content to the media marketplace. Her research has appeared in peer-reviewed journals, including the *Journal of Media Economics*, *International Journal on Media Management*, *Journal of Media Business Studies*, *Journal of Media Management and Entrepreneurship*, *Journalism and Mass Communication Quarterly*, *Telematics and Informatics*, and *Journal of Advertising Research* among others. She earned her Ph.D. in mass communication with a minor in marketing from the University of Florida.

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Research article

Political Economy of Media Entrepreneurship: Power, Control and Ideology in a News Media Enterprise

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Abstract:

Purpose: With Internet technologies crushing entry barriers, India is witnessing a new wave of digital news media entrepreneurship. The purpose of this study is to understand the political economy of this rising number of news media start-ups. To do so, it explores the social, political and economic contexts of news media entrepreneurship and the role of technology in creating an independent space for democratic interactions.

Methodology: This is a qualitative case study. Following a mixed methodology approach, this study utilizes data from 18 interviews with the founders of a digital news media start-up and mainstream journalists as well as a variety of text materials, including news reports, trade materials and research reports. The data was analyzed using thematic coding and interpreted based on critical theory of technology.

Findings/Contribution: The study demonstrates that the digital news media entrepreneurship in India is an ideological process. It shows that the government and corporates control the Internet and social media. As a result, technology alone cannot create and sustain an independent, democratic media space. Further, a news media organization that is totally dependent on these technologies for news distribution faces protracted legal battles and possible censorship.

Keywords: Entrepreneurship, digital news media, social media, ideology, economy, Internet, shutdown, India

1. Introduction

Digital technological developments have aided the creation of “a new kind of entrepreneurial start-ups that are disrupting the media industry” (Compaine & Hoag, 2012). The emergence of new media organizations and the crises faced by the legacy media companies have paved way for media entrepreneurship gaining increased academic attention (Achtenhagen, 2017). Studies focusing on entrepreneurial journalism have looked at working conditions of freelance journalists (De Cock & de Smaele, 2016) and how they utilize social media to engage with the audience (Holton, 2016). There is also a substantial body of research from Europe (e.g. Picard, 2011; Carvajal, García-Avilés & González, 2012) that looks at the role of technology and argue that technology can facilitate flexibility,

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speed, economies of scope, user control over content and participatory, public service business models in the media segment. Changes are visible in India too and the country is witnessing a key development in its media landscape with an increased number of digital news media organizations. With 451 million monthly active Internet users, India has the second largest net users in the world after China. Indian net users are set to grow exponentially in the coming years as the Internet penetration is just 36% (Mandavia, 2019). The rise of digital news media in India can be considered as the third transformative phase in the history of Indian journalism. The first key development was the “post-colonial press in 1947” and the second key moment came as an after effect of the country opening its market in 1991. A globalized economy and the liberalization policies led to the rise of corporate media in the late 1990s (Chaudhry, 2016).

Traditionally, the media business model was centered around audience commodification (Smythe, 1981; Fuchs, 2009) to gain revenues. However, the new set of not-for-profit digital news media organizations in India are challenging this model with the help of technology as they are delivering news under a public service model that do not rely on advertising revenues and corporate funding (Bearak, 2014; Kohli-Khandekar, 2013). Unlike other countries, the spurt in the growth of digital users and the subsequent rise in the number of news media organizations have not yet prompted the country’s academic sector to produce any major research on news media entrepreneurship and the challenges associated with it. One of the major reasons for this can be attributed to the fact that India is still one of the few democracies, where print media is at a higher growth path compared to digital media (Pandey, 2017). As a result, most of the scholarly works (Thakurta, 2012; Ninan, 2014; Verman, 2015) focus on the political economy of mainstream media and their business model. In Addition, the existing research on digital media (Robinson, Grennan & Schiffrin, 2015; Nielsen & Sen, 2016) focusses on the putative aspects of technology.

This point towards a major gap in understanding the political economy of digital news media entrepreneurship in India. In addition, there is hardly any research in India that critically analyses the role of technology in creating and sustaining digital new media. Therefore, this paper is guided by two research questions: 1) What are the social, political and economic contexts of digital news media entrepreneurship? 2) Does technology help digital news media start-ups to create an independent, democratic space for interaction?

This paper addresses these questions using a case study of *The Wire* (www.thewire.in). Founded by veteran Indian journalists Siddharth Varadarajan, Sidharth Bhatia and MK Venu, *The Wire* started its operations in May 2015. It is published by The Foundation for Independent Journalism (FIJ), a not-for-profit, Section 8 Company in India. Varadarajan is the former editor of *The Hindu*, a leading English newspaper in India. Both MK Venu and Sidharth Bhatia have spent over 30 years in the field of journalism. While Venu worked with Siddharth Varadarajan at *The Hindu* as the executive editor of the paper’s North Indian Edition, Bhatia played a major role as one of the senior editorial team members involved in the launch of DNA newspaper in Mumbai. In February 2017, *The Wire* also launched its Hindi edition.

The following section discusses the studies that look at media entrepreneurship in general and the role of technology in particular. It also gives an overview of the broad critical theoretical framework employed by the study to analyze and interpret data. This is followed by a section on research methodology and an empirically supported analysis on the objectives and ideology of digital news media entrepreneurship that critically explains the social, political and economic contexts in which the digital news media firm – *The Wire* – operates. Further, this paper demonstrates how the technology owned by multinational corporations lead to commodification, exploitation and surveillance.

2. Literature Review

As part of the increased focus on media entrepreneurship, many scholars have tried to define media entrepreneurship and attempted to differentiate it from mainstream entrepreneurship. Achtenhagen (2008: 126) defines media entrepreneurship as “How new ventures aimed at bringing into existence future media goods and services are initially conceived of and subsequently developed, by whom, and with what consequences.” Khajeheian (2013: 128) considers media entrepreneurship as “Individuals or small firms of which use their own or others’ resources to create value by extracting opportunities via offering a service or product that is consist of any type of innovation in any of product/service characteristics, process, distribution channel or place, or different innovative usage, to the media market, or any other market that media is its main channel of interaction.” Khajeheian (2017: 106) further expanded this to define media entrepreneurship as “taking the risk to exploit opportunities (creation/discovery) by innovative use of (radical/incremental/imitative) resources (ownership/control) in transform of an idea into activities to offer value (creation/delivery) in a media form (content/platform/user data) that meets the need of a specific portion of market (businesses or consumers), either in an individual effort or by creation of new venture or entrepreneurial managing of an existing organizational entity and to earn benefit (money/attention/favorite behavior) from one of the sources that is willing to pay for (direct consumers, advertisers, data demanders or any customer of generated information of consumers).”

On the impact and functions of media entrepreneurship, Hoag (2008, p74) argues that media start-ups have the potential to challenge the increasing ownership concentration by providing “additional voices in the marketplace.” In their study on US media start-ups, Compaine and Hoag (2012) have analyzed the founders’ motivations for setting up new ventures and the barriers of entry faced by them. Khajeheian and Tadayoni (2016) found that media entrepreneurs can play a major role in public service media too by bringing in external sources of innovation. They argue that “promotion of media entrepreneurship in the society is a public value.” Media entrepreneurship studies have come from Asia too. Khajeheian (2013) studied the commercialization of digital innovations by Iranian media entrepreneurs and he says social media can help foster media entrepreneurship provided the entrepreneurs are willing to develop the business attitude and knowledge to use them for economic growth. In another study on media entrepreneurship policies in developing societies, Khajeheian (2014, 2019) says entrepreneurs in developing countries use “imitative innovation” by localizing the successful business models and products from the developed countries.

Studies have also looked at the role of digital technologies in creating media ventures, new revenue models and fostering participatory culture of interaction (Khajeheian, Friedrichsen & Modinger, 2018; Salamzadeh & Kirby, 2017; Salamzadeh, Williams & Labafi, 2019; Komulainen, Perttunen & Ulkuniemi, 2019). Roshandel Arabtani, Kawamorita, Ghanbary & Ebrahimi (2019: 50) suggest that to encourage media entrepreneurship, “policy makers must pay enough attention to infrastructures. They should “invest sufficiently on internet, payments, and communication infrastructures and also reduce the bureaucracy and regulations.” Salamzadeh, Markovic and MemarMasjed (2019: 71) point out the emergence of new opportunities for entrepreneurial activities in the field of media due to new technologies. They argue media convergence has led to an increase in media channel divergence and audience segments. Gleason and Murschetz (2019) contend that online interactivity is a major driver in the success of entrepreneurs as it helps companies to

dynamically adopt to customer preferences. McKelvie and Picard, (2008), focusses on the digital media start-ups that have disrupted the media markets and challenged the traditional practices by creating radically new ways of producing, marketing and distributing products. Carvajal et al. (2012) demonstrate that digitization has helped media to find new avenues to raise money and move to a participatory, public service-based business model. Benkler (2006: 30-32) argues that the Internet can help reverse the “concentration and commercialization of cultural production” by opening up alternative courses of action for people as individuals and as social actors. Jenkins (2006: 4-9) talks about the “participatory culture” brought about by media convergence and the emergence of “newly empowered”, “active” and “socially connected” consumers, which have led to “an alternative source of media power”.

While it is true that the digital technologies have helped foster media entrepreneurship by bringing down the entry barriers and the cost of production and distribution, the relationship between technology and society is more complex than these studies suggest, especially in a diverse and developing country like India, where it is important to study whether the government policies and private ownership of technologies are conducive for the creation of an independent, democratic news media. As Murdock (2013) says, digital media discussions often forget the fact that the rise of the Internet is central to the process of “marketization, which has significantly expanded the operational scope of private corporations while shrinking the public domain.” In addition, news as a media product is different from other consumer centric digital media products due to its public good character. For example, Siapera and Papadopoulou (2016) found that journalistic cooperatives in Greece focused on producing social benefits and social relationships with their audiences rather than profits. In their case study on *Mediapart*, Wagemans, Witschge and Deuze (2016) found that the online venture challenged and provided an alternative to mainstream press in France by following a traditional journalism ideology.

These analyses call for a critical approach to look at the social and political contexts in which a media start-up operates and the role of digital technologies and their use by the news media venture. As Deuze (2005) says while studying a journalism start-up, it is important to consider the social and political contexts of business formation. This is because unlike other businesses, journalism start-ups have to find a balance between commercial interests and their occupational ideology, such as editorial independence and autonomy.

Drawing on the critical traditions, this study utilizes Smythe’s (1981) concept of audience commodity to examine the use of social media and revenue model of The Wire. It also draws on Fuchs (2009: 80) theorization of how Google, Yahoo, YouTube, and social networking sites such as Facebook act as “commodified Internet space”, as they are governed by accumulation logic and offer free goods or platforms to attract users and sell space to advertisers. As advertising rates depend on size and demographic character of audience, these free platforms owned by multinational companies also engage in surveillance to collect data on users leading to exploitation (Andrejevic, 2009; Fuchs, 2011). Further, state institutions use Internet and social media for surveillance (Fuchs, 2014).

3. Materials and Methods

This article is part of a larger exploratory study of the political economy of digital news media in India. The study follows a qualitative approach to analyze three case studies, as the subject of the investigation – ad-less digital news media – is not well understood or covered in Indian academic research. The paper employs a case study method due to its “ability to discover a wide variety of social, cultural, and political factors potentially related to the phenomenon of interest that may not be known in advance” (Bhattacharjee, 2012: 40). This paper presents the findings and conclusions of

one of the cases under study – The Wire -- to offer an in-depth analysis of the objectives of entrepreneurship and the media's use of technology for news production and distribution. The three organizations under study were selected using Patton's (1990: 169) "extreme or deviant case sampling" method. Like the other two organizations, The Wire was selected as a case study due to its revenue model that does not depend on advertising, ownership pattern, funding, and type of content.

Empirical evidence for this article was collected by integrating qualitative methods of three types. The first was the 8 semi-structured interviews conducted with the founders, editorial staff, and contributors of The Wire between October 2015 and December 2016. In order to contextualize and build on the interview data, the researcher also used a wide assortment of texts related to The Wire, including news reports, trade material, research reports, published interviews with the founders, and editorial information on the site; as well as 10 informal interviews with mainstream journalists. For the semi-structured interviews, a questionnaire consisting of 25 questions was sent to the participants in advance. The questions focused on The Wire's revenue model, objectives of setting up a news venture, funding, reasons for choosing an ad-less business model, its use of technology, and its audience/readers and their participation in news production and distribution. The interviews were recorded and were transcribed manually.

The transcriptions were later sent to the interviewees for their approval. For the informal interviews, no formal questionnaire was used. Talking points mainly covered the journalists' perspective on digital news media space in general and ad-less media in particular; the advantages and disadvantages of ad-less revenue models; and the principles that guide the functioning of such media in a corporate-dominated communication industry. The researcher took notes during the interviews and clarifications were sought whenever needed during the subsequent data analysis. These interviews allowed the researcher to gain insight into the differences and similarities between an independent, ad-less digital media and advertiser-subsidized mainstream media.

The interview data were analyzed using thematic coding (Flick 2009: 318-323). Each interview was analyzed initially using open codes. Subsequently, interviews were further coded to generate root codes and sub codes. This helped understand the connection among codes. Finally, selective coding was employed to generate common themes across various categories. This approach was adopted to get a thematic structure that is grounded in the data and comparable across the interviews. For this paper, the author selected 9 themes -- entrepreneurial objectives, ideology, branding, technology's role, power and control, legal challenges, commodification, exploitation and surveillance (Table 1) --that are relevant to the research questions using selective coding.

For the critical analysis of technology, these themes were interpreted in accordance with the theories described in the review of literature to understand and critique the digital news media's objective of creating an independent media space and its dependency on corporate owned and government-controlled technologies. For instance, commodification, exploitation and technology's role are analyzed using the critical theories of Internet (Fuchs, 2009) and Smythe's (1981) concept on audience commodification. These themes are clubbed together and explained in detail in the following sections.

Table 1. Themes and Categories

Thematic Category	Selective Codes
Entrepreneurial Objectives	Founders' reasons for starting a new firm, leaving their employment, family ownership, corporate control
Ideology	Choosing not-for-profit structure, establishing independent media, ad-less revenue model, upholding individual liberty, watchdog media, strengthen democracy, protest movement against large corporates
Branding	Credibility, reputation, experience, expectations from public, elitist media
Technology's role	Low cost, bringing down entry barriers, immediate feedback, disproportionate influence
Power and Control	Governments' role, hostile policies, Internet shutdown, producers' control over content, powerful individuals trying to control news
Legal Challenges	Cases against the organization, slow pace of legal process
Commodification	Social media dependency, activities on social media
Exploitation	Free content creation on social media, User data being used for accumulating profit by social media
Surveillance	User data being collected by governments, data exchange between government and social media, data misuse by government against individuals

4. Results

4.1. Objectives, Ideology and Branding

The basic aim of establishing *The Wire*, said its founders, was to build a space for quality journalism, without being influenced by corporate funding or family ownership. V¹, one of the founding editors of *The Wire*, stated that as per Section 8 of the Indian Companies Act 2013, the three founding editors were the directors of the company. Blaming mainstream media's advertising-subsidized business model for eroding the professional standards of journalism, the founding editors wanted *The Wire* to be a not-for-profit organization supported by grants and contributions from individuals. In May 2016, *The Wire* had 10 employees apart from the three founding editors.

The decision of the founders of *The Wire* to not follow the business model of mainstream media has much to do with the circumstances under which they came together to establish the organization. Varadarajan's exit from *The Hindu* was not devoid of controversy. The fight between Varadarajan and the owners of *The Hindu* became public in 2013, when the owning family accused Varadarajan of violating the editorial code. Following a public spat, Varadarajan quit the newspaper, saying that the family who owned the paper wanted to take back control of *The Hindu* and that they did not want to run it as a professional organization. In fact, Varadarajan took to Twitter to announce his decision to quit *The Hindu*. There were other facets to the editorial changes at *The Hindu*. Media reports suggest Varadarajan's US citizenship and his decision to not place any stories on India's present Prime Minister Narendra Modi from the right wing Bharatiya Janata Party (BJP) on the front page of the

¹ Interview participants are not identified by name in order to protect confidentiality

newspaper contributed to his resignation. One of the BJP leaders Subramanian Swamy had filed a case questioning Varadarajan's eligibility to become the editor of an Indian newspaper, citing his citizenship. (Choudhary, 2013; Staff, 2014).

It was against this backdrop of ideological battle that the founding editors launched the operations of *The Wire* as an independent digital news media, free from family and corporate control. As M, an editor with *The Wire*, said he used to work with Varadarajan at *The Hindu*. He recalled that things changed drastically in October 2013 as Varadarajan was forced to drop a lot of his projects. "Varadarajan was stressing on editorial independence from business interest. All of those aspirations sort of came together and we decided that this is the right time to start a venture." It should be noted that the third founder Sidharth Bhatia's exit from DNA did not involve any ideological battle. Bhatia said he left the paper in 2009 to devote his time to writing books on culture and cinema.

Opinions within the journalistic community were divided regarding Varadarajan's performance as the first professional editor of *The Hindu* who did not belong to the family of owners. As GP, a journalist with a leading news daily, said that Varadarajan along with then CEO Arun Anant tried to change the work culture at *The Hindu*. "Varadarajan hired new people and encouraged competition. But many senior editorial members who had been with the organisation for long could not approve of this change in culture."

As far as Varadarajan's political ideology is concerned, there were no doubts. As AR, an editor with a business newspaper, said, "Varadarajan was and still is against the kind of politics practised by right-wing Hindutva people, especially Narendra Modi." While AR thought such a stand is justifiable at the personal level, he said "as an editor you should not put a blanket ban on certain stories in a highly competitive media space as it could affect readership and revenues."

SG, an editor with a business daily, also believed that the BJP's big win in the 2014 parliamentary elections and Modi's rise as the prime minister have prompted the launch of *The Wire*. "For Varadarajan, these are strong enough reasons to launch a media that can provide a platform for anti-establishment news, criticizing the government and its policies." He however, had doubts whether *The Wire* would be able to follow the same stand if there was a change in government. SG also questioned the sustainability of an ideologically charged news platform in a capitalist society, where money was needed to survive. "Only a few like Varadarajan who belongs to an elite club of journalists can launch a non-profit digital media to take on the government without any assured source of revenues."

B, one of the founders of *The Wire* agreed that the founders' public image work in a positive way. However, he did not want to use the word brand image to describe them. "Unfortunately, the word brand is used to describe a human being. What you may say as a brand is decades of credibility, slowly built up." He felt that as everybody knew who they were, the expectations also could go up. High expectation from the public also could mean *The Wire* had to reflect the values of its founders. "The Wire has 7-8 articles put out on a day. Those articles have to meet the same standards as our credibility. Those articles have to be exactly of the same rigour, of the same quality," said B.

According to him, *The Wire* stood for clean writing, objectivity and fairness. He thinks at the moment “*The Wire* is the brand, not us.”

Although it seemed *The Wire* represented the left side of the ideological spectrum, the founders’ position was more nuanced than that. As V explained, “We are a not-for-profit public interest journalism platform. We hope that we can have revenue models which are not totally ad-driven.” V felt advertisers might influence editorial policies. “Our basic objective is to inform without fear or favor.” He said the founders’ basic value was that they stood for the right of the individual against the normally overbearing nature of the State. “We are socially and economically liberal in our approach.”

AM, a contributor to *The Wire* and other digital news media organizations, concurred that these sites were popular among the elite. He called them “alternative news sites” and said they had great traction among the academic and media communities. “There are a certain niche people who refer to them. It is the culturally dominant section of let us say alternative society or whatever you like to say.” As a former journalist who worked with CNN-News 18 (formerly CNN-IBN) and Times Now, AM considered news production as a political endeavor. He left the traditional media due to the corporatization of news.

SK, a novelist, corporate executive and contributor to *The Wire* and other online publications, said that commitment to ideology and commitment to truth were two different things. “Bias is inherent and the issue is how many biases a journalist can fight to offer public service news.” According to SK, in Western countries, it was mostly mandatory for financial journalists to disclose their business interests – e.g., if they hold a company’s stocks or have done consultancy work for a company – while writing about a company or an event. He pointed out that in India, while some people made disclosures for business writing, nobody made any such disclosures for political stories. “It never comes out whether one is a supporter of the BJP or not. At least four journalists have become Rajya Sabha members after Modi coming to power.” He admitted that when he was writing for *The Wire*, he could not write anything positive on Modi. SK considered himself a right-wing intellectual who did not want any kind of government intervention in society. Yet he wrote for *The Wire*, *The Guardian*, *The New York Times*, *Scroll* and *The Hindu*, all of which he believed support left liberal ideology. He admitted that if he were to strictly follow his ideology, he would not be writing anything at all. SK also revealed that he could exercise his liberty because he did not depend on journalism to make a living. He has a thriving corporate career and his contributions to various sites and newspapers helped establish him as a well-known writer. “I will not deny the fact that it improves my Google search ranking and contributes to my corporate career.”

It is evident that people’s interpretations of ideology are different making it sometimes difficult to draw a line between left and right. This is especially true in a country like India, where many journalists support free market ideologies, as the liberalization policies in the 1990s witnessed a rise in salaries and an increase in the number of job opportunities. Therefore, it is not surprising that SK, a right-wing corporate liberal who writes for fame and glory, and AM, an activist, who thinks journalism is a political process, find their space in a left-leaning not-for-profit public service news website.

Most of the interviewees, who started their careers in the late 1980s and early 1990s agreed that liberalization has worked well for the Indian media industry. They did not think advertisements influence news reporting. TA, an editor of a mainstream daily, said “the bigger the media house, the greater its power to withstand pressure related to advertisements.” He pointed out that the media industry was so competitive that to survive one cannot afford to take sides.

In fact, in India there were no laws governing the advertising space in newspapers. Concurring with TA, SG stated that what prevented newspapers from becoming mere vehicles for advertisements was the fear of losing readers. “If you lose readers, then advertisers will shift to another publication.” This is a thought that is in agreement with Smythe’s (1981) concept of audience commodity. Media advertisers pay for readers’ attention, and media houses want to increase their readership or audience so that they can command a premium from advertisers. Given the increased competition, media houses do not want to compromise on news quality for fear of losing readers and revenues, and this fear works in favor of readers getting quality news. What frames the news production process in mainstream media is this contradiction between maximizing advertisement revenues and protecting readers’ interests.

The mainstream media’s defensive stance is shared by B as he said “I personally do not think advertisements will dilute the content.” He considered that advertisements were also information. “No journalist will object to advertising. People will object to advertising influencing editorial.” However, Dubbudu (2015) noted that in India the government was one of the largest advertisers, and it used this status to buy favorable coverage from the media. Viewing advertising and news as church and state, B said the separation between them could not be taken to a ridiculous extent.

Furthermore, not all people from *The Wire* share the same point of view, as M stated “We are going to be completely independent. We have decided never to go for advertisements.” He considered *the Wire*’s launch and its journey as a kind of resistance or protest movement against the mainstream business media. “That is part of our identity.” Stressing on retaining editorial independence M said *The Wire* has decided never to take any kind of corporate funding. “If anyone chooses to give us money, it has to be in the form of grants or donations through a not-for-profit foundation.” He did not consider foundation funding as an investment. “It is not the same as IBN Network being bought out by Reliance, the largest corporate in India. That is not possible with *The Wire*.”

However, B thought that *The Wire* could not completely avoid corporate funding, as he said there were enough enlightened people in this country who would be willing to fund organizations like *The Wire* as long as they brought some serious issues into the national debate. He explained that such people were not saying “Here is the money and do this,” nor are they saying “Here is the money and do not do this.” As both facets are equally important. important.” He pointed out that those who were willing to fund *The Wire* were not going to sit on its board. “But they will fund those ventures whose focus is in alignment with their vision.” V also felt advertising revenues from small and medium companies and government campaigns for programs like immunizations should be fine, as they did not influence content production.

The wire was started with an initial investment of Rs 10 lakh each from the founders. In August 2016, *The Wire* received a grant of Rs 1.95 from the IPSMF and a second tranche of Rs 1.75 crore in March 2017. Until this point, the operational expenses of the organisation had been covered by the founders' personal money and donations from readers and supporters. As part of the donations from individuals, *The Wire* received Rs 1 crore in two tranches from Rs 50 lakh from Rohan Murty, son of N.R. Narayana Murthy, one of the founders of India's second largest IT services company Infosys. Rohan Murty's donations fund *The Wire's* science coverage.

There are also people who believe it is the duty of ordinary readers to make independent media sustainable through donations and subscriptions. SK said advertising as a model had its own consequences for the independence of news. "There are times when companies will withdraw advertisements. Governments have their own way of controlling media." He thought people should pay for news. "Why are people not willing to pay for news whereas they spend Rs 150 to buy a movie ticket? That to me is a more significant question."

These discussions and disagreements on advertising and funding stem from the fear that it may work against readers' interests and the delivery of news as a public service. As Splichal (2007: 255) states "public service media must be a service of the public, by the public, and for the public". Public service media (PSM) should be financed, controlled and produced by the public. *The Wire* faces issues of sustainability and finding new revenue sources. Individual donations are currently the organization's only source of revenues. *The Wire* is planning to establish a think tank that will provide research. It is also exploring collaborations with other media. As V said the objective was to cover the cost and plough enough surplus back into the organization. At a later stage, *The Wire* is planning to adopt a subscription model.

However, *The Wire*, cannot accept payments from abroad. Only Indian citizens can donate to *The Wire*. The organisation does not have Foreign Contributions Regulation Act (FCRA) clearance from the government. Considering *The Wire's* anti-establishment position and the number of cases filed against it by people closely linked to the ruling BJP government (Ninan, 2017), it is highly unlikely that it will receive FCRA clearance. In addition, a subscription model that places articles behind a paywall can undermine *The Wire's* objective of providing news as public service. It is also in conflict with its identity as a protest movement against the mainstream media, as a paywall restricts access and makes news a direct commodity being sold at a price to a consumer. As of the time of writing, the content is completely free to all readers on *The Wire's* site.

4.2. Power and Control Over Technology and Content

The interview participants from *The Wire* unequivocally stated that technology helped the organization to keep its operating costs to a minimum. The big advantage of the web for them was that unlike mainstream media they did not have to spend anything on distribution. According to them, the cost of establishing an online media organization is very low compared to traditional media like print or TV. As a result, the founders managed to launch the site with a very small capital base. As V explained that technology helped them to have such a disproportionate influence on the web in terms of competing with other media organizations with such a small capital investment. Despite a decentralized set up where contributors and some employees are located in other parts of the country, due to technology, coordination and connectivity never posed a problem in *The Wire's* functioning.

Although the participants were optimistic about the potential of the technology to bring down operational cost, they admitted that the news gathering (reporting costs including employee salaries and contributors' payments) were the same as those of mainstream media. In 2016, *The Wire* commissioned 60% of its content and 40% came as contributions from academics and other professionals. While *The Wire* was dependent on technology for the production and distribution of its content, B said "we should not make grand judgements on technology like the net is the answer to all our problems." He noted that at the moment everyone was rushing into online media. With competition increasing B thought that there would be people making silent compromises on content to stay afloat and nobody would come to know about it." His fears stem from the fact that it is easy to control the technology, as much of technology's potential to provide a democratic online space depends on government policies. As B says, "So far everything is open. How do you know what kind of rules the government is planning?"

These fears are in line with McChesney's stand on technology. As McChesney (2010: 142-143) argues, "The openness of the Internet is due to policy as well as technology. Telecommunication companies and cable companies have the power to censor the Internet and work hand-in-hand with the governments that grant them monopoly licenses." Smythe (1981: 217-223) also observes that technology is not an independent autonomous force. Although India has adopted net neutrality norms, the rules are likely to benefit large companies like Reliance Jio Infocomm and Bharti Airtel. These are integrated operators, which own both telecom infrastructure and content, and TRAI has decided to exempt content delivery networks from the regulation (Pandey, 2017). Reliance is also one of the largest media owners in the country (Media ownership, 2015). With significant telecom infrastructure under its control, Reliance is likely to attain an edge over others, especially small digital media companies like *The Wire* that do not own or control telecom infrastructure, suggesting the difference between access to the means of production and ownership of it (Andrejevic, 2011: 97).

In addition, technology is not a sufficient condition for the growth of independent media. It is dominated by capitalist structure. In the absence of suitable constitutional protection, state or the central governments in India can always control the media using legal provisions. This is evident in the case of *The Wire*, which is facing problems from a hostile central government. Unlike the US, in India, the constitution allows the state to impose reasonable restrictions on freedom of speech and expression (Venkataramanan, 2016), and it is difficult for any news media organization to uphold the right to free speech. They may either be forced to make compromises or be pushed into drawn-out legal battles. With the Indian Supreme Court having confirmed defamation as a criminal offence (Sen, 2016), there is an added danger of powerful individuals taking media to court on frivolous charges of defamation. *The Wire*, is engaged in a legal battle with Rajya Sabha (upper house of the Indian Parliament) member Rajiv Chandrasekhar and Home Minister Amit Shah's son Jay Shah in two separate defamation cases. *The Wire* was forced to take down two articles from its site following an ex parte injunction issued by a Karnataka state court in a case filed by Rajiv Chandrasekhar (Staff, 2017; NH Web Desk, 2019)

The state and central governments, powerful individuals and corporates in India have always used laws to control the media (India Today Web Desk, 2017) and it also tops the world with the maximum number of Internet shutdown (Reddy, 2018). The Indian government shutdown the

Internet purportedly to prevent political unrest, communal tensions and riots. The country's only Muslim majority state Jammu and Kashmir has been cut off from the world since August 2019, when the central government decided to revoke its special status and made it a union territory (Gilbert, 2019). Poorly-defined existing laws are sufficient to control the digital media and communication. In June 2019, a journalist was arrested by the Uttar Pradesh state police for a tweet on the state chief minister (Pandey & Singh, 2019). In most cases the courts failed to uphold Indian citizens' fundamental rights and sent them to jail for having a copy of Tolstoy's *War and Peace* (Vidya, 2019). Even the Indian Supreme court has imposed restriction on free speech as a bail condition in a corruption case involving a former finance minister of India (Roy, 2019). When even sentences uttered in a seminar can lead to sedition charges in India (Editorial *The Hindu*, 2010), it is almost impossible to expect the Internet and technological tools to establish a free media space.

The interview participants associated with *The Wire* said that they valued the Internet's potential to elicit instant responses. However, they moderated comments from readers. M said *The Wire* has very few comments compared to other online media, perhaps due to its comment moderation policy. As he explained that apart from instigating or intimidating comments *The Wire* did not permit readers to use bad language. "We like to use very good English and grammar. We do not allow comments that stray off the topic." It also hardly published any responses or comments submitted by readers as articles on its site. Yet the interviewees considered *The Wire* as an "independent" media that is willing to publish provocative or controversial content. As M puts it, "We don't have to answer to anyone." The interviewees said *The Wire* did not change their content based on their audience's comments or preferences. The only exception was factual errors, which were corrected immediately.

Many scholars (Shirky, 2010; Athique, 2013) have discussed the ability of the active audience of digital media to redefine the top-down information model of mass media and the subsequent shift of power from producers to users or audience. It can be seen that despite being an online media organization, *The Wire* cannot be considered as a medium that offers power to its audience. It does not provide a space for critical discourse or diverse opinions. A truly democratic media, as Herman (1995: 213-215) suggests, is one in which listeners, viewers, and readers not only choose programs, articles, and issues to be addressed – but the producers and participants of the resultant content are also in large measure. When examined through this lens, it can be inferred that *The Wire* does not function as a democratic medium.

4.3. Commodification, Exploitation and Surveillance

Being a news media organization, distribution of content is extremely important for *The Wire* and it depends on social media owned by private corporations to distribute its content. Social media, the interview participants from *The Wire* said, were "critical" for them. They consider social media as their main sources of distribution. As B says, "Without social media people will not come to the site." The founders of *The Wire* admitted that their dependence on social media was in stark contrast to their declared stance against corporate-funded and controlled media, as Facebook, YouTube and Twitter are large profit-oriented MNCs. However, they believed that they had no other option but to depend on these MNCs for reaching out to an audience, as *The Wire* is not "very well-known." They hoped that their dependence on social media would decrease once *The Wire* grew into

a known entity. B noted that “the importance of social media will still be there, but it will be relatively less than what it is today.”

Although social media act as free channels of distribution, they are completely controlled by for-profit corporations. They control *The Wire's* access to its audience. As Fuchs (2011) says, on social media, prosumers become unpaid workers generating content for the corporations. By disseminating its content on social media, *The Wire* generates content for the private corporations and in return gains access to distribution channels and audience. While the content produced by *The Wire* becomes a revenue-generating product for the social media, the creator of the content – in this case, *The Wire* – is not paid for its labor. This exploitation is the fee *The Wire* has to pay to gain access to social media and thereby to an audience. This also shows the class relations (Fuchs & Sevignani 2013: 262) that exist between social media like Facebook and *The Wire*, an ad-less digital news media that is struggling to raise money. Social media corporations accumulate capital through the exploitation of *The Wire* and its users' data without sharing that wealth with them. In addition, *The Wire* and its users also create free content for social media platforms leading to further exploitation.

As a not-for-profit digital news firm that does not accept advertisements, *The Wire* does not produce its readers and audience as a commodity which is sold to advertisers in return for revenues. This, however, does not imply a complete absence of commodification and commercialization. *The Wire's* YouTube channels host advertisements. This causes *The Wire's* audience to serve as what Fuchs (2011) calls “double objects of commodification.” These audience are first sold by social media companies to advertisers. Secondly, they are constantly exposed to the marketing campaigns by advertisers. This capitalist logic of commodification is evident in *The Wire's* attempt to attract an audience on social media by placing its content on these sites. In this process, *The Wire* becomes an advertiser in itself and its content on social media becomes an advertisement.

The Wire's content on social media is also susceptible to censorship. As contributor SK says, he has been trying to post an article on Mukesh and Anil Ambani, the brothers who own one of the largest private companies in India – Reliance Industries-- on his Facebook page. “Within no time, it will disappear. Thankfully, this is an old article and I have paper cuttings with me.” This kind of censorship on Facebook reflects digital news media's precarious relationship with social media as a means of distributing news and attracting an audience. Although its dependence on social media makes *The Wire* vulnerable to online censorship, the founders feel that social media is democratic. According to V, in 2016, Facebook blocked an article written by a former diplomat for *The Wire* which criticized the present government. The article was subsequently reinstated due to online protest. V thinks social media corporations may not control content for their own survival as they cannot afford to dilute their brand by censoring or cozying up to any governments.

However, the economic and political interests of private corporations and the state are a powerful force that can undermine the perceived democratic nature of social media. Advocating for a public-service social media “that transcends particularistic control and represents the public interest,” Fuchs (2014) notes that state institutions use the Internet and social media for surveillance. The Indian government's Personal Data Protection Bill, proposes to provide “blanket surveillance” power on personal data to investigating agencies to ensure the security of the state (Doval, 2019). The

US authorities have also begun asking visa applicants and other visitors for details of their social media accounts (Varghese, 2016), suggesting that governments can use social media to exert control and power over people.

The Wire's engagement with its readers is also mediated by capital, as it uses the Disqus platform for comment management. Disqus' revenue model is not markedly different from those of free social media platforms. The company tracks and collects user data from sites that use its commenting system. Disqus follows its users' activities across different sites even when they are not log in to its site (Couts, 2012). On the Disqus site under "Privacy Policy," the company provides a detailed description of its policies on collecting user data and sharing it with third parties for advertising and marketing purposes. By using Disqus' service, *The Wire* becomes its partner, providing a large number of users to the US-based marketing company, leading to the commodification of readers. Disqus in turn tracks these readers and sells their personal information to third-party advertisers, thereby commercializing the user data.

5. Discussion

This study suggests that launching and operating a digital news media organization is an ideological process. The case of *The Wire* offers useful insights into the way in which the news production and distribution is conceptualized and practiced. One of the main findings of this study is how a group of former journalists has come together to challenge the way in which mainstream media functions in India. The founders believe that focusing on profit may lead to compromise on news content. They also want to keep the organization as an independent media house and do not want their offering -- news -- to be influenced by corporate or capital. As Hoag (2008) argued, *The Wire* is an effort to challenge the ownership concentration by proving an alternative space for voices. The analysis shows that *The Wire* considers itself as a protest movement against the big corporates and family-controlled media businesses. The author's own study (Sreekala, 2019) on another digital news media start-up also shows that ideology plays a major role in creating digital news media entrepreneurship. These findings are also in line with what Wagemans et al. (2016) suggest in their study on the French journalism start-up *Mediapart*. However, unlike in France, an independent news venture with strong ideological leanings face many challenges in India. While this ideological battle can create a watchdog media that can uphold individual liberty and strengthen democracy by offering anti-establishment news, it is not easy to predict how such an organization will function if there is a change in government.

Another contribution of this research is that it finds that the Indian government is not committed to create an environment to foster news media entrepreneurship. While the paper demonstrates what was argued by Khajeheian and Tadayoni (2016) in their study that media entrepreneurship can help create public value, the government is unwilling to support firms like *The Wire*. The country lost over \$3 billion due to Internet shutdown during 2012-17. Kashmir alone suffered a loss of over Rs 100 billion since August 5 this year (Bakshi, 2019). In their study on audio-visual entrepreneurship in China, Xu and Hu (2019) find that SME entrepreneurs get limited support from the government and their functioning is constrained by license management and content censorship. The Indian

government's policies are also similar. Although it does not resort to overt content censorship, frequent Internet shutdowns are a way of controlling online communication. The lack of Internet freedom in India can not only adversely affect news media ventures but digital entrepreneurship in general also. As a result, it can be concluded that the digital technologies are not a sufficient condition for the growth of independent digital news media.

Contrary to general beliefs, this paper finds social media playing an exploitative role in the functioning of *The Wire*. While *The Wire* creates free content for social media in return for offering free space, social media companies do not share their profit with organizations like *The Wire*. In addition, social media appropriate the user data from *The Wire* and use it for profit accumulation. In this process, *The Wire* indirectly creates audience commodity similar to that of the traditional news media. However, unlike the traditional media, *The Wire's* revenue model is not completely dependent on this audience commodity. Social media's role is further complicated in India due to the government policies. These findings are in line with Fuch's (2009) theorization of Internet as a commodified space. The study further demonstrates what Andrejevic (2009) and Fuchs (2011, 2014) suggested how social media companies and government institutions use the technological tools for exploitation and surveillance. In addition, the analysis shows that contrary to its positioning as a democratic media, producers retain complete control over news content in *The Wire*, undermining its ability to provide a democratic space for interaction.

5.1. Research Limitations

These conclusions are based on a single case study. As a result, it may not represent every ad-less digital news media organization in India. In addition, these analyses are based on a set of questionnaires sent to a limited number of people. Considering that this study was done during the early stages of a start-up, conclusions may vary depending on the time, characteristics of the interview participants and the changes in the organization's structure and revenue model. Another factor of influence is the type of government in power in India. A right-wing government trying to oppress the fundamental rights of people and suppress the minority rights have played a significant role in this paper's analysis. Although the study offers a critical understanding of the ideological motivations of the founders, use of technology and the challenges faced by a digital news media organization trying to move away from the advertiser-subsidized business model, the analysis cannot be extrapolated to other digital news media organizations in India.

5.2. Theoretical Implications

The theoretical contribution of the study on digital news media entrepreneurship is four-fold. The first point is that it looks at news media entrepreneurship as an ideological process.. Secondly, the study shows that unlike entrepreneurs in other fields, journalist founders are not driven by profit motives. They look at entrepreneurship as a tool to change the society. In that way digital news media entrepreneurship falls under the category of social entrepreneurship. Thirdly, success and sustainability of digital news media entrepreneurship in India depends on government policies. Fourth, digital economy is driven by the interests of large multinational corporations that own most

of the technological tools and social media platforms. There is an increasingly unequal wealth generation taking place in the digital space, wherein small firms like *The Wire* contributes to the revenues of social media companies by supplying audience commodity and content, leading to exploitation and surveillance.

5.3. Suggestions for future research

Future studies can look at the impact of digital news media entrepreneurship on mainstream media in India, particularly on labor. Considering that digital news start-ups employ very little formal labor, mainstream media may have to look at cutting their labor cost to survive competition. Empirical evidence on how the mainstream media control its cost will be a fascinating research project. There are also several areas for further development, such as the legal aspects of the social media user data and its exchange in India and also how it affects an individual's privacy, which is a fundamental right in the country. Another area that can be explored is audience participation in the growing digital news media space. Studies can focus on readers' willingness to pay for news and how they look at privacy threats online. In addition, studies can explore business collaborations, including mergers and acquisitions in the field of digital news media start-ups.

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Research article

Two Agency Problems in Subcontracting Systems: The Case of Japan's Content Industry

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Abstract:

Purpose: A closed *keiretsu* subcontracting network is a key feature of Japan's manufacturing industry. While subcontracting systems have been observed in various fields, including the content industry, the literature largely focuses on the assembly industry, where the contribution of these systems to high productivity has been appreciated. Except industrial and government reports addressing unfair trade and inefficiency problems, there is a dearth of systematic analyses on subcontracting systems in Japan's content industry. Thus, this study aims to theoretically examine why subcontracting systems work efficiently in some sectors but not in others, particularly Japan's content industry.

Methodology: This study applies multitask agency and common agency theories to models that attribute issues in the content industry to inefficiencies in the overall subcontracting system and the asymmetric distribution of benefits. It is proved that certain characteristics of the content industries appear to worsen agency problems under the subcontracting system.

Findings/Contribution: The important characteristics are that products have ambiguous quality attributes which are difficult to verify in contracts, and that subcontractors in Japan traditionally work with multiple contractors. The findings highlight the importance of recognizing the essential features of the abovementioned problems to vitalize Japan's content industry. Thus, this study contributes to the literature that has yet to thoroughly address these factors.

Keywords: Japan's content industry, subcontracting system, multitask agency, common agency

1. Introduction: Conditions for Subcontracting Systems to Work

A closed vertical cooperation system, or the so-called *keiretsu* subcontracting network, is a key feature of the Japanese manufacturing industry. Studies have largely attributed subcontracting systems to the success of assembly industries in Japan, ignoring their role in various other fields, including the content industry. With the exception of industrial and government reports on unfair

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trade and inefficiency problems¹, there is a lack of systematic analyses on subcontracting systems, particularly in the context of Japan's content industry. This study aims to theoretically explore why subcontracting systems work efficiently in some sectors but not in others. The functions of subcontracting systems starkly differ between the assembly and content industries, alluding to the conditions under which subcontracting systems operate. Hereinafter, this section discusses various industrial and governmental reports on Japan's content industry and highlights how the circumstances detailed in the reports differ from those in the literature on assembly industries.

Most studies on Japan's subcontracting systems in the last decades of the 20th century focus on the assembly industry. These works often attribute high productivity and competitiveness in the assembly industries to subcontracting systems. Empirical research highlights a positive correlation between the technical efficiency of various industries and the intensity of their subcontracting systems². Scholars have theoretically analysed the contribution of subcontracting systems using concepts to describe their attributes, including relation-specific skills (Asanuma, 1989, 1998), voice strategy (Helper, 1991), face-to-face competition (Itoh & Matsui, 1989), and delegation of work (Fujimoto, 1998). These concepts and hypotheses are based on observations from the automobile and electric appliance industries, and thus, may not be appropriate to comprehensively analyse subcontracting systems in other industries. While these theories can help explain the workings of the subcontracting systems, they do not identify the conditions necessary for them to exist and function. The slump and declining competitiveness in Japan's assembly industry following the 1990s turned researchers' focus toward production management theories, during which more developed production systems such as *extended enterprises* emerged³. As a result, studies on the Japanese subcontracting system remain confined to the assembly industry.

In this analysis, subcontracting is a long-term, close, and robust relationship between a producer and its suppliers, as in *keiretsu*.⁴ In most cases, a subcontracting system is a multi-tiered hierarchy, observed in not only the assembly industry but also various industrial sectors in Japan. The Small and Medium Enterprise Agency under the Ministry of Economy, Trade and Industry (METI) formulated guidelines applicable to 18 fields to prevent prime contractors from abusing their superior bargaining position under the Subcontracting Act⁵. Among the 18 fields, these guidelines have been mandated in Japan's broadcasting content production and animation production⁶. The guidelines for the two industries are based on case studies conducted by competent research committees and are constantly updated. The case studies are on the infringements of the Subcontracting Act, such as abuse by those in dominant positions during transactions. The cases also include examples such as

¹ Freeman (2000) and Uesugi (2008) discuss the role of *keiretsu* in the media industry. However, their studies focus on the hierarchical ownerships of newspaper companies, and thus, ignore *keiretsu* subcontracting systems.

² Torii (1992, 2001) estimated and analysed technical efficiencies in industries in 1977 and in 1995 respectively. In addition, Japan's SME Agency reports that in 1995, the average technical efficiency of industries that depend on subcontractors for more than 30 percent of their supplies was 79.2 percent, while the equivalent efficiency of industries that depend on subcontractors for less than 30 percent of their supplies was 65.1 percent. See *1998 White Paper on Small and Medium Enterprises*, The Small and Medium Enterprise Agency. Available online: <http://www.chusho.meti.go.jp/pamflet/hakusyo/H10/index.html>. (accessed 25/09/2019)

³ Extended enterprises apply information technology to supply chain management and customer relation management (Dyer, 2000).

⁴ The literature uses the term subcontracting to denote the purchase of parts or processing services. Similar to Asanuma and Kikutani (1992), most studies analysing Japan's assembly industry apply the term to the purchase of customized or 'Drawing Supplied' parts. This study adopts the traditional definition of Japan's content producers.

⁵ <http://www.chusho.meti.go.jp/keiei/torihiki/guideline.htm>, (accessed 25/09/2019)

⁶ <http://www.chusho.meti.go.jp/keiei/torihiki/2014/140313shitaukeGL10.pdf> (accessed 25/09/2019) and <http://www.chusho.meti.go.jp/keiei/torihiki/2014/140313shitaukeGL9.pdf> (accessed 25/09/2019)

unfair demand for price cuts and refusal to receive work from a subcontractor without reasons attributable to the subcontractor.

According to METI, TV stations and film distribution companies are highly concentrated, and thus, content producers must depend on them for financing and marketing, which leads to the unfair distribution of value-added benefits⁷. Japan's Fair Trade Committee (JFTC) reports that among 281 companies, 35 broadcast programme producers work with third-tier or below subcontractors, 120 companies engage with second-tier subcontractors, and 102 associate with primary subcontractors. Further, 39.4 percent admit to experiencing abuse by those in dominant positions at broadcasting stations. Of the typical cases of abuse, 20.2 percent producers report experiencing unfair demands for price cuts⁸ and 19.7 percent have been forced to transfer the copyrights of an on-air-ready programme they produced with little or no compensation. Iwade and Yamaguchi (2017) suggest that while the total box-office revenue of the animation industry is expanding, the share of content producers' sales remains at a low 11 percent⁹.

The content industry is well known for its low wages. In 2005, the Japan Institute for Labor Policy and Training reported the severe working conditions and the high rate of personnel turnover in the animation production industry¹⁰. According to the Japanese Animation Creators Association, the mean annual revenue of animation creators was 3,328 thousand yen in 2015, which is 24 percent lower than the average salary in the private sector reported in the Statistical Survey of Actual Status of Salary in the Private Sector¹¹. Iwade and Yamaguchi (2017) define Japan's animation industry as exhausted and struggling to catch up with the new 3DCG technology. While low wages in artistic industries is not a structural problem specific to Japan (Yuugami, 2006), Japanese workers continue to earn wages lower than those of workers doing similar work in other countries (Ohashi, 2006).

This seemingly unfair distribution in the content industry is in strong contrast to the cooperative relationships in the assembly industry, where assemblers and suppliers engage in risk-sharing activities to mitigate the effects of economic fluctuations. Risk-sharing activities are a key function of subcontracting systems (Kawasaki & McMillan, 1987; Asanuma & Kikutani, 1992). These activities serve as a base to nourish trust and vertical collaboration between assemblers and suppliers and enable the proliferation of new technologies (Suzuki, 1993).

The contribution of supplier systems in Japan is not based on factors specific to the assembly industry. For example, TV stations subcontract the production of ready-to-air programmes and this entails the delegation of the entire task. The skills required for subcontractors are contingent on the manner in which a station employs current technologies, which is relation specific; alternatively, subcontractors can implement voice strategies (Helper, 1991). Close vertical relationships work well in some industries but not in some others, making it imperative to explore the conditions necessary

⁷ See the Ministry of Economy, Trade and Industry's *N Report: Toward a New Industrial Structure* (p.82), Research Institute of Economy, Trade and Industry, June 2004. Available online: <https://www5.cao.go.jp/keizai-shimon/minutes/2005/0613/item4.pdf> (accessed 25/09/2019)

⁸ See the Japan Fair Trade Committee's Survey Report on Transactions of TV Program Production Japan Fair Trade Committee, 2015. Available online: <http://www.jftc.go.jp/houdou/pressrelease/h27/jul/150729.html> (accessed 25/09/2019)

⁹ In 2015, while the total box-office revenue was 1,826 billion yen, the total sale of content producers was 201 billion yen.

¹⁰ The Japan Institute for Labor Policy and Training, *Employment and Human Resource Development in Contents Industries – Report of Research in Animation Industry –*, March 2005 Available online: <http://www.jil.go.jp/institute/reports/2005/documents/025.pdf> (accessed 25/09/2019)

¹¹ Japan Animation Creators Association, *Survey of Animation Creators 2015*, (in Japanese). Available online: <http://www.janica.jp/survey/survey2015Report.pdf>. (accessed 25/09/2019). Ohashi (2006) also details the poor working conditions in Japan's animation production.

for such subcontracting systems to work. Inferior outcomes from vertical relationships imply the failure to deal with transaction costs. The theories previously enumerated in this section demonstrate the possibilities of dealing with such transaction costs, although they are inductions from cases in the assembly industry. This raises the question of whether the content industry incurs unmanageable transaction costs. The literature suggests that the factors affecting transaction costs include complex and uncertain transactions, unverifiability, specificity of assets, and asymmetric information. However, does this imply that content products are more complex than parts supplied to the assembly industry¹²?

This study employs the multitask agency and common agency theories to address these questions, particularly why a closed vertical cooperation system works in some industries and not in others, and to determine ways to enhance the performance of the content industry. Multitask agency and common agency problems are two major issues examined in a principal-agent model¹³. In fact, certain characteristics of the content industries appear to worsen these problems under the subcontracting system. The remainder of this paper is organized as follows. Section 2 explains the multitask agency problem and Section 3 details the common agency problem. Section 4 concludes the study.

2. Multitask Agency Problems in the Content Industry

Agency problems fall into two categories, adverse selection and moral hazard. An agent is delegated a task or tasks by a principal and then, allocates resources to an activity or activities. The process results in outcomes that benefit the principal. Adverse selection arises when the principal has to contract an agent without adequate information about the agent's attributes (e.g. abilities). The efficient performance of the activities depends on the agent's attributes. The agreed-upon contract, however, is not implemented to reflect the precise attributes required of the agent, giving the agent the opportunity to earn rent from this private information. Thus, the activity inspired by the incentives in the contract does not coincide with the optimal possibility, which results in inefficiency in the transaction outcome. On the other hand, a moral hazard arises when the principal cannot observe the activity. Here, activities are assumed as the effort level chosen by the agent. While the benefit for the principal depends on the activity, its level cannot be directly controlled. The contract specifies a reward for the agent that is linked with the final outcome because the result is observable. However, because the result reflects the activity imperfectly given the presence of noise, or the agent chooses risk-avoiding options, the activity chosen departs from the optimal possibility, resulting in inefficiency.

The multitask agency problem is a type of moral hazard that arises when an agent is simultaneously assigned multiple tasks by the principal¹⁴. The agent must allocate his/her resources among these multiple activities to achieve these tasks. In general, the outcomes of the chosen activities are multidimensional and result in stochastic noise, such that they do not directly reflect the allocated resources. While the outcomes are supposed to be correlated with the allocated resources, the results of multiple activities often depend on each other. This makes it increasingly difficult to tackle the multitask agency problem. Another factor contributing to the complexity of this situation is that the principal may be able to easily observe outcomes in some situations but may find it difficult to do so in some others (e.g. product quality). If an important factor determining the performance of the

¹² In addition to these factors, Minetaki and Motohashi (2007, 2008) highlight that competitive pressure among prime contractors affect transaction costs in the content industry. Terrestrial TV stations, for example, are protected by entry regulations in Japan.

¹³ The first literature that investigated content industries with concepts of agency problems and transaction cost is Caves (2000).

¹⁴ See Holmstrom and Milgrom (1991), Dewatripont, Jewitt and Tirole (2000).

principal's payoff is not reflected in the agent's reward, this leads to biased resource allocation and thus, inefficient system performance. The model analysis highlights that contracts should not be designed to reward only easily observable outcomes because this compels the agent to engage in biased resource allocation towards activities expected to result in the desired outcome more directly¹⁵.

Consider a content industry in which the content distributor delegates production to the subcontractor. To strengthen the present analysis, I focus on TV programmes as a content example. The principal is the programmes distributor (i.e. TV stations) and the agent is the programmes producer. As the principal, the TV station requires the producer under a subcontracting scheme to supply a high audience-rating programme that attracts a large number of viewers. In addition, the TV station may require the agent to produce a high-quality programme because it perceives this to be an overall concern for viewers or at least a concern for the relevant authority.

The viewers, as end consumers, evaluate the content through their watching activities, that is, the amount of consumption. In addition to the number of viewers, programmes are evaluated for their quality, although programme quality is difficult to define. Some studies employ the term 'programme quality' to indicate the extent to which viewers consider a programme attractive—this approach is no different from evaluating programmes on the basis of the number of viewers (Motta & Polo, 1997; Nilssen & Sørsgard, 2000). By contrast, some others use the term to evaluate programmes as merit goods (Musgrave, 1959). Cabizza and Fraja (1998) argue that TV authorities, and not viewers, evaluate quality. Viewers, nevertheless, express concerns about the broadcast of low-quality programmes, particularly those targeted at children¹⁶. This study uses 'quality' to refer to content attributes prioritized by viewers but not fully reflected in the actual numbers of viewers. In addition, it assumes programmes that are produced and broadcasted can be assigned two attributes: *attractiveness*, which is directly reflected in the number of viewers, and *quality*, which is appreciated by viewers but less intensely reflected in the number of viewers. In other words, producers gain a smaller audience when investing a given amount of effort into quality as opposed to attractiveness.

Supplying a high-quality programme, thus, becomes another task to be achieved by the agent delegated by the TV station. However, while the number of viewers can be easily estimated, this is not the case for quality. Given the definition of quality adopted in this study, quality level is only partially reflected in the TV station's profits. Nevertheless, the station may gain in reputation among the public and this reputation boost could contribute to profits in the long run. Since the supplier's efforts to produce high-quality programmes are only partly evaluated, programme quality is allocated fewer resources. If the total surplus of the TV broadcasting system is assumed to be the sum of the total utility of viewers, which includes quality evaluations, and the profits of the TV station and producer, the system as a whole suffers from inefficiency owing to biased resource allocation.

The same resource allocation bias exists even if programme production is not delegated to suppliers but executed by the TV station itself to maximize profits. The subcontracting system, however, plays two critical roles. First, when programme production is delegated by TV stations, quality evaluations may differ between the TV stations and producers. Consider a case in which viewers' request for high-quality programmes is recognized more by TV stations than by producers. TV stations are in closer contact with viewers than are producers and thus, they regularly encounter viewer requests or claims and may better understand the importance of quality. Consequently, the

¹⁵ Holmstrom and Milgrom (1991) proved the reason why cost efficiency should not be rewarded as 'Missing Incentive Clause in Contracts.' Cost efficiency is relatively easy to observe while the high quality is difficult, then incentive provision on cost efficiency devastates the quality. The optimal contract is a fixed reward.

¹⁶ See Walsh, Lacznik and Carlson. (1998). In addition, see Graham and Davies (1997) and the Department For Culture, Media And Sport (1999), *Market Failure in Broadcasting*, Annex 8, Future Funding of the BBC. Independent Review Panel, available online: http://news.bbc.co.uk/hi/english/static/bbc_funding_review/annex8.pdf (accessed 25/09/2019)

delegation of production results in less efficient resource allocation than does in-house production, unless the quality is clearly specified in the contract. On the other hand, producers may better understand the importance of quality because it is intrinsic to the production process. In such cases, viewers' requests for high-quality programmes align with the producers' ethics. However, producers' efforts to supply high-quality programmes receive low evaluations by TV stations. Thus, content producers face a trade-off between relinquished profits and self-respect, and eventually, incur expenses that are not compensated by the TV station.

Second, the subcontracting system may suffer from the opportunity to 'hold up', which occurs when one party is heavily invested in the relationship and thereby locked in. Programmes produced by subcontractors generally exhibit the attributes of quality. However, the quality of a programme is unverifiable. Traded products with unverifiable attributes generally incur higher transaction costs because this situation gives the principal the opportunity to hold up the contractor. TV stations may claim the programme to be too low in quality to pay the contracted price or too high in quality to compensate for the production cost. Low quality is the most frequent pretext used by principal parties to justify unfair price cuts in the case of animation production producers¹⁷. Costs that are not specified in the initial contract are difficult to compensate, even when the customer orders changes in the specifications¹⁸.

In the assembly industry, the quality of parts supplied is undoubtedly important. Given the simultaneous demand for cost efficiency, the assembly industry is likely to face a similar multitask agency problem. However, the quality of assembled parts is observable if greater investments are made in inspections since quality can be captured through physical specifications and thus, described in the contract if necessary. Moreover, there is little discrepancy in evaluations between consumers and assembling companies because consumer evaluation is reflected in profits earned from product sales. Lower-quality parts degrade the quality of the end product, affecting profits and thus, assemblers are concerned with the quality of parts supplied by their subcontractors. Assembling companies can design optimal incentive schemes with quality standards to maximize profits, although they must consider noise and correlations among multifactor performance observations. While the system's efficiency is controllable, it is somewhat impaired depending on the magnitude of the noise and its correlations. Thus, the multitask problem is less severe in the assembly industry than in the content industry.

The content industry does not always suffer failures caused by multitask agency problems. NHK-BS, a satellite TV broadcasting channel operated by Japan Broadcasting Corporation (NHK), has avoided this problem and succeeded in providing high-quality programmes. NHK is the public broadcasting service (PBS) in Japan and NHK-BS is a platform that uses broadcasting satellites (BS) to air programmes. The service was launched in 1989 and acquired satisfactory and increasing viewership throughout the 1990s¹⁹. The subscription fee for NHK is termed a receiving fee (paid equally by all households and businesses with a TV set) in the NHK budget that must be approved

¹⁷ Among the reasons cited by producers for not being paid as initially contracted, 'lower quality than the standard' accounts for 83.3 percent. See Report of Contents Industry Support Project, 2015, p.108 (*Survey Project on Structural Change and Overseas Deployment Strategy Analysis in Content Industry*), Mitsubishi UFJ Research and Consulting Co. Available online: http://www.meti.go.jp/meti_lib/report/2016fy/000709.pdf (accessed 25/09/2019)

¹⁸ There are numerous cases reported in the *Survey Report on Transactions of TV Program Production*, Japan Fair Trade Committee, 2015. Available online: <http://www.jftc.go.jp/houdou/pressrelease/h27/jul/150729.html> (accessed 25/09/2019)

¹⁹ The Ministry of Internal Affairs and Communications describes steady increases throughout the 1990s. See *Research Report of Optimal Number of Channels held by NHK Satellite Broadcasting*, Ministry of Internal Affairs and Communications, 2008. Available online: <https://search.e-gov.go.jp/servlet/PcmFileDownload?seqNo=0000037673> (accessed 25/09/2019)

by the Diet. NHK was faced with the requirement of increasing its revenue without raising the fee and met this requirement by introducing the NHK-BS service²⁰. Satellite broadcasting was limited to NHK-BS and a private station prior to expanding the number of its channels by introducing digitized broadcasts through BS in 2000, when private companies began broadcasting their channels. However, private BS channels faced several difficulties in acquiring viewers. Consequently, they began reporting deficits and took a decade to generate positive cash flow.

Prior to launching BS channels, NHK produced all its programmes in-house. Thereafter, they began outsourcing their production because of limited resources. At the time, free-to-air private terrestrial TV stations that depended on advertisement revenue tended to air fewer documentary programmes owing to the excessive costs. This prompted NHK to emphasize documentary programmes, subcontracting their production to producers with significant experience in delivering such content to private channels. Consequently, NHK-BS was offering new attractive channels full of high-quality programmes²¹.

NHK-BS, thus, managed to avoid the multitask agency problem by introducing broadcasting channels they expected would serve as a revenue source in the long run. Simply put, the pressure to provide high-quality programmes pushed the national broadcaster to provide high-quality programmes, which is reflected in the ultimate payoff to the principal. In such a situation, the parties succeed in collaborating with one another and the principal has no reason to hold up the producers²².

3. Common Agency Problems in the Content Industry

3.1. Common Agency

Common agency refers to a case in which multiple principals trade with one agent. A typical example is when more than one manufacturer enjoys a monopoly in each product trade with the same product distributor. The manufacturers delegate the decisions related to sales amounts or retail prices to the distributor. This process warrants coordination and results in collusive outcomes (Bernheim & Whinston, 1985).

This section considers a case in which an adverse selection problem is caused by asymmetric information between the principals and the agent. The adverse selection problem requires a contract design in which the incentive mechanism induces the agent to select expected activities. However, the principal incurs an incentive mechanism cost in the form of additional rent for the agent. Therefore, the principal designs the contract such that the gap between the optimal and induced activities remains, although this results in inefficiencies.

If the principals do not employ a common agent, they delegate the tasks to separate agents. Each relationship is the same as the simple principal-agent relationship, although the agents compete with each other in differentiated markets. This competitive relationship between the two principal-agent pairs is described as exclusive agency. Martimort (1996) evaluates the outcome of common agency in comparison with that of exclusive agency. The author concludes that if the principal's products are substitutes for each other, then the competition between the agents under exclusive agency reduces

²⁰ For details on the cost and revenue structure of NHK, see the report by the Ministry of Internal Affairs and Communication cited in the previous footnote.

²¹ The Association of All Japan TV Program Production Companies (ATP), *The Future of NHK-BS*, mimeo, presented at Research Committee of Optimal Number of Channels held by NHK Satellite Broadcasting. Available online:
http://www.soumu.go.jp/main_sosiki/joho_tsusin/policyreports/chousa/nhk_ch/pdf/080229_2_si1.pdf
(accessed 25/09/2019)

²² See the previous footnote.

the amount of information rent they acquire, indicating inefficient common agency. However, if the variance in the agents' attributes is not as large, then the reduced information asymmetry may make common agency the dominant strategy. On the other hand, if the principals' products are complementary to each other, the importance of coordination makes common agency more efficient than exclusive agency.

3.2. Multiple Contractor Strategy

If the close vertical relationship in Japan's industries is considered a principal-agent relationship, then common agents represent subcontractors who trade with multiple contractors, while exclusive agents in Martimort (1996) are subcontractors who belong to a closed *keiretsu* relationship. *Keiretsu* is a hierarchical system similar to a pyramid, and thus, subcontractors can trade with only one contractor (Fujita, 1965). *Keiretsu* subcontracting systems were particularly common in the 20th-century assembly industry²³. In the current content industry, producers do not belong to *keiretsu* and are considered to operate under common agency²⁴. JFTC reports that a majority of the producers have contracts with several contractors²⁵. Intuitively, subcontractors with multiple contractors have greater bargaining power than those who depend on a single contractor. In general, if an agent has many external options for trade, the agent can enjoy a stronger position in the transaction.

This raises the question of why subcontractors in Japan's content industry suffer disadvantages in surplus distribution. A possible hypothesis is the common agency problem. Subcontractors have multiple principals and are simultaneously engaged in close vertical relationships with each principal, a situation not specific to the content industry. In Japan, subcontractors are encouraged to engage with multiple contractors or diversify their trading partners to modernize their production systems or to discard obsolete *keiretsu* subcontracting systems²⁶. The 2006 *White Paper on Small and Medium Enterprises* reports that the number of trade partners has increased over the past decade²⁷. In the decade leading up to 2006, more than half the companies in every industry have relied on their top three customers—sales to these customers account for 61 percent of the companies' total revenue. In 2006, however, the rate of companies depending on their top three customers was less than half,

²³ In the 1970s, the rate of firms in Japan that heavily depended on one contractor was 54 percent among subcontractors (see 1979 *White Paper on Small and Medium Enterprises*, Part 1, Chapter 2, Section 6. Available online: <https://www.chusho.meti.go.jp/pamflet/hakusyo/S54/index.html> (accessed 25/09/2019). Firms that rely on one contractor generally (i) depend on one contractor (ii) rely on two contractors but one contractor accounts for more than 75 percent of the work, or (iii) depend on three contractors but one contractor accounts for more than 50 percent of the work.

²⁴ In a survey conducted by the Ministry of Internal Affairs and Communications, 95 producing firms state they have no *keiretsu* relationship and 81 firms mention having a parent company. See *Survey Report on Producers of Programs Broadcast*, Ministry of Internal Affairs and Communications, 2006. Available online: http://www.soumu.go.jp/johotsusintokei/statistics/pdf/HK200600_001.pdf (accessed 25/09/2019)

²⁵ Among the participating producers, 87.6 percent rely on subcontracting work whose share is more than 50 percent in sales. Of the 340 producers, 13.8 percent contract with one contractor and 29.4 percent have contracts with 1–5 contractors, which is a typical case. See *Survey Reports of the Subcontracting in TV Program Producing Industry and the Amendment of the Subcontracting Law*, Japan Fair Trade Committee, 2004. Available online: <http://warp.da.ndl.go.jp/info:ndljp/pid/998203/www.jftc.go.jp/pressrelease/04.february/040213-02-hontai.pdf> (accessed 25/09/2019)

²⁶ See 2015 *White Paper on Small and Medium Enterprises*, Part 2, Chapter 1, Section 1, available online: http://www.chusho.meti.go.jp/pamflet/hakusyo/H27/download/2015hakusho_eng.pdf (accessed 25/09/2019), and 2006 *White Paper on Small and Medium Enterprises*, Part 2, Chapter 3, available online: http://www.chusho.meti.go.jp/pamflet/hakusyo/h18/download/2006hakusho_eng.pdf. (accessed 25/09/2019)

²⁷ 2006 *White Paper on Small and Medium Enterprises*, p.114. available online: http://www.chusho.meti.go.jp/pamflet/hakusyo/h18/download/2006hakusho_eng.pdf. (accessed 25/09/2019)

except in the automobile industry. Another noteworthy mention in the *White Paper* is that enterprises that ‘increase open transactions through standardization of products and parts’ and with ‘weakened affiliations or cooperation with specific enterprises’ perform worse than other enterprises in terms of both sales and profit ratios.

3.3. Model Analysis

This section constructs a model to test the hypothesis that issues faced by subcontractors in the content industry are attributable to the common agency problem. Martimort (1996) proposes a similar model, although it is not directly applicable to the case considered in this study. Martimort’s model is based on manufacturers delegating their product sales to agents and the basic structure can be applied to analyse the delegation of parts supplies to subcontractors. A key feature of Martimort’s model is the substitutive or complementary nature of demands; however, this study focuses on the delegation of production and not sales. Thus, I reconstruct the model to adjust to a situation in which the principal delegates production to the agent. The model analyses the substitutive and complementary relationships in the cost structure. Substitutability in cost is another way of describing the convexity of the cost function in a multiproduct firm, while complementarity is represented by concavity. Since the validity of Martimort’s (1996) result in this construction is uncertain, I conduct a simple model analysis.

First, consider a case in which one principal trades with one agent. Hereinafter, the principal is denoted by P and the agent is A . P is a TV station and A is a programme producer. P needs q programmes to broadcast. The number of programmes required, q , is assumed to be constant. A enters into a subcontracting contract with P for programmes production. The production cost per programme is a constant $c - i$ if A invests i prior to the production, where c is assumed to be constant, and investment i costs A the amount $\theta i^2/2$. θ is a parameter and is A ’s private information. This parameter is known to A prior to entering into the contract, although this is not the case for P . P only knows θ has a probabilistic distribution with a uniform distribution on $[\theta_0, \theta_1]$. On the other hand, P can observe variable i from the communication with A beforehand or through some value analysis. P offers payment $w(i)$, which is a function of investment i by A . The timing of the game is as follows: (1) A knows the own-investment parameter θ . (2) P offers A contract $w(i)$. (3) A accepts or refuses the offer; if A refuses, the payoff for A is 0 and the game ends. (4) If A accepts the offer, A invests i . (5) Trades are executed and a payment is made. In this model, q is assumed to be constant and describe the subcontracting relationships. This assumption differs from those in typical adverse-selection models, wherein A has an incentive to induce an expected effort. Note that the investment cost does not depend on q as a fixed cost in this model.

A ’s payoff from accepting the offer, denoted as π_A , is

$$\pi_A(i, \theta) = w(i) - (c - i)q - \frac{\theta i^2}{2}.$$

The first best outcome which minimizes total cost $(c - i)q + \theta i^2/2$ is attained by the investment of $i = i^F \equiv q/\theta$.

The problem to be solved by P is

$$\min_{w(\cdot)} E \left(w(i^*(\theta)) \right) \text{ s. t. } i^*(\theta) = \operatorname{argmax}_i \pi_A(i, \theta), \pi_A(i^*(\theta), \theta) \geq 0.$$

A standard procedure applied to the problem with a revelation principle gives us the following solution:

$$i^*(\theta) = \frac{q}{2\theta - \theta_0},$$

$$w(i) = \left(c - \frac{i}{2}\right)q + \frac{1}{4}\left(\theta_0 i^2 - \frac{q^2}{2\theta_1 - \theta_0}\right).$$

Under the optimal contract, efficient investment i^F is attained when A 's attributes are the lowest ($\theta = \theta_0$); otherwise, the reward for A induces insufficient investment compared to the optimal contract ($i^* = q/(2\theta - \theta_0) < q/\theta = i^F$).

Next, consider a case with two P s, P_1 and P_2 . Each P requires a fixed number of q_i programmes ($i = 1, 2$). This model does not assume competition between programmes and thus, coordination does not generate profits. In contrast to Martimort's (1996) model, which assumes a substitutive or complementary relationship in demand, the present model assumes complementarity in the cost structure. The effects of investment in production appear for both P s because the technologies required are the same. Thus, if A invests i , the unit production costs for both P s are $c - i$.

P_1 and P_2 independently offer A $w_1(i)$ and $w_2(i)$. A decides whether to accept one of them, to accept both, or to refuse both²⁸. When A refuses both offers, the game ends with zero payoff for all. When A selects only one offer, the outcome is the same as the previous case of the one-to-one contract. When A accepts both offers, A chooses i . The assumptions are the same: c is a constant, investment i requires cost $\theta i^2/2$, and θ has a uniform distribution on $[\theta_0, \theta_1]$. The timing of the game is also the same: offers are made simultaneously, as are the decisions to accept or refuse, and P s are unaware of the other party's offer.

The payoffs of A when A accepts both offers and when A accepts the offer by P_j , denoted as π_A^{12} , π_A^j ($j = 1, 2$), are as follows:

$$\pi_A^{12}(i, \theta) = w_1(i) + w_2(i) - (c - i)(q_1 + q_2) - \frac{\theta i^2}{2},$$

$$\pi_A^j(i, \theta) = w_j(i) - (c - i)q_j - \frac{\theta i^2}{2}.$$

The problems to be solved by P_j ($j = 1, 2$) are

$$\min_{w_j(c)} E\left(w_j(i^*(\theta))\right), \quad \text{s. t. } i^*(\theta) = \operatorname{argmax}_i \pi_A^{12}(i, \theta),$$

$$\pi_A^{12}(i^*(\theta), \theta) \geq \pi_A^{j'}(i, \theta), \quad \pi_A^{12}(i^*(\theta), \theta) \geq 0, \quad (j, j' = 1, 2, j \neq j').$$

The optimal solution to this problem is

$$i^*(\theta) = \frac{q_1 + q_2}{3\theta - 2\theta_0}, \quad w_j(i) = \frac{i(\theta_0 i - 2(q_1 + q_2))}{6} + \alpha_j, \quad (j = 1, 2)$$

Where

²⁸ Common agency here is 'delegated' in categories defined by Martimort and Stole (2006). A can select a contract with only one P . However, in this model, the solution is restricted to a situation in which A contracts with both P s.

$$\alpha_j \in \left[cq_j - \frac{9(2q_j - q_{j'})q_{j'}\theta_1 - (q_j^2 - 10q_jq_{j'} + 7q_{j'}^2)\theta_0}{6(3\theta_1 - 2\theta_0)(3\theta_1 - \theta_0)}, cq_j - \frac{(2q_j - q_{j'})^2}{6(3\theta_1 - 2\theta_0)} \right]$$

$$(j, j' = 1, 2, j \neq j'), \quad \alpha_1 + \alpha_2 = c(q_1 + q_2) - \frac{(q_1 + q_2)^2}{6(3\theta_1 - 2\theta_0)}.$$

Thus, the optimal solution exists continuously²⁹.

Then, consider a case in which each *P* contracts with different *As* to evaluate the solution under common agency compared with the solution with exclusive agents. Since I do not introduce competitive relationships, the solution does not differ from that in the case with one *P* and one *A*. As explained above, investment is

$$i^*(\theta) = \frac{q_j}{2\theta - \theta_0} \quad j = 1, 2.$$

The common agent is assigned a lower incentive for investments ($q/(2\theta - \theta_0) > q/(3\theta - 2\theta_0)$ for $\theta > \theta_0$), rendering the system's performance less efficient. Martimort (1996) demonstrates the relative inefficiency of common agency for the case of complementary demands. In this study, complementarity exists in the cost structure, rather than in demand, and thus, the property of the solution differs. In Martimort's model, when demand is complementary, coordination between the principals is critical, which is advantageous to common agency. However, when costs are complementary as in the present model, the contractors do not coordinate with each other but play a blame game to force their rivals into paying an investment cost. The difference in the minimization problems between exclusive agency and common agency is in the effective inequality constraints. In the case of exclusive agency, the effective constraint is a participation constraint which secures a non-negative profit for the subcontractor, while in the case of common agency, it is the incentive constraint which requires no less profits for an additional contract. A prime contractor of a common agent designs the payment such that it compensates only the incremental cost of the offered job. Thus, both prime contractors offer less payments and provide fewer incentives for the subcontractor to investment, resulting in less efficient outcomes for the overall subcontracting system.

Note that complementarity in the cost structure is assumed to be an extreme case. If *A* engages in cost-reducing investments, the investment affects production for both *Ps*. Thus, in this model, it is not surprising that the case in which exclusive *As* invest is less efficient than the case with a common agent because of the duplicated investments. However, inefficiency intrinsic to common agency may sometimes be so severe that it overwhelms the inefficiency of duplicated investments. That is, there are cases in which the total efficiency of a system with exclusive agency is higher than that of a system with common agency despite duplicated investments. Region $(\theta_1, q_2/q_1)$ in Figure 1, depicted using oblique lines, indicates that the total cost is higher with a common agent than that with two exclusive agents when $c = 1$ and $\theta_0 = 1$. Thus, when there is considerable heterogeneity among contracts for the agent, the inefficiency with a common agent may exceed the inefficiency from duplicated investments.

²⁹ According to Martimort (1992), it is not possible to obtain a solution by simultaneously applying revelation principles to both the principals. Here, a solution is obtained by fixing one of the first-order conditions for its rival, as in Martimort (1996).

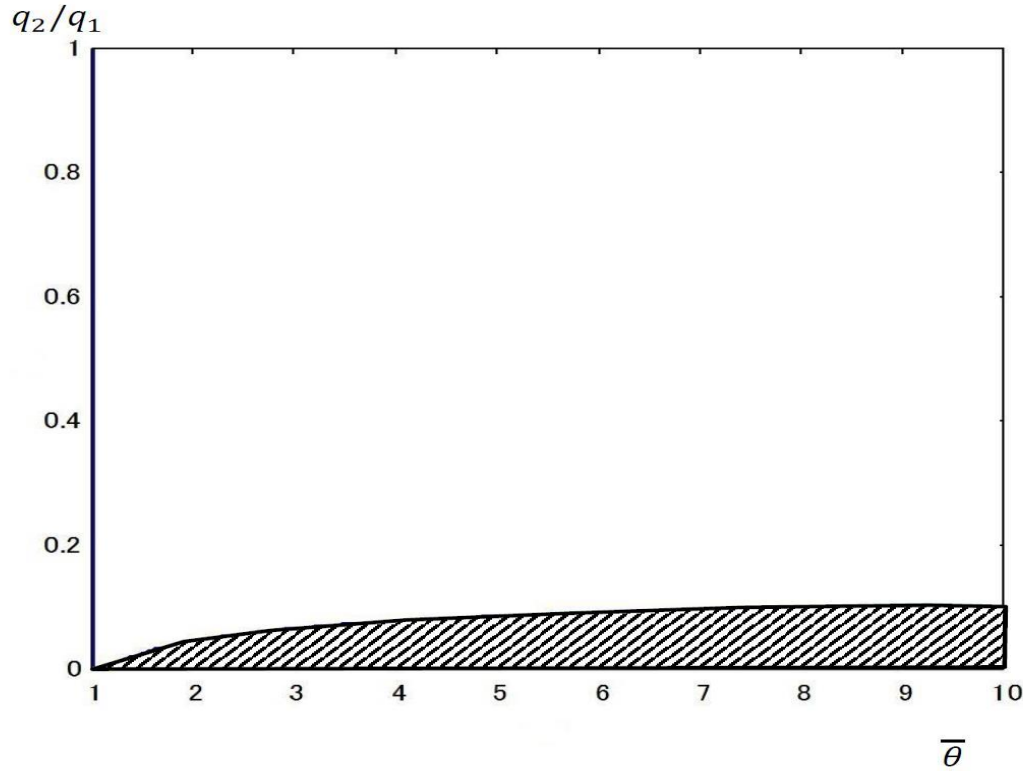


Figure 1. Region where inefficiency with a common agent exceeds that of duplicated investments

Another difficulty with common agency can be demonstrated in the optimal solution. The optimal solutions continuously exist and the information of the offer made by rival P is required to determine a solution. The remainder of this section explains the problem using a simpler and more intuitive example. I assume $q_1 = q_2 = 1$ and no cost-reducing investments. Further, the cost to produce one product is 10 and that to produce two products is 15 under a complementary cost structure. The conditions for offers by both P s to be accepted are

$$w_1 + w_2 - 15 \geq w_1 - 10, w_1 + w_2 - 15 \geq w_2 - 10, w_1 + w_2 - 15 \geq 0,$$

where $w_i, (i = 1,2)$ is the offer by P_i . Cost minimizing of both P s provides the following solution:

$$w_1 + w_2 = 15, w_1 \geq 5, w_2 \geq 5.$$

The solutions continuously exist depending on the distribution of gains obtained through savings from joint production. If one solution is attained by some negotiation among the P s, the solution becomes a Nash equilibrium on the condition of a rival offer.

Then, consider a case in which the costs are substitutes of each other. Assume the cost to produce one product is 10 and that to produce two products is 25. The conditions for offers by both P s to be accepted are

$$w_1 + w_2 - 25 \geq w_1 - 10, w_1 + w_2 - 25 \geq w_2 - 10, w_1 + w_2 - 15 \geq 0,$$

and cost-minimizing of both P s provides the following solution:

$$w_1 = w_2 = 15.$$

Thus, when the costs are substitutes of each other, the common agent can acquire profits if not information rent³⁰. This result is in contrast to that for the abovementioned case of cost complementarity, where the rents acquired by *A* are exhausted in the cost-minimizing offer by both *Ps*.

The distribution of benefits from transactions exhibits the same nature in the solutions of both the model with cost-reducing investments and the simple model with cost complementarity. The rent acquired by *A* is also exhausted in the cost-minimizing offer by the *Ps* if *A* is a common agent. Then, the rent for the common agent reduces compared with that for the exclusive agent. In fact, if the profits acquired by an exclusive agent and a common agent have the same attributes θ and order of products q , denoted as $\pi^E(\theta)$ and $\pi^C(\theta)$, then

$$\pi^E(\theta) = \frac{q^2(\theta_1 - \theta)}{2(2\theta_1 - \theta_0)(2\theta - \theta_0)} > \frac{q^2(\theta_1 - \theta)}{2(3\theta_1 - 2\theta_0)(3\theta - 2\theta_0)} = \pi^C(\theta).$$

In this section, the inefficiency incurred under common agency is considerable enough to overwhelm the inefficiency of duplicated investments. Moreover, the complementarities in the cost structure may render surplus distribution more difficult in the content industry. In this industry, the surplus of agents in contracts with multiple principals is likely to be squeezed. In other words, when the same technology acquired to trade with a given contractor is effective when used with other contractors, the producers' cost-minimizing activity extracts a larger part of the gains. During the late 20th century, *keiretsu* was a common approach to subcontracting in the assembly industry, and particularly the automobile and electric apparatus industries. Thus, subcontractors typically had one parent contractor and could avoid common agency problems. The healthy growth of subcontractors contributes to that of their parent assemblers. By contrast, when programme broadcasters delegate production to several producers, the advanced technologies of subcontracting producers may be used in productions for rival broadcasters. This information can considerably reduce producers' profits.

Taguchi (2011) examines Japan's die industry and offers key implications for the present model. The author reports that typical die manufacturers trade with 4–5 contractors. In the past three decades of the 20th century, die manufacturers have earned sufficient profits to invest in their plants. Since the know-how required to produce dies includes numerous complicated factors, even small-scale manufacturers have been able to secure stable orders with sufficient cash flow, allowing them to make active investments to keep pace with new technologies. However, even with technology levels remaining high, now the trade is barely profitable due to competition from emerging countries that have also caught up with the new technologies. Meanwhile, numerically controlled machine tools, data accumulation, and systematization have replaced skilled labour. This transition is considered a change from increasing marginal cost (employment of skilled labour) to decreasing marginal cost, or a complementary cost structure (versatile technology from digitalization). This change in the common agency system reduces rents for die manufacturers and deprives them of funds for replacement investments.

4. Conclusions

This study attempts to theoretically explain a content industry with a hierarchical subcontracting system. More specifically, it analyses the multitask agency problem and the common agency problem as key sources of difficulties. Both theories explain the inefficiencies caused in the overall subcontracting system and particularly, the asymmetric distribution of benefits. The characteristics of the content industry further contribute to the severity of these problems in the subcontracting systems.

³⁰ Martimort (1996) shows that common agency is selected even when exclusive agents are desired. Note that this, however, possibly leads to inefficiency when costs are substitutes.

First, the content industry's products have ambiguous quality attributes that are difficult to verify or define in contracts. This results in discrepancies between the evaluations of contractors and the efforts of subcontractors, which further results in inefficient resource allocation (i.e. multitask agency problem). The asymmetric distribution of benefits between contractors and subcontractors discussed in Section 1 may result from a 'hold up': prime contractors use the evaluation of unverifiable quality as a pretext to exploit subcontractors.

Second, subcontractors in Japan's content industry traditionally work with multiple contractors. The model analysis in this study shows that when the costs for contractors are complementary, inefficiency caused by adverse selection is intensified in common agency because contractors play a blame game to force their rivals into incurring the subcontractors' investment cost. In addition, the inefficiency of common agency may overwhelm that of duplicated investments when there is considerable heterogeneity in the contracts for an agent. As a result, the surplus for the common agents lose a considerable portion of their surplus to prime contractors.

These factors have yet to be fully addressed in the literature, which largely focuses on problems caused by imperfect competition between contractors and subcontractors and on differences in firm sizes between contractors and subcontractors. Contrary to previous works highlighting the unfair distribution of benefits, this study finds that the significant inefficiency problem in the content industry can be attributed to the subcontracting system. In the long run, the weakened competitiveness of Japan's content industry is likely to worsen. Moreover, industrial policies may further contribute to this issue as seen in the case of strategies to promote the diversification of trade partners. To revitalize the industry, it is necessary to recognize the essential features of the problem. First, contracts in the content industry should recognize the importance of product quality. Second, when an offer by a prime contractor requires investments by a subcontractor, the expenses should be shared even if the technology is versatile. A noteworthy conclusion of this study is that the hierarchical subcontracting system is not suitable for the content industry.

4.1. Research Limitations

This study aims to explain possible inefficiencies using two models of agency theories. The models are not comprehensive to describe the industry. Each are prepared to point out one feature of the industry. It is yet to be proved that inefficiencies observed in content industries in Japan have such characteristics predicted in models here. Note that most industry reports introduced in the first section stresses inequality problems in distribution of surplus. The relation between the inequality and the inefficiency in the industry is tried to be analysed here, but not fully.

4.2. Theoretical Implications

When the total surplus in a supply chain is limited and to be curtailed by increased competition, the distribution fairness is important for keeping the system active. Therefore, the issue analysed here is not limited to the industry in Japan, where the problem is exhibited in an intensified way. The literature on analyses on media industries might have paid little attention to transaction cost or agency problem. If collaboration of various agents or fusion of industries becomes crucial in media industries, these concepts may help to understand problems in the performance of the industry.

4.3. Suggestions for future researches

Further research is needed especially in detailed case studies on the industry. The inefficiency should be identified by empirical studies comparing the productivity in Japan with that in other countries. To estimate the level of technical inefficiency relative to a frontier productivity is another method to identify the inefficiency. There are other industries under subcontracting system in Japan. Performance of those industries has not been evaluated although the same problems were pointed

out, for example, in construction industries. The possible inefficiency in those industries should be investigated and compared with inefficiency analysed here.

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