Business model innovation in news media organisations – 2018 special issue of the European Media Management Association (emma)

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Business models have received significant attention from practitioners and academics alike. Since the dot.com crisis, which was caused, at least in part, by an overemphasis on the disruptive potential of high-tech start-ups and a neglect of their underlying logics of value creation, the literature on business models has expanded impressively (Gassmann, Frankenberger, & Seuer, 2016). The field of media management research too has contributed to this growing body of literature on business models. Digital technology has had, and continues to have, a tremendous impact on how media organisations create value and how they need to position themselves in the expanding value network. Whereas for now television remains relatively resilient to the impact of streaming services, news media organisations find themselves already in a much more precarious situation and have experienced a strong decline in readership and advertising revenue. As digital subscriptions still have to prove themselves as a viable long-term solution, fundamental shifts in the external environment urge the need for nothing less than a transformation of organisations’ business models and the reorganisation of the news media industry as a whole. In this context, business model innovation has emerged as a promising path to value creation and has become a powerful instrument to create, or retain, competitive advantage (Wirtz & Daiser, 2017).

Media management literature has focussed on the challenges news media organisations face in managing the transition to become trustworthy providers of digital news, secure revenues to fund journalism and implement effective digital distribution strategies. A considerable number of recent research has focused on how news media organisations can develop new revenue models for digital news and how funding for high-quality journalism in the digital era might be secured. Studies have looked into alternative revenue models, including paywalls (Fletcher & Nielsen, 2017; Holm, 2016; Myllylahti, 2017; Sjøvaag, 2016), micropayments (Geidner & D’Arcy, 2015; Graybeal & Hayes, 2011), crowdfunding (Carvajal, García-Avilés, & González, 2012; Ladson & Lee, 2017), personal data and sharewalls (Bechmann, Bilgrav-Nielsen, & Korsgaard Jensen, 2016; Evens & Van Damme, 2016). In addition, online and multiplatform distribution strategies (Chyi & Tenenboim, 2017; Doyle, 2013, 2015; Lehtisaari & Grönlund, 2012; Villi & Hayashi, 2017) and the dominance of social media platforms Facebook and Twitter that have a gatekeeping position (Ju, Jeong, & Chyi, 2014; Nielsen & Ganter, 2017) have been scrutinised.

Many studies have focused on individual elements of the business model, such as revenue models and distribution strategies, (e.g. Barland, 2013; Brandstetter & Schmalhofer, 2014; Chyi, 2012; Doyle, 2015, 2016). Recently however, more attention has been given to the process of business model innovation. This has been particularly scrutinised on the level of legacy media and their capabilities to innovate. Günzel and Holm (2013), for example, found that although most news media organisations have continuously introduced innovations in certain elements of their business models, such
as mobile apps as a new distribution channel, various innovation approaches often remain uncoordinated. The authors conclude that news media organisations disregard the multidimensional nature of business models, concentrate on adapting particular elements instead of changing the entire business model logic. Casero-Ripollés and Izquierdo-Castillo (2013) claim that newspapers have implemented relatively unstructured strategies to create digital revenue streams and that organisations’ response to competitors have been primarily conservative and defensive in nature. In contrast, business model innovation is driven by the search to expand business horizons as part of a digital transformation process. With regard to business models, it appears crucial that, to be successful, the introduction of a mobile app or the implementation of a paywall is accompanied by a process of fundamental business renewal and organisational transformation (Evens & van Damme, 2016).

### Transformation of news media organisations

In the digital news marketplace that is characterised by changing reading patterns and radical business models from pure players including BuzzFeed, Vice and Snapchat, news media organisations are pressured to abandon the dominant logic and transform the dynamics of value creation that underlie their business models. Amit and Zott (2012) stress that innovative business models should be considered a key source of competitive advantage and are much harder to replicate than product and/or service innovation. Superior business models allow organisations to compete “differently” and reduce the risk to get stuck in a race to the bottom in which companies lower prices and margins to remain competitive (Casadesus-Masanell & Ricart, 2010; Teece, 2010). However, business model innovation is easier said than done. Scholars point to its experimental character but also emphasise that failure offers learning opportunities (Chesbrough, 2007; Magretta, 2002). Hence, organisations need to develop capabilities to identify new business opportunities and act highly entrepreneurial (Achtenhagen, Melin, & Naldi, 2013). Such dynamic capabilities are the core of business model innovation and enable an organisation to continuously reconfigure its competences to address changing environments (Afuah, 2014).

Media management research has addressed the difficulties for news media organisations regarding managing strategic renewal (Horst & Järventie-Thesleff, 2016; Horst & Moisander, 2015) and becoming ambidextrous (Järventie-Thesleff, Moisander, & Villi, 2014; Virta & Nando, 2017), but only little media management research has looked at transformational change from a business model innovation perspective. Céstino and Matthews (2016) build further on path dependency to explain the persistence of the newspaper business model and stress that “path un-locking” entails innovation in an organisation’s value creation logic. Wikström and Ellonen (2012) investigate the repercussions of technological change on the various “building blocks” of newspapers’ business models and claim that news media organisations have failed to restructure their business models and to develop new capabilities needed to adapt to deal with social media platforms. In her book Innovators in Digital News, Küng (2015, p.ix) examines the success of key players in digital news including New York Times and Vice and explores the “extremely coherent elements” of their winning business models. She further examined the components of organisational transformation of news media organisations in Going Digital: A Roadmap for Organisational Transformation, which offers a holistic perspective on the strategic challenges of legacy media organisations and identifies the critical internal levers of digital transformation (Küng, 2017).

The brief literature overview has shown that business model innovation in news media organisations is pressing and urgent. There is a gap between the increasing importance of organisational transformation in everyday practice and the attention it
receives in media management literature. The relationship between strategy and business models is certainly complicated; nevertheless, a large number of management theories can be applied when researching an organisation’s business model (Gassmann et al., 2016). With this special issue focussing on business model innovation in news media organisations, we want to contribute to the study of business model innovation and the field of media management research.

Thematic issue

This special issue of the Journal of Media Business Studies features three papers that, in their earlier versions, were presented at the 2017 annual conference of the European Media Management Association (emma). The thematic focus of the conference, which was organised in Ghent, Belgium, was on “Value Creation in Media Markets: Business Models, Clusters and Ecosystems” and drew significant interest from the media management community. In total, 88 papers were accepted for presentation. A selection of the papers that were evaluated especially positive by the review panel were invited to submit to the journal and underwent a double-blind review, as a result of which they were revised, accepted for publication and edited for this special issue. Following special issues in 2016 and 2017, this collection of papers is the third edition in a recently developed tradition of devoting a complete issue to the best papers submitted to the emma annual conference.

The first contribution presents the work of Joschka Mütterlein (Ludwig-Maximilians Universität München) and Reinhard Kunz (University of Bayreuth), who investigate the importance of the entrepreneurial orientation of media companies for business model innovation. Results from their quantitative survey of 50 media companies (ranging from broadcasters, film producers, newspapers to internet platforms and software developers, etc.) clearly point to the positive effects on the companies’ ability to innovate value creation and value proposition, but not on the ability to capture that value. Mütterlein and Kunz in their paper also discuss the relevance of a collaborative orientation and whether an alliance orientation of media companies bear benefits for business model innovation.

Joaquin Cestino and Adele Berndt from Jönköping International Business School specifically address issues of business model innovation on the level of newspaper industries. In their contribution, they address an existing gap in research by linking service-oriented strategies of newspapers to the theoretical marketing perspective of Service Dominant Logic (SDL) and servitisation (which includes, amongst others, customisation, resource development and coordination, and dialogue-based marketing communication) as part of creating value. They present a case study of the Swedish newspaper Svenska Dagbladet and their initiative “The Pyramid”, a project considered as best practice example for innovation in the newspaper industry. With this article, Cestino and Berndt convincingly argue for the use of SDL and servitisation as an analytical approach to assess the challenges and shifts with regard to business model innovation in the newspaper industry.

The third article sheds light on shifted forms of journalism as it deals with failure in an entrepreneurial journalism project. Entrepreneurial failure is increasing academic interest especially how to make sense and learn from failure and this context (Ucbasaran, Shepherd, Lockett, & Lyon, 2012). Amanda Daniëlle Brouwers (University of Groningen) adds to this research as she presents the results of an early-phase journalistic start-up through an examination of (auto-) ethnographic data from its founders. Being one of the founders of the start-up, she adds to existing knowledge
on the conceptualisation of failure and what it means for media companies and media entrepreneurs.

As such, this special issue presents a combination of industry, company and media practitioner perspectives on business model innovation. The three contributions share a common focus on addressing lacunae in media management literature by contributing new – often multidisciplinary – perspectives to the field by using both quantitative and qualitative research methods to address different forms of business model innovation. We hope these published papers will encourage, and inspire, media management scholars to further the relationship between strategy and business models, and apply the business model innovation perspective to (critically) assess organisational change in the media and communication industries. As this research domain is still in its infancy, more research on the specificities of media organisations is needed to enhance our understanding of the dimensions of business models and to present further conceptual insights in business model innovation.

Not only remain the theoretical foundations of the “business model” concept underdeveloped, empirical contributions may focus on the specific context of business model innovation in individual media organisations. Detailed case studies of media organisations with different value propositions, market strategies and/or revenue models can broaden our understanding of business model innovation, and examine the relationship between organisational flexibility and competitiveness. Quantitative techniques can explore the relationship between the different dimensions of the business model and confirm the relative importance of different business model components in the success of an organisation’s transformation process. Media management scholars may also examine the impact of changing customer requirements on a businesses’ transformation. As the success of business model innovation relies on its acceptance by customers (e.g. the success of paid-for content strategies depends on the consumer’s willingness to pay for that content), media organisations need to have a profound insight into changing consumption habits and preferences when experimenting with new value-creating opportunities. Finally, media management research may address the impact of policy and regulatory reform on media organisations’ strategy and business models, and explore how organisations are affected by political decision-making. Considering all these options, media management scholars can contribute to the development of this emerging research domain and provide a better understand of business model innovation in the media and communication industries.

**Disclosure statement**

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